

Perficient's Efficient Growth

By Ryan Fuhrmann, CFA | August 10, 2007

Small-cap information technology consultant **Perficient** (Nasdaq: [PRFT](#)) continues to [swing for the fences](#) by aggressively growing sales and earnings. And management plans on keeping the pedal to the metal, as it fully intends on doubling Perficient's size by 2010.

Perficient reported its 17th straight quarter of revenue growth by posting a second-quarter top-line improvement of 40%. The company has a reputation for actively acquiring competitors, demonstrated by the completion of the acquisition of Tier1 Innovation during the quarter. During the quarter, management stated that organic growth accounted for about a quarter of total growth, or at the low end of its long-term 10%-15% internal growth targets.

Perficient saw relatively balanced growth between its services and software revenue, with the former accounting for 87% of total quarterly revenue. Management mentioned that it is winning larger engagements -- consulting-speak for new projects -- and recently added new customers such as *Motley Fool Inside Value* recommendation **Borders** (NYSE: [BGP](#)), **Fiserv** (Nasdaq: [FISV](#)), and **ITT Education** (NYSE: [ESI](#)).

Diluted earnings per share grew an impressive 63%, as selling, general, and administrative costs only grew 15%. This means Perficient is proving able to leverage strong revenue growth into higher bottom-line expansion. Management expects this leverage to continue, stating that it has the infrastructure in place to support its rapid growth, meaning fixed costs will remain relatively stable, allowing more sales growth to fall to the bottom line as time goes on.

Going forward, Perficient plans on keeping earnings growth in the 30%-40% range. Management described its acquisition potential as "stronger than it has ever been," and sees plenty of room to expand in a market it estimates at a \$20 billion opportunity. Overall, Perficient's potential does appear substantial, as it could report close to \$250 million in total revenue for all of 2007.

Perficient's growth plans are indeed aggressive, and with a P/E of 34 times expectations for 2007, there is little room for error. It does have a solid track record of growing through internal means and acquisitions, and tends to pay down debt quickly once it purchases a competitor. With no long-term debt to end the second quarter, the company is likely already on the acquisition hunt. If and when growth finally slows is anyone's guess, but shareholders are enjoying the ride so far.