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PERFICIENT INC  
Form 10-Q  
November 07, 2014  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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.)

555 Maryville University Drive  
Suite 600  
Saint Louis, Missouri 63141  
(Address of principal executive offices)  
(314) 529-3600  
(Registrant's telephone number, including area code)

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 during 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

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 definition 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

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

As of November 3, 2014, there were 34,424,438 shares of Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Quarterly Report on Form 10-Q ("Form 10-Q") 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;
  - h. risk of loss of one or more significant software vendors; and
  - i. the recent implementation of our new Enterprise Resource Planning system;
- (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 risks detailed from time to time within 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" in our Annual Report on Form 10-K for the year ended December 31, 2013 and elsewhere in this Form 10-Q, including documents incorporated by reference therein and 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 Form 10-Q 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. and its subsidiaries (collectively, "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. Financial Statements

Perficient, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands, except share and per share information)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$5,411	\$7,018
Accounts receivable, net	117,304	78,887
Prepaid expenses	2,651	2,569
Other current assets	7,131	6,759
Total current assets	132,497	95,233
Property and equipment, net	7,945	7,709
Goodwill	236,140	193,510
Intangible assets, net	49,525	25,487
Other non-current assets	3,842	3,810
Total assets	\$429,949	\$325,749
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$13,532	\$7,667
Other current liabilities	28,108	30,298
Total current liabilities	41,640	37,965
Long-term debt	74,800	19,000
Other non-current liabilities	13,084	9,294
Total liabilities	\$129,524	\$66,259
Stockholders' equity:		
Common stock (par value \$0.001 per share; 50,000,000 shares authorized; 42,789,411 shares issued and 32,820,961 shares outstanding as of September 30, 2014; 40,843,435 shares issued and 31,341,276 shares outstanding as of December 31, 2013)	\$43	\$41
Additional paid-in capital	330,670	297,997
Accumulated other comprehensive loss	(506 )	(378 )
Treasury stock, at cost (9,968,450 shares as of September 30, 2014; 9,512,545 shares as of December 31, 2013)	(89,401 )	(81,051 )
Retained earnings	59,619	42,881
Total stockholders' equity	300,425	259,490
Total liabilities and stockholders' equity	\$429,949	\$325,749

See accompanying notes to interim unaudited condensed consolidated financial statements.

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Perficient, Inc.  
Condensed Consolidated Statements of Operations  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
	(In thousands, except per share information)			
Revenues				
Services	\$99,975	\$86,568	\$286,780	\$240,549
Software and hardware	12,192	5,620	31,108	23,169
Reimbursable expenses	4,804	4,570	12,962	12,142
Total revenues	116,971	96,758	330,850	275,860
Cost of revenues (exclusive of depreciation and amortization, shown separately below)				
Project personnel costs	61,575	52,154	179,423	149,998
Software and hardware costs	10,438	4,919	27,333	20,471
Reimbursable expenses	4,804	4,570	12,962	12,142
Other project related expenses	617	1,252	2,289	3,274
Total cost of revenues	77,434	62,895	222,007	185,885
Gross margin	39,537	33,863	108,843	89,975
Selling, general and administrative	22,239	20,532	65,354	57,254
Depreciation	932	932	2,713	2,334
Amortization	4,045	1,955	10,511	5,750
Acquisition costs	(74 )	29	2,495	1,443
Adjustment to fair value of contingent consideration	-	69	(1,463 )	102
Income from operations	12,395	10,346	29,233	23,092
Net interest expense	(462 )	(96 )	(1,055 )	(154 )
Net other income (expense)	10	7	79	(30 )
Income before income taxes	11,943	10,257	28,257	22,908
Provision for income taxes	4,637	3,023	11,519	6,989
Net income	\$7,306	\$7,234	\$16,738	\$15,919
Basic net income per share	\$0.23	\$0.24	\$0.53	\$0.53
Diluted net income per share	\$0.22	\$0.23	\$0.51	\$0.50
Shares used in computing basic net income per share	32,118	30,141	31,470	30,287
Shares used in computing diluted net income per share	33,329	31,808	33,076	31,692

See accompanying notes to interim unaudited condensed consolidated financial statements.

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Perficient, Inc.  
 Condensed Consolidated Statements of Comprehensive Income  
 (Unaudited)

	Three Months Ended September 30, 2014		2013		Nine Months Ended September 30, 2014		2013	
	(In thousands)		(In thousands)		(In thousands)		(In thousands)	
Net income	\$7,306	\$7,234	\$16,738	\$15,919				
Other comprehensive income (loss), net of reclassification adjustments:								
Foreign currency translation adjustment	(99 )	21	(128 )	(33 )				
Comprehensive income	\$7,207	\$7,255	\$16,610	\$15,886				

See accompanying notes to interim unaudited condensed consolidated financial statements.

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Perficient, Inc.  
 Condensed Consolidated Statement of Stockholders' Equity  
 Nine Months Ended September 30, 2014  
 (Unaudited)  
 (In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance at December 31, 2013	31,341	\$ 41	\$ 297,997	\$ (378 )	\$(81,051)	\$ 42,881	\$ 259,490
Proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan	205	--	1,373	--	--	--	1,373
Net tax benefit from stock option exercises and restricted stock vesting	--	--	1,965	--	--	--	1,965
Stock compensation related to restricted stock vesting and retirement savings plan contributions	580	--	9,433	--	--	--	9,433
Purchase of treasury stock and buyback of shares for taxes	(456 )	--	--	--	(8,350 )	--	(8,350 )
Issuance of stock for acquisitions	1,150	2	19,902	--	--	--	19,904
Net income	--	--	--	--	--	16,738	16,738
Foreign currency translation adjustment	--	--	--	(128 )	--	--	(128 )
Balance at September 30, 2014	32,820	\$ 43	\$ 330,670	\$ (506 )	\$(89,401)	\$ 59,619	\$ 300,425

See accompanying notes to interim unaudited condensed consolidated financial statements.



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Perficient, Inc.  
 Condensed Consolidated Statements of Cash Flows  
 (Unaudited)

	Nine Months Ended September 30, 2014      2013 (In thousands)	
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 16,738	\$ 15,919
Adjustments to reconcile net income to net cash used in operations:		
Depreciation	2,713	2,334
Amortization	10,511	5,750
Deferred income taxes	1,957	918
Non-cash stock compensation and retirement savings plan contributions	9,433	8,158
Tax benefit from stock option exercises and restricted stock vesting	(2,052 )	(1,698 )
Adjustment to fair value of contingent consideration for purchase of business	(1,463 )	102
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(30,713)	(5,351 )
Other assets	3,996	1,532
Accounts payable	5,800	(1,875 )
Other liabilities	(16,295)	(34 )
Net cash provided by operating activities	625	25,755
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment		