

Grid Dynamics Reports First Quarter 2022 Financial Results
Record Revenue of \$71.4 million, up 7.3% sequentially and 82.5% year-over-year

San Ramon Calif. – May 5, 2022 – Grid Dynamics Holdings, Inc. (Nasdaq: GDYN) (“Grid Dynamics”), a leader in enterprise-level digital transformation, today announced results for the first quarter ended March 31, 2022.

We are very pleased to report another record quarter of revenue in the company’s history. Our revenue of \$71.4 million in the first quarter of 2022 was up 7.3% on a sequential basis and 82.5% on a year-over-year basis and this marked the fifth consecutive quarter of record revenues in the company’s history. During the first quarter we witnessed growth across most of our verticals and customers. Based on current demand trends, we enter into the second quarter of 2022 with confidence as our customers increasingly engage us as a preferred partner for digital transformation initiatives.

Our non-retail industry verticals represented 67.4% of revenue in the first quarter and grew 7.7% on a sequential basis and 58.8% on a year-over-year basis. Totalling 30.0% of our first quarter revenue, the Technology, Media and Telecom (“TMT”) vertical grew 9.6% on a sequential basis and 48.8% on a year-over-year basis. During the quarter some of our largest customers continued to grow with us as we expanded into new geographies. Our Retail vertical, at 32.6% of our first quarter revenue, grew 6.6% on a sequential basis and 163.4% on a year-over-year basis. Within this vertical, we witnessed growth across our e-commerce retailers and department store customers. Our CPG and Industrial vertical, representing 21.0% of our first quarter revenue, grew 9.9% on a sequential basis and 71.7% on a year-over-year basis.

During the first quarter, we had a total of 213 customers including 195 coming from our organic business and 18 from Tacit and were up by 29 compared to 184 customers in the first quarter of 2021. In the quarter we added 6 new enterprise customers, 4 of which came from the TMT vertical.

“Our first quarter results and second quarter guidance shows Grid Dynamics is a company which is capable to demonstrate its excellence under difficult conditions. More importantly, this is a testament of our capabilities which clients continue to appreciate. Over the past couple of months, we have made tremendous progress across multiple facets of our business. This includes business expansion with existing and new clients and exciting strategic partnerships with major industry players. We managed to relocate a significant number of employees and their families while expanding our global presence in multiple geographies. Meanwhile we executed seamlessly to ensure continuity of services at all our clients. Everyone is appreciative of our efforts and we have received overwhelming support from all clients, partners, and investors,” said Leonard Livschitz, CEO.

First Quarter of 2022 Financial Highlights

- Total revenue was \$71.4 million, an 82.5% year-over-year increase.
- GAAP gross profit was \$26.8 million or 37.5% of revenue in the first quarter of 2022 compared to GAAP gross profit of \$15.3 million or 39.2% of revenue in the first quarter of 2021. Non-GAAP gross profit was \$27.0 million or 37.8% of revenue in the first quarter of 2022 compared to Non-GAAP gross profit of \$15.4 million or 39.5% of revenue in the first quarter of 2021.
- GAAP Net loss attributable to common stockholders was \$(2.7) million, or \$(0.04) per share, based on 66.9 million weighted-average common shares outstanding in the first quarter of 2022 compared to GAAP Net loss of \$(2.1) million, or \$(0.04) per share, based on 51.6 million weighted-average common shares outstanding in the first quarter of 2021. Non-GAAP Net income was \$6.9 million, or \$0.10 per diluted share, based on 70.2 million weighted-average common shares outstanding in the first quarter of 2022 compared to Non-GAAP Net income of \$3.1 million, or \$0.05 per diluted share, based on 60.2 million weighted-average common shares outstanding in the first quarter of 2021.
- Non-GAAP EBITDA (earnings before interest, taxes, depreciation, amortization, other income, fair value adjustments, stock-based compensation, transaction and transformation-related costs, and Russia - Ukraine expenses), a non-GAAP metric, was \$11.4 million in the first quarter of 2022 compared to Non-GAAP EBITDA of \$5.3 million in the first quarter of 2021.

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 \$9.5 million for the three months ended March 31, 2022, compared to cash provided by operating activities of \$3.0 million for the three months ended March 31, 2021.
- Cash and cash equivalents totaled \$153.3 million as of March 31, 2022, compared to \$144.4 million as of December 31, 2021.
- Total headcount was 3,671 as of March 31, 2022, compared with 2,056 employees as of March 31, 2021.

Financial Outlook

- The Company expects revenue in the second quarter of 2022 to be between \$72.0 million and \$73.5 million.
- Non-GAAP EBITDA in the second quarter of 2022 is expected to be between \$9.5 million and \$11.0 million.
- For the second quarter of 2022, we expect our basic share count to be in the 67-68 million range and diluted share count to be in the 70-71 million range.

Grid Dynamics is not able, at this time, to provide GAAP targets for net income for the second quarter of 2022 because of the difficulty of estimating certain items excluded from Non-GAAP EBITDA that cannot be reasonably predicted, such as interest, taxes, other income, fair-value adjustments, Russia-Ukraine expenses, 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, May 5, 2022 to discuss its first 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/>.

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 digital transformation consulting and implementation services in omnichannel customer experience, big data analytics, search, artificial intelligence, cloud migration, and application modernization. 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 US, UK, the Netherlands, Mexico, Switzerland, Central and Eastern Europe. To learn more about Grid Dynamics, please visit www.griddynamics.com.

To learn more about Grid Dynamics, please visit www.griddynamics.com. Follow us on [Facebook](#), [Twitter](#), and [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 COVID-19 pandemic and the Russian invasion of Ukraine.

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) the impact of the COVID-19 pandemic and the Russian invasion of Ukraine has and may continue to materially adversely affect our stock price, business operations, and overall financial performance; (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 annual report on Form 10-K filed March 3, 2022 and in other periodic filings Grid Dynamics makes with the SEC.

Contacts

**Grid Dynamics Investor Relations:
investorrelations@griddynamics.com**

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

	Three Months Ended	
	March 31,	
	2022	2021
Revenue	\$ 71,410	\$ 39,134
Cost of revenue	44,631	23,797
Gross profit	26,779	15,337
Operating expenses		
Engineering, research, and development	3,096	1,783
Sales and marketing	4,215	3,032
General and administrative	19,265	12,300
Total operating expenses	26,576	17,115
Income/(loss) from operations	203	(1,778)
Other expenses	(700)	(1,050)
Loss before income taxes	(497)	(2,828)
Provision/(benefit) for income taxes	2,170	(766)
Net loss	\$ (2,667)	\$ (2,062)
Foreign currency translation adjustments, net of tax	(283)	49
Comprehensive loss	\$ (2,950)	\$ (2,013)
Loss per share		
Basic	\$ (0.04)	\$ (0.04)
Diluted	\$ (0.04)	\$ (0.04)
Weighted average shares outstanding		
Basic	66,919	51,629
Diluted	66,919	51,629

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

	As of	
	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 153,308	\$ 144,364
Accounts receivable, net of allowance of \$360 and \$315 as of March 31, 2022 and December 31, 2021, respectively	41,366	38,838
Unbilled receivables	5,341	4,475
Prepaid income taxes	783	584
Prepaid expenses and other current assets	5,771	4,503
Total current assets	<u>206,569</u>	<u>192,764</u>
Property and equipment, net	6,854	6,169
Operating lease right-of-use assets, net	5,280	—
Intangible assets, net	18,476	19,097
Deferred tax assets	2,665	2,731
Goodwill	35,958	35,958
Total assets	<u>\$ 275,802</u>	<u>\$ 256,719</u>
Liabilities and equity		
Current liabilities		
Accounts payable	\$ 2,212	\$ 2,053
Accrued liabilities	1,019	1,150
Accrued compensation and benefits	15,946	10,562
Accrued income taxes	3,878	1,980
Operating lease liabilities, current	2,047	—
Other current liabilities	7,589	9,599
Total current liabilities	<u>32,691</u>	<u>25,344</u>
Deferred tax liabilities	4,171	4,324
Long-term debt, net	4,806	—
Operating lease liabilities, noncurrent	2,882	—
Total liabilities	<u>44,550</u>	<u>29,668</u>
Stockholders' equity		
Common stock, \$0.0001 par value; 110,000,000 shares authorized; 67,056,826 and 66,850,941 issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	7	7
Additional paid-in capital	219,228	212,077
Retained earnings	12,426	15,093
Accumulated other comprehensive loss	(409)	(126)
Total stockholders' equity	<u>231,252</u>	<u>227,051</u>
Total liabilities and stockholders' equity	<u>\$ 275,802</u>	<u>\$ 256,719</u>

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

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (2,667)	\$ (2,062)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,589	946
Operating lease right-of-use assets amortization expense	636	—
Bad debt	45	(107)
Deferred income taxes	(87)	(1,192)
Stock based compensation	8,661	5,671
Change in fair value of warrants	—	859
Changes in assets and liabilities:		
Accounts receivable	(2,573)	(2,951)
Unbilled receivables	(866)	(430)
Prepaid income taxes	(199)	83
Prepaid expenses and other assets	(1,268)	(1,553)
Accounts payable	159	1,576
Accrued liabilities	(131)	268
Accrued compensation and benefits	5,384	2,021
Operating lease liabilities	(987)	—
Accrued income taxes	1,898	(70)
Other current liabilities	(77)	(15)
Net cash provided by operating activities	9,517	3,044
Cash flows from investing activities		
Purchase of property and equipment	(1,653)	(851)
Net cash used in investing activities	(1,653)	(851)
Cash flows from financing activities		
Proceeds from exercises of stock options, net of shares withheld for taxes	292	162
Payments of tax obligations resulted from net share settlement of vested stock awards	(1,802)	(15,297)
Payment of contingent consideration related to previously acquired business	(1,933)	—
Proceeds from debt	5,000	—
Debt issuance costs	(194)	—
Net cash provided by/(used in) financing activities	1,363	(15,135)
Effect of exchange rate changes on cash and cash equivalents	(283)	49
Net increase/(decrease) in cash and cash equivalents	8,944	(12,893)
Cash and cash equivalents, beginning of period	144,364	112,745
Cash and cash equivalents, end of period	\$ 153,308	\$ 99,852
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 643	\$ 834

Schedule 4:
GRID DYNAMICS HOLDINGS, INC.
RECONCILIATION OF NON-GAAP INFORMATION
Unaudited
(In thousands, except per share data)

	Three Months Ended March 31,	
	2022	2021
Revenue	\$ 71,410	\$ 39,134
Cost of revenue	44,631	23,797
GAAP gross profit	26,779	15,337
Stock-based compensation	249	111
Non-GAAP Gross profit	\$ 27,028	\$ 15,448

	Three Months Ended March 31,	
	2022	2021
GAAP net loss	\$ (2,667)	\$ (2,062)
<i>Adjusted for:</i>		
Depreciation and amortization	1,589	946
Provision/(benefit) for income taxes	2,170	(766)
Stock-based compensation	8,661	5,671
Transaction and transformation-related costs ⁽¹⁾	—	424
Russia - Ukraine expenses ⁽²⁾	922	—
Other expenses ⁽³⁾	700	1,050
Non-GAAP EBITDA	\$ 11,375	\$ 5,263

- (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) Russia - Ukraine expenses are direct expenses connected with military actions of Russia against Ukraine and exit plan announced by the Company and include travel and relocation-related expenses of employees from mentioned countries. Does not include other indirect expenses incurred due to the circumstances of the conflict.
- (3) Other expenses consist primarily of losses and gains on foreign currency transactions, fair value adjustments, and other miscellaneous non-operating expenses and other income consists primarily of interest on cash held at banks.

**Three Months Ended
March 31,**

	2022	2021
GAAP net loss	\$ (2,667)	\$ (2,062)
<i>Adjusted for:</i>		
Stock-based compensation	8,661	5,671
Transaction and transformation-related costs ⁽¹⁾	—	424
Russia - Ukraine expenses ⁽²⁾	922	—
Other expenses, net ⁽³⁾	700	1,050
Tax impact of non-GAAP adjustments ⁽⁴⁾	(668)	(2,018)
Non-GAAP Net Income	\$ 6,948	\$ 3,065
Number of shares used in the Non-GAAP Diluted EPS	70,176	60,191
Non-GAAP Diluted EPS	\$ 0.10	\$ 0.05

- (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) Russia - Ukraine expenses are direct expenses connected with military actions of Russia against Ukraine and exit plan announced by the Company and include travel and relocation-related expenses of employees from mentioned countries. Does not include other indirect expenses incurred due to the circumstances of the conflict.
- (3) Other expenses consist primarily of losses and gains on foreign currency transactions, fair value adjustments, and other miscellaneous non-operating expenses and other income consists primarily of interest on cash held at banks.
- (4) 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)

	Three Months Ended March 31,			
	2022	% of revenue	2021	% of revenue
Retail	\$ 23,307	32.6 %	\$ 8,850	22.6 %
Technology, Media and Telecom	21,444	30.0 %	14,411	36.8 %
CPG/Manufacturing	14,979	21.0 %	8,725	22.3 %
Finance	4,527	6.3 %	3,438	8.8 %
Other	7,153	10.1 %	3,710	9.5 %
Total	\$ 71,410	100.0 %	\$ 39,134	100.0 %