

Q3 and Full Year Guidance Reconciliation

Business Outlook

Reconciliation of Net Loss to Adjusted EBITDA

(In thousands)

(Unaudited)

	Three Months Ended September 30, 2013	Twelve Months Ended December 31, 2013
Net loss range.....	\$(10,500) - \$(7,500)	\$(26,500) - \$(23,500)
Income tax provision.....	1,000	4,000
Interest & other expense, net.....	100	500
Depreciation.....	3,400	13,000
EBITDA range.....	\$(6,000) - \$(3,000)	\$(9,000) - \$(6,000)
Stock-based compensation.....	6,000	24,000
Adjusted EBITDA range.....	<u>\$0 - \$3,000</u>	<u>\$15,000 - \$18,000</u>

Q3 and Full Year Guidance Reconciliation

GAAP to Non-GAAP Reconciliation

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30, 2013	Twelve Months Ended December 31, 2013
Net Income (Loss)		
GAAP net loss	\$(10,500) - \$(7,500)	\$(26,500) - \$(23,500)
Non-GAAP adjustments:		
Stock-based compensation	(A) 6,000	24,000
Amortization of internally-developed software	(B) 1,300	5,000
Income tax effect on non-GAAP adjustments and impact of normalizing the effective income tax rate	(C) <u>\$750 - \$2,000</u>	<u>\$0 - \$1,500</u>
Non-GAAP net income	<u><u>\$(1,500) - \$500</u></u>	<u><u>\$4,000 - \$6,000</u></u>
Net Income (Loss) Per Share		
GAAP diluted net income (loss) per share	\$(0.13) - \$(0.09)	\$(0.32) - \$(0.28)
Non-GAAP adjustments:		
Stock-based compensation	(A) 0.07	0.29
Amortization of internally-developed software	(B) 0.02	0.06
Income tax effect on non-GAAP adjustments and impact of normalizing the effective income tax rate	(C) <u>0.01 - 0.02</u>	<u>0.00 - 0.02</u>
Non-GAAP diluted net income per share	(D) <u><u>\$(0.02) - \$0.01</u></u>	<u><u>\$0.05 - \$0.07</u></u>
Shares used in calculating diluted net income per share on a non-GAAP basis	<u><u>83,000</u></u>	<u><u>83,000</u></u>

Q3 and Full Year Guidance Reconciliation

ServiceSource International, Inc.

GROSS MARGIN - GAAP TO NON-GAAP RECONCILIATION

(In thousands)

(Unaudited)

	Three Months Ended June 30, <u>2013</u>	Three Months Ended September 30, <u>2013</u>	Twelve Months Ended December 31, <u>2013</u>
Gross Margin			
GAAP gross margin	\$29,077	\$24,500 - \$27,500	\$110,000 - \$115,000
Non-GAAP adjustments:			
Stock-based compensation	(A) 688	700	3,000
Amortization of internally-developed software	(B) 838	800	3,000
Non-GAAP gross margin	<u>\$30,603</u>	<u>\$26,000 - \$29,000</u>	<u>\$116,000 - \$121,000</u>
Gross Profit %			
GAAP gross margin	43%	38% - 41%	41% - 42%
Non-GAAP adjustments:			
Stock-based compensation	(A) 1%	1%	1%
Amortization of internally-developed software	(B) 1%	1%	1%
Non-GAAP gross margin %	<u>45%</u>	<u>41% - 43%</u>	<u>43% - 44%</u>

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Footnotes to GAAP to Non-GAAP Reconciliation

- (A) *Stock-based compensation*. Included in our GAAP presentation of cost of revenue and operating expenses, stock-based compensation consists of expenses for stock options and awards and purchase rights under our stock purchase plan. We exclude stock-based compensation expense from our non-GAAP measures because some investors may view it as not reflective of our core operating performance as it is a non-cash expense.
- (B) *Amortization of internally-developed software*. Included in our GAAP presentation of cost of revenue and operating expenses, amortization of internally-developed software reflects amortization of expense for certain software purchases and software developed or obtained for internal use and are non-cash in nature. We exclude these expenses from our non-GAAP measures because we believe they are not indicative of our core operating performance.
- (C) *Income tax effect on non-GAAP adjustments and impact of normalizing the effective income tax rate*. This adjusts the provision for income taxes to reflect the effect of the non-GAAP items (A) - (B) on non-GAAP net income and adjusts the income tax rate to a normalized effective tax rate of 40%.
- (D) For this per share reconciliation, diluted shares were used for the above calculation.

Q3 and Full Year Guidance Reconciliation

ServiceSource International, Inc.

Supplemental Cash Flow Information

Free cash flow analysis, a non-GAAP measure

(in thousands)

	Three Months Ended June 30, 2013	Three Months Ended September 30, 2013	Twelve Months Ended December 30, 2013
Operating cash flow			
GAAP net cash provided by operating activities	\$5,786	\$0 - \$3,000	\$9,000 - \$13,000
Less:			
Capital expenditures	(992)	2,000 - 3,000	7,000 - 9,000
FX adjustment	171	-	-
Free cash flow	<u>\$4,965</u>	<u>\$(2,000) - \$0</u>	<u>\$2,000 - \$4,000</u>