

PERFICIENT INC  
Form 10QSB  
August 14, 2003

# U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

## Form 10-QSB

ý Quarterly report under Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the quarterly Period Ended June 30, 2003

o Transition report under Section 13 or 15(d) of the Exchange Act

Commission file number 001-15169

## Perficient, Inc.

(exact name of small business issuer as specified in its charter)

**Delaware**  
(state or other jurisdiction  
of incorporation or organization)

**74-2853258**  
(I.R.S. employer  
identification no.)

**1120 South Capital of Texas Highway, Suite 220, Bldg. 3**  
**Austin, TX 78746**

(address of principal executive offices)

**(512) 531-6000**

(Issuer's telephone number, including area code)

**None**

(former name, former address and former fiscal year, if changed  
since last report)

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Indicate by check mark whether the issuer (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:

(1) Yes  No

(2) Yes  No

The number of shares of the Issuer's Common Stock outstanding as of June 30, 2003 was 10,705,456.

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PERFICIENT, INC.

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QUARTELY REPORT ON FORM 10-QSB  
FOR QUARTERLY PERIOD ENDED JUNE 30, 2003

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**PART I. CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

## Item 1. Financial Statements

**Perficient, Inc.**  
**Condensed Consolidated Balance Sheets**

	December 31, 2002	June 30, 2003 (unaudited)
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,525,002	\$ 1,750,682
Accounts receivable, net	3,938,373	4,658,335
Other current assets	382,542	227,460
Total current assets	5,845,917	6,636,477
Net property and equipment	1,211,018	887,842
Net intangible assets	12,380,039	11,823,880
Other noncurrent assets	156,129	67,780
Total assets	\$ 19,593,103	\$ 19,415,979
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 426,686	\$ 421,929
Line of credit	540,011	706,293
Current portion of capital lease obligation	235,034	249,957
Other current liabilities	2,304,433	2,365,177
Current portion of note payable to related party	485,477	357,972
Total current liabilities	3,991,641	4,101,328
Note payable to related party	745,318	538,809
Capital lease obligation, less current portion	334,661	146,264
Total liabilities	5,071,620	4,786,401
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	3,095	2,885
Common stock	10,537	10,705
Additional paid-in capital	75,993,344	75,926,699
Unearned stock compensation	(164,773)	(78,401)
Accumulated other comprehensive loss	(35,366)	(38,879)
Retained deficit	(61,285,354)	(61,193,431)
Total stockholders' equity	14,521,483	14,629,578
Total liabilities and stockholders' equity	\$ 19,593,103	\$ 19,415,979

See accompanying notes to interim unaudited condensed consolidated financial statements.



**Perficient, Inc.**  
**Condensed Consolidated Statements of Operations**  
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
	(unaudited)		(unaudited)	
<b>Revenue</b>				
Services	\$ 5,637,913	\$ 6,120,463	\$ 9,134,772	\$ 11,865,773
Software	93,842	359,284	119,548	1,757,119
Reimbursable expenses	488,722	488,647	856,148	951,239
Total revenue	6,220,477	6,968,394	10,110,468	14,574,131
<b>Cost of revenue</b>				
Project personnel costs	3,001,583	3,268,491	4,985,629	6,474,764
Software costs	82,790	322,396	91,548	1,519,146
Reimbursable expenses	488,722	488,647	856,148	951,239
Other project related expenses	83,988	126,199	174,666	199,395
Gross margin	2,563,394	2,762,661	4,002,477	5,429,587
Selling, general and administrative	2,301,038	1,899,391	3,758,246	3,861,617
Stock compensation	63,758	42,280	114,803	84,149
Restructuring, severance and other	344,947		387,621	
Depreciation	180,912	193,438	268,980	394,600
Intangibles amortization	323,025	154,168	610,524	491,668
Income (loss) from operations	(650,286)	473,384	(1,137,697)	597,553
Interest income	5,098	1,625	16,226	2,629
Interest expense	(53,368)	(68,813)	(76,854)	(143,401)
Other	(10,269)	(34,046)	(10,325)	(40,011)
Income (loss) before income taxes	(708,825)	372,150	(1,208,650)	416,770
Provision for income taxes		194,847		324,847
Net income (loss)	\$ (708,825)	\$ 177,303	\$ (1,208,650)	\$ 91,923
Beneficial conversion charge on preferred stock	(492,266)		(1,672,746)	
Accretion of dividends on preferred stock	(31,792)	(46,296)	(61,008)	(93,126)
Net income (loss) available to common stockholders	\$ (1,232,883)	\$ 131,007	\$ (2,942,404)	\$ (1,203)
Basic net income (loss) per share	\$ (0.15)	\$ 0.01	\$ (0.41)	\$ (0.00)
Diluted net income (loss) per share	\$ (0.15)	\$ 0.01	\$ (0.41)	\$ (0.00)

*See accompanying notes to interim unaudited condensed consolidated financial statements.*



**Perficient, Inc.**  
**Condensed Consolidated Statements of Cash flows**  
**(unaudited)**

	Six Months Ended June 30,	
	2002	2003
	(unaudited)	
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (1,208,650)	\$ 91,923
Adjustments to reconcile net income (loss) to net cash provided by (used in) operations:		
Depreciation	268,980	394,600
Intangibles amortization	610,524	491,668
Non-cash stock compensation	114,803	84,149
Non-cash interest expense	16,207	40,986
Non-cash interest income	(11,017)	
Loss on disposal of assets		30,954
Changes in operating assets and liabilities (net of the effect of acquisitions):		
Accounts receivable	212,980	(712,295)
Other assets	(53,076)	246,699
Accounts payable	109,798	(5,211)
Other liabilities	(468,177)	31,380
Net cash provided by (used in) operating activities	(407,628)	694,853
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(83,914)	(103,410)
Purchase of businesses, net of cash acquired	(718,267)	(375,000)
Advances to Vertecon	(200,000)	
Proceeds from disposal of assets		1,950
Net cash used in investing activities	(1,002,181)	(476,460)
<b>FINANCING ACTIVITIES</b>		
Payments on capital lease obligation	(89,159)	(173,474)
Proceeds from short-term borrowings	533,641	166,282
Payments on short-term borrowings	(1,971,861)	
Payments on long-term debt	(6,885)	
Proceeds from issuance of preferred stock	2,984,000	
Preferred stock issuance costs	(96,558)	
Proceeds from stock issuances, net	7,175	29
Net cash provided by (used in) financing activities	1,360,353	(7,163)
Effect of exchange rate on cash and cash equivalents	27,243	14,450
Change in cash and cash equivalents	(22,213)	225,680
Cash and cash equivalents at beginning of period	1,412,238	1,525,002
Cash and cash equivalents at end of period	\$ 1,390,025	\$ 1,750,682

*See accompanying notes to interim unaudited condensed consolidated financial statements.*





**PERFICIENT, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The accompanying unaudited financial statements of Perficient, Inc. (the Company), have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2003 may not be indicative of the results for the full fiscal year ending December 31, 2003. These unaudited financial statements should be read in conjunction with the Company's financial statements filed with the United States Securities and Exchange Commission in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2002, as amended.

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

**2. Summary of Significant Accounting Policies**

**Stock-Based Compensation**

Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, prescribes accounting and reporting standards for all stock-based compensation plans, including employee stock options. As allowed by SFAS No. 123, the Company has elected to account for its employee stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, *Accounting For Stock Issued To Employees*, (APB 25), which allows the use of the intrinsic value method. The Company's basis for electing accounting treatment under APB 25 is principally due to the incorporation of the dilutive effect of these shares in the reported earnings per share calculation and the presence of pro forma supplemental disclosure of the estimated fair value methodology prescribed by SFAS No. 123 and SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*. The fair value of options was calculated at the date of grant using the Black-Scholes pricing model with the following weighted-average assumptions for the three and six months ended June 30, 2002 and 2003: risk free interest rate of 3.5%; dividend yield of 0%; weighted-average expected life of options of 5 years; and a volatility factor of 1.066.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and which are fully transferable. In addition, option valuation models in general require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different than traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a single reliable measure of the fair value of its stock options.



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The following table illustrates the effect on net loss and loss per share if the company had applied the fair value recognition provisions of SFAS 123:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
Net income (loss) - as reported	\$ (708,825)	\$ 177,303	\$ (1,208,650)	\$ 91,923
Total stock-based compensation costs included in the determination of net income (loss) as reported	63,758	42,280	114,803	84,149
The stock-based employee compensation cost that would have been included in the determination of net income (loss) if the fair value based method had been applied to all awards	(672,768)	(570,317)	(1,315,313)	(1,176,222)
Pro forma net loss	(1,317,835)	(350,734)	(2,409,160)	(1,000,150)
Beneficial conversion charge on preferred stock	(492,266)			