ANALYSIS NOTE – 6 June 2021

EPAM SYSTEMS
A Leading digital platform engineering and software development services

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1. LEADER DIGITAL PLATFORM ENGINEERING AND SOFTWARE DEVELOPMENT SERVICES

EPAM Systems provides digital platform engineering and software development services in North America, Europe, Armenia, Belarus, Kazakhstan, Russia, Ukraine, Asia, and Australia.

The company offers engineering services, including requirements analysis and platform selection, customization, cross-platform migration, implementation, and integration; infrastructure management services, such as software development, testing, and maintenance with private, public, and mobile infrastructures for application, database, network, server, storage, and systems operations management, as well as monitoring, incident notification, and resolution services; and maintenance and support services.

It also provides operation solutions comprising integrated engineering practices and smart automation; and optimization solutions that include software application testing, test management, automation, and consulting services to enable customers enhance their existing software testing and quality assurance practices, as well as other testing services that identify threats and close loopholes to protect its customers' business systems from information loss.

Revenue by Geography 2020	
North America	61%
Europe	33%
CIS	4%
APAC	2%

It serves the financial services, travel and consumer, software and hi-tech, business information and media, life sciences and healthcare, and other industries.

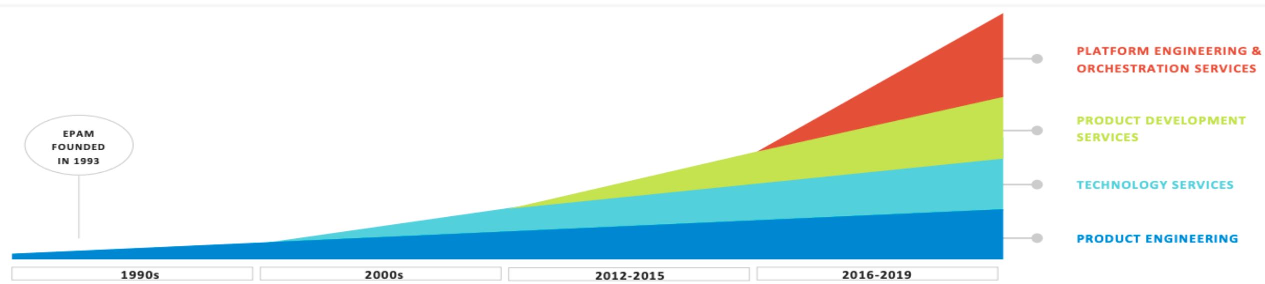
2. AREAS OF ACTIVITY

EPAM Systems operates in 30 countries, providing IT product development, digital platform engineering, and product design services.

The company was founded in 1993 by Arkady Dobkin, the current CEO. Arkadiy Dobkin is the CEO, President and Chairman of the Board at EPAM Systems, a leading global product development, digital platform engineering and top digital and product design agency operating in 30 countries with more than 41,000 professionals and 2020 revenues of $2.66 billion.

EPAM Systems has maintained 36 consecutive quarters of 20% year-on-year organic revenue growth.

Product Engineering Underpins Evolution & Growth



ORGANIC COMPETENCIES
Core Product Engineering User Experience Digital Strategy Analytics & Big Data Commerce Mobile Social

DOMAIN-LED ENTERPRISE SOLUTIONS	2006	2018	2019
Financial Services	0%	23%	22%
Travel & Consumer	4%	21%	19%
Software & Hi-Tech	75%	19%	19%
Business Information & Media	8%	18%	18%
Life Sciences & Healthcare	0%	9%	11%
Emerging	13%	10%	11%

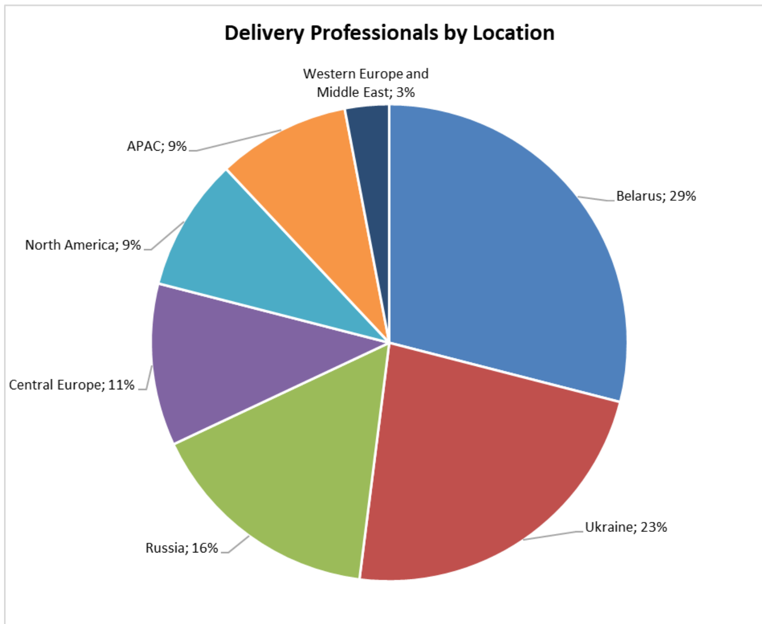
Source: Investor relations

SUMMARY KEY RATIOS EPAM SYSTEMS	HISTORIC 6-Years	FORECAST 3-Years	Opinion
Revenues Growth (%)	25.0%	24.0%	Attractive
Margin EBITDA/Revenues	15.6%	19.0%	Attractive
Margin Net Profit/Revenues	10.3%	11.6%	Attractive
ROA	14.1%	16.8%	Attractive
ROE	15.1%	16.6%	Attractive
Financial Leverage	1.3	1.3	Attractive
Debt to Assets	10.3%	7.5%	Attractive

3. INVESTMENT THESIS

- The company estimates a **Total Available Market (TAM) of $1 Trillion.**
- The **enterprise landscape is increasingly more competitive**, complex and in need of change.
- **Long and consistent track record of organic growth** 5-year revenue Compound Annual Growth Rate (CAGR) of 25%
- **Diversified client portfolio across industries and geographies**
- **Loyal client base**, with average of 10 years. High rate of recurring revenues.
- **Strong operating margins** 5-year Non-GAAP Income from Operations CAGR of 26%
- 90 of the Fortune 500 and more than 50% of the Forbes 2000 are among clients.
- **Cheap human capital** is a competitive advantage for EPAM Systems, Inc

This efficiency is achieved thanks to the savings in its personnel costs, which are mostly from countries such as Belarus, Ukraine, Russia and Central Europe, where average salaries are considerably lower compared to the US.



VALUATION COMPARED TO PEERS

Company	Currency	Market Cap	PE	PBV	ROE	EV/EBITDA	ROE	EBITDA/ Sales
EPAM SYSTEMS	**USD**	**26,615**	**44.9**	**6.0**	**14.30**	**26.1**	**14.3**	**19.4%**
Accenture PLC	USD	185,635	31.9	10.1	32.31	18.4	32.3	14.9%
Tata Consultancy Services Ltd	INR	154,855	28.7	12.9	38.03	20.4	38.0	26.0%
IBM	USD	130,231	12.9	6.1	25.95	9.6	26.0	10.8%
Infosys Ltd	INR	77,178	25.0	7.4	27.35	17.2	27.4	23.9%
Cognizant Technology Solutions	USD	42,943	19.7	4.0	14.13	11.8	14.1	14.1%
Wipro Ltd	INR	36,497	23.7	4.9	19.03	14.4	19.0	18.3%
HCL Technologies Ltd	INR	33,327	17.5	4.1	20.05	10.8	20.1	20.5%
Capgemini SE	EUR	30,940	18.4	4.2	13.18	11.7	13.2	11.1%
CGI Inc	CAD	22,388	19.3	3.9	17.97	12.0	18.0	15.7%
Tech Mahindra Ltd	INR	12,595	15.9	3.7	18.97	10.5	19.0	14.2%

4. SWOT ANALYSIS

Internal

Positive	Negative
Strengths 1. Highly skilled workforce through successful training and learning programs 2. High level of customer satisfaction 3. The cheapness of human capital is the key competitive advantage of EPAM. 4. Strong financial performance	**Weaknesses** 1. Currency Risk 2. Management cannot hire fast enough to meet demand
Opportunities 1. Faster economic recovery from COVID-19 2. Market share gains in Financial Services and Healthcare Quicken, boosting organic revenue growth to above30% 3. Increased pricing power 4. Sizeable M&A	**Threats** 1. An aggressive increase in competition is a sector that has large players, where it could eventually tend to commoditize certain services 2. Recruiting, training and retaining sufficiently skilled IT professionals and management personnel 3. Adhering to and further improving high-quality and process execution standards and maintaining high levels of client satisfaction

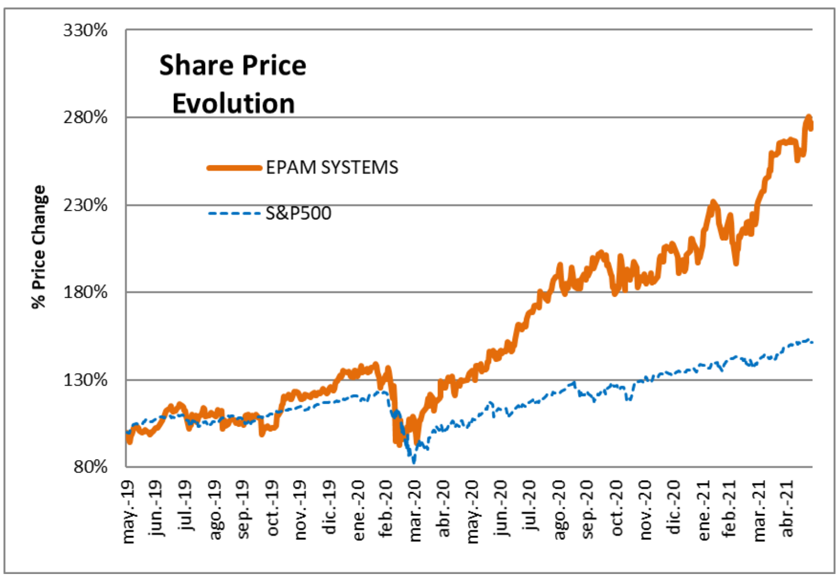
External

- **Highly skilled workforce through successful training and learning programs**. EPAM Systems, Inc. is investing huge resources in training and development of its employees resulting in a workforce that is not only highly skilled but also motivated to achieve more.
- **High level of customer satisfaction**. The company with its dedicated customer relationship management department has able to achieve a high level of customer satisfaction among present customers and good brand equity among the potential customers.
- **The company has a huge advantage over its competitors: the cheapness of human capital.** Most of the employees work from Belarus, Ukraine, and Russia. The comparison of the average IT-salaries of those regions with the average IT-salaries in the United States made it possible to determine that EPAM can save tens of millions of dollars on this cost item.
- **Financial performance.** All analyzed financial ratios speak of the sustainability of EPAM's business. The company is a strong cash flow generator. Financial Debt is very low (around 12% financial debt to total assets).

5. CONCLUSION

At the level of valuation by multiples appears as expensive. However, it is a quality company and with strong growth prospects, in a sector that has clear tail winds. **EPAM presents a great future in the IT market,** increasingly complex needs on the part of its clients, makes it play an increasingly important role in the maintenance and implementation of new technological trends in **the different verticals where EPAM operates**. An upside of 28% is projected at current prices, considering the average of the different valuation methods.

VALUATION SUMMARY	EPAM SYSTEMS				04-jun-21
Amounts in Millions	Historical Multiple	Current Multiple	Company Intrinsic Value	# Shares Millions	Intrinsec Share Price
PBV MULTIPLE VALUATION (1)	6.0	13.4	33,143	55.7	594.7
PSALES MULTIPLE VALUATION (2)	4.0	10.0	35,000	55.7	628.1
PE MULTIPLE VALUATION (3)	44.9	81.4	37,795	55.7	678.2
PCF MULTIPLE VALUATION (4)	52.0	53.6	26,708	55.7	479.3
EV/EBITDA MULTIPLE VALUATION (5)	26.1	49.7	35,932	55.7	644.8
DCF VALUATION (6)			32,455	55.7	582.4
PE VALUATION TO PEERS (7)			*11,688*	*55.7*	*209.7*
EV/EBITDA VALUATION TO PEERS (8)			*11,288*	*55.7*	*202.6*
MEDIAN INTRINSIC VALUE FROM MODELS (1), (2), (3), (4), (5), (6)			**34,072**	**55.7**	**611.4**
STOCK MARKET VALUE			**26,615**	**55.7**	**477.6**
TARGET PRICE ESTIMATED OFFERS % DIFFERENCE TO CURRENT MARKET PRICE					**28%**



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