

GDYN Q3 2022 Earnings Call

Company Participants

- Leonard Livschitz, Chief Executive Officer and Director
- Anil Kumar Doradla, Chief Financial Officer
- Bin Jiang, Head of Investor Relations

Other Participants

- Joshua Siegler, Analyst
- Ryan Potter, Analyst
- Maggie Nolan, Analyst
- Puneet Jain, Analyst
- Bryan Bergin, Analyst
- Mayank Tandon, Analyst

Bin Jiang, Head of Investor Relations

Good afternoon, and welcome to Grid Dynamics third Quarter 2022 earnings conference call. I'm Bin Jiang, Head of Investor Relations. At this time, all participants are in listen-only mode.

Joining us on the call today are CEO, Leonard Livschitz; and CFO, Anil Doradla. Following their prepared remarks, we will open the call to your questions. Please note, today's conference is being recorded.

Before we begin, I would like to remind everyone that today's discussion will contain forward-looking statements. This includes our business and financial outlook and the answers to some of your questions. Such statements are subject to the risks and uncertainties as described in the company's earnings release and other filings with the SEC. During this call, we will discuss certain non-GAAP measures of our performance. GAAP to non-GAAP financial reconciliations and supplemental financial information are provided in the earnings press release and the 8-K filed with the SEC. You can find all the information I have just described in the Investor Relations section of our website. With that, I'll now turn the call over to Leonard, our CEO.

Leonard Livschitz, Chief Executive Officer

Thank you, Bin. Good afternoon everyone and thank you for joining us today. Q3 2022 was another record revenue quarter of \$81.2M and this marked the ninth consecutive quarter of record revenue in the company's history. We performed exceptionally well across multiple areas. Additionally, our third quarter results exceeded our guidance, with respect to the revenue and profitability. For the first time as a public company, we surpassed our target operating model of 40% gross margin and 20% EBITDA margin on a non-GAAP basis.

The better-than-expected performance was due to a couple of factors. First, during the quarter, we witnessed strong demand across some of our large technology customers as they continued to ramp on both existing and new programs and second, we witnessed strong momentum with recent logo wins. Notably, we entered the fourth quarter and 2023 with a very robust pipeline for new client business.

Customers are ever more seeking to partner with us for their strategic digital transformation initiatives. Grid Dynamics is increasingly viewed as a company that can provide scalable high quality engineering. I am confident of our strengths and believe the company is well positioned to grow successfully.

Let's talk about locations. In Poland, our second largest delivery country, our profile and status has been elevated as a technology leader in the Polish business community. We are now fully functional across the four largest cities in Poland: Warsaw, Krakow, Gdańsk and Wrocław. Grid Dynamics internships expand across all these locations. In

addition, Poland's great support of Ukraine has also resulted in our offices hosting a substantial number of Ukrainian employees. During the quarter, I am happy to highlight that Grid Dynamics leadership team was invited by the US Ambassador to Poland to lead the round table business discussion with US corporations, Polish academia, and other institutions during a visit to Warsaw. This is a true testament of the company's strength, and we expect such recognitions to help us in recruiting high-quality talent and attracting new global customers who are operating in Poland and other European countries.

In India, we completed the incorporation and are now directly hiring on our payroll. We have augmented our leadership with across HR, delivery, and operations and partnered with one of the leading universities for internships. In a couple of weeks, we are opening our offices in one of the premium locations in Hyderabad's Knowledge Park and expect our presence in this location to help us in attracting and recruiting high-quality talent. We also ramped up hiring of engineering talents in several countries such as Mexico, Serbia, Armenia, Romania, and others. In each of these countries, we offer a unique advantage for our global growth. During the quarter we expanded our relationships with universities and hired our first group of interns in Armenia and Romania. While we are expanding offices in Serbia, we are also opening two new engineering centers in two cities in Romania.

As you all know, over the past couple of quarters, we executed flawlessly in transitioning a significant proportion of the workforce while continuing to deliver projects in a timely manner. I am happy to report that we continue to operate across all our geographies without any disruptions. Furthermore, with our distributed delivery model, projects are spread across different multiple geographic regions thereby lowering the geographic delivery risk.

Our company has always been at the forefront of emerging technologies. Within the IT services industry, we were one of the first companies to embrace Cloud engineering, Big Data, Machine Learning, as well as other innovative product offerings for large enterprise customers. We continue to maintain our technology leadership and always keep R&D at the center of our service offerings. Our Chief Technical Officer with his team spearhead a number of strategic initiatives, to support growing customer digital transformation demand. Regarding the personnel, we have hired Subject Matter Experts (SMEs) to build expertise in select verticals such as Manufacturing, Supply Chain, Life Sciences, and Financial Services as well as Insurance. Regarding capabilities, we have made a substantial progress in building custom IP solutions targeting specific industry verticals. This includes accelerators and engineering implementation frameworks such leveraging distributed agile, cloud & devops, as well as automation. Such initiatives clearly demonstrate the reduction of implementation risks and customers' costs.

In the quarter there were several positive trends and I want to share with you a few of the notable ones:

Demand trends: In the third quarter, we witnessed enhanced budget scrutiny across customer bases, with some retail clients being more sensitive. We expect the trend to persist in Q4. Meanwhile, the majority of our clients continued to invest in revenue generating programs, which tend to be more insulated from macro headwinds. In addition, Q3 revenue also benefited from our new logo business development, and based on current trends in Q4, we expect to see continued strength from new logos.

Coming to some additional third quarter segment commentary: Our Technology segment was the largest during the quarter. Similar to Q2, some of our largest Technology customers continued to ramp aggressively and supported our growth as we expanded into new geographies. Our finance segment grew healthy as we benefited from new programs tied to wealth management applications.

Logo Momentum: In the third quarter, we added several new logos across industries which included a Fortune 500 climate control equipment manufacturer, a top specialty retailer and a large online consumer platform. I am happy to report that, in September, we signed new contracts and started engagements with two Fortune 30 companies – one is a global automotive manufacturer and the other one is a leading membership-only discount chain. We received revenues from these two customers starting October.

European Business Expansion: During the quarter we made a good progress with our European clients. Cybersecurity is one of our strategic focus areas. We expanded business with a number of cybersecurity software companies. In addition, we witnessed a strong ramp with a global footwear company. We also continued to scale our business with a large UK-based home improvement chain. And finally, we secured new business with a major Nordic truck manufacturer.

New Business Pipeline: We enter the fourth quarter and 2023 with a robust pipeline of new logos and strong demand across our non-retail verticals. On the new logo front, we are witnessing strong momentum and expect adding more logos in Q4 than we've done in Q3 this year. At some of our new large customers, we also witnessed faster revenue ramp as they are willing to scale business more rapidly. We also are expanding our business within existing programs, and we expect to contribute meaningfully in 2023.

Partnership: Partnerships are increasingly playing an important role in our ability to attract new clients. In the Q3, two of our new-logo wins came through our Partnership channel. We also made progress at our large Cloud partners. With Microsoft Azure, we were conferred Gold status. At AWS, we were recognized as the launch partner for their EKS delivery program which focuses on application modernization across enterprises. At Google Cloud Program (GCP), we have one of the largest number of specializations among all IT service providers. In addition to hyper scale Cloud partners, we strengthened our alliances with SaaS and product companies in digital commerce, data, and advanced analytics.

M&A: M&A continues to be an important component of our growth strategy. As a reminder, our M&A focuses on capabilities, key customers, and delivery locations. In early September, we successfully concluded raising primary capital. One of the key reasons for this raise was M&A. Our current pipeline is robust and we are actively exploring multiple acquisition opportunities to expand our capabilities complemented with our geographic expansion strategy. During the quarter, Grid Dynamics delivered some notable projects.

For a global technology company, we proposed, designed, and implemented Snowflake integration to run Business Intelligence reports on petabytes of data. As a result, end-users were provided with enhanced reporting capabilities to drive the company's business and operational decisions. This solution met all the required Data Service Level Agreements for large-scale data management and resolved previously observed challenges in maintenance, capacity, and scalability.

For a global technology leader in the cloud space, Grid Dynamics was a key partner in the development of one of the core B2B products dedicated to AI-driven product discovery capabilities. Grid Dynamics' contribution included end-to-end quality engineering of the product and end-customer onboarding tool suite. The product gives end users a tailored product discovery experience and dramatically increases conversion through better search and recommendations relevancy.

At a leading financial services firm, we helped the client modernize their primary customer portal. Our solution provides greater flexibility and speeds up integration processes with each business unit. The modernized portal provides end users with a more streamlined experience and highlights financial products and services relevant to their needs.

For one of the largest manufacturing services companies, we developed an intelligent cloud-based module for their supply chain management system. This module aggregates information about excessive stock, matches it against the contractual terms, and allows to generate claims. It is currently in production and has helped our client in collecting additional revenues.

With that, let me turn the call over to Anil, who will discuss Q3 results in more detail.
Anil?

Anil Doradla, Chief Financial Officer

Thanks, Leonard. Good afternoon everyone.

Our third quarter revenue of \$81.2 million exceeded our guidance range of \$78.5 million to \$80.0 million and was up 4.9% on a sequential basis and 40.1% on a year-over-year basis. During the quarter our revenue was negatively impacted by the weaker Euro and British Pound against the US dollar. On a constant currency basis, our revenue growth on a sequential and year-over-year basis was 5.8% and 43.1% respectively. The better-than-expected revenue in the quarter was driven by strong demand from our large technology customers and revenue contribution from recent logo wins.

TMT, our largest vertical represented 32.4% of our third quarter revenues and grew 12.6% on a sequential basis and 49.7% on a year over year basis. We witnessed strength across our customer base with some of our largest Technology customers where we grew business across existing new programs.

During the third quarter, retail, our second largest vertical represented 31.1% of our revenues, decreased (0.8)% on a sequential basis and grew 38.3% on an year over year basis. The sequential decline was largely driven by some customers who were more cautious in spending with the ongoing macro-concerns. We expect these concerns to persist in Q4 at some of these customers.

Here are the details of the revenue mix of other verticals. Our CPG & Manufacturing represented 19.8% of our revenue in the third quarter and decreased (0.2)% on a sequential basis and grew 43.3% on a year-over-year basis. The slight decline on a sequential basis came from the decline at some customers and this was offset by growth at our largest CPG customer. Finance represented 7.5% of revenue, increased 20.3% on a sequential basis and grew 16.3% on year over year basis. On a sequential basis, we witnessed growth across most of our customers tied to financial services, Banking, and Insurance. And finally, the other segment represented 9.2% of our third quarter revenue and was up 1.1% on a sequential basis.

We exited the third quarter with a total headcount of 3,746 down from 3,763 employees in the second quarter of 2022 and up from 2,884 in the third quarter of 2021. The headcount reduction was driven by a couple of factors. First, at a companywide level, we streamlined our engineering bench. Second, in the quarter our pace of hiring moderated to align with the demand. That said, our average billable headcount increased on a sequential basis in the third quarter over the second quarter and this partially contributed to the increase in revenue.

At the end of the third quarter of 2022, our total US headcount was 322, or 9% of the company's total headcount and remained on the same level compared to the second quarter of 2022 (9%) and down from 11% in the year ago quarter. The year over year decline as a percentage of the total headcount was largely driven by greater mix of non-US headcount. Our non-US headcount (which we sometimes refer to as "offshore"), located in the Central and Eastern Europe, UK, the Netherlands and Mexico and "other" locations was 3,424, or 91% of our total headcount.

In the third quarter, Revenues from our top 5 and top 10 customers were 44.5% and 61.1%, respectively. In the second quarter, our Top 5 and Top 10 customer concentration was 44.2% and 60.2% respectively and during the same period a year ago, our Top 5 and Top 10 customer concentration was 42.0% and 58.2%, respectively. During the third quarter, we had a total of 200 customers, down from 208 customers in the second quarter and 215 customers in the year ago quarter. The sequential decline in our customers was largely driven by our commercial business, or Daxx, which we acquired in Dec 2020. As a reminder, we only count the revenue-generating customers in the quarter and do not include customers who were inactive during the quarter

Moving to the income statement, Our GAAP Gross Profit during the quarter was \$32.7 million or 40.3% up from \$28.9 million or 37.3% in the second quarter of 2022 and up from \$25.3 million or 43.6% in the year ago quarter.

On a non-GAAP basis, our Gross Profit was \$33.0 million or 40.7%, up from \$29.1 million or 37.7% in the second quarter of 2022, and up from \$25.4 million or 43.9% in the year ago quarter. The sequential increase in gross margin as % of revenue was driven a combination of third quarter seasonality with more working days and favorable FX trends with a stronger dollar.

Non-GAAP EBITDA during the third quarter that excluded stock-based compensation, depreciation and amortization, expenses related to geographic reorganization, transaction and other related costs was \$17.1 million or 21.1% of revenue up from \$13.3 million or 17.2% in the second quarter of 2022 and up from \$12.5 million or 21.6% in the year ago quarter. The sequential increase in EBITDA, both in terms of dollars and % of revenue was due to a combination of higher levels of revenue, flattish operating expenses, and favorable FX trends.

Our GAAP net loss in the third quarter totaled a \$(6.7) million or a \$(0.10), based on a share count of 69 million shares, compared to the second quarter loss of \$(13.2) million, or \$(0.20) per share based on 67 million shares and a loss of \$(0.5) million or \$(0.01) per share based on 63 million shares in the year ago quarter. The sequential and year-over-year increase in GAAP net loss was largely due to higher levels of stock based compensation and geographic reorganization costs offset by higher levels of revenue.

On a non-GAAP basis, in the third quarter our non-GAAP-NI was \$11.0 million, or \$0.15 per share based on 72 million diluted shares compared to the second quarter of 2022 non-GAAP NI of \$8.2 million, or \$0.12 per diluted share based on 70 million diluted shares and \$7.9 million or \$0.11 per diluted share based on 69 million diluted shares in the year ago quarter. The key reasons for the increase in the non-GAAP NI on a sequential basis were higher levels of revenue and flattish operating expenses. The increase in the non-GAAP NI in comparison to the year ago quarter was largely from of higher levels of revenue partially offset by higher level of operating expenses.

On September 30, 2022, our Cash and cash equivalents totaled \$255.2 million, up from \$150 million in the second quarter of 2022 and up from \$144.4 million in the fourth quarter of 2021. During the quarter we conducted a primarily share offering and raised \$115 million of which \$109.5 million was received by the company.

Coming to the fourth quarter guidance, we expect revenues to be in the range of \$77 to \$78 million. With this, our full year 2022 revenue expectations will be in the range of \$307M to \$308M, or 45% to 46% growth on a year-over-year basis.

We expect our Non-GAAP EBITDA in the fourth quarter to be in the range of 16.4% to 17%, or \$12.6 million to \$13.2 million.

For Q4 2022, we expect our basic share count to be in the 74-75 million range and our diluted share count to be in the 77-78 million range.

That concludes my prepared comments. Bin, we are ready to take questions.

Questions and Answers

Bin Jiang, Head of Investor Relations

Thank you, Anil. (Operator Instructions) Our first question comes from the line of Josh Siegler from Cantor Fitzgerald. Your line is open.

Joshua Siegler, Analyst

Yes. Hi, thanks for taking my question and congratulations on the results today. So with concerns over global growth slowed down, can you provide some updated color on the robust demand environment? Specifically, your ability to continue to win new logos in this uncertain macro environment. What commentary you're hearing from new clients that are driving them to your services? Thank you.

Leonard Livschitz, Chief Executive Officer

I think Josh, it's always good to be first, and you can ask any questions. So the feedbacks we're getting is actually what I mentioned in my remarks that the dynamics of the growth in multiple industries continues to expand, geared toward the revenue generation. As we know, we all kind of heading to pursue recession and inflation or one and other stuff, so it's more about the situation where winners takes at all. So the competition for dollar become more fierce and we see that the digital services we offer, and at both engineering, the customer service as well as a partnership with private companies become more vital for those securing those revenue dollars from the clients.

Joshua Siegler, Analyst

Excellent. Thank you for the color. And Anil, I want to dive a little deeper into the strong margin we saw this quarter and the guidance for 4Q. Especially, considering your recent focus on building out into new geographies. Can you walk us through some of the margin tailwinds that you expect as we move into the fourth quarter?

Anil Doradla, Chief Financial Officer

Sure. Well, I think you meant third quarter, right. When we go into the fourth quarter, really when you look at it, we -- there some puts and takes, you're right. On the pluses, we continue to expect some tailwinds from the FX side, right? Now on the other side, if you look at the size of the quarter, fourth quarter as you know, we tend to see furloughs, we tend to be having fewer billable hours. So you're going to be a little bit seeing some of the headwinds there. So when you look at the revenue, Josh. And actually extrapolated from Q3 to Q4, you can see we're going to continue on maintaining some level of OpEx control. And the drop in revenue is basically kind of flows through onto the EBITDA front, you can see that. But larger, the reason for there, is a number of workdays and you're going to be seeing some level of conservativeness in terms of some of the other customers.

Leonard Livschitz, Chief Executive Officer

I just wanted to add Josh that the Q3 result, by and large, when I was giving the guidance to the public. When we were heading IPO more than 2.5 years ago. The 40-20 is our bogey and very few companies can accomplish that. It wasn't a stretch goal then, but we were hitting a lot of obstacles over time. The world normalizes, that's where we want to be, and that's where we will be. When time comes to the little bit more stable growth, I think we just given the inspiration to the community to show where we actually able to deliver.

Joshua Siegler, Analyst

Okay, thank you very much.

Leonard Livschitz, Chief Executive Officer

Thank you, Josh.

Bin Jiang, Head of Investor Relations

Thanks for your question. Next question comes from the line of Ryan Potter from Citi. Please go ahead.

Ryan Potter, Analyst

Hey, guys and thanks for taking my question. I wanted to start by touching on the situation in Ukraine and with the recent escalations there and with infrastructure and stability and some plant blackouts, have you seen any incremental headwinds in terms of productivity or utilization of Ukraine and has that impacted your client conversations at all?

Leonard Livschitz, Chief Executive Officer

Right. So, the short answer is no. But it would be too simple to answer, Ryan. Months and months ahead, we were preparing for what is called in Eastern Europe the heating season, right. There is lot of centralized activities. We of

course, did not know about the hyenas attacks of Russians twice during October, but we knew when this whole situation with the infrastructure been a little bit more stressed during the war, we need to be prepared in advance, which we have been. Knock on wood, our people are safe, we adding more micro offices throughout the country. We actually planned to add up to 9 of them by the end of November, which are providing even further autonomous control over the power generators, water supply, food supply, internet connectivity with our StarLink and other services too. We have a relatively smaller size of people, it's still the largest location by number, but if you look into how we drive our business, the dependency of enterprise businesses in parallel has been greatly reduced from the Ukrainian operation. There are some of the business acquired from Daxx, little bit more driven by smaller companies, start-up companies, so commercial as what we call. But by and large, we are blessed to be better prepared, you never know what's going to happen in the future. Today, we are confident to say, we are in good shape.

Ryan Potter, Analyst

Got it. That's good to hear. And then touching on verticals and the retail and TMT vertical in particular. Could you provide an overview of like the overall trends you're seeing and for retail in particular is the softness you're seeing kind of industry verticals theme or is it more kind of client-specific than TMT have like the focus on costs or hiring freezes has led to any change trajectory with your clients?

Leonard Livschitz, Chief Executive Officer

We're not immune, retail is retail. As we learned lot of lesson during the early COVID days with such a incredible decline of our relationship for short period of time with some department stores. We took it very seriously, majority of our retail customers are not as much dependent on brick and mortar stores. So they're a little bit less affected, they are more efficient and there is a blending to go into the recession mode. Plus, don't forget, we're close to the holiday season.

At the same time, the usual suspects are putting restrictions, same suspects we were there two years ago. So there is a sequential decline driven by cost savings. We expect it's gonna last some period of time. But we are compensating them with scaling other businesses. And another very important point on retail. The customer work we do, again is majority driven by features related to the younger generation. So I wouldn't pump the chest and say where the most critical supplier we have, but in many cases the core team still remains intact, which means gives you more expectations when the industry comes back, we will rebound faster in those particular retail customers.

Ryan Potter, Analyst

Got it. Thanks again.

Bin Jiang, Head of Investor Relations

Thank you, Ryan. Next question comes from Maggie Nolan from William Blair. Please go ahead.

Maggie Nolan, Analyst

Hi, thank you. Maybe to follow-up on that last topic a little bit. Can you talk about how your retail client base compares to what it may be looked like a couple of years ago in terms of any notable differences in the type of clients that you're working with now or the type of projects that you're working on?

Leonard Livschitz, Chief Executive Officer

Yes. So you know us quite well by now and we've been in constant communication. So the critical path client relationship on the retail comes from the pricing logistics, supply chain management, some key data analytics factors, areas of efficiencies on rebalancing supply, price optimization, et cetera, et cetera. So those are key areas of our relations.

When it comes to general distribution declines, we are actually reducing overall revenue from it, depends on the retail. We brought a number of clients, both in the US and in Europe. And these clients tended to be more modernized in terms of their relationship, minimizing the impact, for example, of very painful layoffs, right. So during the COVID time, they had to shut down the stores. So the massive number of people had to be let go, employees of the retailers. We don't do again, distribution is different, focus of the product is different. Other thing which you've noticed, again it's some subtlety, but I think it's notable, that we have a fewer US based employees. There is a good and bad with that. But with retailers in particular, we started with a lower cost bases. And it comes from nearshore such as Mexico and Jamaica, but it's also offshore and we're adding Indian contingent to that. So we are not only prepared from the client base, double product base, but from the cost efficiency and we really to the retailer clients.

Maggie Nolan, Analyst

That's really helpful, Leonard. Thanks. And then my follow-up question is just can you elaborate a little bit on what you did to streamline the engineering bench, as Anil referred to and then are these efforts is going to continue into the coming quarters?

Leonard Livschitz, Chief Executive Officer

Yes. Some of the bench related to the transition from Q2 to Q3, when we exited Russia, was kind of catch-up of some of those tails. So that was one area. The other area is that, we tend to look at again our bench with the skill sets which we project to be less relevant for the recession time to be more efficient. But at the same time, we have incredible investment into internship programs. So everywhere across all the countries, obviously including Ukraine and others. We signed university partnership in India already and in Mexico and correspondingly in Romania and Armenia. The other investment which we do quite a bit, we believe it's a perfect storm for us to continue to invest into the R&D, into the sales and development, Subject Matter Expertise, there is much more upfront preparation for all innovation proposals. So one thing which I mentioned in the remarks, but I think it's very important to reiterate, in answering the first question was, as our clients come to the time where winners take it all, I think on our peer group, it's also relevant for our business. So having stronger more efficient front end organization with more customer consultancy capability, architecture capability, just adding like life science and pharma just keep coming. It's a great intro, as we had one big customer, now we have two customers is growing quite – acceleration. That's a factor. So when you look at the total headcount, that's one thing.

The other one, which is not noticeable here, but it's also relevant. There were some commercial clients from the former Daxx, we shed some head counts. We had to replace or reduce, because they were less relevant. There are several customers, which we decided not to continue relationship mutually, because we were virtually renaissance of the old pre-acquisition time, which made no sense for both parties. So if you look at the billable and relevant bench, it actually has grown. But if you look at overall, you see a modest decline.

Maggie Nolan, Analyst

That's really helpful. Thank you and congrats.

Leonard Livschitz, Chief Executive Officer

Thank you so much.

Bin Jiang, Head of Investor Relations

Thank you, Maggie. Next question comes from Puneet Jain from JPMorgan. Your line is open.

Puneet Jain, Analyst

Thanks for taking my question. So Leonard, like the work, the projects that typically gets delayed like in retail vertical or other verticals given the macro environment. What's your line of sight, maybe based on the past

experience, when stuff got delayed, what's your line of sight on when clients come back with those projects? Typically, like how much like of a lag or a duration should we consider in terms of like the work that gets delayed?

Leonard Livschitz, Chief Executive Officer

We will be somewhat savvy with it. So there are some few notable declines which may be long term, not as material. Most of them happens more temporary. So we get ourselves into conversation with the senior leadership, because obviously we want to make sure not only our plan is continued, but their project will be continued, because we can't guarantee to keep the bench just to wait for the miracle has returned, right? So as I mentioned earlier, we -- most of the time negotiate the core team. And they understand from the past recessions and declines, it's very critical to maintain continuity and that's what we provide. But then in some cases, we find alternative projects.

There are some more critical area and our customers like to retain the work force. If you look at it from the big picture perspective, we're still a fairly small company. One of the very key clients said you guys are good and we will be good across all your geographies, one of the big contentious area to discuss and many of them is India. Because your two sigma will be shifted to the right. In other words, the standard deviation or the value of people will remain to be much more technically sophisticated regardless of the locations. So that gives us little bit of leverage with the clients and of course, there are many more colored points, we'll be able to provide by the end of Q4, because there are some discussions to undertake it.

When we are entering this difficult for the industry period, a bit more confident. By the way, yesterday, I was privileged to be in a small conference by your distinguished leader, Jamie Dimon and a small group of people. He was saying that, regardless all the world challenges, United States is probably the more shielded one, because we all debt to ourselves, we spend money which we built into our savings account more than ever and with other people need to cover the debt with the dollars they need to earn, we cover the debt with dollars we have. It's very much resonates with my thinking about how we approach our business.

Puneet Jain, Analyst

And then second, for your tech vertical, it was great to see like the vertical being so strong despite all of those news flow around hiring fees, layoffs at some of the large tech companies. How should we think about like the defensiveness of the work you do for your technology clients? Is it like the nature of work that you do, that's driving growth or that's relevant for clients? Or is it like just type of projects like that's changing within that vertical, maybe you're doing more cost saving projects for them instead of maybe digital transformation in the past. Like what's driving strong growth in tech and how defensive that can prove to be?

Leonard Livschitz, Chief Executive Officer

Well. I don't want to anger my big customers that I'm going to go into a lot of details. They probably going to read the transcripts as well. So I'm not going to say my guys are the best in the world. That's kind of cheap comment. We have very high capability of the team. The most important part, I know there are some of the other earnings calls in the past few days and I kind of read most of them. I don't see the tendency to cost savings from the big tech guys. Of course, the cost saving is there. But it's all about mainstream operational capabilities. So when I talk about one of the largest customer, there is lot of articles were at headsets and handsets are produced in hard work and what's the supply chain logistics, we've been way upfront of those kind of elements. Also we are very humbled, we are been elevated to very senior level people, sometime it's scary when you get to the front of those very large decision maker of multibillion dollar project. But they took it seriously, because again we are technically attributing to very strategic elements and those elements are grown. So I would not say we're on a defensive development for the cost savings. I think we are again driving the key elements, which necessitate areas which today relates to the manufacturing, supply chain, logistics, there are e-commerce, there are optimization areas and that's just what we do. So digital is still there, which we can talk forever what elements are involved. But I believe, very bullish that all challenges to our core value remains to be unwavered.

Puneet Jain, Analyst

Thank you.

Leonard Livschitz, Chief Executive Officer

Thank you, Puneet.

Bin Jiang, Head of Investor Relations

Next question comes from the line from Bryan Bergin from Cowen. Please go ahead.

Bryan Bergin, Analyst

Hi guys, good afternoon and thank you. So you had good strong momentum here in the new logos that you're citing there. I'm curious, are the priorities of these new clients, the programs that you're engaged with them. Is it any different with these new engagements relative to your existing base, as it relates to efficiency programs versus those typical growth in revenue generation initiatives?

Leonard Livschitz, Chief Executive Officer

Yes, Bryan. The disadvantage to be later in the queue, right? I tried to answer this question already several times. But I know where it's coming from, in my respective, I think the efficiency portion likes beyond that revenue generation. Just the ways how revenue is being generated for some of those notable clients are very different. I would not divulge into the specifics, because it's very sensitive to their specific strategies. But I have to assure you what they are asking us to do is revolutionary different from how they generate the business before. You don't get call from a very senior leadership to provide services or something linear, because they have plenty of suppliers of doing this. So it's really truly aligned what we've done in some other businesses as well.

Bryan Bergin, Analyst

Okay. And then just talk about current visibility in the business that you have. Is it any different right now versus a typical year -- at this stage of the year, any early indications as you think beyond 4Q, any guideposts?

Leonard Livschitz, Chief Executive Officer

Yes. I have been prepared for that. You already asked this question in one earlier conference today, right? So I could ask Anil to repeat the question, we see the growth of the return to profitability and to the increased revenue starting second half of next year will be a pleasure. So I ask him not to say that to you. But we see similar trends, in terms of the Q4, you've noticed, we came out with a very modest decline from Q3 into Q4, sequentially.

It's a bit unusual for us and the reason we've done it, because even there is a little bit of a variance of visibility, as we have December with a few furloughs. Again, we're still a smaller company and the big company variance in around holiday season may make an impact. So I'm not implying that our numbers are way too conservative, they are somewhat conservative. But I believe that it would be some fight the battlefield for the ground with many customers will remain in Q1. Again, now you're talking about not guidance, but Leonard Livschitz. But I do believe my company goals for 2023 are quite aggressive. Before I was surprising all of you guys, because I know you mentioned was 45% to 46% year-over-year. In my better years, I would have never dare to say that, because anything over 20% year-over-year, are you nuts? Well, we are, and I have it very strongly. And that's why I was like crazy into the sales, marketing, SMEs, technology innovation. Thank God, we have money for both innovations and for M&A as we coming soon. But the short-term tactics, we have prepared for the very, very tight competitive work for the Q1 as well. It doesn't limit my optimism, but it makes our ground work much more useful.

Bryan Bergin, Analyst

Okay, makes sense. Thank you, guys.

Leonard Livschitz, Chief Executive Officer

Thanks, Bryan.

Bin Jiang, Head of Investor Relations

Next question comes from Mayank Tandon from Needham. Your line is open, go ahead please.

Mayank Tandon

Hi, Leonard, hi, Anil. I wanted to just maybe drill into utilization. Where was it in the current quarter? What is the trend line you're expecting? Given maybe some of the moderation and demand? And then, I guess what I'm really getting at is, when do we see hiring ramp back up in terms of when you see demand start to improve, how much sooner do you have to start ramping up recruiting to be able to meet that demand? So there be a couple of questions sort of all lumped in around utilization and recruiting plans.

Leonard Livschitz, Chief Executive Officer

Let me answer the easy part. And I will have Anil to struggle with the numbers, right. So the recruiting ramp has not been slowing down, it's just been modified in terms of the regional strategy. There are areas where we continue to push very hard for the growth. One of the notable example is India. You know the contractually people are required to stay for several months, before they can change the job. So those offers are been made, so those places, we definitely continue to push for expedite rollout.

Poland is another good example, obviously. Because we believe that, stronger early part of next year, we'll see that kind of the churn and then we need to run very quickly. And I don't want to run unintelligently, we need to prep people with very high technical level of training.

So we see a little bit of this gap, because we are not only hiring internships, but we are planning for the bench. Now, as we become bigger, they needed to become more intelligent, because my aspiration is going to a significant increase of the revenue of the company. So we need to play a little bit of a long passes, long throws so to catch in a - the zone of your competitors.

So we need to run as we prepare the new capabilities. So the bottom line, we have not slowed down on the strategic hiring. We're not slowing down on the training of the people. You just see the same re-adjustment of the workforce. So as you see, and of course, another thing is, we're much more competitive in scaling of hiring, so we can hire on (inaudible) and various locations. Before we'll be adding new countries. Again, I want to save some sensations in three months, otherwise too boring. But we planned that way ahead of the time in various locations as well. The floor is yours.

Anil Doradla, Chief Financial Officer

So Mayank, when it comes to utilization this quarter, it trended up relative to last quarter. In my prepared comments, I did talk about billable head count going up and we talked about the bench and all of that. So a lot of moving part, net-net our utilization went up.

Mayank Tandon

Got it. And then maybe just turning to the supply side. Given that again, there seems to be some moderation in demand that does tend to ease some of the supply pressures. So could you just talk about where attrition is today, your expectations around that? And do you think wage inflation might also start to maybe ease a little bit, which should help profitability in the face of maybe slightly slowing demand?

Leonard Livschitz, Chief Executive Officer

Again, it's interesting. If you look at the cyclical behavior usually in Q3 and starting in Q4, demand is not slowing, demand is continuing to be strong. On some of the existing business, there is some softness, right. So there is kind of a relocation of assets, right. And that's been a more difficult task than just flat line, right? So we're doing well. In terms of the supply attrition, it's probably one of the lowest level, the voluntary attrition, as we experience. Again in certain regions, there are conflict region, we are helping people tremendously. There is no reason for people to run.

In other regions that people anticipate some of the softness. In some other places, we're a little bit newbies with a very well newly hired very advanced leadership team. So people are kind of walking into us to see if we're going to be any different from the other employers. So do you have any color on numbers? So overall, we feel very comfortable at this point, knock on wood.

Anil Doradla, Chief Financial Officer

So from a number point of view, we're not going to quote it. But directionally voluntary went down. Last couple of quarters, obviously, we had some involuntary component as we moved out of some places. But as Leonard pointed it out, it was a nice drop from a voluntary point of view in this quarter.

Mayank Tandon

Great, thank you so much for taking my questions.

Leonard Livschitz, Chief Executive Officer

Thank you.

Bin Jiang, Head of Investor Relations

Thank you, Mayank. At this point we have no more questions in the queue. That will be all the Q&A session for today. I will now pass the call back to Leonard for the closing comments.

Leonard Livschitz, Chief Executive Officer

Thank you everybody for joining us on the call today. Our solid results and performance highlight our company's strong value to customers and incredible resilience. Our track record of successfully delivering large and complex projects and our reputation as a high-end engineering provider is driving our growth. I am confident that in the course of 2023, we will continue to see strong momentum as the company continues to expand our relationships global enterprise customers. I look forward to giving you a business update early next year.

Thank you