

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, 2019

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

(State or other jurisdiction of incorporation or organization)

No. 74-2853258

(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common Stock, \$0.001 par value

PRFT

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 \$1,098,742,358 based on the last reported sale price of the Company's common stock on The Nasdaq Global Select Market on June 28, 2019.

As of February 13, 2020, there were 32,891,785 shares of common stock outstanding.

Portions of the definitive proxy statement to be used in connection with the 2020 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than April 29, 2020, are incorporated by reference in Part III of this Form 10-K.

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PART I

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on this Form 10-K (“Form 10-K”) 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 and political uncertainty on our business;
- (2) risks associated with potential changes to federal, state, local and foreign laws, regulations, and policies;
- (3) 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 including fluctuations in exchange rates;
 - f. changes to immigration policies;
 - g. obtaining favorable pricing to reflect services provided;
 - h. adapting to changes in technologies and offerings;
 - i. risk of loss of one or more significant software vendors;
 - j. making appropriate estimates and assumptions in connection with preparing our consolidated financial statements;
 - k. maintaining effective internal controls; and
 - l. changes to tax levels, audits, investigations, tax laws or their interpretation;
- (4) risks associated with managing growth organically and through acquisitions;
- (5) risks associated with servicing our debt, the potential impact on the value of our common stock from the conditional conversion features of our debt and the associated convertible note hedge transactions;
- (6) legal liabilities, including intellectual property protection and infringement or the disclosure of personally identifiable information; and
- (7) 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 this Annual Report on Form 10-K, 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 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. and its subsidiaries (collectively, “we,” “us,” “Perficient,” or the “Company”) 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 the Company or any persons acting on our behalf may issue.

Item 1. Business.

Overview

Perficient is a leading digital consultancy, helping transform the world's biggest brands. With a broad array of information technology, management consulting, and creative capabilities, Perficient delivers digital transformation solutions that exceed customers' expectations, outpace the competition and transform business.

Our work enables clients to improve productivity and competitiveness; grow and strengthen relationships with customers, suppliers and partners; and reduce costs. Our solutions include custom applications, analytics, management consulting, commerce, portals and collaboration, content management, business integration, customer relationship management, business process management, platform implementations, enterprise data and business intelligence, enterprise performance management, enterprise mobile, cloud services, digital marketing, and DevOps, 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 a global, Internet-driven and competitive marketplace.

Through our experience in developing and delivering 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.

We serve our Global 2000 and other large enterprise clients from locations in multiple markets throughout North America and through domestic and global delivery centers by leveraging an experienced sales team that is connected through a common service portfolio, sales process, and performance management system. Our sales process utilizes project pursuit teams that include those 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 one billion dollars. 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.

During 2019, we continued to implement a strategy focused on: expanding our relationships with existing and new clients; continuing to make disciplined acquisitions by acquiring substantially all of the assets of Sundog Interactive, Inc. ("Sundog") in May 2019; expanding our technical skill and geographic base through the acquisition of Sundog; expanding our brand visibility among prospective clients, employees, and software vendors; leveraging our offshore capabilities in India and China; and leveraging our existing (and pursuing new) strategic alliances by targeting leading business advisory companies and technology providers. Approximately 98% of our revenues were derived from clients in the United States during each of the years ended December 31, 2019, 2018 and 2017. Approximately 93% and 95% of our total assets were located in the United States as of December 31, 2019 and 2018, respectively, with the remainder located in India, Canada, China, and the United Kingdom.

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. Our acquisition of Sundog in May 2019 enhanced and expanded the Company's strategic marketing and technical delivery services.

We provide services primarily to these markets: healthcare (including pharma and life sciences), financial services (including banking and insurance), manufacturing, automotive and transportation, retail and consumer goods, electronics and computer hardware, telecommunications, business services, energy and utilities, and leisure, media and entertainment.

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 end-to-end digital offerings 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 facilitate focus on unique problems and opportunities.

Our broad spectrum of digital experience and business optimization solutions includes:

- *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.
- *Analytics.* We design, develop, and implement business analytics solutions that allow companies to interpret and act upon accurate, timely, and integrated information. Business analytics solutions help our clients make more informed business decisions by classifying, aggregating, and correlating data into meaningful business information. Our business analytics 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.
- *Management Consulting.* Our management consulting experts communicate in a language that makes sense at all levels of the organization, translating corporate strategy into operational results by bridging the gaps that often exist between business and technology. Technology investments can be a critical piece of an overall strategic business plan, and we are able to translate that in business terms. We help our clients manage enterprise change, which is frequently in the context of large technology innovations and transformations. We offer services in many areas including organizational change management, business analytics, project management, and process excellence.
- *Commerce.* Driven by customer insights, we gather and analyze data to determine the best approach for implementing a successful omnichannel commerce strategy. With a deep understanding of business needs and extensive technical capabilities, our commerce solutions embrace the power of digital transformation to encompass multiple channels and provide a seamless and efficient experience across the entire enterprise. Our solutions include commerce transformation consulting, strategy, roadmaps, program management, customer journeys, customer experience, user experience and prototypes, content management, and product configuration.
- *Portals and Collaboration.* We design, develop, implement, and integrate secure and scalable enterprise portals and social/collaboration solutions for our clients and their customers, employees, suppliers, partners, members, patients and others to help them connect to information, documents, and one another. These solutions include searchable data systems, collaborative systems for process improvement, transaction processing, unified and extended reporting, commerce, and content management. Our award-winning work includes multiple portal types built on many vendor platforms and features integration with a variety of technologies, social capabilities, and mobile sites.
- *Content Management.* Our content management solutions enable the management of unstructured information regardless of file type or format. Our 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.
- *Business Integration.* We help clients integrate fragmented, non-integrated systems and processes with a coherent architecture on which to rationalize and modernize legacy systems, automate and optimize business processes, and improve data quality and accessibility. We specialize in service-oriented architecture, application program interfaces (“APIs”), business process management, event-driven architecture, complex event processing, master data management, and enterprise application integration. We often use these technologies together to modernize legacy application architecture and support multi-channel user experiences such as portals, B2B (business to business) APIs, social media, and mobility applications.
- *Customer Relationship Management (“CRM”).* We design, develop, and implement advanced CRM solutions that facilitate customer acquisition, service and support, and sales and marketing. We do this by understanding our clients’ needs through interviews, requirements-gathering sessions, call center analysis, developing an iterative prototype-driven solution, and integrating the solution to legacy processes and applications.

- *Business Process Management (“BPM”)*. BPM, also known as digital process automation, combines people, process, and technology to improve organizational performance and customer value. We design, develop, and implement BPM 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.
- *Platform Implementation*. 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.
- *Enterprise Data and Business Intelligence*. Analytics provide the vehicle for driving meaningful, measurable, and sustainable improvement for the business. With the prevalence of complex, disconnected, and variable business processes, along with ever-expanding data, it is essential for organizations to leverage analytics to improve decision making and agility. We integrate relevant data and systems into a robust analytics strategy to help our clients create a 360-degree view of their customers and key performance metrics.
- *Enterprise Performance Management (“EPM”)*. EPM, also known as corporate performance management, provides executive decision makers access to the integrated information they need in order to truly focus on profitability and performance. We make the difference with solutions that link financial data to ensure clients have visibility into all their business drivers and can effectively make critical business decisions based on real-time information. We do this by providing solutions that support budgeting and forecasting, financial consolidations, reporting and analytics, compliance, and more.
- *Enterprise Mobile*. Enterprise mobile is transforming the way the world does business. Consumers and workforces alike are never far from a device, which is why they need connected experiences. We create mobile solutions that enable sales teams, mobilize the workforce, and engage with users on a deeper level. We are experts in enterprise and consumer mobile apps, IoT (Internet of Things), wearables, virtual and augmented reality, POC (proof of concept) and prototypes, and enterprise systems integrations.
- *Cloud Infrastructure*. Agility, innovation, and rapid time to market are critical to maintaining competitive advantage and seizing market opportunities, and cloud computing has emerged as perhaps the key enabler for business efficiency and agility. We help clients leverage cloud technologies from strategy through implementation for maximum business value with services that include: architecture, application modernization, assessments (business value and health checks), containers, strategy and road maps, and vendor evaluation and selection.
- *Digital Marketing*. We leverage client insights and analytical customer data to deliver exceptional results that allow our clients to stay ahead of the competition and to remain at the forefront of everything related to digital marketing. Our expertise includes: analytics and reporting, email marketing and automation, B2B and B2C marketing automation, media and advertising, paid search, social media, search engine marketing (including search engine optimization and pay-per-click advertising), content marketing, and conversion rate optimization.
- *DevOps*. DevOps stresses communication, collaboration, and integration of the various IT aspects required to deliver solutions for the business, and promotes innovation by radically speeding application delivery time. We help clients address DevOps from a strategy and change management perspective. We assess and mitigate risks, redesign communications and delivery processes, ensure higher quality, and support increased automation of critical IT tasks that limit productivity of key IT resources.
- *Artificial Intelligence (“AI”) and Machine Learning (“ML”)*. In broad terms, AI is the simulation of human intelligence processes by machines. ML is the application of AI based on the idea that given access to data, machines can learn for themselves. Both AI and ML increasingly play a role in everything from driving customer service to enabling better healthcare. Many organizations are eager to understand and exploit the value of AI and ML for automating common user interactions, answering questions via chatbots and other tools, providing intelligent routing, and interpreting user needs using AI-driven services and natural language processing. We help clients take advantage of AI and ML to reduce operational costs, increase revenues, improve productivity, enhance compliance, bolster security, and enrich the customer experience.

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 intellectual property assets, applications, utilities, and products that enable our clients to reduce time to delivery and total cost of ownership. In addition, we sell certain internally developed software packages. These foundational tools include configurable Solution Accelerators and Industry Tools that can be customized to solve specific enterprise challenges. Our Solution Accelerators increase the velocity of solution development across key horizontal disciplines including content management, integration and APIs, business process management, enterprise search and tax compliance. 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 markets. 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 developed significant domain expertise in a core set of technology solutions and software platforms. These solutions include custom applications, management consulting, analytics, commerce, content management, business integration, portals and collaboration, customer relationship management, business process management, and platform implementations. The platforms with which we have significant domain expertise and on which these solutions are built include IBM and Red Hat, Adobe, Microsoft, Oracle, Pivotal, Sitecore and Salesforce.
- *Industry Expertise.* We serve many of the world's largest and most-respected companies with extensive business process experience across a variety of markets. These markets include healthcare (including pharma and life sciences), financial services (including banking and insurance), consumer markets (including retail and consumer goods), manufacturing, automotive and transportation, electronics and computer hardware, telecommunications, business services, energy and utilities, and leisure, media and entertainment.
- *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, combined with 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. As a result, we have established long-term relationships with many clients that continue to engage us for additional projects and serve as references for us. For the years ended December 31, 2019, 2018 and 2017, 91%, 93% and 92%, respectively, of services revenues were derived from clients that 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 Platinum Business Partner, a Microsoft National Solutions Provider and Global NSP Partner, an Oracle Platinum Partner, an Adobe Platinum Partner, a Salesforce Gold Consulting Partner, an Advanced Pivotal Ready Partner, and a Sitecore Platinum Solution Partner. In 2019, we received multiple awards and recognition from our partners including:
 - Pivotal Global Systems Integrator Partner of the Year for Cloud Native Advocacy;
 - Coveo Accelerator Award;
 - Magento Imagine Excellence Award – Best B2B Buyer Experience;
 - IBM Watson Commerce Business Partner of the Year; and

- MicroStrategy North America Partner of the Year.
- *Offshore Capability.* We serve our clients from locations in multiple markets throughout North America, and in addition, we operate global development centers in India and China. 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, Oracle, Sitecore, and Magento technologies. In addition to our offshore capabilities, we employ a number of foreign nationals in the United States on H1-B visas. India is used as a recruiting and development facility to continue to grow our base of H1-B foreign national colleagues. As of December 31, 2019, we had 826 colleagues at our India facilities, 129 colleagues at our China facility and 234 colleagues with H1-B visas. We intend to continue to leverage our existing offshore capabilities, especially in India, to support our growth and provide our clients flexible options for project delivery.
- *Onshore Capability.* The Company maintains a domestic delivery center (the “DDC”) in Lafayette, Louisiana. The DDC augments our offshore delivery centers in India and China, further optimizing our global network and comprehensive technology, delivery management and industry vertical expertise across North America. With the addition of the DDC, we have increased capabilities and improved service levels that cover the entire spectrum of the software development lifecycle. As of December 31, 2019, we had 69 colleagues at the DDC.

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, EPAM Systems, Globant, and Endava;
- digital consulting firms/entities such as Accenture Interactive, Deloitte Digital, Publicis Sapient, and Computer Task Group;
- in-house professional services organizations of software companies; and
- offshore providers, such as Infosys Technologies Limited, Cognizant, and Wipro Limited.

We believe that the principal competitive factors affecting our market include domain expertise, track record and customer references, 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, 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.

Employees

As of December 31, 2019, we had 3,454 employees, 2,904 of which were billable (excluding 234 billable subcontractors) and 550 of which were involved in sales, administration, and marketing. None of our employees 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 employees.

Sales and Marketing. As of December 31, 2019, we had a 116-person direct solutions-oriented sales force. We reward our sales force for developing and maintaining relationships with our clients, seeking follow-up engagements, and leveraging those relationships to forge new relationships in different areas of the business and with our clients’ business partners. Approximately 77% of our services revenues are executed by our direct sales force. In addition to our direct sales team, we also have 73 dedicated sales support employees, 38 general managers and 8 vice-presidents who are engaged in our sales and marketing efforts.

We have sales and marketing partnerships with software vendors including IBM and Red Hat, Adobe, Microsoft, Oracle, Pivotal, Sitecore and Salesforce. 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.

Talent Acquisition. 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. We believe in an employee-centered environment that is built on a culture of respect.

Retention. We firmly believe in the power of partnership and the spirit of innovation and approach every opportunity with these philosophies in mind. We focus on a core set of digital experience, business optimization, and industry solutions, applications, and software platforms and believe our commitment to our employees' career development through continued training and advancement opportunities sets us apart as an employer of choice.

Compensation. Our compensation philosophy and programs are designed to attract, retain, motivate, and reward employees based on performance and results. Our tiered incentive compensation plans help us reach our overall goals by rewarding individuals for their influence on key performance factors and allow for differentiation so that truly stellar performers may be rewarded.

General Information

Our stock is traded on The Nasdaq Global Select Market under the symbol "PRFT." Our website may be visited at 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.

Financial Information about Segments and Geographic Areas

See the Consolidated Financial Statements and the Notes to Consolidated Financial Statements appearing in Part II, Item 8.

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 and political conditions and the effects of these conditions on our clients' businesses and levels of business activity.

Global macroeconomic and political conditions affect our clients' businesses and the markets they serve. Developments such as economic downturns, trade disputes, recessions, instability and inflationary risks in the United States, Europe, Canada, China and India, among other developments, may have an adverse effect on our clients' businesses and, consequently, on our results of operations, revenue growth and profitability.

Volatile, negative or uncertain economic and political 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 and political conditions and patterns of economic growth and contraction in the geographical regions in which we operate and the markets we serve have affected, and may in the future affect, demand for our services. For the year ended December 31, 2019, 98% of our revenues were 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 and political 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 and political 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 and political volatility and uncertainty could have a significant negative impact on our results of operations.

We face risks associated with potential changes to federal, state, local and foreign laws, regulations and policies.

Significant changes to various federal, state, local and foreign laws, regulations and policies to which the Company is subject are under consideration by applicable government administrations and agencies. If enacted, these changes may affect our business in a manner that currently cannot be reliably predicted. These uncertainties may include changes in laws, regulations and policies in areas such as corporate taxation, international trade, labor and employment law, immigration and health care, which individually or in the aggregate could materially and adversely affect our business, results of operations or financial condition.

We provide services to various clients participating in the healthcare market. Certain cuts in U.S. government healthcare programs and other changes have been proposed and discussed. These cuts and changes may result in reduced expenditures by our healthcare customers on information technology projects, which could materially adversely affect our business, results of operations or financial condition.

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 and political conditions have adversely affected, and could in the future adversely affect, client demand for our services and solutions. In addition, developments in the markets 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 markets 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 often contain 10 to 30 day termination provisions. 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 lost revenues or we may be unsuccessful in our attempt to recover such revenues. 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.

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 markets 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 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 for our services and solutions in those markets may decline.

We are dependent upon 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 upon 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 upon 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 these 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.

There is a risk that at certain points in time and in certain markets, 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 geographic locations. 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 markets.

The markets in which we operate are highly competitive, and we might not be able to compete effectively.

The markets in which we operate are highly competitive, ever evolving, and subject to rapid technological change. Our competitors include: large multinational providers that offer some or all of the services that we do; offshore 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 capabilities to provide certain 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 in 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 upon 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 significant liability or our reputation could be damaged if we fail to protect client and Company data or information systems or if our information systems are breached.

We are dependent upon 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 or human error could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. There has been a global increase in information technology security threats and increasingly sophisticated cyber attacks. Given the uncertainty of such attacks, our infrastructure may be vulnerable to attacks and disputes. 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 and foreign 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, human error or negligence, cyber attacks, security breaches, 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.

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

We have pursued a disciplined acquisition strategy designed to enhance or add to our offerings of services and solutions, or to enable us to expand in certain markets. Depending upon the opportunities available, we may increase our investment in these acquisitions. In that pursuit, 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, unexpected increases in taxes or other adverse effects on our business and profitability. 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.

Servicing our debt may require a significant amount of cash. We may not have sufficient cash flow from our business to pay our indebtedness, and we may not have the ability to raise the funds necessary to settle for cash conversions of the Notes or to repurchase the Notes for cash upon a fundamental change, which could adversely affect our business and results of operations.

In September 2018, we issued \$143.8 million in aggregate principal amount of 2.375% Convertible Senior Notes Due 2023 (the “Notes”) in a private offering. The Notes bear interest at a rate of 2.375% per year. Interest is payable in cash on March 15 and September 15 of each year. Our ability to make payments of the principal, to pay interest on or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flows from operations in the future that are sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flows, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Holders of the Notes have the right to require us to repurchase their notes upon the occurrence of a fundamental change (as defined in the indenture governing the Notes (the “Indenture”)) at a cash repurchase price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any. Upon conversion, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Notes being converted. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases in connection with such conversion and our ability to pay may additionally be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the Indenture or to pay any cash payable on future conversions as required by the Indenture would constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof.

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Transactions relating to our Notes may affect the value of our common stock.

Our Notes may become in the future convertible at the option of their holders under certain circumstances. If holders of our Notes elect to convert their notes, we may settle our conversion obligation by delivering to them a significant number of shares of our common stock, which would cause dilution to our existing stockholders.

In addition, in connection with the issuance of the Notes, we entered into privately negotiated convertible note hedge transactions (the “Notes Hedges”) with certain of the initial purchasers or their respective affiliates and/or other financial institutions (the “Option Counterparties”). If the Company exercises the Notes Hedges, the aggregate amount of cash received from the Option Counterparties will cover the aggregate amount of cash that the Company would be required to pay to the holders of the Notes, less the principal amount thereof. Also in connection with the issuance of the Notes, we sold net-share-settled warrants (the “Notes Warrants”) in privately negotiated transactions with the Option Counterparties. The Notes Hedges and Notes Warrants are expected generally to reduce the potential dilution to our common stock upon any conversion or settlement of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap.

We are subject to counterparty risk with respect to the Notes Hedges.

The Option Counterparties are financial institutions, and we will be subject to the risk that one or more of the Option Counterparties might default under their respective Note Hedges. Our exposure to the credit risk of the Option Counterparties will not be secured by any collateral. Global economic and political conditions could result in the actual or perceived failure or financial difficulties of financial institutions. If any Option Counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with

such Option Counterparty.

Our exposure will depend on many factors, but, generally, the increase in our exposure will be correlated to the increase in the market price and in the volatility of our common stock. In addition, upon a default by any Option Counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any of the Option Counterparties.

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

We maintain global development centers in India and China. We have offices in the United Kingdom and Canada. 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 these 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, including in connection with the United Kingdom's exit from the European Union;
- global health conditions and potential natural disasters;
- unexpected changes in regulatory requirements, including immigration restrictions, tariffs, and other trade barriers and tax regulations, the enforcement of such requirements by applicable governmental authorities and other legal uncertainty;
- limitations on our ability to repatriate cash from our international operations;
- complexities and additional costs in effectively managing our international operations;
- international currency controls and exchange rate fluctuations;
- reduced protection for intellectual property rights; 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.

Approximately 8% of our billable workforce is comprised of skilled foreign nationals holding H1-B visas. We also operate recruiting and development facilities in India and China 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. The number of H1-B visas available, and the process to obtain them, may be subject to significant change. If we are unable to obtain all of the H1-B visas for which we apply, our growth or service offerings 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 by utilizing a range of pricing structures and conditions, including time and materials and fixed fee contracts. Our fees are highly dependent upon 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 skill sets 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 services, 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, this 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 the amount of our recovery, if any.

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 upon 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, software-as-a-service solutions, artificial intelligence, machine learning 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 and Red Hat, Adobe, Microsoft, Oracle, Pivotal, Salesforce and Sitecore. 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 (including meritless 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.

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 upon 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 rights to the use of intellectual property we help create or knowledge associated with such creation, which would limit our ability to reuse that intellectual property or knowledge 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 upon 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 or cause existing clients to terminate our services, 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 upon our ability 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.

We make estimates and assumptions in connection with the preparation of our consolidated financial statements, and any changes to those estimates and assumptions could adversely affect our financial results.

Our financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The application of these principles requires us to make estimates and assumptions about certain items and future events that affect our reported financial condition, and our accompanying disclosure with respect to, among other things, revenue recognition, purchase accounting related fair value measurements, contingent consideration, fair value of convertible debt and income taxes. We base our estimates on historical experience, contractual commitments and on various other assumptions that we believe to be reasonable under the circumstances at the time they are made. These estimates and assumptions involve the use of our judgment and can be subject to significant uncertainties, some of which are beyond our control. If our estimates, or the assumptions underlying such estimates, are not correct, actual results may differ materially from our estimates, and we may need to, among other things, adjust revenues or accrue additional charges that could adversely affect our results of operations.

Our results of operations and share price could be adversely affected if we are unable to maintain effective internal controls.

The accuracy of our financial reporting is dependent on the effectiveness of our internal controls. We are required to provide a report from management to our stockholders on our internal control over financial reporting that includes an assessment of the effectiveness of these controls. Internal control over financial reporting has inherent limitations, including human error, the possibility that controls could be circumvented or become inadequate because of changed conditions, and fraud. Because of these inherent limitations, internal control over financial reporting might not prevent or detect all misstatements or fraud. If we cannot maintain and execute adequate internal control over financial reporting or implement required new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we could suffer harm to our reputation, fail to meet our public reporting requirements on a timely basis, be unable to properly report on our business and our results of operations, or be required to restate our financial statements, and our results of operations, our share price and our ability to obtain new business could be materially adversely affected.

Changes in our level of taxes, audits, investigations and tax proceedings, or changes in tax laws or their interpretation or enforcement 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. See Note 13, *Income Taxes*, in the Notes to Consolidated Financial Statements for additional information regarding the disallowance of certain research credits claimed by the Company and the Company's actions to assert such credits. 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.

Our results of operations could be adversely affected by fluctuations in foreign currency exchange rates.

Although we report our results of operations in U.S. dollars, a small portion of our revenues is denominated in currencies other than the U.S. dollar. Unfavorable fluctuations in foreign currency exchange rates could have an adverse effect on our results of operations.

Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, changes in the value of the U.S. dollar against other currencies will affect our net revenues, operating income and the value of balance-sheet items, including intercompany payables and receivables, denominated in other currencies. These changes cause our growth in consolidated earnings stated in U.S. dollars to be higher or lower than our growth in local currency when compared against other periods. Our currency hedging program, which is designed to partially offset the impact on consolidated earnings related to the changes in value of certain balance sheet items, might not be successful.

As we continue to leverage our global delivery model, certain of our expenses are incurred in currencies other than those in which we bill for the related services. An increase in the value of certain currencies, such as the Canadian dollar, Indian rupee, Chinese yuan, British pound and euro, against the U.S. dollar could increase costs for delivery of services at off-shore sites by increasing labor and other costs that are denominated in local currency. Our contractual provisions or cost management efforts might not be able to offset their impact, and our currency hedging activities, which are designed to partially offset this impact, might not be successful. This could result in a decrease in the profitability of our contracts that are utilizing delivery center resources. Conversely, a decrease in the value of certain currencies, such as the Canadian dollar, Indian rupee, Chinese yuan, British pound and euro, against the U.S. dollar in which our revenue is recorded could place us at a competitive disadvantage compared to service providers that benefit to a greater degree from such a decrease and can, as a result, deliver services at a lower cost. In addition, our currency hedging activities are themselves subject to risk. These include risks related to counterparty performance under hedging contracts, risks related to ineffective hedges and risks related to currency fluctuations. We also face risks that extreme economic conditions, political instability, hostilities or natural disasters could impact or perhaps eliminate the underlying exposures that we are hedging. Such an event could lead to losses being recognized on the currency hedges then in place that are not offset by anticipated changes in the underlying hedge exposure.

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 upon 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 credit worthiness 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 upon 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;
- 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, 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.

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, 2019, we had unrestricted cash and cash equivalents totaling \$70.7 million and a borrowing capacity of \$125.0 million, with \$124.8 million unused capacity available, and a commitment from our lenders to increase our borrowing capacity by \$75.0 million. Of the \$70.7 million of cash and cash equivalents at December 31, 2019, \$5.5 million was held by our Canadian, Indian and United Kingdom subsidiaries and is considered to be indefinitely reinvested in those operations. As of December 31, 2019, \$1.1 million in cash and cash equivalents was held by our Chinese subsidiary and is not considered indefinitely reinvested. 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 32% 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 the Company.

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, Delaware law and certain provisions of our convertible notes 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. Additionally, certain provisions of our convertible notes could make it more difficult or more expensive for a third party to acquire us. 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 the United States and in India, China, Canada, and the United Kingdom. We do not own any real property; all of our office space is leased 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 the Company.

Item 4. Mine Safety Disclosures.

Not applicable.

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.” There were approximately 434 stockholders of record of our common stock as of February 13, 2020, including 385 restricted account holders.

We have never declared or paid any cash dividends on our common stock. Our credit facility currently restricts the payment of cash dividends. See Note 12, *Long-term Debt*, in the Notes to Consolidated Financial Statements for further information regarding the restrictions. Any future determination as to the declaration and payment of dividends will be made at the discretion of our board of directors and will depend on our earnings, operating and financial condition, capital requirements and other factors deemed relevant by our board of directors, including the applicable requirements of the Delaware General Corporation Law.

Information on our Equity Compensation Plan has been included in Part III, Item 12 of this Annual Report on Form 10-K.

Unregistered Sales of Securities

None.

Issuer Purchases of Equity Securities

Prior to 2019, the Company’s Board of Directors authorized the repurchase of up to \$235.0 million of Company common stock. On October 29, 2019, the Board of Directors authorized the expansion of the stock repurchase program by authorizing the repurchase of up to an additional \$30.0 million of Company common stock for a total repurchase program of \$265.0 million and extended the expiration date of the program from December 31, 2019 to June 30, 2021. 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 management based on its evaluation of market conditions, share price, and other factors.

Since the program’s inception on August 11, 2008, we have repurchased approximately \$220.0 million (15.4 million shares) of our outstanding common stock through December 31, 2019.

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, 2019	15,369,430	\$ 14.26	15,369,430	\$ 15,800,781
October 1-31, 2019	600	35.98	600	\$ 45,779,196
November 1-30, 2019	20,539	39.65	20,539	\$ 44,964,924
December 1-31, 2019	—	—	—	\$ 44,964,924
Ending balance as of December 31, 2019	15,390,569	\$ 14.30	15,390,569	

(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, 2019, has been prepared in accordance with U.S. generally accepted accounting principles. The financial data presented is not directly comparable between periods as a result of the adoption of Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* in 2018 and Topic 842, *Leases* in 2019, one acquisition in 2019, three acquisitions in 2018, two acquisitions in 2017, one acquisition in 2016 and three acquisitions in 2015.

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,				
	2019	2018	2017	2016	2015
Income Statement Data:	(In thousands, except per share information)				
Revenues	\$ 565,527	\$ 498,375	\$ 485,261	\$ 486,982	\$ 473,621
Cost of revenues	\$ 354,213	\$ 319,831	\$ 323,748	\$ 335,702	\$ 318,411
Selling, general and administrative	\$ 134,187	\$ 118,484	\$ 108,192	\$ 101,264	\$ 99,963
Depreciation and amortization	\$ 20,598	\$ 20,428	\$ 19,747	\$ 18,238	\$ 18,315
Acquisition costs	\$ 896	\$ 1,872	\$ 1,359	\$ 1,252	\$ 1,235
Adjustment to fair value of contingent consideration	\$ 301	\$ 1,816	\$ 3,235	\$ (1,679)	\$ 445
Income from operations	\$ 55,332	\$ 35,944	\$ 28,980	\$ 32,205	\$ 35,252
Net interest expense	\$ 7,418	\$ 3,560	\$ 1,838	\$ 1,636	\$ 2,085
Net other (income) expense	\$ (27)	\$ 12	\$ (1)	\$ 60	\$ 332
Income before income taxes	\$ 47,941	\$ 32,372	\$ 27,143	\$ 30,509	\$ 32,835
Net income	\$ 37,125	\$ 24,559	\$ 18,581	\$ 20,459	\$ 23,007
Basic net income per share	\$ 1.18	\$ 0.76	\$ 0.56	\$ 0.60	\$ 0.69
Diluted net income per share	\$ 1.15	\$ 0.73	\$ 0.55	\$ 0.58	\$ 0.67

	December 31,				
	2019	2018	2017	2016	2015
Balance Sheet Data:	(In thousands)				
Cash and cash equivalents	\$ 70,728	\$ 44,984	\$ 6,307	\$ 10,113	\$ 8,811
Working capital (1)	\$ 127,313	\$ 102,981	\$ 67,935	\$ 76,446	\$ 83,176
Property and equipment, net	\$ 12,170	\$ 6,677	\$ 7,145	\$ 8,888	\$ 7,891
Operating lease right-of-use assets	\$ 27,748	\$ —	\$ —	\$ —	\$ —
Goodwill and intangible assets, net	\$ 373,517	\$ 376,084	\$ 356,304	\$ 320,320	\$ 322,791
Total assets	\$ 640,492	\$ 570,544	\$ 499,060	\$ 456,576	\$ 474,364
Long-term debt, net	\$ 124,664	\$ 120,067	\$ 55,000	\$ 32,000	\$ 56,000
Non-current operating lease liabilities	\$ 19,649	\$ —	\$ —	\$ —	\$ —
Total stockholders’ equity	\$ 381,015	\$ 353,684	\$ 366,351	\$ 359,465	\$ 348,810

(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 a digital consultancy serving Global 2000® and other large enterprise companies with a primary focus on the United States. We help clients gain competitive advantage by designing, building and delivering digital solutions that: make their

businesses more responsive to market opportunities; strengthen relationships with customers, suppliers, and partners; improve productivity; and reduce technology costs. Our unparalleled technology, management consulting, and creative capabilities, across industries, 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. Our solutions include custom applications, analytics, management consulting, commerce, portals and collaboration, content management, business integration, customer relationship management, business process management, platform implementations and artificial intelligence, among others. Our solutions enable our clients to operate a real-time enterprise that delivers exceptional front-end customer experiences and dynamically adapts business processes and the systems that support them, to meet the changing demands of an increasingly global and competitive marketplace.

Adoption of ASC Topic 606

As further detailed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements, we adopted ASC Topic 606 on January 1, 2018 using the modified retrospective method. The most significant impact upon adoption was to third-party software and hardware revenue, which was primarily recorded on a gross basis as the principal in the transaction through December 31, 2017 and presented on a net basis as the agent beginning on January 1, 2018. Since the change in presentation was applied prospectively and prior period results were not restated, the adoption of the new standard resulted in significantly lower software and hardware revenues and costs for the years ended December 31, 2019 and 2018 as compared to the year ended December 31, 2017. The impact of adopting ASC Topic 606 to services revenues and costs was immaterial.

Services Revenues

Services revenues are derived from professional services that include developing, implementing, integrating, automating and extending business processes, technology infrastructure, and software applications. Professional services revenues are recognized over time as services are rendered. Most of our projects are performed on a time and materials basis, while a portion of our revenues is derived from projects performed on a fixed fee or fixed fee percent complete basis. 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 hourly rates. For fixed fee contracts, revenues are recognized and billed by multiplying the established fixed rate per time period by the number of time periods elapsed. For fixed fee percent complete projects, revenues are generally recognized using an input method based on the ratio of hours expended to total estimated hours. Fixed fee percent complete engagements represented approximately 7% of our services revenues for the year ended December 31, 2019 compared to 8% for each of the years ended December 31, 2018 and 2017. On most projects, we are reimbursed for out-of-pocket expenses including travel and other project-related expenses. These reimbursements are included as a component of the transaction price of the respective professional services contract. 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 such expenses. In conjunction with services provided, we occasionally receive referral fees under partner programs. These referral fees are recognized at a point in time when earned and recorded within services revenues.

Software and Hardware Revenues

Software and hardware revenues are derived from sales of third-party software and hardware resales, in which we are considered the agent, and sales of internally developed software, in which we are considered the principal. Revenues from sales of third-party software and hardware are recorded on a net basis, while revenues from internally developed software sales are recorded on a gross basis. Software and hardware revenues are expected to fluctuate depending on our clients' demand for these products.

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 of costs of services and software and hardware costs. Costs of services consists primarily of cash and non-cash compensation and benefits (including bonuses and non-cash compensation related to equity awards), costs associated with subcontractors, reimbursable expenses and other project-related expenses. 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. Upon adoption of ASC Topic 606 on January 1, 2018, sales of third-party software and hardware were presented on a net basis, and as such, third-party software and hardware costs are no longer presented within cost of revenue in the current and prior year.

Our cost of services as a percentage of services revenues is 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 demand for our services declines, our utilization rate will decline and adversely affect our cost of services as a percentage of services revenues.

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, marketing costs and other miscellaneous expenses. We have access to sales leads generated by our software vendors whose products we use to design and implement solutions for our clients. These relationships enable us to optimize 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 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. We also intend to further leverage and expand our 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 includes revenue from an acquired company that has been owned for a full four quarters after the date of acquisition.

United States Tax Reform

The Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") included significant changes to the U.S. corporate income tax system, including a federal corporate tax rate reduction from 35% to 21%, limitations on the deductibility of interest expense and executive compensation, and the transition of U.S. international taxation from a worldwide tax system to a territorial tax system. This change may result in a U.S. tax liability on those earnings which have not previously been repatriated to the U.S., with future foreign earnings potentially not subject to U.S. income taxes when repatriated. The majority of the provisions had an impact on the Company beginning in fiscal year 2018. However, there were certain transitional impacts of the 2017 Tax Act which affected the Company's tax provision during the fourth quarter of 2017. As part of the transition to the new territorial tax system, the 2017 Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries, which produced a \$1.1 million tax expense payable over eight years. As a result, a \$0.1 million current liability and a \$1.0 million non-current liability were recorded in the Company's consolidated financial statements during the fourth quarter of 2017. The reduction of the federal corporate tax rate caused the Company to adjust its U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. The reduction in the corporate tax rate resulted in a provisional net tax credit of \$3.3 million for the fourth quarter of 2017. See Note 13, *Income Taxes*, in the Notes to Consolidated Financial Statements for further information regarding the impact of the 2017 Tax Act.

Adoption of ASC Topic 842

As further detailed in Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements, we adopted ASC Topic 842 on January 1, 2019 using the modified retrospective method. ASC Topic 842 requires lessees to recognize lease liabilities and right of use ("ROU") assets for all leases, including operating leases, with a term greater than 12 months on its balance sheet. As the Company adopted the standard using the modified retrospective method, the recognition of the ROU assets and lease liabilities does not impact the comparative period consolidated balance sheet. There was no material impact on the Consolidated Statement of Operations or the Consolidated Statement of Cash Flows for the year ended December 31, 2019.

Results of Operations

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

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Services	99.4 %	99.1%	92.0 %
Software and hardware	0.6	0.9	8.0
Total revenues	100.0	100.0	100.0
Cost of revenues (exclusive of depreciation and amortization, shown separately below):			
Cost of services	62.6	64.2	59.8
Software and hardware costs	—	—	6.9
Total cost of revenues	62.6	64.2	66.7
Selling, general and administrative	23.7	23.8	22.3
Depreciation and amortization	3.6	4.1	4.0
Acquisition costs	0.2	0.4	0.3
Adjustment to fair value of contingent consideration	0.1	0.3	0.7
Income from operations	9.8	7.2	6.0
Net interest expense	1.3	0.7	0.4
Net other (income) expense	—	—	—
Income before income taxes	8.5	6.5	5.6
Provision for income taxes	1.9	1.6	1.8
Net income	6.6 %	4.9%	3.8 %

A discussion of changes in our financial condition and results of operations during the year ended December 31, 2018 compared to the year ended December 31, 2017 has been omitted from this Annual Report on Form 10-K, but may be found in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 26, 2019, which is available free of charge on the SEC’s website at www.sec.gov and on our investor relations website at www.perficient.com.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues. Total revenues increased 13% to \$565.5 million for the year ended December 31, 2019 from \$498.4 million for the year ended December 31, 2018.

	Financial Results (in thousands)			Explanation for Increases (Decreases) Over Prior Year Period (in thousands)	
	Year Ended December 31,		Total Increase (Decrease) Over Prior Year Period	Increase Attributable to Acquired Companies	Increase (Decrease) Attributable to Base Business
	2019	2018			
Services Revenues	\$ 561,918	\$ 494,001	\$ 67,917	\$ 20,013	\$ 47,904
Software and Hardware Revenues	3,609	4,374	(765)	—	(765)
Total Revenues	\$ 565,527	\$ 498,375	\$ 67,152	\$ 20,013	\$ 47,139

Services revenues increased 14% to \$561.9 million for the year ended December 31, 2019 from \$494.0 million for the year ended December 31, 2018. Services revenues attributable to our base business increased \$47.9 million while services revenues attributable to acquired companies was \$20.0 million, resulting in a total increase of \$67.9 million.

Software and hardware revenues decreased 17% to \$3.6 million for the year ended December 31, 2019 from \$4.4 million for the year ended December 31, 2018.

Cost of Revenues (exclusive of depreciation and amortization, discussed separately below). Total cost of revenues increased 11% to \$354.2 million for the year ended December 31, 2019 from \$319.8 million for the year ended December 31, 2018 primarily due to higher headcount in response to higher services revenues and acquisitions. Services costs as a percentage of services revenues decreased to 63% for the year ended December 31, 2019 from 65% for the year ended December 31, 2018 primarily driven by an increase in average bill rates. The average bill rate for our professionals increased to \$125 per hour for the year ended December 31, 2019 from \$124 per hour for the year ended December 31, 2018.

Selling, General and Administrative. SG&A expenses increased 13% to \$134.2 million for the year ended December 31, 2019 from \$118.5 million for the year ended December 31, 2018 primarily due to increased variable compensation expense related to bonus costs and sales commissions, increased headcount to support our growth and the fluctuations in expenses as detailed in the following table. SG&A expenses, as a percentage of revenues, was 24% for both of the years ended December 31, 2019 and 2018.

Selling, General and Administrative Expense (in millions)	Year Ended December 31,			Percentage Change
	2019	2018	Increase	
Salary expense	\$ 48.4	\$ 45.2	\$ 3.2	7%
Sales-related costs	13.6	11.0	2.6	24%
Office costs	11.9	10.3	1.6	16%
Stock compensation expense	11.3	10.2	1.1	11%
Variable compensation expense	13.3	9.3	4.0	43%
Travel & entertainment	6.6	6.2	0.4	6%
Benefits expense	7.5	6.1	1.4	23%
IT/Infrastructure	6.2	5.2	1.0	19%
Bad debt expense	0.4	0.4	—	—%
Other	15.0	14.6	0.4	3%
Total	\$ 134.2	\$ 118.5	\$ 15.7	13%

Depreciation. Depreciation expense increased 9% to \$4.4 million for the year ended December 31, 2019 from \$4.1 million for the year ended December 31, 2018. Depreciation expense as a percentage of revenues was 0.8% for both of the years ended December 31, 2019 and 2018.

Amortization. Amortization expense decreased 1% to \$16.2 million for the year ended December 31, 2019 from \$16.4 million for the year ended December 31, 2018. The decrease in amortization expense was due to intangible assets from previous acquisitions becoming fully amortized, partially offset by the addition of intangible assets from the 2019 and 2018 acquisitions. Amortization expense as a percentage of total revenues was 2.9% for the year ended December 31, 2019 and 3.3% for the year ended December 31, 2018.

Acquisition Costs. Acquisition-related costs of \$0.9 million were incurred during 2019 compared to \$1.9 million during 2018. Costs were incurred for legal, accounting, tax, investment bank and advisor fees, and valuation services performed by third parties in connection with merger and acquisition-related activities.

Adjustment to Fair Value of Contingent Consideration. An adjustment of \$0.3 million was recorded during the year ended December 31, 2019 which represents the net impact of the fair market value adjustments to the Southport Services Group, LLC (“Southport”), Stone Temple Consulting Corporation (“Stone Temple”), Elixiter, Inc. (“Elixiter”) and Sundog revenue and earnings-based contingent consideration liabilities, as well as accretion. An adjustment of \$1.8 million was recorded during the year ended December 31, 2018 which represents the net impact of the fair market value adjustments to the Clarity Consulting, Inc. and Truth Labs, LLC (together, “Clarity”) and Southport revenue and earnings-based contingent consideration liabilities, as well as accretion related to the acquisitions of Clarity, Southport, Stone Temple and Elixiter.

Net Interest Expense. Net interest expense increased to \$7.4 million for the year ended December 31, 2019 from \$3.6 million for the year ended December 31, 2018. The increase in net interest expense was primarily due to non-cash amortization of debt discount and issuance costs related to the Notes issued in September 2018.

Provision for Income Taxes. We provide for federal, state, and foreign income taxes at the applicable statutory rates adjusted for non-deductible expenses. The effective income tax rate decreased to 22.6% for the year ended December 31, 2019 from 24.1% for the year ended December 31, 2018. The decrease in the effective rate is primarily due to the increase in tax benefits recognized related to share-based compensation deductions compared to the prior year.

Liquidity and Capital Resources

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

	December 31,		
	2019	2018	2017
Cash and cash equivalents (1)	\$ 70.7	\$ 45.0	\$ 6.3
Working capital (including cash and cash equivalents) (2)	\$ 127.3	\$ 103.0	\$ 67.9
Amounts available under credit facilities	\$ 124.8	\$ 124.8	\$ 69.7

(1) The balance at December 31, 2019 includes \$5.5 million held by our Canadian, Indian and United Kingdom subsidiaries which is not available to fund domestic operations unless deemed repatriated. We currently do not plan or foresee a need to repatriate such funds. The balance also includes \$1.1 million in cash held in our Chinese subsidiary.

(2) 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, 2019 was \$78.0 million compared to \$68.6 million for the year ended December 31, 2018. For the year ended December 31, 2019, the components of operating cash flows were net income of \$37.1 million plus net non-cash charges of \$45.0 million and investments in net operating assets of \$4.2 million. The primary components of operating cash flows for the year ended December 31, 2018 were net income of \$24.6 million plus net non-cash charges of \$40.8 million and reductions in net operating assets of \$3.2 million.

Net Cash Used in Investing Activities

During the year ended December 31, 2019, we used \$11.1 million for acquisitions and \$9.3 million to purchase property and equipment and to develop software. During the year ended December 31, 2018, we used \$26.6 million for acquisitions and \$4.7 million to purchase property and equipment and to develop software.

Net Cash (Used in) Provided by Financing Activities

For the year ended December 31, 2019, we used \$20.6 million to repurchase shares of our common stock through the stock repurchase program, used \$7.3 million to remit taxes withheld as part of a net share settlement of restricted stock vesting and used \$4.3 million to settle the contingent consideration for the purchase of Southport. We also received proceeds from sales of stock through the Employee Stock Purchase Plan of \$0.2 million. For the year ended December 31, 2018, we received \$138.9 million of proceeds from the issuance of the Notes, net of issuance costs, received \$12.1 million of proceeds from the sale of the Notes Warrants and paid \$20.7 million for the privately negotiated Notes Hedges. We drew down \$161.0 million from our line of credit, repaid \$216.0 million on our line of credit, used \$64.4 million to repurchase shares of our common stock through the stock repurchase program, used \$5.1 million to remit taxes withheld as part of a net share settlement of restricted stock vesting and used \$4.0 million to settle the contingent consideration for the purchase of Clarity. We also received proceeds from sales of stock through the Employee Stock Purchase Plan of \$0.1 million.

Availability of Funds from Credit Facility

On June 9, 2017, we entered into a Credit Agreement, as amended (the "Credit Agreement"), with Wells Fargo Bank, National Association, as administrative agent and the other lenders parties thereto. The Credit Agreement provides for revolving credit borrowings up to a maximum principal amount of \$125.0 million, subject to a commitment increase of \$75.0 million. All

outstanding amounts owed under the Credit Agreement become due and payable no later than the final maturity date of June 9, 2022.

The Credit Agreement also allows for the issuance of letters of credit in the aggregate amount of up to \$10.0 million at any one time; outstanding letters of credit reduce the credit available for revolving credit borrowings. As of December 31, 2019, the Company had one outstanding letter of credit for \$0.2 million. Substantially all of the Company's assets are pledged to secure the credit facility.

Borrowings under the Credit Agreement bear interest at the Company's option of the prime rate (4.75% on December 31, 2019) plus a margin ranging from 0.00% to 0.50% or one-month LIBOR (1.76% on December 31, 2019) plus a margin ranging from 1.00% to 1.75%. The Company incurs an annual commitment fee of 0.15% to 0.20% on the unused portion of the line of credit. The additional margin amount and annual commitment fee are dependent on the level of outstanding borrowings. As of December 31, 2019, the Company had \$124.8 million of unused borrowing capacity.

At December 31, 2019, we were in compliance with all covenants under the Credit Agreement.

Stock Repurchase Program

Prior to 2019, the Company's Board of Directors authorized the repurchase of up to \$235.0 million of Company common stock. On October 29, 2019, the Board of Directors authorized the expansion of the stock repurchase program by authorizing the repurchase of up to an additional \$30.0 million of Company common stock for a total repurchase program of \$265.0 million and extended the expiration date of the program from December 31, 2019 to June 30, 2021. 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 management based on its evaluation of market conditions, share price, and other factors. Since the program's inception on August 11, 2008, we have repurchased approximately \$220.0 million (15.4 million shares) of our outstanding common stock through December 31, 2019.

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.

Contractual Obligations

For the year ended December 31, 2019, there were no material changes outside the ordinary course of business in lease obligations or other contractual obligations. See Note 16, *Leases*, and Note 17, *Commitments and Contingencies*, in the Notes to Consolidated Financial Statements for further description of our contractual obligations.

There were no balances outstanding under the Credit Agreement as of December 31, 2019 and 2018. There were \$124.7 million of outstanding Notes, net of unamortized debt discount and issuance costs, as of December 31, 2019 compared to \$120.1 million as of December 31, 2018. The amounts are classified as "Long-term debt" within the Consolidated Balance Sheets as of December 31, 2019 and 2018 and will become due and payable no later than the final maturity date of September 15, 2023.

We have incurred commitments to make future payments under contracts such as leases, the Credit Agreement and the Notes, as well as noncancellable purchase obligations, which primarily relate to multi-year third-party software sales. Maturities under these contracts are set forth in the following table as of December 31, 2019 (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Operating lease obligations	\$ 31,707	\$ 8,627	\$ 12,804	\$ 8,125	\$ 2,151
Total debt (1)	143,750	—	—	143,750	—
Purchase obligations	8,082	2,857	3,746	1,479	—
Total	\$ 183,539	\$ 11,484	\$ 16,550	\$ 153,354	\$ 2,151

(1) Debt obligations include the principal amount of the Notes, but exclude interest payments to be made under the Notes.

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, 2019 of \$70.7 million, approximately \$5.5 million was held by the Company's Canadian, Indian and United Kingdom subsidiaries and is considered to be indefinitely reinvested in those operations. The Company is able to fund its liquidity needs outside of these subsidiaries, primarily through cash flows generated by domestic operations and our credit facility, as well as the proceeds from the Notes issuance in the third quarter of 2018. Therefore, the Company has no current plans to repatriate cash from these foreign subsidiaries in the foreseeable future. As of December 31, 2019, the aggregate unremitted earnings of the Company's foreign subsidiaries for which a deferred income tax liability has not been recorded was approximately \$11.7 million, and the unrecognized deferred tax liability on unremitted earnings was approximately \$0.4 million. As of December 31, 2019, \$1.1 million of the total cash and cash equivalents was held by the Company's Chinese subsidiary. During the year ended December 31, 2017, the Company determined that the Chinese subsidiary's earnings were no longer permanently reinvested and may repatriate available earnings from time to time.

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.

Critical Accounting Policies

Our accounting policies are fully 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, purchase accounting and related fair value measurements, convertible debt, and income taxes.

Revenue Recognition and Allowance for Doubtful Accounts

Prior to January 1, 2018, the Company recognized revenue under 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*). On January 1, 2018, the Company adopted ASC Topic 606, which replaced most existing revenue recognition guidance. The most significant impact upon adoption was to third-party software and hardware revenue, which was primarily recorded on a gross basis as the principal in the transaction through December 31, 2017 and presented on a net basis as the agent as of January 1, 2018. Refer to Note 2, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements for additional information on the impact of adoption.

The following discussion relates to the Company's revenue recognition policy, effective January 1, 2018, under ASC Topic 606.

The Company's revenues consist of services and software and hardware sales. In accordance with ASC Topic 606, revenues are recognized when control of these services or goods are transferred to clients, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services or goods.

Services revenues are primarily comprised of professional services that include developing, implementing, automating and extending business processes, technology infrastructure, and software applications. The Company's professional services span multiple industries, platforms and solutions; however, the Company has remained relatively diversified and does not believe that it has significant revenue concentration within any single industry, platform or solution.

Professional services revenues are recognized over time as services are rendered. Most projects are performed on a time and materials basis, while a portion of revenues is derived from projects performed on a fixed fee or fixed fee percent complete basis. For time and material contracts, revenues are generally recognized and invoiced by multiplying the number of hours expended in the performance of the contract by the hourly rates. For fixed fee contracts, revenues are generally recognized and invoiced by multiplying the fixed rate per time period established in the contract by the number of time periods elapsed. For fixed fee percent complete contracts, revenues are generally recognized using an input method based on the ratio of hours expended to total estimated hours, and 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 is worked 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 revenue once the Company verifies all other revenue recognition criteria have been met, and the amount is classified as a receivable as the right to consideration is unconditional at that point. Amounts invoiced in excess of revenues recognized are contract liabilities, which are classified as deferred revenues in the Consolidated Balance Sheet. The term between invoicing and payment due date is not significant. 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. Certain contracts may include volume discounts or holdbacks, which are accounted for as variable consideration, but are not typically significant. The Company estimates variable consideration based on historical experience and forecasted sales and includes the variable consideration in the transaction price.

Other services revenues are comprised of hosting fees, partner referral fees, maintenance agreements, training and internally developed software-as-a-service ("SaaS") sales. Revenues from hosting fees, maintenance agreements, training and internally developed SaaS sales are generally recognized over time using a time-based measure of progress as services are rendered. Partner referral fees are recorded at a point in time upon meeting specified requirements set by each partner to earn the respective fee.

On many professional service projects, the Company is also reimbursed for out-of-pocket expenses including travel and other project-related expenses. These reimbursements are included as a component of the transaction price of the respective professional services contract and are invoiced as the expenses are incurred. The Company structures its professional services arrangements to recover the cost of reimbursable expenses without a markup.

Software and hardware revenues are comprised of third-party software and hardware resales, in which the Company is considered the agent, and sales of internally developed software, in which the Company is considered the principal. Third-party software and hardware revenues are recognized and invoiced when the Company fulfills its obligation to arrange the sale, which occurs when the purchase order with the vendor is executed and the customer has access to the software or the hardware has been shipped to the customer. Internally developed software revenues are recognized and invoiced when control is transferred to the customer, which occurs when the software has been made available to the customer and the license term has commenced. Revenues from third-party software and hardware sales are recorded on a net basis, while revenues from internally developed software sales are recorded on a gross basis. There are no significant cancellation or termination-type provisions for the Company's software and hardware sales, and the term between invoicing and payment due date is not significant.

Arrangements with clients may contain multiple promises such as delivery of software, hardware, professional services or post-contract support services. These promises are accounted for as separate performance obligations if they are distinct. For arrangements with clients that contain multiple performance obligations, the transaction price is allocated to the separate performance obligations based on estimated relative standalone selling price, which is estimated by the expected cost plus a margin approach, taking into consideration market conditions and competitive factors. Since the duration of contracts that contain multiple performance obligations is typically short given contract cancellation provisions, the allocation of the transaction price to the separate performance obligations is not considered a significant estimate.

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 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.

Purchase Accounting and Related Fair Value Measurements

The Company allocates the purchase price, including contingent consideration, 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 are primarily based on third-party valuations using assumptions developed by management that require significant judgments and estimates that can change materially as additional information becomes available. The purchase

price allocated to intangibles is based on unobservable factors, including but not limited to, projected revenues, expenses, customer attrition rates, royalty rates, a weighted average cost of capital, among others. The weighted average cost of capital uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. The approach to valuing the initial contingent consideration associated with the purchase price also uses similar unobservable factors such as projected revenues and expenses over the term of the contingent earn-out period, discounted for the period over which the contingent consideration is measured, and volatility rates. Based upon these assumptions, the initial contingent consideration is then valued using a Monte Carlo simulation. The Company finalizes the purchase price allocation once certain initial accounting valuation estimates are finalized, and no later than 12 months following the acquisition date.

Convertible Debt

In accordance with accounting for debt with conversion and other options, the Company bifurcated the principal amount of the Notes issued on September 11, 2018 into liability and equity components. The initial liability component of the Notes was valued based on the contractual cash flows discounted at an appropriate comparable market non-convertible debt borrowing rate at the date of issuance of 5.7%. The equity component representing the conversion option and calculated as the residual amount of the proceeds was recorded as an increase in additional paid-in capital within stockholders' equity, partially offset by the associated deferred tax effect. The amount recorded within additional paid-in capital is not to be remeasured as long as it continues to meet the conditions for equity classification. The resulting debt discount is being amortized to interest expense using the effective interest method over the period from the issuance date through the contractual maturity date of September 15, 2023. The Company utilizes the treasury stock method to calculate the effects of the Notes on diluted earnings per share.

In connection with the issuance of the Notes, the Company entered into Notes Hedges with the Option Counterparties. The Notes Hedges provide the Company with the option to acquire, on a net settlement basis, shares of common stock equal to the number of shares of common stock that notionally underlie the Notes and corresponds to the conversion price of the Notes. If the Company elects cash settlement and exercises the Notes Hedges, the aggregate amount of cash received from the Option Counterparties will cover the aggregate amount of cash that the Company would be required to pay to the holders of the Notes, less the principal amount thereof. The Notes Hedges do not meet the criteria for separate accounting as a derivative as they are indexed to the Company's stock and are accounted for as freestanding financial instruments. The Notes Hedges were recorded as a reduction in additional paid-in capital within stockholders' equity, partially offset by the associated deferred tax effect.

Additionally, in connection with the issuance of the Notes, the Company sold the Notes Warrants in privately negotiated transactions with the Option Counterparties. The strike price of the Notes Warrants is subject to certain adjustments under the terms of the Notes Warrants. As a result of the Notes Warrants and related transactions, the Company is required to recognize incremental dilution of earnings per share to the extent the average share price is over the strike price of the Notes Warrants for any fiscal quarter. The Notes Warrants may be settled in net shares of common stock or net cash at the Company's election. The Notes Warrants were recorded as an increase in additional paid-in capital within stockholders' equity.

Income Taxes

The Company calculates and provides for income taxes in each jurisdiction in which it operates. 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. The Company has established liabilities or reduced assets for uncertain tax positions when it believes those tax positions are not more likely than not of being sustained if challenged. The Company evaluates these uncertain tax positions and adjusts the related tax assets and liabilities in light of changing facts and circumstances each quarter. The 2017 Tax Act significantly revised the future ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates and implementing a territorial tax system. See Note 13, *Income Taxes*, in the Notes to Consolidated Financial Statements for additional information regarding the 2017 Tax Act.

Recent Accounting Pronouncements

Recent 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, as disclosed in Note 17, *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, 2019, we were exposed to changes in exchange rates between the U.S. dollar and the Canadian dollar, Indian rupee, Chinese yuan, British pound, and euro. We hedge material foreign currency exchange rate exposures when feasible using forward contracts. These instruments are subject to fluctuations in foreign currency exchange rates and credit risk. Credit risk is managed through careful selection and ongoing evaluation of the financial institutions utilized as counterparties. Refer to Note 14, *Derivatives*, in the Notes to Consolidated Financial Statements for further discussion.

Interest Rate Sensitivity

As of December 31, 2019, there was no outstanding balance and \$124.8 million of available borrowing capacity under our credit facility. To the extent we have outstanding borrowings under the credit facility, our interest expense will fluctuate as the interest rate for the line of credit floats based, at our option, on the prime rate plus a margin or the one-month LIBOR rate plus a margin.

During the third quarter of 2018, we issued Notes which have a fixed interest rate of 2.375%. The fair value of the Notes may increase or decrease for various reasons, including fluctuations in the market price of our common stock, fluctuations in market interest rates and fluctuations in general economic conditions. Based upon the quoted market price as of December 31, 2019, the aggregate fair value of the Notes was approximately \$195.4 million.

We had unrestricted cash and cash equivalents totaling \$70.7 million at December 31, 2019 and \$45.0 million at December 31, 2018. The unrestricted cash and cash equivalents are primarily held for working capital purposes and acquisitions. We do not enter into investments for trading or speculative purposes.

Item 8. Financial Statements and Supplementary Data.

PERFICIENT, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share information)

	December 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 70,728	\$ 44,984
Accounts receivable, net	129,118	122,446
Prepaid expenses	4,647	4,663
Other current assets	7,404	5,711
Total current assets	211,897	177,804
Property and equipment, net	12,170	6,677
Operating lease right-of-use assets	27,748	—
Goodwill	335,564	327,992
Intangible assets, net	37,953	48,092
Other non-current assets	15,160	9,979
Total assets	\$ 640,492	\$ 570,544
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 23,081	\$ 24,437
Other current liabilities	61,503	50,386
Total current liabilities	84,584	74,823
Long-term debt, net	124,664	120,067
Operating lease liabilities	19,649	—
Other non-current liabilities	30,580	21,970
Total liabilities	\$ 259,477	\$ 216,860
Commitments and contingencies (see Note 17)		
Stockholders' equity:		
Preferred stock (par value \$.001 per share; 8,000,000 authorized; no shares issued or outstanding as of December 31, 2019 and December 31, 2018)	\$ —	\$ —
Common stock (par value \$.001 per share; 100,000,000 authorized; 49,272,243 shares issued and 31,686,991 shares outstanding as of December 31, 2019; 48,429,299 shares issued and 31,770,888 shares outstanding as of December 31, 2018)	49	48
Additional paid-in capital	455,465	437,250
Accumulated other comprehensive loss	(2,650)	(2,588)
Treasury stock, at cost (17,585,252 shares as of December 31, 2019; 16,658,411 shares as of December 31, 2018)	(261,624)	(233,676)
Retained earnings	189,775	152,650
Total stockholders' equity	381,015	353,684
Total liabilities and stockholders' equity	\$ 640,492	\$ 570,544

See accompanying notes to consolidated financial statements.

PERFICIENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share information)

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Services	\$ 561,918	\$ 494,001	\$ 446,619
Software and hardware	3,609	4,374	38,642
Total revenues	565,527	498,375	485,261
Cost of revenues (exclusive of depreciation and amortization, shown separately below):			
Cost of services	354,213	319,831	290,453
Software and hardware costs	—	—	33,295
Total cost of revenues	354,213	319,831	323,748
Selling, general, and administrative	134,187	118,484	108,192
Depreciation	4,447	4,072	4,722
Amortization	16,151	16,356	15,025
Acquisition costs	896	1,872	1,359
Adjustment to fair value of contingent consideration	301	1,816	3,235
Income from operations	55,332	35,944	28,980
Net interest expense	7,418	3,560	1,838
Net other (income) expense	(27)	12	(1)
Income before income taxes	47,941	32,372	27,143
Provision for income taxes	10,816	7,813	8,562
Net income	\$ 37,125	\$ 24,559	\$ 18,581
Basic net income per share	\$ 1.18	\$ 0.76	\$ 0.56
Diluted net income per share	\$ 1.15	\$ 0.73	\$ 0.55
Shares used in computing basic net income per share	31,344	32,415	33,016
Shares used in computing diluted net income per share	32,243	33,502	34,066

See accompanying notes to consolidated financial statements.

PERFICIENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 37,125	\$ 24,559	\$ 18,581
Other comprehensive income (loss): net of reclassification adjustments and income taxes			
Foreign benefit plan	(71)	211	88
Foreign currency translation adjustment	9	(977)	833
Comprehensive income	\$ 37,063	\$ 23,793	\$ 19,502

See accompanying notes to consolidated financial statements.

PERFICIENT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
Common Stock			
Beginning of period	\$ 48	\$ 47	\$ 46
Stock compensation related to restricted stock vesting and retirement savings plan contributions	1	1	—
Issuance of stock in conjunction with acquisition including stock attributed to future compensation	—	—	1
End of period	49	48	47
Additional Paid-in Capital			
Beginning of period	437,250	403,906	379,094
Proceeds from the sales of stock through the Employee Stock Purchase Plan	178	167	135
Stock compensation related to restricted stock vesting and retirement savings plan contributions	16,581	15,730	14,096
Issuance of stock in conjunction with acquisition including stock attributed to future compensation	1,456	5,739	10,581
Equity component of convertible notes, net of tax	—	15,547	—
Debt issuance costs of convertible notes allocated to equity, net of tax	—	(523)	—
Purchase of hedges on convertible notes, net of tax	—	(15,376)	—
Proceeds from issuance of warrants on convertible notes	—	12,060	—
End of period	455,465	437,250	403,906
Accumulated Other Comprehensive Loss			
Beginning of period	(2,588)	(1,822)	(2,743)
Foreign benefit plan	(71)	211	88
Foreign currency translation adjustment	9	(977)	833
End of period	(2,650)	(2,588)	(1,822)
Treasury Stock			
Beginning of period	(233,676)	(163,871)	(126,442)
Purchases of treasury stock and buyback of shares for taxes	(27,948)	(69,502)	(36,797)
Surrender of stock in conjunction with net working capital settlement	—	(303)	(632)
End of period	(261,624)	(233,676)	(163,871)
Retained Earnings			
Beginning of period	152,650	128,091	109,510
Net income	37,125	24,559	18,581
End of period	189,775	152,650	128,091
Total Stockholders' Equity	\$ 381,015	\$ 353,684	\$ 366,351

	Year Ended December 31,		
	2019	2018	2017
Common Stock, shares			
Beginning of period	31,771	33,250	33,866
Proceeds from the sales of stock through the Employee Stock Purchase Plan	6	7	8
Stock compensation related to restricted stock vesting and retirement savings plan contributions	783	785	784
Purchases of treasury stock and buyback of shares for taxes	(927)	(2,523)	(2,058)
Issuance of stock in conjunction with acquisition including stock attributed to future compensation	54	266	684
Surrender of stock in conjunction with net working capital settlement	—	(14)	(34)
End of period	<u>31,687</u>	<u>31,771</u>	<u>33,250</u>

See accompanying notes to consolidated financial statements.

PERFICIENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
OPERATING ACTIVITIES			
Net income	\$ 37,125	\$ 24,559	\$ 18,581
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	4,447	4,072	4,722
Amortization	16,151	16,356	15,025
Deferred income taxes	2,041	1,378	(4,140)
Non-cash stock compensation and retirement savings plan contributions	17,425	15,731	14,096
Amortization of debt issuance costs and discounts	4,667	1,435	140
Adjustment to fair value of contingent consideration for purchase of business	301	1,816	3,235
Write-off unamortized credit facility fees	—	—	246
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(3,402)	(245)	(3,003)
Other assets	(7,677)	(2,402)	(1,915)
Accounts payable	(1,356)	1,241	4,780
Other liabilities	8,243	4,639	3,454
Net cash provided by operating activities	77,965	68,580	55,221
INVESTING ACTIVITIES			
Purchase of property and equipment	(8,082)	(4,084)	(3,361)
Capitalization of internally developed software costs	(1,174)	(564)	(961)
Purchase of businesses, net of cash acquired	(11,143)	(26,640)	(37,886)
Net cash used in investing activities	(20,399)	(31,288)	(42,208)
FINANCING ACTIVITIES			
Proceeds from issuance of convertible notes	—	143,750	—
Payment for convertible notes issuance costs	—	(4,832)	—
Purchase of convertible notes hedges	—	(20,686)	—
Proceeds from issuance of convertible notes warrants	—	12,060	—
Proceeds from line of credit	—	161,000	275,000
Payments on line of credit	—	(216,000)	(252,000)
Payments for credit facility financing fees	—	—	(355)
Payment of contingent consideration for purchase of business	(4,281)	(4,038)	(3,258)
Proceeds from the exercise of stock options and sales of stock through the Employee Stock Purchase Plan	178	167	135
Purchases of treasury stock	(20,612)	(64,441)	(32,601)
Remittance of taxes withheld as part of a net share settlement of restricted stock vesting	(7,336)	(5,061)	(4,196)
Net cash (used in) provided by financing activities	(32,051)	1,919	(17,275)
Effect of exchange rate on cash and cash equivalents	229	(534)	456
Change in cash and cash equivalents	25,744	38,677	(3,806)
Cash and cash equivalents at beginning of period	44,984	6,307	10,113
Cash and cash equivalents at end of period	\$ 70,728	\$ 44,984	\$ 6,307
Supplemental disclosures:			
Cash paid for income taxes	\$ 7,405	\$ 5,127	\$ 9,074
Cash paid for interest	\$ 3,674	\$ 1,399	\$ 1,551
Non-cash activities:			
Stock issued for purchase of businesses (including settlement of contingent consideration)	\$ 1,294	\$ 5,134	\$ 9,429
Stock surrendered by sellers in conjunction with net working capital settlement	\$ —	\$ 303	\$ 572
Liability incurred for purchase of property, plant and equipment	\$ 1,851	\$ —	\$ —

See accompanying notes to consolidated financial statements.

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. Description of Business and Principles of Consolidation

Perficient, Inc. (the “Company”) is a digital consultancy. The Company helps its clients use digital technologies to make their businesses more responsive to market opportunities and threats; strengthen relationships with customers, suppliers, and partners; improve productivity; and reduce technology costs. The Company designs, builds, and delivers digital solutions, often using products developed by third-party software providers, to enable its clients to meet the changing demands of an increasingly global and competitive marketplace, drive positive customer experiences, and grow their business.

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 U.S. generally accepted accounting principles (“U.S. GAAP”) 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.

Revenue Recognition

As of January 1, 2018, the Company recognizes revenues in accordance with Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*. See Note 3, *Revenues*, for information regarding the Company’s revenue recognition accounting policies.

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*. Under this guidance, the Company recognizes share-based compensation ratably using the straight-line attribution method over the requisite service period, which is generally three years. In addition, the Company has elected to estimate the amount of expected forfeitures when calculating share-based compensation, instead of accounting for forfeitures as they occur. The fair value of restricted stock awards is based on the value of the Company’s common stock on the date of the grant.

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 Section 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 Section 740-10-25 also provides guidance on derecognition, classification, treatment of interest and penalties, and disclosure of such positions. The Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”) significantly revised the future ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates and implementing a territorial tax system. See Note 13, *Income Taxes*, for additional information regarding the 2017 Tax Act.

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 review in the fourth quarter and more frequently if events or changes in circumstances indicate that goodwill might be impaired. The Company has one reporting unit for purposes of the goodwill impairment review. ASC Topic 350 permits 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 quantitative goodwill impairment test. If it is more likely than not that the fair value is less than the carrying amount of the Company, the quantitative goodwill impairment test will be conducted to detect and measure any impairment. Based upon the Company’s qualitative assessment, it is more likely than not that the fair value of the Company is greater than its carrying amount. No impairment charges were recorded for 2019, 2018 or 2017.

Other intangible assets include customer relationships, non-compete arrangements, trade names, customer backlog, and 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 10 years. Amortization of customer relationships, non-compete arrangements, trade names, customer backlog, and 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. Other intangible assets are evaluated for impairment upon the occurrence of events or changes in circumstances indicating that the carrying amount of an asset may not be recoverable. No impairment of intangible assets were recorded for 2019, 2018 or 2017.

Purchase Accounting and Related Fair Value Measurements

The Company allocates the purchase price, including contingent consideration, of its 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 are primarily based on third-party valuations using assumptions developed by management that require significant judgments and estimates that can change materially as additional information becomes available. The purchase price allocated to intangibles is based on unobservable factors, including but not limited to, projected revenues, expenses, customer attrition rates, royalty rates, a weighted average cost of capital, among others. The weighted average cost of capital uses a market participant’s cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. The approach to valuing the initial contingent consideration associated with the purchase price also uses similar unobservable factors such as projected revenues and expenses over the term of the contingent earn-out period, discounted for the period over which the initial contingent consideration is measured, and volatility rates. Based upon these assumptions, the contingent consideration is then valued using a Monte Carlo simulation. The Company finalizes the purchase price allocation once certain initial accounting valuation estimates are finalized, and no later than 12 months following the acquisition date.

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. The Company’s long-term debt balance related to its 2.375% Convertible Senior Notes Due 2023 (the “Notes”) are carried at their principal amount less unamortized debt discount and issuance costs, and are not carried at fair value at each period end. See Note 12, *Long-Term Debt*, for information regarding the Company’s convertible debt accounting policies.

The Company, when deemed appropriate, uses derivatives as a risk management tool to mitigate the potential impact of foreign currency exchange rate risk. Both the gain or loss on derivatives not designated as hedging instruments and the offsetting

loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. All derivatives are carried at fair value in the consolidated balance sheets. See Note 14, *Derivatives*, for additional information regarding the Company's derivative financial instruments.

Treasury Stock

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

Segment and Geographic 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. During each of the years ended December 31, 2019, 2018 and 2017, approximately 98% of the Company's revenues were derived from clients in the United States. For the years ended December 31, 2019 and 2018, 4% and 1%, respectively, of the Company's non-current assets were located outside the United States.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (ASC Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU No. 2014-09 replaced most existing revenue recognition guidance in U.S. GAAP. In 2015, the FASB deferred the effective date of ASU No. 2014-09 by one year. In 2016, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations*, ASU No. 2016-10, *Identifying Performance Obligations and Licensing*, ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* and ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, all of which further amended ASU No. 2014-09. The Company adopted the standard on January 1, 2018 using the modified retrospective method which requires a cumulative-effect adjustment to the opening balance of retained earnings within stockholders' equity. The Company has determined that the most significant impact upon adoption was to third-party software and hardware revenue, which was primarily recorded on a gross basis as the principal in the transaction through December 31, 2017 and presented on a net basis as the agent as of January 1, 2018. The adoption of the standard also resulted in minor changes to the timing of revenue recognition. As the agent, revenue from multi-year sales of third-party software and support is recognized upfront as the performance obligation is fulfilled, rather than annually as invoiced to the customer. Additionally, variable consideration related to service contracts, such as volume discounts and holdbacks, are recognized earlier under the new standard in certain instances. The impact from these timing changes was immaterial as of January 1, 2018, and therefore, did not result in a cumulative-effect adjustment to the opening balance of retained earnings. The adoption of the standard also resulted in increases to accounts receivable, net and deferred revenue within other current liabilities for those contracts under which the Company's right to consideration is unconditional. Additionally, the upfront revenue recognition of multi-year sales of third-party software and support resulted in increases to accounts receivable, net and other non-current assets for the portion of the consideration that had not yet been billed to the client and increases to accounts payable and non-current liabilities for amounts not yet due to the third-party software vendor. Refer to *Impacts of ASC Topic 606 Adoption on Current Period Results* below for the impact of adopting ASC Topic 606 on the Consolidated Balance Sheet as of December 31, 2018 and the Consolidated Statement of Operations for the year ended December 31, 2018. There was no material impact on the Consolidated Statement of Cash Flows for the year ended December 31, 2018. The adoption of ASU No. 2014-09 and its amendments also resulted in additional disclosures around the nature and timing of performance obligations, contract costs, and deferred revenue, as well as significant judgments and practical expedients used by the Company. See Note 3, *Revenues*, for these disclosures.

Impacts of ASC Topic 606 Adoption on Current Period Results

The impacts of ASC Topic 606 adoption on the Consolidated Balance Sheet as of December 31, 2018 are as follows (in thousands):

	As Reported	ASC Topic 606 Impact	Without ASC Topic 606 Adoption
Accounts receivable, net	\$ 122,446	\$ (6,500)	\$ 115,946
Prepaid expenses	4,663	402	5,065
Other non-current assets	9,979	(3,970)	6,009
Total assets	570,544	(10,068)	560,476
Accounts payable	24,437	(1,581)	22,856
Other current liabilities	50,386	(4,384)	46,002
Other non-current liabilities	21,970	(3,407)	18,563
Total liabilities	216,860	(9,372)	207,488
Retained earnings	152,650	(696)	151,954
Total stockholders' equity	353,684	(696)	352,988
Total liabilities and stockholders' equity	570,544	(10,068)	560,476

The impacts of ASC Topic 606 adoption on the Consolidated Statement of Operations for the year ended December 31, 2018 are as follows (in thousands):

	Year Ended December 31, 2018		
	As Reported (Net Presentation)	ASC Topic 606 Impact	Without ASC Topic 606 Adoption (Gross Presentation)
Revenues			
Services	\$ 494,001	\$ —	\$ 494,001
Software and hardware	4,374	25,037	29,411
Total revenues	498,375	25,037	523,412
Cost of revenues			
Cost of services	319,831	—	319,831
Software and hardware costs	—	25,954	25,954
Total cost of revenues	319,831	25,954	345,785
Income from operations	35,944	(917)	35,027
Net income	24,559	(696)	23,863

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which supersedes ASC Topic 840, *Leases*, and creates a new topic, ASC Topic 842, *Leases*. During the year end December 31, 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, ASU 2018-11, *Leases – Targeted Improvement*, and ASU 2018-20, *Leases (Topic 842): Narrow Scope Improvements for Lessors* which further amended ASU No. 2016-02. These updates require lessees to recognize lease liabilities and right of use (“ROU”) assets for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The Company adopted the standard as of January 1, 2019 using the modified retrospective transition method provided by ASU No. 2018-11. The Company elected the package of practical expedients granted by ASU No. 2016-2 and did not reassess whether existing contracts contained a lease, the classification of existing leases, and unamortized indirect costs as of January 1, 2019. The Company also elected the practical expedient related to the combination of lease and non-lease components and included fixed payments related to common area maintenance expense for the Company’s office leases in the measurement of the Company’s ROU assets and lease liabilities as of January 1, 2019 and December 31, 2019, respectively. There was no impact on net income or net assets as a result of adoption.

The Company had ROU asset balances of \$27.7 million and lease liability balances of \$28.6 million on the Consolidated Balance Sheet as of December 31, 2019. There was no material impact on the Consolidated Statement of Operations and the Consolidated Statement of Cash Flows for the year ended December 31, 2019. Refer to Note 16, *Leases*, for additional disclosures resulting from the adoption of ASU No. 2016-02 and its amendments.

In June 2016, the FASB issued ASU No. 2016-13, which amended the guidance of FASB ASC Topic 326, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires the immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets, including trade receivables. This update is effective for the Company on January 1, 2020 and requires adoption using a modified retrospective approach. The Company is currently evaluating the effect that ASU No. 2016-13 will have on its consolidated financial statements and disclosures.

3. Revenues

Prior to January 1, 2018, the Company recognized revenue under 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*). On January 1, 2018, the Company adopted ASC Topic 606, which replaced most existing revenue recognition guidance. The most significant impact upon adoption was to third-party software and hardware revenue, which was primarily recorded on a gross basis as the principal in the transaction through December 31, 2017 and presented on a net basis as the agent as of January 1, 2018. Refer to Note 2, *Summary of Significant Accounting Policies*, for additional information on the impact of adoption.

The following discussion relates to the Company's revenue recognition policy, effective January 1, 2018, under ASC Topic 606.

The Company's revenues consist of services and software and hardware sales and is recognized in accordance with ASC Topic 606. Under this guidance, revenues are recognized when control of these services or goods are transferred to clients, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services or goods.

Service Revenues

Services revenues are primarily comprised of professional services that include developing, implementing, automating and extending business processes, technology infrastructure, and software applications. The Company's professional services span multiple industries, platforms and solutions; however, the Company has remained relatively diversified and does not believe that it has significant revenue concentration within any single industry, platform or solution.

Professional services revenues are recognized over time as services are rendered. Most projects are performed on a time and materials basis, while a portion of revenues is derived from projects performed on a fixed fee or fixed fee percent complete basis. For time and material contracts, revenues are generally recognized and invoiced by multiplying the number of hours expended in the performance of the contract by the hourly rates. For fixed fee contracts, revenues are generally recognized and invoiced by multiplying the fixed rate per time period established in the contract by the number of time periods elapsed. For fixed fee percent complete contracts, revenues are generally recognized using an input method based on the ratio of hours expended to total estimated hours, and 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 is worked 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 revenue once the Company verifies all other revenue recognition criteria have been met, and the amount is classified as a receivable as the right to consideration is unconditional at that point. Amounts invoiced in excess of revenues recognized are contract liabilities, which are classified as deferred revenues in the Consolidated Balance Sheet. The term between invoicing and payment due date is not significant. 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. Certain contracts may include volume discounts or holdbacks, which are accounted for as variable consideration, but are not typically significant. The Company estimates variable consideration based on historical experience and forecasted sales and includes the variable consideration in the transaction price.

Other services revenues are comprised of hosting fees, partner referral fees, maintenance agreements, training and internally developed software-as-a-service ("SaaS") sales. Revenues from hosting fees, maintenance agreements, training and internally developed SaaS sales are generally recognized over time using a time-based measure of progress as services are rendered. Partner referral fees are recorded at a point in time upon meeting specified requirements set by each partner to earn the respective fee.

On many professional service projects, the Company is also reimbursed for out-of-pocket expenses including travel and other project-related expenses. These reimbursements are included as a component of the transaction price of the respective professional services contract and are invoiced as the expenses are incurred. The Company structures its professional services arrangements to recover the cost of reimbursable expenses without a markup.

Software and Hardware Revenues

Software and hardware revenues are comprised of third-party software and hardware resales, in which the Company is considered the agent, and sales of internally developed software, in which the Company is considered the principal. Third-party software and hardware revenues are recognized and invoiced when the Company fulfills its obligation to arrange the sale, which occurs when the purchase order with the vendor is executed and the customer has access to the software or the hardware has been shipped to the customer. Internally developed software revenues are recognized and invoiced when control is transferred to the customer, which occurs when the software has been made available to the customer and the license term has commenced. Revenues from third-party software and hardware sales are recorded on a net basis, while revenues from internally developed software sales are recorded on a gross basis. There are no significant cancellation or termination-type provisions for the Company's software and hardware sales, and the term between invoicing and payment due date is not significant.

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.

Arrangements with Multiple Performance Obligations

Arrangements with clients may contain multiple promises such as delivery of software, hardware, professional services or post-contract support services. These promises are accounted for as separate performance obligations if they are distinct. For arrangements with clients that contain multiple performance obligations, the transaction price is allocated to the separate performance obligations based on estimated relative standalone selling price, which is estimated by the expected cost plus a margin approach, taking into consideration market conditions and competitive factors. Since the duration of contracts that contain multiple performance obligations is typically short given contract cancellation provisions, the allocation of the transaction price to the separate performance obligations is not considered a significant estimate.

Contract Costs

In accordance with the terms of the Company's sales commission plan, commissions are not earned until the related revenue is recognized. Therefore, sales commissions are expensed as they are earned. Certain sales incentives are accrued based on achievement of specified bookings goals. For these incentives, the Company applies the practical expedient that allows the Company to expense the incentives as incurred, since the amortization period would have been one year or less.

Deferred Revenue

The Company's deferred revenue balance as of December 31, 2019 and 2018 was \$7.7 million and \$8.1 million, respectively. Substantially all of the December 31, 2018 deferred revenue balance was recognized in revenue during the year ended December 31, 2019.

Transaction Price Allocated to Remaining Performance Obligations

Due to the ability of 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 majority of the Company's contracts have a term of less than one year. Perficient does not disclose the value of unsatisfied performance obligations for contracts with an original maturity date of one year or less or time and materials contracts for which the Company has the right to invoice for services performed. Revenue related to unsatisfied performance obligations for remaining contracts as of December 31, 2019 was immaterial.

Disaggregation of Revenue

The following table presents revenue disaggregated by revenue source and pattern of revenue recognition (in thousands):

	Year Ended December 31, 2019		
	Over Time	Point In Time	Total Revenues
Time and materials contracts	\$ 384,422	\$ —	\$ 384,422
Fixed fee percent complete contracts	41,484	—	41,484
Fixed fee contracts	104,056	—	104,056
Reimbursable expenses	15,474	—	15,474
Total professional services fees	545,436	—	545,436
Other services revenue*	13,604	2,878	16,482
Total services	559,040	2,878	561,918
Software and hardware	—	3,609	3,609
Total revenues	\$ 559,040	\$ 6,487	\$ 565,527

	Year Ended December 31, 2018		
	Over Time	Point In Time	Total Revenues
Time and materials contracts	\$ 339,708	\$ —	\$ 339,708
Fixed fee percent complete contracts	38,234	—	38,234
Fixed fee contracts	84,374	—	84,374
Reimbursable expenses	13,348	—	13,348
Total professional services fees	475,664	—	475,664
Other services revenue*	14,814	3,523	18,337
Total services	490,478	3,523	494,001
Software and hardware	—	4,374	4,374
Total revenues	\$ 490,478	\$ 7,897	\$ 498,375

* Other services revenue primarily consists of hosting fees, maintenance, training, internally developed SaaS and partner referral fees.

The following table presents revenue disaggregated by geographic area, as determined by the billing address of customers (in thousands):

	Year Ended December 31,	
	2019	2018
United States	\$ 552,357	\$ 487,849
Canada	3,477	3,481
Other countries	9,693	7,045
Total revenues	\$ 565,527	\$ 498,375

4. 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 2019, a substantial portion of the services the Company provided were built on IBM, Adobe, 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 negatively impact net income and cash flow from operations. However, the

Company has remained relatively diversified, with its largest customer only representing approximately 5% of total revenues for the years ended December 31, 2019, 2018 and 2017.

5. Stock-Based Compensation

Stock Plans

The Company's Second Amended and Restated Perficent, Inc. 2012 Long Term Incentive Plan (as amended, the "Incentive Plan") allows for the granting of various types of stock awards 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. The Company may issue stock awards of up to 7.0 million shares of Common Stock pursuant to the Incentive Plan. As of December 31, 2019, there were 2.0 million shares of Common Stock available for issuance under the Incentive Plan.

Restricted stock activity for the year ended December 31, 2019 was as follows (in thousands, except fair value information):

	Shares	Weighted-Average Grant Date Fair Value
Restricted stock awards outstanding at December 31, 2018	1,410	\$ 20.95
Awards granted (1)	527	\$ 33.38
Awards vested (2)	(692)	\$ 20.00
Awards forfeited	(148)	\$ 21.84
Restricted stock awards outstanding at December 31, 2019	1,097	\$ 27.14

(1) The weighted average grant date fair value of shares granted during 2018 and 2017 was \$23.62 and \$18.68, respectively.

(2) The total fair value of restricted shares vested during the years ended December 31, 2019, 2018 and 2017 was \$23.3 million, \$15.8 million and \$12.0 million, respectively.

The Company recognized \$17.9 million, \$16.4 million and \$14.7 million of share-based compensation expense during 2019, 2018 and 2017, respectively, which included \$3.2 million, \$2.7 million and \$2.5 million of expense for retirement savings plan contributions, respectively. The associated current and future income tax benefit recognized during 2019, 2018 and 2017 was \$3.5 million, \$3.3 million and \$4.6 million, respectively. As of December 31, 2019, there was \$23.3 million of total unrecognized compensation cost, net of estimated forfeitures, 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-year service period.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan (the "ESPP") 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 the ESPP permit an employee to purchase common stock with a fair market value in excess of \$25,000 in any calendar year. During the year ended December 31, 2019, approximately 6,329 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 Internal Revenue Code of 1986, as amended (the "Code"), and thus is eligible for the favorable tax treatment afforded by Section 423.

6. 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.

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

	Year Ended December 31,		
	2019	2018	2017
Net income	\$ 37,125	\$ 24,559	\$ 18,581
Basic:			
Weighted-average shares of common stock outstanding	31,344	32,415	33,016
Shares used in computing basic net income per share	31,344	32,415	33,016
Effect of dilutive securities:			
Restricted stock subject to vesting	673	672	488
Shares issuable for acquisition consideration (1)	226	415	562
Shares used in computing diluted net income per share	32,243	33,502	34,066
Basic net income per share	\$ 1.18	\$ 0.76	\$ 0.56
Diluted net income per share	\$ 1.15	\$ 0.73	\$ 0.55

(1) For the year ended December 31, 2019, this represents the shares held in escrow pursuant to: (i) the Asset Purchase Agreement with Zeon Solutions Incorporated and certain related entities (collectively, “Zeon”); (ii) the Asset Purchase Agreement with RAS & Associates, LLC (“RAS”); (iii) the Asset Purchase Agreement with Southport Services Group, LLC (“Southport”); (iv) the Asset Purchase Agreement with Stone Temple Consulting Corporation (“Stone Temple”); (v) the Agreement and Plan of Merger with Elixiter, Inc. (“Elixiter”); and (vi) the Asset Purchase Agreement with Sundog Interactive, Inc. (“Sundog”), as part of the consideration. For the year ended December 31, 2018, this represents the shares held in escrow pursuant to: (i) the Asset Purchase Agreement with BioPharm Systems, Inc. (“BioPharm”); (ii) the Asset Purchase Agreement with Zeon; (iii) the Asset Purchase Agreement with RAS; (iv) the Asset Purchase Agreement with Clarity Consulting, Inc. and Truth Labs, LLC (together, “Clarity”); (v) the Asset Purchase Agreement with Southport; (vi) the Asset Purchase Agreement with Stone Temple; and (vii) the Agreement and Plan of Merger with Elixiter, as part of the consideration. For the year ended December 31, 2017, this represents the shares held in escrow pursuant to: (i) the Asset Purchase Agreement with BioPharm; (ii) the Asset Purchase Agreement with Zeon; (iii) the Asset Purchase Agreement with The Pup Group, Inc. d/b/a Enlighten (“Enlighten”); (iv) the Asset Purchase Agreement with RAS; and (v) the Asset Purchase Agreement with Clarity, as part of the consideration.

The number of anti-dilutive securities not included in the calculation of diluted net income per share were as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Restricted stock subject to vesting	26	31	88
Convertible senior notes	3,823	3,823	—
Warrants related to the issuance of convertible senior notes	3,823	3,823	—
Total anti-dilutive securities	7,672	7,677	88

See Note 12, *Long-term Debt* for further information on the convertible senior notes and warrants related to the issuance of convertible notes.

Prior to 2019, the Company’s Board of Directors authorized the repurchase of up to \$235.0 million of Company common stock. On October 29, 2019, the Board of Directors authorized the expansion of the stock repurchase program by authorizing the repurchase of up to an additional \$30.0 million of Company common stock for a total repurchase program of \$265.0 million and extended the expiration date of the program from December 31, 2019 to June 30, 2021. 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 management based on its evaluation of market conditions, share price, and other factors.

Since the program's inception on August 11, 2008, the Company has repurchased approximately \$220.0 million (15.4 million shares) of its outstanding common stock through December 31, 2019.

7. Balance Sheet Components

	December 31,	
	2019	2018
	(In thousands)	
Accounts receivable:		
Billed accounts receivable, net	\$ 87,021	\$ 87,347
Unbilled revenues, net	42,097	35,099
Total	\$ 129,118	\$ 122,446
Property and Equipment:		
Computer hardware (useful life of 3 years)	\$ 12,995	\$ 14,160
Furniture and fixtures (useful life of 5 years)	3,883	4,653
Leasehold improvements (useful life of 5 years)	5,674	3,396
Software (useful life of 1 to 7 years)	5,272	5,042
Less: Accumulated depreciation	(15,654)	(20,574)
Total	\$ 12,170	\$ 6,677
Other current liabilities:		
Accrued variable compensation	\$ 27,030	\$ 22,258
Deferred revenues	7,733	8,111
Estimated fair value of contingent consideration liability (Note 9)	4,196	7,156
Current operating lease liabilities	8,992	—
Payroll related costs	3,716	3,064
Professional fees	1,758	1,782
Accrued medical claims expense	1,905	1,431
Accrued subcontractor fees	332	563
Other current liabilities	5,841	6,021
Total	\$ 61,503	\$ 50,386
Other non-current liabilities:		
Deferred income taxes	\$ 11,108	\$ 9,253
Other non-current liabilities	8,680	5,032
Non-current software accrual	5,226	3,407
Deferred compensation liability	5,566	4,278
Total	\$ 30,580	\$ 21,970

8. 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,		
	2019	2018	2017
Balance, beginning of year	\$ 810	\$ 1,272	\$ 1,277
Charges to expense	428	393	919
Uncollected balances written off, net of recoveries	(774)	(855)	(924)
Balance, end of year	\$ 464	\$ 810	\$ 1,272

9. Business Combinations

2019 Acquisitions

Acquisition of Sundog

On May 22, 2019, the Company acquired substantially all of the assets of Sundog, pursuant to the terms of an Asset Purchase Agreement. The acquisition of Sundog expands the Company's strategic marketing and technical delivery services.

The Company's total allocable purchase price consideration was \$14.1 million, comprised of \$10.3 million in cash paid and \$1.3 million in Company common stock issued at closing, increased by \$0.6 million for a net working capital adjustment due to the seller. The purchase price also included \$1.9 million representing the initial fair value estimate of additional revenue and earnings-based contingent consideration, which may be realized by the seller 12 months after the closing date of the acquisition with a maximum cash payout of \$3.6 million. As of December 31, 2019, the Company's best estimate of the fair value of the contingent consideration was \$2.8 million. As a result, the Company recorded a pre-tax adjustment in "Adjustment to fair value of contingent consideration" on the Consolidated Statements of Operations of \$0.9 million during the year ended December 31, 2019. 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	\$	6.4
Identified intangible assets		4.8
Liabilities assumed		(4.8)
Goodwill		7.7
Total purchase price	\$	<u>14.1</u>

The amount of goodwill expected to be deductible for tax purposes, excluding contingent consideration, is \$5.5 million.

The following table presents details of the intangible assets acquired during the year ended December 31, 2019 (dollars in millions).

	Weighted Average Useful Life	Estimated Useful Life	Aggregate Acquisitions
Customer relationships	7 years	7 years	\$ 3.9
Customer backlog	9 months	9 months	0.4
Non-compete agreements	5 years	5 years	0.1
Trade name	1 year	1 year	0.1
Developed software	3 years	3 years	0.3
Total acquired intangible assets			<u>\$ 4.8</u>

2018 Acquisitions

Acquisition of Southport

On April 2, 2018, the Company acquired substantially all of the assets of Southport, pursuant to the terms of an Asset Purchase Agreement. The Company's total allocable purchase price consideration was \$18.6 million. The purchase price was comprised of \$11.3 million in cash paid and \$2.7 million in Company common stock issued at closing, increased by \$0.3 million as a result of the net working capital adjustment paid to Southport in the first quarter of 2019. The purchase price also included \$4.3 million representing the initial fair value estimate of additional revenue and earnings-based contingent consideration with a maximum cash payout of \$6.6 million. Southport achieved a portion of the maximum cash payout pursuant to the Purchase Agreement, and as a result, the Company paid \$5.2 million in contingent consideration in the third quarter of 2019. The amount of goodwill deductible for tax purposes is \$12.3 million.

Acquisition of Stone Temple

On July 16, 2018, the Company acquired substantially all of the assets of Stone Temple, pursuant to the terms of an Asset Purchase Agreement. The Company's total allocable purchase price consideration was \$12.3 million. The purchase price was comprised of \$9.9 million in cash paid and \$1.1 million in Company common stock issued at closing, increased by \$0.1 million as a result of the net working capital adjustment paid to Stone Temple in the third quarter of 2019. The purchase price also included \$1.2 million representing the initial fair value estimate of additional revenue and earnings-based contingent consideration, which was not realized by Stone Temple. As a result, the Company recorded a pre-tax adjustment in "Adjustment to fair value of contingent consideration" on the Consolidated Statements of Operations of \$1.3 million during the year ended December 31, 2019. The amount of goodwill deductible for tax purposes is \$5.4 million.

Acquisition of Elixiter

On October 29, 2018, the Company acquired Elixiter pursuant to the terms of an Agreement and Plan of Merger. The Company's total allocable purchase price consideration was \$8.1 million. The purchase price was comprised of \$5.4 million in cash paid (net of cash acquired) and \$1.4 million in Company common stock issued at closing, increased by \$0.4 million as a result of the net working capital adjustment paid to the sellers in the third quarter of 2019. The purchase price also included \$0.9 million representing the initial fair value estimate of additional revenue and earnings-based contingent consideration, with a maximum cash payout of \$1.8 million. The Company recorded a pre-tax adjustment in "Adjustment to fair value of contingent consideration" on the Consolidated Statements of Operations of \$0.4 million during the year ended December 31, 2019. Elixiter achieved a portion of the maximum cash payout pursuant to the Agreement and Plan of Merger, and as a result, the Company has accrued \$1.3 million of contingent consideration as of December 31, 2019. The goodwill is non-deductible for tax purposes.

The following table presents details of the intangible assets acquired during the year ended December 31, 2018 (dollars in millions).

	Weighted Average Useful Life	Estimated Useful Life	Aggregate Acquisitions
Customer relationships	5 years	5 - 6 years	\$ 10.6
Customer backlog	1 year	1 - 1.5 years	1.5
Non-compete agreements	5 years	4 - 5 years	0.3
Trade name	1 year	1 year	0.1
Developed software	3 years	3 years	0.4
Total acquired intangible assets			<u>\$ 12.9</u>

The results of the 2018 and 2019 acquisitions' 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 the Sundog acquisition included in the Company's Consolidated Statements of Operations from the acquisition date to December 31, 2019 are as follows (in thousands):

	Acquisition Date to December 31, 2019
Revenues	\$ 7,997
Net income	\$ 780

Pro-forma Results of Operations (Unaudited)

The following presents the unaudited pro-forma combined results of operations of the Company with the 2019 and 2018 acquisitions for the years ended December 31, 2019 and 2018, after giving effect to certain pro-forma adjustments and assuming the 2019 acquisitions were acquired as of the beginning of 2018 and assuming the 2018 acquisitions were acquired as of the beginning of 2017.

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, 2018 or January 1, 2017 or of future results of operations of the consolidated entities (in thousands except per share data):

	Year Ended December 31,	
	2019	2018
Revenues	\$ 571,025	\$ 526,664
Net income	\$ 38,712	\$ 25,383
Basic net income per share	\$ 1.23	\$ 0.78
Diluted net income per share	\$ 1.20	\$ 0.75
Shares used in computing basic net income per share	31,497	32,608
Shares used in computing diluted net income per share	32,264	33,674

10. Goodwill and Intangible Assets

Goodwill

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

	Year Ended December 31,	
	2019	2018
Balance, beginning of year	\$ 327,992	\$ 305,238
Purchase price allocations for acquisitions (Note 9)	7,654	23,120
Effect of foreign currency translation adjustments	(82)	(366)
Balance, end of year	\$ 335,564	\$ 327,992

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,					
	2019			2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 82,431	\$ (49,716)	\$ 32,715	\$ 82,478	\$ (40,946)	\$ 41,532
Non-compete agreements	1,264	(601)	663	1,536	(735)	801
Customer backlog	1,102	(987)	115	1,535	(736)	799
Trade name	60	(37)	23	140	(76)	64
Developed software	10,984	(6,547)	4,437	10,929	(6,033)	4,896
Total	\$ 95,841	\$ (57,888)	\$ 37,953	\$ 96,618	\$ (48,526)	\$ 48,092

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

Customer relationships	5 - 10 years
Non-compete agreements	4 - 5 years
Customer backlog	9 months - 1.5 years
Trade name	1 year
Developed software	1 - 7 years

Total amortization expense for the years ended December 31, 2019, 2018 and 2017 was \$16.2 million, \$16.4 million and \$15.0 million, respectively.

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

2020	\$	12,642
2021	\$	10,226
2022	\$	8,704
2023	\$	4,248
2024	\$	1,359
Thereafter	\$	774

11. 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 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 2019, 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 \$6.7 million, \$5.6 million and \$4.9 million of expense for the matching cash and Company stock contribution in 2019, 2018 and 2017, respectively. All matching contributions vest over a three-year period of service.

The Company has a nonqualified deferred compensation plan for certain U.S. personnel. The plan is designed to allow eligible participants to accumulate additional income through elective deferrals of compensation which will be paid in the future. As of December 31, 2019 and 2018, the deferred compensation liability balance was \$5.7 million and \$4.5 million, respectively. The Company funds the deferred compensation plan through company-owned life insurance ("COLI") policies. As of December 31, 2019 and 2018, the COLI asset balance was \$5.6 million and \$4.3 million, respectively.

In accordance with Indian law, the Company provides certain defined benefit plans covering substantially all of its Indian employees. The gratuity plan provides a lump-sum payment to vested employees upon retirement or termination of employment in an amount based on each employee's salary and duration of employment with the Company. The leave encashment plan requires the Company to pay employees leaving the Company a specific formula taking into account earned leaves up to a certain maximum and the employee's most recent salary. The annual projected cost of these defined benefit plans is actuarially determined. As of December 31, 2019 and 2018, the defined benefit plan liability, which is unfunded, was immaterial.

12. Long-term Debt

Revolving Credit Facility

On June 9, 2017, the Company entered into a Credit Agreement, as amended (the "Credit Agreement"), with Wells Fargo Bank, National Association, as administrative agent and the other lenders parties thereto. The Credit Agreement provides for revolving credit borrowings up to a maximum principal amount of \$125.0 million, subject to a commitment increase of \$75.0 million. All outstanding amounts owed under the Credit Agreement become due and payable no later than the final maturity date of June 9, 2022.

The Credit Agreement also allows for the issuance of letters of credit in the aggregate amount of up to \$10.0 million at any one time; outstanding letters of credit reduce the credit available for revolving credit borrowings. As of December 31, 2019, the Company had one outstanding letter of credit for \$0.2 million. Substantially all of the Company's assets are pledged to secure the credit facility.

Borrowings under the Credit Agreement bear interest at the Company's option of the prime rate (4.75% on December 31, 2019) plus a margin ranging from 0.00% to 0.50% or one-month LIBOR (1.76% on December 31, 2019) plus a margin ranging from 1.00% to 1.75%. The Company incurs an annual commitment fee of 0.15% to 0.20% on the unused portion of the line of credit. The additional margin amount and annual commitment fee are dependent on the level of outstanding borrowings. As of December 31, 2019, the Company had \$124.8 million of unused borrowing capacity.

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 to interest expense for the previous four consecutive fiscal quarters of not less than 3.00 to 1.00 and a ratio of

indebtedness to EBITDA plus stock compensation (“Leverage Ratio”) of not more than 3.00 to 1.00. Additionally, the Credit Agreement currently restricts the payment of dividends that would result in a pro-forma Leverage Ratio of more than 2.00 to 1.00.

At December 31, 2019, the Company was in compliance with all covenants under the Credit Agreement.

Convertible Senior Notes due 2023

On September 11, 2018, the Company issued \$143.8 million aggregate principal amount of the Notes in a private placement to qualified institutional purchasers pursuant to an exemption from registration provided by Section 4(a)(2) and Rule 144A under the Securities Act of 1933, as amended. The net proceeds from the offerings, after deducting the initial purchasers’ discount and issuance costs of \$4.4 million, were \$139.4 million. The Company used (i) \$49.0 million of the net proceeds to pay down the Company’s revolving credit facility, (ii) \$38.8 million of the net proceeds to repurchase 1.3 million shares of the Company’s common stock concurrently with the pricing of the Notes offering in privately negotiated transactions and (iii) \$8.6 million of the net proceeds to fund the cost of entering into the Notes Hedges (as defined below), after such cost was partially offset by the proceeds that the Company received from entering into the Notes Warrants (as defined below). The remaining proceeds were used for working capital or other general corporate purposes.

The Notes bear interest at a rate of 2.375% per year. Interest is payable in cash on March 15 and September 15 of each year. The Notes mature on September 15, 2023, unless earlier converted, redeemed or repurchased in accordance with their terms prior to such date. The initial conversion rate is 26.5957 shares of the Company’s common stock per \$1,000 principal amount of Notes, which is equivalent to an initial conversion price of approximately \$37.60 per share of common stock. After consideration of the Notes Hedges and Notes Warrants, the conversion rate is effectively hedged to a price of \$46.62 per share of common stock. The conversion rate, and thus the conversion price, may be adjusted under certain circumstances as described in the indenture governing the Notes (the “Indenture”). The Company may settle conversions by paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company’s election, based on the applicable conversion rate(s). If a “make-whole fundamental change” (as defined in the Indenture) occurs, then the Company will in certain circumstances increase the conversion rate for a specified period of time. The Company’s intent is to settle the principal amount of the Notes in cash upon conversion.

A Note may be converted at the holder’s option prior to the close of business on the business day immediately preceding September 15, 2023, but only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on December 31, 2018, if the last reported sale price per share of the Company’s common stock exceeds 130% of the conversion price for each of at least 20 trading days during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;
- during the five consecutive business days immediately after any 10 consecutive trading day period (such 10 consecutive trading day period, the “measurement period”) in which the trading price per \$1,000 principal amount of notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price per share of the Company’s common stock on such trading day and the conversion rate on such trading day;
- upon the occurrence of certain corporate events or distributions on the Company’s common stock described in the Indenture; and
- at any time from, and including, March 15, 2023 until the close of business on the second scheduled trading day immediately before the maturity date.

The Company may not redeem the Notes at its option before maturity. If a “fundamental change” (as defined in the Indenture) occurs, then, except as described in the Indenture, noteholders may require the Company to repurchase their notes at a cash repurchase price equal to the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any.

As of December 31, 2019, none of the conditions permitting holders to convert their Notes had been satisfied and no shares of the Company’s common stock had been issued in connection with any conversions of the Notes.

In accordance with accounting for debt with conversion and other options, the Company bifurcated the principal amount of the Notes into liability and equity components. The initial liability component of the Notes was valued at \$122.9 million based on the contractual cash flows discounted at an appropriate comparable market non-convertible debt borrowing rate at the date of issuance of 5.7%. The equity component representing the conversion option and calculated as the residual amount of the proceeds was recorded as an increase in additional paid-in capital within stockholders’ equity of \$20.9 million, partially offset by the associated deferred tax effect of \$5.4 million. The amount recorded within additional paid-in capital is not to be remeasured as long as it continues to meet the conditions for equity classification. The resulting debt discount of \$20.9 million is being amortized

to interest expense using the effective interest method with an effective interest rate of 5.7% over the period from the issuance date through the contractual maturity date of September 15, 2023. The Company utilizes the treasury stock method to calculate the effects of the Notes on diluted earnings per share.

Issuance costs totaling \$4.8 million were allocated pro rata based on the relative fair values of the liability and equity components. Issuance costs of \$4.1 million attributable to the liability component were recorded as a direct deduction from the carrying value of the Notes and are being amortized to interest expense using the effective interest method over the term of the Notes. Issuance costs of \$0.7 million attributable to the equity component were recorded as a charge to additional paid-in capital within stockholders' equity, partially offset by the associated deferred tax effect of \$0.2 million.

The liability and equity components of the Notes consisted of the following (in thousands):

	December 31,	
	2019	2018
Liability component:		
Principal	\$ 143,750	\$ 143,750
Less: Unamortized debt discount	(16,033)	(19,806)
Unamortized debt issuance costs	(3,053)	(3,877)
Net carrying amount	\$ 124,664	\$ 120,067
Equity component:		
Debt discount for conversion option, net of taxes	\$ 15,547	\$ 15,547
Less: Issuance costs, net of taxes	(523)	(523)
Net carrying amount	\$ 15,024	\$ 15,024

Interest expense for the years ended December 31, 2019 and 2018 related to the Notes consisted of the following (in thousands):

	Year Ended December 31,	
	2019	2018
Coupon interest	\$ 3,414	\$ 1,043
Amortization of debt discount	3,773	1,111
Amortization of debt issuance costs	824	252
Total interest expense recognized	\$ 8,011	\$ 2,406

2023 Convertible Notes Hedges

In connection with the issuance of the Notes, the Company entered into privately negotiated convertible note hedge transactions (the "Notes Hedges") with certain of the initial purchasers or their respective affiliates and/or other financial institutions (the "Option Counterparties"). The Notes Hedges provide the Company with the option to acquire, on a net settlement basis, approximately 3.8 million shares of common stock at a strike price of \$37.60, which is equal to the number of shares of common stock that notionally underlie the Notes and corresponds to the conversion price of the Notes. If the Company elects cash settlement and exercises the Notes Hedges, the aggregate amount of cash received from the Option Counterparties will cover the aggregate amount of cash that the Company would be required to pay to the holders of the Notes, less the principal amount thereof. The Notes Hedges do not meet the criteria for separate accounting as a derivative as they are indexed to the Company's stock and are accounted for as freestanding financial instruments. The Notes Hedges were recorded as a reduction in additional paid-in capital within stockholders' equity of \$20.7 million, partially offset by the deferred tax effect of \$5.3 million.

2023 Convertible Notes Warrants

In connection with the issuance of the Notes, the Company also sold net-share-settled warrants (the "Notes Warrants") in privately negotiated transactions with the Option Counterparties. The strike price of the Notes Warrants was approximately \$46.62 per share, and is subject to certain adjustments under the terms of the Notes Warrants. As a result of the Notes Warrants and related transactions, the Company is required to recognize incremental dilution of earnings per share to the extent the average

share price is over \$46.62 for any fiscal quarter. The Notes Warrants expire over a period of 100 trading days commencing on December 15, 2023 and may be settled in net shares of common stock or net cash at the Company's election. The Notes Warrants were recorded as an increase in additional paid-in capital within stockholders' equity of \$12.1 million.

13. 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 of limitations has passed on returns for the years through 2015. The Company's 2016 and 2017 U.S. income tax returns are currently under examination by the IRS. The IRS has sought to disallow research credits in the total amount of \$5.7 million on the Company's 2011 through 2015 U.S. income tax returns. The Company has exhausted all administrative appeals and formal mediation and has filed suit to resolve this dispute. The Company is awaiting a court date to be set by the U.S. Tax Court for the 2011 through 2013 returns. The Company believes the research credits taken are appropriate and intends to vigorously defend its position. An amount of adjustment, if any, and the timing of such adjustment are not reasonably possible to estimate at this time. The total amount of research credits taken or expected to be taken in the Company's income tax returns for 2011 through December 31, 2019 is \$15.6 million.

As of December 31, 2019, the Company had U.S. federal tax gross net operating loss carry forwards of approximately \$1.1 million that will begin to expire in 2023 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,		
	2019	2018	2017
Current:			
Federal	\$ 5,000	\$ 4,030	\$ 9,095
State	2,724	1,222	1,262
Foreign	1,051	1,183	2,345
Total current	<u>8,775</u>	<u>6,435</u>	<u>12,702</u>
Deferred:			
Federal	1,570	835	(3,726)
State	467	250	(684)
Foreign	4	293	270
Total deferred	<u>2,041</u>	<u>1,378</u>	<u>(4,140)</u>
Total provision for income taxes	<u>\$ 10,816</u>	<u>\$ 7,813</u>	<u>\$ 8,562</u>

The components of pretax income for the years ended December 31, 2019, 2018 and 2017 are as follows (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Domestic	\$ 43,330	\$ 27,613	\$ 21,285
Foreign	4,611	4,759	5,858
Total	<u>\$ 47,941</u>	<u>\$ 32,372</u>	<u>\$ 27,143</u>

For the years ended December 31, 2019, 2018 and 2017 foreign operations included India, China, Canada and the United Kingdom.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount 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, 2019 and 2018 are as follows (in thousands):

	December 31,	
	2019	2018
Deferred tax assets:		
Accrued liabilities	\$ 1,545	\$ 1,617
Operating lease liabilities	5,060	—
Allowance for doubtful accounts	119	208
Net operating losses	287	375
Deferred compensation liability	2,324	2,443
Intangible assets	7,946	5,769
Total deferred tax assets	17,281	10,412
Deferred tax liabilities:		
Prepaid expenses	1,044	933
Accounting method change	20	711
Operating lease right-of-use assets	4,798	—
Goodwill and intangible assets	20,999	17,170
Property and equipment	1,528	851
Total deferred tax liabilities	28,389	19,665
Net deferred tax liability	\$ 11,108	\$ 9,253

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,		
	2019	2018	2017
Federal statutory rate	21.0 %	21.0 %	35.0 %
State taxes, net of federal benefit	4.3	4.5	3.3
Effect of foreign operations	0.2	1.5	1.9
Foreign toll charge - U.S. tax reform	—	—	4.1
Stock compensation	(1.0)	2.0	1.9
Non-deductible acquisition costs	0.2	0.2	—
Research and development tax credit	(1.8)	(5.0)	(1.0)
U.S. domestic production deduction	(0.1)	(0.1)	(1.6)
Adjustment to deferred tax rate - U.S. tax reform	—	—	(12.3)
Other	(0.2)	—	0.2
Effective tax rate	22.6 %	24.1 %	31.5 %

The effective income tax rate decreased to 22.6% for the year ended December 31, 2019 from 24.1% for the year ended December 31, 2018 primarily due to the increase in tax benefits recognized related to share-based compensation deductions compared to the prior year. The effective rate for the year ended December 31, 2017 included the effects of certain foreign withholding taxes, a foreign toll charge on historic foreign earnings, and a revaluation of ending deferred income taxes caused by passage of the 2017 Tax Act.

In general, it is the Company's practice and intention to reinvest the earnings of the Company's foreign subsidiaries in those operations. However, during 2017, the Company determined that as a result of changes in the business and macroeconomic environment, the foreign earnings of the Company's Chinese subsidiary were no longer permanently reinvested. The Company may repatriate available earnings from time to time. Management intends to continue to permanently reinvest all other remaining current and prior earnings in its other foreign subsidiaries.

Excluding China, foreign unremitted earnings of entities not included in the United States tax return have been included in the consolidated financial statements without giving effect to the United States taxes that may be payable on distribution to the United States because it is not anticipated such earnings will be remitted to the United States. Under current applicable tax laws, if the Company elects to remit some or all of the funds it has designated as indefinitely reinvested outside the United States, the amount remitted would be subject to applicable non-U.S. withholding taxes. As of December 31, 2019, the aggregate unremitted earnings of the Company's foreign subsidiaries for which a deferred income tax liability has not been recorded was approximately \$11.7 million, and the unrecognized deferred tax liability on unremitted earnings was approximately \$0.4 million.

Under the provisions of the ASC Section 740-10-25, the Company had an unrecognized tax benefit of \$4.7 million (excluding \$0.6 million of interest) and \$3.2 million (excluding \$0.3 million of interest) as of December 31, 2019 and 2018, respectively. If the Company's assessment of unrecognized tax benefits is not representative of actual outcomes, the Company's consolidated 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,	
	2019	2018
Balance at beginning of year	\$ 3,165	\$ 2,680
Additions based on tax positions related to current year	753	554
Additions based on tax positions related to prior years	747	—
Reductions for tax positions of prior years	—	(69)
Balance at end of year	<u>\$ 4,665</u>	<u>\$ 3,165</u>

U.S. Tax Reform

The 2017 Tax Act significantly revised the future ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates and implementing a territorial tax system.

There were certain transitional impacts of the 2017 Tax Act which affected the Company's tax provision during the fourth quarter of 2017. As part of the transition to the new territorial tax system, the 2017 Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries, which produced a \$1.1 million tax expense payable over eight years. As a result, a \$0.1 million current liability and a \$1.0 million non-current liability were recorded in the Company's consolidated financial statements during the fourth quarter of 2017. The reduction of the U.S. corporate tax rate caused the Company to adjust its U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. The reduction in the corporate tax rate resulted in a provisional net tax credit of \$3.3 million for the fourth quarter of 2017.

14. Derivatives

In the normal course of business, the Company uses derivative financial instruments to manage foreign currency exchange rate risk. Currency exposure is monitored and managed by the Company as part of its risk management program which seeks to reduce the potentially adverse effects that market volatility could have on operating results. The Company's derivative financial instruments consist of non-deliverable foreign currency forward contracts. Derivative financial instruments are neither held nor issued by the Company for trading purposes.

Derivatives Not Designated as Hedging Instruments

Both the gain or loss on the derivatives not designated as hedging instruments and the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. Realized gains or losses and changes in the estimated fair value of foreign currency forward contracts that have not been designated as hedges were immaterial during each of the years ended December 31, 2019 and 2018. Gains and losses on these contracts are recorded in net other expense (income) and net interest expense in the Consolidated Statements of Operations and are offset by losses and gains on the related hedged items.

The notional amounts of the Company's derivative instruments outstanding were as follows (in thousands):

	December 31,	
	2019	2018
Derivatives not designated as hedges		
Foreign exchange contracts	\$ 2,523	\$ 3,195
Total derivatives not designated as hedges	\$ 2,523	\$ 3,195

Derivatives may give rise to credit risks from the possible non-performance by counterparties. Credit risk is generally limited to the fair value of those contracts that are favorable to the Company. The Company has limited its credit risk by entering into derivative transactions only with highly-rated global financial institutions, limiting the amount of credit exposure with any one financial institution and conducting ongoing evaluation of the creditworthiness of the financial institutions with which the Company does business.

The Company utilizes standard counterparty master agreements containing provisions for the netting of certain foreign currency transaction obligations and for the set-off of certain obligations in the event of an insolvency of one of the parties to the transaction. Within the Consolidated Balance Sheets, the Company records derivative assets and liabilities at fair value.

15. Fair Value Measurements

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions.

The fair value hierarchy consists of the following three levels:

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, current liabilities and the revolving line of credit approximate fair value because of the short maturity of these instruments.

All highly liquid investments with maturities at date of purchase of three months or less are considered to be cash equivalents. Based on their short-term nature, the carrying value of cash equivalents approximate their fair value. As of December 31, 2019, \$64.2 million of the Company's cash and cash equivalents balance related to money-market fund investments and \$3.0 million related to fixed time deposits. As of December 31, 2018, \$37.7 million of the Company's cash and cash equivalents balance related to money-market fund investments. These short-term money-market funds and fixed time deposits are considered Level 1 investments.

The Company has a deferred compensation plan, which is funded through COLI policies. The COLI asset is carried at fair value derived from quoted market prices of investments within the COLI policies, which are considered Level 2 inputs. Refer to Note 11, *Employee Benefit Plans*, for the fair value of the COLI asset as of December 31, 2019 and 2018.

The Company estimates the fair value of each foreign exchange forward contract by using the present value of expected cash flows. The estimate takes into account the difference between the current market forward price and contracted forward price for each foreign exchange contract and applies the difference in the rates to each outstanding contract. Valuations for all derivatives fall within Level 2 of the GAAP valuation hierarchy. The fair value of the Company's derivative instruments outstanding as of December 31, 2019 was immaterial.

The Company has contingent consideration liabilities related to acquisitions which are measured on a recurring basis and recorded at fair value, determined using the discounted cash flow method. The inputs used to calculate the fair value of the contingent consideration liabilities are considered to be Level 3 inputs due to the lack of relevant market activity and significant

management judgment. An increase in future cash flows may result in a higher estimated fair value while a decrease in future cash flows may result in a lower estimated fair value of the contingent consideration liabilities. Remeasurements to fair value are recorded in adjustment to fair value of contingent consideration in the Consolidated Statements of Operations. Refer to Note 7, *Balance Sheet Components*, for the estimated fair value of the contingent consideration liabilities as of December 31, 2019 and 2018.

The fair value of the Notes is measured using quoted price inputs. The Notes are not actively traded, and thus the price inputs represent a Level 2 measurement. As the quoted price inputs are highly variable from day to day, the fair value estimates could significantly increase or decrease.

The Notes are carried at their principal amount less unamortized debt discount and issuance costs, and are not carried at fair value at each period end. The original debt discount was calculated at a market interest rate for nonconvertible debt at the time of issuance, which represented a Level 3 fair value measurement. The approximate fair value of the Notes as of December 31, 2019 and 2018 was \$195.4 million and \$128.3 million, respectively, which is estimated on the basis of inputs that are observable in the market and is considered a Level 2 fair value measurement.

16. Leases

The Company leases office space under various operating lease agreements, which have remaining lease terms of one year to six years. Prior to January 1, 2019, the Company accounted for leases under ASC Topic 840. On January 1, 2019, the Company adopted ASC Topic 842, which replaced ASC Topic 840. The most significant impact upon adoption was the recognition of lease liabilities and ROU assets for all operating leases with a term greater than 12 months on its balance sheet. Refer to Note 2, *Summary of Significant Accounting Policies*, for additional information on the impact of adoption.

The following discussion relates to the Company's lease accounting policy, effective January 1, 2019, under ASC Topic 842 for the year ended December 31, 2019.

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets, other current liabilities, and operating lease liabilities on the consolidated balance sheet. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. In determining the expected lease term, the majority of the Company's renewal options are not reasonably certain based on conditions of the Company's existing leases and its overall business strategies. The Company will periodically reassess expected lease terms based on significant triggering events or compelling economic reasons to exercise renewal options. The Company utilizes its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company accounts for lease and non-lease components as a single lease component.

Supplemental balance sheet information related to leases was as follows (in thousands):

	December 31, 2019	
Other current liabilities	\$	8,992
Operating lease liabilities		19,649
Total	\$	28,641

Future minimum lease payments under non-cancellable leases as of December 31, 2019 were as follows (in thousands):

	December 31, 2019
2020	\$ 8,627
2021	7,375
2022	5,429
2023	4,646
2024	3,479
Thereafter	2,151
Total future lease payments	31,707
Less implied interest	(3,066)
Total	\$ 28,641

Operating lease expense for the year ended December 31, 2019 was \$9.9 million, of which \$1.3 million related to variable lease payments. Short term lease payments were immaterial for the year ended December 31, 2019. Operating cash flows for amounts included in the measurement of the Company's operating lease liabilities for the year ended December 31, 2019 were \$8.3 million. ROU assets obtained in exchange for lease liabilities during the year ended December 31, 2019 were \$12.7 million. The weighted average remaining lease term of the Company's operating leases as of December 31, 2019 was 4 years and the weighted average incremental borrowing rate was 4.6% as of December 31, 2019.

The following discussion relates to the Company's lease accounting policy under ASC Topic 840 for the year ended December 31, 2018.

Future minimum commitments under these lease agreements as of December 31, 2018 were as follows (in thousands):

	December 31, 2018
2019	\$ 7,375
2020	6,777
2021	5,071
2022	3,288
2023	2,189
Thereafter	1,420
Total minimum lease payments	\$ 26,120

Rent expense for the years ended December 31, 2018 and 2017 was \$8.3 million and \$7.9 million, respectively.

17. Commitments and Contingencies

From time to time the Company is involved in legal proceedings, claims and litigation related to employee claims, contractual disputes and taxes in the ordinary course of business. Although the Company cannot predict the outcome of such matters, currently the Company has no reason to believe the disposition of any current matter could reasonably be expected to have a material adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities.

During 2019, the Company entered into agreements to purchase internal use software licenses payable over multiple years. As a result, the Company has recorded \$1.7 million in "Current liabilities" and \$1.9 million in "Non-current liabilities" in the Consolidated Balance Sheet as of December 31, 2019.

18. Quarterly Financial Results (Unaudited)

The following tables set forth certain unaudited supplemental quarterly financial information for the years ended December 31, 2019 and 2018. The quarterly operating results are not necessarily indicative of future results of operations (in thousands except per share data).

	Three Months Ended,			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
	(Unaudited)			
Total revenues	\$ 133,815	\$ 141,869	\$ 144,684	\$ 145,159
Total cost of revenues	86,071	89,515	89,235	89,392
Income from operations	10,530	13,381	15,808	15,613
Income before income taxes	8,772	11,527	13,903	13,739
Net income	7,026	8,528	9,779	11,792
Basic net income per share	0.22	0.27	0.31	0.38
Diluted net income per share	0.22	0.27	0.30	0.36

	Three Months Ended,			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
	(Unaudited)			
Total revenues	\$ 120,942	\$ 121,798	\$ 123,933	\$ 131,702
Total cost of revenues	79,227	79,595	79,183	81,826
Income from operations	6,791	8,491	9,261	11,401
Income before income taxes	6,419	7,926	8,436	9,591
Net income	4,928	5,849	6,305	7,477
Basic net income per share	0.15	0.18	0.19	0.24
Diluted net income per share	0.15	0.17	0.19	0.23

19. Subsequent Event

Acquisition of MedTouch LLC

On January 6, 2020, the Company acquired substantially all of the assets of of MedTouch LLC, a Massachusetts limited liability company (“MedTouch”), pursuant to the terms of an Asset Purchase Agreement. The Asset Purchase Agreement provided for approximately \$13.9 million of cash to be paid at closing, subject to a net working capital adjustment, approximately 55,514 shares of Company common stock to be issued at closing and a maximum potential payout for additional revenue and earnings-based contingent consideration of \$10.2 million, which may be realized by the seller 12 months after the closing date of the acquisition. The acquisition of MedTouch expands the Company’s healthcare consulting and digital marketing capabilities.

Goodwill and intangible assets are expected to be recorded on the Consolidated Balance Sheet from the acquisition of MedTouch. As of February 25, 2020, the initial accounting for the business combination has not been completed, including the measurement of certain intangible assets and goodwill. Acquisition costs related to the purchase of MedTouch for the year ended December 31, 2019 were immaterial.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Perficient, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Perficient, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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, 2019 and 2018, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired substantially all of the assets of Sundog Interactive, Inc. (the Acquired Business) in May 2019, and management excluded the Acquired Business from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. The Acquired Business represented 3% and 1% of the Company's total assets and total revenues, respectively, as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of the Acquired Business.

Adoption of New Accounting Pronouncements

As discussed in Notes 2 and 16 to the consolidated financial statements, on January 1, 2019, the Company changed its method of accounting for leases due to the adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*, and as discussed in Notes 2 and 3 to the consolidated financial statements, on January 1, 2018, the Company changed its method of accounting for revenues due to the adoption of ASC Topic 606, *Revenue from Contracts with Customers*.

Basis for Opinions

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 Controls over Financial Reporting*. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of fixed fee percent complete project revenue recognition

As discussed in Notes 2 and 3 to the consolidated financial statements, revenue recognized from fixed fee percent complete projects was \$41.5 million for the year-ended December 31, 2019. Revenue is recognized for these projects over time using an input method based on the ratio of hours expended to total

estimated hours.

We identified the evaluation of fixed fee percent complete project revenue recognition as a critical audit matter. Evaluating the Company's estimate of hours to complete each project requires subjective auditor judgment as changes in the total estimated hours by project could have an impact on revenue recognized.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's process to determine fixed fee percent complete revenue recognition, including total estimated hours by project. We evaluated the Company's estimate of total project hours for a sample of contracts by:

- Comparing the Company's prior period total estimated hours by project to revised forecasts or the final amount of total hours by project to assess the Company's ability to accurately estimate hours;
- Interviewing operational personnel of the Company to evaluate progress to date and factors impacting the estimated hours to complete the project; and
- Inspecting correspondence between the Company and the customer to assess project progress.

Evaluation of the fair value of the customer relationship intangible asset and contingent consideration liability related to the Acquired Business

As discussed in Notes 2 and 9 to the consolidated financial statements, the Company makes certain assumptions and judgments in determining fair value measurements for business acquisitions. During the year ended December 31, 2019, the Company consummated one business acquisition. This acquisition resulted in the recognition of a customer relationship intangible asset of \$3.9 million and a contingent consideration liability of \$1.9 million.

We identified the evaluation of the fair value of the customer relationship intangible asset and contingent consideration liability related to the Acquired Business as a critical audit matter. Evaluating the fair value involved a high degree of subjective auditor judgment related to use of certain assumptions in the specific valuation models. The key assumptions used within the valuation models included forecasts of projected revenues, customer attrition rate, and volatility rates. In addition, changes in these assumptions could have a significant impact on the fair value of the customer relationship intangible asset or contingent consideration liability.

The primary procedures we performed to address this critical audit matter included the following. We tested certain controls over the Company's process for determining the fair value of the customer relationship intangible asset and contingent consideration liability related to the Acquired Business, specifically related to the determination of the key assumptions. We evaluated the forecasts of projected revenues and customer attrition rate assumptions used by the Company by comparing the assumptions to the acquiree's historical performance and to the growth rates of peer companies. We also compared the forecasts of projected revenues assumption to industry data. We also involved a valuation professional with specialized skills and knowledge who assisted in evaluating:

- Certain forecasts of projected revenues used by the Company to value the customer relationship intangible asset as compared to industry and macro-economic trend data; and
- Volatility rates used to value the contingent consideration liability by independently developing these rates based on publicly available market data and comparing the results to the rates used by the Company.

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

St. Louis, Missouri
February 25, 2020

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 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 U.S. generally accepted accounting principles. 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 (2013) 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, 2019.

The Company acquired substantially all of the assets of Sundog in May 2019 (the "Acquired Business"). Management excluded the Acquired Business from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. The Acquired Business represented 3% and 1% of the Company's total assets and total revenues, respectively, as of and for the year ended December 31, 2019.

KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements as of and for the year ended December 31, 2019 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, 2019, which is included herein.

Changes in Internal Control Over Financial Reporting

As part of the adoption of ASC Topic 842, the Company implemented changes to our control activities related to lease accounting to ensure adequate evaluation of our contracts and proper assessment of the impact of the new accounting standard. There were no significant changes in the Company's internal control over financial reporting due to the adoption of the new standard, and no other changes in our internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the year ended December 31, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None

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	55	Chairman of the Board, President and Chief Executive Officer
Thomas J. Hogan	43	Chief Operating Officer
Paul E. Martin	59	Chief Financial Officer, Treasurer and Secretary

Jeffrey S. Davis became the Chief Executive Officer and a member of the Board in 2009 and was elected Chairman of the Board in February 2017. 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 the Company. 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.

Thomas J. Hogan was appointed as the Company's Chief Operating Officer in 2018. Mr. Hogan joined the Company in January 2008 and has served the Company in several capacities, including Vice President of Field Operations, General Manager, Director of Business Development, and Engagement Director. Prior to joining the Company, Mr. Hogan served in business development and leadership positions with Creative Metrics, PreVisor, and TEKsystems. Mr. Hogan received his M.B.A. from the Kellogg School of Management at Northwestern University and a B.A. degree from Saint Mary's University of Minnesota.

Paul E. Martin joined the Company in 2006 as Chief Financial Officer, Treasurer and Secretary. From 2004 until 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 revenue domestic cable television multi-system operator. From 2002 through 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 2000 to 2002. From 1995 to 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 Company's proxy statement to be used in connection with the 2020 Annual Meeting of Stockholders (the "Proxy Statement") under the captions "Directors and Executive Officers," and "Composition and Meetings of the Board of Directors and Committees." 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 Company has adopted a Corporate Code of Business Conduct and Ethics that applies to all employees and directors of the Company while acting on the Company's behalf and has adopted a Financial Code of Ethics applicable to the chief executive officer, the chief financial officer, and other senior financial officials. These policies are available on the Company's website at www.perficient.com. Any amendment to, or waiver of, the Financial Code of Ethics will be disclosed by the Company on its website at www.perficient.com.

Audit Committee of the Board of Directors

Information on this subject is found in the Proxy Statement under the caption “Composition and Meetings of the Board of Directors and Committees” and is incorporated herein by reference.

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.

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.

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.

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.

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	31
Consolidated Statements of Operations	32
Consolidated Statements of Comprehensive Income	33
Consolidated Statements of Changes in Stockholders' Equity	34
Consolidated Statements of Cash Flows	36
Notes to Consolidated Financial Statements	37
Report of Independent Registered Public Accounting Firm	60

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.

Item 16. Form 10-K Summary.

None.

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Asset Purchase Agreement , dated as of December 18, 2014, by and among Perficient, Inc., Zeon Solutions Incorporated, Grand River Interactive LLC and Rupesh Agrawal, previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed on December 19, 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	Certificate of Amendment to Certificate of Incorporation of Perficient, Inc. , previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on August 3, 2017 and incorporated herein by reference
3.5	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 filed on May 7, 2009 and incorporated herein by reference
4.2	Form of 2.375% Convertible Senior Notes due 2023 , previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed September 11, 2018 and incorporated herein by reference
4.3	Indenture, dated September 11, 2018 , between Perficient, Inc. and U.S. Bank National Association, as trustee, relating to the Company's 2.375% Convertible Senior Notes due 2023, previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed September 11, 2018 and incorporated herein by reference
4.4	Description of Securities
10.1†	Perficient, Inc. Employee Stock Purchase Plan , previously filed with the Securities and Exchange Commission as Appendix A to our Schedule 14A filed on October 13, 2005 and incorporated herein by reference
10.2†	Amended and Restated Perficient, Inc. 2012 Long-Term Incentive Plan , previously filed with the Securities and Exchange Commission as Appendix A to our Schedule 14A filed on April 14, 2014 and incorporated herein by reference
10.3†	Second Amended and Restated Perficient, Inc. 2012 Long-Term Incentive Plan , previously filed with the Securities and Exchange Commission as Appendix A to our Schedule 14A filed on April 28, 2017 and incorporated herein by reference
10.4†	Form of Restricted Stock Award Agreement (Non-Employee Director Award) , previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on July 31, 2014 and incorporated herein by reference
10.5†	Form of Restricted Stock Award and Non-Competition Agreement (Employee Grant) , previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on July 31, 2014 and incorporated herein by reference
10.6†	Form of Restricted Stock Unit Award and Non-Competition Agreement (Employee Grant) , previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on July 31, 2014 and incorporated herein by reference
10.7†	Second Amended and Restated Employment Agreement with Chief Executive Officer of Perficient, Inc. , effective as of January 1, 2018, previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on November 2, 2017 and incorporated herein by reference
10.8†	Second Amended and Restated Employment Agreement with Chief Financial Officer of Perficient, Inc. , effective as of January 1, 2018, previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on November 2, 2017 and incorporated herein by reference
10.9†	Employment Agreement with Chief Operating Officer of Perficient, Inc. , effective as of November 1, 2018, previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on November 1, 2018 and incorporated herein by reference

10.10	Credit Agreement by and among Wells Fargo Bank, National Association, Bank of America, N.A., U.S. Bank National Association, Fifth Third Bank and Perficient, Inc. dated as of June 9, 2017, previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed on June 12, 2017 and incorporated herein by reference
10.11	First Amendment to Credit Agreement , dated as of February 16, 2018, by and among Perficient, Inc. the Subsidiary Guarantors, the Lenders, and Wells Fargo Bank, National Association, 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, 2017 and incorporated herein by reference
10.12	Purchase Agreement, dated September 5, 2018 , among Perficient, Inc., Jefferies LLC and Nomura Securities International, Inc., as representatives of the initial purchasers named therein, relating to the Company's 2.375% Convertible Senior Notes due 2023, previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed September 11, 2018 and incorporated herein by reference
10.13	Form of Convertible Note Hedge Transaction Confirmation , previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed September 11, 2018 and incorporated herein by reference
10.14	Form of Warrant Transaction Confirmation , previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed September 11, 2018 and incorporated herein by reference
10.15†	Form of Restricted Stock Award Agreement (Non-Employee Director Award) , previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on November 2, 2017 and incorporated herein by reference
10.16†	Form of Restricted Stock Award and Non-Competition Agreement (Employee Grant) , previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on November 2, 2017 and incorporated herein by reference
10.17†	Form of Restricted Stock Unit Award and Non-Competition Agreement (Employee Grant) , previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on November 2, 2017 and incorporated herein by reference
10.18†*	Form of Restricted Stock Award Agreement (Non-Employee Director Award)
10.19†*	Form of Restricted Stock Award and Non-Competition Agreement (Employee Grant)
10.20†*	Form of Restricted Stock Unit Award and Non-Competition Agreement (Employee Grant)
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, 2019, formatted in iXBRL (inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2019 and 2018, (ii) Consolidated Statements of Operations for the years ended December 31, 2019, 2018, and 2017, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2019, 2018, and 2017, (iv) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2019, 2018, and 2017, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018, and 2017, and (vi) the Notes to Consolidated Financial Statements
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)

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

* Filed herewith.

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

Paul E. Martin

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

Date: February 25, 2020

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	Chairman of the Board, President and Chief Executive Officer (<i>Principal Executive Officer</i>)	February 25, 2020
<u>/s/ Paul E. Martin</u> Paul E. Martin	Chief Financial Officer (<i>Principal Financial Officer and Principal Accounting Officer</i>)	February 25, 2020
<u>/s/ Ralph C. Derrickson</u> Ralph C. Derrickson	Director	February 25, 2020
<u>/s/ James R. Kackley</u> James R. Kackley	Director	February 25, 2020
<u>/s/ David S. Lundeen</u> David S. Lundeen	Director	February 25, 2020
<u>/s/ Brian L. Matthews</u> Brian L. Matthews	Director	February 25, 2020
<u>/s/ Gary M. Wimberly</u> Gary M. Wimberly	Director	February 25, 2020

PERFICIENT, INC.
DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

The common stock, par value \$0.001 per share, of Perficient, Inc., a Delaware corporation (the “Company,” “Perficient” or “us”), is registered pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended, and is listed on The Nasdaq Global Select Market under the symbol “PRFT.” All of the outstanding shares of common stock are validly issued, fully paid and nonassessable.

The following summary describes certain of the material provisions of our common stock, but does not purport to be complete and is subject to and qualified in its entirety by the Delaware General Corporation Law, the Company’s Certificate of Incorporation filed as an Exhibit to our Form SB-2 declared effective on July 28, 1999, as by the Certificate of Amendment filed as an Exhibit to our Form 8-A filed on February 15, 2005, the Certificate of Amendment filed as an Exhibit to our Form S-8 filed on December 22, 2005 and the Certificate of Amendment filed as an Exhibit to our Form 10-Q filed on August 3, 2017 (as amended, the “Certificate of Incorporation”) and the Company’s Amended and Restated Bylaws filed as Exhibit 3.1 to the Company’s Form 10-Q filed May 7, 2009 (the “Bylaws”).

Voting Rights

The holders of Perficient common stock are entitled to one vote for each share held of record in the election of directors and in all other matters to be voted on by the stockholders, except that holders of common stock are not entitled to vote on any amendment to the Certificate of Incorporation that relates solely to the terms of one or more outstanding series of preferred stock. Currently there is no outstanding preferred stock. There is no cumulative voting with respect to the election of directors.

Dividend and Liquidation Rights

Holders of common stock are entitled to receive any dividends as may be declared by the board of directors out of funds legally available for such purpose; and, in the event of our liquidation, dissolution, or winding up, to share ratably in all assets remaining after payment of liabilities and after provision has been made for each class of stock, if any, having preference over the common stock.

Other Rights

Holders of Perficient common stock have no preemptive right to subscribe for or purchase additional shares of any class of Perficient capital stock. Our common stock is not subject to any redemption or sinking fund provisions.

Anti-Takeover Provisions

Our Certificate of Incorporation and the 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.

**RESTRICTED STOCK AWARD AGREEMENT
(NON-EMPLOYEE DIRECTOR AWARD)**

To:

Date of Grant:

Number of Restricted Shares:

PERFICIENT, INC., a Delaware corporation, (the “*Corporation*”), is pleased to grant you (the “*Award*”) the aggregate number of Restricted Shares of the Corporation’s authorized Common Stock, par value \$0.001 per share, listed above, subject to the terms and conditions set forth in this Restricted Stock Award Agreement (this “*Agreement*”). This Award is granted pursuant to the Second Amended and Restated Perficient, Inc. 2012 Long Term Incentive Plan (the “*Plan*”), a copy of which has been made available to you and shall be deemed a part of this Agreement as if fully set forth herein. If any provision of this Agreement conflicts with the expressly applicable terms of the Plan, the provisions of the Plan shall control and, if necessary, the applicable provisions of the Agreement shall be deemed to be amended to comply with the terms of the Plan. The Date of Grant of the Award and the number of Restricted Shares subject to this Award are stated above. Terms capitalized but not defined herein shall have the meaning set forth in the Plan.

This Agreement sets forth the terms of the agreement between you and the Corporation with respect to the Restricted Shares. By accepting this Agreement, you agree to be bound by all of the terms hereof.

1. **Definitions.** As used in this Agreement, the following terms have the meanings set forth below:

(a) “*Agreement*” means this Restricted Stock Award Agreement.

(b) “*Award*” has the meaning set forth in the first paragraph of this Agreement.

(c) “*Board of Directors*” means the board of directors of the Corporation.

(d) “*Business Day*” means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Missouri are authorized or obligated by law or executive order to close.

(e) “*Committee*” means the Compensation Committee of the Board of Directors.

(f) “*Common Stock*” means the authorized common stock of the Corporation, par value \$0.001 per share, as described in the Corporation’s Certificate of Incorporation, as amended from time to time.

(g) “*Corporation*” means Perficient, Inc., a Delaware corporation.

(h) “*Date of Grant*” means the date designated as such in the first paragraph of this Agreement.

(i) “*Restricted Shares*” means the shares of Stock subject to the restrictions specified in Paragraph 4 of this Agreement.

(j) “*Securities Act*” means the Securities Act of 1933, as amended.

(k) “*Service*” means your performance of services for the Corporation in the capacity of a non-employee member of the Board of Directors. If you are on bona fide leave of absence under the Family and Medical Leave Act of 1993, as amended, or other approved leave of absence you will still be considered to be in Service to the Corporation.

(l) **“Stock”** means Common Stock, or any other securities that are substituted for Stock as provided in Paragraph 7.

(m) **“Vesting Commencement Date”** means _____, 20__.

2. **Issuance of Restricted Shares.** Evidence of the issuance of the Restricted Shares pursuant to this Agreement may be accomplished in such manner as the Corporation or its authorized representatives shall deem appropriate, including, without limitation, electronic registration, book entry registration or issuance of a stock certificate or stock certificates in your name. In the event the Restricted Shares are issued in book-entry form, the depository and the Corporation’s transfer agent shall be provided with appropriate notice referring to the terms, conditions and restrictions applicable to the Restricted Shares, together with such stop-transfer instructions as the Corporation deems appropriate. The Corporation may retain, at its option, the physical custody of any stock certificate representing any Restricted Shares, or require that such certificates be placed in escrow or trust, until all restrictions applicable thereto are removed or lapse. You shall promptly surrender to the Corporation for cancellation any stock certificate representing Restricted Shares that have become forfeited.

3. **Stockholder Rights.** You will be entitled to all the rights of absolute ownership of the Restricted Shares upon issuance thereof, including the right to vote except that you will not be entitled to receive dividends or distributions with respect to any Restricted Shares other than dividends or distributions payable in shares of stock pursuant to Paragraph 7. If any such dividends or distributions are paid in shares of Stock, such shares shall be subject to the same restrictions as the Restricted Shares with respect to which they are paid.

4. **Restrictions; Forfeiture.** The Restricted Shares are restricted in that they may not be sold, transferred or otherwise alienated or hypothecated until such restrictions are removed or expire as described in Paragraph 5 of this Agreement. The Restricted Shares are also restricted in the sense that they may be forfeited to the Corporation. If the Restricted Shares are forfeited as provided in Paragraph 6, the Restricted Shares shall revert to the Corporation for cancellation.

5. **Expiration of Restrictions and Risk of Forfeiture.** The restrictions on all of the Restricted Shares granted pursuant to this Agreement will expire and become transferable and non-forfeitable according to the schedule set forth in this Paragraph 5; provided, however, that such restrictions will expire on such dates only if you have been performing Service as a non-employee member of the Board of Directors continuously since the Vesting Commencement Date through the applicable vesting date.

[Initial one-time RS Award upon Director election/appointment vesting quarterly over two years]

On or After Each of the Following Vesting Dates	Cumulative Percentage of Shares as to Which the Restricted Shares are Transferable and Non-forfeitable
	12.5%
	25%
	37.5%
	50%
	62.5%
	75%
	87.5%
	100%

[Annual RS Award vesting quarterly over one year]

On or After Each of the Following Vesting Dates	Cumulative Percentage of Shares as to Which the Restricted Shares are Transferable and Non-forfeitable
	25%
	50%
	75%
	100%

[Company Match RS Award vesting annually over two years]

On or After Each of the Following Vesting Dates	Cumulative Percentage of Shares as to Which the Restricted Shares are Transferable and Non-forfeitable
	50%
	100%

Notwithstanding the foregoing, the restrictions on all of the Restricted Shares granted pursuant to this Agreement will expire and such shares shall become transferable and non-forfeitable upon the occurrence of a Change in Control of the Company at any time after the Date of Grant.

6. **Termination of Service and Forfeiture.** If your Service as a non-employee member of the Board of Directors is terminated for any reason, including your death or disability, then that portion, if any, of this Award for which restrictions have not lapsed as of the date of termination shall become null and void; provided, however, that the portion, if any, of this Award for which restrictions have lapsed as of the date of such termination shall survive such termination.

7. **Adjustment Provisions.** The terms of the Award and the number of Restricted Shares granted hereunder shall be subject to adjustment, from time to time, in accordance with the following provisions:

(a) If at any time or from time to time, the Corporation shall subdivide as a whole (by reclassification, by a Stock split, by the issuance of a distribution on Stock payable in Stock, or otherwise) the number of shares of Stock then outstanding become a greater number of shares of Stock, then the number of Restricted Shares granted under the Award shall be increased proportionately.

(b) If at any time or from time to time the Corporation shall consolidate as a whole (by reclassification, reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser number of shares of Stock, the number of Restricted Shares granted under the Award shall be decreased proportionately.

(c) Whenever the number of Restricted Shares subject to the Award is required to be adjusted as provided in this Paragraph 7 the Corporation shall, within thirty (30) days following such adjustment, prepare and give to you a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in the number of Restricted Shares subject to the Award after giving effect to the adjustment.

(d) Adjustments under Paragraphs 7(a) and (b) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding and conclusive. No fractional interest shall be issued on account of any such adjustments.

8. **Removal of Restrictions.** Following the expiration of the restrictions on the Restricted Shares as contemplated in Paragraph 5, subject to the requirements of Paragraphs 9 and 10, and upon receipt by the Corporation of any required tax withholding, you shall be entitled to have the restrictive legend on any stock certificate representing the Restricted Shares removed or any notice of restrictions or stop transfer instructions provided to the depository or transfer agent rescinded.

9. **Conditions to Delivery of Stock.** Nothing herein shall require the Corporation to deliver any stock with respect to the Award if that delivery would, in the reasonable determination of the Corporation, constitute a violation of applicable law, including the Securities Act, or the rules of any applicable securities exchange or securities association, as then in effect.

10. **Legends.** Any stock certificates representing Restricted Shares, when issued, shall bear appropriate legends with respect to the restrictions on transferability contained in this Agreement until the restrictions have expired as contemplated by Paragraph 5, and subject to the requirements of Paragraph 9. Additionally, such stock certificates shall also bear appropriate legends required under the Securities Act or company policies.

11. **Furnish Information.** You agree to furnish to the Corporation all information requested by the Corporation to enable it to comply with any reporting or other requirement imposed upon the Corporation by or under any applicable law.

12. **Remedies.** The Corporation shall be entitled to recover from you all costs, court costs, fees and expenses, including reasonable attorneys' fees, incurred in connection with the enforcement of the terms and provisions of this Agreement whether by an action to enforce specific-performance or for damages for its breach or otherwise.

13. **No Guarantee of Service.** Nothing contained in this Agreement shall confer upon you the right to continue as a member of the Board of Directors of the Corporation.

14. **No Liability for Good Faith Determinations.** The Corporation, the Committee and the members of the Board of Directors shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the Restricted Shares granted hereunder.

15. **Amendment.** The Award may be amended by the Board of Directors or by the Committee at any time (i) if the Board of Directors or the Committee determines, in its sole discretion, that amendment is necessary or advisable in light of any addition to or change in any federal or state, tax law or federal or state securities law or other law or regulation, which change occurs after the Date of Grant and by its terms applies to the Award; or (ii) other than in the circumstances described in clause (i) or provided in the Plan, with your consent.

16. **Execution of Receipts and Releases.** Any payment of cash or any issuance or transfer of shares of Stock or other property to you or to your legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such persons hereunder. The Corporation may require you or your legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as it shall determine.

17. **No Guarantee of Interests.** The Board of Directors and the Corporation do not guarantee the Stock of the Corporation from loss or depreciation.

18. **Corporation Records.** Records of the Corporation or its subsidiaries regarding your period of Service as a member of the Board of Directors, termination of Service and the reason therefor, leaves of absence, and other matters shall be conclusive for all purposes hereunder, unless determined by the Corporation or the Committee to be incorrect.

19. **Severability.** If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.

20. **Notices.**

(a) Whenever any notice is required or permitted hereunder, such notice must be in writing and personally delivered or sent by mail. Any such notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date on which it is personally delivered, or, whether actually received or not, on the third Business Day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has theretofore specified by written notice delivered in accordance herewith.

The Corporation and you agree that any notices shall be given to the Corporation or to you at the following address; provided that the Corporation or you may change, at any time and from time to time, by written notice to the other, the address which it or he or she had previously specified for receiving notices.

Corporation or Board of Directors:	Perficient, Inc. 555 Maryville Centre Dr., Suite 600 St Louis, MO 63141 Attn: Paul E. Martin, Chief Financial Officer
Holder:	At your current address as shown in the Corporation's records

(b) Any person entitled to notice hereunder may waive such notice.

21. **Successors and Assigns; Assignment; Intended Beneficiaries.** Neither this Agreement, nor any of your rights, powers, duties or obligations hereunder, may be assigned by you. This Agreement shall be binding upon and inure to the benefit of you and your heirs and legal representatives and the Corporation and its successors and assigns. Successors of the Corporation shall include, without limitation, any corporation or corporations acquiring, directly or indirectly, all or substantially all of the assets of the Corporation, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "the Corporation" for the purpose hereof. The Corporation shall have the right to assign this Agreement to an affiliate or in connection with the sale of all or a portion of its business or assets or otherwise by operation of law, and such assignment shall not in any way release you from any of your obligations under this Agreement, nor preclude or limit the Corporation's right to enforce the same.

22. **Headings.** The titles and headings of paragraphs are included for convenience of reference only and shall not affect the construction of the provisions hereof.

23. **Counterparts; Missouri Governing Law.** This Agreement may be executed in two counterpart copies, each of which may be executed by one of the parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon all of the parties hereto. This Agreement shall be governed by and construed and interpreted in accordance with the internal laws of the State of Missouri without reference to conflicts of law principles, or any rule or decision that would defer to the substantive laws of another jurisdiction.

24. **Word Usage.** Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Agreement dictates, the plural shall be read as the singular and the singular as the plural.

25. **Submission to Jurisdiction.** ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE EASTERN DISTRICT OF MISSOURI OR THE COURTS OF THE STATE OF MISSOURI LOCATED IN THE COUNTY OF ST. LOUIS, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer as of the Date of Grant first above written.

PERFICIENT, INC.

By: _____

Paul E. Martin
Chief Financial Officer

ACKNOWLEDGED AND AGREED:

[Non-employee director]

**RESTRICTED STOCK AWARD AND NON-COMPETITION AGREEMENT
(EMPLOYEE GRANT)**

To:

Date of Grant:

Number of Restricted Shares:

THIS RESTRICTED STOCK AWARD AND NON-COMPETITION AGREEMENT (this “**Agreement**”) is entered into between Perficient, Inc., a Delaware corporation (the “**Corporation**”), and _____ (“**Employee**”) effective the later of the date this Agreement is signed by the Corporation, and the date it is signed by Employee, as indicated below.

WITNESSETH:

WHEREAS, Employee is employed by the Corporation or a Subsidiary or desires to be employed by the Corporation or a Subsidiary and desires to have access to Confidential Information (defined below);

WHEREAS, pursuant to the Second Amended and Restated Perficient, Inc. 2012 Long Term Incentive Plan (the “**Plan**”), the Corporation has elected to grant Employee an opportunity to receive the aggregate number of Restricted Shares of the Corporation’s authorized Common Stock listed above (the “**Award**”), subject to the terms and conditions set forth in this Agreement and the Plan;

WHEREAS, Employee is willing and desires to receive the Award pursuant to and upon the terms and conditions set out in this Agreement and the Plan and acknowledges receipt of Confidential Information in consideration and exchange for Employee’s agreement to maintain confidentiality and not compete with the Corporation or its Subsidiaries as set out in this Agreement;

WHEREAS, a condition to Employee’s receipt of the Award, and Employee’s receipt of Confidential Information (which Employee acknowledges receiving), is Employee’s execution and delivery of this Agreement to the Corporation and in particular Employee’s agreement to comply with and abide by the restrictions on competition and solicitation of employees and customers set out in this Agreement;

NOW, THEREFORE, in consideration of the matters referenced above, and in order for Employee to receive the Award (and to induce the Corporation to grant the Award), and to receive access to Confidential Information, the parties agree as follows:

1. **Applicability of the Plan; Other Agreements.**

(a) This Award is granted pursuant to the Plan, a copy of which has been made available to Employee and shall be deemed a part of this Agreement as if fully set forth herein. If any provision of this Agreement (other than the provisions of Paragraphs 15-17) conflicts with the expressly applicable terms of the Plan, the provisions of the Plan shall control and, if necessary, the applicable provisions of this Agreement shall be deemed to be amended to comply with the terms of the Plan.

(b) This Agreement sets forth the terms of the agreement between Employee and the Corporation with respect to the Restricted Shares. By accepting this Agreement, Employee agrees to be bound by all of the terms hereof.

(c) This Agreement is in addition to and not in lieu of, and does not supersede, cancel or replace, any agreement regarding confidentiality, intellectual property, non-competition, or non-solicitation or non-recruitment of customers, consultants or employees previously or subsequently signed by Employee, which such agreements are intended to be cumulative obligations. Likewise, this Agreement does not alter or amend the terms of any agreement between the Corporation and Employee concerning employment (an “employment agreement”).

In case of any conflict between the terms of this Agreement and the terms of an employment agreement, except as is specifically contemplated by Paragraph 6 hereof, the terms of the employment agreement shall not operate to cancel, supersede or preclude the enforcement of the terms of this Agreement and this Agreement shall be enforceable independent of any such employment agreement. The terms of any such employment agreement shall be construed and enforced without reference to this Agreement unless the employment agreement references this Agreement specifically or generally.

2. **Definitions.** Capitalized terms used herein but not defined herein shall have the meanings set forth in the Plan. In addition to terms defined elsewhere in this Agreement, the following terms have the meanings set forth below:

(a) **“Board of Directors”** means the board of directors of the Corporation.

(b) **“Business Day”** means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Missouri are authorized or obligated by law or executive order to close.

(c) **“Committee”** means the Compensation Committee of the Board of Directors.

(d) **“Common Stock”** means the authorized common stock of the Corporation, par value \$0.001 per share, as described in the Corporation’s Certificate of Incorporation, as amended from time to time.

(e) **“Competing Business”** means any person or entity that offers, markets, provides or is demonstrably planning to offer, market or provide any Competitive Products or Services.

(f) **“Competitive Duties”** means duties on behalf of a Competing Business that relate to Competitive Products or Services in any way and: (i) are substantially similar to the duties the Employee performed or hereafter performed for the Corporation or its Subsidiaries; (ii) involve management (in any capacity), operation, advice or control of a Competing Business; (iii) are performed in the capacity of a director, officer, general partner, manager or executive of a Competing Business and relate to Competitive Products or Services; or (iv) involve the sale or marketing of any Competitive Products or Services.

(g) **“Competitive Products or Services”** means any products or services that are of a type or nature that are an alternative to, the same, as similar to any of the products or services being offered, sold, provided, marketed, or actively developed (as evidenced by internal company documents and records of the Corporation or its Subsidiaries) by the Corporation or any of its Subsidiaries as of the date hereof or as of the date of the termination of Employee’s employment with the Corporation or one of its Subsidiaries for any or no reason (or, if applicable, as of the time prior thereto when Employee seeks to engage in any activity prohibited by this Agreement).

(h) **“Confidentiality Agreement”** means the Corporation’s Confidentiality and Intellectual Property Assignment Agreement, Confidentiality, Restrictive Covenant and Inventions Agreement, or any successor agreements therefor.

(i) **“Covered Client”** means (i) any business partner, client or customer of the Corporation or a Subsidiary with whom Employee (or someone under Employee’s management) had contact (or learned Confidential Information about) (whether in person, by phone, by e-mail, or otherwise) as an employee of the Corporation or a Subsidiary during the last twelve (12) months of Employee’s employment (or, if applicable, as of the time prior thereto when Employee seeks to engage in any activity prohibited by this Agreement); and (ii) any of the Corporation’s clients or Prospective Clients about whom Employee had any Confidential Information during the last twelve (12) months of Employee’s employment (or, if applicable, as of the time prior thereto when Employee seeks to engage in any activity prohibited by this Agreement).

(j) **“Date of Grant”** means the date designated as such at the beginning of this Agreement.

(k) **“Fair Market Value”** means with respect to a share of Common Stock, the last reported sale price of such share on the date of determination, or on the most recent date on which such share is traded prior to that date, as reported on the NASDAQ Global Select Market.

(l) **“NASDAQ”** means the National Association of Securities Dealers Automated Quotations.

(m) **“Prospective Client”** means any identified person, entity, or business concern that, as of the date hereof or as of the date of the termination of Employee’s employment for any or no reason (or, if applicable, as of the time prior thereto when Employee seeks to engage in any activity prohibited by this Agreement): (i) the Corporation has spent time and resources courting or developing as a potential user of the Corporation’s or its Subsidiary’s Competitive Products or Services as evidenced by internal company documents and records (including e-mail); or (ii) has entered into specific discussions with the Corporation regarding the Corporation or any Subsidiary potentially providing its services or products to the person, entity, or business concern.

(n) **“Restricted Area”** means any metropolitan area or geographic market: (i) in which the Corporation or its Subsidiaries provided, offered to provide or marketed any products or services or conducted any portion of its business at any time during the later of the last two years or during the Employee’s employment with the Corporation or its Subsidiaries; and/or (ii) in which the Corporation and/or its Subsidiaries are conducting business, or providing or marketing any product or service or actively pursuing a material amount of business at any time during the later of the last two years or during the Employee’s employment with the Corporation and/or its Subsidiaries as evidenced by definite and demonstrable actions by the Corporation or any such Subsidiary with respect to the area (e.g., contacting Covered Clients or Prospective Clients to solicit material business opportunities, contacting suppliers or vendors regarding material business opportunities, actively conducting feasibility research of the area, etc.).

(o) **“Restricted Shares”** means the shares of Stock subject to the restrictions specified in Paragraph 5 of this Agreement.

(p) **“Service”** means Employee’s performance of services for the Corporation or a Subsidiary in the capacity of an Employee, a non-employee member of the Board of Directors or a consultant or independent advisor. If Employee is on bona-fide leave of absence under the Family and Medical Leave Act of 1993, as amended, Employee will still be considered to be in Service to the Corporation or its Subsidiary.

(q) **“Stock”** means Common Stock, or any other securities that are substituted for Common Stock as provided in this Agreement.

(r) **“Subsidiary”** means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. **Issuance of Restricted Shares.** Evidence of the issuance of the Restricted Shares pursuant to this Agreement may be accomplished in such manner as the Corporation or its authorized representatives shall deem appropriate, including, without limitation, electronic registration, book entry registration or issuance of a stock certificate or stock certificates in the name of the Employee. In the event the Restricted Shares are issued in book-entry form, the depository and the Corporation’s transfer agent shall be provided with appropriate notice referring to the terms, conditions and restrictions applicable to the Restricted Shares, together with such stop-transfer instructions as the Corporation deems appropriate. The Corporation may retain, at its option, the physical custody of any stock certificate representing any Restricted Shares, or require that such certificates be placed in escrow or trust, until all restrictions applicable thereto are removed or lapse. The Employee shall promptly surrender to the Corporation for cancellation any stock certificate representing Restricted Shares that have become forfeited.

4. **Stockholder Rights.** Employee will be entitled to all the rights of absolute ownership of the Restricted Shares upon issuance thereof, including the right to vote except that the Employee will not be entitled

to receive dividends or distributions with respect to any Restricted Shares other than dividends or distributions payable in shares of Stock pursuant to Paragraph 8. If any such dividends or distributions are paid in shares of Stock, such shares shall be subject to the same restrictions as the Restricted Shares with respect to which they are paid.

5. **Restrictions; Forfeiture.** The Restricted Shares are restricted in that they may not be sold, transferred or otherwise alienated or hypothecated until such restrictions are removed or expire as described in Paragraph 6 of this Agreement. The Restricted Shares are also restricted in the sense that they may be forfeited to the Corporation. If the Restricted Shares are forfeited as provided in this Agreement, the Restricted Shares shall be delivered to and/or revert to the Corporation for cancellation.

6. **Expiration of Restrictions and Risk of Forfeiture.** Except as otherwise provided in any employment agreement in effect between Employee and the Corporation, the restrictions on all of the Restricted Shares granted pursuant to this Agreement will expire and become transferable and non-forfeitable according to the schedule set forth in this Paragraph 6; provided, however, that such restrictions will expire on such dates only if Employee has been performing Service continuously since the Date of Grant through the applicable vesting date.

On Each of the Following Vesting Dates	Percentage of Restricted Shares Vesting
	33.33%
	33.33%
	33.34%

Notwithstanding the foregoing, in the event of the Employee's death, disability or termination of employment without cause, the Committee or its delegate may in its discretion provide for the lapse of the restrictions on all or part of the then unvested Restricted Shares as of the date of such death, disability or termination.

7. **Conditions, Termination of Employment and Forfeiture.**

(a) Except as otherwise provided in any employment agreement in effect between Employee and the Corporation or as otherwise determined by the Committee or its delegate pursuant to Paragraph 6, if Employee's Service as an employee is terminated for any reason, including Employee's death or disability, then that portion, if any, of this Award for which restrictions have not lapsed as of the date of termination shall become null and void; provided, however, that the portion, if any, of this Award for which restrictions have lapsed as of the date of such termination shall survive such termination.

(b) If at any time prior to the date on which the restrictions and risk of forfeiture on 100% of the Restricted Shares have lapsed, Employee does not have a current and properly executed Confidentiality Agreement on file with the Corporation, and Employee does not properly execute a Confidentiality Agreement and return the same to the Corporation within thirty (30) days after being notified by the Corporation of such failure, then the Corporation may, in its discretion and upon action of its President and Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, cause the portion of the Award for which restrictions have not lapsed to become null and void and such Restricted Shares shall be forfeited to the Corporation.

8. **Adjustment Provisions.** The terms of the Award and the number of Restricted Shares granted hereunder shall be subject to adjustment, from time to time, in accordance with the following provisions:

(a) If at any time or from time to time the Corporation shall subdivide as a whole (by reclassification, by a Stock split, by the issuance of a distribution on Stock payable in Stock or otherwise), the number of shares of Stock then outstanding become a greater number of shares of Stock, then the number of Restricted Shares granted under the Award shall be increased proportionately.

(b) If at any time or from time to time the Corporation shall consolidate as a whole (by reclassification, reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser

number of shares of Stock, the number of Restricted Shares granted under the Award shall be decreased proportionately.

(c) Whenever the number of Restricted Shares subject to the Award is required to be adjusted as provided in this Paragraph 8, the Corporation shall, within thirty (30) days following such adjustment, prepare and give to Employee a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in the number of Restricted Shares subject to the Award after giving effect to the adjustment.

(d) Adjustments under Paragraphs 8(a) and 8(b) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding and conclusive. No fractional interest shall be issued on account of any such adjustments.

9. **Removal of Restrictions.** Following the expiration of the restrictions on the Restricted Shares as contemplated in Paragraph 6, subject to the requirements of Paragraphs 7(b), 10 and 11, and upon receipt by the Corporation of any required tax withholding, the Employee or Employee's designee shall be entitled to have the restrictive legend on any stock certificate representing the Restricted Shares removed or any notice of restrictions or stop transfer instructions provided to the depository or transfer agent rescinded.

10. **Conditions to Delivery of Stock.** Nothing herein shall require the Corporation to deliver any Stock with respect to the Award if that delivery would, in the reasonable determination of the Corporation, constitute a violation of applicable law, including the securities laws, or the rules of any applicable securities exchange or securities association, as then in effect.

11. **Legends.** Any stock certificates representing Restricted Shares, when issued, shall bear appropriate legends with respect to the restrictions on transferability contained in this Agreement until the restrictions have expired as contemplated by Paragraph 6, and subject to the requirements of Paragraphs 7(b) and 10. Additionally, such stock certificates shall also bear appropriate legends required under the securities laws or company policies.

12. **Furnish Information.** Employee agrees to furnish to the Corporation all information requested by the Corporation to enable the Corporation to comply with any reporting or other requirement imposed upon the Corporation by or under any applicable law.

13. **Remedies.** If the Corporation incurs legal fees and other expenses to enforce this Agreement and/or seek redress for any violation, Employee promises and agrees to pay all costs, court costs, fees and expenses, including reasonable attorneys' fees, incurred by the Corporation to enforce this Agreement whether by an action to enforce specific performance or for damages for Employee's breach or otherwise and/or recover and collect damages for any violation, whether or not litigation is commenced. This is in addition to and not in lieu of any other remedies which the Corporation may have for any violation of this Agreement.

14. **Payment of Taxes.** The Corporation shall withhold amounts that the Corporation deems necessary to satisfy the Corporation's or its Subsidiary's current or future obligation to withhold federal, state or local income or other taxes that Employee incurs as a result of the Award (and may withhold such greater amount as is permissible under applicable tax, legal, accounting and other guidance). With respect to any such tax withholding on shares to be issued as a result of the Award, the Corporation shall withhold from the shares of Stock to be issued to Employee the number of shares necessary to satisfy the Corporation's obligation to withhold taxes, that determination to be based on the Fair Market Value of the shares of Stock at the time of such determination. Prior to the expiration and removal of the restrictions on the Restricted Shares, an Employee may elect in writing in accordance with the Company's policies and procedures either as an alternative to the above withholding mechanism or in the event that Shares will not be issued as a result of the Award, to pay withholding amounts by the delivery of (i) sufficient previously owned shares of Stock to satisfy the Corporation's tax withholding obligations, based on the Fair Market Value of the shares of Stock at the time of such determination; or (ii) sufficient cash to satisfy its tax withholding obligations. The Corporation may, at its sole option, deny Employee's request to satisfy

withholding obligations through the delivery of Stock instead of cash. In the event the Corporation subsequently determines that the aggregate Fair Market Value (as determined above) of any shares of Stock withheld as payment of any tax withholding obligation is insufficient to discharge that tax withholding obligation, Employee shall pay to the Corporation, immediately upon the Corporation's request, the amount of that deficiency.

15. **Disclosure of Trade Secrets and Other Proprietary Information; Restrictive Covenants.**

(a) Employee acknowledges that Employee is bound by and will continue to comply with the terms of the Confidentiality Agreement previously signed by Employee in favor of the Corporation notwithstanding any facts or events occurring prior to the date hereof. The terms of the Confidentiality Agreement are incorporated herein by reference. In the course and scope of employment with the Corporation or its Subsidiary, Employee will use and have access to Confidential Information (as defined below) belonging to the Corporation or its Subsidiaries above and beyond any Confidential Information previously received by Employee and will associate Employee with the goodwill of the Corporation and its Subsidiaries above and beyond any prior association of Employee with that goodwill. In return, Employee agrees at all times during the term of Employee's employment with the Corporation or its Subsidiary and thereafter not to directly or indirectly use or disclose (except as may be required for Employee to perform Employee's duties for the Corporation or its Subsidiary) any Confidential Information without the prior and specific written authorization of the Corporation, and not to use Employee's association with the Corporation's goodwill for the benefit of any person or entity other than the Corporation or its Subsidiaries. To enforce Employee's promises in this regard, Employee agrees to comply with the provisions of this Paragraph 15 and the provisions of the Confidentiality Agreement.

(b) Without in any way limiting the foregoing, the Corporation hereby makes a binding promise not conditioned upon continued employment to provide Employee with Confidential Information. "Confidential Information" means any and all proprietary information and materials, as well as all trade secrets, belonging to the Corporation, its affiliates, its customers, or other third parties who furnished such information, materials, and/or trade secrets to the Corporation with expectations of confidentiality. Confidential Information includes, without limitation, regardless of whether such information or material is explicitly identified or marked as confidential or proprietary: (i) Inventions and technical information of the Corporation, its affiliates, its customers or other third parties, including computer programs, software, databases, know-how, code, programming techniques, discoveries, inventions, designs, developments, improvements, copyrightable and patentable material, original works of authorship, and trade secrets; (ii) non-public business information of the Corporation, its affiliates or its customers or other third parties including business plans and strategies, compensation data, non-public financial results and information, non-public sales, marketing, sales volume and profitability data (including by office, business partner, or product), pricing, margins, costs, bidding and marketing strategies, information regarding the skills, compensation and contact information of employees and contractors of the Corporation or its Subsidiaries, and similar items; (iii) Corporation and Subsidiary customer lists and customer and prospect information (including sales volume, purchasing history, key contacts, needs, plans, requirements, expectations, and upcoming projects); (iv) information relating to future plans of the Corporation, its affiliates or customers, including marketing strategies, sales plans, pending projects and proposals, research and development efforts and strategies, and similar items; (v) other information of the Corporation, its affiliates, its customers or other third parties that grants an advantage over others in the industry by virtue of not being generally known. In return, Employee agrees to the terms of this Agreement and in particular the provisions of Paragraphs 15 and 16 of this Agreement.

(c) Employee will at all times during the term of Employee's employment with the Corporation and thereafter: (a) hold in strictest confidence and use Employee's best efforts and the utmost diligence to protect and safeguard the Confidential Information; and (b) not use, directly or indirectly (except as may be required for Employee to perform Employee's duties for the Corporation), or disclose to any person or entity any Confidential Information, without the prior and specific written authorization of the Corporation.

(d) Upon execution of this Agreement, the Corporation agrees to associate Employee with the goodwill of the Corporation as an Employee of the Corporation. Employee agrees not to use Employee's

association with the Corporation's goodwill for the benefit of any person or entity other than the Corporation and its Subsidiaries.

(e) So as to enforce Employee's promises regarding Confidential Information and the Corporation's goodwill and to protect the trade secrets, employee relationships, and customer relationships and contacts of the Corporation and its Subsidiaries, Employee agrees that Employee shall not during Employee's employment with the Corporation or one of its Subsidiaries, and for the twenty-four (24) month period immediately following the termination of Employee's Service for any or no reason (twelve (12) months in the case of paragraph (ii) below):

- (i) directly or indirectly: (A) solicit (or assist another in soliciting) any Covered Client or Prospective Client for Competitive Products or Services, or (B) provide (or assist another in providing) Competitive Products or Services to any Covered Client or Prospective Client;
- (ii) directly or indirectly: solicit, recruit, hire, or otherwise interfere with the employment or engagement of any employee, contractor, or consultant of the Corporation or any Subsidiary who was an employee, contractor or consultant of the Corporation or any Subsidiary during the last twelve (12) months of Employee's employment with the Corporation or any Subsidiary. In the event a court of competent jurisdiction determines that Employee violated this paragraph of the Agreement and the solicited, recruited or hired away employee, contractor, or consultant terminates his or her employment or engagement with the Corporation or any Subsidiary, the Corporation shall be entitled to liquidated damages from the Employee, but not as a penalty, an amount equal to fifty percent (50%) of the annual compensation or fees the Corporation or Subsidiary paid to the solicited, recruited or hired away employee, contractor or consultant in the twelve (12) months preceding the date on which the employee, contractor or consultant ended his or her relationship with the Corporation or Subsidiary.
- (iii) engage in a Competing Business anywhere within the Restricted Area;
- (iv) perform any Competitive Duties (as an employee, consultant or otherwise) anywhere within the Restricted Area for any Competing Business; or
- (v) fail to abide by and comply with the restrictions on the use and disclosure of Confidential Information and trade secrets contained herein or in any other agreement now or hereafter entered into by the Employee with or for the benefit of the Corporation and its Subsidiaries, including, but not limited to, the Confidentiality Agreement.

(f) For purposes of this Agreement: (a) "soliciting" a Covered Client or Prospective Client shall be defined as accepting business from a Covered Client or Prospective Client, or initiating or having contact or communication of any kind whatsoever, whether directly or indirectly and regardless of who made first contact, with the Covered Client or Prospective Client for the express or implicit purpose of inviting, encouraging or requesting the Covered Client or Prospective Client to transact business with Employee or the Employee's new employer; (b) "soliciting" a Corporation employee, contractor or consultant shall be defined as initiating or having contact or communication of any kind whatsoever, whether directly or indirectly and regardless of who made first contact, with the employee, contractor or consultant for the express or implicit purpose of inviting, encouraging or requesting the employee, contractor or consultant to terminate his or her business/employment relationship with the Corporation.

(g) For a period of twenty-four (24) months immediately following the termination of Employee's employment, Employee promises to disclose (within seven calendar days) to the Corporation in writing

any employment, consulting, or other service relationship Employee enters into after the termination of Employee's Service.

(h) As partial consideration for the granting of the Award hereunder, Employee hereby agrees to keep confidential the specifics of the Award (i.e., the number of Restricted Shares awarded and other non-public terms); except that the specifics may be disclosed in confidence to Employee's spouse, tax and financial advisors and to Employee's prospective employers in accordance with Paragraph 16(b).

(i) Notwithstanding any other language in this Agreement to the contrary, Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a Federal, state or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, in the event Employee files a lawsuit for retaliation by the Corporation for reporting a suspected violation of law, Employee may disclose the trade secret to the attorney of Employee and use the trade secret information in the court proceeding, if Employee: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

16. **Provisions Relating to the Restrictive Covenants.**

(a) Employee agrees that irreparable damage will result to the Corporation in the event of the breach of any covenant contained herein and Employee agrees that in the event of such breach, the Corporation shall be entitled, in addition to other legal or equitable remedies and damages available, to an injunction to restrain the violation of these covenants of confidentiality and non-disclosure by Employee and all other persons acting for or with Employee. The Corporation shall have the right to secure injunctive relief to enforce any breach or threatened breach of any provision of this Agreement, without the necessity or requiring any bond to be posted to obtain injunctive relief, and Employee waives any right to require that the Corporation post a bond in any amount to secure any such injunctive relief of a temporary or permanent nature.

(b) Employee acknowledges and agrees that the restrictions on competition contained herein are reasonable, do not impose a greater restraint than is necessary to protect the Confidential Information, goodwill, and other legitimate business interests of the Corporation, and are not unduly burdensome to Employee. Employee expressly acknowledges that the Corporation competes throughout North America (among other countries) and that the scope of these limitations is reasonable and necessary for the protection of the Corporation's Confidential Information, goodwill, and other legitimate business interests. Employee further agrees that these restrictions allow Employee an adequate number and variety of employment alternatives, based on Employee's varied skills and abilities. Employee represents that Employee is willing and able to engage in other employment not prohibited by this Agreement. Employee warrants that Employee is not violating any agreement to which Employee is a party, including agreements related to previous employment, containing confidentiality, non-compete or similar restrictive covenants by accepting employment with, or otherwise performing services for, the Corporation. Employee further warrants that Employee is not the employee of any other person or entity. Employee agrees to provide a copy of this Agreement to any subsequent prospective employer or user of Employee's services prior to Employee becoming employed or providing services. If Employee subsequently desires to pursue any opportunity prohibited by the terms of this Agreement, Employee agrees to make written request to the Corporation's most senior human resources officer for a modification of the restrictions contained in this Agreement prior to pursuing the opportunity, such request to include the name and address of the entity or business concern involved (if any) and the title, nature, and duties of the activity Employee wishes to pursue. In the event a court of competent jurisdiction determines that the geographic area, duration, or scope of any restriction contained herein is unenforceable under applicable law, the restriction shall not be terminated but shall be reformed and modified to such lesser degree or extent required to render it valid and enforceable as will grant the Corporation the maximum restriction on Employee's activities permitted by applicable law in such circumstances. Employee and the Corporation further agree that the court shall reform the duration of the restrictions contained herein by an amount of time equal to any period in which Employee is in breach of said restrictions.

(c) In the event the Employee violates any of the restrictions contained in Paragraph 15, the period of time during which the restriction is in effect shall automatically be extended for the period of time during which Employee was in violation of that provision.

(d) The restrictions set forth in Paragraph 15 continue in full force and effect whether Employee's Service terminates with or without cause by Employee or the Corporation, regardless of the reason why employment terminates, and whether there is any change in any terms or conditions of Employee's employment, any products or services offered or sold by the Corporation, any compensation arrangement, or benefits provided to Employee, or any position, duties or responsibilities held by Employee.

(e) In order to preserve the Corporation's rights under this Agreement, the Corporation is authorized and has the right to inform any person or business with whom Employee has entered into any business, contractual, consulting or employment arrangement, or is negotiating or has contracted to do so, of the existence of this Agreement, and the Corporation shall not be liable for doing so.

17. **Corporation Property.**

(a) Any inventions, discoveries, designs, developments, improvements, copyrightable and patentable material, or trade secrets that Employee solely or jointly may conceive, develop, author, reduce to practice or otherwise produce during Employee's employment with the Corporation or its Subsidiary, regardless of when reduced to writing or practice, which pertain to any aspect of the Corporation's or its Subsidiaries' business as described above (collectively herein "Inventions") shall be the sole and absolute property of the Corporation and its Subsidiaries, and Employee shall promptly report and fully disclose the same to the Corporation and promptly execute any and all documents that may from time to time reasonably be requested by the Corporation to assure the Corporation the full and complete ownership thereof.

(b) If an Invention constitutes an original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as videotapes, written presentations, computer programs, drawings, maps, models, manuals, brochures and the like), the Corporation shall be deemed the author of such work if the work is prepared by Employee in the scope of Employee's employment.

(c) If the work is not prepared by an Employee but is specifically ordered by the Corporation as, without limitation, a contribution to a collective work, a translation, a supplementary work, a derivative work, as a compilation, or as an instructional text, then such work shall be considered to be a work made for hire and the Corporation shall be the author of the work and the owner of the intangible rights of copyright therein. Additionally, all documents drawings, memoranda, notes records, files, correspondence, manuals, models, specifications, computer programs, E-mail, voice mail, electronic databases, maps, and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and/or copyrightable expressions are and shall be the sole and exclusive property of the Corporation.

(d) Employee waives and quitclaims to the Corporation any and all claims of any nature whatsoever that Employee now or hereafter may have for infringement of any patent application, patent, copyright, or other intellectual property right relating to any Inventions so assigned to the Corporation.

(e) Both during the period of Employee's employment by the Corporation or its Subsidiary and thereafter, Employee shall assist the Corporation or its nominees, at any time and for reasonable compensation, in the protection of the Corporation's and its Subsidiaries' worldwide right, title, and interest in and to information, ideas, concepts, improvements, discoveries, and inventions, and its copyrighted works, including without limitation, the execution of all formal assignment documents requested by the Corporation or its nominees and the execution of all lawful oaths and declarations for applications for patents and registration of copyright in the United States and foreign countries.

(f) Notwithstanding the foregoing, Employee's obligation to assign shall not apply to any Inventions about which the Employee can prove: (a) they were developed entirely on Employee's own time; (b)

no equipment, supplies, facility, services or trade secret information of the Corporation or its Subsidiaries was used in their development; (c) they do not relate (i) directly to the business of the Corporation or its Subsidiaries; or (ii) to the actual or demonstrably anticipated business, research or development of the Corporation or its Subsidiaries; and (d) they do not result from any work performed by Employee for the Corporation or its Subsidiaries (“Employee Inventions”). In order to be recognized by the Corporation, Employee Inventions must be agreed to by the signature of an authorized representative of the Corporation.

(g) The Corporation, as an active participant in the open source community, often uses open source community software source code in connection with work for the Corporation’s clients. The Corporation recognizes that the culture within the open source community often involves sharing code amongst the community, even with companies in direct competition with each other. Given this reality and notwithstanding any other provisions of this Agreement, Employee’s obligations within this Agreement to assign Inventions and developments to the Corporation shall not apply to open source software materials that are developed by Employee in the course of doing Corporation business. Employee is given permission to donate such open source software materials back to the open source community unless one or both of the following exceptions occur: (i) the open source software developed was developed for a customer who requests that the software not be shared; and/or (ii) the Corporation requests that the software not be shared. This special exception set forth in this paragraph may be withdrawn by the Corporation upon notice to Employee.

(h) Upon termination of this Agreement, or otherwise before then on request, Employee shall promptly return to the Corporation any computer-related hardware, documents or other materials in Employee’s possession containing any Confidential Information and all other property of the Corporation in Employee’s possession. Employee further represents and agrees that Employee will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Corporation. Employee additionally represents that, upon termination of Employee’s employment with the Corporation or otherwise before then upon request, Employee will not retain in Employee’s possession any such software, documents or other materials.

18. **Right of the Corporation and Subsidiary to Terminate Service.** Nothing contained in this Agreement shall confer upon Employee the right to continue in the employment or other Service of the Corporation or any Subsidiary, or interfere in any way with the rights of the Corporation or any Subsidiary to terminate Employee’s Service at any time.

19. **No Liability for Good Faith Determinations.** The Corporation, the Committee and the members of the Board of Directors shall not be liable for any act, omission or determination taken or made in good faith with respect to this Agreement or the Restricted Shares granted hereunder.

20. **Amendment.** The Award may be amended by the Board of Directors or by the Committee at any time (i) if the Board of Directors or the Committee determines, in its sole discretion, that amendment is necessary or advisable in light of any addition to or change in any federal or state tax law, federal or state securities law or other law or regulation, which change occurs after the Date of Grant and by its terms applies to the Award; or (ii) other than in the circumstances described in clause (i) or provided in the Plan, with Employee’s consent.

21. **Execution of Receipts and Releases.** Any payment of cash or any issuance or transfer of shares of Stock or other property to Employee or to Employee’s legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such persons hereunder. The Corporation may require Employee or Employee’s legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as the Corporation shall determine.

22. **No Guarantee of Interests.** The Board of Directors and the Corporation do not guarantee the Stock of the Corporation from loss or depreciation.

23. **Corporation Records.** Records of the Corporation or its Subsidiaries regarding Employee's period of employment or other Service, termination of Service and the reason therefor, leaves of absence, re-employment and other matters shall be conclusive for all purposes hereunder, unless determined by the Corporation or the Committee to be incorrect.

24. **Severability.** Except as is contemplated by Paragraph 16(b), if any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.

25. **Notices.**

(a) Whenever any notice is required or permitted hereunder, such notice must be in writing and personally delivered or sent by mail. Any such notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date on which it is personally delivered, or, whether actually received or not, on the third Business Day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has theretofore specified by written notice delivered in accordance herewith.

The Corporation and Employee agree that any notices shall be given to the Corporation or to Employee at the following address; provided that the Corporation or Employee may change, at any time and from time to time, by written notice to the other, the address which it or he or she had previously specified for receiving notices.

Corporation or Board of Directors:	Perficient, Inc. 555 Maryville University Drive, Suite 600 St. Louis, MO 63141 Attn: Paul E. Martin, Chief Financial Officer
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Holder:	At Employee's current address as shown below underneath Employee's signature, or if not so shown, then as shown in the Corporation's records
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(b) Any person entitled to notice hereunder may waive such notice.

26. **Headings.** The paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

27. **Successors and Assigns; Assignment; Intended Beneficiaries.** Neither this Agreement, nor any of Employee's rights, powers, duties or obligations hereunder, may be assigned by Employee. This Agreement shall be binding upon and inure to the benefit of Employee and Employee's heirs and legal representatives and the Corporation and its successors and assigns. Successors of the Corporation shall include, without limitation, any corporation or corporations acquiring, directly or indirectly, all or substantially all of the assets of the Corporation, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "the Corporation" for the purpose hereof. The Corporation shall have the right to assign this Agreement to an affiliate or in connection with the sale of all or a portion of its business or assets or otherwise by operation of law, and such assignment shall not in any way release Employee from any of Employee's obligations under this Agreement, nor preclude or limit the Corporation's right to enforce the same.

28. **No Waiver By Action.** Any waiver or consent from the Corporation respecting any term or provision of this Agreement or any other aspect of the Employee's conduct or employment shall be effective only in the specific instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Corporation at any time or times to require performance of, or to exercise any of its powers, rights or remedies with respect to, any term or provision

of this Agreement or any other aspect of the Employee's conduct or employment in no manner (except as otherwise expressly provided herein) shall affect the Corporation's right at a later time to enforce any such term or provision.

29. **Counterparts; Missouri Governing Law; Attorneys' Fees.** This Agreement may be executed in two counterpart copies, each of which may be executed by one of the parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon all of the parties hereto. This Agreement and all other aspects of the Employee's employment shall be governed by and construed and interpreted in accordance with the internal laws of the State of Missouri without reference to conflicts of law principles, or any rule or decision that would defer to the substantive laws of another jurisdiction. In the event a court of competent jurisdiction determines that the Employee breached this Agreement, including the covenants of confidentiality and non-disclosure contained in this Agreement, in any manner, the Corporation shall also be entitled to its reasonable costs and attorneys' fees associated with any legal or equitable action against the Employee relating to the Employee's breach of this Agreement, including a breach of the covenants of confidentiality and non-disclosure contained in this Agreement.

30. **Entire Agreement.** This Agreement is in addition to, and does not supersede or replace, the Confidentiality Agreement, any other award agreement or any other agreement between the Corporation and Employee, and this Agreement may be enforced on its own terms and, except as is contemplated by Paragraph 6 hereof, without in any manner being altered, amended, canceled, or superseded by any other such agreement. Likewise, any other such agreement may be enforced without reference to this Agreement unless such other agreement references this Agreement specifically or generally.

31. **Word Usage.** Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Agreement dictates, the plural shall be read as the singular and the singular as the plural.

32. **Submission to Jurisdiction.** ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE EASTERN DISTRICT OF MISSOURI OR THE COURTS OF THE STATE OF MISSOURI LOCATED IN THE COUNTY OF ST. LOUIS, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

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IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer as of the Date of Grant first above written.

PERFICIENT, INC.

By: _____
Paul E. Martin
Chief Financial Officer

ACKNOWLEDGED AND AGREED:

[Employee]

Date: _____

Address: _____

**RESTRICTED STOCK UNIT AWARD AND NON-COMPETITION AGREEMENT
(EMPLOYEE GRANT)**

To:

Date of Grant:

Number of Restricted Stock Units:

THIS RESTRICTED STOCK UNIT AWARD AND NON-COMPETITION AGREEMENT(this “**Agreement**”) is entered into between Perficient, Inc., a Delaware corporation (the “**Corporation**”), and _____ (“**Employee**”) effective the later of the date this Agreement is signed by the Corporation, and the date it is signed by Employee, as indicated below.

WITNESSETH:

WHEREAS, Employee is employed by the Corporation or a Subsidiary or desires to be employed by the Corporation or a Subsidiary and desires to have access to Confidential Information (defined below);

WHEREAS, pursuant to the Second Amended and Restated Perficient, Inc. 2012 Long Term Incentive Plan (the “**Plan**”), the Corporation has elected to grant Employee an opportunity to receive the aggregate number of Restricted Stock Units listed above (the “**Award**”), each representing the right to receive one share of the Corporation’s authorized Common Stock, par value \$0.001 per share, subject to the terms and conditions set forth in this Agreement and the Plan;

WHEREAS, Employee is willing and desires to receive the Award pursuant to and upon the terms and conditions set out in this Agreement and the Plan and acknowledges receipt of Confidential Information in consideration and exchange for Employee’s agreement to maintain confidentiality and not compete with the Corporation or its Subsidiaries as set out in this Agreement;

WHEREAS, a condition to Employee’s receipt of the Award, and Employee’s receipt of Confidential Information (which Employee acknowledges receiving), is Employee’s execution and delivery of this Agreement to the Corporation and in particular Employee’s agreement to comply with and abide by the restrictions on competition and solicitation of employees and customers set out in this Agreement;

NOW, THEREFORE, in consideration of the matters referenced above, and in order for Employee to receive the Award (and to induce the Corporation to grant the Award), and to receive access to Confidential Information, the parties agree as follows:

1. **Applicability of the Plan; Other Agreements.**

(a) This Award is granted pursuant to the Plan, a copy of which has been made available to Employee and shall be deemed a part of this Agreement as if fully set forth herein. If any provision of this Agreement (other than the provisions of Paragraphs 15-17) conflicts with the expressly applicable terms of the Plan, the provisions of the Plan shall control and, if necessary, the applicable provisions of this Agreement shall be deemed to be amended to comply with the terms of the Plan.

(b) This Agreement sets forth the terms of the agreement between Employee and the Corporation with respect to the Restricted Stock Units. By accepting this Agreement, Employee agrees to be bound by all of the terms hereof.

(c) This Agreement is in addition to and not in lieu of, and does not supersede, cancel or replace, any agreement regarding confidentiality, intellectual property, non-competition, or non-solicitation or non-recruitment of customers, consultants or employees previously or subsequently signed by Employee, which such agreements are intended to be cumulative obligations. Likewise, this Agreement does not alter or amend the

terms of any agreement between the Corporation and Employee concerning employment (an “employment agreement”). In case of any conflict between the terms of this Agreement and the terms of an employment agreement, except as is specifically contemplated by Paragraph 6 hereof, the terms of the employment agreement shall not operate to cancel, supersede or preclude the enforcement of the terms of this Agreement and this Agreement shall be enforceable independent of any such employment agreement. The terms of any such employment agreement shall be construed and enforced without reference to this Agreement unless the employment agreement references this Agreement specifically or generally.

2. **Definitions.** Capitalized terms used herein but not defined herein shall have the meanings set forth in the Plan. In addition to terms defined elsewhere in this Agreement, the following terms have the meanings set forth below:

(a) **“Board of Directors”** means the board of directors of the Corporation.

(b) **“Business Day”** means any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Missouri are authorized or obligated by law or executive order to close.

(c) **“Cash Settlement Election”** has the meaning set forth in Paragraph 9 of this Agreement.

(d) **“Committee”** means the Compensation Committee of the Board of Directors.

(e) **“Common Stock”** means the authorized common stock of the Corporation, par value \$0.001 per share, as described in the Corporation’s Certificate of Incorporation, as amended from time to time.

(f) **“Competing Business”** means any person or entity that offers, markets, provides or is demonstrably planning to offer, market or provide any Competitive Products or Services.

(g) **“Competitive Duties”** means duties on behalf of a Competing Business that relate to Competitive Products or Services in any way and: (i) are substantially similar to the duties the Employee performed or hereafter performed for the Corporation or its Subsidiaries; (ii) involve management (in any capacity), operation, advice or control of a Competing Business; (iii) are performed in the capacity of a director, officer, general partner, manager or executive of a Competing Business and relate to Competitive Products or Services; or (iv) involve the sale or marketing of any Competitive Products or Services.

(h) **“Competitive Products or Services”** means any products or services that are of a type or nature that are an alternative to, the same, as similar to any of the products or services being offered, sold, provided, marketed, or actively developed (as evidenced by internal company documents and records of the Corporation or its Subsidiaries) by the Corporation or any of its Subsidiaries as of the date hereof or as of the date of the termination of Employee’s employment with the Corporation or one of its Subsidiaries for any or no reason (or, if applicable, as of the time prior thereto when Employee seeks to engage in any activity prohibited by this Agreement).

(i) **“Confidentiality Agreement”** means the Corporation’s Confidentiality and Intellectual Property Assignment Agreement, Confidentiality, Restrictive Covenant and Inventions Agreement, or any successor agreements therefor.

(j) **“Covered Client”** means (i) any business partner, client or customer of the Corporation or a Subsidiary with whom Employee (or someone under Employee’s management) had contact (or learned Confidential Information about) (whether in person, by phone, by e-mail, or otherwise) as an employee of the Corporation or a Subsidiary during the last twelve (12) months of Employee’s employment (or, if applicable, as of the time prior thereto when Employee seeks to engage in any activity prohibited by this Agreement); and (ii) any of the Corporation’s clients or Prospective Clients about whom Employee had any Confidential Information during the last twelve (12) months of Employee’s employment (or, if applicable, as of the time prior thereto when Employee seeks to engage in any activity prohibited by this Agreement).

(k) **“Date of Grant”** means the date designated as such at the beginning of this Agreement.

(l) **“Fair Market Value”** means with respect to a share of Common Stock, the last reported sale price of such share on the date of determination, or on the most recent date on which such share is traded prior to that date, as reported on the NASDAQ Global Select Market.

(m) **“NASDAQ”** means the National Association of Securities Dealers Automated Quotations.

(n) **“Prospective Client”** means any identified person, entity, or business concern that, as of the date hereof or as of the date of the termination of Employee’s employment for any or no reason (or, if applicable, as of the time prior thereto when Employee seeks to engage in any activity prohibited by this Agreement): (i) the Corporation has spent time and resources courting or developing as a potential user of the Corporation’s or its Subsidiary’s Competitive Products or Services as evidenced by internal company documents and records (including e-mail); or (ii) has entered into specific discussions with the Corporation regarding the Corporation or any Subsidiary potentially providing its services or products to the person, entity, or business concern.

(o) **“Restricted Area”** means any metropolitan area or geographic market: (i) in which the Corporation or its Subsidiaries provided, offered to provide or marketed any products or services or conducted any portion of its business at any time during the later of the last two years or during the Employee’s employment with the Corporation or its Subsidiaries; and/or (ii) in which the Corporation and/or its Subsidiaries are conducting business, or providing or marketing any product or service or actively pursuing a material amount of business at any time during the later of the last two years or during the Employee’s employment with the Corporation and/or its Subsidiaries as evidenced by definite and demonstrable actions by the Corporation or any such Subsidiary with respect to the area (e.g., contacting Covered Clients or Prospective Clients to solicit material business opportunities, contacting suppliers or vendors regarding material business opportunities, actively conducting feasibility research of the area, etc.).

(p) **“Restricted Stock Unit”** means the obligation of the Corporation to transfer one share of Stock to Employee in accordance with the terms and conditions of this Agreement and the Plan, subject to the Corporation’s right to make a Cash Settlement Election.

(q) **“Service”** means Employee’s performance of services for the Corporation or a Subsidiary in the capacity of an Employee, a non-employee member of the Board of Directors or a consultant or independent advisor. If Employee is on bona-fide leave of absence under the Family and Medical Leave Act of 1993, as amended, Employee will still be considered to be in Service to the Corporation or its Subsidiary.

(r) **“Shares”** means the shares of Stock issued in respect of the Restricted Stock Units in accordance with the conditions specified in Paragraph 6 of this Agreement, subject to the Corporation’s right to make a Cash Settlement Election.

(s) **“Stock”** means Common Stock, or any other securities that are substituted for Common Stock as provided in this Agreement.

(t) **“Subsidiary”** means any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

3. **Issuance of Restricted Stock Units.** Subject to the Corporation’s right to make a Cash Settlement Election, evidence of the issuance of the Restricted Stock Units pursuant to this Agreement may be accomplished in such manner as the Corporation or its authorized representatives shall deem appropriate, including, without limitation, electronic registration or the creation of a bookkeeping account (as determined by the Corporation or its authorized representatives, a **“Restricted Stock Unit Account”**). Employee’s Restricted Stock Unit Account

shall be debited by the number of Restricted Stock Units, if any, forfeited in accordance with Paragraph 7 and by the number of Shares transferred to Employee in accordance with Paragraph 6 with respect to such Restricted Stock Units or settled in cash pursuant to the Cash Settlement Election. Employee's Restricted Stock Unit Account also shall be adjusted from time to time in accordance with Paragraph 8.

4. **Stockholder Rights.** Until receipt of the Shares in accordance with Paragraph 6 of this Agreement, and subject to the Corporation's right to make a Cash Settlement Election, Employee will not be entitled to the rights of a stockholder, including the right to vote or receive dividends or distributions with respect to any Restricted Stock Units other than dividends or distributions payable in shares of Stock pursuant to Paragraph 8. If any such dividends or distributions are paid in shares of Stock, such shares shall be subject to the same restrictions as the Restricted Stock Units with respect to which they are paid.

5. **Restrictions; Forfeiture.** The Restricted Stock Units awarded hereunder may not be sold, transferred or otherwise alienated or hypothecated. The Restricted Stock Units awarded hereunder may be forfeited. If the Restricted Stock Units are forfeited as provided in this Agreement, they shall be cancelled by the Corporation.

6. **Vesting of Restricted Stock Units.** Except as otherwise provided in any employment agreement in effect between Employee and the Corporation, the Restricted Stock Units granted pursuant to this Agreement will vest according to the schedule set forth in this Paragraph 6; provided, however, that such vesting will occur on such dates only if Employee has been performing Service continuously since the Date of Grant through the applicable vesting date.

On Each of the Following Vesting Dates	Percentage of Restricted Shares Vesting
	33.33%
	33.33%
	33.34%

Notwithstanding the foregoing, in the event of the Employee's death, disability or termination of employment without cause, the Committee or its delegate may determine in its discretion to vest all or part of the Restricted Stock Units for which vesting has not occurred as of the date of such death, disability or termination.

Subject to the Corporation's right to make a Cash Settlement Election, the Corporation shall cause that number of Shares equal to the number of Restricted Stock Units vesting as of such date to be transferred to Employee in accordance with Paragraph 9 of this Agreement.

7. **Conditions, Termination of Employment and Forfeiture.**

(a) Except as otherwise provided in any employment agreement in effect between Employee and the Corporation or as otherwise provided by the Committee or its delegate pursuant to Paragraph 6, if Employee's Service as an employee is terminated for any reason, including Employee's death or disability, then that portion, if any, of this Award for which vesting has not occurred in accordance with Paragraph 6 as of the date of termination shall become null and void; provided, however, that the portion, if any, of this Award that has vested as of the date of such termination shall survive such termination.

(b) If at any time prior to the date on which 100% of the Restricted Stock Units have vested, Employee does not have a current and properly executed Confidentiality Agreement on file with the Corporation, and Employee does not properly execute a Confidentiality Agreement and return the same to the Corporation within thirty (30) days after being notified by the Corporation of such failure, then the Corporation may, in its discretion and upon action of its President and Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, cause the portion of the Restricted Stock Units not yet vested to become null and void and such Restricted Stock Units shall be forfeited.

8. **Adjustment Provisions.** The terms of the Award and the number of Restricted Stock Units granted hereunder shall be subject to adjustment, from time to time, in accordance with the following provisions:

(a) If at any time or from time to time the Corporation shall subdivide as a whole (by reclassification, by a Stock split, by the issuance of a distribution on Stock payable in Stock or otherwise), the number of shares of Stock then outstanding become a greater number of shares of Stock, then the number of Restricted Stock Units granted under the Award shall be increased proportionately.

(b) If at any time or from time to time the Corporation shall consolidate as a whole (by reclassification, reverse Stock split, or otherwise) the number of shares of Stock then outstanding into a lesser number of shares of Stock, the number of Restricted Stock Units granted under the Award shall be decreased proportionately.

(c) Whenever the number of Restricted Stock Units subject to the Award is required to be adjusted as provided in this Paragraph 8, the Corporation shall, within thirty (30) days following such adjustment, prepare and give to Employee a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in the number of Restricted Stock Units subject to the Award after giving effect to the adjustment.

(d) Adjustments under Paragraphs 8(a) and 8(b) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding and conclusive. No fractional interest shall be issued on account of any such adjustments.

9. **Delivery of Certificates of Stock; Cash Settlement Election.** As promptly as administratively feasible following the vesting of the Restricted Stock Units as provided in Paragraph 6, and subject to the requirements of Paragraphs 7(b), 10 and 11, the Corporation shall cause to be issued and delivered to Employee or Employee's designee a certificate representing the number of Shares issuable upon vesting of the Restricted Stock Units which have vested; provided, however, actual distribution of Shares with respect to vested Restricted Stock Units shall occur not later than (a) the end of the calendar year in which the vesting date occurs and (b) the fifteenth day of the third calendar month following the vesting date; and provided further that Employee is not permitted to designate the taxable year of the payment. The Corporation shall not be obligated to transfer any Shares until the Employee pays any required tax withholding in the manner provided in Paragraph 14.

Notwithstanding anything set forth in this Agreement to the contrary, the Corporation may, in its sole discretion, elect with respect to each tranche of Restricted Stock Units which vests hereunder, to settle the issuance of Shares required by Paragraph 6 in cash instead of in Shares (the "**Cash Settlement Election**"). Upon the Corporation's determination to pursue a Cash Settlement Election, the Employee shall receive, instead of the Shares otherwise issuable upon vesting of the Restricted Stock Units, a cash payment in the amount determined by multiplying (i) the number of Restricted Stock Units vesting pursuant to Paragraph 6 by (ii) the Fair Market Value on the vesting date. This cash amount shall be paid to the Employee as soon as practicable following the time such units become vested in accordance with Paragraph 6 but in no event later than 60 days following such vesting, provided, however, that Employee is not permitted to designate the taxable year of the payment. Payment shall be subject to withholding for taxes.

10. **Conditions to Delivery of Stock.** Nothing herein shall require the Corporation to issue any Stock with respect to the Award if that issuance would, in the reasonable determination of the Corporation, constitute a violation of applicable law, including the securities laws, the rules of any applicable securities exchange or securities association, as then in effect.

11. **Legends.** Any stock certificates representing Shares, when issued, shall bear appropriate legends required under the securities laws, company policies or pursuant to this Agreement.

12. **Furnish Information.** Employee agrees to furnish to the Corporation all information requested by the Corporation to enable the Corporation to comply with any reporting or other requirement imposed upon the Corporation by or under any applicable law.

13. **Remedies.** If the Corporation incurs legal fees and other expenses to enforce this Agreement and/or seek redress for any violation, Employee promises and agrees to pay all costs, court costs, fees and expenses, including reasonable attorneys' fees, incurred by the Corporation to enforce this Agreement whether by an action to enforce specific performance or for damages for Employee's breach or otherwise and/or recover and collect damages for any violation, whether or not litigation is commenced. This is in addition to and not in lieu of any other remedies which the Corporation may have for any violation of this Agreement.

14. **Payment of Taxes.** The Corporation shall withhold amounts that the Corporation deems necessary to satisfy the Corporation's or its Subsidiary's current or future obligation to withhold federal, state or local income or other taxes that Employee incurs as a result of the Award (and may withhold such greater amount as is permissible under applicable tax, legal, accounting and other guidance). With respect to any such tax withholding on Shares to be issued as a result of the Award, the Corporation shall withhold from the Shares of Stock to be issued to Employee the number of Shares necessary to satisfy the Corporation's obligation to withhold taxes, that determination to be based on the Fair Market Value of the Shares at the time of such determination. Prior to the issuance of the Shares, an Employee may elect in writing in accordance with the Company's policies and procedures either as an alternative to the above withholding mechanism or in the event that Shares will not be issued as a result of the Award, to pay withholding amounts by the delivery of (i) sufficient previously owned shares of Stock to satisfy the Corporation's tax withholding obligations, based on the Fair Market Value of the shares of Stock at the time of such determination; or (ii) sufficient cash to satisfy its tax withholding obligations. The Corporation may, at its sole option, deny Employee's request to satisfy withholding obligations through the delivery of Stock instead of cash. In the event the Corporation subsequently determines that the aggregate Fair Market Value (as determined above) of any Shares withheld as payment of any tax withholding obligation is insufficient to discharge that tax withholding obligation, Employee shall pay to the Corporation, immediately upon the Corporation's request, the amount of that deficiency.

15. **Disclosure of Trade Secrets and Other Proprietary Information; Restrictive Covenants.**

(a) Employee acknowledges that Employee is bound by and will continue to comply with the terms of the Confidentiality Agreement previously signed by Employee in favor of the Corporation notwithstanding any facts or events occurring prior to the date hereof. The terms of the Confidentiality Agreement are incorporated herein by reference. In the course and scope of employment with the Corporation or its Subsidiary, Employee will use and have access to Confidential Information (as defined below) belonging to the Corporation or its Subsidiaries above and beyond any Confidential Information previously received by Employee and will associate Employee with the goodwill of the Corporation and its Subsidiaries above and beyond any prior association of Employee with that goodwill. In return, Employee agrees at all times during the term of Employee's employment with the Corporation or its Subsidiary and thereafter not to directly or indirectly use or disclose (except as may be required for Employee to perform Employee's duties for the Corporation or its Subsidiary) any Confidential Information without the prior and specific written authorization of the Corporation, and not to use Employee's association with the Corporation's goodwill for the benefit of any person or entity other than the Corporation or its Subsidiaries. To enforce Employee's promises in this regard, Employee agrees to comply with the provisions of this Paragraph 15 and the provisions of the Confidentiality Agreement.

(b) Without in any way limiting the foregoing, the Corporation hereby makes a binding promise not conditioned upon continued employment to provide Employee with Confidential Information. "**Confidential Information**" means any and all proprietary information and materials, as well as all trade secrets, belonging to the Corporation, its affiliates, its customers, or other third parties who furnished such information, materials, and/or trade secrets to the Corporation with expectations of confidentiality. Confidential Information includes, without limitation, regardless of whether such information or material is explicitly identified or marked as confidential or proprietary: (i) Inventions and technical information of the Corporation, its affiliates, its customers or other third parties, including computer programs, software, databases, know-how, code,

programming techniques, discoveries, inventions, designs, developments, improvements, copyrightable and patentable material, original works of authorship, and trade secrets; (ii) non-public business information of the Corporation, its affiliates or its customers or other third parties including business plans and strategies, compensation data, non-public financial results and information, non-public sales, marketing, sales volume and profitability data (including by office, business partner, or product), pricing, margins, costs, bidding and marketing strategies, information regarding the skills, compensation and contact information of employees and contractors of the Corporation or its Subsidiaries, and similar items; (iii) Corporation and Subsidiary customer lists and customer and prospect information (including sales volume, purchasing history, key contacts, needs, plans, requirements, expectations, and upcoming projects); (iv) information relating to future plans of the Corporation, its affiliates or customers, including marketing strategies, sales plans, pending projects and proposals, research and development efforts and strategies, and similar items; (v) other information of the Corporation, its affiliates, its customers or other third parties that grants an advantage over others in the industry by virtue of not being generally known. In return, Employee agrees to the terms of this Agreement and in particular the provisions of Paragraphs 15 and 16 of this Agreement.

(c) Employee will at all times during the term of Employee's employment with the Corporation and thereafter: (a) hold in strictest confidence and use Employee's best efforts and the utmost diligence to protect and safeguard the Confidential Information; and (b) not use, directly or indirectly (except as may be required for Employee to perform Employee's duties for the Corporation), or disclose to any person or entity any Confidential Information, without the prior and specific written authorization of the Corporation.

(d) Upon execution of this Agreement, the Corporation agrees to associate Employee with the goodwill of the Corporation as an Employee of the Corporation. Employee agrees not to use Employee's association with the Corporation's goodwill for the benefit of any person or entity other than the Corporation and its Subsidiaries.

(e) So as to enforce Employee's promises regarding Confidential Information and the Corporation's goodwill and to protect the trade secrets, employee relationships, and customer relationships and contacts of the Corporation and its Subsidiaries, Employee agrees that Employee shall not during Employee's employment with the Corporation or one of its Subsidiaries, and for the twenty-four (24) month period immediately following the termination of Employee's Service for any or no reason (twelve (12) months in the case of paragraph (ii) below):

(i) directly or indirectly: (A) solicit (or assist another in soliciting) any Covered Client or Prospective Client for Competitive Products or Services, or (B) provide (or assist another in providing) Competitive Products or Services to any Covered Client or Prospective Client;

(ii) directly or indirectly: solicit, recruit, hire, or otherwise interfere with the employment or engagement of any employee, contractor, or consultant of the Corporation or any Subsidiary who was an employee, contractor or consultant of the Corporation or any Subsidiary during the last twelve (12) months of Employee's employment with the Corporation or any Subsidiary. In the event a court of competent jurisdiction determines that Employee violated this paragraph of the Agreement and the solicited, recruited or hired away employee, contractor, or consultant terminates his or her employment or engagement with the Corporation or any Subsidiary, the Corporation shall be entitled to liquidated damages from the Employee, but not as a penalty, an amount equal to fifty percent (50%) of the annual compensation or fees the Corporation or Subsidiary paid to the solicited, recruited or hired away employee, contractor or consultant in the twelve (12) months preceding the date on which the employee, contractor or consultant ended his or her relationship with the Corporation or Subsidiary.

(iii) engage in a Competing Business anywhere within the Restricted Area;

(iv) perform any Competitive Duties (as an employee, consultant or otherwise) anywhere within the Restricted Area for any Competing Business; or

(v) fail to abide by and comply with the restrictions on the use and disclosure of Confidential Information and trade secrets contained herein or in any other agreement now or hereafter entered into by the Employee with or for the benefit of the Corporation and its Subsidiaries, including, but not limited to, the Confidentiality Agreement.

(f) For purposes of this Agreement: (a) "soliciting" a Covered Client or Prospective Client shall be defined as accepting business from a Covered Client or Prospective Client, or initiating or having contact or communication of any kind whatsoever, whether directly or indirectly and regardless of who made first contact, with the Covered Client or Prospective Client for the express or implicit purpose of inviting, encouraging or requesting the Covered Client or Prospective Client to transact business with Employee or the Employee's new employer; (b) "soliciting" a Corporation employee, contractor or consultant shall be defined as initiating or having contact or communication of any kind whatsoever, whether directly or indirectly and regardless of who made first contact, with the employee, contractor or consultant for the express or implicit purpose of inviting, encouraging or requesting the employee, contractor or consultant to terminate his or her business/employment relationship with the Corporation.

(g) For a period of twenty-four (24) months immediately following the termination of Employee's employment, Employee promises to disclose (within seven calendar days) to the Corporation in writing any employment, consulting, or other service relationship Employee enters into after the termination of Employee's Service.

(h) As partial consideration for the granting of the Award hereunder, Employee hereby agrees to keep confidential the specifics of the Award (i.e., the number of Restricted Stock Units awarded and other non-public terms); except that the specifics may be disclosed in confidence to Employee's spouse, tax and financial advisors and to Employee's prospective employers in accordance with Paragraph 16(b).

(i) Notwithstanding any other language in this Agreement to the contrary, Employee shall not be held criminally or civilly liable under any applicable trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to any applicable government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, in the event Employee files a lawsuit for retaliation by the Corporation for reporting a suspected violation of law, Employee may disclose the trade secret to the attorney of Employee and use the trade secret information in the court proceeding, if Employee: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

16. **Provisions Relating to the Restrictive Covenants.**

(a) Employee agrees that irreparable damage will result to the Corporation in the event of the breach of any covenant contained herein and Employee agrees that in the event of such breach, the Corporation shall be entitled, in addition to other legal or equitable remedies and damages available, to an injunction to restrain the violation of these covenants of confidentiality and non-disclosure by Employee and all other persons acting for or with Employee. The Corporation shall have the right to secure injunctive relief to enforce any breach or threatened breach of any provision of this Agreement, without the necessity or requiring any bond to be posted to obtain injunctive relief, and Employee waives any right to require that the Corporation post a bond in any amount to secure any such injunctive relief of a temporary or permanent nature.

(b) Employee acknowledges and agrees that the restrictions on competition contained herein are reasonable, do not impose a greater restraint than is necessary to protect the Confidential Information, goodwill, and other legitimate business interests of the Corporation, and are not unduly burdensome to Employee. Employee expressly acknowledges that the Corporation competes throughout North America (among other countries) and that the scope of these limitations is reasonable and necessary for the protection of the Corporation's Confidential Information, goodwill, and other legitimate business interests. Employee further agrees that these restrictions allow Employee an adequate number and variety of employment alternatives, based on Employee's varied skills

and abilities. Employee represents that Employee is willing and able to engage in other employment not prohibited by this Agreement. Employee warrants that Employee is not violating any agreement to which Employee is a party, including agreements related to previous employment, containing confidentiality, non-compete or similar restrictive covenants by accepting employment with, or otherwise performing services for, the Corporation. Employee further warrants that Employee is not the employee of any other person or entity. Employee agrees to provide a copy of this Agreement to any subsequent prospective employer or user of Employee's services prior to Employee becoming employed or providing services. If Employee subsequently desires to pursue any opportunity prohibited by the terms of this Agreement, Employee agrees to make written request to the Corporation's most senior human resources officer for a modification of the restrictions contained in this Agreement prior to pursuing the opportunity, such request to include the name and address of the entity or business concern involved (if any) and the title, nature, and duties of the activity Employee wishes to pursue. In the event a court of competent jurisdiction determines that the geographic area, duration, or scope of any restriction contained herein is unenforceable under applicable law, the restriction shall not be terminated but shall be reformed and modified to such lesser degree or extent required to render it valid and enforceable as will grant the Corporation the maximum restriction on Employee's activities permitted by applicable law in such circumstances. Employee and the Corporation further agree that the court shall reform the duration of the restrictions contained herein by an amount of time equal to any period in which Employee is in breach of said restrictions.

(c) In the event the Employee violates any of the restrictions contained in Paragraph 15, the period of time during which the restriction is in effect shall automatically be extended for the period of time during which Employee was in violation of that provision.

(d) The restrictions set forth in Paragraph 15 continue in full force and effect whether Employee's Service terminates with or without cause by Employee or the Corporation, regardless of the reason why employment terminates, and whether there is any change in any terms or conditions of Employee's employment, any products or services offered or sold by the Corporation, any compensation arrangement, or benefits provided to Employee, or any position, duties or responsibilities held by Employee.

(e) In order to preserve the Corporation's rights under this Agreement, the Corporation is authorized and has the right to inform any person or business with whom Employee has entered into any business, contractual, consulting or employment arrangement, or is negotiating or has contracted to do so, of the existence of this Agreement, and the Corporation shall not be liable for doing so.

17. **Corporation Property.**

(a) Any inventions, discoveries, designs, developments, improvements, copyrightable and patentable material, or trade secrets that Employee solely or jointly may conceive, develop, author, reduce to practice or otherwise produce during Employee's employment with the Corporation or its Subsidiary, regardless of when reduced to writing or practice, which pertain to any aspect of the Corporation's or its Subsidiaries' business as described above (collectively herein "**Inventions**") shall be the sole and absolute property of the Corporation and its Subsidiaries, and Employee shall promptly report and fully disclose the same to the Corporation and promptly execute any and all documents that may from time to time reasonably be requested by the Corporation to assure the Corporation the full and complete ownership thereof.

(b) If an Invention constitutes an original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as videotapes, written presentations, computer programs, drawings, maps, models, manuals, brochures and the like), the Corporation shall be deemed the author of such work if the work is prepared by Employee in the scope of Employee's employment.

(c) If the work is not prepared by an Employee but is specifically ordered by the Corporation as, without limitation, a contribution to a collective work, a translation, a supplementary work, a derivative work, as a compilation, or as an instructional text, then such work shall be considered to be a work made for hire and the Corporation shall be the author of the work and the owner of the intangible rights of copyright therein. Additionally, all documents drawings, memoranda, notes records, files, correspondence, manuals, models,

specifications, computer programs, E-mail, voice mail, electronic databases, maps, and all other writings or materials of any type embodying any of such information, ideas, concepts, improvements, discoveries, inventions and/or copyrightable expressions are and shall be the sole and exclusive property of the Corporation.

(d) Employee waives and quitclaims to the Corporation any and all claims of any nature whatsoever that Employee now or hereafter may have for infringement of any patent application, patent, copyright, or other intellectual property right relating to any Inventions so assigned to the Corporation.

(e) Both during the period of Employee's employment by the Corporation or its Subsidiary and thereafter, Employee shall assist the Corporation or its nominees, at any time and for reasonable compensation, in the protection of the Corporation's and its Subsidiaries' worldwide right, title, and interest in and to information, ideas, concepts, improvements, discoveries, and inventions, and its copyrighted works, including without limitation, the execution of all formal assignment documents requested by the Corporation or its nominees and the execution of all lawful oaths and declarations for applications for patents and registration of copyright in the United States and foreign countries.

(f) Notwithstanding the foregoing, Employee's obligation to assign shall not apply to any Inventions about which the Employee can prove: (a) they were developed entirely on Employee's own time; (b) no equipment, supplies, facility, services or trade secret information of the Corporation or its Subsidiaries was used in their development; (c) they do not relate (i) directly to the business of the Corporation or its Subsidiaries; or (ii) to the actual or demonstrably anticipated business, research or development of the Corporation or its Subsidiaries; and (d) they do not result from any work performed by Employee for the Corporation or its Subsidiaries ("**Employee Inventions**"). In order to be recognized by the Corporation, Employee Inventions must be agreed to by the signature of an authorized representative of the Corporation.

(g) The Corporation, as an active participant in the open source community, often uses open source community software source code in connection with work for the Corporation's clients. The Corporation recognizes that the culture within the open source community often involves sharing code amongst the community, even with companies in direct competition with each other. Given this reality and notwithstanding any other provisions of this Agreement, Employee's obligations within this Agreement to assign Inventions and developments to the Corporation shall not apply to open source software materials that are developed by Employee in the course of doing Corporation business. Employee is given permission to donate such open source software materials back to the open source community unless one or both of the following exceptions occur: (i) the open source software developed was developed for a customer who requests that the software not be shared; and/or (ii) the Corporation requests that the software not be shared. This special exception set forth in this paragraph may be withdrawn by the Corporation upon notice to Employee.

(h) Upon termination of this Agreement, or otherwise before then on request, Employee shall promptly return to the Corporation any computer-related hardware, documents or other materials in Employee's possession containing any Confidential Information and all other property of the Corporation in Employee's possession. Employee further represents and agrees that Employee will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Corporation. Employee additionally represents that, upon termination of Employee's employment with the Corporation or otherwise before then upon request, Employee will not retain in Employee's possession any such software, documents or other materials.

18. **Right of the Corporation and Subsidiary to Terminate Service.** Nothing contained in this Agreement shall confer upon Employee the right to continue in the employment or other Service of the Corporation or any Subsidiary, or interfere in any way with the rights of the Corporation or any Subsidiary to terminate Employee's Service at any time.

19. **No Liability for Good Faith Determinations.** The Corporation, the Committee and the members of the Board of Directors shall not be liable for any act, omission or determination taken or made in good faith

with respect to this Agreement, the Restricted Stock Units (or the Shares issuable pursuant thereto) granted hereunder or any Cash Settlement Election.

20. **Amendment.** The Award may be amended by the Board of Directors or by the Committee at any time (i) if the Board of Directors or the Committee determines, in its sole discretion, that amendment is necessary or advisable in light of any addition to or change in any federal or state tax law, federal or state securities law or other law or regulation, which change occurs after the Date of Grant and by its terms applies to the Award; or (ii) other than in the circumstances described in clause (i) or provided in the Plan, with Employee's consent.

21. **Execution of Receipts and Releases.** Any payment of cash or any issuance or transfer of Shares or other property to Employee or to Employee's legal representative, heir, legatee or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such persons hereunder. The Corporation may require Employee or Employee's legal representative, heir, legatee or distributee, as a condition precedent to such payment or issuance, to execute a release and receipt therefor in such form as the Corporation shall determine.

22. **No Guarantee of Interests.** The Board of Directors and the Corporation do not guarantee the Stock of the Corporation from loss or depreciation.

23. **Corporation Records.** Records of the Corporation or its Subsidiaries regarding Employee's period of employment or other Service, termination of Service and the reason therefor, leaves of absence, re-employment and other matters shall be conclusive for all purposes hereunder, unless determined by the Corporation or the Committee to be incorrect.

24. **Severability.** Except as is contemplated by Paragraph 16(b), if any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.

25. **Notices.**

(a) Whenever any notice is required or permitted hereunder, such notice must be in writing and personally delivered or sent by mail. Any such notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date on which it is personally delivered, or, whether actually received or not, on the third Business Day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has theretofore specified by written notice delivered in accordance herewith.

The Corporation and Employee agree that any notices shall be given to the Corporation or to Employee at the following address; provided that the Corporation or Employee may change, at any time and from time to time, by written notice to the other, the address which it or he or she had previously specified for receiving notices.

Corporation or Board of Directors: Perficient, Inc.
555 Maryville University Drive, Suite 600
St. Louis, MO 63141
Attn: Paul E. Martin, Chief Financial Officer

Holder: At Employee's current address as shown below
underneath Employee's signature, or if not so shown,
then as shown in the Corporation's records

(b) Any person entitled to notice hereunder may waive such notice.

26. **Headings.** The paragraph headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

27. **Successors and Assigns; Assignment; Intended Beneficiaries.** Neither this Agreement, nor any of Employee's rights, powers, duties or obligations hereunder, may be assigned by Employee. This Agreement shall be binding upon and inure to the benefit of Employee and Employee's heirs and legal representatives and the Corporation and its successors and assigns. Successors of the Corporation shall include, without limitation, any corporation or corporations acquiring, directly or indirectly, all or substantially all of the assets of the Corporation, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "the Corporation" for the purpose hereof. The Corporation shall have the right to assign this Agreement to an affiliate or in connection with the sale of all or a portion of its business or assets or otherwise by operation of law, and such assignment shall not in any way release Employee from any of Employee's obligations under this Agreement, nor preclude or limit the Corporation's right to enforce the same.

28. **No Waiver By Action.** Any waiver or consent from the Corporation respecting any term or provision of this Agreement or any other aspect of the Employee's conduct or employment shall be effective only in the specific instance and for the specific purpose for which given and shall not be deemed, regardless of frequency given, to be a further or continuing waiver or consent. The failure or delay of the Corporation at any time or times to require performance of, or to exercise any of its powers, rights or remedies with respect to, any term or provision of this Agreement or any other aspect of the Employee's conduct or employment in no manner (except as otherwise expressly provided herein) shall affect the Corporation's right at a later time to enforce any such term or provision.

29. **Counterparts; Missouri Governing Law; Attorneys' Fees.** This Agreement may be executed in two counterpart copies, each of which may be executed by one of the parties hereto, but all of which, when taken together, shall constitute a single agreement binding upon all of the parties hereto. This Agreement and all other aspects of the Employee's employment shall be governed by and construed and interpreted in accordance with the internal laws of the State of Missouri without reference to conflicts of law principles, or any rule or decision that would defer to the substantive laws of another jurisdiction. In the event a court of competent jurisdiction determines that the Employee breached this Agreement, including the covenants of confidentiality and non-disclosure contained in this Agreement in any manner, the Corporation shall also be entitled to its reasonable costs and attorneys' fees associated with any legal or equitable action against the Employee relating to the Employee's breach of this Agreement, including a breach of the covenants of confidentiality and non-disclosure contained in this Agreement.

30. **Section 409A.** This Agreement shall be construed consistent with the intention that it be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or guidance that may be issued after the date hereof ("Section 409A"). However, notwithstanding any other provision of this Agreement or the Plan, if at any time the Committee determines that this Award (or any portion thereof) may be subject to Section 409A, the Committee shall have the right in its sole discretion (without any obligation to do so or to indemnify Employee or any other person for failure to do so) (a) to adopt such amendments to this Agreement or the Plan, (b) to adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or (c) to take any other actions as the Committee determines are necessary or appropriate either for this Award to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

31. **Entire Agreement.** This Agreement is in addition to, and does not supersede or replace, the Confidentiality Agreement, any other award agreement or any other agreement between the Corporation and Employee, and this Agreement may be enforced on its own terms and, except as is contemplated by Paragraph 6 hereof, without in any manner being altered, amended, canceled, or superseded by any other such agreement. Likewise, any other such agreement may be enforced without reference to this Agreement unless such other agreement references this Agreement specifically or generally.

32. **Word Usage.** Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Agreement dictates, the plural shall be read as the singular and the singular as the plural.

33. **Submission to Jurisdiction.** ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA FOR THE EASTERN DISTRICT OF MISSOURI OR THE COURTS OF THE STATE OF MISSOURI LOCATED IN THE COUNTY OF ST. LOUIS, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY MAIL TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

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IN WITNESS WHEREOF, the Corporation has caused this Agreement to be executed by its duly authorized officer as of the Date of Grant first above written.

PERFICIENT, INC.

By: _____
Paul E. Martin
Chief Financial Officer

ACKNOWLEDGED AND AGREED:

[Employee]

Date: _____

Address: _____

Subsidiaries

Subsidiaries

Perficient Canada Corp.
BoldTech International, LLC
BoldTech Systems (Hangzhou), Ltd.
Perficient India Private Limited
Perficient UK Ltd.
RAS Associates, LLC

Jurisdiction

Province of British Columbia, Canada
Colorado
People's Republic of China
India
United Kingdom
Delaware

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Perficient, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-130624, 333-160465, 333-183422, 333-198589, and 333-219660) on Form S-8 of Perficient, Inc. and subsidiaries (the Company) of our report dated February 25, 2020, with respect to the consolidated balance sheets of the Company as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2019, which report appears in the December 31, 2019 annual report on Form 10-K of the Company.

Our report dated February 25, 2020 refers to the adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*, on January 1, 2019, and the adoption of ASC Topic 606, *Revenue from Contracts with Customers*, on January 1, 2018.

Our report dated February 25, 2020 on the effectiveness of internal control over financial reporting as of December 31, 2019 contains an explanatory paragraph that states the Company acquired substantially all of the assets of Sundog Interactive, Inc. (the Acquired Business) in May 2019, and management excluded the Acquired Business from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. The Acquired Business represented 3% and 1% of the Company's total assets and total revenues, respectively, as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of the Acquired Business.

/s/ KPMG LLP

St. Louis, Missouri
February 25, 2020

CERTIFICATIONS

I, Jeffrey S. Davis, certify that:

1. I have reviewed this annual report on Form 10-K of Perficient, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

By: /s/ Jeffrey S. Davis

Jeffrey S. Davis

Chief Executive Officer

CERTIFICATIONS

I, Paul E. Martin, certify that:

1. I have reviewed this annual report on Form 10-K of Perficient, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2020

By: /s/ Paul E. Martin

Paul E. Martin

Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Sec. 1350 and in connection with the accompanying report on Form 10-K for the fiscal year ended December 31, 2019 that contains financial statements of Perficient, Inc. (the “Company”) filed for such period and that is being filed concurrently with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company hereby certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 25, 2020

By: /s/ Jeffrey S. Davis
Jeffrey S. Davis
Chief Executive Officer (*Principal Executive Officer*)

Date: February 25, 2020

By: /s/ Paul E. Martin
Paul E. Martin
Chief Financial Officer (*Principal Financial Officer*)