

EPAM Systems, Inc.
Form 10-Q
August 08, 2017

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-35418

EPAM SYSTEMS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-3536104
(I.R.S. Employer
Identification No.)

41 University Drive, Suite 202
Newtown, Pennsylvania
(Address of principal executive offices) (Zip code)
267-759-9000
(Registrant's telephone number, including area code)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Each Class	Outstanding as of July 31, 2017
Common Stock, par value \$0.001 per share	52,523,337 shares

EPAM SYSTEMS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

EPAM SYSTEMS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(US Dollars in thousands, except share and per share data)

	As of June 30, 2017	As of December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	\$443,501	\$362,025
Restricted cash	2,638	2,400
Time deposits	403	403
Accounts receivable, net of allowance of \$1,419 and \$1,434, respectively	208,273	199,982
Unbilled revenues	107,858	63,325
Prepaid and other current assets, net of allowance of \$292 and \$644, respectively	23,275	15,690
Employee loans, net of allowance of \$0 and \$0, respectively	2,533	2,726
Total current assets	788,481	646,551
Property and equipment, net	77,115	73,616
Restricted cash	277	239
Employee loans, net of allowance of \$0 and \$0, respectively	2,705	3,252
Intangible assets, net	49,998	51,260
Goodwill	116,239	109,289
Deferred tax assets	33,022	31,005
Other long-term assets, net of allowance of \$138 and \$132, respectively	11,546	10,599
Total assets	\$1,079,383	\$925,811
Liabilities		
Current liabilities		
Accounts payable	\$4,253	\$3,213
Accrued expenses and other liabilities	47,822	49,895
Due to employees	41,312	32,203
Deferred compensation due to employees	1,172	5,900
Taxes payable	35,661	25,008
Total current liabilities	130,220	116,219
Long-term debt	25,033	25,048
Other long-term liabilities	4,424	3,132
Total liabilities	159,677	144,399
Commitments and contingencies (Note 8)		
Stockholders' equity		
Common stock, \$0.001 par value; 160,000,000 authorized; 52,476,671 and 51,117,422 shares issued, 52,456,936 and 51,097,687 shares outstanding at June 30, 2017 and December 31, 2016, respectively	51	50
Additional paid-in capital	439,523	374,907
Retained earnings	507,060	444,320
Treasury stock	(177)	(177)

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Accumulated other comprehensive loss	(26,751)	(37,688)
Total stockholders' equity	919,706	781,412
Total liabilities and stockholders' equity	\$1,079,383	\$925,811

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues	\$348,977	\$283,832	\$673,628	\$548,314
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	220,132	180,782	427,862	348,163
Selling, general and administrative expenses	80,419	64,241	158,872	125,735
Depreciation and amortization expense	7,020	6,123	13,692	11,225
Other operating expenses, net	724	606	1,554	780
Income from operations	40,682	32,080	71,648	62,411
Interest and other income, net	802	1,138	1,386	2,349
Foreign exchange gain (loss)	1,562	(2,295)	(1,393)	(3,585)
Income before provision for income taxes	43,046	30,923	71,641	61,175
Provision for income taxes	5,687	6,493	10,641	12,846
Net income	\$37,359	\$24,430	\$61,000	\$48,329
Foreign currency translation adjustments	4,551			