Engine Capital Sends Letter to EPAM Systems's Board of Directors Highlighting Company's Undervaluation and Urging the Initiation of a $750 Million Accelerated Share Repurchase Program

Sees Opportunities Within the Board's Control to Take Advantage of the Undervaluation and Create Shareholder Value, Including by Using Idle Cash, Free Cash Flows, and Potential Leverage to Aggressively Repurchase Shares and Strengthening Alignment Between Company Insiders and Shareholders' Interests

Believes that if the Board Does Not Have the Confidence to Aggressively Buy Back Stock, it Should Run a Sale Process to Determine the Value that Buyers Could Ascribe to EPAM

NEW YORK--(BUSINESS WIRE)--Engine Capital LP (together with its affiliates, "Engine"), which owns approximately 1.5% of the outstanding shares of common stock of EPAM Systems, Inc. (NYSE: EPAM) (the "Company"), today announced that it has delivered the following letter to the Company's Board of Directors.

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August 31, 2026

EPAM Systems, Inc.
41 University Drive, Suite 202
Newtown, PA 18940
Attention: The Board of Directors

Members of the Board of Directors (the "Board"):

Engine Capital LP (together with its affiliates, "Engine" or "we") is a meaningful shareholder of EPAM Systems, Inc. (NYSE: EPAM) ("EPAM" or the "Company"), with ownership of approximately 1.5% of the Company's outstanding shares. We invested in EPAM because of its best-in-class engineering talent, blue-chip client relationships, strong free cash flow generation, our belief that the Company is well positioned to navigate and capitalize on the shift to artificial intelligence, and our conviction that there are readily available opportunities for the Board to significantly increase shareholder value.

As part of our due diligence, we have had the opportunity to discuss the Company and its prospects with competitors, former employees, and customers. We have also engaged with management, including Chief Executive Officer Balazs Fejes and Chief Financial Officer Jason Peterson. These discussions have reinforced our view that the Company is a high-quality asset with an attractive financial profile, a strong competitive position, and a resilient AI-era value proposition. While mounting AI disruption fears have driven poor returns across the IT services space, EPAM's underperformance stands out. The Company has delivered deeply negative shareholder returns that have significantly underperformed those of its direct competitors, its proxy peer group, and the broader IT Services space over a prolonged period, as shown in the table below.[1]

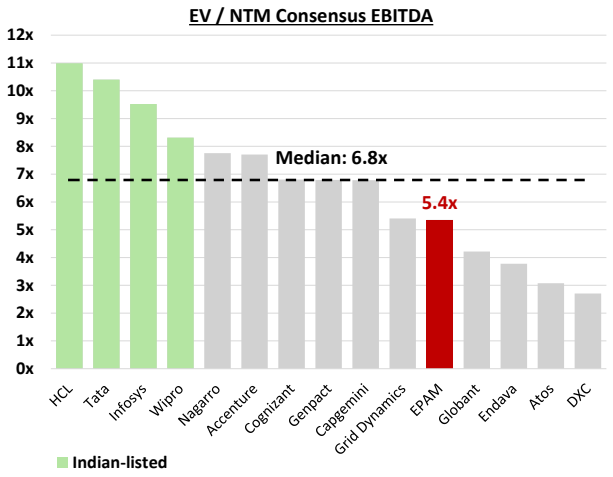
[1] Total shareholder returns are dividend-adjusted over the respective periods, per Capital IQ, as of August 26, 2026. "Proxy Peers" refers to the peer companies listed in the Company's latest proxy statement. We have separated the 14 publicly traded competitors identified in the Company's latest 10-K into "Indian-listed Competitors" and "US and European Competitors" based on the location of each company's primary listing.

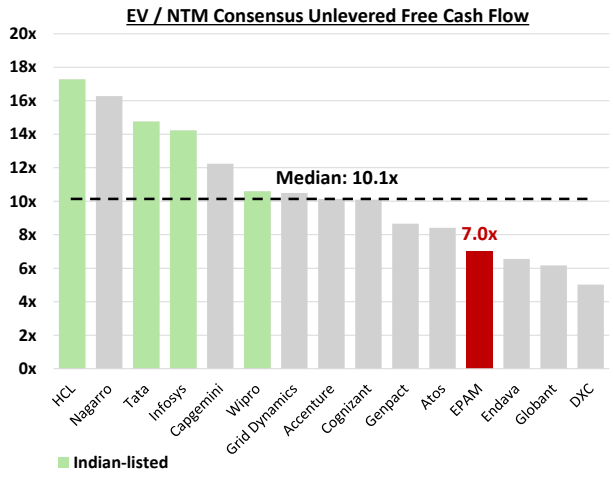
EPAM Shareholder Returns vs. Benchmarks

	Total Shareholder Returns		
	1-Year	3-Year	5-Year
EPAM Systems, Inc. (EPAM)	**(36%)**	**(55%)**	**(82%)**
Indian-listed Competitor Median	(21%)	(5%)	(14%)
US and European Competitor Median	(20%)	(41%)	(58%)
Proxy Peer Median	(14%)	5%	(6%)
S&P 500 IT Services	(14%)	(7%)	(15%)
EPAM vs. Indian-listed Competitor Median	**(14%)**	**(50%)**	**(68%)**
EPAM vs. US and European Competitor Median	**(16%)**	**(14%)**	**(24%)**
EPAM vs. Proxy Peer Median	**(22%)**	**(60%)**	**(77%)**
EPAM vs. S&P 500 IT Services	**(21%)**	**(49%)**	**(68%)**

This chronic underperformance has left EPAM priced for terminal decline, trading at just ~5.4x EV / NTM EBITDA and ~7.0x EV / NTM unlevered free cash flow.[2] The market also appears to be pricing EPAM as a relative loser, with its valuation near the bottom of the 14 publicly listed competitors identified in the Company's latest 10-K. **This discount is particularly striking given our view that EPAM ranks among the strongest of these companies in terms of business quality, AI positioning, and long-term growth prospects.** As the charts below illustrate, the valuation gap is even more pronounced relative to Indian-listed competitors, which command substantial premiums to their U.S. and European counterparts.

EPAM Valuation vs. Competitors





We also believe EPAM trades at a significant discount to its private market value, as evidenced by recent M&A transactions in the space. In particular, we highlight the June 2026 announcement of Nagarro SE's sale to Indian-listed Persistent Systems for around 8.2x EBITDA. This transaction follows the December 2025 sale of Encora to Indian-listed Coforge for over 20x EBITDA.

EPAM's absolute and relative valuation discount stands in sharp contrast to its operating and financial performance. From 2015 through 2025, EPAM grew revenue organically at more than 17% annually and compounded free cash flow per share at nearly 25% per year. While revenue growth has moderated in recent years, EPAM is not the shrinking business that its current valuation implies. The Company delivered 5% organic growth in 2025, the third-highest rate among the competitors listed above. And while its organic growth guidance for 2026 (2% to 3%) represents a deceleration, it remains above the

[2] Valuation per Capital IQ, as of August 26, 2026.

median growth guidance of these competitors. Importantly, management expects growth will accelerate in 2027 and return to double-digit levels over time, and believes AI represents a substantial growth opportunity. The Company reported $160 million of AI-native revenue in Q2 2026 (11% of revenue) and management expects to generate $600 million of AI-native revenue in 2026, with higher operating margins than the Company average. EPAM's recently announced partnerships with Anthropic and OpenAI include a substantial upskilling of its workforce, with a goal of certifying roughly 15,000 engineers on one or more of those AI platforms within the next year. While AI creates potential risks for IT service providers, **we believe EPAM's focus on complex engineering problems positions it well relative to its peers and expect the Company will continue to grow for the foreseeable future.** In a recent note, JP Morgan appears to agree with our assessment stating, "Most encouraging is EPAM's proven track record and culture of reinventing itself alongside shifting industry trends, which underpins our longer-term optimism on the company's ability to pivot towards AI-first delivery."

Despite our conviction in EPAM's business fundamentals and growth potential, the status quo is untenable. **EPAM's sustained underperformance and depressed valuation hurt all stakeholders, including by jeopardizing the Company's ability to attract and retain the human capital on which its business depends.** While leadership has repeatedly expressed confidence in future revenue and free cash flow growth, and with shares priced for terminal decline, the Board has allowed significant excess cash to sit idle on the balance sheet. We believe it is time for the Board to take decisive actions to address the substantial valuation discount that management has repeatedly acknowledged is unwarranted. **We believe the Board should pursue one of two paths: take advantage of the undervaluation by aggressively acquiring EPAM shares and shrinking the Company's share count *or* run a sale process to determine what a buyer would pay for the Company.** If leadership is confident in the business prospects (as it has publicly stated on numerous occasions), then it should share our conviction that aggressive buybacks will deliver exceptional returns. If the Board is unwilling to make that bet, it should sell the Company.

We believe that the actions we describe below will create significant value for all stakeholders, and that each is squarely within the Board's control:

1. **Utilize EPAM's strong balance sheet and cash flow to repurchase shares more aggressively**.
2. **If the Board does not have the confidence to aggressively repurchase shares, initiate a review of strategic alternatives, including a sale of the Company.**
3. **Reform the executive compensation scheme to align management's incentives with shareholder interests.**
4. **Foster a culture of stock ownership.**
5. **Refresh the Board and establish a Capital Allocation Committee.**

Step #1: Utilize EPAM's strong balance sheet and cash flow to repurchase shares more aggressively

By holding excess cash while EPAM's shares trade at depressed levels, the Board is neglecting the most obvious and actionable lever for value creation. The Board should immediately address this through aggressive share repurchases. We estimate that EPAM will end the year with approximately $1.3 billion of net cash, equivalent to roughly 25% of its current market capitalization. More than $750 million of this cash sits on the balance sheet today, and we expect EPAM to generate an additional $500 to $600 million of free cash flow in the second half of 2026.[3] During the Company's March 2026 investor day, management committed to accelerating revenue growth through 2028, with a goal of restoring double-digit organic growth over time. Investor day targets also included $1.8 billion of cumulative free cash flow generation from 2026 to 2028, representing approximately 35% of the current enterprise value. **If management is**

[3] Cash, cash equivalents, and restricted cash of $794.3 million and long-term debt of approximately $25 million as of June 30, 2026, per EPAM's Q2 2026 results (August 6, 2026).

confident that it can achieve even a fraction of its stated targets, the logic for increased share repurchases is overwhelming.

The table below shows EPAM's potential cash position at year end 2026 and 2028 under different leverage assumptions. **While illustrative, this exercise shows that at current prices, the Board could repurchase between roughly 45% to 90% of the Company's outstanding shares in less than three years, highlighting EPAM's dislocated valuation.** The appropriate quantum of buybacks and leverage ultimately depends on the level of confidence that leadership has in the business. Engine would recommend targeting a leverage range between 1x and 2x, implying that the Board could repurchase between roughly 60% and 80% of its shares outstanding by the end of 2028.

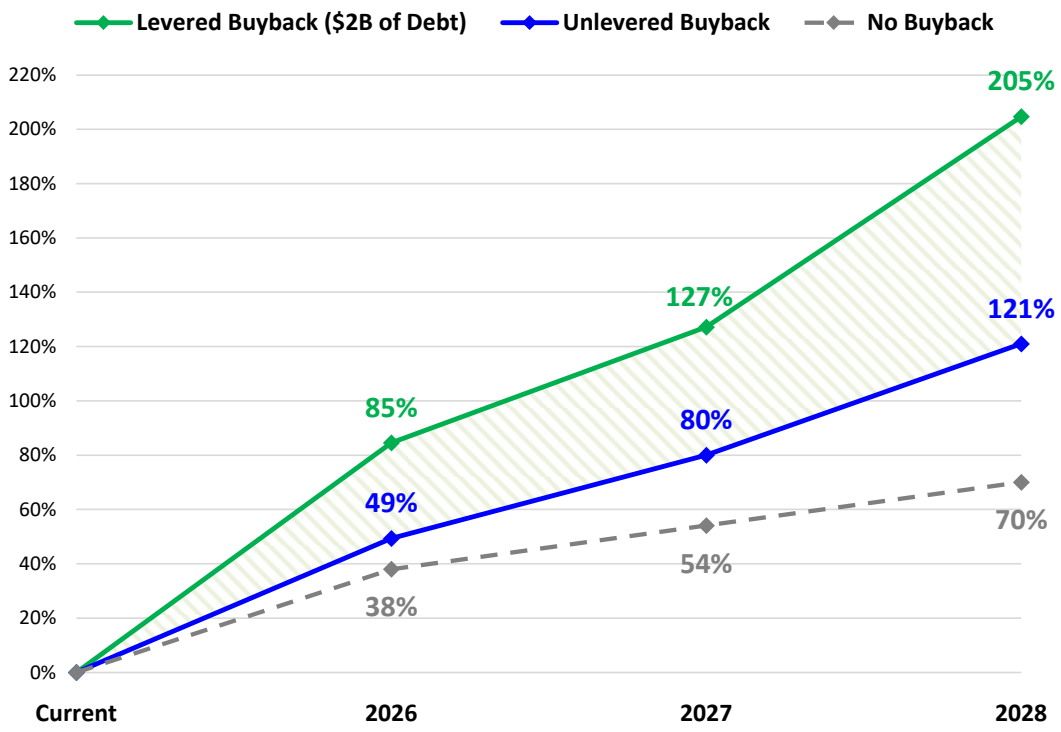
Net Debt / EBITDA	0.0x	1.0x	2.0x	3.0x
Current Net Cash	769	769	769	769
+ 2H 2026 FCF	550	550	550	550
+ New Debt	0	1,000	2,000	3,000
YE 2026 Cash	**1,319**	**2,319**	**3,319**	**4,319**
% of Current Market Cap.	**24%**	**41%**	**59%**	**77%**
+ 2027 FCF	600	540	480	420
+ 2028 FCF	650	590	530	470
YE 2028 Cash	**2,569**	**3,449**	**4,329**	**5,209**
% of Current Market Cap.	**46%**	**61%**	**77%**	**93%**

In practice, we recommend the Board immediately execute a $750 million accelerated share repurchase program using its existing cash. In addition, the Board should continue to repurchase shares with the cash it generates in Q3 and Q4 2026. We estimate that, taken together, these repurchases could retire approximately 25% of the Company's outstanding shares by the end of the year. The Board should also immediately establish a Capital Allocation Committee to determine the appropriate level of leverage the business can conservatively support and, based on that analysis, evaluate the scope for additional share repurchases in 2027 and 2028. Given the potential magnitude of these repurchases, the Committee should consider whether a tender offer would represent a more efficient means of returning capital to shareholders.

The chart below illustrates the potential value that buybacks could create by 2028 under two scenarios for leverage. Under the unlevered buyback scenario, we assume the Company executes the $750 million ASR immediately and continues to use 100% of its free cash flow for share repurchases until the end of 2028. Under the levered buyback scenario, we further assume the Company raises $2 billion of debt and executes a large tender at the beginning of 2027. Our operating assumptions reflect the Company's 2026 investor day targets. We assume revenue growth reaccelerates to mid-single digits, free cash flow expands to $650 million in 2028, and the EV to unlevered free cash flow multiple expands to 12x. We believe this multiple is conservative for a quality, growing business, but given the uncertainty inherent in AI risks, we assume the multiple remains constrained. The chart highlights the shareholder value the Board can deliver through aggressive buybacks.[4] **Even if the Board is reluctant to take on leverage, the chart highlights the potential value creation of executing the $750 million ASR now instead of allowing that capital to sit idle on the Company's balance sheet.**

[4] Both charts assume 1.8 million shares of annual dilution from stock-based compensation, though we believe this number should be much lower.

Illustrative Impact of Share Repurchases on EPAM's Share Price



The collapse in EPAM's stock price has consequences that extend well beyond the losses suffered by shareholders. The lower price requires the Company to issue more shares to achieve the same dollar value of stock-based compensation, which is a significant component of total pay for EPAM employees. In its latest proxy statement, the Company cited this dynamic as justification for adding 4 million shares to its 2025 Long-Term Incentive Plan. These additional shares alone represent potential dilution of roughly 8% to existing shareholders. At the same time, the depressed valuation undermines EPAM's equity as a tool for attracting and retaining talent. Given the human capital-intensive nature of EPAM's business, we believe the Board should consider this a critical risk to its operating model and should therefore view restoring shareholder value as an important lever to improve EPAM's competitiveness for the talent on which its business depends. Rather than issuing more shares at dilutive prices, the Board should address the valuation discount by optimizing its balance sheet and its capital allocation framework.

We acknowledge that the Company has spent over $1.6 billion on buybacks since the end of 2022. Unfortunately, these repurchases were made at over $175 per share, a roughly 60% premium to current prices. In addition, the Company incurred nearly $600 million of stock-based compensation expenses over that period, creating significant offsetting dilution. As a result, historical repurchases only served to reduce the total share count by approximately 10% since the end of 2022, or roughly 3% per year. We view this as grossly inadequate relative to the opportunity.

The Board may push back against aggressive share repurchases by arguing that it wants to maintain flexibility to engage in M&A. We are confident that there is no investment in the Company's M&A pipeline that offers a comparable risk-adjusted return to share repurchases at the current valuation. If management is as confident in EPAM's prospects as its public statements suggest, this is a "no brainer" decision. In any event, the Board and management should not be distracted by the prospect of M&A until growth prospects reaccelerate (including by improving the go-to-market strategy in North America) and the shares are appropriately valued.

Finally, the Board's M&A track record does not inspire confidence. In October 2024, EPAM acquired digital engineering consultancy NEORIS. At a purchase price of $626 million, NEORIS was EPAM's largest-ever acquisition by a factor of two. Unfortunately, it has also become a cautionary tale. We estimate that EPAM paid approximately 1.8x revenue and 12x EBITDA for NEORIS. Following the acquisition, NEORIS's revenue declined sharply, driven by lower sales to Cemex, NEORIS's largest customer. In total, we estimate NEORIS's revenue has declined by more than 20% under EPAM's ownership. The magnitude and timing of this decline raise serious questions about EPAM's diligence process and the price paid for this asset.

Step #2: If the Board does not have the confidence to aggressively repurchase shares, initiate a review of strategic alternatives, including a sale of the Company

If the Board lacks the confidence to aggressively repurchase shares at current levels, it should initiate a formal strategic review, overseen by independent directors and supported by a financial advisor, to determine the value that strategic and financial buyers may ascribe to the Company.

The M&A transactions below demonstrate a long history of strategic and private equity interest in businesses similar to EPAM, with recent deals (Nagarro in particular) providing valuation data points in a post-AI world. We believe EPAM's business quality, fundamentals, and AI positioning compare favorably to those of the companies shown below. At 5.4x NTM EBITDA, EPAM's valuation is severely disconnected from its private market value.

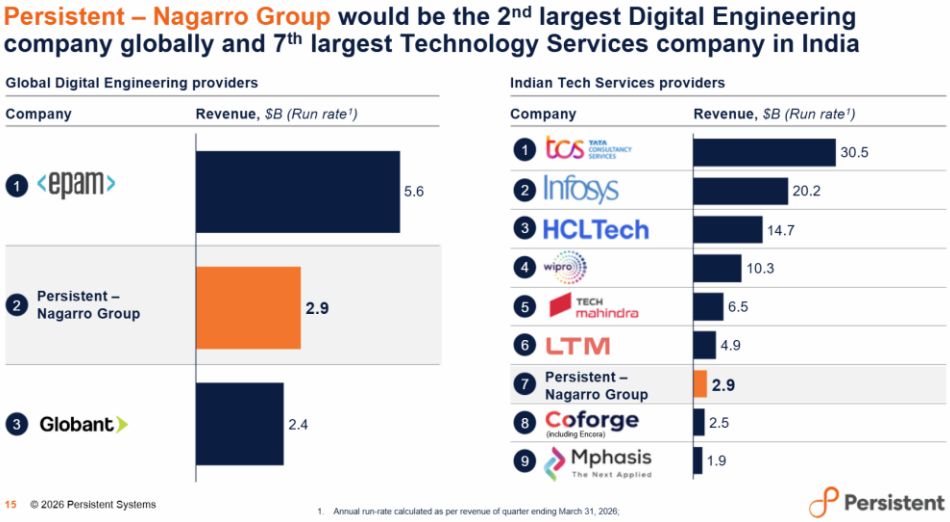
EPAM Precedent M&A Transactions					
Buyer Type	**Announced**	**Target**	**Buyer**	**EV / Sales**	**EV / EBITDA**
Strategic	6/26/26	Nagarro	Persistent Systems	1.2x	8.2x
	12/26/25	Encora	Coforge	3.9x	20.6x
	7/7/25	WNS	Capgemini	2.6x	14.2x
	3/31/21	GlobalLogic	Hitachi	6.8x	29.4x
Private Equity	8/5/24	Thoughtworks	Apax Partners	1.7x	19.2x
	2/27/24	Perficient	EQT	3.3x	15.7x
	1/19/22	Inetum	Bain Capital	1.0x	11.9x
	8/30/21	Hexaware	Carlyle	3.6x	20.2x
	4/26/21	Mphasis	Blackstone	3.0x	17.9x
M&A Median				**3.0x**	**17.9x**
EPAM				**0.9x**	**5.4x**

Recent transactions demonstrate the willingness of Indian-listed companies to leverage their lower cost of capital and higher trading multiples to add scale and capabilities through accretive M&A. The industrial logic for such consolidation is compelling. EPAM would represent a transformational asset for a scaled, offshore-heritage acquirer, providing high-end engineering talent, a blue-chip Western client base, and a nearshore delivery footprint that would meaningfully diversify an India-centric delivery model. The potential revenue and cost synergies, including cross-selling across EPAM's client base, optimizing a combined global delivery pyramid, and rationalizing duplicative overhead, would create substantial value for an acquirer. These strategic benefits should enable a buyer to pay a fair price for EPAM while still generating attractive returns – value that the public markets are ignoring.

The Persistent Systems / Nagarro transaction is particularly instructive because it was announced in June 2026, after the AI-driven multiple contraction across the sector. Nagarro, a German-listed digital engineering firm, is in the process of being acquired by Persistent, an India-based IT services provider. The €81-per-share all-cash offer represents an approximately 140% premium to Nagarro's unaffected share

price and values the company at approximately 8.2x EBITDA, more than 50% above EPAM's current trading multiple.

Although smaller than EPAM, Nagarro is a highly comparable business. Like EPAM, Nagarro provides software engineering talent predominantly on a time-and-materials basis, maintains a significant delivery presence across Europe and India, and generates the majority of its revenue from European and North American clients. Nagarro has also developed proprietary AI tools and frameworks, a capability that Persistent specifically highlighted in its strategic rationale for the acquisition. By comparison, EPAM's approximately $600 million of run-rate AI-native revenue is likely several times the size of Nagarro's AI offering. EPAM also generates approximately 40% more revenue per employee than Nagarro and earns EBITDA margins that are roughly 350 basis points higher, highlighting EPAM's business quality. Persistent's own M&A presentation identifies EPAM as a direct peer to Nagarro and underscores the strategic importance of scale in the sector. Taken together, the transaction provides a recent and highly relevant benchmark for the strategic value that a sophisticated acquirer could ascribe to EPAM.



After presiding over such severe and prolonged underperformance, we believe the Board must objectively evaluate all options to restore shareholder value.

Step #3: Reform the executive compensation scheme to better align management incentives with shareholder interests

We believe EPAM's executive compensation program should be redesigned to create substantially stronger alignment between management and shareholders. This concern is particularly important given the significant absolute level of executive compensation. In 2025, EPAM reported total compensation of approximately $8.1 million for Executive Chair Arkadiy Dobkin, $5.2 million for CEO Balazs Fejes, $4.2 million for CFO Jason Peterson, and $2.3 million to $2.9 million for each of the Company's other named executive officers. In aggregate, EPAM's six named executive officers received approximately $26 million of reported compensation in 2025, while EPAM stock declined ~12% and underperformed the S&P 500 IT Index by roughly 36 percentage points (this index was up ~24% during the same timeframe). We do not object to rewarding executives when they create exceptional value for shareholders. However, these rewards should be based on demanding performance requirements and a clear connection to sustained value creation.

That connection is not sufficiently strong today. Under EPAM's current program, only 50% of annual executive equity awards are performance-based PSUs. Moreover, despite the three-year stated performance period for the PSU program, 75% of the award is determined by a series of one-year financial performance tests. The Compensation Committee establishes new adjusted revenue growth and adjusted EPS goals for each fiscal year during the three-year period, rather than establishing rigorous three-year financial objectives at the outset. Only the 25% relative TSR component is measured against a performance objective spanning the full three-year period. In our view, a long-term incentive program should principally reward the creation of long-term shareholder value, not repeatedly measure achievement against annual operating targets.

We also question whether EPAM's existing performance hurdles are sufficiently demanding. For example, the 2025 Key Executive Performance Stock Program provided Mr. Dobkin with PSUs having a grant-date value of approximately $2.1 million at target and approximately $4.3 million at maximum performance; Mr. Fejes and Mr. Peterson each received PSUs worth approximately $1.0 million at target and $2.1 million at maximum. Awards of this magnitude should require truly exceptional long-term performance. In 2025, the revenue component of the PSU program paid out at 92% of target while the EPS component paid out at the maximum 200% level. EPAM's disclosed 2025 EPS performance scale provided for a 100% payout at $10.86 of adjusted EPS and a 200% payout at just $11.25, only approximately 4% above the target level. We question whether an incentive structure that rewards maximum payouts for very modest short-term outperformance creates appropriate incentives, particularly during a period in which shareholders experienced substantial losses.

The current structure is also problematic because revenue (which is currently used for annual bonuses and for the longer-term incentive program) often does not correlate with shareholder value creation. A company can grow revenue while simultaneously destroying value through an overpriced acquisition (like NEORIS), maintaining an inefficient balance sheet, issuing equity at depressed valuations, or otherwise earning inadequate returns on capital.

We therefore recommend that the Compensation Committee redesign EPAM's long-term incentive program around several principles:

- A significantly greater proportion of compensation should be performance-based rather than time-based;
- Performance targets should be established at the beginning of a three-year measurement period rather than reset annually;
- The program should place substantially greater weight on metrics directly connected to long-term per-share value creation (therefore deemphasizing revenue metrics); and
- Maximum payouts should only be earned for exceptional performance.

These changes would not require EPAM to pay its executives less if they perform exceptionally well. However, a compensation program capable of delivering millions of dollars annually to individual executives should demand commensurate results.

Step #4: Foster a stronger culture of stock ownership

We are concerned that EPAM lacks the culture of ownership we would expect from a leadership team entrusted with allocating billions of dollars of shareholder capital. While management has repeatedly assured investors that EPAM's business is strong and that its shares are undervalued, Company executives and directors have been persistent sellers of stock. **Based on our review of Form 4 filings, we could not**

identify a single open-market purchase of EPAM shares by any named executive or director since the Company went public in 2012. Instead, it appears that Company insiders have sold over $250 million of EPAM stock since the start of 2020, including roughly $15 million since the start of 2025. As an example, Mr. Fejes appears to own ~$5.3 million of EPAM shares, a fraction of the nearly $70 million of stock he has sold since the Company's IPO, and only slightly more than his total compensation in 2025.

After years of share price underperformance, we would expect executives and directors who believe in EPAM's long-term value to demonstrate this conviction by investing their personal capital. The fact that they have done the opposite raises obvious questions. Yes, executives and directors own EPAM shares, but those holdings appear to have been accumulated exclusively through compensation rather than through decisions to invest their own capital in the Company. We believe that distinction matters. Receiving stock as compensation creates some economic alignment, but it is fundamentally different from choosing to invest one's own after-tax capital alongside shareholders. How can shareholders expect the Board to think and act like owners when its members have never chosen to invest their own money alongside shareholders?

The Company should adopt more meaningful stock ownership requirements and encourage directors and senior executives to invest a meaningful portion of their cash compensation in EPAM shares. We believe a stronger ownership mentality amongst senior leadership would naturally incentivize the value-creating actions we are recommending.

Step #5: Refresh the Board and Establish a Capital Allocation Committee

Having presided over catastrophic shareholder returns, an unoptimized balance sheet, poorly executed M&A, and a flawed compensation framework, we believe a substantial Board refresh is overdue. We note that six of the current directors have served on the Board for over 10 years. Long-serving directors can provide valuable institutional knowledge, but excessive tenure can also diminish the fresh perspective and objective oversight that are central to an effective Board, particularly when a company is confronting significant changes in its industry.

We believe the Board should be refreshed with the retirement of certain long-tenured directors and the appointment of new, highly qualified independent directors. New directors should bring relevant expertise in areas such as capital allocation, public company value creation, AI and technology services, and strategic transactions. Importantly, this process should not simply expand the size of the Board; new appointments should be accompanied by legacy director departures to produce a genuinely refreshed, more independent and accountable Board.

As mentioned, the Board should also establish a Capital Allocation Committee to oversee a more disciplined and aggressive return of capital, including evaluating the amount of share repurchases and leverage that could be conservatively supported by the business going forward. Given EPAM's substantial excess cash balance, strong free cash flow generation, and depressed valuation, we believe capital allocation is among the most important responsibilities facing the Board today. Yet the Company's current capital structure suggests that this issue has not received the urgency or rigor it deserves. Establishing a dedicated committee would create clear Board-level accountability for this process and help ensure that capital allocation decisions are driven by rigorous analysis and shareholder returns rather than by an unnecessarily conservative bias toward accumulating cash.

The Value Creation Opportunity Is Significant

The actions we detail above are mutually reinforcing. If the Board is confident in the future prospects of the business, it can initiate a shareholder-friendly capital allocation program, aggressively reduce the number of shares outstanding while the stock is depressed, optimize its balance sheet, and refresh its

membership. This will in turn support multiple expansion, amplifying the value of the share repurchases. If the Board does not have this confidence, it should run a strategic review process and monetize the business in the short term while minimizing execution risk. We believe shareholders would applaud both paths. The value creation potential at EPAM is significant if the Board enacts the changes we have outlined in this letter. We would strongly prefer to work collaboratively with the Board and management to implement them, and we request a meeting with the independent directors at the earliest opportunity. On behalf of Engine, we look forward to working with you to increase long-term shareholder value.

Sincerely,

Arnaud Ajdler

Managing Member

About Engine Capital

Engine Capital LP is a value-oriented special situations fund that invests both actively and passively in companies undergoing change.

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