

Grid Dynamics Reports Third Quarter 2024 Financial Results
Record Revenues of \$87.4 million and GAAP Net Income of \$4.3 million

San Ramon, Calif. October 31, 2024 – Grid Dynamics Holdings, Inc. (Nasdaq: GDYN) (“Grid Dynamics” or the “Company”), a leader in enterprise-level digital transformation, today announced results for the third quarter ended September 30, 2024.

We are very pleased to report third quarter 2024 revenues of \$87.4 million that was higher than our outlook range of \$84.0 million to \$86.0 million that we provided in August 2024. Our Retail and Technology, Media and Telecom (“TMT”) verticals were the two largest verticals during the third quarter of 2024 with 34.1% and 27.7% of our revenues, respectively. Our Finance vertical, representing 16.2% of our third quarter revenues, grew 12.7% on a sequential basis and 94.0% on a year-over-year basis. Strength in the Financial vertical came from our finance technology and insurance customers. Our CPG and Manufacturing vertical, representing 11.2% of our third quarter revenues, remained flat on a sequential basis.

“The third quarter was another milestone in the Company’s history. We reported record revenues and profitability, scaled partnership influenced revenues, and set a new record with the highest number of billable engineers. Customers, both existing and new, are contributing to our strong results, which is a testament to our technology differentiation and delivery excellence. The strong demand we witnessed in the third quarter was built on steady improvements in the first half of the year.

I am thrilled to welcome JUXT and Mobile Computing to Grid Dynamics. Each company brings in a unique set of capabilities. UK-based JUXT elevates our industry expertise in banking and financial services, and Argentina-based Mobile Computing enhances our engineering capabilities and adds premier clients in Latin America.

Our AI initiatives continue to gain significant traction across our customer base. Our pipeline of AI opportunities has grown to more than 100, representing a 50% increase from last quarter. This growth reflects the increasing enterprise readiness to move beyond experimentation to implementation of AI solutions at scale.

We approach the end of 2024 with strong business momentum and confident of the foundations of the Company as we enter 2025,” said Leonard Livschitz, CEO.

Third Quarter of 2024 Financial Highlights

- Total revenues were \$87.4 million, an increase of 5.3% on a sequential basis and 12.9% on a year-over-year basis.
- GAAP gross profit was \$32.7 million, or 37.4% of revenues, in the third quarter of 2024, compared to \$28.2 million, or 36.4% of revenues, in the third quarter of 2023. Non-GAAP gross profit was \$33.3 million, or 38.0% of revenues, in the third quarter of 2024, compared to \$28.7 million, or 37.0% of revenues, in the third quarter of 2023.
- GAAP net income attributable to common stockholders was \$4.3 million, or \$0.05 per share, based on 78.8 million diluted weighted-average common shares outstanding in the third quarter of 2024, compared to \$0.7 million, or \$0.01 per share, based on 77.3 million diluted weighted-average common shares outstanding in the third quarter of 2023. Non-GAAP net income was \$8.1 million, or \$0.10 per diluted share, based on 78.8 million diluted weighted-average common shares outstanding in the third quarter of 2024, compared to \$5.9 million, or \$0.08 per diluted share, based on 77.3 million diluted weighted-average common shares outstanding in the third quarter of 2023.
- Non-GAAP EBITDA (earnings before interest, taxes, depreciation, amortization, other income and expenses, fair value adjustments, stock-based compensation, transaction and transformation-related costs, restructuring costs as well as geographic reorganization expenses), a non-GAAP metric, was \$14.8 million in the third quarter of 2024 compared to \$10.7 million in the third quarter of 2023.

See “Non-GAAP Financial Measures” and “Reconciliation of Non-GAAP Information” below for a discussion of our non-GAAP measures.

Cash Flow and Other Metrics

- Cash provided by operating activities was \$23.1 million for the nine months ended September 30, 2024, compared to \$33.5 million for the nine months ended September 30, 2023.
- Cash and cash equivalents totaled \$231.3 million as of September 30, 2024, compared to \$257.2 million as of December 31, 2023.
- Total headcount was 4,298 as of September 30, 2024, compared with 3,823 employees as of September 30, 2023.

Financial Outlook

- The Company expects revenue in the fourth quarter of 2024 to be in the range of \$95.0 million to \$97.0 million.
- Non-GAAP EBITDA in the fourth quarter of 2024 is expected to be between \$13.5 million and \$15.5 million.
- For the fourth quarter of 2024, we expect our basic share count to be in the 77.0 - 78.0 million range and diluted share count to be in the 80.0 - 81.0 million range.

Grid Dynamics is not able, at this time, to provide GAAP targets for net income/(loss) for the fourth quarter of 2024 because of the difficulty of estimating certain items excluded from Non-GAAP EBITDA that cannot be reasonably predicted, such as interest income, taxes, other income/(expenses), fair-value adjustments, geographic reorganization expenses, restructuring expenses, transaction-related costs and charges related to stock-based compensation expense. The effect of these excluded items may be significant.

Conference Call and Webcast

Grid Dynamics will host a video conference call at 4:30 p.m. ET on Thursday, October 31, 2024 to discuss its third quarter financial results. Investors and other interested parties can access the call in the following ways: A webcast of the video conference call can be accessed on the Investor Relations section of the Company’s website at <https://ir.griddynamics.com/>.

A replay will also be available after the call at <https://ir.griddynamics.com/> with the passcode \$Q3@2024.

About Grid Dynamics

Grid Dynamics (Nasdaq: GDYN) is a digital-native technology services provider that accelerates growth and bolsters competitive advantage for Fortune 1000 companies. Grid Dynamics provides a range of digital transformation consulting and implementation services that includes artificial intelligence, big data, analytics, search, cloud and DevOps. Grid Dynamics achieves high speed-to-market, quality, and efficiency by using technology accelerators, an agile delivery culture, and its pool of global engineering talent. Founded in 2006, Grid Dynamics is headquartered in Silicon Valley with offices across the globe, including the U.S., Europe, the U.K., India, Mexico, Jamaica and Argentina.

To learn more about Grid Dynamics, please visit www.griddynamics.com. Follow us on [LinkedIn](#).

Non-GAAP Financial Measures

To supplement the financial measures presented in Grid Dynamics press release in accordance with generally accepted accounting principles in the United States (“GAAP”), the Company also presents Non-GAAP measures of financial performance.

A “non-GAAP financial measure” refers to a numerical measure of Grid Dynamics historical or future financial performance or financial position that is included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Grid Dynamics provides certain non-GAAP measures as additional information relating to its operating results as a complement to results provided in accordance with GAAP. The non-GAAP financial information presented herein should be considered in conjunction with, and not as a substitute for or superior to, the financial information presented in accordance with GAAP and should not be considered a measure of liquidity and profitability.

Grid Dynamics has included these non-GAAP financial measures because they are financial measures used by Grid Dynamics’ management to evaluate Grid Dynamics’ core operating performance and trends, to make strategic decisions regarding the allocation of capital and new investments and are among the factors analyzed in making performance-based compensation decisions for key personnel.

Grid Dynamics believes the use of non-GAAP financial measures, as a supplement to GAAP measures, is useful to investors in that they eliminate items that are either not part of core operations or do not require a cash outlay, such as stock-based compensation expense. Grid Dynamics believes these non-GAAP measures provide investors and other users of its financial information consistency and comparability with its past financial performance and facilitate period to period comparisons of operations. Grid Dynamics believes these non-GAAP measures are useful in evaluating its operating performance compared to that of other companies in its industry, as they generally eliminate the effects of certain items that may vary for different companies for reasons unrelated to overall operating performance.

There are significant limitations associated with the use of non-GAAP financial measures. Further, these measures may differ from the non-GAAP information, even where similarly titled, used by other companies and therefore should not be used to compare our performance to that of other companies. Grid Dynamics compensates for these limitations by providing investors and other users of its financial information a reconciliation of non-GAAP measures to the related GAAP financial measures. Grid Dynamics encourages investors and others to review its financial information in its entirety, not to rely on any single financial measure, and to view its non-GAAP measures in conjunction with GAAP financial measures. Please see the reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures attached to this release.

Forward-Looking Statements

This communication contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are not historical facts, and involve risks and uncertainties that could cause actual results of Grid Dynamics to differ materially from those expected and projected. These forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes,” “estimates,” “anticipates,” “expects,” “intends,” “plans,” “may,” “will,” “potential,” “projects,” “predicts,” “continue,” or “should,” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include, without limitation, the quotations of management, the section titled “Financial Outlook,” and statements concerning Grid Dynamics’s expectations with respect to future performance, particularly in light of the macroeconomic environment and the Russian invasion of Ukraine, as well as its GigaCube strategy.

These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Most of these factors are outside Grid Dynamics’s control and are difficult to predict. Factors that may cause such differences include, but are not limited to: (i) Grid Dynamics has a relatively short operating history and operates in a rapidly evolving industry, which makes it difficult to evaluate future prospects and may increase the risk that it will not continue to be successful and may adversely impact our stock price; (ii) Grid Dynamics may be unable to effectively manage its growth or achieve anticipated growth, particularly as it expands into new geographies, which could place significant strain on Grid Dynamics’ management personnel, systems and resources; (iii) Grid Dynamics’ revenues are highly dependent on a limited number of clients and industries that are affected by seasonal trends, and any decrease in demand for outsourced services in these industries may reduce Grid Dynamics’ revenues and adversely affect Grid Dynamics’ business, financial condition and results of operations; (iv) macroeconomic conditions, inflationary pressures, and the geopolitical climate, including the Russian invasion of Ukraine, have and may continue to materially adversely affect our stock price,

business operations, overall financial performance and growth prospects; (v) Grid Dynamics' revenues are highly dependent on clients primarily located in the United States, and any economic downturn in the United States or in other parts of the world, including Europe or disruptions in the credit markets may have a material adverse effect on Grid Dynamics' business, financial condition and results of operations; (vi) Grid Dynamics faces intense and increasing competition; (vii) Grid Dynamics' failure to successfully attract, hire, develop, motivate and retain highly skilled personnel could materially adversely affect Grid Dynamics' business, financial condition and results of operations; (viii) failure to adapt to rapidly changing technologies, methodologies and evolving industry standards may have a material adverse effect on Grid Dynamics' business, financial condition and results of operations; (ix) failure to successfully deliver contracted services or causing disruptions to clients' businesses may have a material adverse effect on Grid Dynamics' reputation, business, financial condition and results of operations; (x) risks and costs related to acquiring and integrating other companies; and (xi) other risks and uncertainties indicated in Grid Dynamics filings with the SEC.

Grid Dynamics cautions that the foregoing list of factors is not exclusive. Grid Dynamics cautions readers not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Grid Dynamics does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Further information about factors that could materially affect Grid Dynamics, including its results of operations and financial condition, is set forth under the "Risk Factors" section of the Company's quarterly report on Form 10-Q filed October 31, 2024 and in other periodic filings Grid Dynamics makes with the SEC.

Contacts

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Schedule 1:
GRID DYNAMICS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME/(LOSS) AND
COMPREHENSIVE INCOME/(LOSS)
Unaudited
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	\$ 87,435	\$ 77,419	\$ 250,289	\$ 234,841
Cost of revenues	54,706	49,267	160,332	149,809
Gross profit	32,729	28,152	89,957	85,032
Operating expenses				
Engineering, research, and development	4,446	3,402	12,945	10,878
Sales and marketing	6,817	6,132	21,395	17,729
General and administrative	19,330	18,475	58,983	60,940
Total operating expenses	30,593	28,009	93,323	89,547
Income/(loss) from operations	2,136	143	(3,366)	(4,515)
Other income/(expense), net	3,466	3,159	8,656	7,849
Income before income taxes	5,602	3,302	5,290	3,334
Provision for income taxes	1,320	2,626	5,773	8,001
Net income/(loss)	\$ 4,282	\$ 676	\$ (483)	\$ (4,667)
Foreign currency translation adjustments	214	(561)	(91)	1,337
Comprehensive income/(loss)	\$ 4,496	\$ 115	\$ (574)	\$ (3,330)
Income/(loss) per share				
Basic	\$ 0.06	\$ 0.01	\$ (0.01)	\$ (0.06)
Diluted	\$ 0.05	\$ 0.01	\$ (0.01)	\$ (0.06)
Weighted average shares outstanding				
Basic	76,697	75,464	76,485	75,026
Diluted	78,837	77,339	76,485	75,026

Schedule 2:
GRID DYNAMICS HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited
(In thousands, except share and per share data)

	As of	
	September 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 231,261	\$ 257,227
Accounts receivable, net of allowance of \$1,791 and \$1,363 as of September 30, 2024 and December 31, 2023, respectively	64,320	49,824
Unbilled receivables	5,737	3,735
Prepaid income taxes	10,292	3,998
Prepaid expenses and other current assets	11,385	9,196
Total current assets	322,995	323,980
Property and equipment, net	13,965	11,358
Operating lease right-of-use assets, net	12,329	10,446
Intangible assets, net	42,451	26,546
Goodwill	73,875	53,868
Deferred tax assets	7,515	6,418
Other noncurrent assets	4,122	2,549
Total assets	\$ 477,252	\$ 435,165
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 3,717	\$ 3,621
Accrued compensation and benefits	22,986	19,263
Accrued income taxes	13,191	8,828
Operating lease liabilities, current	5,179	4,235
Accrued expenses and other current liabilities	9,161	6,276
Total current liabilities	54,234	42,223
Deferred tax liabilities	7,621	3,274
Operating lease liabilities, noncurrent	7,649	6,761
Contingent consideration payable, noncurrent	7,501	—
Total liabilities	\$ 77,005	\$ 52,258
Stockholders' equity		
Common stock, \$0.0001 par value; 110,000,000 shares authorized; 76,742,933 and 75,887,475 issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	\$ 8	\$ 8
Additional paid-in capital	415,425	397,511

Accumulated deficit	(16,369)	(15,886)
Accumulated other comprehensive income	1,183	1,274
Total stockholders' equity	400,247	382,907
Total liabilities and stockholders' equity	\$ 477,252	\$ 435,165

Schedule 3:
GRID DYNAMICS HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Unaudited
(In thousands)

	Nine Months Ended	
	September 30,	
	2024	2023
Cash flows from operating activities		
Net loss	\$ (483)	\$ (4,667)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	9,579	6,255
Operating lease right-of-use assets amortization expense	3,301	2,295
Bad debt expense	1,077	674
Deferred income taxes	(1,516)	(2,451)
Change in fair value of contingent consideration	—	(4,220)
Stock based compensation	25,969	27,677
Other (income)/expenses, net	(890)	98
Changes in assets and liabilities:		
Accounts receivable	(8,649)	3,085
Unbilled receivables	(1,027)	(1,509)
Prepaid income taxes	(5,866)	(5,295)
Prepaid expenses and other current assets	(2,894)	28
Accounts payable	(740)	(471)
Accrued compensation and benefits	3,293	6,554
Operating lease liabilities	(3,352)	(2,119)
Accrued income taxes	4,363	5,638
Accrued expenses and other current liabilities	965	1,965
Net cash provided by operating activities	23,130	33,537
Cash flows from investing activities		
Purchase of property and equipment	(9,126)	(5,593)
Acquisition of business, net of cash acquired	(32,144)	(17,830)
Other investing activities, net	(44)	—
Net cash used in investing activities	(41,314)	(23,423)
Cash flows from financing activities		
Proceeds from exercises of stock options, net of shares withheld for taxes	867	491
Payments of tax obligations resulted from net share settlement of vested stock awards	(8,635)	(14,958)
Net cash used in financing activities	(7,768)	(14,467)
Effect of exchange rate changes on cash and cash equivalents	(14)	1,337
Net decrease in cash and cash equivalents	(25,966)	(3,016)
Cash and cash equivalents, beginning of period	257,227	256,729
Cash and cash equivalents, end of period	\$ 231,261	\$ 253,713
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 8,993	\$ 9,936

Supplemental disclosure of non-cash activities

Acquisition fair value of contingent consideration issued for acquisition of business	\$	7,480	\$	932
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Schedule 4:
GRID DYNAMICS HOLDINGS, INC.
RECONCILIATION OF NON-GAAP INFORMATION
Unaudited
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	\$ 87,435	\$ 77,419	\$ 250,289	\$ 234,841
Cost of revenues	54,706	49,267	160,332	149,809
GAAP gross profit	32,729	28,152	89,957	85,032
Stock-based compensation	525	502	1,517	1,482
Non-GAAP gross profit	\$ 33,254	\$ 28,654	\$ 91,474	\$ 86,514

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
GAAP net income/(loss)	\$ 4,282	\$ 676	\$ (483)	\$ (4,667)
<i>Adjusted for:</i>				
Depreciation and amortization	3,424	2,478	9,579	6,255
Provision for income taxes	1,320	2,626	5,773	8,001
Stock-based compensation	7,139	7,267	25,969	27,677
Transaction and transformation-related costs ⁽¹⁾	1,571	436	2,238	1,519
Geographic reorganization ⁽²⁾	316	306	1,262	1,528
Restructuring costs ⁽³⁾	227	103	1,157	1,086
Other (income)/expense, net ⁽⁴⁾	(3,466)	(3,159)	(8,656)	(7,849)
Non-GAAP EBITDA	\$ 14,813	\$ 10,733	\$ 36,839	\$ 33,550

- (1) Transaction and transformation-related costs include, when applicable, external deal costs, transaction-related professional fees, transaction-related retention bonuses, which are allocated proportionally across cost of revenue, engineering, research and development, sales and marketing and general and administrative expenses as well as other transaction-related costs including integration expenses consisting of outside professional and consulting services.
- (2) Geographic reorganization includes expenses connected with military actions of Russia against Ukraine and the exit plan announced by the Company and includes travel and relocation-related expenses of employees from the aforementioned countries, severance payments, allowances as well as legal and professional fees related to geographic repositioning in various locations. These expenses are incremental to those expenses incurred prior to the crisis, clearly separable from normal operations, and not expected to recur once the crisis has subsided and operations return to normal.
- (3) We implemented a restructuring plan during the first quarter of 2023. Our restructuring costs are comprised of severance charges and respective taxes, and are included in General and administrative expenses in the Company's unaudited condensed consolidated statement of income (loss) and comprehensive income (loss).
- (4) Other (income)/expense, net consists primarily of gains and losses on foreign currency transactions, fair value adjustments, and other miscellaneous non-operating expenses, potential loss contingencies as well as other income consisting primarily of interest on cash held at banks and returns on investments in money-market funds.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
GAAP net income/(loss)	\$ 4,282	\$ 676	\$ (483)	\$ (4,667)
<i>Adjusted for:</i>				
Stock-based compensation	7,139	7,267	25,969	27,677
Transaction and transformation-related costs ⁽¹⁾	1,571	436	2,238	1,519
Geographic reorganization ⁽²⁾	316	306	1,262	1,528
Restructuring costs ⁽³⁾	227	103	1,157	1,086
Other (income)/expense, net ⁽⁴⁾	(3,466)	(3,159)	(8,656)	(7,849)
Tax impact of non-GAAP adjustments ⁽⁵⁾	(1,982)	232	(2,132)	86
Non-GAAP net income	\$ 8,087	\$ 5,861	\$ 19,355	\$ 19,380
Number of shares used in the GAAP diluted EPS	78,837	77,339	76,485	75,026
GAAP diluted EPS	\$ 0.05	\$ 0.01	\$ (0.01)	\$ (0.06)
Number of shares used in the non-GAAP diluted EPS	78,837	77,339	78,301	77,298
Non-GAAP diluted EPS	\$ 0.10	\$ 0.08	\$ 0.25	\$ 0.25

- (1) Transaction and transformation-related costs include, when applicable, external deal costs, transaction-related professional fees, transaction-related retention bonuses, which are allocated proportionally across cost of revenue, engineering, research and development, sales and marketing and general and administrative expenses as well as other transaction-related costs including integration expenses consisting of outside professional and consulting services.
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- (3) We implemented a restructuring plan during the first quarter of 2023. Our restructuring costs are comprised of severance charges and respective taxes, and are included in General and administrative expenses in the Company's unaudited condensed consolidated statement of income (loss) and comprehensive income (loss).
- (4) Other (income)/expense, net consists primarily of gains and losses on foreign currency transactions, fair value adjustments, and other miscellaneous non-operating expenses, potential loss contingencies as well as other income consisting primarily of interest on cash held at banks and returns on investments in money-market funds.
- (5) Reflects the estimated tax impact of the non-GAAP adjustments presented in the table.

Schedule 5:
GRID DYNAMICS HOLDINGS, INC.
REVENUE BY VERTICALS
Unaudited
(In thousands, except percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
(in thousands, except percentages of revenues)								
Retail	\$ 29,825	34.1%	\$ 26,544	34.3%	\$ 81,233	32.5%	\$ 77,972	33.2%
Technology, Media and Telecom	24,188	27.7%	23,732	30.7%	71,449	28.5%	74,639	31.8%
Finance	14,158	16.2%	7,299	9.4 %	36,967	14.8%	20,562	8.8 %
CPG/Manufacturing	9,807	11.2%	9,668	12.5%	29,209	11.7%	33,186	14.1%
Healthcare and Pharma	2,510	2.9 %	3,434	4.4 %	8,677	3.5 %	10,292	4.4 %
Other	6,947	7.9 %	6,742	8.7 %	22,754	9.0 %	18,190	7.7 %
Total	\$ 87,435	100.0 %	\$ 77,419	100.0 %	\$ 250,289	100.0 %	\$ 234,841	100.0 %