PERFICIENT INC
Form S-3/A
April 11, 2005

As filed with the Securities and Exchange Commission on April 11, 2005
Registration No. 333-123177

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to
Form S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Perficient, Inc.
(Exact name of registrant as specified in its charter)
1120 South Capital of Texas Highway
Building 3, Suite 220
Austin, Texas 78746
(512) 531-6000
(Address, including zip code, and telephone number, including area code of registrant s principal executive offices)

Delaware	**74-2853258**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

John T. McDonald
1120 South Capital of Texas Highway
Building 3, Suite 220
Austin, Texas 78746
(512) 531-6000
(512) 531-6011 (Fax)
(Name, address, including zip code, and telephone number, including area code, of agent for service)
Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED APRIL 11, 2005

PRELIMINARY PROSPECTUS

5,032,600 Shares
Common Stock

We are offering 4,250,000 shares of our common stock and the selling stockholders identified in this prospectus are offering 782,600 shares of our common stock. We will not receive any proceeds from the sale of the shares by the selling stockholders.

Our shares of common stock are listed on the Nasdaq National Market under the symbol PRFT. The last reported sale price of our common stock on the Nasdaq National Market on April 7, 2005 was $7.10 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 7 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to selling stockholders	$	$

We and some of our existing stockholders have granted the underwriters a 30-day option to purchase up to 267,390 and 487,500 additional shares, respectively, of our common stock at the public offering price, less the underwriting discounts and the commissions, solely to cover over-allotments, if any. In the event the underwriters exercise their over-allotment option, we will not receive any of the proceeds from any shares sold by the selling stockholders. In the event the over-allotment option is exercised in part, the underwriters will purchase the additional shares from us and from the selling stockholders on a pro rata basis.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that the shares of our common stock will be ready for delivery to purchasers on or about , 2005.

Friedman Billings Ramsey **Stifel, Nicolaus & Company Incorporated**

Roth Capital Partners

Gilford Securities Incorporated

The date of this prospectus is , 2005.

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You should rely only on the information contained or incorporated by reference in this prospectus. We, the selling stockholders and the underwriters have not authorized anyone to provide you with additional information or information different from that contained in this prospectus. We, the selling stockholders and the underwriters are not making an offer to sell these securities in any jurisdiction where any offer or sale is not permitted. You should assume that the information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

PROSPECTUS SUMMARY

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 prospectus and in the documents that we incorporate by reference into this prospectus. This prospectus 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.

Perficient, Inc.

We are a rapidly growing information technology consulting firm serving Global 2000 and midsize companies in the central 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 customers, suppliers and partners, improve productivity and reduce information technology costs. We design, build and deliver solutions using a core set of middleware software products developed by our partners. Our solutions enable our clients to operate a real-time enterprise that dynamically adapts business processes and the systems that support them to the changing demands of an increasingly global, Internet-driven and competitive marketplace.

We are expanding our business through a combination of organic growth and acquisitions. We believe that information technology consulting is a fragmented industry and that there are a substantial number of privately held information technology consulting firms in the central United States that can be acquired on financially accretive terms. We have a track record of successfully identifying, executing and integrating acquisitions that add strategic value to our business. Over the past five years, we have acquired and integrated seven privately held information technology consulting firms, three of which were acquired in 2004.

We are addressing a large and growing market. Gartner Dataquest, an independent market research firm, projects that growth in middleware software spending, and specifically the integration broker suites, enterprise portal services, application platform suites and message-oriented middleware in which we specialize, will outpace general software spending and increase from approximately $4.33 billion in 2004 to $6.67 billion in 2007, a compound annual growth rate of 15.5%. As companies increase spending on software, their overall spending on services typically also increases, often by a multiple of each dollar spent on software.

Our competitive strengths include:

Domain Expertise. Through our experience developing and delivering solutions for more than 380 Global 2000 and midsize companies, we have acquired significant domain expertise in a core set of eBusiness solutions and software platforms. These solutions include eBusiness infrastructure, enterprise portals, ecommerce platforms, ecustomer relationship management and supply chain Web enablement. The platforms on which these solutions are built include IBM WebSphere®, TIBCO® BusinessWorks and Microsoft®.NET.

Delivery Model and Methodology. We believe our significant expertise enables us to provide high-value solutions through small, expert project teams that deliver measurable results by working collaboratively with clients through a user-centered, technology-based and business-driven solutions methodology. Our eNable Methodology, a unique and proven execution process map we developed, allows for repeatable, high quality services delivery.

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 excellent references for us. In fiscal years 2002, 2003 and 2004, 81%, 85% and 91% of revenue, respectively, excluding from the calculation for any single period revenue from acquisitions completed in that single period, was derived from customers that were clients in the prior year.

Vendor Partnerships and Endorsements. We have built meaningful partnerships with software vendors, most notably IBM, whose products we use to design and implement solutions for our clients. These partnerships enable us to reduce our cost of sales and sales cycle times and increase win rates through leveraging our partners marketing efforts and endorsements. We are a Premier IBM business partner, a TeamTIBCO partner and a Microsoft Gold Certified Partner.

Geographic Focus. With nine offices spanning the central United States from Houston, Texas, to Detroit, Michigan, we focus on Global 2000 and midsize companies that have a presence in the central United States. We believe this geographic focus helps position us as the provider of choice for companies in the area that seek information technology consulting services and for software vendors that seek consulting firm partners to sell and deliver solutions that use their products.

Emerging Offshore Capability. Our recently acquired subsidiary, Perficient ZettaWorks, Inc., maintains a small offshore development facility in Bitoli, Macedonia. Through this facility and our partnerships with offshore providers based in India, we are developing implementation tools and project delivery capabilities that we believe will enable us to more efficiently deliver our solutions.

Our goal is to be the leading independent information technology consulting firm in the central United States.

To achieve our goal, our strategy is to:

- grow our relationships with existing and new clients;
- continue making disciplined acquisitions;
- expand throughout the central United States;
- enhance brand visibility;
- invest in our people and culture;
- leverage existing, and pursue new, strategic alliances; and
- use offshore services when appropriate to deliver our solutions.

General Information

We were incorporated in Texas in September 1997 and reincorporated in Delaware in May 1999. Our principal executive offices are located at 1120 South Capital of Texas Highway, Building 3, Suite 220, Austin, Texas 78746, and our telephone number is (512) 531-6000. Our website may be visited at www.perficient.com. The information contained on our website is not a part of this prospectus.

The Offering

Common stock offered by us	4,250,000 shares of common stock
Common stock offered by the selling stockholders	782,600 shares of common stock
Common stock to be outstanding after this offering	25,550,172 shares of common stock
Use of proceeds	We intend to use a substantial portion of the net proceeds from this offering for future acquisitions. We will also use a portion of the net proceeds from this offering for repayment of debt, working capital and other general corporate purposes. See Use of Proceeds. We will not receive any proceeds from the sale of shares by the selling stockholders.
Nasdaq National Market Symbol	PRFT

Except as otherwise indicated, all information in this prospectus assumes no exercise of the underwriters over-allotment option.

The number of shares to be outstanding after this offering is based on the number of shares outstanding as of March 31, 2005. This number does not include:

- 7,042,579 shares issuable under our stock option plan, consisting of:
  - 6,190,928 shares underlying outstanding options at a weighted average price of $2.91 per share, of which 2,957,981 shares were exercisable; and
  - 851,651 shares available for future issuance under our stock option plan.
- 379,766 shares underlying outstanding options granted outside of our stock option plan at a weighted average price of $1.92 per share, 378,184 of which were exercisable.
- 406,188 shares issuable upon the exercise of outstanding warrants at a weighted average exercise price of $6.56 per share, all of which are exercisable.

The terms Perficient, we, our and us refer to Perficient, Inc. and its subsidiaries unless the context suggests otherwise. In addition, we refer to our employees as colleagues and will use that term in this prospectus.

Summary Consolidated Financial Data
(In thousands, except per share data)

The summary consolidated financial data for the years ended December 31, 2002, 2003 and 2004 are derived from the audited consolidated financial statements that appear in this prospectus.

The pro forma statement of operations data combines the consolidated historical statements of operations of Perficient and of the acquired businesses of Genisys Consulting, Inc., or Genisys, Meritage Technologies, Inc., or Meritage, and ZettaWorks LLC, or ZettaWorks, as if the Genisys, Meritage and ZettaWorks acquisitions had been completed on January 1, 2004. The historical results presented are not necessarily indicative of future results. The pro forma statement of operations data and pro forma balance sheet data excludes the assets and liabilities of ZettaWorks Australia Pty. Ltd., a wholly owned subsidiary of ZettaWorks, that we did not acquire when we acquired the business of ZettaWorks. The as adjusted balance sheet data gives effect upon the closing of this offering to the sale of 4,250,000 shares of common stock, after deducting underwriting discounts and commissions and estimated offering expenses, and application of estimated net proceeds. The pro forma as adjusted consolidated statement of operations data presented eliminates interest expense related to the acquisition line of credit we have with Silicon Valley Bank, which is being repaid with a portion of the net proceeds from this offering, and includes in the computation of earnings per share that number of shares issued in this offering from which we will use the proceeds, net of underwriting discounts and commissions and estimated offering expenses, to repay that line of credit.

The financial data presented are not directly comparable between periods as a result of the acquisitions of Genisys, Meritage and ZettaWorks in 2004 and the acquisitions of Javelin Solutions, Inc., or Javelin, and Primary Webworks, Inc. d/b/a Vertecon, Inc., or Vertecon, in 2002. Stock compensation expense has been reclassified as part of selling, general and administrative expense for purposes of this presentation.

You should read the information set forth below in conjunction with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the related notes.

	Year Ended December 31,			
	Historical			Pro Forma
	2002	2003	2004	2004
				(Unaudited)
Consolidated Statements of Operations Data:				
Revenue				
Services	$ 20,391,587	$ 24,534,617	$ 43,330,757	$ 69,578,934
Software	402,889	3,786,864	13,169,693	13,169,693
Reimbursable expenses	1,655,808	1,870,441	2,347,223	2,846,066
Total revenue	22,450,284	30,191,922	58,847,673	85,594,693
Cost of revenue(1)				
Project personnel costs	11,210,272	13,411,762	26,072,516	43,555,403
Software costs	343,039	3,080,894	11,341,145	11,341,145
Reimbursable expenses	1,655,808	1,870,441	2,347,223	2,834,788
Other project related expenses	330,100	453,412	267,416	1,810,857
Total cost of revenue	13,539,219	18,816,509	40,028,300	59,542,193
Gross margin	8,911,065	11,375,413	18,819,373	26,052,500
Selling, general and administrative	8,567,698	7,993,008	11,067,792	18,320,276
Depreciation	687,570	670,436	512,076	709,221
Amortization of intangibles	1,285,524	610,421	696,420	1,434,962
Restructuring, severance and other	579,427			
Income (loss) from operations	(2,209,154)	2,101,548	6,543,085	5,588,041
Interest income	17,732	3,286	2,564	
Interest expense	(203,569)	(285,938)	(137,278)	(312,484)
Other	(53)	(13,459)	32,586	37,127
Income (loss) before income taxes	(2,395,044)	1,805,437	6,440,957	5,312,684
(Provision) benefit for income taxes		(755,405)	(2,527,669)	(2,087,643)
Net income (loss)	$ (2,395,044)	$ 1,050,032	$ 3,913,288	$ 3,225,041
Beneficial conversion charge on preferred stock	(1,672,746)			
Accretion of dividends on preferred stock	(163,013)	(157,632)		
Net income (loss) available to common stockholders	$ (4,230,803)	$ 892,400	$ 3,913,288	$ 3,225,041
Basic net income (loss) per share(2)	$ (0.46)	$ 0.08	$ 0.22	$ 0.16

Diluted net income (loss) per share	$ (0.46)	$ 0.07	$ 0.19	$ 0.14
Shares used in computing basic net income (loss) per share(2)	9,173,657	11,364,203	17,648,575	20,214,820
Shares used in computing diluted net income (loss) per share	9,173,657	15,306,151	20,680,507	23,331,219
Pro Forma As Adjusted:				
Interest expense				$
Income (loss) before income taxes				$
(Provision) benefit for income taxes				$
Net income (loss)				$
Net income (loss) available to common stockholders				$
Basic net income (loss) per share(2)				$
Diluted net income (loss) per share				$
Shares used in computing basic net income (loss) per share(2)				
Shares used in computing diluted net income (loss) per share				

(1) Exclusive of depreciation shown separately below gross margin.

(2) In accordance with the transition provisions of the Emerging Issues Task Force (EITF) 03-06 *Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings Per Share* our basic net income per share and shares used in computing basic net income per share for year 2003 have been conformed for current period presentation for the year ended December 31, 2004. The impact of the adoption of this pronouncement is shown retroactively for all periods presented.

	As of December 31, 2004	
	Actual	**As Adjusted**
Balance Sheet Data:		
Cash	$ 3,905,460	$
Working capital	9,233,577	
Total assets	62,582,365	
Current portion of long term debt	1,379,201	
Long term debt, net of current portion	2,902,306	
Stockholders equity	44,622,367	

RISK FACTORS

You should carefully consider the following risk factors together with the other information contained in or incorporated by reference into this prospectus before you decide to buy our common stock. If any of these risks actually occur, our business, financial condition, operating results or cash flows could be materially adversely affected. This could cause the trading price of our common stock to decline and you may lose part or all of your investment.

Risks Related to Our Business

Prolonged economic weakness in the Internet software and services market could adversely affect our business, financial condition and results of operations.

The market for Internet software and services has changed rapidly over the last six years. The market for Internet software and services expanded dramatically during 1999 and most of 2000, but declined significantly in 2001 and 2002. Market demand for Internet software and services began to stabilize and improve throughout 2003 and 2004, but this trend may not continue. Our future growth is dependent upon the demand for Internet software and services, and, in particular, the information technology consulting services we provide. Demand and market acceptance for Internet services are subject to a high level of uncertainty. Prolonged weakness in the Internet software and services industry has caused in the past, and may cause in the future, business enterprises to delay or cancel information technology projects, reduce their overall budgets and/or reduce or cancel orders for our services. This, in turn, may lead to longer sales cycles, delays in purchase decisions, payment and collection, and may also result in price pressures, causing us to realize lower revenues and operating margins. If companies cancel or delay their business and technology initiatives or choose to move these initiatives in-house, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to attract and retain information technology consulting professionals, which could affect our ability to compete effectively.

Our business is labor intensive. Accordingly, our success depends in large part upon our ability to attract, train, retain, motivate, manage and effectively utilize highly skilled information technology consulting professionals. Additionally, our technology professionals are primarily at-will employees. Failure to retain highly skilled technology professionals would impair our ability to adequately manage, staff and implement our existing projects and to bid for or obtain new projects, which in turn would adversely affect our operating results.

Our success will depend on retaining our senior management team and key personnel.

Our industry is highly specialized and the competition for qualified management and key personnel is intense. We expect this to remain so for the foreseeable future. We believe that our success will depend on retaining our senior management team and key technical and business consulting personnel. Retention is particularly important in our business as personal relationships are a critical element of obtaining and maintaining strong relationships with our clients. If a significant number of these individuals stop working for us, our level of management, technical, marketing and sales expertise could diminish. We may be unable to achieve our revenue and operating performance objectives unless we can attract and retain technically qualified and highly skilled sales, technical, business consulting, marketing and management personnel. These individuals would be difficult to replace, and losing them could seriously harm our business.

We may have difficulty in identifying and competing for strategic acquisition and partnership opportunities.

Our business strategy includes the pursuit of strategic acquisitions. We may acquire or make strategic investments in complementary businesses, technologies, services or products, or enter into strategic partnerships or alliances with third parties in the future in order to expand our business. We may be unable to identify suitable acquisition, strategic investment or strategic partnership candidates, or if we do identify suitable candidates, we may not complete those transactions on terms commercially favorable to us, or at all. If we fail to identify and successfully complete these transactions, our competitive position and our growth prospects could be adversely affected. In addition, we may face competition from other companies with significantly greater resources for acquisition candidates, making it more difficult for us to acquire suitable companies on favorable terms.

Pursuing and completing potential acquisitions could divert management s attention and financial resources and may not produce the desired business results.

We do not have specific personnel dedicated to pursuing and making strategic acquisitions. As a result, if we pursue any acquisition, our management could spend a significant amount of time and financial resources to pursue and integrate the acquired business with our existing business. To pay for an acquisition, we might use capital stock, cash or a combination of both. Alternatively, we may borrow money from a bank or other lender. If we use capital stock, our stockholders will experience dilution. If we use cash or debt financing, our financial liquidity may be reduced and the interest on any debt financing could adversely affect our results of operations. From an accounting perspective, an acquisition may involve amortization or the write-off of significant amounts of intangible assets that could adversely affect our results of operations.

Despite the investment of these management and financial resources, and completion of due diligence with respect to these efforts, an acquisition may not produce the anticipated revenues, earnings or business synergies for a variety of reasons, including:

- difficulties in the integration of the technologies, services and personnel of the acquired business;
- the failure of management and acquired services personnel to perform as expected;
- the risks of entering markets in which we have no, or limited, prior experience;
- the failure to identify or adequately assess any undisclosed or potential legal liabilities of the acquired business;
- the failure of the acquired business to achieve the forecasts we used to determine the purchase price; or
- the potential loss of key personnel of the acquired business.

These difficulties could disrupt our ongoing business, distract our management and colleagues, increase our expenses and materially and adversely affect our results of operations.

The market for the information technology consulting services we provide is competitive, has low barriers to entry and is becoming increasingly consolidated, which may adversely affect our market position.

The market for the information technology consulting services we provide is competitive, rapidly evolving and subject to rapid technological change. 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 Internet 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 will depend, in large part, on our ability to establish and maintain an advantageous market position. We currently compete with regional and national information technology consulting firms, and, to a limited extent, offshore service providers and in-house information technology departments. Many of the larger regional and national information technology consulting firms have substantially longer operating histories, more established reputations and potential partner relationships, greater financial resources, sales and marketing organizations, market penetration and research and development capabilities, as well as broader product offerings and greater market presence and name recognition. We may face increasing competitive pressures from these competitors as the market for Internet software and services continues to grow. This may place us at a disadvantage to our competitors, which may harm our ability to grow, maintain revenue or generate net income.

In recent years, there has been substantial consolidation in our industry, and we expect that there will be significant additional consolidation in the near future. As a result of this increasing consolidation, we expect that we will increasingly compete with larger firms that have broader product offerings and greater financial resources than we have. We believe that this competition could have a significant negative effect on our marketing, distribution and reselling relationships, pricing of services and products and our product development budget and capabilities. 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.

Our business will suffer if we do not keep up with rapid technological change, evolving industry standards or changing customer requirements.

Rapidly changing technology, evolving industry standards and changing customer needs are common in the Internet software and services market. We expect technological developments to continue at a rapid pace in our industry. Technological developments, evolving industry standards and changing customer needs could cause our business to be rendered obsolete or non-competitive, especially if the market for the core set of eBusiness solutions and software platforms in which we have expertise does not grow or if such growth is delayed due to market acceptance, economic uncertainty or other conditions. Accordingly, our success will depend, in part, on our ability to:

- continue to develop our technology expertise;
- enhance our current services;
- develop new services that meet changing customer needs;
- advertise and market our services; and
- influence and respond to emerging industry standards and other technological changes.

We must accomplish all of these tasks in a timely and cost-effective manner. We might not succeed in effectively doing any of these tasks, and our failure to succeed could have a material and adverse effect on our business, financial condition or results of operations, including materially reducing our revenue and operating results.

We may also incur substantial costs to keep up with changes surrounding the Internet. Unresolved critical issues concerning the commercial use and government regulation of the Internet include the following:

- security;
- intellectual property ownership;
- privacy;
- taxation; and
- liability issues.

Any costs we incur because of these factors could materially and adversely affect our business, financial condition and results of operations, including reduced net income.

A significant portion of our revenue is dependent upon building long-term relationships with our clients and our operating results could suffer if we fail to maintain these relationships.

Our professional services agreements with clients are in most cases terminable on 10 to 30 days notice. A client may choose at any time to use another consulting firm or choose to perform services we provide through their own internal resources. Accordingly, we rely on our clients interests in maintaining the continuity of our services rather than on contractual requirements. Termination of a relationship with a significant client or with a group of clients that account for a significant portion of our revenues could adversely affect our revenues and results of operations.

If we fail to meet our clients performance expectations, our reputation may be harmed.

As a services provider, our ability to attract and retain clients depends to a large extent on our relationships with our clients and our reputation for high quality services and integrity. We also believe that the importance of reputation and name recognition is increasing and will continue to increase due to the number of providers of information technology services. As a result, if a client is not satisfied with our services or does not perceive our solutions to be effective or of high quality, our reputation may be damaged and we may be unable to attract new, or retain existing, clients and colleagues.

We may face potential liability to customers if our customers systems fail.

Our eBusiness integration solutions are often critical to the operation of our customers businesses and provide benefits that may be difficult to quantify. If one of our customers systems fails, the customer could make a claim for substanti