COVID-19 PANDEMIC AND ITS IMPACT ON EPAM FINANCIAL STANDING

V. D. Yermak

Belarusian State University, Minsk;
vladislav.yermak1@gmail.com;
research adviser – N. P. Tesliuk, Ph.D. (Philology), associate professor

The article under consideration analyzes the financial sustainability of EPAM Systems over the past 10 years and examines a comparative analysis of the impact of the coronavirus infection on the IT company in comparison with the previous years. The research is relevant as the current economic situation during the pandemic is severe not only all over the world but also in the Republic of Belarus. Due to the fact that EPAM Systems is the largest software developer in Belarus, its example can be used to summarize the work of most IT companies in the country. Indicators such as net profit margin, return on assets, equity, sales, and return on current liquidity are calculated. These indicators are used to analyze the financial performance of EPAM Systems. Recommendations are made to optimize the work of this company in the context of the coronavirus pandemic.

Keywords*:* financial condition; Covid-19; EPAM Systems; profitability indicators; optimization.

IT-company EPAM Systems is the largest software developer and one of the leading players in the field of consulting on the territory of the Republic of Belarus. It is engaged in a wide range of activities: from the simplest software development to integration with the world's leading IT services companies.

To conduct a successful analysis of the financial performance of the economic entity EPAM Systems, the following profitability indicators will be calculated and analyzed: return on sales in terms of net profit, return on assets, return on equity and return on costs.

Let's survey the profitability of Net Profit Margin. The formula of Net Profit Margin is Net Income divided by total revenue and multiplied by 100%. This indicator shows us how much of each dollar in revenue translates into net profit. Over the past 10 years, the profitability ranged from 5.0% to 13.3%. This means that in a certain year, a company with one conventional monetary unit made a profit of 5.0% -13.0%. From 2011 to 2017, profitability gradually fell; this is because the volume of income tax payments increased to a greater extent than the company's income, whereby the company's profit growth rate decreased, which led to a corresponding decrease in the profitability indicator [1]. In 2017, the profitability ratio reached its minimum – 5%. Then the volume of payments for income tax amounted to $ 101,545 (58% of the total profit before tax). In the next year, the profitability indicator began to increase. Moreover, we can say that EPAM adapted quickly to new conditions due to the pandemic and they could even earn more money than in the previous year.

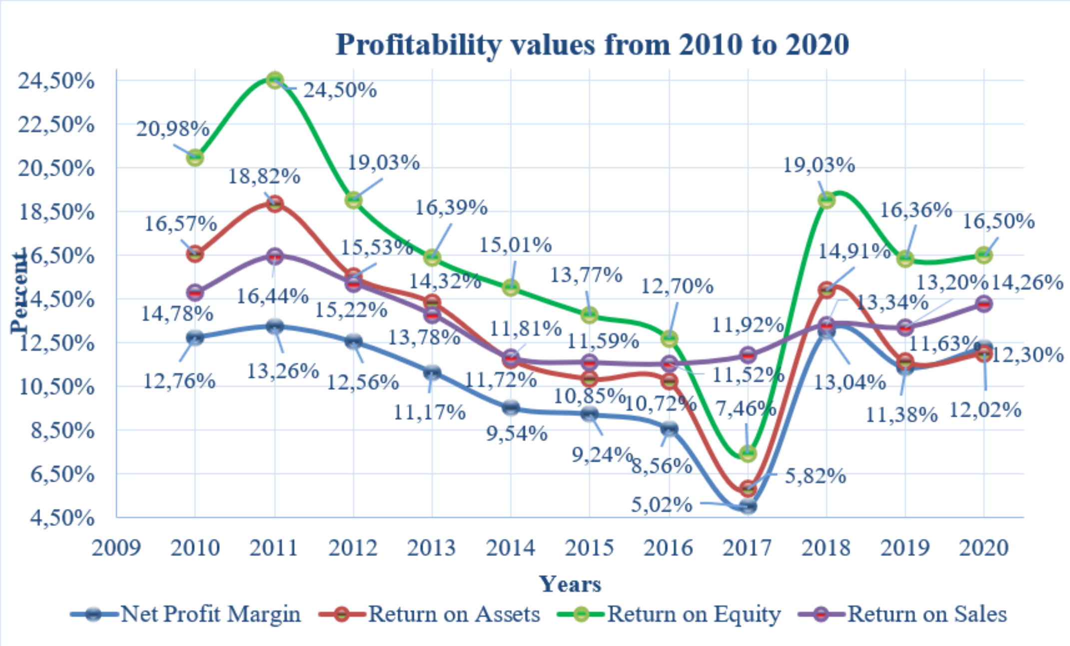

Fig. 1. Profitability indicators from 2010 to 2020 [1].

As for the return on assets, its formula is Net Income divided by Total Assets and multiplied by 100%. This indicator illustrates the profit a company generates from its assets. From 2011 to 2017, the return on assets fell. This is because cash and cash equivalents, which are included in assets, increased with each subsequent year to a greater extent than net profit, thereby reducing the return on assets. In 2017, the value was the smallest – 5.5%, as assets grew and the profit became even lower ($ 72,760, and in the previous year it was $ 99,266), and as a result, the profitability ratio dropped significantly. In 2018 and 2019, the indicator started increasing. The growth in the profitability of assets tells us that the company uses its assets more efficiently than years before. The value in 2020 took a value of 12.02%, which says that each dollar invested in the assets of the organization brought an additional 12.02 pennies of profit. In comparison with the previous year, in 2020 company generated a much higher profit during the pandemic. So, coronavirus did not affect EPAM condition.

Further, the indicator that will be considered is the return on equity. The formula is net income divided by shareholders' equity and multiplied by 100%. It shows us what profit a company generates from shareholders' equity. From 2011 to 2017, the graph has a negative slope, this can be explained by the fact that the company's equity capital increased more than the profit, due to the growth of retained earnings and additional paid-in capital, which led to a corresponding decrease in the profitability indicator [1]. The following year, the return on equity increased from 7.5% to 19%, because the value of profit more than tripled in one year. In addition, the next years the ratio was approximately at the same level even in 2020. It is the main financial indicator for strategic investors. According to the company, it can be concluded that EPAM Systems is an attractive organization for investment during coronavirus pandemic.

The next important indicator that will be analyzed is Return on Sales. The formula for Return on Sales is Earnings before interest and taxes divided by revenue and multiplied by 100%. This indicator shows us how much of each dollar in revenue translates into profit before taxation and interest loss/gain. Compared to the other indicators, the return on sales has the smallest «spread» of its values. It is pretty the same all the years. However, from 2011 to 2016, the values decreased, because profit before tax increased less than the growth of revenue. For example, in 2017 there was no decrease in return on sales in comparison with other indicators. It is because taxes and interest loss/gain were not included in this indicator (taxes were $ 101 545). This profitability ratio characterizes the payback of production costs.

One of the vital indicators for assessing the financial condition of an economic entity is Current Liquidity Ratio – a measure of the organization's solvency, the ability to repay current liabilities. We can calculate it by dividing current assets by current liabilities (see Graph 2).

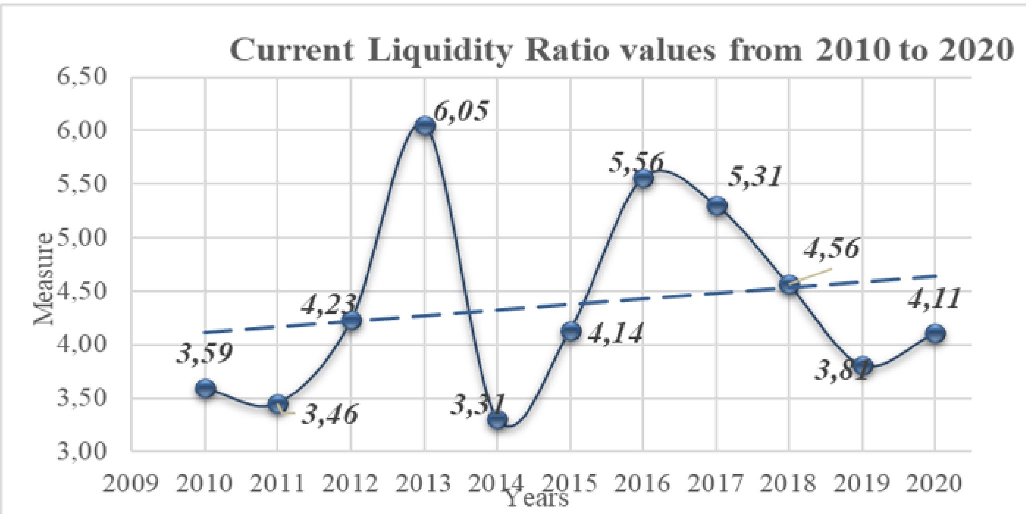

Fig. 2. Current Liquidity Ratio from 2010 to 2020 [1].

Current liquidity profitability ratios vary from 3.3 times to 6.05 times. Starting from 2010 to 2013, the value of the profitability of current liquidity almost doubled. This is because cash and cash equivalents increased from $ 183,563 to $ 330,968. In 2014, there was a rapid drop in the profitability of current liquidity so from 2013 to 2014 short-term liabilities increased from $

54,664 to $ 125,413 with a slight change in current assets. It can be seen that there is a cycle of changes in this indicator: that is, from 2010 to 2014 the first cycle occurred, and from 2014 to 2019 the second cycle occurred in the year. In addition, from 2020 the third cycle begins. This is due to the fact that liabilities were growing faster than assets, that's when the ratio was equal to 3.81. The values of the current liquidity profitability tell us that the company has more than sufficient working capital to cover its current liabilities on time. We can safely say that during pandemic EPAM Systems is still a solvent organization.

For EPAM Systems to function better, we can offer the following ways to optimize operations: optimization of the organizational structure, modernization of production processes, strengthening and optimization of control, as well as strengthening marketing communications. Together, all these measures will help to make an even greater profit for the company. It is a key to greater success.

Bibliographic references

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