

PERFICIENT INC  
Form 10-K  
March 06, 2014  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended  
 December 31, 2013

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 001-15169

PERFICIENT, INC.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware No. 74-2853258  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

520 Maryville Centre Drive, Suite 400  
Saint Louis, Missouri 63141  
(Address of principal executive offices)

(314) 529-3600  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:  
Title of each class: Name of each exchange on which registered:  
Common Stock, \$0.001 par value The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Edgar Filing: PERFICIENT INC - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting stock held by non-affiliates of the Company was approximately \$421,152,097 based on the last reported sale price of the Company's common stock on The Nasdaq Global Select Market on June 28, 2013.

As of March 3, 2014, there were 33,957,812 shares of common stock outstanding.

Portions of the definitive proxy statement in connection with the 2014 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than April 30, 2014, are incorporated by reference in Part III of this Form 10-K.

---

TABLE OF CONTENTS

PART I

Item 1. Business.	1
Item 1A. Risk Factors.	6
Item 1B. Unresolved Staff Comments.	13
Item 2. Properties.	13
Item 3. Legal Proceedings.	13
Item 4. Mine Safety Disclosures.	13

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	14
Item 6. Selected Financial Data.	15
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.	15
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.	25
Item 8. Financial Statements and Supplementary Data.	26
Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.	47
Item 9A. Controls and Procedures.	47
Item 9B. Other Information.	47

PART III

Item 10. Directors, Executive Officers and Corporate Governance.	48
Item 11. Executive Compensation.	49
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	49
Item 13. Certain Relationships and Related Transactions, and Director Independence.	49
Item 14. Principal Accounting Fees and Services.	49

PART IV

Item 15. Exhibits, Financial Statement Schedules.	50
---	----

PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Annual Report on Form 10-K that are not purely historical statements discuss future expectations, contain projections of results of operations or financial condition, or state other forward-looking information. Those statements are subject to known and unknown risks, uncertainties, and other factors that could cause the actual results to differ materially from those contemplated by the statements. The "forward-looking" information is based on various factors and was derived using numerous assumptions. In some cases, you can identify these so-called forward-looking statements by words like "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. You should be aware that those statements only reflect our predictions and are subject to risks and uncertainties. Actual events or results may differ substantially. Important factors that could cause our actual results to be materially different from the forward-looking statements include (but are not limited to) the following:

- (1) the impact of the general economy and economic uncertainty on our business;
- (2) risks associated with the operation of our business generally, including:
  - a. client demand for our services and solutions;
  - b. maintaining a balance of our supply of skills and resources with client demand;
  - c. effectively competing in a highly competitive market;
  - d. protecting our clients' and our data and information;
  - e. risks from international operations;
  - f. obtaining favorable pricing to reflect services provided;
  - g. adapting to changes in technologies and offerings; and
  - h. risk of loss of one or more significant software vendors;
- (3) legal liabilities, including intellectual property protection and infringement or personally identifiable information;
- (4) risks associated with managing growth organically and through acquisitions; and
- (5) the risk factors detailed from time to time with our filings with the Securities and Exchange Commission (the "SEC").

This discussion is not exhaustive, but is designed to highlight important factors that may impact our forward-looking statements. Because the factors referred to above, as well as the statements included under the heading "Risk Factors" and elsewhere in this Annual Report on Form 10-K, including documents incorporated by reference herein, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement made by us or on our behalf, you should not place undue reliance on any forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of this Annual Report on Form 10-K to conform such statements to actual results.

All forward-looking statements, express or implied, included in this report and the documents we incorporate by reference and that are attributable to Perficient, Inc. ("Perficient") are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Perficient or any persons acting on our behalf may issue.

Item 1. Business.

Overview

We are an information technology consulting firm serving Forbes Global 2000 and other large enterprise companies with a primary focus in the United States. We help our clients gain competitive advantage by using technologies to make their businesses more responsive to market opportunities and threats, strengthen relationships with their customers, suppliers and partners, improve productivity, and reduce information technology costs. We design, build, and deliver business-driven technology solutions using third-party software products. Our solutions include business integration, custom applications, portals and collaboration, enterprise content management, enterprise performance management, business intelligence, technology platform implementations, customer relationship management, and commerce, among others. Our solutions enable our clients to operate a real-time enterprise that dynamically adapts business processes and the systems that support them to meet the changing demands of an increasingly global, Internet-driven and competitive marketplace.

Through our experience in developing and delivering business-driven technology solutions for our clients, we believe we have acquired domain expertise that differentiates our firm. We use project teams that deliver high-value, measurable results by working collaboratively with clients and their partners through a user-centered, technology-based and business-driven solutions methodology. We believe this approach enhances return-on-investment for our clients by reducing the time and risk associated with designing and implementing technology solutions.

1

---

We serve our clients from locations in multiple markets throughout North America by leveraging a sales team that is experienced and connected through a common service portfolio, sales process, and performance management system. Our sales process utilizes project pursuit teams that include those of our information technology colleagues best suited to address a particular prospective client's needs. Our primary target client base includes companies in North America with annual revenues in excess of \$500 million. We believe this market segment can generate the repeat business that is a fundamental part of our growth plan. We primarily pursue solutions opportunities where our domain expertise and delivery track record give us a competitive advantage. We also typically target engagements of up to \$10 million in fees, which we believe to be below the target project range of most large systems integrators and beyond the delivery capabilities of most local boutique consulting firms.

During 2013, we continued to implement a strategy focused on: expanding our relationships with existing and new clients; continuing to make disciplined acquisitions by acquiring TriTek Solutions, Inc. ("TriTek") and Clear Task, Inc. ("Clear Task") in May, and CoreMatrix Systems, LLC ("CoreMatrix") in October; expanding our technical skill and geographic base by expanding our business both organically and through acquisitions; expanding our brand visibility among prospective clients, employees, and software vendors; leveraging our offshore capabilities in China and India; and leveraging our existing, and pursuing new, strategic alliances by targeting leading business advisory companies and technology providers. Approximately 99% of our revenues were derived from clients in the United States during 2013, 2012, and 2011, with the remainder derived from clients outside of the United States. Approximately 97% of our total assets were located in the United States as of December, 2013, 2012, and 2011 with the remainder located in Canada, China, and India.

We have been able to extend or enhance our presence in certain markets through acquisitions, as well as expand or enhance the services and solutions we are able to provide our clients. Through these acquisitions in 2013, we entered or expanded our presence in the San Francisco, New York City, Boston, and Washington D.C. markets and are now able to provide additional services and solutions utilizing Salesforce technologies and IBM enterprise content management and business process management solutions.

We provide services primarily to the healthcare (health and public services), financial services (including banking and insurance), retail, manufacturing, energy and utilities, automotive and transport products, consumer goods and services, telecommunications, electronics and high tech, and business services industries and markets, among others.

#### Our Solutions

We help clients gain competitive advantage by using technology to make their businesses more responsive to market opportunities; strengthen relationships with customers, suppliers, and partners; improve productivity; and reduce information technology costs. Our business-driven technology solutions enable these benefits by developing, integrating, automating, and extending business processes, technology infrastructure and software applications end-to-end within an organization and with key partners, suppliers, and customers. This provides real-time access to critical business applications and information and a scalable, reliable, secure, and cost-effective technology infrastructure that enables clients to:

- give managers and executives the information they need to make quality business decisions and dynamically adapt their business processes and systems to respond to client demands, market opportunities, or business problems;
- improve the quality and lower the cost of customer acquisition and care through web-based customer self-service and provisioning;
- reduce supply chain costs and improve logistics by flexibly and quickly integrating processes and systems and making relevant real-time information and applications available online to suppliers, partners, and distributors;
- increase the effectiveness and value of legacy enterprise technology infrastructure investments by enabling faster application development and deployment, increased flexibility, and lower management costs; and
- increase employee productivity through better information flow and collaboration capabilities and by automating routine processes to enable focus on unique problems and opportunities.

Our business-driven technology solutions include the following:

Business integration and service oriented architectures ("SOA"). We design, develop, and implement business integration and SOA solutions that allow our clients to integrate all of their business processes end-to-end and across the enterprise. Truly innovative companies are extending those processes and eliminating functional friction between the enterprise, core customers, and partners. Our business integration solutions can extend and extract core applications, reduce infrastructure strains and cost, web-enable legacy applications, provide real-time insight into business metrics, and introduce efficiencies for customers, suppliers, and partners.

Custom applications. We design, develop, implement, and integrate custom application solutions that deliver enterprise-specific functionality to meet the unique requirements and needs of our clients. Our substantial experience with platforms including J2EE, .Net, and Open-source enables enterprises of all types to leverage cutting-edge technologies to meet business-driven needs.

2

---

Enterprise portals and collaboration. We design, develop, implement, and integrate secure and scalable enterprise portals and collaboration solutions for our clients and their customers, suppliers, and partners that include searchable data systems, collaborative systems for process improvement, transaction processing, unified and extended reporting, content management, social media/networking tools, and personalization.

Enterprise content management ("ECM"). We design, develop, and implement ECM solutions that enable the management of all unstructured information regardless of file type or format. Our ECM solutions can facilitate the creation of new content and/or provide easy access and retrieval of existing digital assets from other enterprise tools such as enterprise resource planning, customer relationship management, or legacy applications. Our ECM solutions include Enterprise Imaging and Document Management, Web Content Management, Digital Asset Management, Enterprise Records Management, Compliance and Control, Business Process Management and Collaboration, and Enterprise Search.

Enterprise performance management ("EPM"). We design, develop, and implement EPM solutions that allow our clients to quickly adapt their business processes to respond to new market opportunities or competitive threats by taking advantage of business strategies supported by flexible business applications and information technology infrastructures.

Business intelligence. We design, develop, and implement business intelligence solutions that allow companies to interpret and act upon accurate, timely, and integrated information. Business intelligence solutions help our clients make more informed business decisions by classifying, aggregating, and correlating data into meaningful business information. Our business intelligence solutions allow our clients to transform data into knowledge for quick and effective decision making and can include information strategy, data warehousing, and business analytics and reporting.

Technology platform implementations. We design, develop, and implement technology platform solutions that allow our clients to establish a robust, reliable Internet-based infrastructure for integrated business applications which extend enterprise technology assets to employees, customers, suppliers, and partners. Our platform services include application server selection, architecture planning, installation and configuration, clustering for availability, performance assessment and issue remediation, security services, and technology migrations.

Customer relationship management ("CRM"). We design, develop, and implement advanced CRM solutions that facilitate customer acquisition, service and support, and sales and marketing by understanding our customers' needs through interviews, requirement gathering sessions, call center analysis, developing an iterative prototype driven solution, and integrating the solution to legacy processes and applications.

We conceive, build, and implement these solutions through a comprehensive set of services including business strategy, user-centered design, systems architecture, custom application development, technology integration, package implementation, and managed services.

We have developed a wide array of intellectual property assets – applications, utilities and products that enable our clients to speed time to delivery and reduce total cost of ownership. These foundational tools include configurable Solution Accelerators and Industry Tools that can be customized to solve specific enterprise challenges. Our Industry Tools enable enterprises to address industry-specific business process and workflow challenges. We offer tools for the healthcare, energy and utilities, financial services and retail industries. Our Solution Accelerators increase the velocity of solution development across key horizontal disciplines including business integration, content management, business process management, enterprise search and tax compliance. Our strong network of partnerships and cross-platform capabilities enable us to develop and deliver accelerators across a wide spectrum of solution areas and vendor platforms.



In addition to our technology solution services and intellectual property assets, we offer education and mentoring services to our clients. We conduct IBM- and Oracle-certified training, where we provide our clients both a customized and established curriculum of courses and other education services.

### Competitive Strengths

We believe our competitive strengths include:

**Domain Expertise.** We have acquired significant domain expertise in a core set of technology solutions and software platforms. These solutions include business integration, portals and collaboration, custom applications, technology platform implementations, customer relationship management, enterprise performance management, enterprise content management, and business intelligence, among others. The platforms in which we have significant domain expertise and on which these solutions are built include IBM, Microsoft, Oracle and salesforce.com, among others.

**Industry Expertise.** We serve many of the world's largest and most respected companies with deep business process experience across a variety of industries. These industries include healthcare, financial services and banking, consumer products and retail, telecommunications, automotive, and energy, among others.

**Delivery Model and Methodology.** We believe our significant domain expertise enables us to provide high-value solutions through expert project teams that deliver measurable results by working collaboratively with clients through a user-centered, technology-based, and business-driven solutions methodology. Our methodology includes a proven execution process map we developed, which allows for repeatable, high quality services delivery. The methodology leverages the thought leadership of our senior strategists and practitioners to support the client project team and focuses on transforming our clients' business processes to provide enhanced customer value and operating efficiency, enabled by web technology. As a result, we believe we are able to offer our clients the dedicated attention that small firms usually provide and the delivery and project management that larger firms usually offer.

**Client Relationships.** We have built a track record of quality solutions and client satisfaction through the timely, efficient, and successful completion of numerous projects for our clients. As a result, we have established long-term relationships with many of our clients who continue to engage us for additional projects and serve as references for us. For the years ending December 31, 2013, 2012 and 2011, 86%, 84%, and 81%, respectively, of services revenues were derived from clients who continued to utilize our services from the prior year, excluding any revenues from acquisitions completed in that year.

**Vendor Relationship and Endorsements.** We have built meaningful relationships with software providers, whose products we use to design and implement solutions for our clients. These relationships enable us to reduce our cost of sales and sales cycle times and increase win rates by leveraging our partners' marketing efforts and endorsements. We also serve as a sales channel for our partners, helping them market and sell their software products. We are an IBM Premier Business Partner, a Microsoft National Systems Integrator and Gold Certified Partner, an Oracle Platinum Partner, a Gold salesforce.com Cloud Alliance Partner, a Team TIBCO Partner, and an EMC Select Services Team Partner. In 2013, we received multiple awards and recognition from our partners, including:

- IBM Enterprise Content Management Business Partner Excellence Award;
- IBM Worldwide Performance Management Business Partner Excellence Award;
- Microsoft U.S. Partner of the Year;
- Microsoft Healthcare Provider Partner of the Year;
- Microsoft Central Region Enterprise Cloud Partner of the Year;
- Microsoft East Region NSI Partner of the Year;
- Microsoft Northeast Area Cloud Partner of the Year;
- Google North America Deployment Partner of the Year; and
- EMC Partner Innovation and Customer Satisfaction Award.

**Offshore Capability.** We serve our clients from locations in multiple markets throughout North America and, in addition, we operate global development centers in Hangzhou, China and Chennai, India. These facilities are staffed with colleagues who have specializations that include application development, adapter and interface development, quality assurance and testing, monitoring and support, product development, platform migration, and portal development with expertise in IBM, Microsoft and Oracle technologies. In addition to our offshore capabilities, we employ a number of foreign nationals in the United States on H1-B visas. The facility in Chennai, India is also a recruiting and development facility used to continue to grow our base of H1-B foreign national colleagues. As of December 31, 2013, we had 189 colleagues at the Hangzhou, China facility, 75 colleagues at the Chennai, India facility, and 240 colleagues with H1-B visas. We intend to continue to leverage our existing offshore capabilities to support our growth and provide our clients flexible options for project delivery.

## Competition

The market for the services we provide is competitive and has low barriers to entry. We believe that our competitors fall into several categories, including:

- small local consulting firms that operate in no more than one or two geographic regions;
- boutique consulting firms, such as Prolifics and Avanade;
- national consulting firms, such as Accenture, Deloitte Consulting, Cognizant, and Sapient;
- in-house professional services organizations of software companies; and
- offshore providers, such as Infosys Technologies Limited and Wipro Limited.

We believe that the principal competitive factors affecting our market include domain expertise, track record and customer references, growing partner network with leading technology companies, quality of proposed solutions, service quality and performance, efficiency, reliability, scalability and features of the software platforms upon which the solutions are based, and the ability to implement solutions quickly and respond on a timely basis to customer

needs. In addition, because of the relatively low barriers to entry into this market, we expect to face additional competition from new entrants. We expect competition from offshore outsourcing and development companies to continue.

Some of our competitors have longer operating histories, larger client bases, and greater name recognition, and possess significantly greater financial, technical, and marketing resources than we do. As a result, these competitors may be able to attract customers to which we market our services and adapt more quickly to new technologies or evolving customer or industry requirements.

4

---

## Employees

As of December 31, 2013, we had 1,874 colleagues, 1,573 of which were billable (excluding 167 billable subcontractors) and 301 which were involved in sales, administration, and marketing. None of our colleagues are represented by a collective bargaining agreement, and we have never experienced a strike or similar work stoppage. We are committed to the continued development of our colleagues.

**Sales and Marketing.** As of December 31, 2013, we had a 75-person direct solutions-oriented sales force. We reward our sales force for developing and maintaining relationships with our clients and seeking out follow-up engagements as well as leveraging those relationships to forge new relationships in different areas of the business and with our clients' business partners. Approximately 84% of our sales are executed by our direct sales force. In addition to our direct sales team, we also have 40 dedicated sales support employees, 27 general managers and nine vice-presidents who are engaged in the sales and marketing efforts.

We have sales and marketing partnerships with software vendors including IBM, Microsoft, Oracle and salesforce.com, among others. These companies are key vendors of open standards-based software commonly referred to as middleware application servers, enterprise application integration platforms, business process management, cloud computing applications, business activity monitoring and business intelligence applications, and enterprise portal server software. Our direct sales force works in tandem with the sales and marketing groups of our partners to identify potential new clients and projects. Our partnerships with these companies enable us to reduce our cost of sales and sales cycle times and increase win rates by leveraging our partners' marketing efforts and endorsements.

**Recruiting.** We are dedicated to hiring, developing, and retaining experienced, motivated technology professionals who combine a depth of understanding of current Internet and legacy technologies with the ability to implement complex and cutting-edge solutions.

Our recruiting efforts are an important element of our continuing operations and future growth. We generally target technology professionals with extensive experience and demonstrated expertise. To attract technology professionals, we use a broad range of sources including on-staff recruiters, outside recruiting firms, internal referrals, other technology companies and technical associations, and the Internet. After initially identifying qualified candidates, we conduct an extensive screening and interview process.

**Retention.** We believe that our focus on a core set of business-driven technology solutions, applications, and software platforms and our commitment to career development through continued training and advancement opportunities makes us an attractive career choice for experienced professionals. Because our strategic partners are established and emerging market leaders, our technology colleagues have an opportunity to work with cutting-edge information technology. We foster professional development by training our technology colleagues in the skills critical to successful consulting engagements such as implementation methodology and project management. We believe in promoting from within whenever possible and our current acquisition strategy allows our employees to continue to grow and develop in these emerging markets horizontally and vertically. In addition to an annual review process that identifies near-term and longer-term career goals, we make a professional development plan available to assist our colleagues with assessing their skills and developing a detailed action plan for guiding their career development.

**Training.** To ensure continued development of our technical staff, we place a priority on training. We offer extensive training for our colleagues around industry-leading technologies. We utilize our education practice to provide continuing education and professional development opportunities for our colleagues.

**Compensation.** Our employees have a compensation model that includes base salary and an incentive compensation component. Our tiered incentive compensation plans help us reach our overall goals by rewarding individuals for their influence on key performance factors. Key performance metrics include client satisfaction, revenues generated, utilization, profit, and personal skills growth. Senior level employees are eligible to receive restricted stock awards,

which generally vest ratably over a minimum three-year period.

Company Wide Practice ("CWP") Leaders. Our CWP leadership performs a critical role in maintaining our technology leadership. Consisting of key employees from several practice areas, the CWP leadership assesses new technologies, partnership opportunities, and serves as lead internal subject matter experts for their respective domain. The CWP leaders also coordinate thought leadership activities, including white paper authorship and publication and speaking engagements by our colleagues. Finally, the CWP team identifies services opportunities between and among our strategic partners' products, oversees our quality assurance programs, and assists in acquisition-related technology due diligence.

#### General Information

Our stock is traded on The Nasdaq Global Select Market under the symbol "PRFT." Our website can be visited at [www.perficient.com](http://www.perficient.com). We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained or incorporated in our website is not part of this document.

5

---

Item 1A. Risk Factors.

You should carefully consider the following factors together with the other information contained in or incorporated by reference into this Annual Report on Form 10-K before you decide to buy our common stock. These factors could materially adversely affect our business, financial condition, operating results, cash flows, or stock price. Our business is also subject to general risks and uncertainties that may broadly affect companies, including us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also could materially adversely affect our business, financial condition, operating results, cash flows, or stock price.

Our results of operations could be adversely affected by volatile, negative or uncertain economic conditions and the effects of these conditions on our clients' businesses and levels of business activity.

Global macroeconomic conditions affect our clients' businesses and the markets they serve. Developments, such as the recent recessions and instability in the United States and Europe, deteriorations in the Chinese economy, and the inflationary risks associated with higher commodity prices, among other developments, may have an adverse effect on our client's business and, consequently, on our revenue growth and profitability.

Volatile, negative or uncertain economic conditions in the markets we serve have undermined and could in the future undermine business confidence and cause our clients to reduce or defer their spending on new technologies or initiatives or terminate existing contracts, which would negatively affect our business. Growth in markets we serve could be at a slow rate, or could stagnate, in each case, for an extended period of time. Differing economic conditions and patterns of economic growth and contraction in the geographical regions in which we operate and the industries we serve have affected and may in the future affect demand for our services. A material portion of our revenues and profitability is derived from our clients in North America. Weakening demand in this market could have a material adverse effect on our results of operations. Ongoing economic volatility and uncertainty affects our business in a number of other ways, including making it more difficult to accurately forecast client demand beyond the short term and effectively build our revenue and resource plans, particularly in consulting. This could result, for example, in us not having the level of appropriate personnel where they are needed or having to use involuntary terminations as means to keep our supply of skills and resources in balance.

Economic volatility and uncertainty is particularly challenging because it may take some time for the effects and resulting changes in demand patterns to manifest themselves in our business and results of operations. Changing demand patterns from economic volatility and uncertainty could have a significant negative impact on our results of operations.

Our business depends on generating and maintaining ongoing, profitable client demand for our services and solutions, and a significant reduction in such demand could materially affect our results of operations.

Our revenue and profitability depend on the demand for our services and favorable margins, which could be negatively affected by numerous factors, many of which are beyond our control and unrelated to our work product. As described above, volatile, negative or uncertain global economic conditions have adversely affected and could in the future adversely affect client demand for our services and solutions. In addition, developments in the industries we serve, which may be rapid, could shift demand to services and solutions where we are less competitive, or might require significant investment by us to upgrade, enhance or expand our services and solutions to meet that demand. Companies in the industries we serve sometimes seek to achieve economies of scale and other synergies by combining with or acquiring other companies. If one of our current clients merges or consolidates with a company that relies on another provider for its consulting, systems integration and technology, or outsourcing services, we may lose work from that client or lose the opportunity to gain additional work if we are not successful in generating new opportunities from the merger or consolidation. Many of our consulting contracts are less than 12 months in duration, and these contracts typically permit a client to terminate the agreement with as little as 10 days' notice. If a client is dissatisfied with our services and we are unable to effectively respond to its needs, the client might terminate existing

contracts, or reduce or eliminate spending on the services and solutions we provide. Additionally, a client could choose not to retain us for additional stages of a project, try to renegotiate the terms of its contract or cancel or delay additional planned work. When contracts are terminated or not renewed, we lose the anticipated revenues, and it may take significant time to replace the level of revenues lost. Consequently, our results of operations in subsequent periods could be materially lower than expected. The specific business or financial condition of a client, changes in management and changes in a client's strategy also are all factors that can result in terminations, cancellations or delays. It could also result in pressure to reduce the cost of our services.

6

---

If we are unable to keep our supply of skills and resources in balance with client demand and attract and retain professionals with strong leadership skills, our business, the utilization rate of our professionals and our results of operations may be materially adversely affected.

Our success depends, in large part, upon our ability to keep our supply of skills and resources in balance with client demand and our ability to attract and retain personnel with the knowledge and skills to lead our business. Experienced personnel in our industry are in high demand, and there is much competition to attract qualified personnel. We must hire, retain and motivate appropriate numbers of talented people with diverse skills in order to serve clients across North America, respond quickly to rapid and ongoing technology, industry and macroeconomic developments and grow and manage our business. For example, if we are unable to hire or continually train our employees to keep pace with the rapid and continuing changes in technology and the industries we serve or changes in the types of services clients are demanding we may not be able to develop and deliver new services and solutions to fulfill client demand. As we expand our services and solutions, we must also hire and retain an increasing number of professionals with different skills and professional expectations than those of the professionals we have historically hired and retained. Additionally, if we are unable to successfully integrate, motivate and retain these professionals, our ability to continue to secure work in those industries and for our services and solutions may suffer.

We are dependent on retaining our senior executives and other experienced managers, and if we are unable to do so, our ability to develop new business and effectively lead our current projects could be jeopardized. We depend on identifying, developing, and retaining key employees to provide leadership and direction for our businesses. This includes developing talent and leadership capabilities in emerging markets, where the depth of skilled employees is often limited and competition for these resources is great. Our geographic expansion strategy in emerging markets depends on our ability to attract, retain and integrate both local business leaders and people with the appropriate skills.

Similarly, our profitability depends on our ability to effectively utilize personnel with the right mix of skills and experience to perform services for our clients, including our ability to transition employees to new assignments on a timely basis. If we are unable to effectively deploy our employees on a timely basis to fulfill the needs of our clients, our ability to perform our work profitably could suffer. If the utilization rate of our professionals is too high, it could have an adverse effect on employee engagement and attrition, the quality of the work performed and our ability to staff projects. If our utilization rate is too low, our profitability and the engagement of our employees could suffer. The costs associated with recruiting and training employees are significant. An important element of our global business model is the deployment of our employees around the world, which allows us to move talent as needed. Therefore, if we are not able to deploy the talent we need because of increased regulation of immigration or work visas, including limitations placed on the number of visas granted, limitations on the type of work performed or location in which it can be performed, and new or higher minimum salary requirements, it could be more difficult to staff our employees on client engagements and could increase our costs.

Our equity-based incentive compensation plans are designed to reward high-performing personnel for their contributions and provide incentives for them to remain with us. If the anticipated value of such incentives does not materialize because of volatility or lack of positive performance in our stock price, or if our total compensation package is not viewed as being competitive, our ability to attract and retain the personnel we need could be adversely affected. In addition, if we do not obtain the shareholder approval needed to continue granting equity awards under our share plans in the amounts we believe are necessary, our ability to attract and retain personnel could be negatively affected.

There is a risk that at certain points in time and in certain geographical regions, we will find it difficult to hire and retain a sufficient number of employees with the skills or backgrounds to meet current and/or future demand. In these cases, we might need to redeploy existing personnel or increase our reliance on subcontractors to fill certain labor needs, and if not done effectively, our profitability could be negatively impacted. Additionally, if demand for our services were to escalate at a high rate, we may need to adjust our compensation practices, which could put upward



pressure on our costs and adversely affect our profitability if we are unable to recover these increased costs. At certain times, however, we may also have more personnel than we need in certain skill sets or geographies. In these situations, we must evaluate voluntary attrition and use reduced levels of new hiring and increased involuntary terminations as means to keep our supply of skills and resources in balance with client demand in those geographies.

7

---

The market for the information technology consulting services in which we operate is highly competitive, and we might not be able to compete effectively.

The market for the information technology consulting services we provide is competitive, rapidly evolving, and subject to rapid technological change. Our competitors include: large multinational providers that offer some or all of the services that we do; off-shore service providers in lower-cost locations that offer services similar to those we offer, often at highly competitive prices and on more aggressive contractual terms; niche solution and service providers or local competitors that compete with us in a specific geographic market, industry segment or service area, including companies that provide new or alternative products, service or delivery models; accounting firms that are expanding or building their provision of some consulting services, including through acquisitions; and in-house departments of large corporations that use their own resources, rather than engage an outside firm for the types of services we provide.

Many of the larger regional and national information technology consulting firms have substantially longer operating histories, more established reputations and potential vendor relationships, greater financial resources, sales and marketing organizations, market penetration, and research and development capabilities, as well as broader product offerings, greater market presence, and name recognition.

In addition, there are relatively low barriers to entry into this market and therefore new entrants may compete with us in the future. For example, due to the rapid changes and volatility in our market, many well-capitalized companies, including some of our partners, that have focused on sectors of the software and services industry that are not competitive with our business may refocus their activities and deploy their resources to be competitive with us.

Our future financial performance is largely dependent on our ability to compete successfully in the markets we currently serve. If we are unable to compete successfully, we could lose market share and clients to competitors, which could materially adversely affect our results of operations.

In addition, we may face greater competition due to consolidation of companies in the technology sector, through strategic mergers or acquisition. Consolidation activity may result in new competitors with greater scale, a broader footprint or offerings that are more attractive than ours. We believe that this competition could have a negative effect on our ability to compete for new work and skilled professionals. One or more of our competitors may develop and implement methodologies that result in superior productivity and price reductions without adversely affecting their profit margins. In addition, competitors may win client engagements by significantly discounting their services in exchange for a client's promise to purchase other goods and services from the competitor, either concurrently or in the future. These activities may potentially force us to lower our prices and suffer reduced operating margins. Any of these negative effects could significantly impair our results of operations and financial condition. We may not be able to compete successfully against new or existing competitors.

We could have liability or our reputation could be damaged if we fail to protect client data or information systems or if our information systems are breached.

We are dependent on information technology networks and systems to process, transmit, and store electronic information and to communicate among our locations and with our partners and clients. Security breaches of this infrastructure could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. In providing services to clients, we are also required at times to manage, utilize, and store sensitive or confidential client or employee data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as various U.S. federal and state laws governing the protection of personally identifiable information. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to such data or otherwise mismanages or misappropriates that data, we could be subject to monetary damages, regulatory enforcement actions, fines, and/or criminal prosecution. Unauthorized disclosure of sensitive or confidential client or employee data, whether through systems failure,

employee negligence, fraud or misappropriation could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our employees or third parties, could result in negative publicity, significant remediation costs, legal liability, and damage to our reputation and could have a material adverse effect on our results of operations. In addition, our liability insurance might not be sufficient in type or amount to cover us against claims related to security breaches, cyber-attacks and other related breaches.

8

---

We might not be successful at identifying, acquiring, or integrating other businesses.

We have continued our disciplined acquisition strategy designed to enhance or add to our offerings of services and solutions, or to enable us to expand in certain geographic and other markets. Depending on the opportunities available, we may increase our investment in such acquisitions. We may not successfully identify suitable acquisition candidates, succeed in completing targeted transactions, or achieve desired results of operations. Furthermore, we face risks in successfully integrating any businesses we acquire. Ongoing business may be disrupted and our management's attention may be diverted by acquisitions, transition or integration activities. In addition, we might need to dedicate additional management and other resources, and our organizational structure could make it difficult for us to efficiently integrate acquired businesses into our ongoing operations and assimilate and retain employees of those businesses into our culture and operations.

We might fail to realize the expected benefits or strategic objectives of any acquisition we make. We might not achieve our expected return on investment, or we may lose money. We may be adversely impacted by liabilities that we assume from a company we acquire, including from that company's known and unknown obligations, intellectual property or other assets, terminated employees, current or former clients, or other third parties, and we may fail to identify or adequately assess the magnitude of certain liabilities, shortcomings or other circumstances prior to acquisition, which could result in unexpected legal or regulatory exposure, unfavorable accounting treatment, unexpected increases in taxes, or other adverse effects on our business. If we are unable to complete the number and kind of acquisitions for which we plan, or if we are inefficient or unsuccessful at integrating any acquired businesses into our operations, we may not be able to achieve our planned rates of growth or improve our market share, profitability, or competitive position in specific markets or services.

International operations subject us to additional political and economic risks that could have an adverse impact on our business.

We maintain a global development center in Hangzhou, China and a technology consulting recruiting and development facility in Chennai, India. We are subject to certain risks related to expanding our presence into non-U.S. regions, including risks related to complying with a wide variety of national and local laws, restrictions on the import and export of certain technologies, and multiple and possibly overlapping tax structures. In addition, we may face competition from companies that may have more experience with operations in such countries or with international operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture.

Furthermore, there are risks inherent in operating in and expanding into non-U.S. regions, including, but not limited to:

- political and economic instability;
- global health conditions and potential natural disasters;
- unexpected changes in regulatory requirements;
- international currency controls and exchange rate fluctuations;
- reduced protection for intellectual property rights in some countries; and
- additional vulnerability from terrorist groups targeting U.S. interests abroad.

Any one or more of the factors set forth above could have a material adverse effect on our international operations and, consequently, on our business, financial condition, and operating results.

Immigration restrictions related to H1-B visas could hinder our growth and adversely affect our business, financial condition and results of operations.

Less than 15% of our billable workforce is comprised of skilled foreign nationals holding H1-B visas. We also own a recruiting and development facility in Chennai, India to continue to grow our base of H1-B foreign national colleagues. The H1-B visa classification enables us to hire qualified foreign workers in positions that require the equivalent of at least a bachelor's degree in the U.S. in a specialty occupation such as technology systems engineering and analysis. The H1-B visa generally permits an individual to work and live in the U.S. for a period of three to six years, with some extensions available. The number of new H1-B petitions approved in any federal fiscal year is limited, making the H1-B visas necessary to bring foreign employees to the U.S. unobtainable in years in which the limit is reached. If we are unable to obtain all of the H1-B visas for which we apply, our growth may be hindered.

Our results of operations could materially suffer if we are not able to obtain favorable pricing.

If we are not able to obtain favorable pricing for our services, our revenues and profitability could materially suffer. The rates we are able to charge for our services are affected by a number of factors, including, but not limited to:

- general economic and political conditions;
- the competitive environment in our industry, as described below;
- our clients' desire to reduce their costs;
- our ability to accurately estimate, attain, and sustain contract revenues, margins, and cash flows over the full contract period; and
- procurement practices of clients and their use of third-party advisors.

The competitive environment in our industry affects our ability to obtain favorable pricing in a number of ways, any of which could have a material negative impact on our results of operations. The less we are able to differentiate our services and solutions and/or clearly convey the value of our services and solutions, the more risk we have that they will be seen as commodities, with price being the driving factor in selecting a service provider. In addition, the introduction of new services or products by competitors could reduce our ability to obtain favorable pricing for the services or products we offer. Competitors may be willing, at times, to price contracts lower than us in an effort to enter the market or increase market share. Further, if competitors develop and implement methodologies that yield greater efficiency and productivity, they may be better positioned to offer services similar to ours at lower prices.

If our negotiated fees do not accurately anticipate the cost and complexity of performing our work, then our contracts could be unprofitable.

We negotiate fees with our clients utilizing a range of pricing structures and conditions, including time and materials and fixed fee contracts. Our fees are highly dependent on our internal forecasts and predictions about the level of effort and cost necessary to deliver such services and solutions, which might be based on limited data and could turn out to be materially inaccurate. If we do not accurately estimate the level of effort or cost, our contracts could yield lower profit margins than planned, or be unprofitable. We could face greater risk when negotiating fees for our contracts that involve the coordination of operations and workforces in multiple locations and/or utilizing workforces with different skillsets and competencies. There is a risk that we will underprice our contracts, fail to accurately estimate the costs of performing the work, or fail to accurately assess the risks associated with potential contracts. In particular, any increased or unexpected costs, delays or failures to achieve anticipated cost savings, or unexpected risks we encounter in connection with the performance of this work, including those caused by factors outside our control, could make these contracts less profitable or unprofitable, which could have an adverse effect on our profit margin.

Our business could be materially adversely affected if we incur legal liability in connection with providing our services and solutions.

We could be subject to significant legal liability and litigation expense if we fail to meet our contractual obligations, or otherwise breach obligations, to third parties, including clients, partners, employees and former employees, and other parties with whom we conduct business, or if our subcontractors breach or dispute the terms of our agreements with them and impede our ability to meet our obligations to our clients. We may enter into agreements with non-standard terms because we perceive an important economic opportunity or because our personnel did not adequately follow our contracting guidelines. In addition, the contracting practices of competitors, along with the demands of increasingly sophisticated clients, may cause contract terms and conditions that are unfavorable to us to become new standards in the marketplace. We may find ourselves committed to providing services or solutions that we are unable to deliver or whose delivery will reduce our profitability or cause us financial loss. If we cannot or do not meet our contractual obligations and if our potential liability is not adequately limited through the terms of our agreements, liability limitations are not enforced or a third party alleges fraud or other wrongdoing to prevent us from relying upon those contractual protections, we might face significant legal liability and litigation expense and our results of operations could be materially adversely affected. A failure of a client's system based on our services or solutions could also subject us to a claim for significant damages that could materially adversely affect our results of operations. In addition to expense, litigation can be lengthy and disruptive to normal business operations, and litigation results can be unpredictable. While we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable. Even if we believe a claim is covered by insurance, insurers may dispute our entitlement to recovery for a variety of potential reasons, which may affect the timing and, if they prevail, the amount of our recovery.

Our results of operations and ability to grow could be materially negatively affected if we cannot adapt and expand our services and solutions in response to ongoing changes in technology and offerings by new entrants.

Our success depends on our ability to continue to develop and implement services and solutions that anticipate and respond to rapid and continuing changes in technology and industry developments and offerings by new entrants to serve the evolving needs of our clients. Current areas of significant change include mobility, cloud-based computing and the processing and analyzing of large amounts of data. Technological developments such as these may materially affect the cost and use of technology by our clients. Our growth strategy focuses on responding to these types of developments by driving innovation for our core business as well as through new business initiatives beyond our core business that will enable us to differentiate our services and solutions. If we do not sufficiently invest in new technology and industry developments, or if we do not make the right strategic investments to respond to these

developments and successfully drive innovation, our services and solutions, our results of operations, and our ability to develop and maintain a competitive advantage and continue to grow could be negatively affected.

In addition, we operate in a quickly evolving environment, in which there currently are, and we expect will continue to be, new technology entrants. New services or technologies offered by competitors or new entrants may make our offerings less differentiated or less competitive, when compared to other alternatives, which may adversely affect our results of operations.

The loss of one or more of our significant software vendors could have a material and adverse effect on our business and results of operations.

We have significant relationships with software vendors including IBM, Oracle, and Microsoft. Our business relationships with these companies enable us to reduce our cost of acquiring customers and increase win rates through leveraging our vendors' marketing efforts and strong vendor endorsements. The loss of one or more of these relationships and endorsements could increase our sales and marketing costs, lead to longer sales cycles, harm our reputation and brand recognition, reduce our revenues, and adversely affect our results of operations. The financial impact of the loss of one or more software vendors is not reasonably estimable.

Our services could infringe upon the intellectual property rights of others.

We cannot be sure that our services do not infringe on the intellectual property rights of third parties, and we could have infringement claims asserted against us. These claims may harm our reputation, cause our management to expend significant time in connection with any defense, and cost us money. We may be required to indemnify clients for any expense or liabilities they incur resulting from claimed infringement and these expenses could exceed the amounts paid to us by the client for services we have performed. Any claims in this area, even if won by us, could be costly, time-consuming, and harmful to our reputation.

10

---

We have only a limited ability to protect our intellectual property rights, which are important to our success.

Our success depends, in part, upon our ability to protect our proprietary methodologies and other intellectual property. Existing laws of some countries in which we provide services or solutions might offer only limited protection of our intellectual property rights. We rely upon a combination of trade secrets, confidentiality policies, nondisclosure, and other contractual arrangements to protect our intellectual property rights. These laws are subject to change at any time and could further restrict our ability to protect our innovations. Our intellectual property rights may not prevent competitors from independently developing products and services similar to or duplicative of ours. Further, the steps we take in this regard might not be adequate to prevent or deter infringement or other misappropriation of our intellectual property by competitors, former employees or other third parties, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights. Enforcing our rights might also require considerable time, money and oversight and we may not be successful in enforcing our rights.

Depending on the circumstances, we might need to grant a specific client greater rights in intellectual property developed in connection with a contract than we otherwise generally do. In certain situations, we might forego all rights to the use of intellectual property we help create, which would limit our ability to reuse that intellectual property for other clients. Any limitation on our ability to provide a service or solution could cause us to lose revenue-generating opportunities and require us to incur additional expenses to develop new or modified solutions for future projects.

Our ability to attract and retain business may depend on our reputation in the marketplace.

We believe the Perficient brand name and our reputation are important corporate assets that help distinguish our services from those of our competitors and also contribute to our efforts to recruit and retain talented employees. However, our corporate reputation is potentially susceptible to material damage by events such as disputes with clients, information technology security breaches or service outages, or other delivery failures. Similarly, our reputation could be damaged by actions or statements of current or former clients, employees, competitors, vendors, as well as members of the investment community and the media. There is a risk that negative information could adversely affect our business. Damage to our reputation could be difficult and time-consuming to repair, could make potential or existing clients reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of the Perficient brand name and could reduce investor confidence in us, materially adversely affecting our share price.

Our profitability could suffer if our cost-management strategies are unsuccessful.

Our ability to improve or maintain our profitability is dependent on our being able to successfully manage our costs. Our cost management strategies include maintaining appropriate alignment between the demand for our services and our resource capacity, optimizing the costs of service delivery and maintaining or improving our sales and marketing and general and administrative costs as a percentage of revenues. These actions and other cost-management efforts may not be successful, our efficiency may not be enhanced and we may not achieve desired levels of profitability. Because of the significant steps taken in the past to reduce costs, we may not be able to continue to deliver efficiencies in our cost management, to the same degree as in the past. If we are not effective in reducing our operating costs in response to changes in demand or pricing, we might not be able to manage significantly larger and more diverse workforces as we increase the number of colleagues and execute our growth strategy, control our costs or improve our efficiency, and our profitability could be negatively affected.

Changes in our level of taxes, and audits, investigations and tax proceedings could have a material adverse effect on our results of operations and financial condition.



We are subject to income taxes in numerous jurisdictions. We calculate and provide for income taxes in each tax jurisdiction in which we operate. Tax accounting often involves complex matters and requires our judgment to determine our corporate provision for income taxes and other tax liabilities. We are subject to ongoing tax audits in various jurisdictions. Tax authorities have disagreed, and may in the future disagree, with our judgments, or may take increasingly aggressive positions opposing the judgments we make. We regularly assess the likely outcomes of these audits to determine the appropriateness of our tax liabilities. However, our judgments might not be sustained as a result of these audits, and the amounts ultimately paid could be different from the amounts previously recorded. In addition, our effective tax rate in the future could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities and changes in tax laws. Tax rates in the jurisdictions in which we operate may change as a result of macroeconomic or other factors outside of our control. Increases in the tax rate in any of the jurisdictions in which we operate could have a negative impact on our profitability. In addition, changes in tax laws, treaties, or regulations, or their interpretation or enforcement, may be unpredictable and could materially adversely affect our tax position. Any of these occurrences could have a material adverse effect on our results of operations and financial condition.

If we do not effectively manage expected future growth, our results of operations and cash flows could be adversely affected.

Our ability to operate profitably with positive cash flows depends partially on how effectively we manage our expected future growth. In order to create the additional capacity necessary to accommodate an increase in demand for our services, we may need to implement new or upgraded operational and financial systems, procedures and controls, open new offices, and hire additional colleagues. Implementation of these new or upgraded systems, procedures, and controls may require substantial management efforts and our efforts to do so may not be successful. The opening of new offices (including international locations) or the hiring of additional colleagues may result in idle or underutilized capacity. We continually assess the expected capacity and utilization of our offices and colleagues. We may not be able to achieve or maintain optimal utilization of our offices and colleagues. If demand for our services does not meet our expectations, our revenues and cash flows may not be sufficient to offset these expenses and our results of operations and cash flows could be adversely affected.

If we are unable to collect our receivables or unbilled services, our results of operations, financial condition, and cash flows could be adversely affected.

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe us for work performed. We evaluate the financial condition of our clients and usually bill and collect on relatively short cycles. We have established allowances for losses of receivables and unbilled services. Actual losses on client balances could differ from those that we currently anticipate and as a result we might need to adjust our allowances. We might not accurately assess the creditworthiness of our clients. Macroeconomic conditions could also result in financial difficulties for our clients, including bankruptcy and insolvency. This could cause clients to delay payments to us, request modifications to their payment arrangements that could increase our receivables balance, or default on their payment obligations to us. Recovery of client financing and timely collection of client balances also depends on our ability to complete our contractual commitments and bill and collect our contracted revenues. If we are unable to meet our contractual requirements, we might experience delays in collection of and/or be unable to collect our client balances, and if this occurs, our results of operations and cash flows could be adversely affected. In addition, if we experience an increase in the time to bill and collect for our services, our cash flows could be adversely affected.

Our stock price and results of operations could fluctuate and be difficult to predict.

Our stock price has fluctuated in the past and could continue to fluctuate in the future in response to various factors. These factors include:

- changes in macroeconomic or political factors unrelated to our business;
- general or industry-specific market conditions or changes in financial markets;
- announcements by us or competitors about developments in our business or prospects;
- projections or speculation about our business or that of competitors by the media or investment analysts;
- and
- our ability to meet our growth and financial objectives, including with respect to our overall revenue growth, revenue growth for our priority emerging markets and earnings per share growth.

Our results of operations have varied in the past and could vary significantly from quarter to quarter in the future, making them difficult to predict. Some of the factors that could cause our results of operations to vary include:

- the business decisions of our clients to begin to curtail or reduce the use of our services, including in response to changes in macroeconomic or political conditions unrelated to our business or general market conditions;
- periodic differences between our clients' estimated and actual levels of business activity associated with ongoing work, as well as the stage of completion of existing projects and/or their termination or restructuring;
- contract delivery inefficiencies, such as those due to poor delivery or changes in forecasts;
- our ability to transition employees quickly from completed to new projects and maintain an appropriate headcount in each of our workforces;
- acquisition, integration and operational costs related to businesses acquired;
- the introduction of new products or services by us, competitors or partners;
- changes in our pricing or competitors' pricing;
- our ability to manage costs, including those for our own or subcontracted personnel, travel, support services and severance;
- our ability to limit and manage the incurrence of pre-contract costs, which must be expensed without corresponding revenues, which are then recognized in later periods without the corresponding costs;
- changes in, or the application of changes in, accounting principles or pronouncements under U.S. generally accepted accounting principles, particularly those related to revenue recognition;
- currency exchange rate fluctuations;
- changes in estimates, accruals or payments of variable compensation to our employees;
- global, regional and local economic and political conditions and related risks, including acts of terrorism; and

·seasonality, including number of workdays and holidays and summer vacations.

As a result of any of the above factors, or any of the other risks described in this Item 1A, "Risk Factors," our stock price could be difficult to predict, and our stock price in the past might not be a good indicator of the price of our stock in the future.

12

---

We may need additional capital in the future, which may not be available to us. The raising of any additional capital may dilute your ownership percentage in our stock.

As of December 31, 2013, we had unrestricted cash and cash equivalents totaling \$7.0 million and a borrowing capacity of \$55.8 million, and a commitment to increase our borrowing capacity by \$25.0 million. Of the \$7.0 million of cash and cash equivalents at December 31, 2013, \$4.0 million was held by our Chinese operations and is considered to be indefinitely reinvested in those operations. We intend to continue to make investments to support our business growth and may require additional funds if our capital is insufficient to pursue business opportunities and respond to business challenges. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, we may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

Our officers, directors, and 5% and greater stockholders own a large percentage of our voting securities and their interests may differ from other stockholders.

Our executive officers, directors, and 5% and greater stockholders beneficially own or control approximately 18% of the voting power of our common stock. This concentration of voting power of our common stock may make it difficult for our other stockholders to successfully approve or defeat matters that may be submitted for action by our stockholders. It may also have the effect of delaying, deterring, or preventing a change in control of Perficient.

It may be difficult for another company to acquire us, and this could depress our stock price.

In addition to the voting securities held by our officers, directors, and 5% and greater stockholders, provisions contained in our certificate of incorporation, bylaws, and Delaware law could make it difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. Our certificate of incorporation and bylaws may discourage, delay, or prevent a merger or acquisition that a stockholder may consider favorable by authorizing the issuance of "blank check" preferred stock. In addition, provisions of the Delaware General Corporation Law also restrict some business combinations with interested stockholders. These provisions are intended to encourage potential acquirers to negotiate with us and allow the Board of Directors the opportunity to consider alternative proposals in the interest of maximizing stockholder value. However, these provisions may also discourage acquisition proposals, or delay or prevent a change in control, which could harm our stock price.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We have offices in multiple markets throughout North America and in China, India, and Canada. Our principal executive operations are located in St. Louis, Missouri where we have leased approximately 5,100 square feet for these functions. In late 2013, we entered into a new lease agreement for approximately 31,000 square feet which will consolidate our St. Louis locations, including our principal executive operations. The transition to the new location will occur over the course of 2014 and is not expected to materially impact the operations of the Company. We do not own any real property; all of our office space is leased under long-term leases with varying expiration dates. We believe our facilities are adequate to meet our needs in the near future.

Item 3. Legal Proceedings.

We are involved from time to time in various legal proceedings arising in the ordinary course of business. Although the outcome of lawsuits or other proceedings cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, we do not expect any currently pending matters to have a material adverse effect on the financial position, results of operations, or cash flows of Perficient.

Item 4. Mine Safety Disclosures.

Not applicable.

13

---

## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is quoted on The Nasdaq Global Select Market under the symbol "PRFT." The following table sets forth, for the periods indicated, the high and low sale prices per share of our common stock as reported on The Nasdaq Global Select Market since January 1, 2012.

	High	Low
Year Ending December 31, 2013:		
First Quarter	\$12.38	\$11.14
Second Quarter	13.95	10.00
Third Quarter	18.51	12.51
Fourth Quarter	24.11	17.25
Year Ending December 31, 2012:		
First Quarter	\$12.80	\$10.24
Second Quarter	12.95	10.62
Third Quarter	13.54	9.79
Fourth Quarter	12.38	9.78

On March 3, 2014, the last reported sale price of our common stock on The Nasdaq Global Select Market was \$20.08 per share. There were approximately 358 stockholders of record of our common stock as of March 3, 2014, including 260 restricted account holders.

We have never declared or paid any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. Our credit facility currently prohibits the payment of cash dividends without the prior written consent of the lenders.

Information on our Equity Compensation Plan has been included in Part III, Item 11 of this Annual Report on Form 10-K.

## Unregistered Sales of Securities

In connection with our acquisitions of TriTek, Clear Task and CoreMatrix during 2013, we issued: 483,799 unregistered shares of our common stock to TriTek's principals on May 1, 2013; 144,522 unregistered shares of our common stock to Clear Task on May 17, 2013; and 172,117 unregistered shares of our common stock to CoreMatrix on October 11, 2013. For each of these issuances, we relied on Section 4(a)(2) and Regulation D of the Securities Act of 1933, as amended, as the basis for exemption from registration. These shares were issued in separate, privately negotiated transactions and not pursuant to any public solicitation.

## Issuer Purchases of Equity Securities

Prior to 2013, our Board of Directors authorized the repurchase of up to \$70.0 million of our common stock. In June 2013, our Board of Directors authorized the repurchase of up to an additional \$20.0 million of our common stock for a total repurchase program of \$90.0 million at December 31, 2013. The repurchase program expires December 31, 2014. The program could be suspended or discontinued at any time, based on market, economic, or business conditions. The timing and amount of repurchase transactions will be determined by our management based on its evaluation of market conditions, share price, and other factors.

Edgar Filing: PERFICIENT INC - Form 10-K

Since the program's inception on August 11, 2008, we have repurchased approximately \$73.8 million (9.0 million shares) of our outstanding common stock through December 31, 2013.

Period	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Beginning Balance as of October 1, 2013	8,928,670	\$ 8.19	8,928,670	\$ 16,862,119
October 1-31, 2013	-	-	-	\$ 16,862,119
November 1-30, 2013	31,200	19.75	31,200	\$ 16,245,802
December 1-31, 2013	3,085	20.02	3,085	\$ 16,184,041
Ending Balance as of December 31, 2013	8,962,955	\$ 8.24	8,962,955	

(1) Average price paid per share includes commission.

## Item 6. Selected Financial Data.

The selected financial data presented for, and as of the end of, each of the years in the five-year period ended December 31, 2013, has been prepared in accordance with accounting principles generally accepted in the United States. The financial data presented is not directly comparable between periods as a result of three acquisitions in each of 2013 and 2012 and two acquisitions in each of 2011 and 2010.

The following data should be read in conjunction with the Consolidated Financial Statements and the Notes to Consolidated Financial Statements appearing in Part II, Item 8, and Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in Part II, Item 7.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Income Statement Data:	(In thousands, except per share information)				
Revenues	\$373,325	\$327,096	\$262,439	\$214,952	\$188,150
Gross margin	\$123,099	\$103,403	\$81,134	\$62,767	\$48,333
Selling, general and administrative	\$77,601	\$64,853	\$51,672	\$45,477	\$40,042
Depreciation and amortization	\$11,236	\$10,078	\$8,095	\$4,784	\$5,750
Acquisition costs	\$2,297	\$1,871	\$1,249	\$993	\$-
Adjustment to fair value of contingent consideration	\$287	\$517	\$1,586	\$(4)	\$-
Income from operations	\$31,678	\$26,084	\$18,532	\$11,517	\$2,541
Net interest (expense) income	\$(293)	\$(143)	\$68	\$163	\$209
Net other income	\$112	\$44	\$45	\$68	\$260
Income before income taxes	\$31,497	\$25,985	\$18,645	\$11,748	\$3,010
Net income	\$21,432	\$16,107	\$10,747	\$6,480	\$1,463
Basic net income per share	\$0.71	\$0.54	\$0.39	\$0.24	\$0.05
Diluted net income per share	\$0.67	\$0.52	\$0.37	\$0.23	\$0.05

	As of December 31,				
	2013	2012	2011	2010	2009
Balance Sheet Data:	(In thousands)				
Cash, cash equivalents, and short-term investments	\$7,018	\$5,813	\$9,732	\$24,008	\$24,302
Working capital (1)	\$57,268	\$52,277	\$51,476	\$47,632	\$50,205
Long-term investments	\$-	\$-	\$-	\$2,254	\$3,652
Property and equipment, net	\$7,709	\$4,398	\$3,490	\$2,355	\$1,278
Goodwill and intangible assets, net	\$218,997	\$178,286	\$142,166	\$124,056	\$111,773
Total assets	\$325,749	\$267,194	\$223,932	\$207,678	\$184,810
Long-term debt	\$19,000	\$2,800	\$-	\$-	\$-
Total stockholders' equity	\$259,490	\$234,413	\$198,959	\$177,164	\$168,348

(1) Working capital is total current assets less total current liabilities

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following summary together with the more detailed business information and consolidated financial statements and related notes that appear elsewhere in this Annual Report on Form 10-K and in the documents that we incorporate by reference into this Annual Report on Form 10-K. This Annual Report on Form 10-K may contain certain "forward-looking" information within the meaning of the Private Securities Litigation Reform Act of 1995. This information involves risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors."



## Overview

We are an information technology consulting firm serving Forbes Global 2000 and other large enterprise companies with a primary focus on the United States. We help our clients gain competitive advantage by using Internet-based technologies to make their businesses more responsive to market opportunities and threats, strengthen relationships with their customers, suppliers and partners, improve productivity, and reduce information technology costs. We design, build, and deliver business-driven technology solutions using third party software products. Our solutions include business analysis, portals and collaboration, business integration, user experience, enterprise content management, customer relationship management, interactive design, enterprise performance management, business process management, business intelligence, eCommerce, mobile platforms, custom applications, and technology platform implementations, among others. Our solutions enable our clients to operate a real-time enterprise that dynamically adapts business processes and the systems that support them to meet the changing demands of an increasingly global, Internet-driven, and competitive marketplace.

15

---

## Services Revenues

Services revenues are derived from professional services that include developing, implementing, integrating, automating and extending business processes, technology infrastructure, and software applications. Most of our projects are performed on a time and materials basis, while a smaller portion of our revenues is derived from projects performed on a fixed fee basis. Fixed fee engagements represented approximately 10% of our services revenues for the year ended December 31, 2013 compared to 11% for both years ended December 31, 2012 and 2011. For time and material projects, revenues are recognized and billed by multiplying the number of hours our professionals expend in the performance of the project by the established billing rates. For fixed fee projects, revenues are generally recognized using an input method based on the ratio of hours expended to total estimated hours. Amounts invoiced and collected in excess of revenues recognized are classified as deferred revenues. On most projects, we are also reimbursed for out-of-pocket expenses such as airfare, lodging, and meals. These reimbursements are included as a component of revenues. The aggregate amount of reimbursed expenses will fluctuate depending on the location of our clients, the total number of our projects that require travel, and whether our arrangements with our clients provide for the reimbursement of travel and other project-related expenses.

## Software and Hardware Revenues

Software and hardware revenues are derived from sales of third-party software and hardware. Revenues from sales of third-party software and hardware are generally recorded on a gross basis provided we act as a principal in the transaction. On rare occasions, we do not meet the requirements to be considered a principal in the transaction and act as an agent. In these cases, revenues are recorded on a net basis. Software and hardware revenues are expected to fluctuate depending on our clients' demand for these products.

If we enter into contracts for the sale of services and software or hardware, management evaluates whether each element should be accounted for separately by considering the following criteria: (1) whether the deliverables have value to the client on a stand-alone basis; and (2) whether delivery or performance of the undelivered item or items is considered probable and substantially in our control (only if the arrangement includes a general right of return related to the delivered item). Further, for sales of software and services, management also evaluates whether the services are essential to the functionality of the software and whether management has fair value evidence for each deliverable. If management concludes that the separation criteria are met, then it accounts for each deliverable in the transaction separately, based on the relevant revenue recognition policies. Generally, all deliverables of our multiple element arrangements meet these criteria and are accounted for separately, with the arrangement consideration allocated among the deliverables using vendor specific objective evidence of the selling price. As a result, we generally recognize software and hardware sales upon delivery to the customer and services consistent with the policies described herein.

Further, delivery of software and hardware sales, when sold contemporaneously with services, can generally occur at varying times depending on the specific client project arrangement. Delivery of services generally occurs over a period of time consistent with the timeline as outlined in the client contract.

There are no significant cancellation or termination-type provisions for our software and hardware sales. Contracts for our professional services provide for a general right, to the client or us, to cancel or terminate the contract within a given period of time (generally 10 to 30 days' notice is required). The client is responsible for any time and expenses incurred up to the date of cancellation or termination of the contract.

## Cost of revenues

Cost of revenues consists primarily of cash and non-cash compensation and benefits, including bonuses and non-cash compensation related to equity awards. Cost of revenues also includes the costs associated with subcontractors. Third-party software and hardware costs, reimbursable expenses and other unreimbursed project-related expenses are

also included in cost of revenues. Project-related expenses will fluctuate generally depending on outside factors including the cost and frequency of travel and the location of our clients. Cost of revenues does not include depreciation of assets used in the production of revenues which are primarily personal computers, servers, and other information technology related equipment.

#### Gross Margins

Our gross margins for services are affected by the utilization rates of our professionals (defined as the percentage of our professionals' time billed to clients divided by the total available hours in the respective period), the salaries we pay our professionals, and the average billing rate we receive from our clients. If a project ends earlier than scheduled, we retain professionals in advance of receiving project assignments, or if demand for our services declines, our utilization rate will decline and adversely affect our gross margins. Gross margin percentages of third-party software and hardware sales are typically lower than gross margin percentages for services, and the mix of services and software and hardware for a particular period can significantly impact our total combined gross margin percentage for such period. In addition, gross margin for software and hardware sales can fluctuate due to pricing and other competitive pressures.

16

---

## Selling, General, and Administrative Expenses

Selling, general and administrative ("SG&A") expenses are primarily composed of sales-related costs, general and administrative salaries, stock compensation expense, office costs, recruiting expense, variable compensation costs, research and development, bad debt, and other miscellaneous expenses. We work to minimize selling costs by focusing on repeat business with existing clients and by accessing sales leads generated by our software vendors, most notably IBM, Oracle and Microsoft, whose products we use to design and implement solutions for our clients. These relationships enable us to reduce our selling costs and sales cycle times and increase win rates through leveraging our partners' marketing efforts and endorsements.

## Plans for Growth and Acquisitions

Our goal is to continue to build one of the leading independent information technology consulting firms by expanding our relationships with existing and new clients and through the continuation of our disciplined acquisition strategy. Our future growth plan includes expanding our business with a primary focus on customers in the United States, both organically and through acquisitions. Given the economic conditions during 2008 and 2009 we suspended acquisition activity pending improved visibility into the health of the economy. With the return to growth in 2010, we resumed our disciplined acquisition strategy as evidenced by our acquisitions of Kerdock Consulting, LLC ("Kerdock") in March 2010, speakTECH in December 2010, Exervio Consulting Inc. ("Exervio") in April 2011, JCB Partners, LLC ("JCB") in July 2011, PointBridge Solutions, LLC ("PointBridge") in February 2012, Nascent Systems, LP ("Nascent") in June 2012, Northridge Systems, Inc. ("Northridge") in July 2012, TriTek and Clear Task in May 2013, and CoreMatrix in October 2013. We also intend to further leverage our existing offshore capabilities to support our future growth and provide our clients flexible options for project delivery.

When analyzing revenue growth by base business compared to acquired companies in the Results of Operations section below, revenue attributable to base business is defined as revenue from an acquired company that has been owned for a full four quarters after the date of acquisition.

## Results of Operations

The following table summarizes our results of operations as a percentage of total revenues:

Revenues:	2013	2012	2011
Services revenues	87.5%	87.6%	88.8%
Software and hardware revenues	8.1	7.7	6.0
Reimbursable expenses	4.4	4.7	5.2
Total revenues	100.0	100.0	100.0
Cost of revenues (depreciation and amortization, shown separately below):			
Project personnel costs	54.4	55.9	56.9
Software and hardware costs	7.1	6.6	5.2
Reimbursable expenses	4.4	4.7	5.2
Other project-related expenses	1.1	1.2	1.8
Total cost of revenues	67.0	68.4	69.1
Services gross margin	36.6	34.8	33.9
Software and hardware gross margin	11.8	14.5	13.5
Total gross margin	33.0	31.6	30.9
Selling, general and administrative	20.8	19.8	19.7
Depreciation and amortization	3.0	3.1	3.1
Acquisition costs	0.6	0.6	0.5
Adjustment to fair value of contingent consideration	0.1	0.2	0.5
Income from operations	8.5	7.9	7.1

Edgar Filing: PERFICIENT INC - Form 10-K

Net interest (expense) income	(0.1)	0.0	0.0
Net other income	0.0	0.0	0.0
Income before income taxes	8.4	7.9	7.1
Provision for income taxes	2.7	3.0	3.0
Net income	5.7%	4.9%	4.1%

17

---

Edgar Filing: PERFICIENT INC - Form 10-K

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues. Total revenues increased 14% to \$373.3 million for the year ended December 31, 2013 from \$327.1 million for the year ended December 31, 2012.

	Financial Results (in thousands)			Explanation for Increases Over Prior Year Period (in thousands)	
	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012	Total Increase Over Prior Year Period	Increase Attributable to Acquired Companies	Increase Attributable to Base Business
Services Revenues	\$326,589	\$286,548	\$40,041	\$27,614	\$12,427
Software and Hardware Revenues	30,224	25,188	5,036	606	4,430
Reimbursable Expenses	16,512	15,360	1,152	918	234
Total Revenues	\$373,325	\$327,096	\$46,229	\$29,138	\$17,091

Services revenues increased 14% to \$326.6 million for the year ended December 31, 2013 from \$286.5 million for the year ended December 31, 2012. The increase in services revenues is primarily due to acquisitions during 2013 and 2012. Services revenues attributable to our base business increased \$12.4 million while services revenues attributable to acquired companies increased \$27.6 million, resulting in a total increase of \$40.0 million.

Software and hardware revenues increased 20% to \$30.2 million for the year ended December 31, 2013 from \$25.2 million for the year ended December 31, 2012 due to the increase in the volume and magnitude of software renewals as compared to 2012. Reimbursable expenses increased 8% to \$16.5 million for the year ended December 31, 2013 from \$15.4 million for the year ended December 31, 2012 primarily as a result of the increase in services revenue. We did not realize any profit on reimbursable expenses.

Cost of Revenues. Cost of revenues increased 12% to \$250.2 million for the year ended December 31, 2013 from \$223.7 million for the year ended December 31, 2012. The increase in cost of revenues was directly related to the increase in revenues attributable to the Company's base business and through acquisitions. More specifically, the increase in the cost of revenue is due to the increase in headcount to support the Company's ongoing revenue-producing projects. The average number of colleagues performing services, including subcontractors, increased to 1,725 for the year ended December 31, 2013 from 1,518 for the year ended December 31, 2012.

Gross Margin. Gross margin increased 19% to \$123.1 million for the year ended December 31, 2013 from \$103.4 million for the year ended December 31, 2012. Gross margin as a percentage of revenues increased to 33.0% for the year ended December 31, 2013 from 31.6% for the year ended December 31, 2012, primarily due to an increase in services gross margin. Services gross margin, excluding reimbursable expenses, increased to 36.6% or \$119.5 million for the year ended December 31, 2013 from 34.8% or \$99.8 million for the year ended December 31, 2012. The increase in services gross margin was primarily a result of a higher average bill rate. The average bill rate for our professionals increased to \$123 per hour for the year ended December 31, 2013 from \$119 per hour for the year ended December 31, 2012, primarily due to the improved pricing opportunities as the market for our services continues to improve. The average bill rate for the year ended December 31, 2013, excluding China and India, was \$135 per hour compared to \$129 per hour for the year ended December 31, 2012.

Selling, General and Administrative. SG&A expenses increased 20% to \$77.6 million for the year ended December 31, 2013 from \$64.9 million for the year ended December 31, 2012 due primarily to fluctuations in expenses as

Edgar Filing: PERFICIENT INC - Form 10-K

detailed in the following table. SG&A expenses, as a percentage of revenues, increased to 20.8% for the year ended December 31, 2013 from 19.8% for the year ended December 31, 2012.

	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012	Increase/ (Decrease)	Percentage Change	
Selling, General and Administrative Expense (in millions)					
Sales-related costs	\$ 24.4	\$ 21.4	\$ 3.0	14	%
Salary expense	15.9	13.1	2.8	21	
Stock compensation expense	7.9	7.0	0.9	13	
Office costs	5.9	4.8	1.1	23	
Recruiting expense	4.7	4.1	0.6	15	
Variable compensation expense	2.9	1.7	1.2	71	
Research and development	1.0	-	1.0	NM	
Bad debt expense	0.4	0.7	(0.3)	(43)	)
Other	14.5	12.1	2.4	20	
Total	\$ 77.6	\$ 64.9	\$ 12.7	20	%

## Edgar Filing: PERFICIENT INC - Form 10-K

**Depreciation.** Depreciation expense increased 45% to \$3.3 million for the year ended December 31, 2013 from \$2.3 million for the year ended December 31, 2012. The increase in depreciation expense was mainly attributable to increased capital expenditures during 2013 and 2012 and acquisitions. Depreciation expense as a percentage of revenues was 0.9% and 0.7% for the year ended December 31, 2013 and 2012, respectively.

**Amortization.** Amortization expense increased 2% to \$8.0 million for the year ended December 31, 2013 from \$7.8 million for the year ended December 31, 2012. The increase in amortization expense was due to the addition of intangible assets acquired as a result of the Company's acquisition activity during 2013 and 2012.

**Acquisition Costs.** Acquisition-related costs of \$2.3 million were incurred during 2013 related to the acquisition of TriTek, Clear Task, and CoreMatrix compared to \$1.9 million during 2012 related to the acquisition of PointBridge, Nascent, and Northridge. Acquisition-related costs were incurred for legal, accounting, and valuation services performed by third parties.

**Adjustment to Fair Value of Contingent Consideration.** An adjustment of \$0.3 million was made during the year ended December 31, 2013 for the accretion of the fair value estimate for the earnings-based contingent consideration related to the Clear Task and CoreMatrix acquisitions. The adjustment of \$0.5 million made during the year ended December 31, 2012 related to the Exervio acquisition.

**Provision for Income Taxes.** We provide for federal, state, and foreign income taxes at the applicable statutory rates adjusted for non-deductible expenses. Our effective tax rate decreased to 32.0% for the year ended December 31, 2013 from 38.0% for the year ended December 31, 2012. The decrease in the effective rate was due primarily to the research and development tax credit for 2013, the research and development tax credit for 2012, which was approved by Congress in January 2013 and recorded in the first quarter of 2013, and the U.S. domestic production deduction for 2010, 2011, 2012, and 2013.

### Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

**Revenues.** Total revenues increased 25% to \$327.1 million for the year ended December 31, 2012 from \$262.4 million for the year ended December 31, 2011.

	Financial Results (in thousands)			Explanation for Increases Over Prior Year Period (in thousands)	
	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011	Total Increase Over Prior Year Period	Increase Attributable to Acquired Companies	Increase Attributable to Base Business
Services Revenues	\$286,548	\$233,166	\$53,382	\$39,457	\$13,925
Software and Hardware Revenues	25,188	15,624	9,564	1,690	7,874
Reimbursable Expenses	15,360	13,649	1,711	1,384	327
Total Revenues	\$327,096	\$262,439	\$64,657	\$42,531	\$22,126

Services revenues increased 23% to \$286.5 million for the year ended December 31, 2012 from \$233.2 million for the year ended December 31, 2011. The increase in services revenues is primarily due to acquisitions during 2011 and 2012. Services revenues attributable to our base business increased \$13.9 million while services revenues attributable to acquired companies increased \$39.4 million, resulting in a total increase of \$53.3 million.



Software and hardware revenues increased 61% to \$25.2 million for the year ended December 31, 2012 from \$15.6 million for the year ended December 31, 2011 due to an increase in the volume and magnitude of new software license sales and software license renewals as compared to 2011. Reimbursable expenses increased 13% to \$15.4 million for the year ended December 31, 2012 from \$13.6 million for the year ended December 31, 2011 primarily as a result of the increase in services revenue. We did not realize any profit on reimbursable expenses.

Cost of Revenues. Cost of revenues increased 23% to \$223.7 million for the year ended December 31, 2012 from \$181.3 million for the year ended December 31, 2011. The increase in cost of revenues was directly related to the increase in revenues, specifically the increase in headcount to support the Company's ongoing revenue-producing projects. The average number of colleagues performing services, including subcontractors, increased to 1,518 for the year ended December 31, 2012 from 1,317 for the year ended December 31, 2011.

19

---

## Edgar Filing: PERFICIENT INC - Form 10-K

**Gross Margin.** Gross margin increased 27% to \$103.4 million for the year ended December 31, 2012 from \$81.1 million for the year ended December 31, 2011. Gross margin as a percentage of revenues increased to 31.6% for the year ended December 31, 2012 from 30.9% for the year ended December 31, 2011, primarily due to an increase in services gross margin. Services gross margin, excluding reimbursable expenses, increased to 34.8% or \$99.8 million for the year ended December 31, 2012 from 33.9% or \$79.0 million for the year ended December 31, 2011. The increase in services gross margin was primarily a result of a higher average bill rate. The average bill rate for our professionals, excluding subcontractors, increased to \$119 per hour for the year ended December 31, 2012 from \$116 per hour for the year ended December 31, 2011, primarily due to the improved pricing opportunities. The average bill rate for the year ended December 31, 2012, excluding China, was \$129 per hour compared to \$125 per hour for the year ended December 31, 2011.

**Selling, General and Administrative.** SG&A expenses increased 26% to \$64.9 million for the year ended December 31, 2012 from \$51.7 million for the year ended December 31, 2011 due primarily to fluctuations in expenses as detailed in the table below. SG&A expenses, as a percentage of revenues, increased slightly to 19.8% for the year ended December 31, 2012 from 19.7% for the year ended December 31, 2011.

	For the Year Ended December	For the Year Ended December	Increase/ (Decrease)	Percentage Change	
Selling, General and Administrative Expense (in millions)	31, 2012	31, 2011	(Decrease)	Change	%
Sales-related costs	\$ 21.4	\$ 14.9	\$ 6.5	44	%
Salary expense	13.1	11.3	1.8	16	
Stock compensation expense	7.0	6.9	0.1	1	
Recruiting expense	4.1	3.9	0.2	5	
Variable compensation expense	1.7	0.7	1.0	143	
Bad debt expense	0.7	1.0	(0.3 )	(30 )	)
Other	16.9	13.0	3.9	30	
<b>Total</b>	<b>\$ 64.9</b>	<b>\$ 51.7</b>	<b>\$ 13.2</b>	<b>26</b>	<b>%</b>

**Depreciation.** Depreciation expense increased 28% to \$2.3 million for the year ended December 31, 2012 from \$1.8 million for the year ended December 31, 2011. The increase in depreciation expense was mainly attributable to the addition of depreciation related to fixed assets from acquisitions during 2011 and 2012. Depreciation expense as a percentage of revenues was 0.7% for each of the years ended December 31, 2012 and 2011.

**Amortization.** Amortization expense increased 23% to \$7.8 million for the year ended December 31, 2012 from \$6.3 million for the year ended December 31, 2011. The increase in amortization expense was due to the addition of amortization related to acquired intangible assets from acquisitions during 2011 and 2012.

**Acquisition Costs.** Acquisition-related costs increased 50% to \$1.9 million for the year ended December 31, 2012 from \$1.2 million for the year ended December 31, 2011. The acquisition-related costs incurred during 2012 were related to the acquisition of PointBridge, Nascent, and Northridge, while the acquisition-related costs incurred during 2011 were related to the acquisition of Exervio and JCB. Acquisition-related costs were incurred for legal, accounting, and valuation services performed by third parties.

**Adjustment to Fair Value of Contingent Consideration.** An adjustment of \$0.5 million was made during the year ended December 31, 2012 for the accretion of the fair value estimate for the earnings-based contingent consideration related to the Exervio acquisition. The adjustment of \$1.6 million made during the year ended December 31, 2011 related to the speakTECH and Exervio acquisitions.

Provision for Income Taxes. We provide for federal, state, and foreign income taxes at the applicable statutory rates adjusted for non-deductible expenses. Our effective tax rate decreased to 38.0% for the year ended December 31, 2012 from 42.4% for the year ended December 31, 2011. The decrease in the effective rate was due primarily to a research and development tax credit on our 2011 income tax return recorded in 2012 when it was determinable and reasonably estimable. The research and development tax credit for 2012 was enacted by Congress in January 2013 and the resulting tax benefit will be estimated and recorded in 2013.

20

---

## Liquidity and Capital Resources

Selected measures of liquidity and capital resources are as follows (in millions):

	As of December 31,		
	2013	2012	2011
Cash, cash equivalents, and investments	\$7.0	\$5.8	\$9.7
Working capital (including cash and cash equivalents) (1)	\$57.3	\$52.3	\$51.5
Amounts available under credit facilities	\$55.8	\$47.2	\$50.0

(1) Working capital is total current assets less total current liabilities

## Net Cash Provided By Operating Activities

Net cash provided by operating activities for the year ended December 31, 2013 was \$46.9 million compared to \$39.2 million and \$14.3 million for the years ended December 31, 2012 and 2011, respectively. For the year ended December 31, 2013, the components of operating cash flows were net income of \$21.4 million plus non-cash charges of \$21.5 million and net working capital reductions of \$3.9 million. The primary components of operating cash flows for the year ended December 31, 2012 were net income of \$16.1 million plus non-cash charges of \$18.5 million and net working capital reductions of \$4.6 million. The primary components of operating cash flow for the year ended December 31, 2011 were net income of \$10.7 million plus non-cash charges of \$17.6 million, partially offset by investments in working capital of \$14.0 million. Our days sales outstanding as of December 31, 2013 decreased to 74 days compared to 75 and 78 days as of December 31, 2012 and 2011, respectively.

## Net Cash Used in Investing Activities

For the year ended December 31, 2013, we used \$38.4 million for acquisitions and \$8.0 million for purchases of equipment and to develop certain software for internal use including significant efforts associated with the implementation of a new internal enterprise resource planning system expected to be placed in service in 2014. For the year ended December 31, 2012, we used \$36.6 million for acquisitions and \$2.1 million for purchases of equipment and to develop certain software for internal use. For the year ended December 31, 2011, we used \$19.4 million for acquisitions, \$3.0 million primarily on leasehold improvements and to develop certain software, offset by \$13.6 million in proceeds received from the sale and maturity of our investments.

## Net Cash Provided By Financing Activities

For the year ended December 31, 2013, we received proceeds of \$181.2 million from our line of credit and we realized a tax benefit of \$2.6 million related to vesting of stock awards and stock option exercises plus proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan of \$0.3 million. We made payments of \$165.0 million on our line of credit, used \$13.8 million to repurchase shares of our common stock through the stock repurchase program, \$4.3 million to remit taxes withheld as part of a net share settlement of restricted stock vesting, and \$0.4 million in fees related to our credit facility. For the year ended December 31, 2012, we received proceeds of \$134.9 million from our line of credit and we realized a tax benefit of \$1.1 million related to vesting of stock awards and stock option exercises plus proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan of \$0.2 million. We made payments of \$132.1 million on our line of credit, used \$6.1 million to repurchase shares of our common stock through the stock repurchase program, \$1.9 million to remit taxes withheld as part of a net share settlement of restricted stock vesting, and \$0.6 million to settle a portion of the contingent consideration for the purchase of Exervio. During the year ended December 31, 2011, we received proceeds of \$3.7 million from exercises of stock options and sales of stock through our Employee Stock Purchase Plan and we realized an excess tax benefit of \$1.8 million related to vesting of stock awards and stock option exercises. We used \$1.2 million to settle the contingent consideration for the purchase of speakTECH, \$11.8 million

to repurchase shares of our common stock through the stock repurchase program, \$0.8 million to remit taxes withheld as part of a net share settlement of restricted stock vesting, and \$0.3 million in fees related to our credit facility.

#### Availability of Funds from Line of Credit Facility

On July 31, 2013, we renewed and extended the term of our Credit Agreement (the "Credit Agreement") with Silicon Valley Bank ("SVB"), U.S. Bank National Association, and Bank of America, N.A. The Credit Agreement provides for revolving credit borrowings up to a maximum principal amount of \$75.0 million, subject to a commitment increase of \$25.0 million. The Credit Agreement also allows for the issuance of letters of credit in the aggregate amount of up to \$5.0 million at any one time; outstanding letters of credit reduce the credit available for revolving credit borrowings. As of December 31, 2013, the Company had an outstanding letter of credit in the amount of \$0.2 million to secure an office space lease. Substantially all of our assets are pledged to secure the credit facility.

21

---

## Edgar Filing: PERFICIENT INC - Form 10-K

All outstanding amounts owed under the Credit Agreement become due and payable no later than the final maturity date of July 31, 2017. Borrowings under the Credit Agreement bear interest at our option of SVB's prime rate (4.00% on December 31, 2013) plus a margin ranging from 0.00% to 0.50% or one-month LIBOR (0.168% on December 31, 2013) plus a margin ranging from 2.00% to 2.50%. The additional margin amount is dependent on the level of outstanding borrowings. As of December 31, 2013, we had \$55.8 million of maximum borrowing capacity. We incur an annual commitment fee of 0.30% on the unused portion of the line of credit.

At December 31, 2013, we were in compliance with all covenants under the Credit Agreement and we expect to remain in compliance during the next 12 months.

### Stock Repurchase Program

Prior to 2013, our Board of Directors authorized the repurchase of up to \$70.0 million of our common stock. In June 2013, our Board of Directors authorized the repurchase of up to an additional \$20.0 million of our common stock for a total repurchase program of \$90.0 million at December 31, 2013. The repurchase program expires December 31, 2014.

From time to time, we establish a written trading plan in accordance with Rule 10b5-1 of the Exchange Act, pursuant to which we make a portion of our stock repurchases. Additional repurchases will be at times and in amounts as the Company deems appropriate and will be made through open market transactions in compliance with Rule 10b-18 of the Exchange Act, subject to market conditions, applicable legal requirements, and other factors.

Since the program's inception on August 11, 2008, we have repurchased approximately \$73.8 million (9.0 million shares) of our outstanding common stock through December 31, 2013.

### Contractual Obligations

For the year ended December, 2013, there were no material changes outside the ordinary course of business in lease obligations or other contractual obligations. See Note 12, Commitments and Contingencies, in the Notes to Consolidated Financial Statements for further description of our contractual obligations.

As of December 31, 2013, there was \$19.0 million outstanding under the Credit Agreement as compared to \$2.8 million as of December 31, 2012. The amounts are classified as "Long-term debt" within the Consolidated Balance Sheets and will become due and payable no later than the final maturity date of July 31, 2017.

We have incurred commitments to make future payments under contracts such as leases and the Credit Agreement. Maturities under these contracts are set forth in the following table as of December 31, 2013 (in thousands):

	Total	Payments Due by Period			
		Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Contractual Obligations					
Operating lease obligations	\$18,850	\$4,063	\$7,377	\$4,634	\$2,776
Total debt	19,000	--	--	19,000	--
Total	\$37,850	\$4,063	\$7,377	\$23,634	\$2,776

### Conclusion

If our capital is insufficient to fund our activities in either the short- or long-term, we may need to raise additional funds. In the ordinary course of business, we may engage in discussions with various persons in connection with additional financing. If we raise additional funds through the issuance of equity securities, our existing stockholders'

percentage ownership will be diluted. These equity securities may also have rights superior to our common stock. Additional debt or equity financing may not be available when needed or on satisfactory terms. If adequate funds are not available on acceptable terms, we may be unable to expand our services, respond to competition, pursue acquisition opportunities, or continue our operations.

Of the total cash and cash equivalents reported on the consolidated balance sheet as of December 31, 2013 of \$7.0 million, approximately \$4.0 million was held by the Company's Chinese operations and is considered to be indefinitely reinvested in those operations. The Company has no intention of repatriating cash from its Chinese operations in the foreseeable future.

We believe that the currently available funds, access to capital from our credit facility, and cash flows generated from operations will be sufficient to meet our working capital requirements and other capital needs for the next 12 months.

22

---

## Critical Accounting Policies

Our accounting policies are described in Note 2, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements. We believe our most critical accounting policies include revenue recognition, accounting for goodwill and intangible assets, purchase accounting, accounting for stock-based compensation, and income taxes.

### Revenue Recognition and Allowance for Doubtful Accounts

Revenues are primarily derived from professional services provided on a time and materials basis. For time and material contracts, revenues are recognized and billed by multiplying the number of hours expended in the performance of the contract by the established billing rates. For fixed fee projects, revenues are generally recognized using an input method based on the ratio of hours expended to total estimated hours. Amounts invoiced and collected in excess of revenues recognized are classified as deferred revenues. On many projects we are also reimbursed for out-of-pocket expenses such as airfare, lodging, and meals. These reimbursements are included as a component of revenues. Revenues from software and hardware sales are generally recorded on a gross basis considering our role as a principal in the transaction. On rare occasions, we enter into a transaction where we are not the principal. In these cases, revenue is recorded on a net basis.

Unbilled revenues represent the project time and expenses that have been incurred, but not yet billed to the client, prior to the end of the fiscal period. For time and materials projects, the client is invoiced for the amount of hours worked multiplied by the billing rates as stated in the contract. For fixed fee arrangements, the client is invoiced according to the agreed-upon schedule detailing the amount and timing of payments in the contract. Clients are typically billed monthly for services provided during that month, but can be billed on a more or less frequent basis as determined by the contract. If the time and expenses are worked/incurred and approved at the end of a fiscal period and the invoice has not yet been sent to the client, the amount is recorded as unbilled revenue once we verify all other revenue recognition criteria have been met.

Revenues are recognized when the following criteria are met: (1) persuasive evidence of the customer arrangement exists; (2) fees are fixed and determinable; (3) delivery and acceptance have occurred; and (4) collectability is deemed probable. Our policy for revenue recognition in instances where multiple deliverables are sold contemporaneously to the same customer is in accordance with Accounting Standards Board Accounting Standards Codification ("ASC") Subtopic 985-605, Software – Revenue Recognition, ASC Subtopic 605-25, Revenue Recognition – Multiple-Element Arrangements, and ASC Section 605-10-S99 (Staff Accounting Bulletin Topic 13, Revenue Recognition). Specifically, if we enter into contracts for the sale of services and software or hardware, then we evaluate whether each element should be accounted for separately by considering the following criteria: (1) whether the deliverables have value to the client on a stand-alone basis; and (2) whether delivery or performance of the undelivered item or items is considered probable and substantially in our control (only if the arrangement includes a general right of return related to the delivered item). Further, for sales of software and services, we also evaluate whether the services are essential to the functionality of the software and we have fair value evidence for each deliverable. If we have concluded that the separation criteria are met, then we account for each deliverable in the transaction separately, based on the relevant revenue recognition policies. Generally, all deliverables of our multiple element arrangements meet these criteria and are accounted for separately, with the arrangement consideration allocated among the deliverables using vendor specific objective evidence of the selling price. As a result, we generally recognize software and hardware sales upon delivery to the customer and services consistent with the policies described herein.

Further, delivery of software and hardware sales, when sold contemporaneously with services, can generally occur at varying times depending on the specific client project arrangement. Delivery of services generally occurs over a period of time consistent with the timeline as outlined in the client contract.



There are no significant cancellation or termination-type provisions for our software and hardware sales. Contracts for professional services provide for a general right, to the client or to us, to cancel or terminate the contract within a given period of time (generally 10 to 30 days' notice is required). The client is responsible for any time and expenses incurred up to the date of cancellation or termination of the contract.

We may provide multiple services under the terms of an arrangement and we are required to assess whether one or more units of accounting are present. Service fees are typically accounted for as one unit of accounting, as fair value evidence for individual tasks or milestones is not available. We follow the guidelines discussed above in determining revenues; however, certain judgments and estimates are made and used to determine revenues recognized in any accounting period. If estimates are revised, material differences may result in the amount and timing of revenues recognized for a given period.

Revenues are presented net of taxes assessed by governmental authorities. Sales taxes are generally collected and subsequently remitted on all software and hardware sales and certain services transactions as appropriate.

23

---

Allowance for doubtful accounts is based upon specific identification of likely and probable losses. Each accounting period, accounts receivable is evaluated for risk associated with a client's inability to make contractual payments, historical experience and other currently available information. Billed and unbilled receivables that are specifically identified as being at risk are provided for with a charge to revenue or bad debts as appropriate in the period the risk is identified. Considerable judgment is used in assessing the ultimate realization of these receivables, including reviewing the financial stability of the client, evaluating the successful mitigation of service delivery disputes, and gauging current market conditions. If the evaluation of service delivery issues or a client's ability to pay is incorrect, future reductions to revenue or bad debt expense may be incurred.

#### Goodwill, Other Intangible Assets, and Impairment of Long-Lived Assets

Goodwill represents the excess purchase price over the fair value of net assets acquired, or net liabilities assumed, in a business combination. In accordance with ASC Topic 350, Intangibles – Goodwill and Other ("ASC Topic 350"), we perform an annual impairment test of goodwill. We evaluate goodwill as of October 1 each year and more frequently if events or changes in circumstances indicate that goodwill might be impaired. ASC Topic 350 permits, but does not require, an assessment of qualitative factors to determine whether it is more likely than not that our fair value is less than our carrying amount before applying the two-step goodwill impairment test. If it is more likely than not that our fair value is less than our carrying amount, the two-step goodwill impairment test will be conducted. The first step screens for impairment and, when impairment is indicated, a second step is employed to measure the impairment. We elected to go directly to step one rather than making a more-likely-than-not assessment based on an evaluation of qualitative factors.

Our annual goodwill impairment test was performed as of October 1, 2013. Our fair value as of the annual testing date exceeded our book value and consequently, no impairment was indicated.

Our fair value was determined by weighting the results of two valuation methods: (1) market capitalization based on the average price of our common stock, including a control premium, for a reasonable period of time prior to the evaluation date (generally 15 days) and (2) a discounted cash flow model. The fair value calculated using our average common stock price (including a control premium) was weighted 40% while the value calculated by the discounted cash flow model was weighted 60% in our determination of our overall fair value. While the use of our average common stock price, plus a control premium, may be considered the best evidence of fair value in ASC Topic 350, we believe the volatility in our stock price, and in the market overall, are not always consistently aligned with our financial results or outlook. The discounted cash flow approach allows us to calculate our fair value based on operating performance and meaningful financial metrics.

A key assumption used in the calculation of our fair value using our average common stock price was the consideration of a control premium. We reviewed industry premium data and determined an appropriate control premium for the analysis based on the low end of any premium received in transactions over the past several years.

Significant estimates used in the discounted cash flow model included projections of revenue growth, net income margins, discount rate, and terminal business value. The forecasts of revenue growth and net income margins are based upon our long-term view of the business and are used by senior management and the Board of Directors to evaluate operating performance. The discount rate utilized was estimated using the weighted average cost of capital for our industry. The terminal business value was determined by applying a growth factor to the latest year for which a forecast exists.

Other intangible assets include customer relationships, non-compete arrangements, trade name, customer backlog, and internally developed software, which are being amortized over the assets' estimated useful lives using the straight-line method. Estimated useful lives range from less than one year to ten years. Amortization of customer relationships, non-compete arrangements, trade name, customer backlog, and internally developed software is considered an operating expense and is included in "Amortization" in the accompanying Consolidated Statements of Operations. The

Company periodically reviews the estimated useful lives of its identifiable intangible assets, taking into consideration any events or circumstances that might result in a lack of recoverability or revised useful life.

#### Purchase Accounting

We allocate the purchase price of our acquisitions to the assets and liabilities acquired, including identifiable intangible assets, based on their respective fair values at the date of acquisition. Such fair market value assessments require significant judgments and estimates that can change materially as additional information becomes available. The purchase price is allocated to intangibles based on our estimate and an independent valuation. We finalize the purchase price allocation within 12 months of the acquisition date as certain initial accounting valuation estimates are finalized.

24

---

### Accounting for Stock-Based Compensation

We estimate the fair value of stock option awards on the date of grant utilizing a modified Black-Scholes option pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of short-term traded options that have no vesting restrictions and are fully transferable. However, certain assumptions used in the Black-Scholes model, such as expected term, can be adjusted to incorporate the unique characteristics of our stock option awards. Option valuation models require the input of somewhat subjective assumptions including expected stock price volatility and expected term. We believe it is unlikely that materially different estimates for the assumptions used in estimating the fair value of stock options granted would be made based on the conditions suggested by actual historical experience and other data available at the time estimates were made. Restricted stock awards are valued at the price of our common stock on the date of the grant.

### Income Taxes

We calculate and provide for income taxes in each jurisdiction in which we operate. Deferred tax assets and liabilities, measured using enacted tax rates, are recognized for the future tax consequences of temporary differences between financial reporting and tax bases of assets and liabilities. A valuation allowance reduces the deferred tax assets to the amount that is more likely than not to be realized. We have established liabilities or reduced assets for uncertain tax positions when we believe those tax positions are not more likely than not of being sustained if challenged. We evaluate these uncertain tax positions and adjust the related tax assets and liabilities in light of changing facts and circumstances each quarter.

### Recently Adopted Accounting Pronouncements

Our recently adopted accounting pronouncements are fully described in Note 2, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements.

### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, except operating lease commitments as disclosed in Note 12, Commitments and Contingencies, in the Notes to Consolidated Financial Statements.

### Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks related to changes in foreign currency exchange rates and interest rates. We believe our exposure to market risks is immaterial.

#### Exchange Rate Sensitivity

We are exposed to market risks associated with changes in foreign currency exchange rates because we generate a portion of our revenues and incur a portion of our expenses in currencies other than the U.S. dollar. As of December 31, 2013, we were exposed to changes in exchange rates between the U.S. dollar and the Canadian dollar, between the U.S. dollar and the Chinese yuan, and between the U.S. dollar and the Indian rupee. We have not hedged foreign currency exposures related to transactions denominated in currencies other than U.S. dollars. Our exposure to foreign currency risk is not significant.

#### Interest Rate Sensitivity

As of December 31, 2013, there was \$19.0 million outstanding and \$55.8 million of available borrowing capacity under our line of credit facility. Our interest expense will fluctuate as the interest rate for the line of credit floats based, at our option, on our lead lender's prime rate plus a margin or the one-month LIBOR rate plus a margin. Based

on the \$19.0 million outstanding on the line of credit as of December 31, 2013, an increase in the interest rate of 100 basis points would add \$190,000 of interest expense per year, which is not considered material to our financial position or results of operations.

We had unrestricted cash and cash equivalents totaling \$7.0 million at December 31, 2013 and \$5.8 million at December 31, 2012. The unrestricted cash and cash equivalents are held for working capital purposes. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these investments, we believe that we do not have any material exposure to changes in the fair value of our investment portfolio as a result of changes in interest rates. Declines in interest rates, however, will reduce future interest income.

25

---

## Item 8. Financial Statements and Supplementary Data.

PERFICIENT, INC.  
CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 2013 AND 2012

	December 31,	
	2013	2012
	(In thousands, except share information)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$7,018	\$5,813
Accounts receivable, net	78,887	69,662
Prepaid expenses	2,569	1,649
Other current assets	6,759	3,717
Total current assets	95,233	80,841
Property and equipment, net	7,709	4,398
Goodwill	193,510	160,936
Intangible assets, net	25,487	17,350
Other non-current assets	3,810	3,669
Total assets	\$325,749	\$267,194
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$7,667	\$7,959
Other current liabilities	30,298	20,605
Total current liabilities	37,965	28,564
Long-term debt	19,000	2,800
Other non-current liabilities	9,294	1,417
Total liabilities	\$66,259	\$32,781
Commitments and contingencies (see Note 12)		
Stockholders' equity:		
Common stock (\$0.001 par value per share; 50,000,000 shares authorized and 40,843,435 shares issued and 31,341,276 shares outstanding as of December 31, 2013; 39,024,337 shares issued and 30,825,123 shares outstanding as of December 31, 2012)	\$41	\$39
Additional paid-in capital	297,997	276,201
Accumulated other comprehensive loss	(378 )	(306 )
Treasury stock, at cost (9,512,545 shares as of December 31, 2013; 8,199,214 shares as of December 31, 2012)	(81,051 )	(62,970 )
Retained earnings	42,881	21,449
Total stockholders' equity	259,490	234,413
Total liabilities and stockholders' equity	\$325,749	\$267,194

See accompanying notes to consolidated financial statements.

PERFICIENT, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Year Ended December 31,		
	2013	2012	2011
	(In thousands, except per share information)		
Revenues:			
Services	\$326,589	\$286,548	\$233,166
Software and hardware	30,224	25,188	15,624
Reimbursable expenses	16,512	15,360	13,649
Total revenues	373,325	327,096	262,439
Cost of revenues (exclusive of depreciation and amortization, shown separately below):			
Project personnel costs	202,897	182,719	149,243
Software and hardware costs	26,648	21,536	13,521
Reimbursable expenses	16,512	15,360	13,649
Other project-related expenses	4,169	4,078	4,892
Total cost of revenues	250,226	223,693	181,305
Gross margin	123,099	103,403	81,134
Selling, general, and administrative	77,601	64,853	51,672
Depreciation	3,262	2,251	1,754
Amortization	7,974	7,827	6,341
Acquisition costs	2,297	1,871	1,249
Adjustment to fair value of contingent consideration	287	517	1,586
Income from operations	31,678	26,084	18,532
Net interest (expense) income	(293 )	(143 )	68
Net other income	112	44	45
Income before income taxes	31,497	25,985	18,645
Provision for income taxes	10,065	9,878	7,898
Net income	\$21,432	\$16,107	\$10,747
Basic net income per share	\$0.71	\$0.54	\$0.39
Diluted net income per share	\$0.67	\$0.52	\$0.37
Shares used in computing basic net income per share	30,294	29,536	27,745
Shares used in computing diluted net income per share	31,808	31,086	29,184

See accompanying notes to consolidated financial statements.

PERFICIENT, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(In thousands)

	Year Ended December 31,		
	2013	2012	2011
Net Income	\$21,432	\$16,107	\$10,747
Other comprehensive income, net of reclassification adjustments:			
Foreign currency translation adjustment	(72 )	(27 )	(35 )
Net unrealized gain (loss) on investments	-	-	(19 )
Comprehensive income	\$21,360	\$16,080	\$10,693

See accompanying notes to consolidated financial statements.

28

---



## PERFICIENT, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings (Deficit)	Total Stockholders' Equity
Balance at December 31, 2010	27,276	\$ 33	\$ 224,966	\$ (225 )	\$(42,205)	\$(5,405 )	\$ 177,164
Proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan	814	1	3,711	-	-	-	3,712
Net tax benefit from stock option exercises and restricted stock vesting	-	-	1,219	-	-	-	1,219
Stock compensation related to restricted stock vesting and retirement savings plan contributions	929	1	9,177	-	-	-	9,178
Purchases of treasury stock	(1,378 )	-	-	-	(12,790)	-	(12,790 )
Issuance of stock for acquisitions	1,102	1	9,782	-	-	-	9,783
Net income	-	-	-	-	-	10,747	10,747
Foreign currency translation adjustment	-	-	-	(35 )	-	-	(35 )
Net unrealized gain on investments	-	-	-	(19 )	-	-	(19 )
Balance at December 31, 2011	28,743	\$ 36	\$ 248,855	\$ (279 )	\$(54,995)	\$ 5,342	\$ 198,959
Proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan	56	-	202	-	-	-	202
Net tax benefit from stock option exercises and restricted stock vesting	-	-	855	-	-	-	855
Stock compensation related to restricted stock vesting and retirement savings plan contributions	950	1	9,589	-	-	-	9,590
Purchases of treasury stock and buyback of shares for taxes	(724 )	-	-	-	(7,975 )	-	(7,975 )
Issuance of stock for acquisitions	1,800	2	16,700	-	-	-	16,702
Net income	-	-	-	-	-	16,107	16,107
Foreign currency translation adjustment	-	-	-	(27 )	-	-	(27 )
Net unrealized loss on investments	-	-	-	-	-	-	-
Balance at December 31, 2012	30,825	\$ 39	\$ 276,201	\$ (306 )	\$(62,970)	\$ 21,449	\$ 234,413
Proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan	80	-	332	-	-	-	332
Net tax benefit from stock option exercises and restricted stock vesting	-	-	2,578	-	-	-	2,578

Stock compensation related to restricted stock vesting and retirement savings plan contributions	949	-	11,034	-	-	-	11,034
Purchases of treasury stock and buyback of shares for taxes	(1,313 )	-	-	-	(18,081)	-	(18,081 )
Issuance of stock for acquisitions	800	2	7,852	-	-	-	7,854
Net income	-	-	-	-	-	21,432	21,432
Foreign currency translation adjustment	-	-	-	(72 )	-	-	(72 )
Balance at December 31, 2013	31,341	\$ 41	\$297,997	\$ (378 )	\$(81,051)	\$42,881	\$ 259,490

See accompanying notes to consolidated financial statements.

29

---

PERFICIENT, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
<b>OPERATING ACTIVITIES</b>			
Net income	\$21,432	\$16,107	\$10,747
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	3,262	2,251	1,754
Amortization	7,974	7,827	6,341
Deferred income taxes	1,604	(613 )	531
Non-cash stock compensation and retirement savings plan contributions	11,034	9,590	9,178
Tax benefit from stock option exercises and restricted stock vesting	(2,618 )	(1,061 )	(1,838 )
Adjustment to fair value of contingent consideration for purchase of business	287	517	1,586
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	1,462	(818 )	(7,587 )
Other assets	(126 )	1,074	(320 )
Accounts payable	(361 )	2,190	(1,522 )
Other liabilities	2,901	2,147	(4,550 )
Net cash provided by operating activities	46,851	39,211	14,320
<b>INVESTING ACTIVITIES</b>			
Proceeds from maturity of investments	-	-	13,555
Purchase of property and equipment	(4,649 )	(1,923 )	(2,776 )
Capitalization of software developed for internal use	(3,329 )	(187 )	(179 )
Purchase of businesses, net of cash acquired	(38,434 )	(36,560 )	(19,385 )
Net cash used in investing activities	(46,412 )	(38,670 )	(8,785 )
<b>FINANCING ACTIVITIES</b>			
Payments for credit facility financing fees	(399 )	-	(306 )
Proceeds from line of credit	181,150	134,900	14,000
Payments on line of credit	(164,950)	(132,100)	(14,000)
Payment of contingent consideration for purchase of business	-	(556 )	(1,244 )
Tax benefit from stock option exercises and restricted stock vesting	2,618	1,061	1,838
Proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan	332	202	3,712
Purchases of treasury stock	(13,794 )	(6,118 )	(11,791)
Remittance of taxes withheld as part of a net share settlement of restricted stock vesting	(4,287 )	(1,857 )	(747 )
Net cash provided by (used) in financing activities	670	(4,468 )	(8,538 )
Effect of exchange rate on cash and cash equivalents	96	8	28
Change in cash and cash equivalents	1,205	(3,919 )	(2,975 )
Cash and cash equivalents at beginning of period	5,813	9,732	12,707
Cash and cash equivalents at end of period	\$7,018	\$5,813	\$9,732
Supplemental disclosures:			
Cash paid for interest	\$273	\$168	\$5
Cash paid for income taxes	\$7,862	\$9,687	\$7,810
Non-cash activities:			

Edgar Filing: PERFICIENT INC - Form 10-K

Stock issued for purchase of businesses (net of stock reacquired for escrow claim)	\$7,854	\$14,411	\$6,616
Stock issued for settlement of contingent consideration for purchase of business	\$-	\$2,199	\$2,915
Estimated fair value of contingent consideration for purchase of business	\$5,114	\$-	\$2,377
Accrued additions to property and equipment	\$1,488	\$-	\$-

See accompanying notes to consolidated financial statements.

30

---

PERFICIENT, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013

1. Description of Business and Principles of Consolidation

Perficient, Inc. (the "Company") is an information technology consulting firm. The Company helps its clients use Internet-based technologies to make their businesses more responsive to market opportunities and threats; strengthen relationships with customers, suppliers, and partners; improve productivity; and reduce information technology costs. The Company designs, builds, and delivers solutions using a core set of middleware software products developed by third-party vendors. The Company's solutions enable its clients to meet the changing demands of an increasingly global, Internet-driven, and competitive marketplace.

The Company is incorporated in Delaware. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and such differences could be material to the financial statements.

Reclassification

The Company has reclassified the presentation of certain prior period information to conform to the current year presentation.

Revenue Recognition

Revenues are primarily derived from professional services provided on a time and materials basis. For time and material contracts, revenues are recognized and billed by multiplying the number of hours expended in the performance of the contract by the established billing rates. For fixed fee projects, revenues are generally recognized using an input method based on the ratio of hours expended to total estimated hours. Amounts invoiced and collected in excess of revenues recognized are classified as deferred revenues. On many projects the Company is also reimbursed for out-of-pocket expenses such as airfare, lodging, and meals. These reimbursements are included as a component of revenues. Revenues from software and hardware sales are generally recorded on a gross basis considering the Company's role as a principal in the transaction. On rare occasions, the Company enters into a transaction where it is not the principal. In these cases, revenue is recorded on a net basis.

Unbilled revenues represent the project time and expenses that have been incurred, but not yet billed to the client, prior to the end of the fiscal period. For time and materials projects, the client is invoiced for the amount of hours worked multiplied by the billing rates as stated in the contract. For fixed fee arrangements, the client is invoiced according to the agreed-upon schedule detailing the amount and timing of payments in the contract. Clients are typically billed monthly for services provided during that month, but can be billed on a more or less frequent basis as determined by the contract. If the time and expenses are worked/incurred and approved at the end of a fiscal period

and the invoice has not yet been sent to the client, the amount is recorded as unbilled revenue once the Company verifies all other revenue recognition criteria have been met.

Revenues are recognized when the following criteria are met: (1) persuasive evidence of the customer arrangement exists; (2) fees are fixed and determinable; (3) delivery and acceptance have occurred; and (4) collectability is deemed probable. The Company's policy for revenue recognition in instances where multiple deliverables are sold contemporaneously to the same customer is in accordance with Financial Accounting Standards Board ASC Subtopic 985-605, Software – Revenue Recognition, ASC Subtopic 605-25, Revenue Recognition – Multiple-Element Arrangements, and ASC Section 605-10-S99 (Staff Accounting Bulletin Topic 13, Revenue Recognition).

Specifically, if the Company enters into contracts for the sale of services and software or hardware, then the Company evaluates whether each element should be accounted for separately by considering the following criteria: (1) whether the deliverables have value to the client on a stand-alone basis; and (2) whether delivery or performance of the undelivered item or items is considered probable and substantially in the control of the Company (only if the arrangement includes a general right of return related to the delivered item). Further, for sales of software and services, the Company also evaluates whether the services are essential to the functionality of the software and if it has fair value evidence for each deliverable. If the Company has concluded that the separation criteria are met, then it accounts for each deliverable in the transaction separately, based on the relevant revenue recognition policies.

Generally, all deliverables of the Company's multiple element arrangements meet these criteria and are accounted for separately, with the arrangement consideration allocated among the deliverables using vendor specific objective evidence of the selling price. As a result, the Company generally recognizes software and hardware sales upon delivery to the customer and services consistent with the policies described herein.

Further, delivery of software and hardware sales, when sold contemporaneously with services, can generally occur at varying times depending on the specific client project arrangement. Delivery of services generally occurs over a period of time consistent with the timeline as outlined in the client contract.

PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

There are no significant cancellation or termination-type provisions for the Company's software and hardware sales. Contracts for professional services provide for a general right, to the client or the Company, to cancel or terminate the contract within a given period of time (generally 10 to 30 days' notice is required). The client is responsible for any time and expenses incurred up to the date of cancellation or termination of the contract.

The Company may provide multiple services under the terms of an arrangement and is required to assess whether one or more units of accounting are present. Service fees are typically accounted for as one unit of accounting, as fair value evidence for individual tasks or milestones is not available. The Company follows the guidelines discussed above in determining revenues; however, certain judgments and estimates are made and used to determine revenues recognized in any accounting period. If estimates are revised, material differences may result in the amount and timing of revenues recognized for a given period.

Revenues are presented net of taxes assessed by governmental authorities. Sales taxes are generally collected and subsequently remitted on all software and hardware sales and certain services transactions as appropriate.

#### Allowance for Doubtful Accounts

An allowance for doubtful accounts is based upon specific identification of likely and probable losses. Each accounting period, accounts receivable is evaluated for risk associated with a client's inability to make contractual payments, historical experience, and other currently available information.

#### Stock-Based Compensation

Stock-based compensation is accounted for in accordance with ASC Topic 718, Compensation – Stock Compensation ("ASC Topic 718"). Under this method, the Company recognizes share-based compensation ratably using the straight-line attribution method over the requisite service period. In addition, pursuant to ASC Topic 718, the Company is required to estimate the amount of expected forfeitures when calculating share-based compensation, instead of accounting for forfeitures as they occur.

#### Income Taxes

The Company accounts for income taxes in accordance with ASC Subtopic 740-10, Income Taxes ("ASC Subtopic 740-10"), and ASC Section 740-10-25, Income Taxes – Recognition ("ASC Section 740-10-25"). ASC Subtopic 740-10 prescribes the use of the asset and liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are subject to tests of recoverability. A valuation allowance is provided for such deferred tax assets to the extent realization is not judged to be more likely than not. ASC Subtopic 740-10-25 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Subtopic 740-10-25 also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances and liquid investments with original maturities of three months or less.

#### Property and Equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is computed using the straight-line method over the useful lives of the assets (generally one to seven years). Leasehold improvements are amortized over the shorter of the life of the lease or the estimated useful life of the assets.

#### Goodwill and Intangible Assets

Goodwill represents the excess purchase price over the fair value of net assets acquired, or net liabilities assumed, in a business combination. In accordance with ASC Topic 350, Intangibles – Goodwill and Other ("ASC Topic 350"), the Company performs an annual impairment test of goodwill. The Company evaluates goodwill as of October 1 each year and more frequently if events or changes in circumstances indicate that goodwill might be impaired. ASC Topic 350 permits, but does not require, an assessment of qualitative factors to determine whether it is more likely than not that the fair value is less than the carrying amount of the Company before applying the two-step goodwill impairment test. If it is more likely than not that the fair value is less than the carrying amount of the Company, the two-step goodwill impairment test will be conducted. The first step screens for impairment and, when impairment is indicated, a second step is employed to measure the impairment. The Company has elected to go directly to step one rather than making a more-likely-than-not assessment based on an evaluation of qualitative factors.

32

---



PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

The Company performed its annual impairment test of goodwill as of October 1, 2013. Based on the test performed, the Company's fair value as of the annual testing date exceeded its book value and consequently, no impairment was indicated. The Company's fair value was determined by weighting the results of two valuation methods: (1) market capitalization based on the average price of the Company's common stock, including a control premium, for a reasonable period of time prior to the evaluation date (generally 15 days) and (2) a discounted cash flow model. The fair value calculated using the Company's average common stock price (including a control premium) was weighted 40% while the value calculated by the discounted cash flow model was weighted 60% in the Company's determination of its overall fair value.

Other intangible assets include customer relationships, non-compete arrangements, trade names, customer backlog, and internally developed software, which are being amortized over the assets' estimated useful lives using the straight-line method. Estimated useful lives range from less than one year to ten years. Amortization of customer relationships, non-compete arrangements, trade names, customer backlog, and internally developed software is considered an operating expense and is included in "Amortization" in the accompanying Consolidated Statements of Operations. The Company periodically reviews the estimated useful lives of its identifiable intangible assets, taking into consideration any events or circumstances that might result in a lack of recoverability or revised useful life.

#### Fair Value of Financial Instruments

Cash equivalents, accounts receivable, accounts payable, and other accrued liabilities are stated at amounts which approximate fair value due to the near term maturities of these instruments. Investments are stated at amounts which approximate fair value based on quoted market prices or other observable inputs.

#### Treasury Stock

The Company uses the cost method to account for repurchases of its own stock.

#### Segment Information

The Company operates as one reportable operating segment according to ASC Topic 280, Segment Reporting, which establishes standards for the way that business enterprises report information about operating segments. The chief operating decision maker formulates decisions about how to allocate resources and assess performance based on consolidated financial results. The Company also has one reporting unit for purposes of the goodwill impairment analysis discussed above.

#### Recently Adopted Accounting Pronouncements

Effective January 1, 2012, the Company adopted Accounting Standard Update ("ASU") 2011-05, Presentation of Comprehensive Income. ASU 2011-05 requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Under the two-statement approach, the first statement would include components of net income, and the second statement would include components of other comprehensive income. ASU 2011-05 does not change the items that must be reported in other comprehensive income. The adoption of ASU 2011-05 did not impact the accounting for comprehensive income, but did affect the presentation of components of comprehensive income by eliminating the practice of showing these items within the Consolidated Statement of Stockholders' Equity.

Effective January 1, 2012, the Company adopted ASU 2011-08, Intangibles – Goodwill and Other. ASU 2011-08 permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value

is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it need not perform the two-step impairment test. The adoption of ASU 2011-08 did not have a material impact on the Company's consolidated financial statements.

In February 2013, the Financial Accounting Standards Board issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" that requires entities to disclose either on the face of or in the notes to the financial statements the effects of reclassifications out of accumulated other comprehensive income ("AOCI"). For items reclassified out of AOCI and into net income in their entirety, entities must disclose the effect of the reclassification on each affected net income item. For items that are not reclassified in their entirety into net income, entities must provide a cross reference to other required U.S. GAAP disclosures. This ASU does not change the items currently reported in other comprehensive income and is effective for annual reporting periods beginning after December 15, 2012 and interim periods within those years. The adoption of these provisions did not have an impact on the consolidated financial statements of the Company.

### 3. Net Income Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share includes the weighted average number of common shares outstanding and the number of equivalent shares which would be issued related to the stock options, unvested restricted stock, and warrants using the treasury method, unless such additional equivalent shares are anti-dilutive.

33

---

PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

The following table presents the calculation of basic and diluted net income per share (in thousands, except per share information):

	Year Ended December 31,		
	2013	2012	2011
Net income	\$21,432	\$16,107	\$10,747
Basic:			
Weighted-average shares of common stock outstanding	30,294	29,536	27,745
Shares used in computing basic net income per share	30,294	29,536	27,745
Effect of dilutive securities:			
Stock options	152	194	279
Warrants (1)	-	-	5
Restricted stock subject to vesting	674	621	578
Contingently issuable shares (2)	-	81	222
Shares issuable for acquisition consideration (3)	688	654	355
Shares used in computing diluted net income per share	31,808	31,086	29,184
Basic net income per share	\$0.71	\$0.54	\$0.39
Diluted net income per share	\$0.67	\$0.52	\$0.37
Anti-dilutive options and restricted stock not included in the calculation of diluted net income per share	1	12	278

(1) All outstanding warrants expired on December 30, 2011.

(2) Represents the Company's estimate of shares to be issued to Exervio pursuant to the Asset Purchase Agreement.

For the year ended December 31, 2013, this represents the shares held in escrow pursuant to: (i) the Agreement and Plan of Merger with Northridge; (ii) the Asset Purchase Agreement with Nascent; (iii) the Agreement and Plan of Merger with TriTek; (iv) the Asset Purchase Agreement with Clear Task; and (v) the Asset Purchase Agreement with CoreMatrix as part of the consideration. For the year ended December 31, 2012, this represents the shares held in escrow pursuant to: (i) the Agreement and Plan of Merger with speakTECH; (ii) the Asset Purchase

(3) Agreement with PointBridge; (iii) the Asset Purchase Agreement with Nascent; and (iv) the Agreement and Plan of Merger with Northridge as part of the consideration. For the year ended December 31, 2011 this represents the shares held in escrow pursuant to the Agreement and Plan of Merger with speakTECH and pursuant to the Asset Purchase Agreement with Exervio and the Asset Purchase Agreement with JCB as part of the consideration. These shares were not included in the calculation of basic net income per share due to the uncertainty of their ultimate status.

#### 4. Investments

During the second quarter 2011, the Company sold all of its short- and long-term investments to fund acquisition activity. The realized gains and losses for these investments were immaterial. As of December 31, 2013, the Company's investments consisted of cash equivalents with original maturities of three months or less.

#### 5. Concentration of Credit Risk and Significant Customers

Cash and accounts receivable potentially expose the Company to concentrations of credit risk. Cash is placed with highly rated financial institutions. The Company provides credit, in the normal course of business, to its customers.

The Company generally does not require collateral or up-front payments. The Company performs periodic credit evaluations of its customers and maintains allowances for potential credit losses. Customers can be denied access to services in the event of non-payment. During 2013, a substantial portion of the services the Company provided were built on IBM, Oracle, and Microsoft platforms, among others, and a significant number of the Company's clients are identified through joint selling opportunities conducted with and through sales leads obtained from the relationships with these vendors. Due to the Company's significant fixed operating expenses, the loss of sales to any significant customer could result in the Company's inability to generate net income or positive cash flow from operations for some time in the future. However, the Company has remained relatively diversified, with no one customer providing more than 10% of total revenues for the year ended December 31, 2013, 2012 or 2011.

#### 6. Employee Benefit Plans

The Company has a qualified 401(k) profit sharing plan available to full-time employees who meet the plan's eligibility requirements. This defined contribution plan permits employees to make contributions up to maximum limits allowed by the Internal Revenue Code of 1986 (the "Code"). The Company, at its discretion, matches a portion of the employee's contribution under a predetermined formula based on the level of contribution and years of service. For 2013, the Company made matching contributions of 50% (25% in cash and 25% in Company stock) of the first 6% of eligible compensation deferred by the participant. The Company recognized \$3.3 million, \$3.3 million, and \$3.2 million of expense for the matching cash and Company stock contribution in 2013, 2012, and 2011, respectively. All matching contributions vest over a three-year period of service.

The Company has a deferred compensation plan for officers, directors, and certain sales personnel. The plan is designed to allow eligible participants to accumulate additional income through a nonqualified deferred compensation plan that enables them to make elective deferrals of compensation to which they will become entitled in the future. As of December 31, 2013 and 2012, the deferred compensation liability balance was \$2.3 million and \$1.7 million, respectively.

PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

7. Business Combinations

Acquisition of PointBridge

On February 8, 2012, the Company acquired substantially all of the assets of PointBridge pursuant to the terms of an Asset Purchase Agreement. PointBridge was based in Chicago, Illinois, and was a business and technology consulting firm focused on collaboration, web content management, unified communications and business intelligence, primarily leveraging Microsoft technologies. The acquisition of PointBridge further solidified the Company's position among the largest and most capable Microsoft systems integrator consulting firms, as well as extended the Company's presence in Chicago, Milwaukee and Boston.

The Company's total allocable purchase price consideration was \$20.5 million. The purchase price was comprised of \$14.4 million in cash paid and \$6.1 million of Company common stock issued at closing. The Company incurred approximately \$0.7 million in transaction costs, which were expensed when incurred.

The Company allocated the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$5.0
Acquired intangible assets	6.2
Liabilities assumed	(1.1 )
Goodwill	10.4
Total purchase price	\$20.5

The Company estimated that the intangible assets acquired have useful lives of eleven months to five years.

Acquisition of Nascent

On June 1, 2012, the Company acquired substantially all of the assets of Nascent pursuant to the terms of an Asset Purchase Agreement. Nascent was based in Dallas, Texas, and was a full-service software evaluation and implementation firm that specialized in working with the Oracle E-Business Suite and Vertex for sales, use and value added taxes. The acquisition of Nascent allowed the Company significant cross-selling and growth opportunity within the existing client base with Oracle E-Business Suite, as well as extended the Company's presence in Texas, Oklahoma, Louisiana, and Arkansas.

The Company's total allocable purchase price consideration was \$16.8 million. The purchase price was comprised of \$11.6 million in cash paid and \$5.2 million of Company common stock issued at closing. The Company incurred approximately \$0.6 million in transaction costs, which were expensed when incurred.

The Company allocated the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$3.8
Acquired intangible assets	4.4
Liabilities assumed	(1.1 )
Goodwill	9.7
Total purchase price	\$16.8

The Company estimated that the intangible assets acquired have useful lives of seven months to five years.

35

---

PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

Acquisition of Northridge

On July 1, 2012, the Company acquired Northridge pursuant to the terms of an Agreement and Plan of Merger. Northridge was based in Atlanta, Georgia, and was an expert in the areas of business consulting, user experience, and collaboration technology primarily leveraging Microsoft technologies. The acquisition of Northridge further enhanced the Company's portfolio of services in collaboration strategy, portal migration and implementation, dashboards and analytics, user experience and branding, collaborative websites, and custom collaboration solutions utilizing Microsoft systems, as well as extended the Company's presence in the Atlanta and Charlotte markets.

The Company's total allocable purchase price consideration was \$13.9 million. The purchase price was comprised of \$10.7 million in cash paid and \$3.2 million of Company common stock issued at closing. The Company incurred approximately \$0.6 million in transaction costs, which were expensed when incurred.

The Company allocated the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$3.1
Acquired intangible assets	4.1
Liabilities assumed	(2.9 )
Goodwill	9.6
Total purchase price	\$13.9

The Company estimated that the intangible assets acquired have useful lives of nine months to five years.

Acquisition of TriTek

On May 1, 2013, the Company acquired TriTek, pursuant to the terms of an Agreement and Plan of Merger. TriTek was an IBM-focused enterprise content management and business process management consulting firm. The acquisition of TriTek further enhanced the Company's existing capabilities and further positioned the Company as the IBM solution provider of choice for enterprises across North America.

The Company has initially estimated the total allocable purchase price consideration to be \$21.1 million. The purchase price was comprised of \$17.0 million in cash paid and \$4.1 million of Company common stock issued at closing. The Company incurred approximately \$0.8 million in transaction costs, which were expensed when incurred.

The Company has estimated the allocation of the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$11.8
Acquired intangible assets	6.2
Liabilities assumed	(6.2 )
Goodwill	9.3
Total purchase price	\$21.1

The Company estimated that the intangible assets acquired have useful lives of eight months to eight years.

The amounts above represent the fair value estimates as of December 31, 2013 and are subject to subsequent adjustment as the Company obtains additional information during the measurement period and finalizes its fair value estimates. Any subsequent adjustments to these fair value estimates occurring during the measurement period will result in an adjustment to goodwill or income, as applicable.

36

---



PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

Acquisition of Clear Task

On May 17, 2013, the Company acquired Clear Task, pursuant to the terms of an Asset Purchase Agreement. Clear Task provided salesforce.com implementations and customizations for enterprise customers. Clear Task's professionals helped clients implement Service Cloud, Sales Cloud, Chatter and platform engagement solutions to strengthen customer, employee and partner relationships, and maintain their competitive advantage. The acquisition of Clear Task further expanded Perficient's cloud capabilities to include offerings from each of the world's leading cloud computing providers - IBM, Microsoft, Oracle and salesforce.com.

The Company has initially estimated the total allocable purchase price consideration to be \$8.6 million. The purchase price was comprised of \$6.0 million in cash paid and \$1.2 million of Company common stock issued at closing increased by \$1.4 million representing the initial fair value estimate of additional earnings-based contingent consideration, which may be realized by the Clear Task selling shareholders 12 months after the closing date of the acquisition. If the contingency is achieved, 80% of the earnings-based contingent consideration will be paid in cash and 20% will be issued in stock to the Clear Task selling shareholders. The contingent consideration is recorded in "Other current liabilities" on the Consolidated Balance Sheet as of December 31, 2013. The Company incurred approximately \$0.6 million in transaction costs, which were expensed when incurred.

The Company has estimated the allocation of the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$2.1
Acquired intangible assets	1.6
Liabilities assumed	(0.8)
Goodwill	5.7
Total purchase price	\$8.6

The Company estimated that the intangible assets acquired have useful lives of five months to five years.

The amounts above represent the fair value estimates as of December 31, 2013 and are subject to subsequent adjustment as the Company obtains additional information during the measurement period and finalizes its fair value estimates. Any subsequent adjustments to these fair value estimates occurring during the measurement period will result in an adjustment to goodwill or income, as applicable.

Acquisition of CoreMatrix

On October 11, 2013, the Company acquired CoreMatrix, pursuant to the terms of an Asset Purchase Agreement. CoreMatrix was a salesforce.com cloud computing services and solutions firm. The acquisition of CoreMatrix provides the Company with the comprehensive capacity to sell and deliver salesforce.com solutions across North America.

The Company has initially estimated the total allocable purchase price consideration to be \$24.4 million. The purchase price was comprised of \$18.5 million in cash paid and \$2.5 million of Company common stock issued at closing increased by \$3.4 million representing the initial fair value estimate of additional earnings-based contingent consideration, which may be realized by the CoreMatrix selling shareholders 12 and 24 months after the closing date of the acquisition. If the first contingency is achieved, 60% of the earnings-based contingent consideration will be paid

in cash and 40% will be issued in stock to the CoreMatrix selling shareholders. If the second contingency is achieved, 80% of the earnings-based contingent consideration will be paid in cash and 20% will be issued in stock to the CoreMatrix selling shareholders. As of December 31, 2013, the contingent consideration is recorded in "Other non-current liabilities" on the Consolidated Balance Sheet, based on when settlement is expected to occur. The Company incurred approximately \$0.8 million in transaction costs, which were expensed when incurred.

37

---

PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

The Company has estimated the allocation of the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Acquired tangible assets	\$3.8
Acquired intangible assets	4.8
Liabilities assumed	(1.3 )
Goodwill	17.1
Total purchase price	\$24.4

The Company estimated that the intangible assets acquired have useful lives of six months to ten years.

The amounts above represent the fair value estimates as of December 31, 2013 and are subject to subsequent adjustment as the Company obtains additional information during the measurement period and finalizes its fair value estimates. Any subsequent adjustments to these fair value estimates occurring during the measurement period will result in an adjustment to goodwill or income, as applicable.

The results of the PointBridge, Nascent, Northridge, TriTek, Clear Task, and CoreMatrix operations have been included in the Company's consolidated financial statements since the respective acquisition dates.

The aggregate amounts of revenue and net income of TriTek, Clear Task, and CoreMatrix included in the Company's Consolidated Statements of Operations from the respective acquisition dates to December 31, 2013 are as follows (in thousands):

	Acquisition
	Date to
	December
	31, 2013
Revenues	\$ 21,095
Net income	\$ 2,260

Pro-forma Results of Operations (Unaudited)

The following presents the unaudited pro-forma combined results of operations of the Company with TriTek, Clear Task, and CoreMatrix for the year ended December 31, 2013 and PointBridge, Nascent, Northridge, TriTek, Clear Task, and CoreMatrix for the year ended December 31, 2012, after giving effect to certain pro-forma adjustments related to the amortization of acquired intangible assets and assuming TriTek, Clear Task, and CoreMatrix were acquired as of the beginning of 2012 and PointBridge, Nascent, and Northridge were acquired as of the beginning of 2011. These unaudited pro-forma results are presented in compliance with the adoption of ASU 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations, and are not necessarily indicative of the actual consolidated results of operations had the acquisitions actually occurred on January 1, 2012 or January 1, 2011 or of future results of operations of the consolidated entities (in thousands except per share data):

	December 31,	
	2013	2012
Revenues	\$396,486	\$379,049
Net income	\$25,041	\$16,312

Edgar Filing: PERFICIENT INC - Form 10-K

Basic net income per share	\$0.80	\$0.53
Diluted net income per share	\$0.78	\$0.50
Shares used in computing basic net income per share	31,315	31,046
Shares used in computing dilute net income per share	32,141	32,394

38

---

PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

## 8. Goodwill and Intangible Assets

## Goodwill

Activity related to goodwill consisted of the following (in thousands):

	2013	2012
Balance, beginning of year	\$160,936	\$132,038
Preliminary purchase price allocations for acquisitions (Note 7)	32,041	29,132
Purchase accounting adjustments	533	(234 )
Balance, end of year	\$193,510	\$160,936

## Intangible Assets with Definite Lives

Following is a summary of the Company's intangible assets that are subject to amortization (in thousands):

	Year Ended December 31,					
	2013			2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$31,156	\$ (10,835 )	\$20,321	\$22,682	\$ (7,299 )	\$15,383
Non-compete agreements	1,477	(715 )	762	1,156	(425 )	731
Customer backlog	402	(170 )	232	306	(184 )	122
Trade name	159	(83 )	76	265	(204 )	61
Internally developed software	4,604	(508 )	4,096	1,642	(589 )	1,053
Total	\$37,798	\$ (12,311 )	\$25,487	\$26,051	\$ (8,701 )	\$17,350

The estimated useful lives of identifiable intangible assets are as follows:

Customer relationships	3 – 10 years
Non-compete agreements	2 – 5 years
Customer backlog	6 – 8 months
Internally developed software	1 – 7 years
Trade name	1 year

The weighted average amortization periods for customer relationships and non-compete agreements are five years. Total amortization expense for the years ended December 31, 2013, 2012, and 2011 was approximately \$8.0 million, \$7.8 million, and \$6.3 million, respectively.

Estimated annual amortization expense for the next five years ended December 31 is as follows (in thousands):

2014	\$7,631
2015	\$5,824
2016	\$4,770
2017	\$2,411
2018	\$1,459
Thereafter	\$3,392



PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

## 9. Stock-Based Compensation

## Stock Option Plans

The Company made various award grants under the 2009 Long-Term Incentive Plan prior to May 2012. In May 2012, the Company's stockholders approved the 2012 Long-Term Incentive Plan (the "Incentive Plan"), which had been previously approved by the Company's Board of Directors. The Incentive Plan allows for the granting of various types of stock awards, not to exceed a total of 2.5 million shares, to eligible individuals. The Compensation Committee of the Board of Directors administers the Incentive Plan and determines the terms of all stock awards made under the Incentive Plan.

Stock option activity for the year ended December 31, 2013 was as follows (in thousands, except exercise price and remaining contractual terms information):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Terms (In Years) (1)	Aggregate Intrinsic Value
Options outstanding at December 31, 2012	303	\$ 5.08	1.69	\$ 2,027
Options exercised (2)	(71 )	2.56		\$ 978
Options canceled	(10 )	0.63		
Options outstanding at December 31, 2013	222	\$ 6.08	0.94	\$ 3,845
Options vested, December 31, 2013	222	\$ 6.08	0.94	\$ 3,845

(1) Generally stock options have a maximum contractual term of 10 years.

(2) The total aggregate intrinsic value of stock options exercised during 2012 and 2011 was \$0.4 million and \$5.6 million, respectively.

Restricted stock activity for the year ended December 31, 2013 was as follows (in thousands, except fair value information):

	Shares	Weighted-Average Grant Date Fair Value
Restricted stock awards outstanding at December 31, 2012	1,939	\$ 9.93
Awards granted (1)	705	\$ 14.62
Awards vested (2)	(833 )	\$ 9.17
Awards forfeited	(112 )	\$ 10.10
Restricted stock awards outstanding at December 31, 2013	1,699	\$ 12.13

(1) The weighted average grant date fair value of shares granted during 2012 and 2011 was \$11.31 and \$10.31, respectively.

(2) The total fair value of restricted shares vested during the years ended December 31, 2013, 2012 and 2011 was \$13.4 million, \$9.7 million and \$7.8 million, respectively.

The Company recognized \$11.1 million, \$9.6 million, and \$9.2 million of share-based compensation expense during 2013, 2012 and 2011, respectively, which included \$1.7 million, \$1.4 million, and \$1.1 million of expense for

retirement savings plan contributions, respectively. The associated current and future income tax benefit recognized during 2013, 2012 and 2011 was \$3.6 million, \$3.2 million, and \$3.1 million, respectively. As of December 31, 2013, there was \$15.6 million of total unrecognized compensation cost related to non-vested share-based awards. This cost is expected to be recognized over a weighted-average period of two years. Generally restricted stock awards vest over a three to five year requisite service period.

#### Employee Stock Purchase Plan

The Employee Stock Purchase Plan (the "ESPP") was initiated January 1, 2006 and is a broadly-based stock purchase plan in which any eligible employee may elect to participate by authorizing the Company to make payroll deductions in a specific amount or designated percentage to pay the exercise price of an option. In no event will an employee be granted ability under the ESPP that would permit the purchase of common stock with a fair market value in excess of \$25,000 in any calendar year and the Compensation Committee of the Company has set the current annual participation limit at \$12,500. During the year ended December 31, 2013, approximately 9,600 shares were purchased under the ESPP.

There are four three-month offering periods in each calendar year beginning on January 1, April 1, July 1, and October 1, respectively. The purchase price of shares offered under the ESPP is an amount equal to 95% of the fair market value of the common stock on the date of purchase (occurring on, respectively, March 31, June 30, September 30, and December 31). The ESPP is designed to comply with Section 423 of the Code and thus is eligible for the favorable tax treatment afforded by Section 423.

40

---



PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

## 10. Line of Credit

On July 31, 2013, we renewed and extended the term of our Credit Agreement (the "Credit Agreement") with Silicon Valley Bank ("SVB"), U.S. Bank National Association, and Bank of America, N.A. The Credit Agreement provides for revolving credit borrowings up to a maximum principal amount of \$75.0 million, subject to a commitment increase of \$25.0 million. The Credit Agreement also allows for the issuance of letters of credit in the aggregate amount of up to \$5.0 million at any one time; outstanding letters of credit reduce the credit available for revolving credit borrowings. As of December 31, 2013, the Company had an outstanding letter of credit in the amount of \$0.2 million to secure an office space lease. Substantially all of our assets are pledged to secure the credit facility.

All outstanding amounts owed under the Credit Agreement become due and payable no later than the final maturity date of July 31, 2017. Borrowings under the Credit Agreement bear interest at our option of SVB's prime rate (4.00% on December 31, 2013) plus a margin ranging from 0.00% to 0.50% or one-month LIBOR (0.168% on December 31, 2013) plus a margin ranging from 2.00% to 2.50%. The additional margin amount is dependent on the level of outstanding borrowings. As of December 31, 2013, we had \$55.8 million of maximum borrowing capacity. We incur an annual commitment fee of 0.30% on the unused portion of the line of credit.

The Company is required to comply with various financial covenants under the Credit Agreement. Specifically, the Company is required to maintain a ratio of earnings before interest, taxes, depreciation, and amortization ("EBITDA") plus stock compensation and minus income taxes paid and capital expenditures to interest expense and scheduled payments due for borrowings on a trailing three months basis annualized of not less than 2.00 to 1.00 and a ratio of current maturities of long-term debt to EBITDA plus stock compensation and minus income taxes paid and capital expenditures of not more than 2.75 to 1.00.

At December 31, 2013, the Company was in compliance with all covenants under the Credit Agreement.

## 11. Income Taxes

The Company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The Internal Revenue Service (the "IRS") has completed examinations of the Company's U.S. income tax returns or the statute has passed on returns for the years through 2008. As of December 31, 2013, the IRS has proposed no significant adjustments to any of the Company's tax positions. The Company's 2011 U.S. income tax return is currently under examination by the IRS.

As of December 31, 2013, the Company had U.S. Federal tax net operating loss carry forwards of approximately \$3.9 million that will begin to expire in 2020 if not utilized. Utilization of net operating losses may be subject to an annual limitation due to the "change in ownership" provisions of the Code. The annual limitation may result in the expiration of net operating losses before utilization.

Significant components of the provision for income taxes are as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	\$7,292	\$8,405	\$6,358
State	883	1,704	996
Foreign	286	382	13
Total current	8,461	10,491	7,367

Deferred:

Federal	1,455	(581 )	487
State	149	(32 )	44
Total deferred	1,604	(613 )	531
Total provision for income taxes	\$10,065	\$9,878	\$7,898

41

---

PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

The components of pretax income for the years ended December 31, 2013, 2012 and 2011 are as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Domestic	\$29,280	\$23,533	\$17,614
Foreign	2,217	2,452	1,031
Total	\$31,497	\$25,985	\$18,645

For the year ended December 31, 2013, 2012, and 2011, foreign operations included Canada, China, and India.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes as of December 31, 2013 and 2012 are as follows (in thousands):

	December 31,	
	2013	2012
Deferred tax assets:		
Accrued liabilities	\$1,172	\$849
Bad debt reserve	365	280
Net operating losses	1,510	1,908
Deferred compensation	2,728	1,936
Intangibles	2,101	3,256
Acquisition-related costs	490	529
Total deferred tax assets	8,366	8,758
Deferred tax liabilities:		
Prepaid expenses	829	421
Equity in undistributed foreign earnings	125	125
Goodwill	7,594	5,893
Accrued liabilities	-	18
Fixed assets	1,372	786
Total deferred tax liabilities	9,920	7,243
Net deferred tax (liability) asset	\$(1,554)	\$1,515

Management regularly assesses the likelihood that deferred tax assets will be recovered from future taxable income. To the extent management believes that it is more likely than not that a deferred tax asset will not be realized, a valuation allowance is established. Management believes it is more likely than not that the Company will generate sufficient taxable income in future years to realize the benefits of its deferred tax assets.

The federal corporate statutory tax rate is reconciled to the Company's effective income tax rate as follows:

	Year Ended		
	December 31,		
	2013	2012	2011
Federal statutory rate	35.0 %	35.0 %	34.6 %
State taxes, net of federal benefit	4.3	4.4	4.1

Edgar Filing: PERFICIENT INC - Form 10-K

Effect of foreign operations	(1.3)	(1.8)	(0.9)
Stock compensation	1.7	1.8	1.4
Non-deductible acquisition costs	0.2	0.8	2.1
Research and development tax credit	(5.7)	(2.7)	-
U.S. domestic production deduction	(3.1)	-	-
Other	0.9	0.5	1.1
Effective tax rate	32.0	%38.0	%42.4 %

42

---

PERFICIENT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

The effective income tax rate decreased to 32.0% for the year ended December 31, 2013 from 38.0% for the year ended December 31, 2012 primarily due to the research and development tax credit for 2013, the research and development tax credit for 2012, which was approved by Congress in January 2013 and recorded in the first quarter of 2013, and the U.S. domestic production deduction for 2010, 2011, 2012 and 2013.

Under the provisions of the ASC Subtopic 740-10-25, Income Taxes - Recognition, the Company had an unrecognized tax benefit of \$0.5 million and \$0.1 million as of December 31, 2013 and 2012, respectively. If the Company's assessment of unrecognized tax benefits is not representative of actual outcomes, the Company's financial statements could be significantly impacted in the period of settlement or when the statute of limitations expires.

The following table is a reconciliation of beginning and ending balances of total amounts of gross unrecognized tax benefits (in thousands):

	December 31,	
	2013	2012
Balance at beginning of year	\$79	\$-
Unrecognized tax benefits related to current year	440	79
Balance at end of year	\$519	\$79

## 12. Commitments and Contingencies

Certain of the Company's operating leases contain predetermined fixed escalations of minimum rentals during the original lease terms. For these leases, the Company recognizes the related rental expense on a straight-line basis over the life of the lease and records the difference between the amounts charged to operations and amounts paid as accrued rent expense.

The Company leases office space and certain equipment under various operating lease agreements. The Company has the option to extend the term of certain lease agreements. Future minimum commitments under these lease agreements as of December 31, 2013 are as follows (in thousands):

	Operating Leases
2014	\$ 4,063
2015	3,849
2016	3,528
2017	2,959
2018	1,675
Thereafter	2,776
Total minimum lease payments	\$ 18,850

Rent expense for the years ended December 31, 2013, 2012, and 2011 was approximately \$4.9 million, \$3.8 million, and \$2.9 million, respectively.

## PERFICIENT, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2013

## 13. Balance Sheet Components

	December 31,	
	2013	2012
	(In thousands)	
Accounts receivable:		
Accounts receivable	\$56,376	\$49,661
Unbilled revenues	23,274	20,725
Allowance for doubtful accounts	(763 )	(724 )
Total	\$78,887	\$69,662
Property and Equipment:		
Computer hardware (useful life of 3 years)	\$8,104	\$6,906
Furniture and fixtures (useful life of 5 years)	1,891	2,046
Leasehold improvements (useful life of 5 years)	1,997	1,775
Software (useful life of 1 to 7 years)	6,042	2,006
Less: Accumulated depreciation	(10,325)	(8,335)
Total	\$7,709	\$4,398
Other current liabilities:		
Accrued variable compensation	\$13,467	\$9,846
Deferred revenues	3,590	2,974
Payroll related costs	2,035	1,193
Accrued subcontractor fees	2,551	2,294
Accrued medical claims expense	1,296	1,145
Acquired liabilities	1,680	64
Estimated fair value of contingent consideration liability (Note 7)	1,606	-
Other current liabilities	4,073	3,089
Total	\$30,298	\$20,605
Other non-current liabilities:		
Deferred compensation liability	\$2,160	\$1,383
Deferred income taxes	2,345	-
Estimated fair value of contingent consideration liability (Note 7)	3,508	-
Other non-current liabilities	1,281	34
Total	\$9,294	\$1,417

## 14. Allowance for Doubtful Accounts

Activity in the allowance for doubtful accounts is summarized as follows for the years presented (in thousands):

	Year Ended December		
	31,	2012	2011
	2013	2012	2011
Balance, beginning of year	\$724	\$1,057	\$228
Charges to expense	280	744	1,037
Uncollected balances written off, net of recoveries	(241)	(1,077)	(208 )
Balance, end of year	\$763	\$724	\$1,057



## 15. Quarterly Financial Results (Unaudited)

The following tables set forth certain unaudited supplemental quarterly financial information for the years ended December 31, 2013 and 2012. The quarterly operating results are not necessarily indicative of future results of operations (in thousands except per share data).

	Three Months Ended,			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(Unaudited)			
Total revenues	\$84,935	\$94,167	\$ 96,758	\$ 97,465
Gross margin	25,514	30,598	33,863	33,124
Income from operations	5,208	7,538	10,346	8,586
Income before income taxes	5,249	7,402	10,257	8,590
Net income	4,123	4,562	7,234	5,513
Basic net income per share	0.14	0.15	0.24	0.18
Diluted net income per share	0.13	0.14	0.23	0.17

	Three Months Ended,			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
	(Unaudited)			
Total revenues	\$74,698	\$81,796	\$ 87,474	\$ 83,128
Gross margin	22,647	26,757	28,227	25,772
Income from operations	4,955	6,554	7,537	7,038
Income before income taxes	4,988	6,527	7,449	7,021
Net income	2,986	3,603	5,142	4,376
Basic net income per share	0.10	0.12	0.17	0.14
Diluted net income per share	0.10	0.12	0.16	0.14

## 16. Subsequent Event

On February 10, 2014, the Company acquired ForwardThink Group Inc. ("ForwardThink"), a financial services and solutions consulting firm, pursuant to the terms of an Agreement and Plan of Merger, for approximately \$46.0 million, of which approximately \$30.0 million was cash and \$16.0 was Company common stock issued at closing. The acquisition of ForwardThink expands the Company's financial services vertically in the New York area.

Goodwill and intangible assets are expected to be recorded on the Consolidated Balance Sheet from the acquisition of ForwardThink. As of March 6, 2014, the initial accounting for the business combination has not been completed, including the measurement of certain intangible assets and goodwill. Acquisition costs for the year ended December 31, 2013 were immaterial.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Perficient, Inc.:

We have audited the accompanying consolidated balance sheets of Perficient, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. We also have audited the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company acquired TriTek Solutions, Inc. ("TriTek") and Clear Task, Inc. ("Clear Task") in May 2013 and CoreMatrix Systems, LLC ("CoreMatrix") in October 2013, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2013, TriTek's, Clear Task's, and CoreMatrix's internal control over financial reporting associated with 15% and 6% of the Company's total assets and total revenues, respectively, included in the consolidated financial statements of the Company as of and for the year ended December 31, 2013. Our audit of internal control over financial reporting of the Company as of December 31, 2013 also excluded an evaluation of the internal control over financial reporting of TriTek, Clear Task, and CoreMatrix.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Perficient, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Perficient, Inc. maintained, in all material

respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

St. Louis, Missouri

March 5, 2014

46

---

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer of the Company, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, with the participation of the Company's principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the fiscal year covered by this Annual Report on Form 10-K. Based on that evaluation, the Company's principal executive and principal financial officers have determined that the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment under those criteria, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2013.

The Company acquired TriTek and Clear Task in May 2013 and CoreMatrix in October 2013. As permitted by SEC guidance, management excluded these acquired companies from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In total, TriTek, Clear Task, and CoreMatrix represented 15% and 6% of the Company's total assets and total revenues, respectively, as of and for the year ended December 31, 2013. Excluding identifiable intangible assets and goodwill recorded in the business combination, TriTek, Clear Task, and CoreMatrix represented 2% of the Company's total assets as of December 31, 2013.

KPMG LLP, our independent registered public accounting firm, has audited our financial statements for the year ended December 31, 2013 included in this Annual Report on Form 10-K, and has issued its report on the effectiveness of internal control over financial reporting as of December 31, 2013, which is included herein.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

47

---

## PART III

## Item 10. Directors, Executive Officers and Corporate Governance.

## Executive Officers

Our executive officers, including their ages as of the date of this filing are as follows:

Name	Age	Position
Jeffrey S. Davis	49	President and Chief Executive Officer
Kathryn J. Henely	49	Chief Operating Officer
Paul E. Martin	53	Chief Financial Officer, Treasurer and Secretary

Jeffrey S. Davis became the Chief Executive Officer and a member of the Board on September 1, 2009. He previously served as the Chief Operating Officer of the Company following its acquisition of Vertecon in April 2002, and was named the Company's President in 2004. He served the same role of Chief Operating Officer at Vertecon from October 1999 to its acquisition by Perficient. Before Vertecon, Mr. Davis was a Senior Manager and member of the leadership team in Arthur Andersen's Business Consulting Practice, where he was responsible for defining and managing internal processes, while managing business development and delivery of all products, services and solutions to a number of large accounts. Mr. Davis also served in a leadership position at Ernst & Young LLP in the Management Consulting practice and in industry at Boeing, Inc. and Mallinckrodt, Inc. Mr. Davis is an active volunteer member of the board of directors of the Cystic Fibrosis Foundation of St. Louis and a member of the University of Missouri Trulaske College of Business advisory board. Mr. Davis has a M.B.A. from Washington University and a B.S. degree in Electrical Engineering from the University of Missouri.

Kathryn J. Henely was appointed as the Company's Chief Operating Officer on November 3, 2009. Ms. Henely joined the Company as a Director in the St. Louis office following its acquisition of Vertecon in April 2002. Ms. Henely was the General Manager of the St. Louis office and the Vice President for the Company's largest business group, which included several local and national business units along with the Company's offshore development center in China. Prior to her appointment to Chief Operating Officer she actively participated in the due diligence and integration of several acquisitions within her business group. Additionally, she led the establishment of the Company Wide Practices and Corporate Recruiting organization. Ms. Henely received her M.S. in Computer Science from the University of Missouri-Rolla and her B.S. in Computer Science from the University of Iowa.

Paul E. Martin joined the Company in August 2006 as Chief Financial Officer, Treasurer and Secretary. From August 2004 until February 2006, Mr. Martin was the Interim co-Chief Financial Officer and Interim Chief Financial Officer of Charter Communications, Inc. ("Charter"), a publicly traded multi-billion dollar in revenue domestic cable television multi-system operator. From April 2002 through April 2006, Mr. Martin was the Senior Vice President, Principal Accounting Officer and Corporate Controller of Charter, and was Charter's Vice President and Corporate Controller from March 2000 to April 2002. Prior to Charter, Mr. Martin was Vice President and Controller for Operations and Logistics for Fort James Corporation, a manufacturer of paper products with multi-billion dollar revenue. From 1995 to February 1999, Mr. Martin was Chief Financial Officer of Rawlings Sporting Goods Company, Inc., a publicly traded multi-million dollar revenue sporting goods manufacturer and distributor. Mr. Martin received a B.S. degree with honors in accounting from the University of Missouri – St. Louis. Mr. Martin is also a member of the board of the St. Louis chapter of Autism Speaks.

Additional information with respect to Directors and Executive Officers of the Company is incorporated by reference to the Proxy Statement under the captions "Directors and Executive Officers," "Composition and Meetings of the Board of Directors and Committees," and "Section 16(a) Beneficial Ownership Reporting Compliance." The Proxy Statement will be filed pursuant to Regulation 14A within 120 days of the end of the Company's fiscal year.

Codes of Conduct and Ethics

Information on this subject is found in the Proxy Statement under the caption "Certain Relationships and Related Transactions" and is incorporated herein by reference. The Proxy Statement will be filed pursuant to Regulation 14A within 120 days of the end of the Company's fiscal year.

Audit Committee of the Board of Directors

Information on this subject is found in the Proxy Statement under the caption "Compensation and Meetings of the Board of Directors and Committees" and is incorporated herein by reference. The Proxy Statement will be filed pursuant to Regulation 14A within 120 days of the end of the Company's fiscal year.

48

---

Item 11. Executive Compensation.

Information on this subject is found in the Proxy Statement under the captions "Compensation of Directors," "Compensation of Executive Officers," "Directors and Executive Officers," "Compensation Committee Report," and "Compensation Committee Interlocks and Insider Participation" and is incorporated herein by reference. The Proxy Statement will be filed pursuant to Regulation 14A within 120 days of the end of the Company's fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information on this subject is found in the Proxy Statement under the captions "Security Ownership of Certain Beneficial Owners and Management," "Directors and Executive Officers," and "Equity Compensation Plan Information" and is incorporated herein by reference. The Proxy Statement will be filed pursuant to Regulation 14A within 120 days of the end of the Company's fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information on this subject is found in the Proxy Statement under the caption "Certain Relationships and Related Transactions" and incorporated herein by reference. The Proxy Statement will be filed pursuant to Regulation 14A within 120 days of the end of the Company's fiscal year.

Item 14. Principal Accounting Fees and Services.

Information on this subject is found in the Proxy Statement under the caption "Principal Accounting Firm Fees and Services" and incorporated herein by reference. The Proxy Statement will be filed pursuant to Regulation 14A within 120 days of the end of the Company's fiscal year.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

1. Financial Statements

The following consolidated statements are included in Part III, Item 8 under the following captions:

Index	Page
Consolidated Balance Sheets	26
Consolidated Statements of Operations	27
Consolidated Statements of Comprehensive Income	28
Consolidated Statements of Changes in Stockholders' Equity	29
Consolidated Statements of Cash Flows	30
Notes to Consolidated Financial Statements	31
Report of Independent Registered Public Accounting Firm	46

2. Financial Statement Schedules

No financial statement schedules are required to be filed by Items 8 and 15(b) because they are not required or are not applicable, or the required information is set forth in the applicable financial statements or notes thereto.

3. Exhibits

See Index to Exhibits.

50

---



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PERFICIENT, INC.

By: /s/ Paul E. Martin

Date:

March 6, 2014  
Paul E. Martin

Chief Financial Officer(Principal Financial Officer and Principal Accounting Officer)

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeffrey S. Davis and Paul E. Martin, and each of them (with full power to each of them to act alone), his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign on his or her behalf individually and in each capacity stated below any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents and either of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Jeffrey S. Davis</u> Jeffrey S. Davis	Director, President and Chief Executive Officer (Principal Executive Officer)	March 6, 2014
<u>/s/ Paul E. Martin</u> Paul E. Martin	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 6, 2014
<u>/s/ Ralph C. Derrickson</u> Ralph C. Derrickson	Director	March 6, 2014
<u>/s/ John S. Hamlin</u> John S. Hamlin	Director	March 6, 2014
<u>/s/ James R. Kackley</u> James R. Kackley	Director	March 6, 2014
<u>/s/ David S. Lundeen</u> David S. Lundeen	Director	March 6, 2014



## INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Asset Purchase Agreement by and among CoreMatrix System, LLC, Frank McMahon and Paul Nix and Perficient, Inc. dated as of October 11, 2013, previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K (File No. 001-15169) on October 16, 2013 and incorporated herein by reference
2.2	Agreement and Plan of Merger, dated as of February 10, 2014, by and among Perficient, Inc., Garden MS Co., ForwardThink Group Inc., each of the Principals and Robert Shinbrot, in his capacity as the Representative, previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K (File No. 001-15169) on February 11, 2014 and incorporated herein by reference
3.1	Certificate of Incorporation of Perficient, Inc., previously filed with the Securities and Exchange Commission as an Exhibit to our Registration Statement on Form SB-2 (File No. 333-78337) declared effective on July 28, 1999 by the Securities and Exchange Commission and incorporated herein by reference
3.2	Certificate of Amendment to Certificate of Incorporation of Perficient, Inc., previously filed with the Securities and Exchange Commission as an Exhibit to our Form 8-A filed with the Securities and Exchange Commission pursuant to Section 12(g) of the Securities Exchange Act of 1934 on February 15, 2005 and incorporated herein by reference
3.3	Certificate of Amendment to Certificate of Incorporation of Perficient, Inc., previously filed with the Securities and Exchange Commission as an Exhibit to our Registration Statement on Form S-8 (File No. 333-130624) filed on December 22, 2005 and incorporated herein by reference
3.4	Amended and Restated Bylaws of Perficient, Inc., previously filed with the Securities and Exchange Commission as an Exhibit to our Annual Report on Form 10-K for the year ended December 31, 2012 and incorporated herein by reference
4.1	Specimen Certificate for shares of Perficient, Inc. common stock, previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q (File No. 001-15169) filed May 7, 2009 and incorporated herein by reference
10.1†	Perficient, Inc. Amended and Restated 1999 Stock Option/Stock Issuance Plan, previously filed with the Securities and Exchange Commission as an Exhibit to our Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference
10.2†	Perficient, Inc. 2009 Long-Term Incentive Plan, as amended, previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed February 25, 2010 and incorporated herein by reference
10.3†	Form of Stock Option Agreement, previously filed with the Securities and Exchange Commission as an Exhibit to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004 and incorporated herein by reference
10.4†	Perficient, Inc. Employee Stock Purchase Plan, previously filed with the Securities and Exchange Commission as Appendix A to our Schedule 14A (File No. 001-15169) on October 13, 2005 and incorporated herein by reference
10.5†	Form of Restricted Stock Agreement, previously filed with the Securities and Exchange Commission as an Exhibit to our Annual Report on Form 10-K for the year ended December 31, 2005 and incorporated herein by reference
10.6†	Form of Restricted Stock Agreement, previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 and incorporated herein by reference
10.7†	Perficient, Inc. 2012 Long-Term Incentive Plan, previously filed with the Securities and Exchange Commission as Appendix A to our Schedule 14A (File No. 001-15169) on April 19, 2012 and incorporated herein by reference
10.8†	

## Edgar Filing: PERFICIENT INC - Form 10-K

- Amended and Restated Employment Agreement with Chief Executive Officer of Perficient, Inc. previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K (File No. 001-15169) filed December 23, 2011 and incorporated herein by reference
- 10.9† Amended and Restated Employment Agreement with Chief Financial Officer of Perficient, Inc. previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K (File No. 001-15169) filed December 23, 2011 and incorporated herein by reference
- 10.10† Second Amended and Restated Credit Agreement by and among Silicon Valley Bank, Bank of America, N.A., and US Bank, N.A., and Perficient, Inc. dated effective as of July 31, 2013, previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 and incorporated herein by reference
- 21.1\* Subsidiaries
- 23.1\* Consent of KPMG LLP
- 24.1\* Power of Attorney (included on the signature page hereto)
- 31.1\* Certification by the Chief Executive Officer of Perficient, Inc. as required by Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2\* Certification by the Chief Financial Officer of Perficient, Inc. as required by Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1\* Certification by the Chief Executive Officer and Chief Financial Officer of Perficient, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101\* The following financial information from Perficient, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2013 and 2012, (ii) Consolidated Statements of Operations for the years ended December 31, 2013, 2012, and 2011, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012, and 2011, (iv) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2013, 2012, and 2011, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012, and 2011, and (vi) the Notes to Consolidated Financial Statements

† Identifies an Exhibit that consists of or includes a management contract or compensatory plan or arrangement.  
\* Filed herewith.