PERFICIENT INC
Form 10-Q
November 05, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

OR

o 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 (State or other jurisdiction of incorporation or organization)	No. 74-2853258 (I.R.S. Employer Identification No.)
520 Maryville Centre Drive, Suite 400 St. Louis, Missouri 63141 (Address of principal executive offices) (314) 529-3600 (Registrant's telephone number, including area code)	1120 South Capital of Texas Highway, Building 3, Suite 220 Austin, Texas 78746 (Address of principal executive offices) (512) 531-6000 (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. þ Yes o 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). o Yes o 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. (Check one):

Large accelerated filer o	Accelerated filer þ
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

As of October 30, 2009, there were 30,664,243 shares of Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Perficient, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2009	December 31, 2008
	(In thousands, except share information)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,312	$ 22,909
Short-term investments	4,197	--
Total cash, cash equivalents and short-term investments	28,509	22,909
Accounts and note receivable, net	36,734	47,584
Prepaid expenses	1,181	1,374
Other current assets	2,499	3,157
Total current assets	68,923	75,024
Property and equipment, net	1,414	2,345
Goodwill	104,168	104,178
Intangible assets, net	8,566	11,456
Other non-current assets	2,414	1,244
Total assets	$ 185,485	$ 194,247
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,918	$ 4,509
Other current liabilities	9,629	14,339
Total current liabilities	13,547	18,848
Other non-current liabilities	1,294	581
Total liabilities	$ 14,841	$ 19,429
Stockholders' equity:		
Common stock (par value $.001 per share; 50,000,000 shares authorized and 30,936,589 shares issued and 27,063,859 shares outstanding as of September 30, 2009; 30,350,700 shares issued and 28,502,400 shares outstanding as of December 31, 2008)	$ 31	$ 30
Additional paid-in capital	205,343	197,653
Accumulated other comprehensive loss	(295)	(338)
Treasury stock, at cost (3,872,730 shares as of September 30, 2009; 1,848,300 shares as of December 31, 2008)	(21,921)	(9,179)
Accumulated deficit	(12,514)	(13,348)
Total stockholders' equity	170,644	174,818
Total liabilities and stockholders' equity	$ 185,485	$ 194,247

See accompanying notes to interim unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues	(In thousands, except per share data)			
Services	$ 39,309	$ 52,510	$ 125,051	$ 158,242
Software and hardware	3,047	2,290	8,755	6,072
Reimbursable expenses	2,133	3,506	6,904	10,415
Total revenues	44,489	58,306	140,710	174,729
Cost of revenues (exclusive of depreciation and amortization, shown separately below)				
Project personnel costs	27,985	32,387	87,171	98,637
Software and hardware costs	2,605	1,936	7,787	5,133
Reimbursable expenses	2,133	3,506	6,904	10,415
Other project related expenses	909	1,301	2,949	3,667
Total cost of revenues	33,632	39,130	104,811	117,852
Gross margin	10,857	19,176	35,899	56,877
Selling, general and administrative	9,754	13,047	30,413	35,374
Depreciation	375	535	1,243	1,629
Amortization	1,022	1,192	3,239	3,623
Income (loss) from operations	(294)	4,402	1,004	16,251
Interest income, net of interest expense	16	178	204	370
Other income (expense)	(4)	(903)	254	(948)
Income (loss) before income taxes	(282)	3,677	1,462	15,673
Provision (benefit) for income taxes	(397)	1,501	628	6,432
Net income	$ 115	$ 2,176	$ 834	$ 9,241
Basic net income per share	$ --	$ 0.07	$ 0.03	$ 0.31
Diluted net income per share	$ --	$ 0.07	$ 0.03	$ 0.30
Shares used in computing basic net income per share	27,231	29,499	27,764	29,584
Shares used in computing diluted net income per share	28,480	30,435	28,677	30,641

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, 2009
(Unaudited)
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2008	28,502	$30	$197,653	$ (30)	$(9,179)	$(13,348)	$ 174,818
Stock options exercised	194	1	587	--	--	--	588
Purchase of stock under the Employee Stock Purchase Plan	15	--	93	--	--	--	93
Net tax shortfall from stock option exercises and restricted stock vesting	--	--	(397)	--	--	--	(397)
Stock compensation and retirement savings plan contributions	377	--	7,407	--	--	--	7,407
Purchases of treasury stock	(2,024)	--	--	--	(12,742)	--	(12,742)
Net unrealized losses on investments	--	--	--	(10)	--	--	(10)
Foreign currency translation adjustment	--	--	--	53	--	--	53
Net income	--	--	--	--	--	834	834
Total comprehensive income	--	--	--	--	--	--	877
Balance at September 30, 2009	27,064	$31	$205,343	$ (295)	$(21,921)	$(12,514)	$ 170,644

See accompanying notes to interim unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2009	2008
	(In thousands)	
OPERATING ACTIVITIES		
Net income	$ 834	$ 9,241
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation	1,243	1,629
Amortization	3,239	3,623
Deferred income taxes	183	(2,605)
Non-cash stock compensation and retirement savings plan contributions	7,407	6,764
Tax benefit on stock option exercises and restricted stock vesting	(475)	(664)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts and note receivable	10,937	974
Other assets	(989)	194
Accounts payable	(622)	(1,334)
Other liabilities	(3,983)	(5,192)
Net cash provided by operating activities	17,774	12,630
INVESTING ACTIVITIES		
Purchase of short-term investments	(4,208)	--
Purchase of property and equipment	(313)	(1,043)
Capitalization of internally developed software	(269)	(130)
Cash paid for certain acquisition related costs	--	(326)
Net cash used in investing activities	(4,790)	(1,499)
FINANCING ACTIVITIES		
Payments for credit facility financing fees	--	(420)
Tax benefit on stock option exercises and restricted stock vesting	475	664
Proceeds from the exercise of stock options and purchases of stock under the Employee Stock Purchase Plan	681	876
Purchase of treasury stock	(12,742)	(4,786)
Net cash used in financing activities	(11,586)	(3,666)
Effect of exchange rate changes on cash and cash equivalents	5	18
Change in cash and cash equivalents	1,403	7,483
Cash and cash equivalents at beginning of period	22,909	8,070
Cash and cash equivalents at end of period	$ 24,312	$ 15,553
Supplemental disclosures:		
Cash paid for income taxes	$ 1,434	$ 8,882
Non cash activity:		
Stock issued for purchase of business (stock reacquired for escrow claim)	$ --	$ (378)

See accompanying notes to interim unaudited condensed consolidated financial statements.

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PERFICIENT, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

1. Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements of Perficient, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States and are presented in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to interim financial information. Accordingly, certain footnote disclosures have been condensed or omitted. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the periods presented. These financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto filed with the SEC in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. Operating results for the three and nine months ended September 30, 2009 may not be indicative of the results for the full fiscal year ending December 31, 2009.

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

Certain reclassifications of prior period information have been made to conform to the current period presentation.

Changes in Accounting Policy

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ("SFAS 168"). This statement modifies the Generally Accepted Accounting Principles ("GAAP") hierarchy by establishing only two levels of GAAP, authoritative and non-authoritative. Effective July 1, 2009, the FASB Accounting Standards Codification ("ASC"), also known collectively as the "Codification," is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the SEC. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. It is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. This statement applies beginning in the third quarter of 2009. All accounting references herein have been updated with ASC references, however, the SFAS references have been included in parenthesis for the reader's reference.

Revision of Previously Issued Financial Statements

During the third quarter of 2009, the Company identified a cash flow presentation adjustment related to the reversal of a deferred tax asset resulting from the exercise or vesting of stock awards. The Company has determined that the impact of the adjustment is not considered material to the condensed consolidated results of operations, financial position or cash flows as of and for the nine months ended September 30, 2008. The Company revised the previously issued Condensed Consolidated Statement of Cash Flows for the period ended September 30, 2008, as presented in this Form 10-Q.

The revision decreased the "Net cash provided by operating activities" and increased the "Net cash provided by financing activities" in the Condensed Consolidated Statement of Cash Flows for the period ended September 30, 2008 by approximately $90,000. The change in classification had no impact on the condensed consolidated balance sheet or the condensed consolidated statement of operations as of and for the three and nine months ended September 30, 2008.

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 the input method based on the ratio of hours expended to total estimated hours. Amounts invoiced to clients 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 based on 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.

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) collectibility is deemed probable. The Company’s policy for revenue recognition in instances where multiple deliverables are sold contemporaneously to the same counterparty is in accordance with ASC Subtopic 985-605 (American Institute of Certified Public Accountants (“AICPA”) Statement of Position (“SOP”) 97-2, Software Revenue Recognition (“SOP 97-2”)), ASC Subtopic 605-25 (Emerging Issues Task Force (“EITF”) Issue No. 00-21, Revenue Arrangements with Multiple Deliverables (“EITF 00-21”)), and ASC Section 605-10-S99 (SAB No. 104, Revenue Recognition (“SAB 104”)). Specifically, if the Company enters into contracts for the sale of services and software or hardware, then the Company evaluates whether the services are essential to the functionality of the software or hardware and whether it has objective fair value evidence for each deliverable in the transaction. If the Company has concluded that the services to be provided are not essential to the functionality of the software or hardware and it can determine objective fair value evidence for each deliverable of the transaction, 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. The Company may provide multiple services under the terms of an arrangement and are required to assess wh