

S.F.'s ServiceSource snags \$66M from private equity firm

By Lizette Wilson

San Francisco's ServiceSource has secured \$66 million from General Atlantic — nearly ten times the industry's median investment.

The privately held software firm, which employs 450, will put the money to use immediately opening offices in Asia, investing in more R&D and continuing to grow the company by targeting global accounts.

CEO Mike Smerklo said he was thrilled that General Atlantic decided to back the company, but noted he was searching for brains not bucks when he began discussions with the private equity firm during the spring of 2006.

"We were looking to extend our board," he said, adding the firm, which

has been profitable since 1999, now counts Marc McMorris managing director of General Atlantic and James Madden founder and CEO of Exult among its board members.

The situation is similar to the one Smerklo encountered in 2005, when Benchmark Capital asked to invest \$10 million in the already profitable, angel-backed firm.

Although the 30 or so angels, which include Bill Egan and James Ellis, were initially reluctant to make room for the venture heavyweight, they ultimately decided it was in the best long term interest for the firm.

Since then, ServiceSource has grown revenue 10 fold to well past \$50 million and blasted past its initial headcount target of 225.

The company intends to hire another 150 in San Francisco this year.

"It's still the heart of technology here. It's where we can get the talent pool," said Smerklo. "Our employees like the city and the work place we have for them."

ServiceSource technology tracks software licenses and support contracts, automatically contacting customers when those deals expire. The company seeks to both cut the lag time between those contract renewals and upsell the customer to generate more revenue for ServiceSource clients.

Clients, which include Borland, Sun Microsystems, Hitachi and Juniper Networks, then give ServiceSource a slice of that newfound revenue.

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