

REFINITIV

DELTA REPORT

10-K

PRFT - PERFICIENT INC

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS 1880

■ CHANGES	320
■ DELETIONS	660
■ ADDITIONS	900

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, 2022

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

No. 74-2853258

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

555 Maryville University Drive, Suite 600

Saint Louis, Missouri 63141

(Address of principal executive offices)

(314) 529-3600

(Registrant's telephone number, including area code)

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 <input checked="" type="checkbox"/> No <input type="checkbox"/>		
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 <input type="checkbox"/> No <input checked="" type="checkbox"/>		
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 <input checked="" type="checkbox"/> No <input type="checkbox"/>		
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 <input checked="" type="checkbox"/> No <input type="checkbox"/>		
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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	
Emerging growth company <input type="checkbox"/>		

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 \$3,110,419,809 based on the last reported sale price of the Company's common stock on The Nasdaq Global Select Market on June 30, 2022.

As of February 16, 2023, there were 34,690,846 shares of common stock outstanding.

Portions of the definitive proxy statement to be used in connection with the 2023 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than June 7, 2023, are incorporated by reference in Part III of this Form 10-K.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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 \$2,834,322,828 based on the last reported sale price of the Company's common stock on The Nasdaq Global Select Market on June 30, 2023.

As of February 15, 2024, there were 34,960,415 shares of common stock outstanding.

Portions of the definitive proxy statement to be used in connection with the 2024 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than April 29, 2024, 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 U.S. 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. effectively competing in a highly competitive market;
 - c. risks from international operations including fluctuations in exchange rates;
 - d. adapting to changes in technologies and offerings;
 - e. **the impact ongoing transition of the health emergencies and pandemics on our business which may amplify certain of the other factors contained herein; executive leadership team;**
 - f. obtaining favorable pricing to reflect services provided;
 - g. risk of loss of one or more significant software vendors;
 - h. maintaining a balance of our supply of skills and resources with client demand;
 - i. changes to immigration policies;
 - j. protecting our clients' and our data and information;
 - k. changes to tax levels, audits, investigations, tax laws or their interpretation;
 - l. making appropriate estimates and assumptions in connection with preparing our consolidated financial statements; and
 - m. maintaining effective internal controls;
- (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 global digital consultancy transforming how the world's biggest brands connect with customers and grow their businesses. Our work enables clients to deliver experiences that surpass customer expectations; become more human-centered, authentic, and trusted; innovate through digital technologies; outpace competition; grow and strengthen relationships with customers, suppliers, and partners; and reduce costs.

To articulate the full scope of our capabilities to clients and prospects, we go to market with six primary service categories:

- Strategy and Transformation;
- Data and Intelligence;
- Platforms and Technology;
- Customer Experience and Digital Marketing;
- Innovation and Product Development; and
- Optimized Global Delivery.

Together, these service categories showcase our full end-to-end digital solutions. Individually, each demonstrates our specialized capabilities. Within each category, and collectively, we deliver a deep and broad portfolio of solutions that 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, digital-driven, and competitive marketplace.

Our experience in developing and delivering solutions for our clients gives us 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 **nearshore**, and **offshore** **global** delivery centers and 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 solution opportunities where our domain expertise and delivery track record give us a competitive advantage.

In **2022**, **2023**, we continued to implement a strategy focused on:

- expanding our relationships with existing and new clients;
- strengthening our multi-shore delivery capabilities **with the strategic acquisitions** by entering into an agreement in September and October of Inflection Point Systems, to acquire SMEDIX, Inc. ("Inflection Point" SMEDIX"), an approximately **\$15 million** **\$12 million** revenue **healthcare software consulting and product development** **engineering** firm **with nearshore operations based headquartered** in Monterrey, Mexico, and Ameex Technologies Corporation ("Ameex"), an approximately **\$19 million** revenue **digital experience consultancy** San Diego, California, with offshore operations located in Chennai, India; Cluj-Napoca, Romania with the acquisition closing in January 2024;
- delivering solutions primarily via thousands of skilled strategists and technologists in the U.S., Latin America, and India; and
- leveraging our existing (and pursuing new) strategic alliances by targeting leading business advisory companies and technology providers.

Our multi-shore, fully integrated global delivery approach continues to be a key driver of growth and a compelling differentiator in the market. **This was evidenced in 2022 by our acquisitions of Inflection Point and Ameex that bolstered the Company's global delivery capacity, enhanced our digital capabilities, and further expanded our footprint in Latin America and India. The acquisition of Ameex added delivery locations in India, while the acquisition of Inflection Point added nearshore operations located in Mexico, bolstered our nearshore delivery capacity, while also enhancing our agile software design, development, testing and support for customers. These acquisitions brought approximately 600 skilled strategists and technologists, who are making a difference by transforming how the world's biggest brands connect with customers and grow their business.**

Approximately **97%** **96%**, **97%**, and **98%** **97%** of our revenues were derived from clients in the United States during the years ended **December 31, 2022** **December 31, 2023**, **2021**, and **2020**, respectively. Excluding intercompany balances, approximately 77% and 72% of our total assets were located in the United States as of **December 31, 2022** **2022**, and **2021**, respectively, with the remainder located in Latin America, India, Canada, China and Europe, respectively.

Our Solutions

We provide services primarily to the healthcare **(including pharma and life sciences)**, financial services (including banking and insurance), manufacturing, automotive, communications, media and technology, consumer **telecommunications**, markets, and energy and utilities **and life sciences** markets.

We help clients gain competitive advantage by using digital technology to: make their businesses more responsive to market opportunities; strengthen relationships with customers, suppliers, and partners; improve productivity; and reduce information technology costs. Through our end-to-end digital offerings, we drive alignment and balance between our clients' brand customer experiences and their business operations. Through our digital consulting services, we partner with our clients to bring faster speed-to-market capabilities and stronger, more compelling experiences for consumers.

Our solutions enable clients to, among other things:

- 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;
- deliver compelling and engaging customer experiences, helping brands acquire and retain their customers; and
- enhance employee productivity through better information flow and collaboration capabilities and by automating routine processes to facilitate focus on unique problems and opportunities.

We deliver a robust portfolio of solution offerings that are grouped under six primary solution areas:

- Strategy and Transformation.** We create strategic visioning and roadmaps that empower our clients to compete more effectively and operate more efficiently to outpace their competition. We do this by providing solutions in digital strategy, technology strategy, business velocity and growth, and organizational change management.
- Data and Intelligence.** We empower clients to understand and navigate their vast amounts of digital data in order to make smarter, more-informed business solutions and navigate the digital data ecosystem with offerings **in:in** analytics, artificial intelligence and machine learning, big data, business intelligence, and **a** **custom product portfolio**, **portfolios**.
- Platforms and Technology.** We help our clients integrate and optimize systems and processes, and leverage the right tools to enhance productivity, reduce costs, and improve digital experiences. We do this by providing expertise across a broad spectrum of solutions and services that **includes: include** blockchain, cloud, commerce,

corporate performance management, customer relationship management, content management systems, customer experience platforms, custom application development, DevOps, enterprise resource planning, integration and APIs, intelligent automation, Internet of Things, mobile, portals and collaboration, supply chain, product information management, and order management systems.

- *Customer Experience and Digital Marketing.* We create meaningful connections across every touchpoint to help our clients acquire, engage, and retain customers by providing compelling and engaging customer experiences and targeting customers with powerful messaging. Our services include: analytics, content architecture, conversion rate optimization, creative design, email marketing, journey sciences, paid media, paid search, marketing automation research, SEO services, and social media.
- *Innovation and Product Development.* Our customized solutions are uniquely tailored to each client to help them launch new business lines, capitalize with new products, and enter new markets. These solutions include product development services and a robust suite of proprietary products.
- *Optimized Global Delivery.* Our clients face pressures to innovate quickly while reducing costs to deliver transformative solutions. We help clients scale large, complex projects and manage costs through our fully owned and operated **offshore**, domestic and **nearshore** global delivery centers.

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 these 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. We conduct IBM, Oracle, and OneStream-certified training, where we provide 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, **data**, 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**, **Red Hat**, **Adobe**, **Appian**, **AWS**, **Databricks**, **Google**, **HCL Commerce**, **Informatica**, **Microsoft**, **Optimizely**, **OneStream**, **Oracle**, **Salesforce**, **MuleSoft**, **Sitecore**, and **Sitecore**, **Snowflake**.
- *Industry Expertise.* We serve many of the world's largest and most-respected brands with extensive business process experience across a variety of markets. These include healthcare (including pharma and life sciences), financial services (including banking and insurance), **manufacturing**, **automotive**, **communications**, **media and technology**, consumer markets (including retail and consumer goods), **manufacturing**, **leisure**, **media and entertainment**, **automotive and transportation**, **telecommunications**, and energy and utilities.
- *Delivery Model and Methodology.* Our significant domain expertise enables us to provide high-value solutions through 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 our proven execution process map that 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. As a result, we are able to offer our clients the dedicated attention that small firms usually provide, combined with the delivery and project management that a larger firm offers.
- *"Instant Insights" Platform.* We leverage our "Instant Insights" platform to capture and react to customer feedback throughout project lifecycles, at scale. Instant Insights automates the solicitation and capturing of confidential customer feedback and disseminates it to the proper leadership and executive teams. This proprietary process and tool enables us to quickly address client concerns and strengthen the customer relationship in the process.
- *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, 2022**, **December 31, 2023**, **2022** and **2021**, **92%**, **94%** and **2020**, **94%**, **93%** and **94%**, respectively, of services revenues, excluding any revenues from acquisitions completed in that year, were derived from clients that continued to utilize our services from the prior 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 Adobe Platinum Partner, a Microsoft National Solutions Provider and Global NSP Partner, a Salesforce Consulting Partner, an IBM Platinum Business Partner, a Sitecore Platinum Solution Partner, an Oracle Platinum Partner, and a MuleSoft Premier Partner.**

- **Offshore Global Delivery.** In addition to serving our clients from locations in multiple markets throughout the U.S. and Canada, we operate 13 global development delivery centers in India, China, Asia, Europe and Serbia, Latin America. 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, Magento, and other technologies. As of December 31, 2022, we had 2,103 colleagues at our offshore offices, 1,923 of which were billable. 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.
- **Nearshore Delivery.** Our nearshore delivery teams, based in Colombia, Mexico, Uruguay, Chile, Argentina, and Puerto Rico help our clients lower costs while receiving the highest quality of service. These teams provide custom application and software development, with proven experience in complex, cloud-native product development leveraging cutting-edge software engineering technologies and practices around DevOps, artificial intelligence/machine learning, test automation, UX/UI, commerce, cloud architecture design and implementation, blockchain, analytics, big data/fast data, chatbots and voice recognition system processing, modern scalable platforms, mobile, performance engineering, adapter and performance engineering, interface development, quality assurance and testing, monitoring and support, platform migration, and portal development with expertise in IBM, Microsoft, Oracle, Sitecore, Magento, and other technologies. Our global delivery teams in Asia, Europe and Latin America help our clients lower costs while receiving the highest quality of service. As of December 31, 2022 December 31, 2023, we had 1,926 3,904 colleagues at our nearshore offices, 1,646 global delivery centers in Asia, Europe and Latin America, 3,408 of which were billable. We intend to continue to leverage our existing global capabilities, to support our growth and provide our clients flexible options for project delivery.
- **Global Delivery Recognition.** In 2022, the Company 2023, Perficient was recognized as a global consultancy by analyst firms Forrester Research, Gartner, and International Data Corporation ("IDC"), including being named to the IAOP Global Outsourcing 100 list a Major Player in IDC Worldwide MarketScapes for Experience Build and Design Services, listed in the Leader category by Forrester Research Global Digital Transformation Services Landscape, the International Association of Outsourcing Professionals (IAOP®), IDC Market Analysis Perspective: Worldwide CX Services, 2023 report, and the IDC Market Analysis Perspective: Worldwide Digital Transformation Professional Services, 2023. In addition,

Perficient received the global standard-setting association and advocate ISO27001 certification, an internationally known standard for outsourcing professionals and the organizations it supports. information security management systems (ISMS).

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;
- global consulting firms, such as Accenture, Deloitte Consulting, EPAM Systems, Globant, and Endava;
- in-house professional services organizations of software companies; and
- offshore providers, such as Infosys Limited, Cognizant, and Wipro Limited;
- small local consulting firms that operate in no more than one or two geographic regions; and
- boutique consulting firms.

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 and nearshore 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 clients to which we market our services and adapt more quickly to new technologies or evolving customer or industry requirements.

Human Capital

As of December 31, 2022 December 31, 2023, we had 6,893 6,547 employees, 5,944 5,578 of which were billable (excluding 377 271 billable subcontractors) and 949 969 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, 2022 December 31, 2023, we had a 185-person 191-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. In addition to our direct sales team, we also had 77 85 dedicated sales support employees, 35 34 general managers, 4 area six vice-presidents, and 7 five senior vice-presidents who are engaged in our sales and marketing efforts.

We have sales and marketing partnerships with software vendors including IBM, Adobe, Appian, AWS, Databricks, Google, HCL Commerce, Informatica, Microsoft, Optimizely, OneStream, Oracle, Salesforce, MuleSoft, Sitecore, and Sitecore, Snowflake. 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 digital 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.

Diversity and Social Initiatives. As a global digital consultancy, Perficient's workforce is comprised of 29% 31% women and 75% 76% of our workforce identifies as Asian, Hispanic or Latinx, Black or African American, American Indian or Alaskan Native, or two or more races as of December 31, 2022 December 31, 2023. We believe our diversity is reflective of our industry in our operating markets. We support our people in making a difference through active involvement in activities that strengthen the community. Our employees' community support includes preparing women for careers in the tech industry through our global Employee Resource Group, Women in Tech, which connects women and their allies across the Company, facilitates career growth, and builds a community dedicated to supporting fellow colleagues. In 2021, Perficient also introduced its 'Giving' Employee Resource Group, which inspires philanthropic action and generosity, while capturing and celebrating the time, talent and skills Perficient

and its colleagues commit to helping those in need and making the world a better place. Perficient and its colleagues support a wide variety of initiatives and causes, but we place an emphasis on the priorities of advancing STEM (science, technology, engineering and math) education and improving health and well-being. Additionally, we support our community through Perficient Bright Paths, a program designed to create technology career opportunities for underrepresented constituencies and communities in the United States. Furthermore, in collaboration with the Mark Cuban Foundation, the Company hosted an Artificial Intelligence (AI) Bootcamp which educated underserved Bootcamps for high school students in the Dallas and Houston, Texas areas about AI fundamentals to increase AI literacy and understanding. In 2023, we launched Perficient's Cultural Connections Employee Resource Group, which allows our colleagues to explore, understand, and advance the cultural differences that help to shape our workforce and perspectives, and aims to cultivate a culture of inclusivity and allyship throughout Perficient around the globe.

Environmental Initiatives. We are also committed to protecting the environment and operating our business in a responsible and sustainable manner. To implement this commitment, we have adopted various policies and initiatives. We created a "Perficient Green Team" to identify and implement opportunities for Perficient employees to recycle more, waste less, and support environmentally-focused volunteer opportunities in our communities. Among our accomplishments, we have implemented a green purchasing policy for office supplies, reduced single-use drinkware, established recycling sites throughout our offices, and created informational programs to educate employees on effective ways to recycle. We encourage the reuse, recycling, and upcycling of our end-of-life electronics and computers responsibly in partnership with NiloTech Ecycling, an external vendor. Additionally, in response to our environmental initiatives, our office in Colombia received the International Organization for Standardization ("ISO") 14000 certification based on a series of environmental management standards, and our office in Somerville, Massachusetts was awarded a LEED Gold certificate by the U.S. Green Building Council (USGBC) for its environmentally efficient design, construction, and operation practices. In the fourth quarter of 2022, Perficient achieved certification of its Environmental Management System ("EMS") under ISO 14001:2015, the international standard for an effective EMS to enhance environmental performance. This certification exemplifies our commitment to sustainability, compliance with applicable law, and continuous improvement by meeting environmental objectives.

Perficient is actively engaging partners and potential partners to evaluate its carbon footprint/emissions and identify opportunities to utilize renewable energy. This work will help us better understand the environmental impact of operations, inform a roadmap for future sustainability efforts, and provide our stakeholders with greater transparency.

While Perficient works to further understand the impact of its Scope 3 greenhouse gas ("GHG") emissions, these emissions have already decreased due to reduced business travel and employee commuting compared to pre COVID-19 levels. Scope 3 GHG emissions are the result of activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain. Perficient continues to leverage remote work in connection with providing client services and in its corporate functions.

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 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.

Utilization. We continually assess employee utilization, which is defined as the percentage of our professionals' time billed to clients divided by the total available hours in the respective period. 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.

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 deserving 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. From time to time, we also provide additional information regarding the Company and its activities on the "Investor Relations" section of our website, which we encourage our investors to review. The information contained or incorporated in our website is not part of this document.

Financial Information about Segments and Geographic Areas

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. 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.

Macroeconomic and Industry Risks

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, including hyperinflation, in the United States, Latin America, India, Canada, China and Europe, 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, 2022 December 31, 2023, 98% 97% of our revenues were derived from our clients in the United States and Canada. 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 a means to keep our supply of skills and resources in balance.

Economic and political volatility and uncertainty, including as a result of the war between Russia and Ukraine and the war between Israel and Hamas, 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 U.S. and foreign laws, regulations and policies.

Significant changes to various U.S. 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. Further, there has been an increased focus on certain environmental, social, governance, and governance ("ESG") other factors, issues and initiatives among government administrations and agencies, political figures, the investment community, employees and other stakeholders. Changes in laws, regulations and policies in response to such ESG matters and our efforts to comply with such laws, regulations and policies 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 modifications to U.S. government healthcare programs and other changes have been proposed and discussed. These modifications 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 are also factors that can result in terminations, cancellations or delays, and in pressure to reduce costs.

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 business 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.

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

We maintain global development centers in Latin America, India, China and Serbia. We also have employees 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, managing the integration of our various international information systems; and multiple and possibly overlapping tax structures. We may face difficulties in enforcing contractual rights, and our continued operation and expansion outside of the United States, including in developing countries, could increase the risk of contractual violations in the future. In addition, we may face competition from companies that may have more experience with operations in these countries or with global operations generally. We may also face difficulties integrating new facilities in different countries into our existing operations, including difficulties related to language and cultural barriers, 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;
- 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 including as a result of the current inflationary environment;
- reduced protection for intellectual property rights;
- difficulties in enforcing our contractual rights;
- increased potential for corruption; 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. These risks may be amplified in certain emerging markets in which we do business, including India and Latin America.

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 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. Further, if we continue to implement emerging technologies into our products and services, we may not be

able to anticipate vulnerabilities, flaws or security threats resulting from the use of such technologies or develop adequate protective measures. 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.

Health emergencies and pandemics may materially and adversely affect the Company's business, operations, financial results and/or stock price.

Health emergencies and pandemics have created significant and widespread volatility, uncertainty and disruptions in the U.S. and global economies, including in the regions in which we operate. The extent to which these emergencies and pandemics ultimately impact our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including but not limited to: their duration and scope; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the impact of the pandemic on economic activity and actions taken in response; the effect on our clients and client demand for our services and solutions; our ability to sell and provide our services and solutions, including as a result of travel restrictions and people working from home; the ability of our clients to pay for our services and solutions; any changes to our clients' payment terms; any closures of our offices and facilities if we transition to working remotely; and any closures of our clients' offices and facilities because of government orders, recommendations or otherwise. Clients may also slow down decision making, delay planned work or seek to terminate or amend existing agreements in a manner adverse to the Company. Any of these events could cause or contribute to the other risks and uncertainties faced by the Company, as described in this Form 10-K and elsewhere, and could materially adversely affect our business, operations, financial results and/or stock price.

Strategic and Operational Risks

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, both domestically and internationally. 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.

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, above;**
- 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 such as wage inflation and other marketplace factors, could make these contracts less profitable or unprofitable, which could have an adverse effect on our profit margin.

Our operations are subject to the effects of wage inflation and other marketplace factors, including with respect to our subsidiaries located in Latin America, India, Canada, China, and Europe. If increases in salary and other operating costs exceed our internal forecasts, the hourly rates established under our time-and-materials contracts might not be sufficient to recover those increased operating costs, which would make those contracts unprofitable for us, thereby adversely affecting our results of operations, financial condition and cash flows from 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, Red Hat, Adobe, Microsoft, Oracle, Salesforce, MuleSoft 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 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. The investment community, our employees and other stakeholders have evidenced an increased focus on **ESG** certain environmental, social, governance and other factors, issues and initiatives. We have disclosed certain of our efforts with respect to such matters. Our reputation could be damaged if our efforts are, or are deemed to be, unsuccessful or are deemed insufficient relative to our competitors.

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 including incurred costs from the current **high** inflationary environment and as a result of a competitive labor market. 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.

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.

Issues arising during the implementation or upgrade of an enterprise resource planning ("ERP") system could adversely affect the Company's business, financial condition and results of operations.

The Company is in the process of upgrading and migrating its ERP system to a cloud version to support the Company's future growth plan and to further integrate processes and geographic locations. Upgrading an ERP system on a widespread basis involves significant changes in business processes and extensive organizational training. In connection with the implementation, the Company may experience temporary business and information technology disruptions that could adversely affect the Company's business, financial condition and results of operations.

Indebtedness and Liquidity Risks

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 August 2020, we issued \$230.0 million in aggregate principal amount of 1.250% Convertible Senior Notes Due 2025 (the "2025 Notes"), of which \$23.3 million aggregate principal amount remains outstanding as of **December 31, 2022** **December 31, 2023**, and in November 2021, we issued \$380.0 million in aggregate principal amount of 0.125% Convertible Senior Notes Due 2026 (the "2026 Notes") in private offerings. The 2025 Notes and 2026 Notes (together, the "Notes") bear interest at a rate of 1.250% and 0.125% per year, respectively. Interest is payable in cash semi-annually. 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 indentures governing the Notes (together, the "Indentures")) 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 Indentures or to pay any cash payable on future conversions as required by the Indentures would constitute a default under the Indentures. A default under the Indentures 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.

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

In connection with the issuance of the Notes, we entered into privately negotiated convertible note hedge transactions (the "Note Hedges") with certain of the initial purchasers or their respective affiliates and/or other financial institutions (the "Option Counterparties"). We will be subject to the risk that one or more of the Option Counterparties, as financial institutions, 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.

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, 2022** **December 31, 2023**, we had unrestricted cash and cash equivalents totaling **\$30.1 million** **\$128.7 million** and a borrowing capacity under our credit facility of **\$200.0 million** **\$300.0 million**, with **\$199.8 million** **\$300.0 million** unused capacity available, and a commitment from our lenders to increase our borrowing capacity by \$75.0 million. Of the **\$30.1 million** **\$128.9 million** of cash and cash, cash equivalents and restricted cash at **December 31, 2022** **December 31, 2023**, **\$7.9 million** **\$20.6 million** was held by certain foreign subsidiaries which is not available to fund domestic operations unless the funds would be repatriated. We currently do not plan or foresee a need to repatriate such funds. The balance at **December 31, 2022** **December 31, 2023** also includes **\$7.8 million** **\$1.8 million** in cash held by certain other foreign subsidiaries, the earnings of which are not considered to be indefinitely reinvested and may be repatriated from time to time. 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, especially in light of recent significant increases in interest rates. 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.

Data Security and Intellectual Property Risks

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 incidents with respect to** 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, incidents**, our infrastructure may be **vulnerable to attacks and disputes, vulnerable**. 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. **We also rely on third-party service providers, and security incidents or cyber attacks relating to the information technology systems of our third-party service providers could have a material adverse impact on the Company.** 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, incidents**, 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, incidents, cyber attacks and other related breaches.** **More information on the Company's processes related to general and company specific cybersecurity risks, including management's role and the Board of Directors' oversight, can be found in Item 1C, "Cybersecurity".**

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.

Human Capital Risks

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 a means to keep our supply of skills and resources in balance with client demand in those markets.

Immigration restrictions related to H1-B visas could hinder our growth and adversely affect our business, financial condition and results of operations.

Approximately **13% 14%** of our billable workforce in the U.S. is comprised of skilled foreign nationals holding H1-B visas. 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 up to six years, with extensions available in certain circumstances. 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.

If our executive transition is not successful, it could have a material adverse effect on the Company.

Effective as of October 1, 2023, Jeffrey S. Davis, our prior Chief Executive Officer, became the Executive Chairman of the Company, and Thomas J. Hogan, our President and Chief Operating Officer, became our President and Chief Executive Officer (the "Executive Transition"). A change in executive leadership, such as the Executive Transition, involves inherent risk that can adversely affect our strategic planning, business execution and future performance. We depend on our Chief Executive Officer to lead the Company effectively. If the Executive Transition is not successful, it could materially adversely impact our businesses, financial condition or results of operations, significantly delay or prevent the achievement of our strategic objectives and operating goals and cause volatility in our stock price.

Legal and Tax Risks

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.

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. The Organization for Economic Cooperation and Development ("OECD") reached an agreement among various countries to implement a minimum 15% corporate tax rate, commonly referred to as Pillar Two. Certain countries in which we operate have enacted legislation to adopt the Pillar Two framework and other countries are also considering changes to their tax laws to implement this framework. We are continuing to evaluate the impact of these changes on our effective tax rate and tax liabilities as new guidance and information becomes available.

Financial Risks

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.

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, euro, Colombian peso, Argentine peso, Chilean peso, Uruguayan peso, and Mexican peso 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, euro, Colombian peso, Argentine peso, Chilean peso, Uruguayan peso, and Mexican peso 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.

Risks Related to Owning Our Common Stock

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 the Notes Hedges with 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.

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.

Additionally, the The investment community and other stakeholders have had an increased focus their advisors evaluate the Company on ESG factors, issues various strategies and initiatives and have scrutinized various companies' efforts with respect to matters. Such focus and scrutiny may result in certain investors using ESG considerations, and their or third-party advisors' evaluation of the Company's response to such matters, to guide their investment strategies, including whether they wish to invest in, or divest from, the Company. considerations. The focus, scrutiny and standards by which such investors evaluate their investment strategies and considerations continue to change. These matters could cause our stock price to fluctuate.

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.

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 30% 35% 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 the 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 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 1C.**Cybersecurity.****Risk Management & Strategy**

Perficient proactively manages its cybersecurity and data privacy risks with organizational and technical controls including a comprehensive set of policies, procedures, required annual and role-based training, cybersecurity insurance, security assessments for vendors with access to Perficient and/or Perficient client networks, and use of technology such as Multi-Factor Authentication (the "Program"). Perficient regularly tests and validates its Program using internal resources, external auditors, and rigorous industry certifications. After maintaining a Systems and Organization Controls 2 (SOC2) certification, Perficient achieved its global ISO27001:2022 certification, an international standard for information security management systems, in October 2023.

The Program is supported by a cross-functional team which identifies, assesses, monitors, tracks and pro-actively mitigates general and company specific risks, including those related to business continuity and third parties.

Perficient's Information Technology, Data Security, Data Privacy, Finance and Communications teams conduct annual tabletop exercises in which various levels of management participate in simulated data security/privacy scenarios that Perficient, its clients and/or its personnel may face in the future. Perficient engages external resources to refresh the subject matter of these exercises and to continually challenge Perficient's management in these exercises. Annual formal training using an online platform is required for all Perficient employees and subcontractors. Topics include how to identify suspicious activities and occurrences related to social engineering, phishing, viruses, and insider threats. Certain employees complete additional role-based training. Perficient's formal training is supplemented throughout the year by regular "Securing Perficient" emails which reinforce relevant cybersecurity policies and procedures and cover topics such as emerging cybersecurity risks.

Perficient's senior management are members of the Security and Compliance Executive Committee ("SCEC") which meets at least semi-annually to review Perficient's current cybersecurity risks, the effectiveness of current controls, policies and training. Any security-related policy violations or incidents involving Perficient or client data would be included in the SCEC briefing. Perficient senior management also regularly considers the impact of cybersecurity risks when developing its business strategy, financial planning, and capital allocation. Perficient is not aware of any current or past cyber related risks which have or are reasonably likely to materially affect its strategy, operations, or financial condition.

Governance

Perficient's Vice President of Information Technology and General Counsel are active members of the cross-functional team managing the Program. Perficient's Vice President of Information Technology is responsible for Perficient's internally facing technology solutions, infrastructure, and data security team. He has served in similar leadership roles prior to joining Perficient. Perficient's General Counsel is responsible for Perficient's legal and privacy teams. He has over 10 years of experience in the technology sector which includes substantial experience in cybersecurity-related matters. These members of Perficient's senior management team oversee day to day risk management activities performed by the Company's IT Infrastructure, Data Security, and Data Privacy colleagues and participate in annual simulated data security/privacy exercises. The VP of Information Technology and General Counsel also regularly brief other members of the Company's senior management team and the Board, either as a whole or through its Audit Committee, which is charged with oversight of the Program. These briefings occur at least quarterly and address the Program's operations, management of cybersecurity risks, and any potential impact on Perficient's operations and financial stability.

Item 2.**Properties.**

We have offices in multiple markets throughout the United States, Latin America, India, Canada, China and Europe. 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 488,475 stockholders of record of our common stock as of February 16, 2023 February 15, 2024, including 423,414 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

On October 11, 2022, the Company acquired all of the outstanding stock of Ameex. The consideration paid in this transaction included 75,037 unregistered shares of the Company's common stock with an aggregate value of approximately \$5.2 million based on the average closing sales price for the 30 consecutive trading days ending on the date immediately before the acquisition's closing date. We relied on Section 4(a)(2) of the Securities Act, as the basis for exemption from registration for each of these issuances. These shares were issued in privately negotiated transactions and not pursuant to a public solicitation.

Issuer Purchases of Equity Securities

Prior to 2022, the Company's Board of Directors authorized the repurchase of up to \$315.0 million of shares of Company common stock through a stock repurchase program expiring December 31, 2022. On October 25, 2022, the Company originally announced the Board of Directors authorized a \$60.0 million expansion of the Company's stock repurchase program for a total repurchase program of \$375.0 million on March 27, 2008 and extended the expiration date of the program from December 31, 2022 announced its expansion to December 31, 2024 its current authorization on October 27, 2022. The program could be suspended or discontinued at any time based on market, economic, or business conditions. The Company has no other stock repurchase programs outstanding, nor did any stock repurchase programs expire during the year ended December 31, 2023.

From the program's inception on August 11, 2008 through December 31, 2023, we have repurchased approximately \$291.1 million (16.5 million shares) of our outstanding common stock.

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 (in millions)
Beginning balance as of September 30, 2023	16,455,794	\$ 17.46	16,455,794	\$ 87.6
October 1-31, 2023	—	—	—	\$ 87.6
November 1-30, 2023	52,400	\$ 62.40	52,400	\$ 84.3
December 1-31, 2023	7,436	\$ 64.09	7,436	\$ 83.9
Ending balance as of December 31, 2023	<u>16,515,630</u>	<u>17.63</u>	<u>16,515,630</u>	

(1) Average price paid per share includes commission.

The Company intends for the stock repurchase program and the repurchases made pursuant to the program to reduce the dilutive effect of shares issued by the Company both to acquisition targets as part of its acquisition program and to key employees and executives as a principal component of the Company's compensation practices. The Company's use of shares for these purposes is critical because it allows for the Company to align the interests of our executives, acquisition targets and other employees with those of our stockholders and helps to retain key employees. The timing and amount of repurchase transactions will be determined by management based on its evaluation of market conditions, share price, and other factors.

From The Company's officers and directors are required to comply with the program's inception on August 11, 2008 through December 31, 2022, we have repurchased approximately \$279.8 million (16.3 million shares) Company's securities trading policy at all times, including during a repurchase program. The insider trading policy, among other things, prohibits trading in the Company's securities when in possession of our outstanding common stock.

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 (2)
Beginning balance as of September 30, 2022	16,263,294	\$ 16.87	16,263,294	\$ 40,615,295
October 1-31, 2022	5,000	67.90	5,000	\$ 100,275,795
November 1-30, 2022	75,000	67.61	75,000	\$ 95,204,853
December 1-31, 2022	—	—	—	\$ 95,204,853
Ending balance as of December 31, 2022	<u>16,343,294</u>	<u>\$ 17.12</u>	<u>16,343,294</u>	

material non-public information and restricts the ability of directors and certain officers from transacting in the Company's securities during specific blackout periods, subject to certain limited exceptions, including transactions pursuant to a Rule 10b5-1 trading arrangement that complies with the conditions of Exchange Act Rule 10b5-1.

(1) Average price paid per share includes commission.

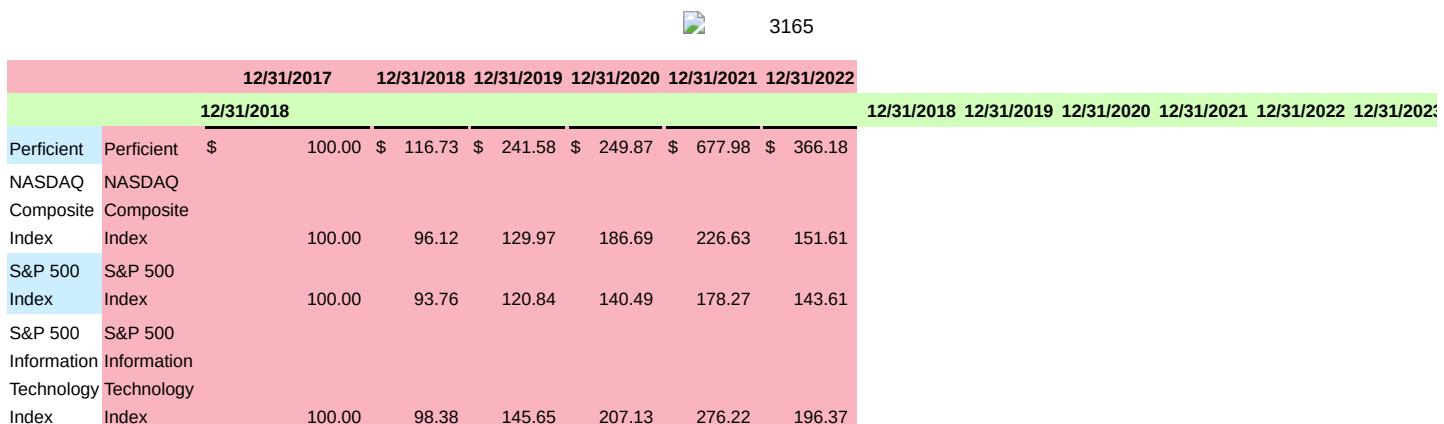
(2) On October 25, 2022, there were no Rule 10b5-1 trading arrangements adopted, materially modified, or terminated by our officers and directors during the Company's Board fourth quarter of Directors approved a \$60.0 million increase in the share repurchase program.2023.

Company Rule 10b5-1 Trading Arrangements

The Company did not adopt, materially modify, or terminate any Rule 10b5-1 trading arrangements during the fourth quarter of 2023.

Comparative Stock Performance

The following graph compares the cumulative five-year total stockholder return on the Common Stock from December 31, 2017 December 31, 2018 through December 31, 2022 December 31, 2023, with the cumulative total return on (i) the NASDAQ Composite Index, (ii) S&P 500 Index, and (iii) S&P 500 Information Technology Index. The comparison assumes the investment of \$100 on December 31, 2017 December 31, 2018, in the Common Stock and in each of the indices and, in each case, assumes reinvestment of all dividends.



The stock price performance included in this graph is not necessarily indicative of future stock price performance.

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 6. [Reserved]

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

Perficient is a global digital consultancy transforming how the world's biggest brands connect with customers and grow their businesses. We help clients, primarily focused in North America, gain competitive advantage by using digital technology to: make their businesses more responsive to market opportunities; strengthen relationships with customers, suppliers, and partners; improve productivity; and reduce information technology costs. With unparalleled strategy, creative and technology capabilities, across industries, our end-to-end digital consulting services help our clients drive faster speed-to-market capabilities and stronger, more compelling experiences for consumers. We go to market with six primary service categories – strategy and transformation, customer experience and design, innovation and product development, platforms and technology, data and intelligence, and optimized global delivery. Within each service category, and collectively, we deliver a deep and broad portfolio of solutions that 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 and competitive marketplace.

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 6% of our services revenues for the year ended December 31, 2022 compared to 6% and 8% for each of the years ended December 31, 2021 December 31, 2023, 2022 and 2020, respectively. 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, the impact of travel restrictions imposed as a result of health emergencies and pandemics, 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, which may be impacted by health emergencies and pandemics. 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 cost of services, primarily related to 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. In accordance with Accounting Standards Codification ("ASC") Topic 606, sales of third-party software and hardware are presented on a net basis, and as such, third-party software and hardware costs are not presented within cost of revenues.

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 our existing offshore and nearshore global capabilities to support our future growth and provide our clients flexible options for project delivery. Our ability to continue to implement our growth plan may be negatively affected by the impact of health emergencies and pandemics on our operations, and our ability to evaluate potential acquisitions.

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.

Recent Health Emergencies and Pandemics

In response to recent health emergencies and pandemics, the United States and various foreign, state and local governments have, among other actions, imposed travel and business restrictions and required or advised communities in which we do business to adopt stay-at-home orders and social distancing guidelines, causing some businesses to adjust, reduce or suspend operating activities. While certain of these restrictions and guidelines have been lifted or relaxed, they may be reinstated in response to continuing effects of health emergencies and pandemics. Health emergencies and pandemics and the various governments' response have caused, and may continue to cause, significant and widespread uncertainty, volatility and disruptions in the U.S. and global economies, including in the regions in which we operate.

Through December 31, 2022, we have not experienced a material impact to our business, operations or financial results as a result of health emergencies and pandemics. However, in future periods, we may experience weaker customer demand, requests for discounts or extended payment terms, customer bankruptcies, supply chain disruption, employee staffing constraints and difficulties, government restrictions or other factors that could negatively impact the Company and its business, operations and financial results. As we cannot predict the duration or scope of health emergencies and pandemics or the related impact on economic and financial markets, any negative impact to our results cannot be reasonably estimated, but it could be material.

We continue to monitor closely the Company's financial health and liquidity and the impact of health emergencies and pandemics on the Company. We have been able to serve the needs of our customers while taking steps to protect the health and safety of our employees, customers, partners, and communities. Among these steps, we have increased the amount of work performed remotely and minimized travel, which has not resulted in a material disruption to the Company's operations. We have reopened our offices in a manner that protects the safety and well-being of our Perficient colleagues, while complying with federal, state and local government and health regulations. See "Part I – Item 1A – Risk Factors" of this Form 10-K for additional information regarding the potential impact of health emergencies and pandemics on the Company.

Results of Operations

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

	Year Ended December 31,					
	2022 2021 2020					
				Year Ended December 31,		
	2023			2023	2022	2021
Total revenues	Total revenues	100.0 %	100.0 %	100.0 %	Total revenues	100.0 %
Total cost of revenues (cost of services, exclusive of depreciation and amortization, shown separately below)	Total cost of revenues (cost of services, exclusive of depreciation and amortization, shown separately below)	61.1	61.6	62.2		
Selling, general and administrative	Selling, general and administrative	18.9	20.0	22.0		
Depreciation and amortization	Depreciation and amortization	3.7	3.9	4.6		
Acquisition costs	Acquisition costs	0.4	0.5	0.6		
Adjustment to fair value of contingent consideration	Adjustment to fair value of contingent consideration	—	—	1.6		
Income from operations	Income from operations	15.9	13.9	9.0		
Net interest expense	Net interest expense	0.3	1.8	1.7		
Loss on extinguishment of debt	Loss on extinguishment of debt	—	3.8	0.7		
Net other expense	Net other expense	—	0.1	—		
Income before income taxes	Income before income taxes	15.6	8.2	6.6		
Income tax provision	Income tax provision	4.1	1.4	1.7		
Net income	Net income	11.5 %	6.8 %	4.9 %	Net income	10.9 %
						11.5 %
						6.8 %

A discussion of changes in our financial condition and results of operations during the year ended December 31, 2021 December 31, 2022 compared to the year ended December 31, 2020 December 31, 2021 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, 2021 December 31, 2022, filed with the SEC on February 24, 2022 February 28, 2023, 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, 2022 December 31, 2023 Compared to Year Ended December 31, 2021 December 31, 2022

Revenues. Total revenues increased 19% 0.2% to \$906.5 million for the year ended December 31, 2023 from \$905.1 million for the year ended December 31, 2022 from \$761.0 million for the year ended December 31, 2021.

Financial Results (in millions)		Financial Results (in millions)		Explanation for Increases (Decreases) Over Prior Year Period (in millions)	
Year Ended December 31,		Year Ended December 31,			
		Explanation for Increases Over Prior Year Period (in thousands)			
Year Ended December 31,	Total Increase Over Prior Year Period	Increase Attributable to Revenue Delivered by Resources of Acquired Companies	Increase Attributable to Revenue Delivered by Base Business Resources	Total Increase (Decrease) Over Prior Year Period	Increase Attributable to Revenue Delivered by Resources of Acquired Companies
2022	2021				Decrease Attributable to Revenue Delivered by Base Business Resources
Services Revenues					
Services Revenues					
Services Revenues					
Services Revenues	\$902,421	\$758,722	\$143,699	\$ 59,146	\$ 84,553
Software and Hardware Revenues	2,641	2,305	336	3	333
Total Revenues	\$905,062	\$761,027	\$144,035	\$ 59,149	\$ 84,886

Services revenues increased 19% 0.2% to \$904.2 million for the year ended December 31, 2023 from \$902.4 million for the year ended December 31, 2022 from \$758.7 million for the year ended December 31, 2021. Services revenues delivered by base business resources increased \$84.6 million, primarily driven by increased demand for our services, decreased \$24.6 million. Services revenues delivered by resources of acquired companies companies was \$59.1 million \$26.4 million, resulting in a total increase of \$143.7 million \$1.8 million.

Software and hardware revenues increased 15% decreased to \$2.6 million for the year ended December 31, 2022 from \$2.3 million for the year ended December 31, 2021 December 31, 2023 from \$2.7 million for the year ended December 31, 2022.

Total Cost of Revenues (cost of services, exclusive of depreciation and amortization, discussed separately below). Total cost of revenues increased 18% 4% to \$574.5 million for the year ended December 31, 2023 from \$552.7 million for the year ended December 31, 2022 from \$468.8 million for the year ended December 31, 2021 primarily due to higher average headcount in response to and higher services revenues and acquisitions, benefit costs. Services costs as a percentage of services revenues decreased increased to 63.5% for the year ended December 31, 2023 from 61.2% for the year ended December 31, 2022 from 61.8% for the year ended December 31, 2021.

Selling, General and Administrative. SG&A expenses increased 12% decreased 0.3% to \$170.6 million for the year ended December 31, 2023 from \$171.1 million for the year ended December 31, 2022 from \$152.4 million for the year ended December 31, 2021 primarily due to increased salary expense and sales-related costs. SG&A expenses, as a percentage of revenues, were 19% and 20% 18.8% for each of the years ended December 31, 2022 December 31, 2023 and 2021, respectively 2022.

Selling, General and Administrative Expense	Selling, General and Administrative Expense	Year Ended December 31,	Increase (Decrease)	Percentage Change	Selling, General and Administrative Expense	Year Ended December 31,	Increase (Decrease)	Percentage Change
(in millions)	(in millions)	2022	2021		(in millions)	2022	2021	
Salary expense	\$ 61.9	53.3	\$ 8.6	16 %				
Sales-related costs	21.5	19.0	2.5	13 %				

Salary expense, excluding sales salaries													
Salary expense, excluding sales salaries													
Salary expense, excluding sales salaries													
							\$ 45.8	\$ 44.0		\$ 1.8		4 %	
Sales-related costs, including sales salaries							Sales-related costs, including sales salaries						
Office costs	Office costs	15.2	15.1	0.1	1 %	Office costs	14.9	15.2	15.2	(0.3)	(0.3)	(2)	(2)%
Stock compensation expense	Stock compensation expense	14.9	13.7	1.2	9 %	Stock compensation expense	18.4	14.9	14.9	3.5	3.5	23	23 %
Variable compensation expense	Variable compensation expense	8.6	15.2	(6.6)	(43) %	Variable compensation expense	3.9	8.6	8.6	(4.7)	(4.7)	(55)	(55)%
Travel & entertainment	Travel & entertainment	2.6	0.8	1.8	225 %	Travel & entertainment	3.9	2.6	2.6	1.3	1.3	50	50 %
Benefits expense	Benefits expense	10.1	8.4	1.7	20 %	Benefits expense	12.4	10.1	10.1	2.3	2.3	23	23 %
IT/Infrastructure	IT/Infrastructure	10.7	8.9	1.8	20 %	IT/Infrastructure	11.7	10.7	10.7	1.0	1.0	9	9 %
Bad debt expense	Bad debt expense	3.6	1.8	1.8	100 %								
Bad debt (recovery) expense	Bad debt (recovery) expense					Bad debt (recovery) expense	(1.5)	3.6		(5.1)		(142) %	
Other	Other	22.0	16.2	5.8	36 %	Other	19.6	22.0	22.0	(2.4)	(2.4)	(11)	(11)%
Total	Total	\$171.1	\$152.4	\$ 18.7	12 %	Total	\$ 170.6	\$ 171.1	\$ —	\$ (0.5)	\$ —	\$ —	%

Depreciation. Depreciation expense increased 33% 5% to \$9.0 million for the year ended December 31, 2023 from \$8.5 million for the year ended December 31, 2022 from \$6.4 million for the year ended December 31, 2021. Depreciation expense as a percentage of revenues was 1.0% for the year ended December 31, 2023 and 0.9% for the year ended December 31, 2022 and 0.8% for the year ended December 31, 2021.

Amortization. Amortization expense increased 5% decreased 16% to \$20.6 million for the year ended December 31, 2023 from \$24.5 million for the year ended December 31, 2022 from \$23.5 million for the year ended December 31, 2021. Amortization expense as a percentage of total revenues was 2.3% for the year ended December 31, 2023 and 2.7% for the year ended December 31, 2022 and 3.1% for the year ended December 31, 2021. The increase in amortization Amortization expense was decreased primarily due to the addition of certain intangibles from our two acquisitions in 2022. becoming fully amortized.

Acquisition Costs. Acquisition-related costs of \$3.7 million \$0.8 million were incurred during 2023 primarily related to the acquisition of SMEDIX compared to \$3.7 million during 2022 primarily related to the acquisitions of Inflection Point Systems, Inc. ("Inflection Point") and Ameex compared to \$3.8 million during 2021 primarily related to the acquisitions of Talos LLC, Talos Digital LLC, Talos Digital SAS and TCOMM SAS Technologies Corporation ("Talos") and Izmul S.A. ("Overactive" Ameex"). 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 \$6.4 million was recorded to reduce the related liabilities during the year ended December 31, 2023 which represents the net fair market value adjustment to Inflection Point and Ameex revenue and earnings-based contingent consideration liabilities, net of accretion for Inflection Point and Ameex. An adjustment of \$0.3 million was recorded to increase the related liabilities during the year ended December 31, 2022 which represents the net impact of the fair market value adjustments to the Talos LLC, Talos Digital LLC, Talos Digital SAS and Overactive revenue TCOMM SAS ("Talos") and earnings-based contingent consideration liabilities, as well as accretion. An adjustment of \$0.2 million was recorded during the year ended December 31, 2021 which represents the net impact of the fair market value adjustments to the MedTouch LLC Izmul S.A. ("Medtouch"), Catalyst Networks, Inc. ("Brainjocks"), and Productora de Software S.A.S. ("PSL" Overactive") revenue and earnings-based contingent consideration liabilities, as well as accretion.

Net Interest Expense. Net interest expense decreased to \$0.4 million for the year ended December 31, 2023 from \$3.2 million for the year ended December 31, 2022 from \$14.1 million for the year ended December 31, 2021. The decrease in net interest expense was primarily due to the adoption of Accounting Standards Update ("ASU") 2020-06. Prior period amounts have not been adjusted due to the adoption of ASU 2020-06 under the modified retrospective method.

Loss on Extinguishment of Debt. During the year ended December 31, 2021, the Company repurchased the remaining portion of the outstanding Convertible Senior Notes Due 2023 ("2023 Notes") and a portion of the outstanding 2025 Notes, resulting \$2.7 million increase in a loss of \$29.0 million. interest income.

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 increased to 27.5% for the year ended December 31, 2023 from 25.9% for the year ended December 31, 2022 from 16.6% for the year ended December 31, 2021. The increase in the effective rate is primarily due to a decrease in research credit benefit and an increase in the impact of stock compensation, deductions and partially offset by a decrease in research credit benefit the effect of acquisition costs compared to the prior year.

Liquidity and Capital Resources

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

	December 31,		
	2022	2021	2020
Cash and cash equivalents (1)	\$ 30.1	\$ 24.4	\$ 83.2
Working capital (including cash and cash equivalents) (2)	\$ 126.5	\$ 94.8	\$ 97.6
Amounts available under credit facilities	\$ 199.8	\$ 199.8	\$ 124.8

	December 31,		
	2023	2022	2021
Cash, cash equivalents and restricted stock (1)	\$ 128.9	\$ 30.1	\$ 24.4
Working capital (including cash, cash equivalents and restricted stock) (2)	\$ 247.5	\$ 126.5	\$ 94.8
Amounts available under credit facilities	\$ 300.0	\$ 199.8	\$ 199.8

(1) The balance at December 31, 2022 December 31, 2023 includes \$7.9 million \$20.6 million held by certain foreign 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 \$7.8 million \$1.8 million in cash held by certain other foreign subsidiaries which is available to fund domestic operations. The balance at December 31, 2021 December 31, 2022 includes \$6.1 million \$7.9 million held by certain foreign subsidiaries which is not available to fund domestic operations unless deemed repatriated. The balance also repatriated and includes \$5.2 million \$7.8 million in cash held by certain other foreign subsidiaries which is available to fund domestic operations. The balance at December 31, 2020 2021 includes \$5.1 million \$6.1 million held by certain foreign subsidiaries which is not available to fund domestic operations unless deemed repatriated. The balance also repatriated and includes \$7.9 million \$5.2 million in cash held by certain other foreign subsidiaries which is available to fund domestic operations. The Company's restricted cash balance as of December 31, 2023 was \$0.2 million. There was no restricted cash balance as of December 31, 2022 or 2021.

(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, 2022 December 31, 2023 was \$118.1 million \$143.0 million compared to \$84.9 million \$118.1 million for the year ended December 31, 2021 December 31, 2022. For the year ended December 31, 2022 December 31, 2023, the components of operating cash flows were net income of \$104.4 million \$98.9 million plus net non-cash charges of \$51.5 million \$42.5 million and net operating asset investments reductions of \$37.8 million \$1.6 million. The primary components of operating cash flows for the year ended December 31, 2021 December 31, 2022 were net income of \$52.1 million \$104.4 million plus net non-cash charges of \$79.0 million \$51.5 million and net operating asset investments of \$46.2 million \$37.8 million.

Net Cash Used in Investing Activities

During the year ended December 31, 2023, we used \$0.2 million for acquisitions and \$5.4 million to purchase property and equipment and to develop software. During the year ended December 31, 2022, we used \$71.9 million for acquisitions and \$9.9 million to purchase property and equipment and to develop software. During the year ended December 31, 2021, we used \$108.8 million for acquisitions and \$10.2 million to purchase property and equipment and to develop software.

Net Cash Used in Financing Activities

For the year ended December 31, 2023, we used \$11.3 million to repurchase shares of our common stock through the stock repurchase program, used \$21.5 million to settle contingent consideration for the purchases of Overactive and Talos, used \$7.0 million to remit taxes withheld as part of a net share settlement of restricted stock vesting and paid \$0.8 million for credit facility financing fees. We also received proceeds from sales of stock through the Employee Stock Purchase Plan of \$1.0 million. For the year ended December 31, 2022, we drew down \$69.0 million from our line of credit, repaid \$69.0 million on our line of credit, used \$18.5 million to repurchase shares of our common stock through the stock repurchase program, and used \$11.7 million to remit taxes withheld as part of a net share settlement of restricted stock vesting. We also received proceeds from sales of stock through the Employee Stock Purchase Plan of \$1.1 million. For the year ended December 31, 2021, we received \$369.5 million of proceeds from the issuances of the 2026 Notes, net of issuance costs, received \$23.4 million of proceeds from the sales of net-share-settled warrants and paid \$66.1 million for privately negotiated convertible note hedge transactions. We also used \$368.7 million to repurchase a portion of the 2023 Notes and a portion of the 2025 Notes, received \$381.3 million related to the sale of privately negotiated convertible hedge transactions for the 2023 Notes and 2025 Notes, and paid \$303.9 million for the repurchase of net-share-settled warrants related to the 2023 Notes and 2025 Notes. We drew down \$74.0 million from our line of credit, repaid \$74.0 million on our line of credit, used \$21.7 million to repurchase shares of our common stock through the stock repurchase program, \$13.5 million to remit taxes withheld as part of a net share settlement of restricted stock vesting, \$24.1 million to settle contingent consideration for the purchase of MedTouch, Brainjocks, and PSL, and paid \$0.6 million for credit facility financing fees. We also received proceeds from sales of stock through the Employee Stock Purchase Plan of \$0.6 million.

Availability of Funds from Credit Facility

On **May 7, 2021** **March 29, 2023**, the Company entered into **an a** Second Amended and Restated Credit Agreement (the "2021 "2023 Credit Agreement") with Wells Fargo Bank, National Association, as administrative agent and the other lenders parties thereto. The **2021** **2023** Credit Agreement provides for revolving credit borrowings up to a maximum principal amount of **\$200.0 million** **\$300.0 million**, subject to a commitment increase of **\$75.0 million** **\$75.0 million**. All outstanding amounts owed under the **2021** **2023** Credit Agreement become due and payable no later than the final maturity date of **May 7, 2026** **March 29, 2028**. As of **December 31, 2022** and **2021**, **December 31, 2023**, there **were was** no outstanding

balances **balance** under the **2021** **2023** Credit Agreement. The Company incurred **\$0.6 million** **\$0.8 million** of deferred finance fees as a result of the **2021** Credit Agreement during the twelve months ended December 31, 2021. The Company did not incur any additional deferred finance fees during the twelve months year ended **December 31, 2022** December 31, 2023.

The **2021** **2023** 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 time. Outstanding letters of credit reduce the credit available for revolving credit borrowings. As of **December 31, 2022** December 31, 2023, the Company had two there were no outstanding letters of credit for \$0.2 million credit. Substantially all of the Company's assets are pledged to secure the credit facility.

Borrowings under the **2021** **2023** Credit Agreement bear interest at the Company's option of the prime rate (7.50% (8.50% on **December 31, 2022** December 31, 2023) plus a margin ranging from 0.00% to 1.00% or one-month LIBOR (4.39% one month Secured Overnight Financing Rate ("SOFR") (5.40% on **December 31, 2022** December 31, 2023) plus a margin ranging from 1.00% to 2.00%. 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, 2022** December 31, 2023, the Company had **\$199.8 million** **\$300.0 million** of unused borrowing capacity.

At **December 31, 2022** December 31, 2023, we were the Company was in compliance with all covenants under the **2021** **2023** Credit Agreement.

Stock Repurchase Program

Prior to 2022, the The Company's Board of Directors authorized the repurchase of up to **\$315.0 million** **\$375.0 million** of Company common stock through a stock repurchase program expiring December 31, 2022. On October 25, 2022, the Board of Directors authorized a \$60.0 million expansion of the Company's stock repurchase program for a total repurchase program of \$375.0 million and extended the expiration date of the program from December 31, 2022 to December 31, 2024. 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 \$279.8 million (16.3 approximately \$291.1 million (16.5 million shares)shares) of outstanding common stock through December 31, 2022December 31, 2023.

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.

Cash Requirements from Contractual Obligations

For the year ended **December 31, 2022** December 31, 2023, there were no material changes outside the ordinary course of business in lease obligations or other contractual obligations. See Note 16, Leases, in the Notes to Consolidated Financial Statements for further description of our contractual obligations.

There were no balances outstanding under the **2021** Amended and Restated Credit Agreement (the "2021 Credit Agreement") or the 2023 Credit Agreement as of **December 31, 2022** December 31, 2023 and **2021**, 2022. As of **December 31, 2022** December 31, 2023, there were in aggregate **\$394.6 million** **\$396.9 million** of outstanding Notes, net of unamortized debt discount and issuance costs, compared to **\$326.1** 394.6 million as of **December 31, 2021** December 31, 2022. The amounts are classified as "Long-term debt" within the Consolidated Balance Sheets as of **December 31, 2022** December 31, 2023 and **2021**, 2022. The 2026 Notes will become due and payable no later than the final maturity date of November 15, 2026. The 2025 Notes will become due and payable no later than the final maturity date of August 1, 2025.

We have incurred commitments to make future payments under contracts such as leases, the **2021** **2023** Credit Agreement and the Notes, as well as noncancelable purchase and other contractual obligations, which primarily relate to multi-year third-party software sales and internally used software, all of which have some inherent uncertainty as to the amount and timing of payments and were reflected on our Consolidated Balance Sheet as of **December 31, 2022** December 31, 2023. Maturities under these contracts are set forth in the following table as of **December 31, 2022** December 31, 2023 (in thousands) millions):

Contractual Obligations	Contractual Obligations	Payments Due by Period					Contractual Obligations	Payments Due by Period					
		Less Than 1 Year			More Than 5 Years			Total	Less Than 1 Year			More Than 5 Years	
		Total	1 Year	3-5 Years	Years	5 Years		Years	1 Year	3-5 Years	Years	5 Years	

Operating lease obligations	Operating lease obligations	\$ 30,993	\$ 8,151	\$13,486	\$ 6,267	\$3,089
Total debt (1)	Total debt (1)	403,258	—	23,258	380,000	—
Purchase obligations		9,207	4,008	4,887	312	—
Purchase and other contractual obligations						
Estimated fair value of contingent consideration liability (Note 9)	Estimated fair value of contingent consideration liability (Note 9)	32,702	32,702	—	—	—
Total	Total	\$476,160	\$44,861	\$41,631	\$386,579	\$3,089

(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 and restricted cash** reported on the Consolidated Balance Sheet as of **December 31, 2022 December 31, 2023** of **\$30.1 million** **\$128.9 million**, approximately **\$7.9 million** **\$20.6 million** was held by certain foreign subsidiaries where the Company has considered the earnings 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. Therefore, the Company has no current plans to repatriate cash from these foreign subsidiaries in the foreseeable future. As of **December 31, 2022 December 31, 2023**, the aggregate unremitted earnings of the Company's foreign subsidiaries for which a deferred income tax liability has not been recorded was approximately **\$19.8 million** **\$19.7 million**, and the unrecognized deferred tax liability on unremitted earnings was approximately **\$2.1 million** **\$2.0 million**. As of December 31, **2022 2023**, **\$7.8 million** **\$1.8 million** of the total cash, **and cash equivalents and restricted cash** was held by certain other foreign subsidiaries where the Company has determined that the earnings from these subsidiaries are not permanently reinvested and may repatriate available earnings from these subsidiaries from time to time.

We believe that our 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. However, while the Company did not experience a material impact on the business, operations or financial results from health emergencies and pandemics during the year ended December 31, 2022, health emergencies and pandemics may materially and adversely affect our business, operations and financial results, including our cash flows, in the future as a result of, among other things, weaker customer demand, requests for discounts or extended payment terms, customer bankruptcies, supply chain disruption, employee staffing constraints and difficulties, government restrictions or other factors. Given the uncertain duration and scope of health emergencies and pandemics and the related impact on economic and financial markets, we cannot reliably predict or estimate the impact on our business, operations or financial results. See "Part I – Item 1A – Risk Factors" of this Form 10-K for additional information regarding the potential impact of health emergencies and pandemics on the Company.

Critical Accounting Policies and Estimates

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

The Company's revenues consist of services and software and hardware sales. In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, revenues are recognized when control of 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 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. Because contracts that contain multiple performance obligations are typically short term due to the 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.

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.

For acquisitions completed during the year ended December 31, 2022 key unobservable inputs included revenue growth rates, which ranged from 16% to 43%, and volatility rates, which were 9% for revenue and ranged from 22% to 23% for earnings. For acquisitions during the year ended December 31, 2021, key observable inputs included revenue growth rates, which ranged from 36% 16% to 76% 43%, and volatility rates, which ranged from 5% to 6% were 9% for revenue and were 17% ranged 22% to 23% for earnings. An increase in future revenue and earnings may result in a higher estimated fair value while a decrease in future revenue and earnings 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, 2022 December 31, 2023 and 2021, 2022.

Convertible Debt

In accordance with accounting for debt with conversion and other options prior to the adoption of ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)* ("ASU 2020-06") on January 1, 2022, the Company bifurcated the principal amount of the Notes 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. 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. Prior to 2022, the resulting debt discount was being amortized to interest expense using the effective interest method over the period from the issuance date through the contractual maturity date. Prior to 2022, the Company utilized 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 the 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.

During the year ended December 31, 2021, the Company repurchased the remaining portion of the outstanding [2.375% Convertible Senior Notes due 2023 Notes](#), (the "2023 Notes"), which met the criteria to be accounted for as a debt extinguishment, and repurchased a portion of the outstanding [1.250% Convertible Senior Notes Due 2025 Notes](#), (the "2025 Notes"), which met the criteria to be accounted for as a debt extinguishment with an inducement charge. The consideration paid for the repurchases was allocated to the liability and equity components of the 2023 Notes and 2025 Notes based on the fair value of the liability component, which was determined utilizing an estimated discount rate for a similar liability with the same maturity, but without the conversion option. The consideration allocated to the equity component was calculated by deducting the fair value of the liability component from the aggregate consideration, excluding interest. The Company subsequently compared the allocated consideration with the carrying value of the liability component to record a loss on extinguishment, which included the proportionate amounts of unamortized debt discount and the remaining unamortized debt issuance costs. An inducement charge representing the difference between the fair value of the consideration delivered to the holders of the repurchased 2025 Notes and the fair value of the consideration issuable under the original conversion terms is included in Loss on extinguishment of debt in the accompanying Consolidated Statements of Operations.

In August 2020, the Financial Accounting Standards Board (the "FASB") issued ASU 2020-06, which simplifies the accounting for convertible instruments. The guidance removes certain accounting models that separate the embedded conversion features from the host contract for convertible instruments, requiring bifurcation only if the convertible debt feature qualifies as a derivative or for convertible debt issued at a substantial premium. The ASU removes certain settlement conditions required for equity contracts to qualify for the derivative scope exception, permitting more contracts to qualify for the exception. In addition, the guidance eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The ASU is effective for annual reporting periods beginning after December 15, 2021, including interim reporting periods within those annual periods. The ASU allows entities to use a modified or full retrospective transition method. Under the modified approach, entities will apply the guidance to all financial instruments that are outstanding as of the beginning of the year of adoption with the cumulative effect recognized as an adjustment to the opening balance of retained earnings. Under the full retrospective method, entities will apply the guidance to all outstanding financial instruments for each prior reporting period presented. The Company adopted this ASU on January 1, 2022 under the modified retrospective method of transition. Upon adoption, the Company recorded a \$2.1 million cumulative-effect adjustment that increased the opening balance of retained earnings on the consolidated balance sheet, largely due to the reduction in non-cash interest expense associated with the historical separation of debt and equity components for the Company's convertible senior notes. The Company also recorded an increase to long-term debt, net of \$66.2 million, a net change in the deferred tax balance of \$16.8 million, and a decrease to additional paid-in capital of \$51.5 million due to no longer separating the embedded conversion feature of the Notes. Upon adoption, the Company's interest expense recognized has been reduced as a result of accounting for the convertible debt instrument as a single liability measured at its amortized cost. This adoption did not have a material impact on the consolidated statement of cash flows. Upon adoption, the Company prospectively utilized the if-converted method to calculate the impact of convertible instruments on diluted earnings per share.

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.

Recent Accounting Pronouncements

Recent accounting pronouncements are fully described in Note 2, *Summary of Significant Accounting Policies*, 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, 2022](#) [December 31, 2023](#), we were exposed to changes in exchange rates between the U.S. dollar and

eleven other currencies. 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, 2022** December 31, 2023, there was no outstanding balance and **\$199.8 million** \$300.0 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 SOFR** rate plus a margin.

During the third quarter of 2020 and the fourth quarter of 2021, we issued the 2025 Notes and the 2026 Notes, respectively, which have a fixed interest rate of 1.250% and 0.125%, respectively. 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, 2022** December 31, 2023, the fair value of the 2025 Notes and 2026 Notes was approximately **\$33.8 million** \$32.4 million and **\$295.5 million** \$316.1 million, respectively.

We had unrestricted cash and cash equivalents totaling **\$128.7 million** at December 31, 2023 and \$30.1 million at December 31, 2022 and **\$24.4 million** at December 31, 2021. 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,		December 31,	
		2022	2021	2023	2022
ASSETS	ASSETS				
Current assets:	Current assets:				
Cash and cash equivalents		\$ 30,130	\$ 24,410		
Current assets:					
Current assets:					
Current assets:					
Current assets:					
Current assets:					
Current assets:					
Current assets:					
Cash, cash equivalents and restricted cash					
Accounts receivable, net	Accounts receivable, net	202,298	177,602		
Prepaid expenses	Prepaid expenses	6,432	5,400		
Other current assets	Other current assets	16,756	7,296		
Total current assets	Total current assets	255,616	214,708		
Property and equipment, net	Property and equipment, net	17,970	14,747		
Operating lease right-of-use assets	Operating lease right-of-use assets	27,088	33,353		
Goodwill	Goodwill	565,161	515,229		
Intangible assets, net	Intangible assets, net	88,937	81,277		
Other non-current assets	Other non-current assets	41,116	23,258		

Total assets	Total assets	\$995,888	\$882,572
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY		

**LIABILITIES AND STOCKHOLDERS'
EQUITY**

**LIABILITIES AND STOCKHOLDERS'
EQUITY**

Current liabilities: Current liabilities: Current liabilities:

Accounts payable	Accounts payable	\$ 24,351	\$ 26,074
Other current liabilities	Other current liabilities	104,780	93,877
Total current liabilities	Total current liabilities	129,131	119,951
Long-term debt, net	Long-term debt, net	394,587	326,126
Operating lease liabilities	Operating lease liabilities	18,528	23,898
Other non-current liabilities	Other non-current liabilities	43,515	47,832
Total liabilities	Total liabilities	\$595,761	\$517,807

Commitments and contingencies (see Note 17)

Commitments and contingencies (see Note 17)

Stockholders' equity:

Preferred stock (par value \$0.001 per share; 8,000,000 authorized; no shares issued or outstanding as of December 31, 2022 and December 31, 2021)	\$ —	\$ —
Common stock (par value \$0.001 per share; 100,000,000 authorized; 53,082,010 shares issued and 34,071,750 shares outstanding as of December 31, 2022; 52,534,967 shares issued and 33,881,196 shares outstanding as of December 31, 2021)	53	53

Stockholders' equity:

Stockholders' equity:

Preferred stock (par value \$0.001 per share; 8,000,000 authorized; no shares issued or outstanding as of December 31, 2023 and December 31, 2022)

Common stock (par value \$0.001 per share; 100,000,000 authorized; 53,465,127 shares issued and 34,174,200 shares outstanding as of December 31, 2023; 53,082,010 shares issued and 34,071,750 shares outstanding as of December 31, 2022)			
Additional paid-in capital	Additional paid-in capital	403,866	423,235
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(17,519)	(5,843)
Treasury stock, at cost (19,010,260 shares as of December 31, 2022; 18,653,771 shares as of December 31, 2021)		(354,536)	(324,412)
Treasury stock, at cost (19,290,927 shares as of December 31, 2023; 19,010,260 shares as of December 31, 2022)			
Retained earnings	Retained earnings	<u>378,263</u>	<u>271,732</u>
Total stockholders' equity	Total stockholders' equity	<u>410,127</u>	<u>364,765</u>
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	<u>\$995,888</u>	<u>\$882,572</u>

See accompanying notes to consolidated financial statements.

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

		Year Ended December 31,			Year Ended December 31,		
		2022	2021	2020	2023	2022	2021
Revenues	Revenues	\$905,062	\$761,027	\$612,133			
Revenues							
Revenues							
Total cost of revenues (cost of services, exclusive of depreciation and amortization, shown separately below)							
Total cost of revenues (cost of services, exclusive of depreciation and amortization, shown separately below)							

Total cost of revenues (cost of services, exclusive of depreciation and amortization, shown separately below)	Total cost of revenues (cost of services, exclusive of depreciation and amortization, shown separately below)	552,703	468,813	380,723
Selling, general, and administrative	Selling, general, and administrative	171,128	152,419	134,675
Depreciation	Depreciation	8,518	6,398	5,430
Amortization	Amortization	24,518	23,453	22,857
Acquisition costs	Acquisition costs	3,653	3,814	3,675
Adjustment to fair value of contingent consideration	Adjustment to fair value of contingent consideration	267	198	9,519
Income from operations	Income from operations	144,275	105,932	55,254
Net interest expense	Net interest expense	3,154	14,052	10,128
Net interest expense	Net interest expense			
Loss on extinguishment of debt	Loss on extinguishment of debt	—	28,996	4,537
Net other expense	Net other expense	160	401	260
Income before income taxes	Income before income taxes	140,961	62,483	40,329
Income tax provision	Income tax provision	36,569	10,392	10,148
Net income	Net income	\$104,392	\$ 52,091	\$ 30,181
Net income	Net income			
Basic net income per share	Basic net income per share			
Basic net income per share	Basic net income per share	\$ 3.08	\$ 1.62	\$ 0.95
Diluted net income per share	Diluted net income per share	\$ 2.90	\$ 1.50	\$ 0.93
Shares used in computing basic net income per share	Shares used in computing basic net income per share	33,869	32,202	31,793
Shares used in computing diluted net income per share	Shares used in computing diluted net income per share	36,731	34,670	32,516

See accompanying notes to consolidated financial statements.

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

		Year Ended December 31,			Year Ended December 31,		2021
					2023	2022	
		2022	2021	2020			
Net income	Net income	\$104,392	\$52,091	\$30,181			
Other comprehensive income, net of reclassification adjustments and income taxes	Other comprehensive income, net of reclassification adjustments and income taxes						
Foreign benefit plan, net of tax	Foreign benefit plan, net of tax	(307)	(188)	(149)			
Foreign benefit plan, net of tax	Foreign benefit plan, net of tax						
Foreign currency translation adjustment, net of tax	Foreign currency translation adjustment, net of tax	(11,369)	(9,401)	6,545			
Comprehensive income	Comprehensive income	\$ 92,716	\$42,502	\$36,577			

See accompanying notes to consolidated financial statements.

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

		Year Ended December 31,			2021	
					2023	
		2022	2021	2020		
Common Stock	Common Stock					
Common Stock	Common Stock					
Common Stock	Common Stock					
Beginning of period	Beginning of period	\$ 53	\$ 50	\$ 49		
Stock compensation related to restricted stock vesting and retirement savings plan contributions		—	3	1		
Beginning of period	Beginning of period					

Stock compensation related to restricted stock vesting and retirement savings plan contributions				
End of period	End of period	53	53	50
Additional Paid-in Capital	Additional Paid-in Capital			
Beginning of period	Beginning of period	423,235	459,866	455,465
Proceeds from the sales of stock through the Employee Stock Purchase Plan		1,081	631	310
Stock compensation related to restricted stock vesting and retirement savings plan contributions		23,524	20,401	18,514
Issuance of stock in conjunction with acquisitions including stock attributed to future compensation		7,533	6,822	10,184
Equity component of issuance of convertible notes, net of tax		—	49,332	36,386
Debt issuance costs of convertible notes allocated to equity, net of tax		—	(1,394)	(1,147)
Purchase of hedges related to issuance of convertible notes, net of tax		—	(49,308)	(36,387)
Proceeds from issuance of warrants related to issuance of convertible notes		—	23,408	22,218
Equity component of repurchase of convertible notes, net of tax		—	(407,084)	(52,711)
Proceeds from sale of hedges related to repurchase of convertible notes		—	381,290	50,062
Purchases of warrants related to repurchase of convertible notes		—	(303,896)	(43,028)
Shares issued upon extinguishment of 2025 convertible notes		—	243,167	—
Cumulative effect of accounting changes (See Note 2)		(51,507)	—	—
Beginning of period				
Beginning of period				

Proceeds from
the sales of
stock through
the Employee
Stock
Purchase Plan
Stock
compensation
related to
restricted stock
vesting and
retirement
savings plan
contributions
Issuance of
stock in
conjunction
with
acquisitions
including stock
attributed to
future
compensation
Equity
component of
issuance of
convertible
notes, net of
tax
Debt issuance
costs of
convertible
notes allocated
to equity, net of
tax
Purchase of
hedges related
to issuance of
convertible
notes, net of
tax
Proceeds from
issuance of
warrants
related to
issuance of
convertible
notes
Equity
component of
repurchase of
convertible
notes, net of
tax
Proceeds from
sale of hedges
related to
repurchase of
convertible
notes

Purchases of warrants related to repurchase of convertible notes				
Shares issued upon extinguishment of 2025 convertible notes				
Cumulative effect of accounting changes (See Note 2)				
End of period	End of period	403,866	423,235	459,866
Accumulated Other Comprehensive (Loss) Income	Accumulated Other Comprehensive (Loss) Income			
Beginning of period	Beginning of period	(5,843)	3,746	(2,650)
	Foreign benefit plan, net of tax	(307)	(188)	(149)
	Foreign currency translation adjustment, net of tax	(11,369)	(9,401)	6,545
Beginning of period				
Beginning of period				
	Foreign benefit plan, net of tax			
	Foreign currency translation adjustment, net of tax			
End of period	End of period	(17,519)	(5,843)	3,746
Treasury Stock	Treasury Stock			
Beginning of period	Beginning of period	(324,412)	(289,225)	(261,624)
	Purchases of treasury stock and buyback of shares for taxes	(30,124)	(35,187)	(27,601)
Beginning of period				
Beginning of period				
	Purchases of treasury stock and buyback of shares for taxes			
	Stock reacquired for escrow claim			
End of period	End of period	(354,536)	(324,412)	(289,225)

Retained Earnings	Retained Earnings		
Beginning of period	Beginning of period	271,732	219,641
	Cumulative effect of accounting changes (See Note 2)	2,139	—
	Net income	104,392	52,091
Beginning of period			189,775
Beginning of period			
	Cumulative effect of accounting changes (See Note 2)		
	Net income		
End of period	End of period	378,263	271,732
Total Stockholders' Equity	Total Stockholders' Equity	\$ 410,127	\$364,765
			\$394,078

See accompanying notes to consolidated financial statements.

	Year Ended December 31,			Year Ended December 31,		
	31,			2021		
	2022	2021	2020	2023	2022	2021
Common Stock, shares	Common Stock, shares					
Beginning of period	Beginning of period	33,881	32,074	31,687		
	Sales of stock through the Employee Stock Purchase Plan	12	9	9		
	Stock compensation related to restricted stock vesting and retirement savings plan contributions	411	522	678		
	Purchases of treasury stock and buyback of shares for taxes	(356)	(431)	(637)		
	Issuance of stock in conjunction with acquisition including stock attributed to future compensation	124	67	337		
	Issuance of shares for repurchase of convertible notes	—	1,640	—		
Beginning of period						
Beginning of period						

Sales of stock through the Employee Stock Purchase Plan Stock compensation related to restricted stock vesting and retirement savings plan contributions	
Purchases of treasury stock and buyback of shares for taxes	
Issuance of stock in conjunction with acquisition including stock attributed to future compensation	
Issuance of shares for repurchase of convertible notes	
Stock reacquired for escrow claim	
End of period	34,072
End of period	33,881
	32,074

See accompanying notes to consolidated financial statements.

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

OPERATING ACTIVITIES	OPERATING ACTIVITIES	Year Ended December 31,			Year Ended December 31,		
		2022 2021 2020			2023 2022 2021		
		Net income	Net income	\$ 104,392 \$ 52,091 \$ 30,181			
Net income							
Net income							
Net income							
Net income							
Net income							
Net income							
Net income							

Net income				
Adjustments to reconcile net income to net cash provided by operations:	Adjustments to reconcile net income to net cash provided by operations:			
Depreciation	Depreciation	8,518	6,398	5,430
Amortization	Amortization	24,518	23,453	22,857
Loss on extinguishment of debt	Loss on extinguishment of debt			
Loss on extinguishment of debt	Loss on extinguishment of debt	—	28,996	4,537
Deferred income taxes	Deferred income taxes	(7,945)	(12,662)	(1,588)
Non-cash stock compensation and retirement savings plan contributions	Non-cash stock compensation and retirement savings plan contributions	24,068	21,554	19,146
Amortization of debt issuance costs and discounts	Amortization of debt issuance costs and discounts	2,431	11,014	6,855
Adjustment to fair value of contingent consideration for purchase of business	Adjustment to fair value of contingent consideration for purchase of business	267	198	9,519
Other	Other	(373)	—	—
Changes in operating assets and liabilities, net of acquisitions:	Changes in operating assets and liabilities, net of acquisitions:			
Changes in operating assets and liabilities, net of acquisitions:	Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	Accounts receivable			
Accounts receivable	Accounts receivable	(16,824)	(34,451)	8,237
Other assets	Other assets	(7,426)	(3,475)	1,821
Accounts payable	Accounts payable	(2,737)	56	861

Other liabilities	Other liabilities	(10,821)	(8,256)	10,104
Net cash provided by operating activities	Net cash provided by operating activities	118,068	84,916	117,960
INVESTING ACTIVITIES				
INVESTING ACTIVITIES				
Purchase of property and equipment	Purchase of property and equipment	(8,955)	(9,244)	(5,266)
Capitalization of internally developed software costs	Capitalization of internally developed software costs	(944)	(960)	(1,465)
Purchase of businesses, net of cash acquired	Purchase of businesses, net of cash acquired	(71,851)	(108,848)	(91,883)
Purchase of businesses, net of cash acquired				
Purchase of businesses, net of cash acquired				
Net cash used in investing activities	Net cash used in investing activities	(81,750)	(119,052)	(98,614)
FINANCING ACTIVITIES				
FINANCING ACTIVITIES				
Proceeds from issuance of convertible notes	Proceeds from issuance of convertible notes	—	380,000	230,000
Payment for convertible notes issuance costs	Payment for convertible notes issuance costs	—	(10,540)	(7,253)
Purchase of hedges related to issuance of convertible notes	Purchase of hedges related to issuance of convertible notes	—	(66,120)	(48,944)
Proceeds from issuance of warrants related to issuance of convertible notes	Proceeds from issuance of warrants related to issuance of convertible notes	—	23,408	22,218
Payments for repurchase of convertible notes	Payments for repurchase of convertible notes	(46)	(368,664)	(180,420)
Proceeds from sale of hedges related to repurchase of convertible notes	Proceeds from sale of hedges related to repurchase of convertible notes	11	381,290	50,062
Repurchase of warrants related to repurchase of convertible notes	Repurchase of warrants related to repurchase of convertible notes	—	(303,896)	(43,028)

Payment for credit facility financing fees	Payment for credit facility financing fees	—	(633)	—
Proceeds from line of credit	Proceeds from line of credit	69,000	74,000	28,000
Payments on line of credit	Payments on line of credit	(69,000)	(74,000)	(28,000)
Payment of contingent consideration for purchase of business	Payment of contingent consideration for purchase of business	—	(24,128)	(2,820)
Payment of contingent consideration for purchase of business	Payment of contingent consideration for purchase of business	—	—	—
Proceeds from the sale of stock through the Employee Stock Purchase Plan	Proceeds from the sale of stock through the Employee Stock Purchase Plan	1,081	631	310
Purchases of treasury stock	Purchases of treasury stock	(18,462)	(21,724)	(19,573)
Remittance of taxes withheld as part of a net share settlement of restricted stock vesting	Remittance of taxes withheld as part of a net share settlement of restricted stock vesting	(11,662)	(13,463)	(8,028)
Net cash used in financing activities	Net cash used in financing activities	(29,078)	(23,839)	(7,476)
Effect of exchange rate on cash and cash equivalents	Effect of exchange rate on cash and cash equivalents	(1,520)	(819)	606
Change in cash and cash equivalents	Change in cash and cash equivalents	5,720	(58,794)	12,476
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	24,410	83,204	70,728
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 30,130	\$ 24,410	\$ 83,204
Effect of exchange rate on cash, cash equivalents and restricted cash	Effect of exchange rate on cash, cash equivalents and restricted cash	—	—	—
Change in cash, cash equivalents and restricted cash	Change in cash, cash equivalents and restricted cash	—	—	—
Cash, cash equivalents, and restricted cash at beginning of period	Cash, cash equivalents, and restricted cash at beginning of period	—	—	—

Cash, cash equivalents and restricted cash at end of period	
Supplemental disclosures:	
Supplemental disclosures:	
Supplemental disclosures:	Supplemental disclosures:
Cash paid for income taxes	Cash paid for income taxes \$ 39,974 \$ 16,122 \$ 5,256
Cash paid for interest	Cash paid for interest \$ 1,034 \$ 3,988 \$ 3,411
Non-cash activities:	Non-cash activities:
Stock issued for purchase of businesses	Stock issued for purchase of businesses \$ 7,168 \$ 6,244 \$ 8,729
Stock issued for purchase of businesses (stock reacquired for escrow claim)	
Issuance of shares for repurchase of convertible notes	Issuance of shares for repurchase of convertible notes \$ — \$ 243,167 \$ —
Liability incurred for purchase of property and equipment	Liability incurred for purchase of property and equipment \$ 3,765 \$ 144 \$ 503

See accompanying notes to consolidated financial statements.

PERFICIENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. Description of Business and Principles of Consolidation

Perficient, Inc. (the "Company" or "Perficient") is a global digital consultancy. Perficient's work enables clients, primarily focused in North America, to deliver experiences that surpass customer expectations; become more human-centered, authentic, and trusted; innovate through digital technologies; outpace competition; grow and strengthen relationships with customers, suppliers, and partners; and reduce costs.

Through December 31, 2022, the Company had not experienced a material impact to its business, operations or financial results as a result of health emergencies and pandemics. However, the Company's operating results for the year ended December 31, 2022 are not necessarily indicative of future results, particularly in light of the health emergencies and pandemics and the related effects on domestic and global economies. To limit the spread of health emergencies and pandemics, governments have imposed, and may continue to impose, among other things, travel and business operation restrictions and stay-at-home orders and social distancing guidelines, causing some businesses to adjust, reduce or suspend operating activities. While certain of these restrictions and guidelines have been lifted or relaxed, they may be reinstated in response to continuing effects of health emergencies and pandemics. These disruptions and restrictions could adversely affect our operating results due to, among other things, reduced demand for our services and solutions, requests for discounts or extended payment terms, or customer bankruptcies.

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

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 Credit Losses

As of January 1, 2020, the The Company estimates its allowance for credit losses in accordance with ASC Topic 326, *Financial Instruments - Credit Losses*. See Note 8, *Allowance for Credit Losses*, for information regarding the Company's accounting policies related to the allowance for credit losses.

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. 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.

Cash, and Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of all **unrestricted** cash balances and liquid investments with original maturities of three months or less.

Restricted cash consists of cash deposits which are restricted for settlement of medical claims. The Company's restricted cash balance as of December 31, 2023 was \$0.2 million. There was no restricted cash balance as of December 31, 2022 or 2021.

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 year 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 **2023, 2022 2021 or 2020, 2021**.

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 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 was recorded for **2023, 2022 2021 or 2020, 2021**.

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, and 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 ("2023 Notes"), 1.250% Convertible Senior Notes Due 2025 ("2025 Notes"), and 0.125% Convertible Senior Notes Due 2026 ("2026 Notes" and collectively with the 2023 Notes and the 2025 Notes, 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 the years ended December 31, 2022, 2021 and 2020, approximately 97%, 97%, and 98%, respectively, of the Company's revenues were derived from clients in the United States. As of December 31, 2022 and 2021, 25% and 33%, respectively, of the Company's non-current assets were located outside the United States, the majority of which were comprised of goodwill and other intangible assets from acquisitions outside of the United States. *Geographic Information*.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standard Board (the "FASB") issued ASU No. 2016-13, which amended the guidance of 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. The Company adopted this ASU on January 1, 2020 using a modified retrospective approach, which allows the impact of adoption to be recorded through a cumulative effect adjustment to retained earnings without restating comparative periods. The cumulative effect adjustment for adoption of ASU No. 2016-13 resulted in a decrease of \$0.4 million in Accounts receivable, net, and a decrease of \$0.3 million in Retained earnings, net of tax, as of January 1, 2020. Refer to Note 8, *Allowance for Credit Losses*, for additional disclosures resulting from the adoption of ASU No. 2016-13.

In August 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)* ("ASU 2020-06"), which simplifies the accounting for convertible instruments. The guidance removes certain accounting models that separate the embedded conversion features from the host contract for convertible instruments, requiring bifurcation only if the convertible debt feature qualifies as a derivative or for convertible debt issued at a substantial premium. The ASU removes certain settlement conditions required for equity contracts to qualify for the derivative scope exception, permitting more contracts to qualify for the exception. In addition, the guidance eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The ASU is effective for annual reporting periods beginning after December 15, 2021, including interim reporting periods within those annual periods. The ASU allows entities to use a modified or full retrospective transition method. Under the modified approach, entities will apply the guidance to all financial instruments that are outstanding as of the beginning of the year of adoption with the cumulative effect recognized as an adjustment to the opening balance of retained earnings. Under the full retrospective method, entities will apply the guidance to all outstanding financial instruments for each prior reporting period presented. The Company adopted this ASU on January 1, 2022 under the modified retrospective method of transition. Upon adoption, the Company recorded a \$2.1 million cumulative-effect adjustment that increased the opening balance of retained earnings on the consolidated balance sheet, largely due to the reduction in non-cash interest expense associated with the historical separation of debt and equity components for the Notes described in Note 11, 12, *Long-Term Debt*. The Company also recorded an increase to long-term debt, net of \$66.2 million, a net change in the deferred tax balance of \$16.8 million, and a decrease to additional paid-in capital of \$51.5 million due to no longer separating the embedded conversion feature of the Notes. Upon adoption, the Company's interest expense recognized has been reduced as a result of accounting for the convertible debt instrument as a single liability measured at its amortized cost. This adoption did not have a material impact on the consolidated statement of cash flows. Upon adoption, the Company prospectively utilized the if-converted method to calculate the impact of convertible instruments on diluted

earnings per share. For the three and twelve months ended December 31, 2022, shares used in computing diluted net income per share increased by 2.3 million and 2.2 million shares, respectively, due to the change from the treasury stock method to the if-converted method.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (Subtopic 805)*, which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, rather than adjust them to fair value at the acquisition date. The Company adopted this ASU on July 1, 2022 and determined the impact of the new guidance on its financial statements was immaterial.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280) Improvements To Reportable Segment Disclosures*, which requires additional disclosures about a public entity's reportable segments and addresses requests from investors and other allocators of capital for additional, more detailed information about a reportable segment's expenses. The Company will adopt this ASU retrospectively for the annual period beginning on January 1, 2024 and for interim periods beginning on January 1, 2025.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740) Improvements To Income Tax Disclosures*, which requires additional disclosures of income tax components that affect the rate reconciliation and income taxes paid, broken out by the applicable taxing jurisdictions. The Company expects to adopt this ASU prospectively for the annual period beginning on January 1, 2025.

3. Revenues

The Company's revenues consist of services and software and hardware sales. In accordance with ASC Topic 606, revenues are recognized when control of 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

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 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. Because contracts that contain multiple performance obligations are typically short term due to the 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, 2022** December 31, 2023 and **2021** 2022 was **\$12.7 million** \$5.5 million and **\$8.2 million** \$12.7 million, respectively. Substantially all of the **December 31, 2021** December 31, 2022 deferred revenue balance was recognized in revenue during the year ended **December 31, 2022** December 31, 2023.

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. The Company 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, 2022** December 31, 2023 was immaterial.

Disaggregation of Revenue

The following tables present revenue disaggregated by revenue source and pattern of revenue recognition (in **thousands**) millions):

		Year Ended December 31, 2022			Year Ended December 31, 2023			Total Revenues	
		Point			Over Time	Point In Time			
		Over Time	In Time	Total Revenues					
Time and materials contracts	Time and materials contracts	\$696,040	\$ —	\$696,040					
Fixed fee percent complete contracts	Fixed fee percent complete contracts	52,183	—	52,183					
Fixed fee contracts	Fixed fee contracts	135,053	—	135,053					
Reimbursable expenses	Reimbursable expenses	9,371	—	9,371					
Total professional services fees	Total professional services fees	892,647	—	892,647					
Other services revenue*	Other services revenue*	7,663	2,111	9,774					
Total services	Total services	900,310	2,111	902,421					
Software and hardware	Software and hardware	—	2,641	2,641					
Total revenues	Total revenues	\$900,310	\$4,752	\$905,062					
Year Ended December 31, 2021									
Time and materials contracts		\$ —	\$ 577,674	\$ —	\$ 577,674	Over Time	Point In Time	Total Revenues	
Fixed fee percent complete contracts				49,117			—	49,117	

Fixed fee contracts	107,698	—	107,698
Reimbursable expenses	10,677	—	10,677
Total professional services fees	745,166	—	745,166
Other services revenue*	11,320	2,236	13,556
Total services	756,486	2,236	758,722
Software and hardware	—	2,305	2,305
Total revenues	\$ 756,486	\$ 4,541	\$ 761,027

Year Ended December 31, 2020			
	Over Time	Point In Time	Total Revenues
Time and materials contracts	\$ 436,466	\$ —	\$ 436,466
Fixed fee percent complete contracts	51,752	—	51,752
Fixed fee contracts	95,237	—	95,237
Reimbursable expenses	10,110	—	10,110
Total professional services fees	593,565	—	593,565
Other services revenue*	13,536	2,482	16,018
Total services	607,101	2,482	609,583
Software and hardware	—	2,550	2,550
Total revenues	\$ 607,101	\$ 5,032	\$ 612,133

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

Year Ended December 31, 2022			
	Over Time	Point In Time	Total Revenues
Time and materials contracts	\$ 696.0	\$ —	\$ 696.0
Fixed fee percent complete contracts	52.2	—	52.2
Fixed fee contracts	135.0	—	135.0
Reimbursable expenses	9.4	—	9.4
Total professional services fees	892.6	—	892.6
Other services revenue*	7.7	2.1	9.8
Total services	900.3	2.1	902.4
Software and hardware	—	2.7	2.7
Total revenues	\$ 900.3	\$ 4.8	\$ 905.1

Year Ended December 31, 2021			
	Over Time	Point In Time	Total Revenues
Time and materials contracts	\$ 577.7	\$ —	\$ 577.7
Fixed fee percent complete contracts	49.1	—	49.1
Fixed fee contracts	107.7	—	107.7
Reimbursable expenses	10.7	—	10.7
Total professional services fees	745.2	—	745.2
Other services revenue*	11.3	2.2	13.5
Total services	756.5	2.2	758.7
Software and hardware	—	2.3	2.3
Total revenues	\$ 756.5	\$ 4.5	\$ 761.0

* 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) millions):

Year Ended December 31,	Year Ended December 31,	Year Ended December 31,

		2022	2021	2020	2023	2022	2021
United States	United States	\$875,298	\$738,298	\$599,236			
Other countries	Other countries	29,764	22,729	12,897			
Total revenues	Total revenues	\$905,062	\$761,027	\$612,133			

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 2022, 2023, a substantial portion of the services the Company provided were built on Adobe, Microsoft, IBM, Salesforce, Sitecore and Oracle 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% 7% of total revenues for the year ended December 31, 2023, 5% of total revenues for the year ended December 31, 2022, and 4% of total revenues for the year ended December 31, 2021, and 5% of total revenues for the year ended December 31, 2020.

5. Stock-Based Compensation

Stock-based compensation is accounted for in accordance with ASC Topic 718, *Compensation – Stock Plans 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. The fair value of restricted stock awards is based on the value of the Company's common stock on the date of the grant.

The Company's Second Third Amended and Restated Perficient, 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 8.5 million shares of Common Stock pursuant to the Incentive Plan. As of December 31, 2022 December 31, 2023, there were 0.9 million 2.0 million shares of Common Stock available for issuance under the Incentive Plan.

Restricted stock activity for the year ended December 31, 2022 was as follows (in thousands, except fair value information):

		Shares	Weighted-Average Grant Date Fair Value
Restricted stock awards outstanding at December 31, 2021		642	\$ 55.34
Awards granted (1)		371	\$ 75.76
Awards vested (2)		(361)	\$ 46.68
Awards forfeited		(36)	\$ 66.75
Restricted stock awards outstanding at December 31, 2022		616	\$ 72.02

(1) The weighted average grant date fair value of shares granted during 2021 and 2020 was \$76.48 and \$41.07, respectively.

(2) The total fair value of restricted shares vested during the years ended December 31, 2022, 2021 and 2020 was \$32.0 million, \$44.1 million and \$24.6 million, respectively.

The Company recognized \$24.6 million \$28.3 million, \$23.1 million \$24.6 million and \$19.5 million \$23.1 million of share-based compensation expense during 2023, 2022 2021 and 2020 2021, respectively, which included \$4.4 million \$4.6 million, \$4.0 million \$4.4 million and \$3.4 million \$4.0 million of expense for retirement savings plan contributions, respectively. The associated current and future income tax benefit recognized during 2023, 2022 and 2021 was \$7.8 million, \$6.4 million and 2020 was \$6.4 million, \$3.8 million and \$2.6 million, respectively.

Restricted Stock Awards ("RSAs")

Restricted stock activity for the year ended December 31, 2023 was as follows (in thousands, except fair value information):

		RSAs (Shares)	Weighted-Average Grant Date Fair Value
Restricted stock awards outstanding at December 31, 2022		616	\$ 72.02
Awards granted (1)		449	\$ 64.74
Awards vested (2)		(307)	\$ 64.29
Awards forfeited		(44)	\$ 71.43
Restricted stock awards outstanding at December 31, 2023		714	\$ 70.80

(1) The weighted average grant date fair value of shares granted during 2022 and 2021 was \$75.76 and \$76.48, respectively.

(2) The total fair value of restricted shares vested during the years ended December 31, 2023, 2022 and 2021 was \$19.7 million, \$32.0 million and \$44.1 million, respectively.

As of December 31, 2022 December 31, 2023, there was \$33.5 million \$36.7 million of total unrecognized compensation cost related to non-vested share-based restricted stock awards. This cost is expected to be recognized over a weighted-average period of two years. Restricted stock awards generally vest over a three-yearthree-year service period.

Performance Stock Awards ("PSAs")

The Company also grants PSAs under the Incentive Plan with terms determined at the discretion of the compensation committee of the Company's Board of Directors. The actual number of PSAs that will be eligible to vest is based on the achievement of a relative total shareholder return ("TSR") target as compared to the TSR realized by each of the companies comprising the Nasdaq Composite Index over a three-year period. The PSAs vest at the end of the TSR measurement period, and up to 100% of the target number of shares subject to each PSA are eligible to be earned. During the twelve months ended December 31, 2023, the Company awarded 10,842 PSAs with a fair market value of \$80.90 per share. PSA related stock-based compensation cost recognized for the twelve months ended December 31, 2023 was \$0.1 million.

The Company estimated the grant date fair value of the PSAs using a Monte Carlo simulation model that included the following assumptions:

	Year Ended December 31, 2023
Valuation assumptions:	
Expected dividend yield	—
Expected volatility	52.37 %
Expected term (years)	3.44
Risk-free interest rate	4.45 %

As of December 31, 2023, there was \$0.7 million of total unrecognized compensation cost related to unvested PSAs, expected to be recognized over a period of three years.

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, 2022 December 31, 2023, 12,074 14,612 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 unvested restricted stock, warrants, and acquisition consideration using the treasury method, unless such additional equivalent shares are anti-dilutive. Upon adoption of ASU 2020-06 on January 1, 2022, the Company prospectively utilized the if-converted method to calculate the impact of convertible instruments on diluted earnings per share.

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

	Net	Year Ended December 31,			Year Ended December 31,		
		2022	2021	2020	2023	2022	2021
Net income	Net income	\$ 104,392	\$ 52,091	\$ 30,181			
Add back interest expense on convertible notes, net of tax (1)	Add back interest expense on convertible notes, net of tax (1)			—			
		2,261		—			
Net income, diluted	Net income, diluted	\$ 106,653	\$ 52,091	\$ 30,181			
Basic:	Basic:						
Basic:							
Basic:							

Weighted-average shares of common stock outstanding				
Weighted-average shares of common stock outstanding				
Weighted-average shares of common stock outstanding	Weighted-average shares of common stock outstanding			
		33,869	32,202	31,793
Shares used in computing basic net income per share	Shares used in computing basic net income per share	33,869	32,202	31,793
Effect of dilutive securities:				
Effect of dilutive securities:				
Effect of dilutive securities:	Effect of dilutive securities:			
Restricted stock subject to vesting	Restricted stock subject to vesting	270	559	417
Shares issuable for conversion of convertible senior notes (1)	Shares issuable for conversion of convertible senior notes (1)	2,422	1,564	52
Shares issuable for acquisition consideration (2)	Shares issuable for acquisition consideration (2)	50	198	254
Shares issuable for exercise of warrants	Shares issuable for exercise of warrants	120	147	—
Shares used in computing diluted net income per share	Shares used in computing diluted net income per share	36,731	34,670	32,516
Basic net income per share	Basic net income per share	\$ 3.08	\$ 1.62	\$ 0.95
Basic net income per share				
Basic net income per share				
Diluted net income per share	Diluted net income per share	\$ 2.90	\$ 1.50	\$ 0.93

(1) Upon adoption of ASU 2020-06 on January 1, 2022, the Company prospectively utilized the if-converted method to calculate the impact of convertible instruments on diluted earnings per share. Prior period amounts have not been adjusted due to the adoption of ASU 2020-06 under the modified retrospective method.

(2) For the year ended December 31, 2022, 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 Catalyst Networks, Inc. ("Brainjocks"); (iii) the Stock Purchase Agreement with the shareholders of Productora de Software S.A.S. ("PSL"); (iv) the Purchase Agreement with Talos (as defined in Note 9 - Business Combinations) LLC, Talos Digital LLC, Talos Digital SAS and TCOMM SAS ("Talos"); (v) the Stock Purchase Agreement with the shareholders of Izmul S.A. ("Overactive"); (vi) the Stock Purchase Agreement with the shareholders of Inflection Point (as defined in Note 9 - Business Combinations) Systems, Inc. ("Inflection Point"); and (vii) the Purchase Agreement with Ameex (as defined in Note 9 - Business Combinations) Technologies Corporation ("Ameex"), as part of the consideration. For the year ended December 31, 2021, this represents the shares held in escrow pursuant to: (i) the Asset Purchase Agreement with Zeon; (ii) the Asset Purchase Agreement with MedTouch; Brainjocks; (iii) the Stock Purchase Agreement with the shareholders of PSL; (iv) the Purchase Agreement with Talos; (v) the Stock Purchase Agreement with the shareholders of Overactive; (vi) the Purchase Agreement with Inflection Point; and (vii) the Purchase Agreement with Ameex, as part of the consideration. For the year ended December 31, 2020, this represents the shares held in escrow pursuant to: (i) the Asset Purchase Agreement with Zeon; (ii) the Asset Purchase Agreement with MedTouch LLC; (iii) the Asset Purchase Agreement with Brainjocks; (iv) the Stock Purchase Agreement with the shareholders of PSL; (v) the Purchase Agreement with Talos; and (vi) the Stock Purchase Agreement with the shareholders of Overactive, as part of the consideration. For the year ended December 31, 2020, this represents the shares held in escrow pursuant to: (i) the Asset Purchase

Agreement with RAS & Associates, LLC; (ii) the Asset Purchase Agreement with Zeon; (iii) the Asset Purchase Agreement with Stone Temple Consulting Corporation ("Stone Temple"); (iv) the Asset Purchase Agreement with Sundog Interactive, Inc. ("Sundog"); (v) the Asset Purchase Agreement with MedTouch; (vi) the Asset Purchase Agreement with Brainjocks; and (vii) the Stock Purchase Agreement with the shareholders of PSL, 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,			Year Ended December 31,		
		Year Ended December 31,			Year Ended December 31,		
		2022	2021	2020	2023	2022	2021
Restricted stock subject to vesting	Restricted stock subject to vesting	110	—	2			
Convertible senior notes	Convertible senior notes	—	1,980	4,451			
Warrants related to the issuance of convertible senior notes	Warrants related to the issuance of convertible senior notes	2,084	1,980	8,275			
Total anti-dilutive securities	Total anti-dilutive securities	2,194	3,960	12,728			

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 2022, the The Company's Board of Directors authorized the repurchase of up to \$315.0 million \$375.0 million of Company common stock through a stock repurchase program expiring December 31, 2022. On October 25, 2022, the Board of Directors authorized a \$60.0 million expansion of the Company's stock repurchase program for a total repurchase program of \$375.0 million and extended the expiration date of the program from December 31, 2022 to December 31, 2024. 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 \$279.8 million (16.3 approximately \$291.1 million (16.5 million shares)shares) of outstanding common stock through December 31, 2022December 31, 2023.

7. Balance Sheet Components

		December 31,		December 31,	
		2022	2021	2023	2022
		(In thousands)			
Accounts receivable:	Accounts receivable:				
Billed accounts receivable, net	Billed accounts receivable, net	\$134,523	\$120,892		
Unbilled revenues, net	Unbilled revenues, net	67,775	56,710		
Total	Total	\$202,298	\$177,602		
Total	Total				
Other current assets:	Other current assets:				
Miscellaneous receivables	Miscellaneous receivables	\$ 2,896	\$ 1,576		
Miscellaneous receivables					
Contractual commitment asset	Contractual commitment asset	942	1,736		
Federal/state income tax receivable		9,231	2,504		
Income tax receivable					
Other current assets	Other current assets	3,687	1,480		

Total	Total	\$ 16,756	\$ 7,296
Property and equipment:			
Property and equipment:			
Property and equipment:			
Computer hardware (useful life of 3 years)	Computer hardware (useful life of 3 years)	\$ 26,302	\$ 21,382
Furniture and fixtures (useful life of 5 years)	Furniture and fixtures (useful life of 5 years)	4,690	4,599
Leasehold improvements (useful life of 5 years)	Leasehold improvements (useful life of 5 years)	7,693	7,850
Software (useful life of 1 to 7 years)	Software (useful life of 1 to 7 years)	11,866	6,018
Less: Accumulated depreciation	Less: Accumulated depreciation	(32,581)	(25,102)
Total	Total	\$ 17,970	\$ 14,747
Other non-current assets:			
Non-current unbilled revenue		\$ 2.2	\$ 1.6
Company owned life insurance ("COLI") asset		12.6	10.5
Long term deposits		1.8	1.9
Credit facility deferred finance fees, net		1.0	0.5
Other non-current assets		13.2	8.5
Deferred income taxes		21.6	18.1
Total		\$ 52.4	\$ 41.1
Other current liabilities:			
Accrued variable compensation		\$ 15.9	\$ 21.1
Deferred revenues		5.5	12.7
Estimated fair value of contingent consideration liability (Note 9)		4.5	32.7
Current operating lease liabilities		7.0	10.3
Payroll related costs		11.1	8.9
Professional fees		1.3	2.2
Accrued medical claims expense		3.2	2.9
Accrued IT expenses		5.0	4.3
Other current liabilities		6.3	9.7
Total		\$ 59.8	\$ 104.8

	December 31,	
	2022	2021
	(In thousands)	
Other non-current assets:		
Non-current unbilled revenue	\$ 1,632	\$ 3,210
Company owned life insurance ("COLI") asset	10,467	10,807
Long term deposits	1,929	1,653
Credit facility deferred finance fees, net	476	619
Other non-current assets	8,551	5,629
Deferred income taxes	18,061	1,340
Total	\$ 41,116	\$ 23,258
Other current liabilities:		
Accrued variable compensation	\$ 21,106	\$ 31,244
Deferred revenues	12,690	8,167
Estimated fair value of contingent consideration liability (Note 9)	32,702	21,644
Current operating lease liabilities	10,334	11,543
Payroll related costs	8,888	9,523
Professional fees	2,155	1,727
Accrued medical claims expense	2,901	2,605

Accrued IT expenses		4,277	1,776
Other current liabilities		9,727	5,648
Total		\$ 104,780	\$ 93,877
	December 31,		December 31,
	2023		2022
	(In millions)		(In millions)
Other non-current liabilities:	Other non-current liabilities:		
Deferred income taxes	Deferred income taxes	\$ 8,686	\$ 13,075
Other non-current liabilities			
Other non-current liabilities			
Other non-current liabilities	Other non-current liabilities	5,851	3,462
Reserve for uncertain tax positions	Reserve for uncertain tax positions	17,516	19,127
Non-current software accrual	Non-current software accrual	2,146	2,710
Deferred compensation liability	Deferred compensation liability	9,316	9,458
Total	Total	\$43,515	\$47,832

8. Allowance for Credit Losses

In accordance with ASC Topic 326, *Financial Instruments - Credit Losses*, the Company evaluates its allowance based on expected losses rather than incurred losses, which is known as the current expected credit loss model. The allowance is determined using the loss rate approach and is measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

Activity in the allowance for credit losses is summarized as follows for the years presented (in thousands millions):

	Year Ended December 31,			Year Ended December 31,		
	2022	2021	2020	2023	2022	2021
Balance at December 31	\$ 2,944	\$ 1,065	\$ 464			
Impact of ASU No. 2016-13 adoption	—	—	423			
Opening balance at January 1	2,944	1,065	887			
Balance at January 1						
Balance at January 1						
Balance at January 1						
Charges to expense, net of recoveries	Charges to expense, net of recoveries	3,646	1,801	855		
Other	Other	(837)	78	(677)		
Balance at December 31	\$ 5,753	\$ 2,944	\$ 1,065			

(1) Other is primarily related to uncollected balances written off, business acquisitions and currency translation adjustments.

9. Business Combinations

2022 Acquisitions

On October 11, 2022, the Company acquired all of the outstanding capital stock of **Ameex Technologies Corporation ("Ameex")**. Ameex is a digital experience consultancy headquartered in Schaumburg, Illinois, with offshore operations located in Chennai, India. The acquisition of Ameex strengthened the Company's global delivery capabilities, enhanced agile software design, and further expanded our operations in India. Ameex added more than 400 professionals and strategic client relationships across several industries. The Company's total allocable purchase price consideration was **\$36.4 million** **\$35.5 million**, net of cash acquired. The Company incurred approximately \$1.7 million in transaction costs, which were expensed when incurred. The goodwill is non-deductible for tax purposes.

On September 7, 2022, the Company acquired all of the outstanding capital stock of Inflection Point Systems, Inc. ("Inflection Point"). Inflection Point is a software consulting and product development firm with nearshore operations based in Monterrey, Mexico, and headquarters in Columbia, Maryland. The acquisition of Inflection Point strengthened the Company's nearshore delivery capacity, enhanced our digital capabilities, and further expanded our operations across Latin America. Inflection Point added more than 200 professionals and strategic client relationships with customers across several industries. The Company's total allocable purchase price consideration was **\$52.8 million** **\$54.0 million**, net of cash acquired. The Company incurred approximately \$1.6 million in transaction costs, which were expensed when incurred. The goodwill is non-deductible for tax purposes.

The acquisition date fair value of the consideration for the 2022 acquisitions consisted of the following (in millions):

	Ameex	Inflection Point						
Ameex								
Cash, net of cash acquired								
Cash, net of cash acquired								
Cash, net of cash acquired	Cash, net of cash acquired	Cash, net of cash acquired						
acquired	acquired	\$ 26.2	\$ 44.6					
Company common stock issued at closing	Company common stock issued at closing	4.2	3.0					
Company common stock issued at closing								
Contingent consideration (1)								
Contingent consideration (1)								
Contingent consideration (1)	Contingent consideration (1)	4.2 (2)	6.6 (3)	4.3 (2)	(2)	6.6 (3)	(3)	
Net working capital adjustment due to the seller(s)	Net working capital adjustment due to the seller(s)	1.8	(1.4)					
Total allocable purchase price consideration	Total allocable purchase price consideration	<u>\$ 36.4</u>	<u>\$ 52.8</u>					
Total allocable purchase price consideration								
Total allocable purchase price consideration								

(1) Represents the initial fair value estimate of additional revenue and earnings-based contingent consideration, which may be realized by the sellers 12 months after the applicable closing date of the acquisition.

(2) The maximum cash payout that may be realized by the sellers in the Ameex acquisition is \$5.7 million. As of December 31, 2022 December 31, 2023, the fair value of the contingent consideration was \$4.3 million \$4.0 million. The Company recorded a pre-tax adjustment to reduce the liability in "Adjustment to fair value of contingent consideration" on the Consolidated Statements of Operations of \$0.4 million during the year ended December 31, 2023.

(3) The maximum cash payout that may be realized by the sellers in the Inflection Point acquisition is \$13.0 million. As of December 31, 2022 December 31, 2023, the fair value of the contingent consideration was \$6.6 million \$0.5 million. The Company recorded a pre-tax adjustment to reduce the liability in "Adjustment to fair value of contingent consideration" on the Consolidated Statements of Operations of \$6.2 million during the year ended December 31, 2023.

The Company has estimated the preliminary allocation allocated of the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

Inflection				
Ameex		Point		
Ameex		Ameex		Inflection Point
Acquired tangible assets	Acquired tangible assets	\$ 7.3	\$ 3.4	
Identified intangible assets	Identified intangible assets	13.2	20.0	
Liabilities assumed	Liabilities assumed	(5.2)	(9.3)	
Goodwill	Goodwill	21.1	38.7	
Total allocable purchase price	Total allocable purchase price	\$ 36.4	\$ 52.8	

The following table presents details of the intangible assets acquired during the year ended December 31, 2022 December 31, 2023 (dollars in millions).

	Weighted Average Useful Life	Estimated Useful Life	Aggregate acquisitions
Customer relationships	10 years	10 years	\$ 29.9
Customer backlog	1 year	1 year	2.7
Non-compete agreements	5 years	5 years	0.3
Trade name	1 year	1 year	0.3
Total acquired intangible assets			\$ 33.2 33.3

As the Company completed its evaluation of the acquired assets and assumed liabilities of Ameex and Inflection Point, the Company recorded certain adjustments during the measurement period based on facts and circumstances that existed as of acquisition date. The above purchase price accounting estimates measurement period adjustments for Ameex and Inflection Point are pending finalization of certain acquired tangible and intangible assets, contingent consideration valuation, and a net working capital settlement that is subject to final adjustment as the Company evaluates information during the measurement period.

The aggregate amounts of revenue and net income of the Ameex and Inflection Point acquisitions included in the Company's Consolidated Statements of Operations from the respective acquisition dates to December 31, 2022 are as follows (in thousands):

	Acquisition Date to December 31, 2022
Revenues	\$ 9,452
Net income (loss)	\$ (445)

were not material.

2021 Acquisitions

On September 8, 2021, the Company acquired substantially all of the assets of Talos LLC and Talos Digital LLC, each a Delaware limited liability company, and a wholly-owned subsidiary of the Company acquired all of the outstanding capital stock of Talos Digital SAS and TCOMM SAS, each a simplified stock company organized under the laws of the Republic of Colombia (collectively, "Talos"). Talos is a digital transformation consultancy based in Miami, Florida with nearshore delivery centers in Medellin, Colombia. The acquisition of Talos strengthened the Company's global delivery capabilities, and enhanced its nearshore systems and commerce and custom developed solutions customers. Talos added more than 180 professionals and strategic client relationships with customers across several industries. The Company's total allocable purchase price consideration was \$27.8 million, net of cash acquired. The Company incurred approximately \$1.1 million in transaction costs, which were expensed when incurred. The amount of goodwill deductible for tax purposes is \$7.5 million \$15.7 million.

On October 15, 2021, a wholly-owned subsidiary of the Company acquired Overactive pursuant to the terms of a Stock Purchase Agreement. Overactive is based in Montevideo, Uruguay with nearshore delivery centers in Colombia, Argentina, Uruguay, Chile and Puerto Rico. The acquisition of Overactive expanded the Company's digital modernization solution services. Overactive added nearly 700 professionals and strategic client relationships with customers across several industries and expanded the Company's operations in Latin America. The Company's total allocable purchase price consideration was \$110.3 million, net of cash acquired. The Company incurred approximately \$2.5 million in transaction costs, which were expensed when incurred. The goodwill is non-deductible for tax purposes.

The acquisition date fair value of the consideration for the 2021 acquisitions consisted of the following (in millions):

	Talos	Overactive
Cash, net of cash acquired	\$ 14.9	\$ 93.9
Company common stock issued at closing	3.8	2.4
Contingent consideration (1)	9.0 (2)	12.6 (3)
Net working capital adjustment due to the seller(s)	0.1	1.4
Total allocable purchase price consideration	\$ 27.8	\$ 110.3

(1) Represents the initial fair value estimate of additional revenue and earnings-based contingent consideration, which may be realized by the sellers 12 months after the applicable closing date of the acquisition.

(2) The maximum cash payout that may be realized by the sellers in the Talos acquisition is \$10.6 million. As of December 31, 2022, the fair value of the contingent consideration was \$10.6 million. The Company recorded a pre-tax adjustment in "Adjustment to fair value of contingent consideration" on the Consolidated Statements of Operations to increase the liability \$1.4 million during the year ended December 31, 2022.

(3) The maximum cash payout that may be realized by the sellers in the Overactive acquisition is \$14.4 million. As of December 31, 2022, the fair value of the contingent consideration was \$11.2 million. The Company recorded a pre-tax adjustment in "Adjustment to fair value of contingent consideration" on the Consolidated Statements of Operations to decrease the liability \$1.6 million during the year ended December 31, 2022.

The Company has allocated the total purchase price consideration between tangible assets, identified intangible assets, liabilities, and goodwill as follows (in millions):

	Talos	Overactive
Acquired tangible assets	\$ 2.3	\$ 13.8
Identified intangible assets	8.1	35.0
Liabilities assumed	(1.8)	(18.9)
Goodwill	19.2	80.4
Total allocable purchase price	\$ 27.8	\$ 110.3

As the Company completed its evaluation of the acquired assets and assumed liabilities of Talos and Overactive, the Company recorded certain adjustments during the measurement period based on facts and circumstances that existed as of acquisition date. The measurement period adjustments for Talos and Overactive were not material.

The following table presents details of the intangible assets acquired during the year ended December 31, 2021 (dollars in millions).

	Weighted Average Useful Life	Estimated Useful Life	Aggregate acquisitions
Customer relationships	9 years	6 - 10 years	\$ 39.0
Customer backlog	1 year	1 year	3.0
Non-compete agreements	5 years	5 years	0.4
Trade name	1 year	1 year	0.7
Total acquired intangible assets			\$ 43.1

2020 Acquisitions

On January 6, 2020, the Company acquired substantially all of the assets of MedTouch, pursuant to the terms of an Asset Purchase Agreement. The acquisition of MedTouch expands the Company's digital healthcare marketing services. The Company's total allocable purchase price consideration was \$20.0 million. The Company incurred approximately \$0.6 million in transaction costs, which were expensed when incurred. The amount of goodwill deductible for tax purposes is \$20.4 million.

On March 23, 2020, the Company acquired substantially all of the assets of Brainjocks, pursuant to the terms of an Asset Purchase Agreement. The acquisition of Brainjocks expands the Company's strategic marketing and technical delivery services. On May 4, 2020 pursuant to a separate Asset Purchase Agreement, a wholly-owned subsidiary of the Company completed the acquisition of substantially all of the assets of Brainjocks Europe d.o.o. Novi Sad, an affiliate of Brainjocks operating in Serbia. With the completion of this acquisition, the Company now has facilities located in Novi Sad, Serbia. The Company's total allocable purchase price consideration was \$21.2 million. The Company incurred approximately \$1.1 million in transaction costs, which were expensed when incurred. The amount of goodwill deductible for tax purposes is \$12.6 million.

On June 17, 2020, a wholly-owned subsidiary of the Company acquired PSL pursuant to the terms of a Stock Purchase Agreement. PSL is based in Medellin, Colombia, with additional locations in Bogota and Cali, Colombia. The acquisition of PSL strengthens the Company's global delivery capabilities, enhancing its nearshore systems and custom software application development, testing, and ongoing support for customers. PSL adds more than 600 professionals and brings strategic client relationships with customers across several industries. The Company's total allocable purchase price consideration was \$83.1 million, net of cash acquired. The Company incurred approximately \$2.1 million in transaction costs, which were expensed when incurred. The goodwill is non-deductible for tax purposes.

The results of the 2020, 2021 and 2022 acquisitions' operations have been included in the Company's consolidated financial statements since the respective acquisition dates.

Pro-forma Results of Operations

The following presents the unaudited pro-forma combined results of operations of the Company with PSL and Overactive for the years year ended December 31, 2022, 2021, and December 31, 2020 2021 after giving effect to certain pro-forma adjustments and assuming PSL was acquired as of the beginning of 2019 and Overactive was acquired as of the beginning of 2020. These unaudited pro-forma results include adjustments for PSL from January 1, 2019 through December 31, 2020 and adjustments for Overactive from January 1, 2020 through December 31, 2021. Pro-forma results of operations have not been presented for MedTouch, Brainjocks, Talos, Inflection Point, or Ameex because the effect of these acquisitions on the Company's consolidated financial statements were not material individually or in the aggregate.

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 acquisition of PSL actually occurred on January 1, 2019 and Overactive actually occurred on January 1, 2020 or of future results of operations of the consolidated entities (in thousands millions except per share data):

	Year Ended December 31,	
	2021	2020
Revenues	\$ 794,158	\$ 658,228
Net income	\$ 52,621	\$ 32,424
Basic net income per share	\$ 1.63	\$ 1.01
Diluted net income per share	\$ 1.52	\$ 0.99
Shares used in computing basic net income per share	32,222	31,964
Shares used in computing diluted net income per share	34,689	32,620

	Year Ended December 31,	
	2021	
Revenues	\$ 794.2	
Net income	\$ 52.6	
Basic net income per share	\$ 1.63	
Diluted net income per share	\$ 1.52	
Shares used in computing basic net income per share	32.2	
Shares used in computing diluted net income per share	34.7	

10. 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*, 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. There was no indication that goodwill became impaired for the year ended December 31, 2022 December 31, 2023.

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 ten 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. There was no indication that other intangible assets became impaired for the year ended December 31, 2022 December 31, 2023.

Goodwill

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

	Year Ended December 31,	
	2022	2021
Balance, beginning of year	\$ 515.2	\$ 427.9

Purchase price allocations and measurement period adjustments for acquisitions	60.8	96.7
Effect of foreign currency translation adjustments	(10.8)	(9.4)
Balance, end of year	\$ 565.2	\$ 515.2

	Year Ended December 31,	
	2023	2022
Balance, beginning of year	\$ 565.2	\$ 515.2
Purchase price allocations and measurement period adjustments for acquisitions	3.1	60.8
Effect of foreign currency translation adjustments	13.1	(10.8)
Balance, end of year	\$ 581.4	\$ 565.2

Intangible Assets with Definite Lives

Following is a summary of the Company's intangible assets that are subject to amortization (in thousands) millions):

		Year Ended December 31,				Year Ended December 31,			
		2022		2021		2023		2022	
		Gross Carrying Amount	Net Amortization Amount	Gross Carrying Amount	Net Amortization Amount	Gross Carrying Amount	Net Amortization Amount	Gross Carrying Amount	Net Amortization Amount
Customer relationships	Customer relationships	\$151,926	\$ (68,434)	\$83,492	\$125,433	\$ (51,253)	\$ 74,180		
Non-compete agreements	Non-compete agreements	1,719	(986)	733	1,444	(736)	708		
Customer backlog	Customer backlog	2,661	(734)	1,927	3,025	(741)	2,284		
Trade name	Trade name	941	(692)	249	683	(155)	528		
Developed software	Developed software	7,754	(5,218)	2,536	6,982	(3,405)	3,577		
Total	Total	\$165,001	\$ (76,064)	\$88,937	\$137,567	\$ (56,290)	\$81,277		

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

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

Total amortization expense for the years ended December 31, 2022 December 31, 2023, 2022 and 2021 was \$20.6 million, \$24.5 million and 2020 was \$24.5 million, \$23.5 million and \$22.9 million, respectively.

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

2023		\$ 19,826
2024	2024	\$ 14,479
2025	2025	\$ 11,554
2026	2026	\$ 9,522
2027	2027	\$ 7,277
2028		
Thereafter	Thereafter	\$ 26,279

On January 16, 2024, the Company completed the acquisition of all of the outstanding capital stock of SMEDIX, Inc., a California corporation ("SMEDIX"). Estimated annual amortization expense in the table above excludes any amortization expense related to SMEDIX.

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 2022, 2023, 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 \$10.2 million \$10.5 million, \$8.7 million \$10.2 million and \$6.8 million \$8.7 million of expense for the matching cash and Company stock contribution in 2023, 2022 2021 and 2020, 2021, 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, 2022 December 31, 2023 and 2021, 2022, the deferred compensation liability balance was \$9.4 million \$11.4 million and \$9.8 million \$9.4 million, respectively. The Company funds the deferred compensation plan through COLI policies. As of December 31, 2022 December 31, 2023 and 2021, 2022, the COLI asset balance was \$10.5 million \$12.6 million and \$10.8 million \$10.5 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, 2022 December 31, 2023 and 2021, 2022, the defined benefit plan liability, which is unfunded, was immaterial.

12. Long-term Debt

Revolving Credit Facility

On May 7, 2021 March 29, 2023, the Company entered amended and restated its existing credit agreement by entering into an a Second Amended and Restated Credit Agreement (the "2021" 2023 Credit Agreement" Agreement") with Wells Fargo Bank, National Association, as administrative agent and the other lenders parties thereto. The 2021 2023 Credit Agreement provides for revolving credit borrowings up to a maximum principal amount of \$200.0 million \$300.0 million, subject to a commitment increase of \$75.0 million. All outstanding amounts owed under the 2021 2023 Credit Agreement become due and payable no later than the final maturity date of May 7, 2026 March 29, 2028. As of December 31, 2022 and 2021, December 31, 2023, there were was no outstanding balances balance under the 2021 2023 Credit Agreement. The Company incurred \$0.6 million \$0.8 million of deferred finance fees as a result of the 2021 Credit Agreement during the twelve months ended December 31, 2021. The Company did not incur any additional deferred finance fees during the twelve months year ended December 31, 2022 December 31, 2023.

The 2021 2023 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, 2022 December 31, 2023, the Company had two there were no outstanding letters of credit for \$0.2 million credit. Substantially all of the Company's assets are pledged to secure the credit facility.

Borrowings under the 2021 2023 Credit Agreement bear interest at the Company's option of the prime rate (7.50% (8.50% on December 31, 2022 December 31, 2023) plus a margin ranging from 0.00% to 1.00% or one-month LIBOR (4.39% one month Secured Overnight Financing Rate ("SOFR") (5.40% on December 31, 2022 December 31, 2023) plus a margin ranging from 1.00% to 2.00%. 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, 2022 December 31, 2023, the Company had \$199.8 million \$300.0 million of unused borrowing capacity.

The Company is required to comply with various financial covenants under the 2021 2023 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 3.50 to 1.00, a ratio of indebtedness less the sum of all unsecured indebtedness, on a consolidated basis and without duplication, less all unrestricted cash and cash equivalents not to exceed \$50,000,000 to EBITDA plus stock compensation of not more than 2.50 to 1.00, and a ratio of indebtedness less all unrestricted cash and cash equivalents not to exceed \$50,000,000 to EBITDA plus stock compensation ("Consolidated Total Net Leverage Ratio") of not more than 5.00 to 1.00. Additionally, the 2021 Credit Agreement currently restricts the payment of dividends that would result in a pro-forma Consolidated Total Net Leverage Ratio of more than 3.50 to 1.00.

At December 31, 2022 December 31, 2023, the Company was in compliance with all covenants under the 2021 2023 Credit Agreement.

Adoption of ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity

The Company adopted ASU 2020-06 on January 1, 2022 under the modified retrospective method applied to Notes outstanding as of January 1, 2022 and has not changed previously disclosed amounts or provided additional disclosures for comparative periods. Under ASU 2020-06, convertible instruments with embedded conversion features, that are not required to be accounted for as a derivative or that do not result in a substantial premium, are no longer required to be separated from the host contract thereby eliminating the cash conversion feature model. Instead, these convertible debt instruments will be accounted for as a single liability measured at amortized cost under the traditional convertible debt accounting model.

Convertible Senior Notes due 2026

On November 9, 2021, the Company issued \$380.0 million aggregate principal amount of the 2026 Notes in a private placement to qualified institutional buyers pursuant to an exemption from registration provided by Section 4(a)(2) and Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The net proceeds from the offerings, after deducting the initial purchasers' discount and issuance costs of \$10.7 million, were \$369.3 million. The Company used (i) \$311.5 million of the net proceeds and 1,640,152 shares of the Company's common stock to partially repurchase the 2025 Notes (as defined and described below), and (ii) \$42.7 million of the net proceeds to fund the cost of entering into the 2026 Notes Hedges (as defined and described below), after such cost was partially offset by the proceeds that the Company received from entering into the 2026 Notes Warrants (as defined and described below). The remaining proceeds of \$15.1 million were used for working capital or other general corporate purposes.

The 2026 Notes bear interest at a rate of 0.125% per year. Interest is payable in cash on May 15 and November 15 of each year, with the first payment made on May 15, 2022. The 2026 Notes mature on November 15, 2026 unless earlier converted, redeemed or repurchased in accordance with their terms prior to such date. The initial conversion rate is 5.2100 shares of the Company's common stock per \$1,000 principal amount of

2026 Notes, which is equivalent to an initial conversion price of approximately \$191.94 per share of common stock. After consideration of the 2026 Notes Hedges and 2026 Notes Warrants (as defined and described below), the conversion rate is effectively hedged to a price of \$295.29 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 2026 Notes (the "2026 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 2026 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 2026 Notes in cash upon conversion.

In accordance with accounting for debt with conversions and other options prior to the adoption of ASU 2020-06, the Company initially bifurcated the principal amount of the 2026 Notes into liability and equity components. The initial liability component of the 2026 Notes was valued at \$313.8 million based on the contractual cash flows discounted at an appropriate comparable market non-convertible debt borrowing rate at the date of issuance of 4.0%. This rate was based on the Company's estimated rate for a similar liability with the same maturity but without the conversion option. 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 \$66.2 million, partially offset by the associated deferred tax effect of \$16.9 million. Prior to the adoption of ASU 2020-06, the resulting debt discount of \$66.2 million was amortized to interest expense using the effective interest method with an effective interest rate of 4.0% over the period from the issuance date through the contractual maturity date of November 15, 2026.

Issuance costs totaling \$10.7 million were initially allocated pro rata based on the relative fair values of the liability and equity components. Issuance costs of \$8.8 million attributable to the liability component were recorded as a direct deduction from the carrying value of the 2026 Notes and were amortized to interest expense using the effective interest method over the term of the 2026 Notes. Issuance costs of \$1.9 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 \$0.5 million.

The Company adopted ASU 2020-06 on January 1, 2022 under the modified retrospective method of transition. Upon adoption, the Company recorded a \$1.2 million cumulative-effect adjustment that increased the opening balance of retained earnings on the consolidated balance sheet, largely due to the reduction in non-cash interest expense associated with the historical separation of debt and equity components for the 2026 Notes. The Company also recorded an increase to long-term debt, net of \$62.6 million, a net change in the deferred tax balance of \$15.9 million, and a decrease to additional paid-in capital of \$47.9 million due to no longer separating the embedded conversion feature of the 2026 Notes.

Convertible Senior Notes due 2025

On August 14, 2020, the Company issued \$230.0 million aggregate principal amount of the 2025 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. The net proceeds from the offerings, after deducting the initial purchasers' discount and issuance costs of \$7.3 million, were \$222.7 million. The Company used (i) \$172.0 million of the net proceeds to partially repurchase the 2023 Notes (as defined and described below), and (ii) \$26.7 million of the net proceeds to fund the cost of entering into the 2025 Notes Hedges (as defined and described below), after such cost was partially offset by the proceeds that the Company received from entering into the 2025 Notes Warrants (as defined and described below). The remaining proceeds of \$24.0 million were used for working capital or other general corporate purposes.

The 2025 Notes bear interest at a rate of 1.250% per year. Interest is payable in cash on February 1 and August 1 of each year. The 2025 Notes mature on August 1, 2025 unless earlier converted, redeemed or repurchased in accordance with their terms prior to such date. The initial conversion rate is 19.3538 shares of the Company's common stock per \$1,000 principal amount of 2025 Notes, which is equivalent to an initial conversion price of approximately \$51.67 per share of common stock. After consideration of the 2025 Notes Hedges and 2025 Notes Warrants (as defined and described below), the conversion rate is effectively hedged to a price of \$81.05 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 2025 Notes (the "2025 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 2025 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 2025 Notes in cash upon conversion.

In accordance with accounting for debt with conversions and other options prior to the adoption of ASU 2020-06, the Company initially bifurcated the principal amount of the 2025 Notes into liability and equity components. The initial liability component of the 2025 Notes was valued at \$181.1 million based on the contractual cash flows discounted at an appropriate comparable market non-convertible debt borrowing rate at the date of issuance of 6.3%. 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 \$48.9 million, partially offset by the associated deferred tax effect of \$12.6 million. Prior to the adoption of ASU 2020-06, the resulting debt discount of \$48.9 million was amortized to interest expense using the effective interest method with an effective interest rate of 6.3% over the period from the issuance date through the contractual maturity date of August 1, 2025.

Issuance costs totaling \$7.3 million were initially allocated pro rata based on the relative fair values of the liability and equity components. Issuance costs of \$5.7 million attributable to the liability component were recorded as a direct deduction from the carrying value of the 2025 Notes and were amortized to interest expense using the

effective interest method over the term of the 2025 Notes. Issuance costs of \$1.6 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 \$0.4 million.

In November and December 2021, the Company repurchased a portion of the outstanding 2025 Notes through individual, privately negotiated transactions (the "2025 Notes Partial Repurchase"), leaving 2025 Notes with aggregate principal amount of \$23.3 million outstanding as of December 31, 2021. The Company used \$311.5 million of the net proceeds from the 2026 Notes issuance in November 2021, 1,640,152 shares of the Company's common stock, and \$44.0 million of additional cash in December 2021 to complete the 2025 Notes Partial Repurchase, of which a total of \$197.4 million and \$400.5 million were allocated to the liability and equity components of the 2025 Notes, respectively, and \$0.7 million was related to the payment of interest. The amount allocated to equity was partially offset by the associated deferred tax effect of \$2.0 million. The consideration allocated to the liability component was based on the fair value of the liability component utilizing an effective discount rate of approximately 3.5%. This rate was based on the Company's estimated rate for a similar liability with the same maturity, but without the conversion option. The consideration allocated to the equity component was calculated by deducting the fair value of the liability component from the aggregate consideration, excluding interest. The Company subsequently compared the allocated consideration with the carrying value of the liability component to record a loss on extinguishment of \$21.9 million, which included the proportionate amounts of unamortized debt discount and the remaining unamortized debt issuance costs of \$3.8 million. A \$6.8 million inducement charge representing the difference between the fair value of the consideration delivered to the holders of the repurchased 2025 Notes and the fair value of the consideration issuable under the original conversion terms was included in Loss on extinguishment of debt in the accompanying Consolidated Statements of Operations, during the year ended December 31, 2021.

Upon adoption of ASU 2020-06 under the modified retrospective method of transition, the Company recorded a \$0.9 million cumulative-effect adjustment that increased the opening balance of retained earnings on the consolidated balance sheet, largely due to the reduction in non-cash interest expense associated with the historical separation of debt and equity components for the 2025 Notes. The Company also recorded an increase to long-term debt, net of \$3.6 million, a net change in the deferred tax balance of \$0.9 million, and a decrease to additional paid-in capital of \$3.6 million due to no longer separating the embedded conversion feature of the 2025 Notes. During 2022, when the 2025 Notes were convertible in accordance with their terms, one of the holders of the 2025 Notes submitted a request for conversion. The conversion was immaterial and was settled in cash in December 2022, leaving 2025 Notes with aggregate principal amount of \$23.3 million outstanding as of December 31, 2022.

Convertible Senior Notes due 2023

On September 11, 2018, the Company issued \$143.8 million aggregate principal amount of the 2023 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. The net proceeds from the offerings, after deducting the initial purchasers' discount and issuance costs of \$4.4 million, were \$139.4 million.

In August and December 2020, the Company repurchased a portion of the outstanding 2023 Notes through individual, privately negotiated transactions (the "2023 Notes Partial Repurchase"), leaving 2023 Notes with aggregate principal amount of \$5.1 million outstanding as of December 31, 2020. The Company used \$172.0 million of the net proceeds from the 2025 Notes issuance in August 2020 and \$9.7 million of additional cash in November 2020 to complete the 2023 Notes Partial Repurchase, of which a total of \$127.7 million and \$52.7 million were allocated to the liability and equity components of the 2023 Notes, respectively, and \$1.3 million was related to the payment of interest. The cash consideration allocated to the liability component was based on the fair value of the liability component utilizing an effective discount rate of approximately 5.0%. This rate was based on the Company's estimated rate for a similar liability with the same maturity, but without the conversion option. The cash consideration allocated to the equity component was calculated by deducting the fair value of the liability component and interest payment from the aggregate cash consideration. The \$4.5 million loss on extinguishment was subsequently determined by comparing the allocated cash consideration with the carrying value of the liability component, which includes the proportionate amounts of unamortized debt discount and the remaining unamortized debt issuance costs of \$2.4 million.

In August 2021, the Company repurchased the remainder of the outstanding 2023 Notes through individual, privately negotiated transactions (the "Final 2023 Notes Repurchase"). The Company used \$13.9 million of cash to complete the Final 2023 Notes Repurchase, of which \$4.9 million and \$9.0 million were allocated to the liability and equity components of the 2023 Notes, respectively. The amount allocated to equity was partially offset by the associated deferred tax effect of \$0.4 million. The Final 2023 Notes Repurchase resulted in a \$0.3 million loss on extinguishment during the twelve months ended December 31, 2021, which included the proportionate amounts of unamortized debt discount and the remaining unamortized debt issuance costs of \$0.1 million.

Other Terms of the Notes

The 2025 Notes and 2026 Notes may be converted at the holder's option prior to the close of business on the business day immediately preceding August 1, 2025 for the 2025 Notes and November 15, 2026 for the 2026 Notes, but only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 for the 2025 Notes and December 31, 2021 for the 2026 Notes, if the last reported sale price per share of the Company's common stock exceeds 130% of the applicable 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 applicable conversion rate on such trading day;
- upon the occurrence of certain corporate events or distributions on the Company's common stock described in the 2025 Indenture and 2026 Indenture; and
- at any time from, and including, February 3, 2025 for 2025 Notes and May 15, 2026 for 2026 Notes, until the close of business on the second scheduled trading day immediately before the maturity date for the 2025 Notes and 2026 Notes.

The Company may not redeem the 2025 Notes and 2026 Notes at its option before maturity. If a "fundamental change" (as defined in the 2025 Indenture and 2026 Indenture) occurs, then, except as described in the 2025 Indenture and 2026 Indenture, noteholders may require the Company to repurchase their 2025 Notes and 2026 Notes at a cash repurchase price equal to the principal amount of the 2025 Notes and 2026 Notes to be repurchased, plus accrued and unpaid interest, if any.

During the **year three months** ended December 31, 2022, the conditional conversion features of the 2025 Notes were triggered as the last reported sale price of the Company's common stock was greater than or equal to 130% of the conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on December 30, 2022 (the last trading day of the fiscal quarter). Therefore, the 2025 Notes are currently convertible, in whole or in part, at the option of the holder during the quarter ending March 31, 2023. Whether the 2025 Notes will be convertible following such period will depend on the continued satisfaction of this condition or another conversion condition in the future. Since the Company has the election of repaying the 2025 Notes in cash, shares of the Company's common stock, or a combination of both, the Company continued to classify the liability component of the 2025 Notes as long-term debt on the Consolidated Balance Sheet as of December 31, 2022. As of the date of this filing, none of the holders of the 2025 Notes have submitted requests for conversion subsequent to December 31, 2022. As of December 31, 2022 December 31, 2023, none of the conditions permitting holders to convert their 2025 Notes and 2026 Notes had been satisfied and no shares of the Company's common stock had been issued in connection with any conversions of the 2025 Notes and 2026 Notes. Notes during the year ended December 31, 2023. Based on the closing price of the Company's common stock of \$69.83 \$65.82 per share on December 31, 2022 December 29, 2023, the conversion value of the 2026 Notes was less than the principal amount of the 2026 Notes outstanding on a per note basis, and the conversion value of the 2025 Notes was greater than the principal amount of the 2025 Notes outstanding on a per note basis.

The **liability components** 2026 Notes and 2025 Notes consisted of the following (in millions):

	December 31, 2023	
	2026 Notes	2025 Notes
Long term debt:		
Principal	\$ 380.0	\$ 23.3
Less: Unamortized debt issuance costs	(6.1)	(0.3)
Net carrying amount	<u><u>\$ 373.9</u></u>	<u><u>\$ 23.0</u></u>

	December 31, 2022	
	2026 Notes	2025 Notes
Long term debt:		
Principal	\$ 380.0	\$ 23.3
Less: Unamortized debt issuance costs	(8.3)	(0.4)
Net carrying amount	<u><u>\$ 371.7</u></u>	<u><u>\$ 22.9</u></u>

Interest expense for the years ended December 31, 2023, 2022 and 2021 related to the 2026 Notes and 2025 Notes consisted of the following (in thousands) millions):

	December 31, 2022	
	2026 Notes	2025 Notes
Liability component:		
Principal	\$ 380,000	\$ 23,258
Less: Unamortized debt issuance costs	(8,289)	(382)
Net carrying amount	<u><u>\$ 371,711</u></u>	<u><u>\$ 22,876</u></u>

	December 31, 2021	
	2026 Notes	2025 Notes
Liability component:		
Principal	\$ 380,000	\$ 23,293
Less: Unamortized debt discount (1)	(64,413)	(3,724)
Unamortized debt issuance costs	(8,613)	(417)
Net carrying amount	<u><u>\$ 306,974</u></u>	<u><u>\$ 19,152</u></u>

2026 Notes

	Year Ended December 31,		
	2023	2022	2021
Coupon interest	\$ 0.5	\$ 0.5	\$ 0.1
Amortization of debt discount (1)	—	—	1.7
Amortization of debt issuance costs	2.1	2.1	0.3
Total interest expense recognized	<u><u>\$ 2.6</u></u>	<u><u>\$ 2.6</u></u>	<u><u>\$ 2.1</u></u>

2025 Notes

	Year Ended December 31,		
	2023	2022	2021
Coupon interest	\$ 0.3	\$ 0.3	\$ 2.5
Amortization of debt discount (1)	—	—	7.8
Amortization of debt issuance costs	0.1	0.1	1.0

Total interest expense recognized	\$ 0.4	\$ 0.4	\$ 11.3
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(1) As noted above, prior period amounts have not been adjusted due to the adoption of ASU 2020-06 under the modified retrospective method.

Interest expense for the years ended December 31, 2022, 2021 and 2020 related to the 2026 Notes and 2025 Notes consisted of the following (in thousands):

2026 Notes

	Year Ended December 31,		
	2022	2021	2020
Coupon interest	\$ 476	\$ 69	\$ —
Amortization of debt discount (1)	—	\$ 1,738	—
Amortization of debt issuance costs	2,140	\$ 260	—
Total interest expense recognized	\$ 2,616	\$ 2,067	\$ —

2025 Notes

	Year Ended December 31,		
	2022	2021	2020
Coupon interest	\$ 292	\$ 2,521	\$ 1,094
Amortization of debt discount (1)	—	7,780	3,254
Amortization of debt issuance costs	148	1,008	438
Total interest expense recognized	\$ 440	\$ 11,309	\$ 4,786

(1) As noted above, prior period amounts have not been adjusted due to the adoption of ASU 2020-06 under the modified retrospective method.

Convertible Notes Hedges

In connection with the issuance of the 2026 Notes 2025 Notes, and 2023 2025 Notes, the Company entered into privately negotiated convertible note hedge transactions (the "2026 Notes Hedges", and the "2025 Notes Hedges"), and the "2023 Notes Hedges," respectively, and together, the "Notes Hedges" Hedges) with certain of the initial purchasers or their respective affiliates and/or other financial institutions (the "Option" Option Counterparties"). Upon initial purchase, As of December 31, 2023, the 2026 Notes Hedges provided provide the Company with the option to acquire, on a net settlement basis, approximately 2.0 million shares of common stock at a strike price of \$191.94, which is equal to the number of shares of common stock that notionally underlie the 2026 Notes and correspond to the conversion price of the 2026 Notes. The As of December 31, 2023, the 2025 Notes Hedges provided provided the Company with the option to acquire, on a net settlement basis, approximately 4.5 million 0.5 million shares of common stock at a strike price of \$51.67, which is equal to the number of shares of common stock that notionally underlie the 2025 Notes and correspond to the conversion price of the 2025

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 freestanding financial instruments. Upon initial purchase, the 2025 Notes Hedges and 2026 Notes Hedges were recorded as a reduction in additional paid-in capital within stockholders' equity of \$48.9 million and \$66.1 million, respectively, partially offset by the deferred tax effect of \$12.6 million and \$16.8 million, respectively. In August and November 2020, in connection with the 2023 Notes Partial Repurchase, the Company terminated 2023 Notes Hedges corresponding to approximately 3.7 million shares for cash proceeds of \$50.1 million. In August 2021, in connection with the Final 2023 Notes Repurchase, the Company terminated the remainder of the 2023 Notes Hedges corresponding to approximately 0.1 million shares for cash proceeds of \$6.1 million. In November and December 2021, in connection with the 2025 Notes Partial Repurchase, the Company partially repurchased 2025 Notes Hedges corresponding to approximately 4.0 million shares for cash proceeds of \$375.2 million. The proceeds were recorded as an increase to additional paid-in capital within stockholders' equity.

Convertible Notes Warrants

In connection with the issuance of the 2026 Notes 2025 Notes, and 2023 2025 Notes, the Company also sold net-share-settled warrants (the "2026 Notes Warrants", the "2025 Notes Notes Warrants", and the "2023 2025 Notes Warrants," respectively, and together, the "Notes Warrants") in privately negotiated transactions with the Option Counterparties. The strike price of the 2026 Notes Warrants and 2025 Notes Warrants was approximately \$295.29 and 2023 Notes Warrants was approximately \$295.29, \$81.05 and \$46.62 per share, respectively, and is subject to certain adjustments under the terms of their respective Notes Warrants. As a result of the 2026 Notes Warrants 2025 Notes Warrants, and 2023 2025 Notes Warrants and related transactions, the Company is required to recognize incremental dilution of earnings per share to the extent the average share price price for any fiscal quarter is over \$295.29 for the 2026 Notes Warrants and \$81.05 for the 2025 Notes Warrants, and \$46.62 for the 2023 Notes Warrants. The 2026 Notes Warrants and the 2025 Notes Warrants expire over a period of 80 trading days commencing on February 15, 2027 and over a period of 100 trading days commencing on November 1, 2025, respectively, and may be settled in net shares of common stock or net cash at the Company's election. Upon initial sale, the 2025 Notes Warrants As of December 31, 2023, 2.0 million warrant shares and 0.5 million warrant shares were outstanding for the 2026 Notes Warrants were recorded as an increase in additional paid-in capital within stockholders' equity of \$22.2 million and \$23.4 million, respectively. In August and November 2020, in connection with the 2023 Notes Partial Repurchase, the Company repurchased a portion of the 2023 Notes Warrants through a cash payment of \$43.0 million. In August 2021, in connection with the Final 2023 Notes Repurchase, the Company repurchased the remainder of the 2023 Notes Warrants through a cash payment of \$5.0 million. In November and December 2021, in connection with the 2025 Notes Partial

Repurchase, the Company partially repurchased 2025 Notes Warrants, through cash payments of \$298.9 million. The repurchases were recorded as reductions to additional paid-in capital within stockholders' equity, respectively.

13. Income Taxes

Significant components of the provision for income taxes are as follows (in thousands) millions):

	Year Ended December 31,		
	2022	2021	2020
Current:			
Federal	\$ 28,242	\$ 16,006	\$ 6,010
State	8,773	2,767	2,433
Foreign	7,499	4,281	3,293
Total current	44,514	23,054	11,736
Deferred:			
Federal	(4,734)	(8,285)	574
State	(1,461)	(2,425)	171
Foreign	(1,750)	(1,952)	(2,333)
Total deferred	(7,945)	(12,662)	(1,588)
Total provision for income taxes	\$ 36,569	\$ 10,392	\$ 10,148

	Year Ended December 31,		
	2023	2022	2021
Current:			
Federal	\$ 33.7	\$ 28.2	\$ 16.0
State	8.5	8.8	2.8
Foreign	6.3	7.5	4.3
Total current	48.5	44.5	23.1
Deferred:			
Federal	(6.8)	(4.6)	(8.3)
State	(0.9)	(1.5)	(2.4)
Foreign	(3.3)	(1.8)	(2.0)
Total deferred	(11.0)	(7.9)	(12.7)
Total provision for income taxes	\$ 37.5	\$ 36.6	\$ 10.4

The components of pretax income for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 are as follows (in thousands) millions):

		Year Ended December 31,			Year Ended December 31,		
		2022			2023		
		Domestic	Foreign	Total	Domestic	Foreign	Total
Domestic	Domestic	\$ 122,525	\$ 56,299	\$ 36,747			
Foreign	Foreign	18,436	6,184	3,582			
Total	Total	\$ 140,961	\$ 62,483	\$ 40,329			

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, 2022 December 31, 2023 and 2021 2022 are as follows (in thousands) millions):

		December 31,		December 31,		2022	
		2022		2023			
		Deferred tax assets:	Deferred tax assets:	Accrued liabilities	Accrued liabilities		
Deferred tax assets:	Deferred tax assets:					2022	
Accrued liabilities	Accrued liabilities						

Accrued liabilities	Accrued liabilities	\$14,234	\$ 7,044
Operating lease liabilities	Operating lease liabilities	7,450	6,365
Allowance for doubtful accounts	Allowance for doubtful accounts	1,458	605
Foreign exchange adjustment	Foreign exchange adjustment	4,835	1,257
Net operating losses	Net operating losses	35	118
Deferred compensation liability	Deferred compensation liability	3,187	1,786
Capitalized research expenditures	Capitalized research expenditures	25,220	—
Interest limitation		—	8,107
Total deferred tax assets			
Total deferred tax assets			
Total deferred tax assets	Total deferred tax assets	56,419	25,282
Deferred tax liabilities:	Deferred tax liabilities:		
Prepaid expenses	Prepaid expenses	1,343	1,081
Prepaid expenses			
Prepaid expenses			
Operating lease right-of-use assets			
Operating lease right-of-use assets			
Operating lease right-of-use assets	Operating lease right-of-use assets	6,954	5,812
Goodwill and intangible assets	Goodwill and intangible assets	36,021	28,534
Fixed assets	Fixed assets	2,726	1,614
Total deferred tax liabilities	Total deferred tax liabilities	47,044	37,041
Net deferred tax asset (liability)		\$ 9,375	\$(11,759)
Net deferred tax asset			

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.

As of December 31, 2022 December 31, 2023, the Company had no U.S. federal or state tax gross net operating loss carry forwards of approximately and \$0.1 million that will begin to expire in 2023 if not utilized. Utilization of foreign net operating losses may be subject to an annual limitation due to the "change in ownership" provisions of the Code. loss carry forwards. The annual limitation may result in the expiration of foreign net operating losses before utilization.

loss carry forwards do not expire.

The federal corporate statutory tax rate is reconciled to the Company's effective income tax rate as follows:

	Federal statutory rate	Year Ended December 31,						Year Ended December 31,				
		2022		2021		2020		Federal	2023		2022	
State taxes, net of federal benefit	State taxes, net of federal benefit	21.0	%	21.0	%	21.0	%	statutory rate	21.0	%	21.0	%
Effect of foreign operations	Effect of foreign operations	4.5		3.2		5.2						
Stock compensation	Stock compensation	1.3		1.7		0.5						
Non-deductible acquisition costs	Non-deductible acquisition costs	0.7		(5.2)		(0.3)						
Acquisition related	Acquisition related	0.2		1.0		3.1						
Research and development tax credit	Research and development tax credit	(1.9)		(4.8)		(3.9)						
Other	Other	0.1		(0.3)		(0.4)						
Effective tax rate	Effective tax rate	25.9	%	16.6	%	25.2	%	Effective tax rate	27.5	%	25.9	%

The effective income tax rate increased to 27.5% for the year ended December 31, 2023 from 25.9% for the year ended December 31, 2022 from 16.6% for the year ended December 31, 2021 primarily due to a decrease in research credit benefit and an increase in the impact of stock compensation, deductions and partially offset by a decrease in research credit benefit the effect of acquisition costs compared to the prior year.

The undistributed earnings of our foreign subsidiaries are indefinitely reinvested, except in certain designated jurisdictions. We have not recognized a deferred tax liability on the undistributed earnings that are considered indefinitely reinvested. If these earnings were distributed, we would be subject to non-U.S. withholding taxes. As of December 31, 2022 December 31, 2023, undistributed earnings of approximately \$19.8 million \$19.7 million were indefinitely reinvested in foreign operations and the unrecognized deferred tax liability on these undistributed earnings was approximately \$2.1 million \$2.0 million.

As of December 31, 2023, the Company had unrecognized tax benefits of \$16.8 million, which would have had a \$12.0 million impact on the effective rate, if recognized. As of December 31, 2022, the Company had unrecognized tax benefits of \$19.0 million, which would have had a \$14.3 million impact on the effective rate, if recognized. As of December 31, 2021, the Company had unrecognized tax benefits of \$17.0 million, which would have a \$12.2 million impact on the effective rate, if recognized.

A reconciliation of beginning and ending amounts of gross unrecognized tax benefits is as follows (in thousands) millions):

	Balance at beginning of year	December 31,		December 31,		2022
		2022	2021	2023	2022	
Balance at beginning of year	Balance at beginning of year	\$ 16,988	\$ 7,084			
Additions based on tax positions related to current year	Additions based on tax positions related to current year	2,522	6,934			
Additions based on tax positions related to prior years	Additions based on tax positions related to prior years	580	2,970			
Reductions based on tax positions related to prior years	Reductions based on tax positions related to prior years					
Reduction due to statute of limitations	Reduction due to statute of limitations	(797)	—			

Settlements with taxing authorities	Settlements with taxing authorities
	(278) —
Balance at end of year	Balance at end of year \$ 19,015 \$ 16,988

We recognize interest and penalty expense related to unrecognized tax positions as a component of the income tax provision. For the years ended December 31, 2022 December 31, 2023 and 2021, 2022, we recognized interest expense of approximately \$0.8 million \$1.2 million and \$0.4 million \$0.8 million, respectively. As of December 31, 2022 December 31, 2023 and 2021, 2022, interest and penalties accrued were \$2.4 million \$2.2 million and \$2.1 million \$2.4 million, respectively.

The Company's 2016-2019 U.S. income tax returns are currently under examination by the IRS. The IRS has sought to disallow research credits of \$5.7 million \$3.0 million on the Company's 2011 through 2015 2016 and 2017 U.S. income tax returns. As of December 31, 2022 December 31, 2023, we believe it is reasonably possible that our total amount of unrecognized tax benefits will decrease by approximately \$3.9 million \$1.6 million over the next 12 months. The anticipated reduction relates to potential settlements with tax authorities. The total amount of research credits taken or expected to be taken in the Company's income tax returns for 2011 2016 through 2022 2023 is \$33.0 million \$29.1 million.

The Company files income is subject to tax returns in the U.S. federal jurisdiction United States and various state and foreign jurisdictions. Our federal tax return returns for tax years 2016 and later remain subject to examination by the IRS. Our state and foreign income tax returns for the tax years 2011 2016 and later remain subject to examination by various state tax authorities, with certain exceptions. Our foreign income tax returns for 2018 and later remain subject to examination by various foreign tax authorities.

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 a net gain of \$2.2 million during the year ended December 31, 2023, a net loss of \$1.8 million during the year ended December 31, 2022, and a net loss of \$1.2 million during the year ended December 31, 2021, and a net gain of \$0.7 million during the year ended December 31, 2020. 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) millions):

Derivatives not designated as hedges	December 31,		December 31,	
	2022	2021	2023	2022
Foreign exchange contracts	Foreign exchange contracts	\$ 30,967	\$ 24,223	
Foreign exchange contracts	Foreign exchange contracts			
Total derivatives not designated as hedges	Total derivatives not designated as hedges	\$ 30,967	\$ 24,223	

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 and restricted cash, 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, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, \$8.4 million \$45.3 million and \$12.1 million \$8.4 million, respectively of the Company's cash, and cash equivalents and restricted cash balance related to money-market fund investments. These short-term money-market funds 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, 2022 December 31, 2023 and 2021, 2022.

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, 2022 2023 and 2021 2022 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. For acquisitions completed during the year ended December 31, 2022 key unobservable inputs included revenue growth rates, which ranged from 16% to 43%, and volatility rates, which were 9% for revenue and ranged from 22% to 23% for earnings. For acquisitions during the year ended December 31, 2021, key observable inputs included revenue growth rates, which ranged from 36% 16% to 76% 43%, and volatility rates, which ranged from 5% to 6% were 9% for revenue and were 17% ranged from 22% to 23% for earnings. An increase in future revenue and earnings may result in a higher estimated fair value while a decrease in future revenue and earnings 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, 2022 December 31, 2023 and 2021, 2022.

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 issuance costs, and are not carried at fair value at each period end. Prior to the adoption of ASU 2020-06, the 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 based on inputs that ranged from 5.2% to 7.9% for the 2025 Notes and 3.8% to 4.0% for the 2026 Notes. The approximate fair value of the 2026 Notes as of December 31, 2022 December 31, 2023 and 2021, 2022 was \$295.5 million \$316.1 million and \$363.6 million \$295.5 million, respectively. The approximate fair value of the 2025 Notes as of December 31, 2022 December 31, 2023 and 2021, 2022 was \$33.8 million \$32.4 million and \$59.6 million \$33.8 million, respectively. As of December 31, 2022, the 2023 Notes have been fully repurchased. The fair values were estimated on the basis of inputs that are observable in the market and are 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 less than one year to eight seven years.

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

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right of use ("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) millions):

	December		December 31, 2023	December 31, 2022
	31, 2022	31, 2021		
Other current liabilities	Other current liabilities	\$ 10,334	\$ 11,543	
Operating lease liabilities	Operating lease liabilities	18,528	23,898	
Total	Total	\$ 28,862	\$ 35,441	

Future minimum lease payments under non-cancellable leases as of December 31, 2022 December 31, 2023 were as follows (in thousands) millions):

	December 31, 2022		December 31, 2023
	2023	2024	
2023		\$ 8,151	
2024	2024	7,803	
2025	2025	5,683	
2026	2026	3,298	
2027	2027	2,969	
2028			
Thereafter	Thereafter	3,089	
Total future lease payments	Total future lease payments	30,993	
Less implied interest	Less implied interest	(2,131)	
Total	Total	\$ 28,862	

Operating lease expense for the years ended December 31, 2022 December 31, 2023, 2021, 2022, and 2020 2021 was \$13.0 12.7 million, \$13.0 million, and \$12.2 million \$13.0 million respectively, of which \$1.6 million \$2.0 million, \$1.3 million \$1.6 million, and \$1.5 million \$1.3 million related to variable lease payments. Short term lease payments were immaterial for immaterial for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021. Operating cash flows for amounts included in the measurement of the Company's operating lease liabilities for the years ended December 31, 2022 December 31, 2023, 2022 and 2021 and 2020 were \$10.6 million, \$11.5 million, \$10.3 million, and \$10.8 million \$10.3 million, respectively. ROU assets obtained in exchange for lease liabilities during the years ended December 31, 2022 December 31, 2023, 2022, and 2021 and 2020 were \$2.4 million, \$4.2 million, \$5.4 million, and \$20.1 million \$5.4 million, respectively. The weighted average remaining lease term of the Company's operating leases as of December 31, 2022, 2021 and 2020 was 4 years 4 years, as of December 31, 2023, 2022 and 5 years, respectively, 2021, and the weighted average incremental borrowing rate as of December 31, 2023, 2022 2021 and 2020 2021 was 3.3% 3.6%, 3.3%, and 3.5% 3.3%, 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.

18. 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.

The Company derives revenues from customers from professional service fees, other services revenue, and software and hardware. Refer to Note 3, *Revenues*, for revenue disaggregation by revenue source and geography.

The following table presents long-lived assets disaggregated by geographic area (in millions):

	December 31,	
	2023	2022

United States	\$	38.8	\$	40.8
India		6.0		9.2
Other countries		5.3		5.7
Total long-lived assets (1)	\$	50.1	\$	55.7

(1) Total long-lived assets excludes goodwill, intangible assets, net, deferred income taxes, COLI assets and long term deposits.

Refer to Note 4, *Concentration of Credit Risk and Significant Customers*, for information about the Company's largest customer.

19. Quarterly Financial Results (Unaudited)

The following tables set forth certain unaudited supplemental quarterly financial information for the years ended December 31, 2022 December 31, 2023 and 2021. The quarterly operating results are not necessarily indicative of future results of operations (in thousands millions except per share data).

	Three Months Ended,			
	March 31, 2022		June 30, 2022	
	(Unaudited)			
Total revenues	\$ 222,111	\$ 222,738	\$ 227,614	\$ 232,599
Total cost of revenues	138,518	136,762	136,416	141,007
Income from operations	34,170	39,539	33,220	37,346
Income before income taxes	33,050	38,581	32,584	36,746
Net income	27,136	27,782	23,015	26,459
Basic net income per share	0.80	0.82	0.68	0.78
Diluted net income per share	0.75	0.77	0.64	0.74

	Three Months Ended,			
	March		September	
	31, 2021	June 30, 2021	30, 2021	December 31, 2021
(Unaudited)				
Total revenues	Total revenues	\$ 169,341	\$ 184,136	\$ 192,820
Total cost of revenues	Total cost of revenues	106,062	113,180	118,260
Income from operations	Income from operations	20,206	26,094	28,014
Income (loss) before income taxes		16,788	22,718	24,180
				(1,203)
Net income	Net income	13,593	16,573	17,396
Basic net income per share	Basic net income per share	0.43	0.52	0.54
Diluted net income per share	Diluted net income per share	0.41	0.49	0.48
				0.13

	Three Months Ended,			
	March 31, 2022		June 30, 2022	
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022

	(Unaudited)				
Total revenues	\$ 222.1	\$ 222.7	\$ 227.6	\$ 232.7	
Total cost of revenues	138.5	136.8	136.4	141.0	
Income from operations	34.2	39.5	33.2	37.4	
Income before income taxes	33.1	38.6	32.6	36.7	
Net income	27.1	27.8	23.0	26.5	
Basic net income per share	0.80	0.82	0.68	0.78	
Diluted net income per share	0.75	0.77	0.64	0.74	

20. Subsequent Events

Business Combination

On January 16, 2024, the Company completed the acquisition of all of the outstanding capital stock of SMEDIX.

The total consideration paid at closing was approximately \$37.4 million, comprised of (1) \$33.0 million in cash and (2) \$4.4 million in the Company's common stock (based on the average closing price of the Company's common stock on the Nasdaq Global Select Market for the 15 trading days immediately preceding the closing date per the terms of the Stock Purchase Agreement). Of the total consideration, \$5.9 million was placed in escrow as security for post-closing indemnification obligations of the sole shareholder of SMEDIX.

The purchase price is subject to a net working capital adjustment and contingent consideration of up to \$14.4 million payable in cash and contingent on the satisfaction of certain post-closing financial performance objectives of SMEDIX during the 12-month period immediately following closing. The Stock Purchase Agreement includes customary representations, warranties and covenants by the parties.

This transaction will be accounted for as a business combination under the acquisition method of accounting. The Company will record the assets acquired and liabilities assumed at their fair values as of the acquisition date. Due to the limited time since the closing of the acquisition, the valuation efforts and related acquisition accounting are incomplete at the time of filing of this Annual Report on Form 10-K. As a result, the Company is unable to provide amounts recognized as of the acquisition date for major classes of assets and liabilities acquired, including goodwill and other intangible assets.

Resignation of Jeffrey S. Davis as Executive Chairman

On February 23, 2024, Jeffrey S. Davis resigned his employee position as Executive Chairman of the Company, effective as of March 1, 2024. Mr. Davis will continue as the non-executive Chairman of the Board of Directors. In connection with Mr. Davis's resignation, the Board of Directors approved an amendment to certain existing restricted stock award agreements. The form of this amendment will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024. Due to the resignation of Mr. Davis as Executive Chairman of the Company and the related restricted stock award amendment, the incremental share based compensation expense recorded during the quarter ended March 31, 2024 was approximately \$5.6 million.

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, 2022 December 31, 2023 and 2021, 2022, 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, 2022 December 31, 2023, 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, 2022 December 31, 2023, 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 the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022 December 31, 2023, 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, 2022 December 31, 2023 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired Inflection Point Systems, Inc. and its subsidiary (collectively, Inflection Point Systems) in September 2022 and Ameex Technologies Corporation and its subsidiaries (Ameex) in October 2022 (the acquired businesses), and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022, the acquired businesses' internal control over financial reporting associated with 1% of total assets excluding goodwill and other intangible assets and 1% of total revenues included in the consolidated financial statements of the Company as of and for the year ended December 31, 2022. 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 businesses.

Change in Accounting Principle

As discussed in Notes 2, 6, and 12 to the consolidated financial statements, the Company has changed its method of accounting for convertible debt as of January 1, 2022, due to the adoption of ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)*.

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 Control 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 matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates 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 a critical audit matter 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Fair value Evaluation of the customer relationships intangible asset related to the acquisition sufficiency of Inflection Point Systems audit evidence over services revenue

As discussed in Notes 2 and 9 Note 3 to the consolidated financial statements, the Company makes certain assumptions and judgments in determining fair value measurements recorded \$906.5 million of total revenue for business acquisitions. During the year ended December 31, 2022, the Company consummated two business acquisitions. These acquisitions resulted in the recognition of customer relationships intangible assets of \$29.9 million December 31, 2023. Revenue is derived primarily from professional services, which is recognized over time as services are rendered.

We identified the evaluation of the fair value sufficiency of the customer relationships intangible asset related to the Inflection Point Systems acquisition audit evidence over services revenue as a critical audit matter. Evaluating the fair value involved a high degree of subjective Subjective auditor judgment related was required to evaluate the use sufficiency of certain assumptions in audit evidence obtained because the specific valuation model. The key assumptions used within the valuation model included forecasts of projected revenues revenue recognition process is highly automated and customer attrition rates. In addition, changes in these assumptions could have a significant impact on the fair value of the customer relationships intangible asset in the Inflection Point Systems acquisition required involvement from information technology (IT) professionals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over services revenue. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's fair value measurement service revenue process, for the Inflection Point Systems acquisition, including which included manual and automated controls related to the determination of the key assumptions, IT systems used for processing and recording revenue. We evaluated the forecasts of projected revenues and customer attrition rates used by the Company by comparing the assumptions to the acquiree's historical performance and to the growth rates of peer companies. We compared the forecasts of projected revenues to industry data. We also involved valuation IT professionals with specialized skills and knowledge, who assisted us in evaluating customer attrition rates gaining

an understanding of the IT environment and testing certain general IT controls and IT application controls, that are used by the Company to value within its service revenue recognition process. We assessed the customer relationships intangible asset compared to historical customer attrition rates as well as qualitative factors recorded service revenue by selecting a sample of transactions and comparing the recorded amounts with underlying documentation. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of the nature and extent of such as the acquiree's industry and customer base, evidence.

/s/ KPMG LLP

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

St. Louis, Missouri
February 28, 2023 27, 2024

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 required 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, 2022 December 31, 2023.

The Company acquired Inflection Point in September 2022, and Ameex in October 2022 (the "Acquired Businesses"). Management excluded the Acquired Businesses from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. The Acquired Businesses represented 1% of the Company's total assets excluding goodwill and other intangible assets and 1% of the Company's total revenues, as of and for the year ended December 31, 2022.

KPMG LLP, our independent registered public accounting firm, has audited our consolidated financial statements as of and for the year ended December 31, 2022 December 31, 2023 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, 2022 December 31, 2023, which is included herein.

Changes in Internal Control Over Financial Reporting

There were no significant changes in the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the year ended December 31, 2022 December 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspection.

None.

PART III

Executive Officers

Our executive officers, including their ages as of the date of this filing are as follows:

Name	Age	Position
Jeffrey S. Davis	58	Chairman of the Board and Chief Executive Officer Chairman
Thomas J. Hogan	46	President and Chief Operating Executive Officer
Paul E. Martin	63	Chief Financial Officer, Treasurer and Assistant Secretary
Susan L. Adomite	47	Senior Vice President, Controller and Principal Accounting Officer
Kevin T. Sheen	60	Senior Vice President - Global Operations

Jeffrey S. Davis became was appointed as Executive Chairman effective October 1, 2023 but has resigned his employment position as Executive Chairman effective as of March 1, 2024. Mr. Davis previously served as the Chief Executive Officer and Officer. He has served as a member of the Board in 2009 and was elected Chairman of the Board in 2017. Mr. Davis will continue to serve as the non-executive Chairman of the Board. 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, in which capacity he served until February 2021. He served as Chief Operating Officer at Vertecon from October 1999 until 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 currently serves as a member of the board of directors of St. Luke's Hospital in St. Louis, Missouri. Mr. Davis is an active volunteer member of the board of directors of the Cystic Fibrosis Foundation of St. Louis, Missouri 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 President and Chief Executive Officer effective October 1, 2023. Mr. Hogan previously began serving as the Company's President in February 2021 and began serving as our 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. Mr. Martin served as the Company's Principal Accounting Officer from 2006 until October 1, 2023. Mr. Martin served as Secretary until February 2022, when he was appointed as the Company's Assistant Secretary. From 2004 until 2006, Mr. Martin was the Interim co-Chief Financial Officer and Interim Chief Financial Officer of Charter Communications, Inc. (NASDAQ: CHTR) ("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 formerly publicly traded multi-million dollar revenue sporting goods manufacturer and distributor. Mr. Martin received a B.S. degree in accounting from the University of Missouri - St. Louis.

Susan L. Adomite joined the Company in 2018 as the Company's Vice President and Controller and was appointed as the Senior Vice President and Principal Accounting Officer effective October 1, 2023, responsible for the accounting and reporting functions at Perficient. Prior to joining the Company, Ms. Adomite served as Vice President of Accounting and Controller at Isle of Capri Casinos, Inc., and in senior finance positions at Smurfit-Stone Container Corporation, Argosy Gaming Company, and Arthur Andersen LLP. Ms. Adomite holds B.A. and M.A. degrees in accounting from the University of Missouri - Columbia.

Kevin T. Sheen joined the Company in 2007 through an acquisition and was appointed as the Senior Vice President - Global Operations effective October 1, 2023. With a career in the IT consulting industry that spans nearly 30 years, over half of that at Perficient, Mr. Sheen has played nearly every role in the software development lifecycle from software developer/tester, technical architect, and program manager across a wide range of IT/business consulting companies including Accenture, Capgemini, Syntel, and Hewlett Packard Consulting. At Perficient, Mr. Sheen provides leadership to Perficient's Latin

America, Asia and Romania operations, including overseeing global delivery strategy, product development, Agile methodology, and customer engagement quality. Mr. Sheen holds a Bachelor of Electrical Engineering from Lawrence Technical University in Southfield, Michigan, and has multiple professional-level certifications.

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 2023 2024 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.

Insider Trading Arrangements and Policies

The Company's officers and directors are required to comply with the Company's securities trading policy at all times, including during a repurchase program. The insider trading policy, among other things, prohibits trading in the Company's securities when in possession of material non-public information and restricts the ability of directors and certain officers from transacting in the Company's securities during specific blackout periods, subject to certain limited exceptions, including transactions pursuant to a Rule 10b5-1 trading arrangement that complies with the conditions of Exchange Act Rule 10b5-1. There were no Rule 10b5-1 trading arrangements adopted, materially modified, or terminated by our officers and directors during the fourth quarter of 2023.

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 "Composition and Meetings of the Board of Directors and Committees" and incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The Company's independent registered public accounting firm is KPMG, LLP, St. Louis, MO, Auditor Firm ID:185.

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 II, Item 8 under the following captions:

Index	Page
Consolidated Balance Sheets	33
Consolidated Statements of Operations	34
Consolidated Statements of Comprehensive Income	35
Consolidated Statements of Changes in Stockholders' Equity	36
Consolidated Statements of Cash Flows	38
Notes to Consolidated Financial Statements	39
Report of Independent Registered Public Accounting Firm	66 63

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
2.2	Stock Purchase Agreement dated as of June 17, 2020, by and among Perficient, Inc., Perficient UK Limited, Productora de Software S.A.S., each of the Shareholders and the Representative, previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on July 30, 2020 and incorporated herein by reference
2.3	Stock Purchase Agreement dated as of October 15, 2021, by and among Perficient, Inc., Perficient UK Limited, Izmul S.A., each of the Shareholders of Izmul S.A. and the Representative, 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, 2021 and incorporated herein by reference
3.1	Certificate of Incorporation of Perficient, Inc. , previously filed with the Securities Amended 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 Restated 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 July 27, 2023 and incorporated herein by reference
3.53.2	Second Amended and Restated Bylaws of Perficient, Inc. Inc. , previously filed with the Securities and Exchange Commission as an Exhibit to our Annual Current Report on Form 10-K for the year ended December 31, 2012 8-K filed on July 27, 2023 (File No. 001-15169) 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	Description of Securities , 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, 2019 and incorporated herein by reference
4.3	Indenture, dated August 14, 2020 , between Perficient, Inc. and U.S. Bank National Association, as trustee, relating to the Company's 1.250% Convertible Senior Notes due 2025, previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed August 18, 2020 and incorporated herein by reference
4.4	Form of 1.250% Convertible Senior Notes due 2025 , previously filed with the Securities and Exchange Commission as an Exhibit to our Current Report on Form 8-K filed August 18, 2020 and incorporated herein by reference
4.5	Indenture, dated November 9, 2021 , between Perficient, Inc. and U.S. Bank National Association, as trustee, relating to the Company's 0.125% Convertible Senior Notes due 2026, previously filed with the Securities and exchange Commission as an Exhibit to our Current Report on Form 8-K filed November 9, 2021 and incorporated herein by reference
4.6	Form of 0.125% Convertible Senior Notes due 2026 , previously filed with the Securities and exchange Commission as an Exhibit to our Current Report on Form 8-K filed November 9, 2021 and incorporated herein by reference
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†	Third 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 April 26, 2023 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†	Fourth Fifth Amended and Restated Employment and Transition Agreement with Chief Executive Officer of between Perficient, Inc. , and Jeffrey S. Davis, effective as of February 23, 2021, 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, 2020 filed February 25, 2021 and incorporated herein by reference
10.5†	Third Amended and Restated Employment Agreement with Chief Financial Officer of Perficient, Inc. October 1, 2023, effective as of January 1, 2021, previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed on October 29, 2020 July 27, 2023 and incorporated herein by reference
10.6† 10.4†	Second Third Amended and Restated Employment Agreement with Chief Operating Officer of between Perficient, Inc. , and Thomas J. Hogan, effective as of February 23, 2021 October 1, 2023, previously filed with the Securities and Exchange Commission as an Exhibit to our Annual Quarterly Report on Form 10-K for the year ended December 31, 2020 10-Q filed February 25, 2021 July 27, 2023 and incorporated herein by reference
10.7 10.5†	Fourth Amended and Restated Employment Agreement between Perficient, Inc. and Paul E. Martin, effective as of October 1, 2023 , previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed July 27, 2023 and incorporated herein by reference
10.6	Second Amended and Restated Credit Agreement , dated as of May 7, 2021 March 29, 2023, by and among Perficient, Inc., as Borrower, Wells Fargo Bank, National Association, as administrative agent, swingline lender and issuing lender, Bank of America, N.A. and U.S. Bank National Association, as syndication agents, JPMorgan Chase Bank, N.A., as documentation agent, Wells Fargo Securities, LLC, BofA Securities, Inc. and U.S. Bank National Association as joint lead arrangers and joint bookrunners and the other lenders parties thereto previously filed with the Securities and Exchange Commission as an Exhibit to our Current Quarterly Report on Form 8-K 10-Q filed May 7, 2021 on May 2, 2023 and incorporated herein by reference
10.8† 10.7†	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
10.9† 10.8†	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
10.10† 10.9†	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
10.11† 10.10†	Form of Restricted Stock Award Agreement (Non-Employee Director Award) , 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, 2019 and incorporated herein by reference
10.12† 10.11†	Form of Restricted Stock Award and Non-Competition Agreement (Employee Grant) , 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, 2019 and incorporated herein by reference
10.13† 10.12†	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 Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference
10.13†	Form of Performance Award Agreement (Employee Grant) , previously filed with the Securities and Exchange Commission as an Exhibit to our Quarterly Report on Form 10-Q filed July 27, 2023 and incorporated herein by reference
10.14	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 August 18, 2020 and incorporated herein by reference
10.15	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 August 18, 2020 and incorporated herein by reference
10.16	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 November 9, 2021 and incorporated herein by reference
10.17	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 November 9, 2021 and incorporated herein by reference
10.18	Form of Exchange Agreement , previously filed with the Securities and exchange Commission as an Exhibit to our Current Report on Form 8-K filed November 9, 2021 and incorporated herein by reference
19.1*	Perficient, Inc. Insider Trading Policy, dated July 25, 2023
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
97.1*	Perficient, Inc. Clawback Policy (Effective July 25, 2023)

101*	The following financial information from Perficient, Inc.'s Annual Report on Form 10-K for the year ended <u>December 31, 2022</u> December 31, 2023, formatted in iXBRL (inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of <u>December 31, 2022</u> December 31, 2023 and <u>2021</u> , 2022, (ii) Consolidated Statements of Operations for the years ended <u>December 31, 2022</u> December 31, 2023, <u>2021</u> , 2022, and <u>2020</u> , 2021, (iii) Consolidated Statements of Comprehensive Income for the years ended <u>December 31, 2022</u> December 31, 2023, <u>2021</u> , 2022, and <u>2020</u> , 2021, (iv) Consolidated Statements of Shareholders' Equity for the years ended <u>December 31, 2022</u> December 31, 2023, <u>2021</u> , 2022, and <u>2020</u> , 2021, (v) Consolidated Statements of Cash Flows for the years ended <u>December 31, 2022</u> December 31, 2023, <u>2021</u> , 2022, and <u>2020</u> , 2021, 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 28, 2023 27, 2024

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jeffrey S. Davis Thomas J. Hogan 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> Thomas J. Hogan Jeffrey S. Davis Thomas J. Hogan	Chairman of the Board Director, President and Chief Executive Officer (<i>Principal Executive Officer</i>)	February 28, 2023 27, 2024
<u>/s/ Paul E. Martin</u> Paul E. Martin	Chief Financial Officer (<i>Principal Financial Officer and Principal Accounting Officer</i>)	February 28, 2023 27, 2024
<u>/s/ Susan L. Adomite</u> Susan L. Adomite	Senior Vice President and Controller (<i>Principal Accounting Officer</i>)	February 27, 2024
<u>/s/ Jeffrey S. Davis</u> Jeffrey S. Davis	Chairman of the Board	February 27, 2024
<u>/s/ Romil Bahl</u> Romil Bahl	Director	February 28, 2023 27, 2024
<u>/s/ Ralph C. Derrickson</u> Jill A. Jones Ralph C. Derrickson Jill A. Jones	Director	February 28, 2023 27, 2024
<u>/s/ David S. Lundeen</u> David S. Lundeen	Director	February 28, 2023 27, 2024
<u>/s/ Brian L. Matthews</u> Brian L. Matthews	Director	February 28, 2023 27, 2024
<u>/s/ Nancy C. Pechloff</u> Nancy C. Pechloff	Director	February 28, 2023 27, 2024
<u>/s/ Gary M. Wimberly</u> Gary M. Wimberly	Director	February 28, 2023 27, 2024

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EXHIBIT 19.1

PERFICIENT, INC.

INSIDER TRADING POLICY

July 25, 2023

This Insider Trading Policy (this "Policy") describes the standards of Perficient, Inc. and its subsidiaries (the "Company") on trading, and causing the trading of, the Company's securities or securities of certain other publicly traded companies while in possession of confidential information. This Policy is divided into three parts: (a) Part I prohibits trading in certain circumstances and applies to all directors, officers, employees, consultants and others who may gain access to "material nonpublic information," (b) Part II imposes special additional trading restrictions and applies to all (i) directors of the Company, (ii) executive officers, vice presidents and general managers of the Company, (iii) all employees working in the Financial Planning and Legal departments, and (iv) certain other employees that the Company may designate from time to time as "covered persons" because of their position, responsibilities or their actual or potential access to material information (collectively (i) through (iv), "Covered Persons"), and (c) Part III sets forth limited exceptions to the trading restrictions set forth in this Policy. This Policy supersedes and replaces the Company's prior Insider Trading Policy dated as of February 19, 2019.

PART I
SECURITIES TRADING

A. General Rule

Federal and state securities laws prohibit so-called "insider trading." Simply stated, insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company to make decisions to purchase, sell, give away or otherwise trade the Company's securities or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is "material nonpublic information." Therefore, it is a violation of the federal securities laws for any person to buy or sell Company securities if he or she is aware of "material nonpublic information." Information is material if it could affect a person's decision whether to buy, sell or hold the securities and is information that has not been publicly disclosed. Furthermore, it is illegal for any person in possession of material nonpublic information to provide other people with such information or to recommend that they buy or sell the securities (i.e., "tipping"). Companies and their controlling persons are also subject to liability if they fail to take reasonable steps to prevent insider trading by Company personnel. The penalties for violating the securities' laws can be significant. This Policy is designed to avoid even the appearance of improper conduct on the part of the Company's directors, officers, employees and consultants.

"Company securities" include, without limitation, common stock, stock options, restricted stock, restricted stock units, phantom units, derivative securities such as put and call options (including derivative securities not issued by the Company, such as exchange-traded funds, or exchange-traded put or call options), convertible debt and preferred stock and debt securities.

The same rules apply to other companies' securities. All directors, officers, employees, consultants and others who may gain access to "material nonpublic information" about suppliers, customers, potential acquisition candidates or competitors through their work at or their relationship with the Company are required to keep such information confidential and may not buy or sell securities of such companies while in possession of such material nonpublic information.

If material nonpublic information is inadvertently disclosed by a director, officer, employee or consultant to persons outside of the Company, no matter what the circumstances may be, the person making or discovering such disclosure should immediately report the facts to the Company's Chief Financial Officer.

B. Applicability

Part I of this Policy applies to Company directors, officers, employees, consultants and other people who gain access to material nonpublic information. In addition, it also applies to immediate family members of persons subject to this Policy (including a spouse, a child, parents, grandparents, siblings and in-laws), anyone else who lives in the same household, and any person or entity under such person's influence or control.

C. Statement of Policy and Other Prohibitions

1. Nondisclosure. No person who is subject to this Policy may disclose, directly or indirectly, material nonpublic information ("tip") to any other person, including family members and friends, except (a) with the Company's authorization or (b) to persons within the Company whose positions require them to know it.

2. Trading in Company Securities. Except as contemplated by Part III of this Policy, no person subject to this Policy may purchase or sell (or place an order to purchase or sell) or recommend that another person purchase or sell, any of the Company's securities while in possession of material nonpublic information about the Company. This Policy continues to apply to transactions in the Company's securities even after such person's termination of service to the Company. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not trade in the Company's securities until that information has become public or is no longer material.

3. Trading in Other Companies' Securities. No person subject to this Policy may purchase or sell (or place an order to purchase or sell) or recommend that another person purchase or sell, the securities of another company while in possession of material nonpublic information about that company that was obtained in the course of said person's involvement with the Company that is likely to affect the value of those securities. For example, it would be a violation of this Policy and the securities laws if an employee learned through Company sources that the Company intended to purchase assets from a company, and then bought or sold stock in that other company. In addition, no person who is subject to this Policy who knows of any such material nonpublic information may communicate that information to, or tip, any other person, including family and friends, except (a) with the Company's authorization or (b) to persons within the Company whose positions require them to know it.

4. Prohibition on Trading in Options and "Short" Sales; Hedging and Pledging of Company Stock. All persons subject to this Policy are prohibited from trading Company options, warrants, and puts and calls and selling any of the Company's securities "short" or otherwise engaging in transactions designed to hedge or offset decreases in market value of the Company's securities. Any exceptions to this prohibition must be approved by the Company's Board of Directors or Chief Financial Officer.

Additionally, directors and executive officers of the Company are prohibited from pledging Company securities; *provided, however,* that the Board of Directors may grant exceptions on a limited case-by-case basis upon the prior request of a director or executive officer. Any such exception could allow the pledging of a stated number of securities, subject to conditions imposed by the Board of Directors that are designed to reduce the risk to the Company and its stockholders. In its consideration of the request, the Board of Directors, with any interested director recusing himself or herself from the discussions and determinations, will assess the potential risk to Company stockholders with respect to the requested pledge and proposed conditions to safeguard against such potential risks.

D. Material Nonpublic Information

1. Material Information. It is not possible to define all categories of material nonpublic information concerning the Company. However, information is generally regarded as "material" if it (a) has market significance, that is, if its public dissemination is likely to affect the market price of securities, or (b) is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

- financial results for the quarter or the year;
- projections of future earnings or losses;

- changes in earnings estimates or unusual gains or losses in major operations;
- significant changes in the Company's prospects;
- significant write-downs in assets or increases in reserves;
- impending bankruptcy or financial liquidity problems;
- proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets;
- adoption, amendment or termination of a repurchase program for the Company's securities;
- gain or loss of a substantial customer, supplier or important contracts;
- major financing developments;
- extraordinary borrowings;
- stock splits and stock dividends or changes in dividend policy;
- significant pricing changes;
- major changes in accounting methods or policies;
- new equity, debt or other offerings of Company securities;
- changes in debt ratings;
- developments regarding significant litigation or government agency investigations;
- major changes in senior management or other significant personnel changes;
- cybersecurity risks and incidents, including vulnerabilities and breaches; and
- the fact that an event-specific Blackout Period (as defined below) has been implemented in accordance with Part II of this Policy.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. Both positive and negative information may be material. **If a person is unsure whether information is material, such person should either (a) consult with the Company's Chief Financial Officer before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend Company securities to which that information relates or (b) assume that the information is material.**

2. Nonpublic Information. Insider trading prohibitions come into play only when a person possesses information that is "nonpublic." The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be "public" the information must have been disseminated in a manner designed to reach investors generally, and adequate time must have passed for the market as a whole to assess the information. Although timing may vary depending upon the circumstances, for purposes of this Policy information is not considered public until the second trading day after the Company publicly discloses it. **Therefore, any person subject to this Policy who possesses material nonpublic information should wait until after the second trading day after the information has been publicly released before trading.** This waiting period permits the information to be fully disseminated and absorbed by the trading markets. Examples of public disclosure include public filings with the Securities and Exchange Commission (the "SEC") and Company press releases.

As with questions of materiality, if a person is not sure whether information is considered public, such person should either consult with the Company's Chief Financial Officer or assume that the information is nonpublic and treat it as confidential.

E. Violations of Insider Trading Laws

Penalties for trading on or communicating material nonpublic information can be severe and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

1. Legal Penalties. A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term and required to pay a criminal penalty of several times the amount of profits gained or losses avoided. A breach of

the insider trading laws could expose the insider to criminal fines of up to three times the profit earned (or loss avoided), imprisonment up to ten years, and injunctive actions. In addition, punitive damages may be imposed under applicable state laws. Securities laws also subject "controlling" persons to civil penalties for illegal insider trading by employees, including employees located outside the United States. "Controlling" persons include the Company and may include directors, officers and employees. These persons may be subject to substantial penalties, including fines that may be in excess of \$2,000,000 or three times the amount of profits gained (or losses avoided) by the insider.

In addition, a person who tips others may also be liable for transactions by the tippees to whom he or she has disclosed material nonpublic information. Tippers can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction. Finally, any investigations by the SEC or other regulators with regard to insider trading matters may damage the Company's reputation and share price.

2. Company-imposed Penalties. Employees who violate this Policy may be subject to disciplinary action by the Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Company's Chief Financial Officer and must be provided before any activity contrary to the above requirements takes place.

F. Section 16 and Other Securities Matters

Executive officers, directors and holders of 10% or more of the Company's securities may have obligations under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such obligations generally include filing Forms 3, 4 and 5. Additionally, directors and executive officers may be liable for "short-swing" profits from purchases and sales of the Company's securities under Section 16(b) of the Exchange Act. This section provides that any such person who makes both a purchase and a sale or a sale and a purchase of the Company's securities within a period of six months must, unless an available exemption applies, pay to the Company the excess of the sale price over the purchase price even if no real profit was made. Section 16(b) continues to be applicable to officers and directors for a six-month period after they cease to serve in that capacity. If a person is, or was within the preceding six months, an executive officer or director of the Company, he or she should consult with the Chief Financial Officer regarding the implications of Section 16(b) prior to effecting any transaction in Company securities.

If a person holds securities that cannot be resold unless (a) registered under the Securities Act of 1933, as amended (the "Securities Act"), (b) sold pursuant to Rule 144 under the Securities Act, or (c) disposed of pursuant to another exception from the registration requirements of the Securities Act (collectively, "Restricted Securities"), such person should consult with the Company's Chief Financial Officer prior to selling any Restricted Securities.

PART II

BLACKOUT PERIODS AND PRE-CLEARANCE PROCEDURES

A. Background

The purpose of Part II of this Policy is to establish certain time periods when Covered Persons are prohibited from trading in the Company's securities (each, a "Blackout Period" and collectively, "Blackout Periods"). Blackout Periods are designed to prohibit trading at a time when there is the greatest likelihood that insiders possess material nonpublic information and to avoid even the appearance of trading while such persons are aware of material nonpublic information. Blackout Periods will be monitored and regulated by the Company's Chief Financial Officer.

B. Applicability

Part II of this Policy applies to Covered Persons. In addition, it also applies to immediate family members of Covered Persons (including a spouse, a child, parents, grandparents, siblings and in-laws), anyone else who lives

in the same household, and any person or entity under such Covered Person's influence or control (collectively with Covered Persons, "Restricted Covered Persons").

C. Blackout Periods

All Restricted Covered Persons are prohibited from trading in the Company's securities during Blackout Periods as described below.

1. Quarterly Blackout Period. Restricted Covered Persons are prohibited from trading in the Company's securities during the period beginning at the close of the market 15 calendar days prior to the end of each fiscal quarter and ending at the close of business on the second trading day following the date the Company publicly discloses each quarterly earnings release. During these periods, Restricted Covered Persons generally possess or are presumed to possess material nonpublic information about the Company's financial results.

Covered Persons will periodically receive e-mails regarding Blackout Periods.

2. Event-Specific Blackout Period. From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions, investigation and assessment of cybersecurity incidents or new product developments) may be pending and not be publicly disclosed. So long as the event remains material and nonpublic, Restricted Covered Persons and the persons who are aware of the event may not trade in the Company's securities. Therefore, the Company's Board of Directors or an executive officer of the Company may impose special Blackout Periods during which Restricted Covered Persons are prohibited from trading in the Company's securities. Event-specific Blackout Periods will not be announced, except to persons to whom the Blackout Period is applicable.

Event-specific Blackout Period notifications will be distributed as promptly as possible prior to the effectiveness of such Blackout Period.

3. Pre-Clearance Procedure. All transactions in the Company's securities by any Restricted Covered Person must be authorized in advance by the Company's Chief Financial Officer. Any clearance obtained in this manner will be valid for three business days (unless otherwise determined by the Chief Financial Officer) and must be renewed if the Restricted Covered Person fails to execute the transaction within such period.

4. Post-Termination. As stated above, no person aware of material nonpublic information upon termination of employment or services may trade in the Company's securities until that information has become public or is no longer material. If a Blackout Period is in effect at the time employment or services are terminated, this Policy will cease to apply to transactions in Company securities only upon the expiration of such Blackout Period.

PART III POLICY EXCEPTIONS TO THE TRADING RESTRICTIONS OF THIS POLICY

A. Policy Exceptions

Subject to the satisfaction of applicable pre-clearance requirements set forth in Part II of this Policy, the trading restrictions of this Policy do not apply to the following general exceptions and other transactions expressly approved by the Board of Directors or the Chief Financial Officer:

1. Rule 10b5-1 Plans. Notwithstanding the above restrictions on trading in Company securities, persons subject to this Policy may sell securities pursuant to a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Exchange Act (a "Trading Plan") that:

- a. has been entered into in good faith at a time when the individual was not aware of any material nonpublic information about the Company (and for a Restricted Covered Person, outside of a Blackout Period);
- b. has been reviewed and approved by the Chief Financial Officer (or, if revised or amended, such revisions or amendments have been reviewed and approved by the Chief Financial Officer);

- c. includes a cooling-off period before trades can commence thereunder equal to at least (i) for officers and directors, the later of (A) 90 days after the adoption of such Trading Plan and (B) two business days after the disclosure of the Company's financial results for the fiscal quarter in which the Trading Plan was adopted or modified, and (ii) for all other individuals, 30 days after the adoption of such Trading Plan (as applicable, a "Cooling-off Period");
- d. for officers and directors, includes a representation certifying that, at the time of adoption or modification of such Trading Plan, such officer or director (i) is not aware of any material nonpublic information about the Company or its securities, and (ii) is adopting such Trading Plan in good faith and not as part of a scheme to evade the prohibitions of Rule 10b5-1 under the Exchange Act; and
- e. gives a third party the discretionary authority to execute such purchases and sales, outside the control of the individual, so long as such third party does not possess any material nonpublic information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.

Frequent amendment or entry into, and then termination of, Trading Plans is discouraged as it can be perceived as a method to circumvent the restrictions of this Policy and the securities laws and will be reviewed on a case-by-case basis by the Chief Financial Officer taking into account the individual's liquidity and other financial needs.

Any modification to a Trading Plan that changes the amount, price, or timing of trades, including a change to the formula that affects these inputs, will initiate a new Cooling-off Period. During any consecutive 12-month period, an individual may not establish more than one Trading Plan that is designed to effect the trading of Company securities as a single transaction (i.e., a Trading Plan that has the practical effect of requiring such a result). An individual may establish a second Trading Plan only if (i) trading under the successor Trading Plan is not scheduled to begin until completion or expiration of the predecessor Trading Plan (if the predecessor Trading Plan is terminated early, trading under the successor Trading Plan cannot commence until the applicable Cooling-off Period has run from the date of termination of the predecessor Trading Plan), or (ii) one of the Trading Plans authorizes sell-to-cover transactions to satisfy tax withholding obligations incident to the vesting of certain equity awards, such as grants of restricted stock and restricted stock units, and (A) the sell-to-cover arrangement authorizes the sale of only enough securities necessary to satisfy the employee's tax withholding obligations arising exclusively from the vesting of a compensatory award, (B) the individual does not otherwise exercise control over the timing of such sales, and (C) the sell-to-cover arrangement does not include sales incident to the exercise of stock options.

Trades under a Trading Plan remain subject to Section 16 reporting obligations.

2. Equity Awards. Exercises of stock options where the individual pays cash for the cost of the exercise and/or surrenders Company securities in payment of the exercise price or in satisfaction of any withholding obligations (e.g., net exercises), are not subject to the transfer restrictions of this Policy, provided that any Company securities acquired pursuant to such exercise are not sold while the acquiring person is in possession of material nonpublic information or, if a Restricted Covered Person, during a Blackout Period. The vesting of other equity awards, or the exercise of a tax withholding right pursuant to which the holder elects (or the Company elects on the holder's behalf) to have the Company withhold Company securities to satisfy tax withholding requirements upon the vesting or settlement of any restricted stock or restricted stock unit are also not subject to the transfer restrictions of this Policy. "Cashless exercises" are not exempted from the Policy, including applicable Blackout Period restrictions.

3. Purchases under Company Plans. Purchases of Company securities pursuant to an existing allocation (e.g., contributions made pursuant to routine payroll deductions) under the Company's 401(k) plan, an employee stock purchase plan or a dividend reinvestment plan are exempted from this Policy. However, Blackout Period requirements continue to apply to certain elections made under any such plans, including, without limitation, (a) a change in the percentage of periodic contributions, (b) an election to make an intra-plan transfer of an existing account balance into or out of the Company stock fund, (c) an election to borrow money against a 401(k) plan account if the loan will result in a liquidation of some or all of the individual's Company stock, (d) an election to pre-pay a plan loan if the pre-payment will result in allocation of loan proceeds to the Company stock fund, and (e) sales, transfers or liquidations of holdings from such plan accounts.

4. Bona Fide Gifts; Mutual Funds. *Bona fide* gifts are not transactions subject to this Policy, unless the person making the gift has reason to believe that the recipient intends to sell the Company's securities while the director, officer, employee or consultant is aware of material nonpublic information. *Bona fide* gifts of Company securities are subject to Section 16 reporting obligations. Further, transactions in *mutual funds* that are invested in the Company's securities are not transactions subject to this Policy.

If any person who is subject to this Policy has any questions regarding any of the provisions of this Policy, he or she should contact the Company's Chief Financial Officer.

<u>Subsidiaries as of December 31, 2023, except as noted</u>	<u>Subsidiaries</u>	<u>Jurisdiction</u>
Ameex Technologies, LLC		Delaware
Ameex Technologies Private Limited		India
Ameex Technologies Pte. Ltd.		Singapore
BoldTech International, LLC		Colorado
BoldTech Systems (Hangzhou), Ltd.		People's Republic of China
First Plus Soft S.A.U.		Argentina
Inflection Point S.A. de C.V.		Mexico
Inflection Point Systems, LLC		Delaware
Izmul S.A.		Uruguay
Lundol Trade S.A.		Uruguay
One Button World LLC		Delaware
Overactive Inc.		Puerto Rico
Overactive S.A.S.		Colombia
Overactive SPA		Chile
Perficient d.o.o. Novi Sad		Serbia
Perficient Canada Corp.		Province of British Columbia, Canada
Perficient India Private Limited		India
Perficient UK Ltd.		England and Wales
Productora de Software S.A.S.		Colombia
SMEDIX, LLC*		California
Soft OA S.R.L.		Uruguay
Talos Digital S.A.S.		Colombia
TCOMM S.A.S. *Acquired January 16, 2024.		Colombia

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. (No. 333-273689, 333-257461, 333-130624, 333-160465, 333-183422, 333-198589, and 333-219660) on Form S-8 of our report dated February 28, 2023February 27, 2024, with respect to the consolidated financial statements of Perficient, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

St. Louis, Missouri
February 28, 2023 27, 2024

CERTIFICATIONS

REFINITIV CORPORATE DISCLOSURES | www.refinitiv.com | Contact Us

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REFINITIV 

I, Jeffrey S. Davis, Thomas J. Hogan, 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 28, 2023 27, 2024

/s/ Jeffrey S. Davis Thomas J.

By: Hogan

Jeffrey S. Davis Thomas J. Hogan

Chief Executive Officer

EXHIBIT 31.2

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 28, 2023 27, 2024

By: /s/ Paul E. Martin

Paul E. Martin
Chief Financial Officer

EXHIBIT 32.1

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, 2022 December 31, 2023, 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 28, 2023 27, 2024

By: /s/ Jeffrey S. Davis Thomas J. Hogan

Jeffrey S. Davis Thomas J. Hogan
Chief Executive Officer (*Principal Executive Officer*)

Date: February 28, 2023 27, 2024

By: /s/ Paul E. Martin

Paul E. Martin
Chief Financial Officer (*Principal Financial Officer*)

PERFICIENT, INC.
CLAWBACK POLICY
(Effective July 25, 2023)

Introduction

The Board of Directors (the “**Board**”) of Perficient, Inc. (the “**Company**”) believes that it is in the best interests of the Company and its stockholders to create and maintain a culture that emphasizes integrity and accountability and that reinforces the Company’s pay-for-performance compensation philosophy. The Board has therefore adopted this policy (the “**Policy**”) to provide for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under the federal securities laws. This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and the listing standards of The Nasdaq Stock Market LLC (“**Nasdaq**”) or any other national securities exchange on which the Company’s securities are listed.

Administration

This Policy shall be administered by the Board or, if so designated by the Board, the Compensation Committee, in which case references herein to the Board shall be deemed references to the Compensation Committee. Any determinations made by the Board shall be final and binding on all affected individuals.

Covered Executives

This Policy applies to the Company’s current and former executive officers, as determined by the Board in accordance with Section 10D of the Exchange Act, Rule 10D-1 thereunder and the listing standards of Nasdaq or any other national securities exchange on which the Company’s securities are listed, and such other senior executives and employees who may from time to time be deemed subject to this Policy by the Board (each, a “**Covered Executive**” and collectively, “**Covered Executives**”).

Recoupment; Accounting Restatement

In the event the Company is required to prepare an accounting restatement of its financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, the Board will require prompt reimbursement or forfeiture of any excess Incentive-Based Compensation (as defined below) received by any Covered Executive during the three completed fiscal years immediately preceding the date on which the Company is required to prepare an accounting restatement, in addition to any transition period (that results from any change in the Company’s fiscal year) within or immediately following such three completed fiscal years (the “**Recoupment Amount**”). The Recoupment Amount shall be computed without regard to any taxes paid by the Covered Executive with respect to such Incentive-Based Compensation. Incentive-Based Compensation is deemed received in the Company’s fiscal period during which the Financial Reporting Measure (as defined below) specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.

Incentive-Based Compensation

For purposes of this Policy, “**Incentive-Based Compensation**” means any of the following; provided that, such compensation is granted, earned or vested based wholly or in part upon the attainment of a “**Financial Reporting Measure**”:

- Annual bonuses and other short- and long-term cash incentives;
- Restricted stock;
- Restricted stock units;
- Performance awards;
- Performance shares;
- Phantom stock;

- Performance share units;
- Stock options (including incentive stock options and nonqualified stock options to the extent performance-based); and
- Stock appreciation rights.

For the avoidance of doubt, Incentive-Based Compensation does not include awards that are granted, earned and vested without regard to attainment of Financial Reporting Measures, such as time-vesting awards, discretionary awards and awards based wholly on subjective standards, strategic measures or operational measures.

A "Financial Reporting Measure" is a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, including any measure that is derived wholly or in part from such measure, including, but not limited to:

- Company stock price;
- Earnings measures such as earnings per share;
- Total shareholder return ("TSR") and relative TSR;
- Revenues;
- Net income;
- Earnings before interest, taxes, depreciation, and amortization ("EBITDA")
- EBITDA;
- Funds from operations;
- Liquidity measures such as working capital;
- Return measures such as return on invested capital or return on assets; and
- Such other financial performance criteria as defined and set forth in the Third Amended and Restated Perficient, Inc. 2012 Long Term Incentive Plan, as amended, restated, modified or supplemented from time to time.

Excess Incentive-Based Compensation: Amount Subject to Recovery

The amount to be recovered under this Policy will be the excess of the Incentive-Based Compensation paid to the Covered Executive based on the erroneous data over the Incentive-Based Compensation that would have been paid to the Covered Executive had it been based on the restated results, as determined by the Board.

If the Board cannot determine the amount of excess Incentive-Based Compensation received by the Covered Executive directly from the information in the accounting restatement, then it will make its determination based on a reasonable estimate of the effect of the accounting restatement.

Method of Recoupment

The Board will determine, in its sole discretion, the method for recouping Incentive-Based Compensation hereunder which may include, without limitation:

- (a) requiring reimbursement of cash Incentive-Based Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity-based awards;
- (c) offsetting the recouped amount from any compensation otherwise owed by the Company to the Covered Executive;
- (d) cancelling outstanding vested or unvested equity awards; and/or
- (e) taking any other remedial and recovery action permitted by law, as determined by the Board.

No Indemnification

The Company shall not indemnify any Covered Executive against the loss of any incorrectly awarded Incentive-Based Compensation.

Interpretation

The Board is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act and any applicable rules or standards adopted by the Securities and Exchange Commission, Nasdaq or any other national securities exchange on which the Company's securities are listed (collectively, the "Applicable Rules").

Effective Date

This Policy shall be effective as of the date first set forth above (the "Effective Date") and shall apply to Incentive-Based Compensation that is approved, awarded or granted to Covered Executives, whether prior to, on, or after the Effective Date.

Amendment; Termination; Applicable Rules

The Board may amend or terminate this Policy from time to time in its discretion. This Policy shall be interpreted in a manner that is consistent with any Applicable Rule and shall otherwise be interpreted (including in the determination of amounts recoverable) in the business judgment of the Board. To the extent the Applicable Rules require recovery of Incentive-Based Compensation in additional circumstances beyond those specified in this Policy, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Incentive-Based Compensation to the fullest extent required by the Applicable Rules. This Policy shall be deemed to be automatically amended, as of the date the Applicable Rules become effective with respect to the Company, to the extent required for this Policy to comply with the Applicable Rules.

Other Recoupment Rights

The Board intends that this Policy will be applied to the fullest extent of the law. The Board may require that any employment agreement, equity award agreement, restricted stock award agreement, phantom stock award agreement or other similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Executive to agree to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any similar policy in any employment agreement, equity award agreement, restricted stock award agreement, phantom stock award agreement or other similar agreement and any other legal remedies available to the Company.

Impracticability

The Board shall recover any excess Incentive-Based Compensation in accordance with this Policy unless such recovery would be impracticable, as determined by the Board in accordance with the Applicable Rules.

Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

DISCLAIMER

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