



EPAM Reports Strong Results for First Quarter 2021 and Raises Outlook for 2021

- **First quarter revenues of \$780.8 million, up 19.9% year-over-year**
- **GAAP Income from Operations was 13.7% of revenues and Non-GAAP Income from Operations was 17.5% of revenues for the first quarter**
- **GAAP Diluted EPS of \$1.86 and Non-GAAP Diluted EPS of \$1.81 for the first quarter**
- **EPAM raises full-year 2021 outlook; now expects revenue growth to be at least 29%, diluted EPS to be in the range of \$7.09 to \$7.31 and non-GAAP diluted EPS to be in the range of \$7.54 to \$7.76**

Newtown, PA — May 6, 2021 — EPAM Systems, Inc. (NYSE: EPAM), a leading global provider of digital platform engineering and software development services, today announced results for its first quarter ended March 31, 2021.

“Our strong start to 2021 highlights the rapid pace of digital transformation, application modernization and the need for new business models across industries,” said Arkadiy Dobkin, CEO & President, EPAM. “Our global expertise in integrated consulting, software engineering, and cloud-native technology, serves as the foundation for our current and future growth. EPAM continues to attract and onboard global talent at an accelerated rate as we position the company to bring even more comprehensive solutions to our clients as they navigate a very dynamic business environment.”

EPAM REPORTS RESULTS FOR FIRST QUARTER 2021



REVENUES (Q1)

\$781M
19.9% ↑ 19.6% ↑
YoY (REPORTED) YoY (ORGANIC)

REVENUE OUTLOOK

Q2 2021
\$853–\$861M
35.5% ↑
(MID-POINT OF RANGE)

FY 2021
AT LEAST
29% ↑
YoY

REVENUES BY INDUSTRY VERTICAL

FINANCIAL SERVICES

\$169M **28.3% ↑**
YoY

BUSINESS INFORMATION & MEDIA

\$148M **6.5% ↑**
YoY

SOFTWARE & HI-TECH

\$147M **20.7% ↑**
YoY

TRAVEL & CONSUMER

\$139M **16.3% ↑**
YoY

LIFE SCIENCES & HEALTHCARE

\$91M **31.6% ↑**
YoY

EMERGING

\$87M **23.6% ↑**
YoY

REVENUES BY GEOGRAPHY

NORTH AMERICA

\$470M
20.6% ↑
YoY

EUROPE

\$260M
16.3% ↑
YoY

CIS

\$30M
21.2% ↑
YoY

APAC

\$21M
53.9% ↑
YoY

EARNINGS PER SHARE

\$1.86
GAAP EPS **26.5% ↑**
YoY

\$1.81
NON-GAAP EPS* **26.6% ↑**
YoY

EMPLOYEES AND LOCATIONS

43,450
TOTAL EPAMERS

38,830+
DESIGNERS, ENGINEERS & CONSULTANTS

35+
COUNTRIES

* REFER TO THE COMPANY'S PRESS RELEASE FOR NON-GAAP EPS RECONCILIATION

First Quarter 2021 Highlights

- Revenues increased to \$780.8 million, a year-over-year increase of \$129.4 million, or 19.9%. On a constant currency basis, revenues were up 17.8% compared to the first quarter of 2020. Acquisitions completed in the last twelve months contributed 0.3% to reported revenues;
- GAAP income from operations was \$107.3 million, an increase of \$19.7 million, or 22.6%, compared to \$87.5 million in the first quarter of 2020;
- Non-GAAP income from operations was \$136.9 million, an increase of \$31.6 million, or 30.0%, compared to \$105.3 million in the first quarter of 2020;
- Diluted earnings per share (“EPS”) on a GAAP basis was \$1.86, an increase of \$0.39, or 26.5%, compared to \$1.47 in the first quarter of 2020; and
- Non-GAAP diluted EPS was \$1.81, an increase of \$0.38, or 26.6%, compared to \$1.43 in the first quarter of 2020.

Cash Flow and Other Metrics

- Cash provided by operating activities was \$12.8 million for the first three months of 2021, compared to \$63.3 million for the first three months of 2020;
- Cash, cash equivalents and restricted cash totaled \$1,374.3 million as of March 31, 2021, an increase of \$50.8 million, or 3.8%, from \$1,323.5 million as of December 31, 2020; and
- Total headcount was approximately 43,500 as of March 31, 2021. Included in this number were approximately 38,800 delivery professionals, an increase of 17.3% from March 31, 2020.

2021 Outlook - Full Year and Second Quarter

Full Year

As a result of a stronger demand environment, the Company now expects the following for the full year:

- The Company now expects revenue growth for 2021 to be at least 29% on a GAAP basis. The Company expects that foreign currency translation will have an approximate 1% favorable impact on full year reported revenues and revenue growth on a constant currency basis will be at least 28%. The Company expects acquisitions will contribute approximately 2% to reported revenues;
- For the full year, the Company expects GAAP income from operations to be in the range of 13.5% to 14.5% of revenues and non-GAAP income from operations to be in the range of 16.5% to 17.5% of revenues;
- The Company expects its GAAP effective tax rate to be approximately 12% and its non-GAAP effective tax rate to be approximately 23%; and
- The Company now expects GAAP diluted EPS to be in the range of \$7.09 to \$7.31 for the year, and non-GAAP diluted EPS to be in the range of \$7.54 to \$7.76 for the year. The Company now expects weighted average diluted shares outstanding for the year of 59.0 million.

Second Quarter

The Company expects the following for the second quarter:

- Revenues will be in the range of \$853 million to \$861 million on a GAAP basis for the second quarter reflecting a year-over-year growth rate of approximately 35.5% at the mid-point of the range. The Company expects foreign currency translation will have an approximate 3% favorable impact on year-over-year reported revenue growth and expects year-over-year revenue growth on a constant currency basis to be approximately 32.5% at the mid-point of the range. The Company expects acquisitions will contribute approximately 2.5% to reported revenues;

- For the second quarter, the Company expects GAAP income from operations to be in the range of 13.5% to 14.5% of revenues and non-GAAP income from operations to be in the range of 16.5% to 17.5% of revenues;
- The Company expects its GAAP effective tax rate to be approximately 11% and its non-GAAP effective tax rate to be approximately 23%; and
- The Company expects GAAP diluted EPS will be in the range of \$1.76 to \$1.83 for the quarter, and non-GAAP diluted EPS will be in the range of \$1.88 to \$1.95 for the quarter. The Company expects weighted average diluted shares outstanding for the quarter of 59.0 million.

Conference Call Information

EPAM will host a conference call to discuss the results on Thursday, May 6, 2021 at 8:00 a.m. EDT. The live conference call will be available by dialing +1 (844) 707-0662 or +1 (703) 318-2250 (outside of the U.S.). A webcast of the conference call can be accessed at the Investor Relations section of the Company's website at <https://investors.epam.com>. A replay will be available approximately one hour after the call by dialing +1 (855) 859-2056 or +1 (404) 537-3406 (outside of the U.S.) and entering the conference ID 9376927. The replay will be available until May 13, 2021.

About EPAM Systems

Since 1993, EPAM Systems, Inc. (NYSE: EPAM) has leveraged its software engineering expertise to become a leading global product development, digital platform engineering, and top digital and product design agency. Through its 'Engineering DNA' and innovative strategy, consulting, and design capabilities, EPAM works in collaboration with its customers to deliver next-gen solutions that turn complex business challenges into real business outcomes. EPAM's global teams serve customers in more than 35 countries across North America, Europe, Asia and Australia. As a recognized market leader in multiple categories among top global independent research agencies, EPAM was one of only four technology companies to appear on Forbes 25 Fastest Growing Public Tech Companies list every year of publication since 2013 and ranked as the top IT services company on Fortune's 100 Fastest-Growing Companies list in 2019 and 2020. Learn more at www.epam.com and follow EPAM on Twitter [@EPAMSYSTEMS](https://twitter.com/EPAMSYSTEMS) and [LinkedIn](https://www.linkedin.com/company/epam).

Non-GAAP Financial Measures

EPAM supplements results reported in accordance with United States generally accepted accounting principles, referred to as GAAP, with non-GAAP financial measures. Management believes these measures help illustrate underlying trends in EPAM's business and uses the measures to establish budgets and operational goals, communicate internally and externally, for managing EPAM's business and evaluating its performance. Management also believes these measures help investors compare EPAM's operating performance with its results in prior periods. EPAM anticipates that it will continue to report both GAAP and certain non-GAAP financial measures in its financial results, including non-GAAP results that exclude stock-based compensation expenses, acquisition-related costs including amortization of intangible assets, impairment of assets, certain other one-time charges and benefits, changes in fair value of contingent consideration, foreign exchange gains and losses, excess tax benefits related to stock-based compensation, and the related effect on income taxes of the pre-tax adjustments. Management also compares operating results on a basis of "constant currency," which is also a non-GAAP financial measure. This measure excludes the effect of foreign currency exchange rate fluctuations by translating the current period revenues and expenses into U.S. dollars at the weighted average exchange rates of the prior period of comparison. Because EPAM's reported non-GAAP financial measures are not calculated in accordance with GAAP, these measures are not comparable to GAAP and may not be comparable to similarly described non-GAAP measures reported by other companies within EPAM's industry. Consequently, EPAM's non-GAAP financial measures should not be evaluated in isolation or supplant comparable GAAP measures, but rather, should be considered together with the information in EPAM's consolidated financial statements, which are prepared in accordance with GAAP.

Forward-Looking Statements

This press release includes estimates and statements which may constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the accuracy of which are necessarily subject to risks, uncertainties, and assumptions as to future events that may not prove to be accurate. Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our business and operations. These statements may include words such as "may," "will," "should," "believe," "expect," "anticipate," "intend," "plan," "estimate" or similar expressions. Those future events and trends may relate to, among other things, the anticipated impact of the COVID-19 pandemic and civil unrest in the geographies where we conduct business and where our operations are located and the effect that these events may have on our revenues, operations, access to capital, profitability and customer demand. Other factors that could cause actual results to differ materially from those expressed or implied include general economic conditions, the risk factors discussed in the Company's most recent Annual Report on Form 10-K, the discussion in the Company's Quarterly Report on Form 10-Q, filed on or after the date of this press release, particularly under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other filings with the Securities and Exchange Commission. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. EPAM undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities law.

Contact:

EPAM Systems, Inc.

David Straube, Head of Investor Relations

Phone: +1-267-759-9000 x59419

david_straube@epam.com

EPAM SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share data)

	Three Months Ended	
	March 31.	
	2021	2020
Revenues	\$ 780,775	\$ 651,359
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization)	519,328	423,802
Selling, general and administrative expenses	136,389	125,108
Depreciation and amortization expense	17,807	14,940
Income from operations	107,251	87,509
Interest and other income, net	5,374	2,386
Foreign exchange gain	2,299	6,524
Income before provision for income taxes	114,924	96,419
Provision for income taxes	5,878	10,854
Net income	\$ 109,046	\$ 85,565
Net income per share:		
Basic	\$ 1.94	\$ 1.55
Diluted	\$ 1.86	\$ 1.47
Shares used in calculation of net income per share:		
Basic	56,170	55,287
Diluted	58,778	58,143

EPAM SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except par value)

	As of March 31, 2021	As of December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	\$ 1,372,829	\$ 1,322,143
Short-term investments	—	60,007
Trade receivables and contract assets, net of allowance of \$7,575 and \$4,886, respectively	585,041	501,062
Prepaid and other current assets	46,848	29,570
Total current assets	2,004,718	1,912,782
Property and equipment, net	164,749	169,533
Operating lease right-of-use assets, net	207,350	228,672
Intangible assets, net	48,547	51,975
Goodwill	210,881	211,956
Deferred tax assets	90,188	92,454
Other noncurrent assets	54,108	53,960
Total assets	\$ 2,780,541	\$ 2,721,332
Liabilities		
Current liabilities		
Accounts payable	\$ 7,168	\$ 10,189
Accrued compensation and benefits expenses	315,991	294,709
Accrued expenses and other current liabilities	75,326	79,690
Income taxes payable, current	9,097	20,603
Operating lease liabilities, current	56,179	60,759
Total current liabilities	463,761	465,950
Long-term debt	25,032	25,038
Income taxes payable, noncurrent	43,925	43,448
Operating lease liabilities, noncurrent	162,005	180,604
Other noncurrent liabilities	21,879	23,274
Total liabilities	716,602	738,314
Commitments and contingencies		
Stockholders' equity		
Common stock, \$0.001 par value; 160,000 shares authorized; 56,401 and 56,128 shares issued, 56,381 and 56,108 shares outstanding at March 31, 2021 and December 31, 2020, respectively	56	56
Additional paid-in capital	647,884	660,771
Retained earnings	1,456,926	1,347,880
Treasury stock	(177)	(177)
Accumulated other comprehensive loss	(40,750)	(25,512)
Total stockholders' equity	2,063,939	1,983,018
Total liabilities and stockholders' equity	\$ 2,780,541	\$ 2,721,332

EPAM SYSTEMS, INC. AND SUBSIDIARIES
Reconciliations of Non-GAAP Financial Measures to Comparable GAAP Financial Measures
(Unaudited)
(In thousands, except percent and per share amounts)

Reconciliation of revenue growth as reported on a GAAP basis to revenue growth on a constant currency basis is presented in the table below:

	Three Months Ended March 31, 2021
Revenue growth as reported	19.9 %
Foreign exchange rates impact	(2.1)%
Revenue growth on a constant currency basis⁽¹⁾	17.8 %

- (1) Constant currency revenue results are calculated by translating current period revenues in local currency into U.S. dollars at the weighted average exchange rates of the comparable prior period.

Reconciliation of various income statement amounts from GAAP to non-GAAP for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31, 2021		
	GAAP	Adjustments	Non-GAAP
Cost of revenues (exclusive of depreciation and amortization) ⁽²⁾	\$ 519,328	\$ (11,117)	\$ 508,211
Selling, general and administrative expenses ⁽³⁾	\$ 136,389	\$ (15,378)	\$ 121,011
Income from operations ⁽⁴⁾	\$ 107,251	\$ 29,635	\$ 136,886
Operating margin	13.7 %	3.8 %	17.5 %
Net income ⁽⁵⁾	\$ 109,046	\$ (2,846)	\$ 106,200
Diluted earnings per share	\$ 1.86		\$ 1.81

	Three Months Ended March 31, 2020		
	GAAP	Adjustments	Non-GAAP
Cost of revenues (exclusive of depreciation and amortization) ⁽²⁾	\$ 423,802	\$ (3,984)	\$ 419,818
Selling, general and administrative expenses ⁽³⁾	\$ 125,108	\$ (10,693)	\$ 114,415
Income from operations ⁽⁴⁾	\$ 87,509	\$ 17,812	\$ 105,321
Operating margin	13.4 %	2.8 %	16.2 %
Net income ⁽⁵⁾	\$ 85,565	\$ (2,701)	\$ 82,864
Diluted earnings per share	\$ 1.47		\$ 1.43

Items (2) through (5) above are detailed in the table below with the specific cross-reference noted in the appropriate item.

Three Months Ended
March 31.

	2021	2020
Stock-based compensation expenses	\$ 11,117	\$ 3,984
Total adjustments to GAAP cost of revenues⁽²⁾	11,117	3,984
Stock-based compensation expenses	13,436	7,897
Other acquisition-related expenses	1,933	468
One-time charges	9	2,328
Total adjustments to GAAP selling, general and administrative expenses⁽³⁾	15,378	10,693
Amortization of acquired intangible assets	3,140	3,135
Total adjustments to GAAP income from operations⁽⁴⁾	29,635	17,812
Change in fair value of contingent consideration included in Interest and other income, net	(4,944)	(438)
Foreign exchange gain	(2,299)	(6,524)
Provision for income taxes:		
Tax effect on non-GAAP adjustments	(3,734)	(1,854)
Excess tax benefits related to stock-based compensation	(21,504)	(11,697)
Total adjustments to GAAP net income⁽⁵⁾	\$ (2,846)	\$ (2,701)

EPAM SYSTEMS, INC. AND SUBSIDIARIES
Reconciliations of Guidance Non-GAAP Financial Measures to Comparable GAAP Financial Measures
(Unaudited)

The below guidance constitutes forward-looking statements within the meaning of the federal securities laws and is based on a number of assumptions that are subject to change and many of which are outside the control of the Company. Actual results may differ materially from the Company's expectations depending on factors discussed in the Company's filings with the Securities and Exchange Commission.

Reconciliation of expected revenue growth on a GAAP basis to expected revenue growth on a constant currency basis is presented in the table below:

	Second Quarter 2021 (at mid-point of range)	Full Year 2021 (at least)
Revenue growth	35.5 %	29 %
Foreign exchange rates impact	(3)%	(1)%
Revenue growth on a constant currency basis ⁽⁶⁾	32.5 %	28 %

(6) Constant currency revenue results are calculated by translating expected revenues in local currency into U.S. dollars at the weighted average exchange rates of the comparable prior period.

Reconciliation of expected GAAP to non-GAAP income from operations as a percentage of revenues is presented in the table below:

	Second Quarter 2021	Full Year 2021
GAAP income from operations as a percentage of revenues	13.5% to 14.5%	13.5% to 14.5%
Stock-based compensation expenses	2.6 %	2.5 %
<i>Included in cost of revenues (exclusive of depreciation and amortization)</i>	1.1 %	1.1 %
<i>Included in selling, general and administrative expenses</i>	1.5 %	1.4 %
Other acquisition-related expenses	— %	0.1 %
Amortization of purchased intangible assets	0.4 %	0.4 %
Non-GAAP income from operations as a percentage of revenues	16.5% to 17.5%	16.5% to 17.5%

Reconciliation of expected GAAP to non-GAAP effective tax rate is presented in the table below:

	Second Quarter 2021	Full Year 2021
GAAP effective tax rate (approximately)	11 %	12 %
Tax effect on non-GAAP adjustments	3.4 %	3.0 %
Excess tax benefits related to stock-based compensation	8.6 %	8.0 %
Non-GAAP effective tax rate (approximately)	23 %	23 %

Reconciliation of expected GAAP to non-GAAP diluted earnings per share is presented in the table below:

	<u>Second Quarter 2021</u>	<u>Full Year 2021</u>
GAAP diluted earnings per share	\$1.76 to \$1.83	\$7.09 to \$7.31
Stock-based compensation expenses	0.37	1.51
<i>Included in cost of revenues (exclusive of depreciation and amortization)</i>	<i>0.16</i>	<i>0.66</i>
<i>Included in selling, general and administrative expenses</i>	<i>0.21</i>	<i>0.85</i>
Other acquisition-related expenses	0.01	0.04
Amortization of purchased intangible assets	0.05	0.21
Change in fair value of contingent consideration	—	(0.08)
Foreign exchange loss	0.03	0.04
Provision for income taxes:		
Tax effect on non-GAAP adjustments	(0.10)	(0.35)
Excess tax benefits related to stock-based compensation	(0.24)	(0.92)
Non-GAAP diluted earnings per share	<u>\$1.88 to \$1.95</u>	<u>\$7.54 to \$7.76</u>