

EPAM Systems, Inc.
Form 10-Q
November 09, 2016

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 September 30, 2016

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 223536104
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

41 University Drive, Suite 202 18940
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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

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 October 31, 2016
Common Stock, par value \$0.001 per share	51,035,929 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 September 30, 2016	As of December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 330,627	\$ 199,449
Time deposits	—	30,181
Accounts receivable, net of allowance of \$2,301 and \$1,729, respectively	187,833	174,617
Unbilled revenues	82,360	95,808
Prepaid and other current assets	32,205	14,344
Employee loans, net of allowance of \$0 and \$0, respectively	2,698	2,689
Deferred tax assets	—	11,847
Total current assets	635,723	528,935
Property and equipment, net	70,284	60,499
Restricted cash	236	238
Employee loans, net of allowance of \$0 and \$0, respectively	3,283	3,649
Intangible assets, net	53,867	46,860
Goodwill	111,722	115,930
Deferred tax assets	26,598	18,312
Other long-term assets	7,486	4,113
Total assets	\$ 909,199	\$ 778,536
Liabilities		
Current liabilities		
Accounts payable	\$ 4,661	\$ 2,576
Accrued expenses and other liabilities	34,856	60,749
Deferred revenue	3,685	3,047
Due to employees	34,894	26,703
Deferred compensation due to employees	4,035	5,364
Contingent consideration	800	—
Taxes payable	39,499	29,472
Total current liabilities	122,430	127,911
Long-term debt	33,062	35,000
Deferred tax liabilities	3,327	2,402
Other long-term liabilities	268	—
Total liabilities	159,087	165,313
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, \$0.001 par value; 160,000,000 authorized; 51,035,509 and 50,177,044 shares issued, 51,016,500 and 50,166,537 shares outstanding at September 30, 2016 and December 31, 2015, respectively	50	49

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Additional paid-in capital	363,154	303,363
Retained earnings	419,557	345,054
Treasury stock	(170)	(93)
Accumulated other comprehensive loss	(32,479)	(35,150)
Total stockholders' equity	750,112	613,223
Total liabilities and stockholders' equity	\$909,199	\$778,536

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 share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Revenues	\$298,293	\$236,049	\$846,607	\$653,875
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)	190,797	148,479	538,960	408,622
Selling, general and administrative expenses	67,491	55,431	193,226	158,345
Depreciation and amortization expense	5,925	4,393	17,150	12,496
Other operating expenses/(income), net	178	(30)) 958	210
Income from operations	33,902	27,776	96,313	74,202
Interest and other income, net	1,067	865	3,416	3,322
Foreign exchange (loss)/gain	(1,728)) 32	(5,313)) (6,187)
Income before provision for income taxes	33,241	28,673	94,416	71,337
Provision for income taxes	7,067	5,800	19,913	14,519
Net income	\$26,174			