

EPAM Systems
Prepared Remarks Q2 2025

Mike Rowshandel, Head of Investor Relations

Good morning, everyone, and thank you for joining us today on our second quarter o2025 earnings announcement. As the operator just mentioned, I'm Mike Rowshandel, Head of Investor Relations. We hope you've had an opportunity to review our earnings release we issued earlier today. If you have not, copies are available on EPAM.com in the investor section.

With me on today's call are Arkadiy Dobkin, CEO and President, Balazs Fejes, President of Global Business & Chief Revenue Officer, and Jason Peterson, Chief Financial Officer.

I would like to remind those listening that some of the comments made on today's call may contain forward-looking statements. These statements are subject to risk and uncertainties as described in the Company's earnings release and SEC filings.

Additionally, all references to reported results that are non-GAAP measures have been reconciled to the comparable GAAP measures and are available in our quarterly earnings materials located in the investors section of our website.

With that said, I will now turn the call over to Ark.

Arkadiy Dobkin, CEO and President

Thank you, Mike. Good morning, everyone. It's a pleasure to have FB with us on this call and thank you for joining us today.

I'm pleased to share that our second-quarter efforts delivered results ahead of expectations - marking another consecutive quarter of outperformance and further shaping what we believe will be our durable and truly differentiated market proposition: combining best-in-class AI-Native services with our core engineering and practical consulting strengths.

Before we dive in, let me outline today's call. I'll begin with our Q2 results and outperformance and then walk through the foundational themes driving our improved growth rates. I'll then hand it over to FB, who will share some highlights as Chief Revenue Officer on how we are positioning ourselves for continued

EPAM Systems
Prepared Remarks Q2 2025

sustainable growth. Finally, Jason will cover our detailed financial results and outlook. After that, the three of us will be available for your questions during the Q&A session.

Now turning to our Q2 results.

As we shared in our last update, we have been focused on sustaining sequential growth momentum, even against a complex macroeconomic backdrop.

In Q2, we once again delivered double-digit year-over-year revenue growth. While inorganic contributions played a significant role, it's important to note that our organic growth accelerated from the low-single digits to the mid-single digits—exceeding the expectations set 90 days ago. This marks our third consecutive quarter of positive organic growth, reflecting steady improvement in our core business and a return to much more consistent performance.

Our Q2 growth was broad-based, with all six verticals growing year-over-year and sequentially. Notable standouts included Financial Services, Emerging Verticals, and Software & Hi-Tech. Consumer Goods, Retail & Travel, as well as Business Information & Media, both returned to positive year-over-year growth this quarter.

Geographically, all three regions delivered strong year-over-year growth, reinforcing our view that, while demand conditions remain dynamic, the environment for EPAM is stabilizing and possibly improving across the whole of our core business.

Now shifting to our positioning through the first half.

While we anticipated earlier in the year that 2025 would remain a transitional period, we are encouraged to see our sequential momentum improved faster than anticipated, with continued project ramp-ups in Q2 driving what we believe is among the strongest organic constant-currency growth rates in the industry at this time.

As a reminder, our client base is almost exclusively large and mid-sized private sector enterprises, with no exposure to Federal or BPO and legacy managed services. And, although we remain very prudent and mindful of our client's own end markets in the current climate, we have seen no material impact on our business, unlike some of our peers. Our clients remain focused on strategic efficiency and growth—with EPAM playing a key role in both. Our investments in domain expertise, AI-enabled delivery, quality

EPAM Systems
Prepared Remarks Q2 2025

standards across our global talent hubs, and complex client engagements are helping us to retain and expand wallet share and win new logos — positioning us for stronger growth in 2025 vs. 2024.

If we take a step back, there are three long-term foundational themes which together should help to explain why we are showing a different trajectory in the current market. We believe these themes underpin our improving growth trends and position us for differentiated results in 2025 and beyond.

Number 1: We continue to see clients refocus on quality, as execution matters.

EPAM today is known as a trusted strategic partner that consistently delivers quality outcomes. While we are building our own AI-led consulting capabilities, our core focus is still on execution – design, build and deploy of mission critical enterprise products and platforms. Rooted in our heritage and culture, this differentiation is not easily replicated. The last several years have confirmed that.

Our core engineering DNA, which has remained intact through multiple technology cycles, will be even more critical in the AI era. In Q2, more clients entrusted us with their most complex, ROI-driven programs, often expanding engagements to include new commercial and delivery models. These programs are also growing in scale. As AI becomes more deeply embedded across enterprises, platform complexity will further increase disproportionately, driving even greater demand for the reliable, end-to-end, AI-optimized execution and deep specialization we provide.

We are seeing some consolidation of demand, and we believe that EPAM is benefitting through our ability to bring a unique combination of AI-Native consulting, engineering, organizational enablement, and transformation services. We're seeing more new RFPs—both for “AI-ready” solutions and for the core systems migration and modernization as clients prepare for AI adoption.

Number 2: We continue to expand our market leading positioning as an AI-Native Transformation company.

Our early investments in AI and AI-Native capabilities are serving us well and have enabled us to achieve a high level of AI adoption and to build a highly advanced set of AI and AI-Native capabilities, platforms, tools, and accelerators. We would like to stress that AI adoption alone—while essential—is not enough for long-term success. Which is why today we offer a full range of AI-Transformation capabilities from engineering to organizational enablement to our own proprietary and open-source platforms such as DIAL and AI/Run. As a result, our AI-Native revenue is growing double-digits sequentially, up from strong double digits last quarter. Looking at our Top 100 clients, the vast majority continue to be actively

engaged with AI initiatives that now have moved beyond experimental POC, into medium and larger-scale programs, and many adopting EPAM's platforms to accelerate their programs.

These platforms go beyond enabling agentic workflows and data-native reasoning—they address the structural challenges of deploying AI at scale across the enterprise. By integrating best-of-breed external products, client-specific tools, and both structured and unstructured data, they allow to close the “integration” gap faster, ensuring reliable, cost-effective operation and fostering enterprise-wide use. Importantly, they achieve this without locking clients into proprietary tools, reflecting the open-source nature of most of our AI enablement offerings.

In short, we're making meaningful progress and gaining significant momentum in becoming an AI-Native Transformation Company, and we expect this driver of growth to build further in the quarters ahead. FB will be sharing more updates along the way, including showcasing the new, high-impact propositions we're taking on the market.

Number 3: We continue to scale and optimize our global delivery hubs, offering clients more attractive and scalable options than ever before.

We remain convinced that talent will be a critical driver of our industry's future and growth. In a rapidly expanding market for AI-led transformation, the ability to scale specialized talent is essential—so we are relentlessly training and upskilling our teams, particularly as we deploy AI to enhance both individual and team productivities.

Our global footprint—spanning four diversified talent hubs in Europe, India, Latin America, and Western & Central Asia—is connected through a single, proprietary Delivery Platform and unified, AI-enabled Delivery Methodology. This integrated model provides greater resilience and enables us to deliver truly strategic, global capabilities to large enterprises that must constantly balance cost considerations and location strategies with business priorities.

Each hub operates on the same delivery backbone, supported by advanced training and globally managed technical assessments. Together, they drive collaboration, co-innovation, and rapid client access to advanced AI-Native capabilities. Our operating model also supports Centers of Excellence that strengthen horizontal capabilities—such as Data, Cloud, and Experience Engineering—and vertical specializations delivering end-to-end execution from strategy through implementation.

EPAM Systems
Prepared Remarks Q2 2025

These foundational themes are our core differentiators and are essential for our long-term growth. EPAM has taken the necessary steps to address our company-specific challenges of recent years, while simultaneously positioning our underlying business for strong and sustainable organic constant currency growth and putting us in a much stronger position than we anticipated just 6 months ago.

Lastly, today is my 52nd and final call as CEO of EPAM. It was indeed an incredible journey for me from founding EPAM back in 1993 and to our IPO day in 2012 and to this moment. With everything in between. So, at this point I would like to state, that the CEO transition plan has been going well and is on-track to be completed by September 1, 2025, in which FB will become our new Chief Executive Officer and President, and I transition into the role of Executive Chairman. The title changes, but my commitment does not – I look forward to continuing supporting the long-term success of the company. I want to thank the entire leadership team and all our employees around the world for their relentless drive, innovation, commitment to engineering excellence, and differentiated value that they continue to deliver for our clients.

With that, I want to welcome FB to provide some additional color. FB over to you.

Balazs Fejes, Chief Revenue Officer and President of Global Business

Thank you, Ark, and good morning, everyone. It's a pleasure to join you today. From my seat as Chief Revenue Officer, I'd like to take this opportunity to walk you through some commercial and operational highlights of the quarter, the evolving market landscape, and how our AI investments across go-to-market, partnerships, client engagement, and technology are positioning us for continued sustainable growth.

Now turning to market trends and the demand environment.

As Ark mentioned, we are seeing some positive trends in our markets globally. The increasing attention on AI is triggering incremental demand and improving our overall picture, marked by accelerating cloud migration, growing demand for foundational data engineering, decisioning, and the need to modernize and operationalize platforms and systems at scale. And because our clients are still focused on optimizing their investments, they are relying on EPAM to ensure that their AI initiatives are carried out with the right rigor and accuracy to enable maximum flexibility in deployment methods to meet business objectives.

EPAM Systems
Prepared Remarks Q2 2025

I'm encouraged by the client sentiment both in North America and in Europe, showing stable and modestly growing demand, especially in our Banking & Financial Services and Life Sciences & Healthcare verticals along with really strong growth in emerging sectors, especially in Energy & Oil & Gas., particularly in discretionary transformation programs, but we are seeing differentiation from EPAM bringing in net new opportunities across our portfolio, increasingly realized by our ability to orchestrate across our lines of business in Core Engineering, Cloud, Data and Experience – led by our Empathy Lab proposition in Europe.

Clients remain focused on value realization and speed of innovation, and this is where our reputation for quality, evolved commercial models and client-centric hybrid teams continues to be relevant.

Shifting to our go-to-market and client-centric initiatives.

We believe that the transformation in the IT Services market opens new opportunities for us to capture additional market share. To better position ourselves, we've made meaningful progress on our go-to-market motions. Over the past quarter, you may have seen public announcements around our Core Engineering, Cloud and AI Initiatives, both independently and in collaboration with partners. Today, we partner with over 150 global ecosystem partners and have achieved top-tier strategic partner status with all the core Cloud and Data platforms. Our partnership strategy is client-centric and has become a cornerstone of EPAM's ability to bring the best-of-breed solutions to our global client base, particularly around complex cloud architecture and the operationalization of AI and Agentic workflows. An illustrative example of this is the recent Databricks announcement, where EPAM won the EMEA Growth Partner of the Year award for rapidly expanding Databricks adoption through large-scale data platform modernization and AI/ML innovation.

In Q2, we further operationalized our vertical-led sales and account engagement structure with deeper alignment between our industry teams and solution practices. This enabled us to have better visibility into high potential deals and to improve win rates with new and existing strategic pursuits.

Over the last couple of quarters, we've also progressively strengthened our field enablement. We rolled out a unified global CRM and analytics platforms, giving our sales and marketing teams real-time insights into deal velocity, deal qualification, pipeline health, and client behavior. This is already improving our sales cycle efficiency and cross-selling effectiveness.

Now turning to our transformation of services and key investments.

Our services portfolio continues to evolve. A significantly higher proportion of our programs today are high-impact, consultative transformation engagements. The vast majority of our new wins this quarter were anchored in digital product and platform transformation, cloud, and AI-Native services.

We have made strategic investments in our key solutions areas focused on Generative AI, industry cloud accelerators, cybersecurity, data factory, and customer experience transformation. These solutions centers serve as co-innovation hubs with clients and have already contributed to increasing our total wallet share over the same quarter last year.

We also deepened our capabilities with two recent larger acquisitions—one in regulated industries including Financial Services, and another in cloud-native engineering and transformation serving LATAM and Spanish-speaking markets. These teams are quickly becoming integrated into selling and operational processes, and are already supporting our largest clients across most of our verticals

Now turning to client engagement.

Client centricity remains at the core of our operating model. We launched a new client success program this quarter, focusing on our top 100 clients.

We continue to experiment and work with Clients to provide additional flexibility with new engagement models, which we plan to scale in the future. For example, we've launched platform-based delivery for several AI operational engagements, allowing clients to consume AI as a service through our DIAL platform. This is delivering measurable efficiency gains and helping us move up the value chain.

And finally, moving to AI and data-driven revenue transformation.

We are deeply committed to using AI not just for our clients, but also to transform our internal operations – Effectively we view EPAM as 'Customer Zero' for anything we want to bring to market with AI. This gives us a measurable edge in a competitive market.

In addition, we've made a strategic investment in our data platforms. We now have centralized data lake architecture powering everything from client 360-degree views to marketing personalization. This is enabling more contextual conversations and sharper targeting across all channels.

To close, our operating momentum is strong. We're executing with discipline, aligning closely to client priorities, and bringing forward innovations that differentiate us in the marketplace.

EPAM Systems
Prepared Remarks Q2 2025

Looking ahead, we see continued differentiation in EPAM's AI-Native services, cloud and data modernization, and agentic automation. Our commercial and operational foundations are strong, and we remain confident in our ability to capture net new demand and to drive sustainable growth in the quarters to come.

Jason, over to you.

Jason Peterson, Chief Financial Officer

Thank you, FB, and good morning, everyone.

In the second quarter, EPAM generated revenue of \$1.353 billion, a year-over-year increase of 18% on a reported basis, surpassing the upper end of our Q2 revenue outlook. On an organic constant currency basis, revenues grew 5.3% compared to the second quarter of 2024.

This marks our third quarter in a row delivering positive year-over-year organic constant currency growth reflecting steady and resilient execution. Additionally, we've returned to growth, amidst a macroeconomic climate that remains complex. Our outperformance in the quarter was broad-based, driven by improvements across all verticals and geographies. As Ark and FB mentioned, our strong results and continued sequential momentum are being driven by clients turning to EPAM for trusted quality, coupled with accelerating momentum across our AI and AI-Native offerings.

Moving on to our Q2 vertical performance.

All six industry verticals showed encouraging momentum and improvement this quarter. Our recent acquisitions, NEORIS and First Derivative, also contributed positively, particularly within Financial Services and Emerging Verticals, complementing the strong underlying performance of our organic business.

- Financial Services continued to deliver very strong double-digit growth, up 34.4% year-over-year on a reported basis, reflecting 6.5% organic growth in constant currency, driven by strength across Banking and Insurance.
- Software & Hi-Tech grew 21.2% year-over-year, driven by strong execution and broad improvement across our existing clients as well as new logos.

EPAM Systems
Prepared Remarks Q2 2025

- Life Sciences & Healthcare increased 11.7% on a year-over-year basis. Revenue growth in the vertical continues to be driven primarily by clients in Life Sciences and MedTech.
- Consumer Goods, Retail and Travel delivered 6.2% year-over-year growth, showing improvement versus recent quarters. The vertical delivered positive organic sequential growth in constant currency across both Consumer Products & Retail, as well as Travel & Hospitality.
- Business Information & Media also returned to growth, increasing 2.8% year-over-year. The return to growth within this vertical was driven by strong momentum across several key clients, as well as revenue from new logos.
- Our Emerging Verticals delivered another quarter of very strong year-over-year growth of 28.7%, with NEORIS continuing to positively impact on the vertical's performance. On an organic constant currency basis growth was 3.3%, primarily driven by ongoing strength within Energy, Industrial Materials and Real Estate.

From a geographic perspective:

- Americas, our largest region, representing 59% of our Q2 revenues, grew 15.9% year-over-year on a reported basis, reflecting 3.8% organic growth in constant currency.
- EMEA, comprising 39% of our Q2 revenues, increased 21.7% year-over-year, reflecting 7.6% organic growth in constant currency.
- And finally, APAC, making up 2% of our revenues, increased 13% year-over-year, reflecting 8.3% organic growth in constant currency.

Lastly, in Q2, revenues from our top 20 clients grew 8.8% year-over-year while revenues from clients outside our top 20 increased 23%.

Moving Down the Income Statement.

Our GAAP Gross Margin for the quarter was 28.8%, compared to 29.3% in Q2 of last year. Non-GAAP Gross Margin for the quarter was 30.1%, compared to 30.8% for the same period a year ago. Somewhat higher variable compensation, combined with lower profitability associated with recent acquisitions, both contributed to the lower gross margin level. The Company continues to focus on improving utilization and gross margin and will maintain this focus throughout the remainder of the year.

GAAP SG&A was 17.1% of revenue compared to 16.9% in Q2 of last year. Non-GAAP SG&A in Q2 2025 came in at 14.1% of revenue compared to 14.3% in the same period last year.

EPAM Systems
Prepared Remarks Q2 2025

GAAP income from operations was \$126 million or 9.3% of revenue in the quarter compared to \$121 million or 10.5% of revenue in Q2 of last year. Non-GAAP income from operations was \$203 million or 15.0% of revenue in the quarter compared to \$175 million or 15.2% of revenue in Q2 of the previous year.

Our GAAP effective tax rate for the quarter came in at 28.9%, and our Non-GAAP effective tax rate was 24%.

Diluted earnings per share on a GAAP basis was \$1.56. Our Non-GAAP diluted EPS was \$2.77, compared to \$2.45 in Q2 of last year, reflecting a \$0.32 increase year-over-year.

In Q2, there were approximately 56.5 million diluted shares outstanding.

Turning to our cash flow and balance sheet.

Cash flow from operations for Q2 was \$53 million, compared to \$57 million in the same quarter of 2024.

Free cash flow was \$43 million, compared to free cash flow of \$52 million in the same quarter last year.

Cash and cash equivalents were just over \$1 billion as of the end of the quarter.

At the end of Q2, DSO was 78 days and compares to 75 days for Q1 2025 and 76 days for the same quarter last year.

Share repurchases in the second quarter were approximately 1.1 million shares for \$195 million at an average price of \$179.23 per share.

Moving on to operational metrics.

We ended Q2 with more than 55,800 Consultants, Designers, Engineers and Architects, reflecting total growth of 18.7% and organic growth of 6.7% compared to Q2 2024. In the quarter, we added approximately 200 delivery professionals. Our total headcount at quarter end was just over 62,000 employees.

Utilization was 78.1% compared to 77.5% in both - Q2 of last year and Q1 2025, driven by bench optimization efforts.

Now let's turn to guidance.

Before moving to the specifics of our 2025 and Q3 outlook, I would like to provide some thoughts to help frame our guidance.

EPAM Systems
Prepared Remarks Q2 2025

Our solid financial performance in H1 amidst economic and tariff related uncertainty continues to be driven by clients who value our strong delivery execution across all our global delivery locations. We are also highly encouraged to see accelerating growth in our advanced AI-Native offerings, which contributed to our improving revenue growth rates.

With good visibility in Q3, we expect further improvement in our YoY organic constant current growth rate in the quarter. With regards to the full year, I would like to remind everyone of the typical seasonal impacts in the second half. Relative to Q2, Q3 benefits from more bill days contributing positively to sequential revenue growth. Compared to Q3, Q4 is negatively impacted by a higher number of holidays, vacations, and potential furloughs. EPAM's revenues and our Q3 pipeline have developed nicely throughout the year, but we also realize that we are still operating in a dynamic demand environment. We want to continue to be prudent with our approach to guidance, and currently expect Q4 revenue to be predominantly driven by seasonal factors, which will likely result in flat to a modest decline sequentially from Q3 to Q4.

We expect to continue to see strong inorganic revenue contributions from NEORIS and First Derivative, particularly in the financial services and emerging verticals.

Based on our strong H1 performance and good visibility into Q3, we are raising the bottom end of the range for 2025 full year organic constant currency revenue growth. Additionally, due to further appreciation in the Euro and GBP, we will also be increasing the FX contribution to reported revenue growth.

While driving top line revenue growth, we will also remain focused on improving gross margin. We are working on improving utilization and will continue to reduce isolated pockets of bench, while adding net headcount to support growth.

Our guidance continues to assume that we will be able to deliver out of our Ukraine delivery centers at productivity levels similar to those achieved in 2024.

Moving to our full year outlook.

- Revenue growth will now be in the range of 13% to 15%, with inorganic continuing to contribute approximately 9% for 2025. Based on today's spot exchange rates, coupled with an assumption of modest strengthening in the US dollar in the second half, foreign exchange is now expected to

EPAM Systems
Prepared Remarks Q2 2025

have a positive impact on revenue growth of 0.9%. We expect year-over-year revenue growth on an organic constant currency basis to now be in the range of 3% to 5%.

- We expect GAAP Income from Operations to continue to be in the range of 9% to 10%, and Non-GAAP Income from Operations to continue to be in the range of 14.5% to 15.5%.
- We expect our GAAP Effective Tax Rate to now be 26%. Our Non-GAAP Effective Tax Rate, which excludes the impact of benefits and shortfalls related to stock-based compensation, will continue to be 24%.
- For Earnings Per Share, we expect that GAAP diluted EPS will now be in the range of \$6.48 to \$6.64 for the full year, and Non-GAAP diluted EPS will now be in the range of \$10.96 to \$11.12 for the full year.
- We now expect weighted average share count of 56.4 million fully diluted shares outstanding.
- Moving to our Q3 2025 outlook we expect...
- Revenue to be in the range of \$1.365 to \$1.380 billion producing year-over-year growth of 17.6% at the midpoint of the range. Our guidance reflects an inorganic contribution of 10.4%, with a 1.0% positive FX impact during the quarter, producing a 6.2% organic constant currency growth rate at the mid-point of the range.
- For the third quarter, we expect GAAP Income from Operations to be in the range of 10% to 11% and Non-GAAP Income from Operations to be in the range of 15.5% to 16.5%.
- We expect our GAAP Effective Tax Rate to be approximately 25% and our Non-GAAP Effective Tax Rate to be approximately 24%.
- For Earnings per Share, we expect GAAP diluted EPS to be in the range of \$1.89 to \$1.97 for the quarter, and Non-GAAP Diluted EPS to be in the range of \$2.98 to \$3.06 for the quarter.
- We expect a weighted average share count of 55.9 million diluted shares outstanding.
- Finally, a few key assumptions that support our GAAP to Non-GAAP measurements for Q3 and Q4.
- Stock-based compensation expense is expected to be approximately \$44 million for Q3 and \$45 million for Q4.

EPAM Systems
Prepared Remarks Q2 2025

- Amortization of intangibles is expected to be approximately \$18 million for each of the remaining quarters.
- The impact of foreign exchange is expected to be an approximate \$2 million loss for Q3 and to be negligible for Q4.
- Tax effect of Non-GAAP adjustments is expected to be around \$17 million for Q3 and \$16 million for Q4.
- We expect minimal excess tax benefits or shortfalls in the remaining quarters.
- Severance, driven by our cost optimization program, is expected to be around \$9 million for Q3 and \$8 million for Q4.
- And, one more assumption outside of our GAAP to Non-GAAP items...
- We now expect interest and other income to be 3 million for each of the remaining quarters.

We remain committed to driving revenue growth and improving profitability in the second half, and we are confident in our strong positioning entering Q3, despite the dynamic environment. We will continue to run EPAM efficiently, maintaining our focus on profitability throughout the remainder of the year. Thanks again to all our employees for their dedication and focus on serving our clients and driving results for EPAM.

I would now like to take a moment to acknowledge Ark's leadership and the profound impact he has had across the industry, our clients, and our Company. Ark has successfully led EPAM through multiple tech cycles, over multiple decades, and he has positioned the Company to capture the next wave of AI driven growth. Leading the Company through a challenging couple of years and a near existential crisis resulting from the Russian invasion of Ukraine, Ark has played an instrumental role in our return to growth. Today, EPAM is better positioned than ever, as a truly global company offering industry leading delivery execution across all of our geographic delivery hubs. On a personal note, it has been an honor working with Ark, and I look forward to continuing to work with him in his new role as Executive Chairman.

Operator, let's open the call up for questions.