
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM 8-K
CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): August 8, 2019

EPAM SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

1-35418
(Commission File Number)

223536104
(IRS Employer Identification No.)

41 University Drive,
Suite 202
Newtown, Pennsylvania
(Address of principal executive offices)

18940
(Zip Code)

Registrant's telephone number, including area code: **267-759-9000**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| <u>Title of Each Class</u> | <u>Trading Symbol</u> | <u>Name of Each Exchange on which Registered</u> |
|---|-----------------------|--|
| Common Stock, par value \$0.001 per share | EPAM | New York Stock Exchange |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On August 8, 2019, EPAM Systems, Inc. (the “Company”) issued a press release discussing results of operations for the second quarter ended June 30, 2019. A copy of the press release is attached as Exhibit 99.1 to this report and is incorporated by reference into this Item 2.02.

The information in this report, including Exhibit 99.1 attached hereto, is being furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise be subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, except as expressly stated by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press release dated August 8, 2019, announcing results of operations of EPAM Systems, Inc. for the second quarter ended June 30, 2019.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 8, 2019

By: /s/ Jason Peterson
Name: Jason Peterson
Title: Senior Vice President, Chief Financial
Officer and Treasurer

INDEX TO EXHIBITS

- 99.1 [Press release dated August 8, 2019, announcing results of operations of EPAM Systems, Inc. for the second quarter ended June 30, 2019.](#)



EPAM Reports Results for Second Quarter 2019

Second quarter revenues of \$551.6 million, up 23.8% year-over-year

GAAP Diluted EPS of \$1.02 for the second quarter

Non-GAAP Diluted EPS of \$1.28 for the second quarter

Newtown, PA — August 8, 2019 — EPAM Systems, Inc. (NYSE: EPAM), a leading global provider of digital platform engineering and software development services, today announced results for its second quarter ended June 30, 2019.

“Our ability to manage complex, enterprise-level programs, in addition to our continued investments in our people and new technologies across our entire services portfolio, underpins our strong Q2 results,” said Arkadiy Dobkin, CEO & President, EPAM. “Based on the continued demand we see for our services and solutions, we have raised our full-year revenue outlook.”

Second Quarter 2019 Highlights

- Revenues increased to \$551.6 million, a year-over-year increase of \$105.9 million, or 23.8%, and on a constant currency basis, revenues were up 25.1% over the corresponding period last year;
- GAAP income from operations was \$72.9 million, an increase of \$18.6 million, or 34.4%, compared to \$54.2 million in the second quarter of 2018;
- Non-GAAP income from operations was \$92.6 million, an increase of \$20.3 million, or 28.0%, compared to \$72.3 million in the second quarter of 2018;
- Diluted earnings per share (“EPS”) on a GAAP basis was \$1.02, an increase of \$0.13, or 14.6%, compared to \$0.89 in the second quarter of 2018 based on a weighted average share count of 57.6 million fully diluted shares outstanding; and
- Non-GAAP diluted EPS was \$1.28, an increase of \$0.27, or 26.7%, compared to \$1.01 in the second quarter of 2018.

Cash Flow and Other Metrics

- Cash provided by operating activities was \$43.8 million for the first six months of 2019, compared to \$66.8 million provided by operating activities for the first six months of 2018;
 - Cash, cash equivalents and restricted cash totaled \$778.5 million as of June 30, 2019, an increase of \$6.8 million, or 0.9%, from \$771.7 million as of December 31, 2018; and
 - Total headcount was approximately 33,100 as of June 30, 2019. Included in this number were approximately 29,400 delivery professionals, an increase of 21.0% from June 30, 2018.
-

2019 Outlook - Full Year and Third Quarter

Full Year

- Revenue growth for 2019 will now be at least 23%. The Company continues to expect that foreign currency translation will have a 1% unfavorable impact on full year reported revenues. The Company now expects revenue growth on a constant currency basis will be at least 24%;
- The Company continues to expect GAAP income from operations to be in the range of 12.5% to 13.5% of revenues and non-GAAP income from operations to be in the range of 16% to 17% of revenues;
- The Company expects its GAAP effective tax rate to now be approximately 14% and its non-GAAP effective tax rate to continue to be approximately 23%; and
- The Company expects GAAP diluted EPS will now be at least \$4.43 for the full year, and non-GAAP diluted EPS will now be at least \$5.25 for the full year. The Company now expects weighted average share count for the year of 57.7 million diluted shares outstanding.

Third Quarter

- Revenues will be at least \$579 million for the third quarter reflecting a year-over-year growth rate of at least 23%. The Company expects foreign currency translation to have a 1% unfavorable impact on year-over-year revenue growth during the quarter. The Company expects year-over-year revenue growth on a constant currency basis to be at least 24%;
- For the third quarter, the Company expects GAAP income from operations to be in the range of 12.5% to 13.5% of revenues and non-GAAP income from operations to be in the range of 16% to 17% of revenues;
- The Company expects its GAAP effective tax rate to be approximately 15% and its non-GAAP effective tax rate to be approximately 23%; and
- The Company expects GAAP diluted EPS will be at least \$1.14 for the quarter, and non-GAAP diluted EPS will be at least \$1.32 for the quarter. The Company expects weighted average share count for the quarter of 57.9 million diluted shares outstanding.

Conference Call Information

EPAM will host a conference call to discuss results on Thursday, August 8, 2019 at 8:00 a.m. Eastern time. The live conference call will be available by dialing +1 (877) 407-0784 or +1 (201) 689-8560 (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 <http://investors.epam.com>. A replay will be available approximately one hour after the call by dialing +1 (844) 512-2921 or +1 (412) 317-6671 (outside of the U.S.) and entering the conference ID 13692355. The replay will be available until August 22, 2019.

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 over 25 countries across North America, Europe, Asia and Australia. EPAM is a recognized market leader in multiple categories among top global independent research agencies and was one of only four technology companies to appear on Forbes 25 Fastest Growing Public Tech Companies list every year of publication since 2013. Learn more at <http://www.epam.com/> and follow EPAM on Twitter [@EPAMSYSTEMS](#) and [LinkedIn](#).

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, write-offs and recoveries, acquisition-related costs, amortization of purchased intangible assets, goodwill impairment, certain other one-time charges and benefits, changes in fair value of contingent consideration, foreign exchange gains and losses, the impact of U.S. tax reform, 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 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. Factors that could cause actual results to differ materially from those expressed or implied include general economic conditions and the factors discussed in the Company's most recent Annual Report on Form 10-K and other filings with the Securities and Exchange Commission. 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 AND COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-------------------|------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenues | \$ 551,587 | \$ 445,647 | \$ 1,072,920 | \$ 869,795 |
| Operating expenses: | | | | |
| Cost of revenues (exclusive of depreciation and amortization) | 355,915 | 289,175 | 700,604 | 566,809 |
| Selling, general and administrative expenses | 111,762 | 93,273 | 213,548 | 182,914 |
| Depreciation and amortization expense | 11,028 | 8,962 | 21,228 | 17,138 |
| Income from operations | 72,882 | 54,237 | 137,540 | 102,934 |
| Interest and other income, net | 1,190 | 1,052 | 4,266 | 501 |
| Foreign exchange (loss)/gain | (3,562) | 1,830 | (7,046) | 1,583 |
| Income before provision for/(benefit from) income taxes | 70,510 | 57,119 | 134,760 | 105,018 |
| Provision for/(benefit from) income taxes | 11,733 | 6,864 | 15,229 | (9,655) |
| Net income | \$ 58,777 | \$ 50,255 | \$ 119,531 | \$ 114,673 |
| Foreign currency translation adjustments, net of tax | 2,620 | (15,834) | 5,563 | (12,525) |
| Unrealized gain/(loss) on cash-flow hedging instruments, net of tax | 1,537 | (2,076) | 4,637 | (2,007) |
| Comprehensive income | \$ 62,934 | \$ 32,345 | \$ 129,731 | \$ 100,141 |
| Net income per share: | | | | |
| Basic | \$ 1.07 | \$ 0.94 | \$ 2.19 | \$ 2.15 |
| Diluted | \$ 1.02 | \$ 0.89 | \$ 2.08 | \$ 2.03 |
| Shares used in calculation of net income per share: | | | | |
| Basic | 54,682 | 53,517 | 54,465 | 53,299 |
| Diluted | 57,614 | 56,587 | 57,427 | 56,415 |

EPAM SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share data)

| | As of June 30, 2019 | As of December 31, 2018 |
|---|---------------------------|-------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 777,365 | \$ 770,560 |
| Accounts receivable, net of allowance of \$1,882 and \$1,557, respectively | 343,864 | 297,685 |
| Unbilled revenues | 135,786 | 104,652 |
| Prepaid expenses and other current assets | 28,808 | 26,171 |
| Total current assets | 1,285,823 | 1,199,068 |
| Property and equipment, net | 111,175 | 102,646 |
| Operating lease right-of-use assets | 210,447 | — |
| Intangible assets, net | 53,821 | 57,065 |
| Goodwill | 179,214 | 166,832 |
| Deferred tax assets | 69,734 | 69,983 |
| Other noncurrent assets | 21,237 | 16,208 |
| Total assets | \$ 1,931,451 | \$ 1,611,802 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | \$ 6,043 | \$ 7,444 |
| Accrued expenses and other current liabilities | 96,026 | 127,937 |
| Due to employees | 64,032 | 49,683 |
| Deferred compensation due to employees | 7,928 | 9,920 |
| Taxes payable, current | 50,156 | 67,845 |
| Operating lease liabilities, current | 48,429 | — |
| Total current liabilities | 272,614 | 262,829 |
| Long-term debt | 25,000 | 25,031 |
| Taxes payable, noncurrent | 43,650 | 43,685 |
| Operating lease liabilities, noncurrent | 158,137 | — |
| Other noncurrent liabilities | 9,803 | 17,661 |
| Total liabilities | 509,204 | 349,206 |
| Commitments and contingencies | | |
| Stockholders' equity | | |
| Common stock, \$0.001 par value; 160,000,000 authorized; 54,799,024 and 54,099,927 shares issued, 54,779,289 and 54,080,192 shares outstanding at June 30, 2019 and December 31, 2018, respectively | 55 | 54 |
| Additional paid-in capital | 574,619 | 544,700 |
| Retained earnings | 879,064 | 759,533 |
| Treasury stock | (177) | (177) |
| Accumulated other comprehensive loss | (31,314) | (41,514) |
| Total stockholders' equity | 1,422,247 | 1,262,596 |
| Total liabilities and stockholders' equity | \$ 1,931,451 | \$ 1,611,802 |

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

| | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2019 |
|--|-------------------------------------|-----------------------------------|
| Revenue growth on a constant currency basis⁽¹⁾ | 25.1 % | 25.7 % |
| Foreign exchange rates impact | (1.3)% | (2.3)% |
| Revenue growth as reported | 23.8 % | 23.4 % |

- (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 and six months ended June 30, 2019 and 2018:

| | Three Months Ended June 30, 2019 | | | Six Months Ended June 30, 2019 | | |
|--|-------------------------------------|-------------|------------|-----------------------------------|-------------|------------|
| | GAAP | Adjustments | Non-GAAP | GAAP | Adjustments | Non-GAAP |
| Cost of revenues (exclusive of depreciation and amortization) ⁽²⁾ | \$ 355,915 | \$ (7,480) | \$ 348,435 | \$ 700,604 | \$ (20,261) | \$ 680,343 |
| Selling, general and administrative expenses ⁽³⁾ | \$ 111,762 | \$ (9,606) | \$ 102,156 | \$ 213,548 | \$ (19,227) | \$ 194,321 |
| Income from operations ⁽⁴⁾ | \$ 72,882 | \$ 19,687 | \$ 92,569 | \$ 137,540 | \$ 44,227 | \$ 181,767 |
| Operating margin | 13.2% | 3.6% | 16.8% | 12.8% | 4.1% | 16.9% |
| Net income ⁽⁵⁾ | \$ 58,777 | \$ 14,933 | \$ 73,710 | \$ 119,531 | \$ 25,705 | \$ 145,236 |
| Diluted earnings per share | \$ 1.02 | | \$ 1.28 | \$ 2.08 | | \$ 2.53 |

| | Three Months Ended June 30, 2018 | | | Six Months Ended June 30, 2018 | | |
|--|-------------------------------------|-------------|------------|-----------------------------------|-------------|------------|
| | GAAP | Adjustments | Non-GAAP | GAAP | Adjustments | Non-GAAP |
| Cost of revenues (exclusive of depreciation and amortization) ⁽²⁾ | \$ 289,175 | \$ (7,054) | \$ 282,121 | \$ 566,809 | \$ (15,343) | \$ 551,466 |
| Selling, general and administrative expenses ⁽³⁾ | \$ 93,273 | \$ (8,997) | \$ 84,276 | \$ 182,914 | \$ (17,924) | \$ 164,990 |
| Income from operations ⁽⁴⁾ | \$ 54,237 | \$ 18,083 | \$ 72,320 | \$ 102,934 | \$ 37,059 | \$ 139,993 |
| Operating margin | 12.2% | 4.0% | 16.2% | 11.8% | 4.3% | 16.1% |
| Net income ⁽⁵⁾ | \$ 50,255 | \$ 6,821 | \$ 57,076 | \$ 114,673 | \$ (5,354) | \$ 109,319 |
| Diluted earnings per share | \$ 0.89 | | \$ 1.01 | \$ 2.03 | | \$ 1.94 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Stock-based compensation expenses | \$ 7,480 | \$ 7,054 | \$ 20,261 | \$ 15,343 |
| Total adjustments to GAAP cost of revenues⁽²⁾ | 7,480 | 7,054 | 20,261 | 15,343 |
| Stock-based compensation expenses | 8,217 | 7,756 | 17,292 | 16,063 |
| Other acquisition-related expenses | 850 | 85 | 1,361 | 462 |
| One-time charges | 539 | 1,156 | 574 | 1,399 |
| Total adjustments to GAAP selling, general and administrative expenses⁽³⁾ | 9,606 | 8,997 | 19,227 | 17,924 |
| Amortization of purchased intangible assets | 2,601 | 2,032 | 4,739 | 3,792 |
| Total adjustments to GAAP income from operations⁽⁴⁾ | 19,687 | 18,083 | 44,227 | 37,059 |
| Change in fair value of contingent consideration included in Interest and other income, net | 1,356 | — | 1,356 | — |
| Foreign exchange loss/(gain) | 3,562 | (1,830) | 7,046 | (1,583) |
| Provision for/(benefit from) income taxes: | | | | |
| Tax effect on non-GAAP adjustments | (4,931) | (3,286) | (10,670) | (7,517) |
| Net discrete benefit related to U.S. tax reform | — | (706) | — | (23,183) |
| Excess tax benefits related to stock-based compensation | (4,741) | (5,440) | (16,254) | (10,130) |
| Total adjustments to GAAP net income⁽⁵⁾ | \$ 14,933 | \$ 6,821 | \$ 25,705 | \$ (5,354) |

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

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

| | <u>Third Quarter 2019</u> | <u>Full Year 2019</u> |
|--|---------------------------|-----------------------|
| Revenue growth on a constant currency basis (at least) ⁽⁶⁾ | 24 % | 24 % |
| Foreign exchange rates impact | (1)% | (1)% |
| Revenue growth (at least) | 23 % | 23 % |

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

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

| | <u>Third Quarter 2019</u> | <u>Full Year 2019</u> |
|--|---------------------------|-----------------------|
| GAAP income from operations as a percentage of revenues | 12.5% to 13.5% | 12.5% to 13.5% |
| Stock-based compensation expenses | 2.9% | 3.0% |
| <i>Included in cost of revenues (exclusive of depreciation and amortization)</i> | 1.4% | 1.5% |
| <i>Included in selling, general and administrative expenses</i> | 1.5% | 1.5% |
| Other acquisition-related expenses | 0.1% | 0.1% |
| Amortization of purchased intangible assets | 0.5% | 0.4% |
| Non-GAAP income from operations as a percentage of revenues | 16% to 17% | 16% to 17% |

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

| | <u>Third Quarter 2019</u> | <u>Full Year 2019</u> |
|---|---------------------------|-----------------------|
| GAAP effective tax rate (approximately) | 15% | 14% |
| Tax effect on non-GAAP adjustments | 3.4% | 3.9% |
| Excess tax benefits related to stock-based compensation | 4.6% | 5.1% |
| Non-GAAP effective tax rate (approximately) | 23% | 23% |

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

| | <u>Third Quarter 2019</u> | <u>Full Year 2019</u> |
|---|---------------------------|-----------------------|
| GAAP diluted earnings per share (at least) | \$ 1.14 | \$ 4.43 |
| Stock-based compensation expenses | 0.28 | 1.20 |
| <i>Included in cost of revenues (exclusive of depreciation and amortization)</i> | <i>0.13</i> | <i>0.61</i> |
| <i>Included in selling, general and administrative expenses</i> | <i>0.15</i> | <i>0.59</i> |
| Other acquisition-related expenses | 0.01 | 0.04 |
| Amortization of purchased intangible assets | 0.05 | 0.18 |
| One-time charges | — | 0.01 |
| Change in fair value of contingent consideration included in Interest and other income, net | — | 0.02 |
| Foreign exchange loss | 0.02 | 0.16 |
| Provision for income taxes: | | |
| Tax effect on non-GAAP adjustments | (0.08) | (0.34) |
| Excess tax benefits related to stock-based compensation | (0.10) | (0.45) |
| Non-GAAP diluted earnings per share (at least) | \$ 1.32 | \$ 5.25 |