

REFINITIV

DELTA REPORT

10-Q

GDYN - GRID DYNAMICS HOLDINGS, I

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1236

■ CHANGES	160
■ DELETIONS	505
■ ADDITIONS	571

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-38685

Grid Dynamics Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

83-0632724

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

5000 Executive Parkway, Suite 520
San Ramon, **CA 94583**

(Address of principal executive offices)

(650) 523-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	GDYN	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of **October 31, 2023** **April 29, 2024**, there were **75,589,953** **76,521,182** shares of registrant's common stock issued and outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would," or similar expressions and the negatives of those terms. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the evolution of the digital engineering and information technology services landscape facing our customers and prospects;
- our ability to educate the market regarding the advantages of our digital transformation products;
- our ability to maintain an adequate rate of revenue growth;
- our future financial and operating results;
- our business plan and our ability to effectively manage our growth and associated investments, including our GigaCube growth strategy;
- beliefs and objectives for future operations;
- our ability to expand a leadership position in enterprise-level digital transformation;
- our ability to attract and retain customers;
- our ability to further penetrate our existing customer base;
- our ability to maintain our competitive technological advantages against new entrants in our industry;
- our ability to timely and effectively scale and adapt our existing technology;

- our ability to innovate new products and services and bring them to market in a timely manner;
- our ability to maintain, protect, and enhance our brand and intellectual property;
- our ability to capitalize on changing market conditions;
- our ability to develop strategic partnerships;
- benefits associated with the use of our services;
- our ability to expand internationally;
- our ability to raise financing in the future;
- operating expenses, including changes in research and development, sales and marketing, and general administrative expenses;
- the effects of seasonal trends on our results of operations;
- our ability to grow and manage growth profitably and retain our key employees;
- the expected benefits and effects of strategic acquisitions of business, products or technologies;
- our ability to maintain the listing of our shares of common stock on the NASDAQ;
- costs related to being a public company;
- changes in applicable laws or regulations;
- the military action launched by Russian forces in Ukraine, the actions that have been and could be taken by other countries, including new and stricter sanctions and actions taken in response to such sanctions, and the effect of these developments on our business and results of operations;
- the possibility that we have been and may continue to be adversely affected by macroeconomic conditions, inflationary pressures, reduced corporate spending, the geopolitical climate and other economic, business, and/or competitive factors, including the effects of the global COVID-19 pandemic; factors; and
- other risks and uncertainties indicated in this Quarterly Report on Form 10-Q, including those set forth in Item 1A, "Risk Factors."

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We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors, including those described in in Item 1A, "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Moreover, new risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on any forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in such forward-looking statements.

Neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Moreover, the forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, restructurings, joint ventures, partnerships, or investments we may make.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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REFINITIV 

GRID DYNAMICS HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

		As of	
		September 30, 2023	December 31, 2022
	As of		
	March 31, 2024		
Assets	Assets		
Current assets	Current assets		
Current assets			
Current assets			
Cash and cash equivalents	Cash and cash equivalents	\$ 253,713	\$ 256,729
Accounts receivable, net of allowance of \$1,063 and \$443 as of September 30, 2023 and December 31, 2022, respectively		46,576	48,358
Cash and cash equivalents			
Cash and cash equivalents			
Accounts receivable, net of allowance of \$1,389 and \$1,363 as of March 31, 2024 and December 31, 2023, respectively			
Unbilled receivables	Unbilled receivables	7,762	5,591
Prepaid income taxes	Prepaid income taxes	9,728	4,294
Prepaid expenses and other current assets	Prepaid expenses and other current assets	8,274	8,154
Total current assets	Total current assets	326,053	323,126
Property and equipment, net	Property and equipment, net	10,443	8,215
Operating lease right-of-use assets, net	Operating lease right-of-use assets, net	10,470	7,694
Intangible assets, net	Intangible assets, net	27,587	20,375
Goodwill	Goodwill	54,633	45,514
Deferred tax assets	Deferred tax assets	4,880	4,998
Other noncurrent assets	Other noncurrent assets	1,684	1,224
Total assets	Total assets	\$ 435,750	\$ 411,146

Liabilities and equity	Liabilities and equity
Liabilities and equity	
Current liabilities	
Current liabilities	Current liabilities
Current liabilities	
Accounts payable	Accounts payable
Accounts payable	Accounts payable
Accounts payable	Accounts payable
Accrued compensation and benefits	Accrued compensation and benefits
Accrued compensation and benefits	20,557 13,065
Accrued income taxes	Accrued income taxes
Accrued income taxes	16,737 10,718
Operating lease liabilities, current	Operating lease liabilities, current
Operating lease liabilities, current	4,205 2,505
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities
Accrued expenses and other current liabilities	7,250 8,525
Total current liabilities	Total current liabilities
Total current liabilities	52,470 38,710
Deferred tax liabilities	Deferred tax liabilities
Deferred tax liabilities	3,422 3,756
Operating lease liabilities, noncurrent	Operating lease liabilities, noncurrent
Operating lease liabilities, noncurrent	6,934 5,636
Total liabilities	Total liabilities
Commitments and contingencies (Note 14)	Commitments and contingencies (Note 14)
Commitments and contingencies (Note 14)	
Commitments and contingencies (Note 14)	
Stockholders' equity	Stockholders' equity
Common stock, \$0.0001 par value; 110,000,000 shares authorized; 75,588,741 and 74,156,458 issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	7 7
Common stock, \$0.0001 par value; 110,000,000 shares authorized; 76,521,182 and 75,887,475 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	

Common stock, \$0.0001 par value;
 110,000,000 shares authorized;
 76,521,182 and 75,887,475
 issued and outstanding as of
 March 31, 2024 and December
 31, 2023, respectively

Common stock, \$0.0001 par value;
 110,000,000 shares authorized;
 76,521,182 and 75,887,475
 issued and outstanding as of
 March 31, 2024 and December
 31, 2023, respectively

Additional paid-in capital		Additional paid-in capital	
Accumulated deficit	Accumulated deficit	391,216	378,006
Accumulated other comprehensive income/(loss)	Accumulated other comprehensive income/(loss)	(18,788)	(14,121)
Total stockholders' equity	Total stockholders' equity	372,924	363,044
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 435,750	\$ 411,146

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GRID DYNAMICS HOLDINGS, INC.
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF **INCOME/(LOSS) LOSS** AND
COMPREHENSIVE INCOME/(LOSS) LOSS
 (In thousands, except per share data)

	Three Months Ended				2024	Three Months Ended				
	Ended		Nine Months Ended			March 31,		March 31,		
	September 30,	September 30,	2023	2022		2023	2022	2023	2022	
Three Months Ended										
March 31,										
2024										
Revenues	Revenues	\$77,419	\$81,161	\$234,841	\$229,906					
Cost of revenue	Cost of revenue	49,267	48,491	149,809	141,596					
Gross profit	Gross profit	28,152	32,670	85,032	88,310					
Operating expenses	Operating expenses									
Operating expenses	Operating expenses									
Engineering, research, and development	Engineering, research, and development									
Engineering, research, and development	Engineering, research, and development									
Engineering, research, and development	Engineering, research, and development	3,402	4,139	10,878	11,075					

Sales and marketing	Sales and marketing	6,132	5,084	17,729	14,431
General and administrative	General and administrative	18,475	28,197	60,940	78,200
Total operating expenses	Total operating expenses	28,009	37,420	89,547	103,706
Income/(loss) from operations	143	(4,750)	(4,515)	(15,396)	
Other income/(expenses), net		3,159	1,450	7,849	124
Income/(loss) before income taxes	3,302	(3,300)	3,334	(15,272)	
Loss from operations					
Loss from operations					
Loss from operations					
Other income/(expense), net					
Loss before income taxes					
Provision for income taxes	Provision for income taxes	2,626	3,359	8,001	7,240
Net income/(loss)	\$ 676	\$ (6,659)	\$ (4,667)	\$ (22,512)	
Net loss					
Foreign currency translation adjustments, net of tax	Foreign currency translation adjustments, net of tax	(561)	(872)	1,337	(1,937)
Comprehensive income/(loss)	\$ 115	\$ (7,531)	\$ (3,330)	\$ (24,449)	
Foreign currency translation adjustments, net of tax					
Foreign currency translation adjustments, net of tax					
Comprehensive loss					
Income/(loss) per share					
Loss per share					
Loss per share					
Loss per share					
Basic	Basic	\$ 0.01	\$ (0.10)	\$ (0.06)	\$ (0.33)
Basic	Diluted	\$ 0.01	\$ (0.10)	\$ (0.06)	\$ (0.33)
Weighted average shares outstanding	Weighted average shares outstanding				
Basic	Basic	75,464	68,623	75,026	67,566
Diluted	Diluted	77,339	68,623	75,026	67,566

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GRID DYNAMICS HOLDINGS, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock	Additional paid-in capital	Retained earnings/(accumulated deficit)	Accumulated other comprehensive income/(loss)		Total stockholders' equity
				Common Stock	Additional paid-in capital	
Balance at December 31, 2022	74,156	\$ 7	\$ 378,006	(14,121)	\$ (848)	\$ 363,044
Common Stock						
Shares						
Balance at December 31, 2023						
Balance at December 31, 2023						
Balance at December 31, 2023						
Net loss	Net loss	—	—	—	(7,970)	—
Stock-based compensation	Stock-based compensation	—	—	13,257	—	—
Exercise of stock options	Exercise of stock options	1	—	10	—	—
Issuance of shares and payments of tax obligations resulted from net share settlement of vested stock awards	Issuance of shares and payments of tax obligations resulted from net share settlement of vested stock awards	739	—	(8,951)	—	—
Foreign currency translation adjustment, net of tax	Foreign currency translation adjustment, net of tax	—	—	—	495	495
Balance at March 31, 2023	74,896	\$ 7	\$ 382,322	\$ (22,091)	\$ (353)	\$ 359,885
Net income	—	—	—	2,627	—	2,627
Stock-based compensation	—	—	7,153	—	—	7,153
Exercise of stock options, net of shares withheld	—	13	—	(66)	—	—
Issuance of shares and payments of tax obligations resulted from net share settlement of vested stock awards	—	425	—	(4,440)	—	—
Foreign currency translation adjustment, net of tax	—	—	—	—	1,403	1,403
Balance at June 30, 2023	75,334	\$ 7	\$ 384,969	\$ (19,464)	\$ 1,050	\$ 366,562
Net income	—	—	—	676	—	676
Stock-based compensation	—	—	7,267	—	—	7,267
Exercise of stock options, net of shares withheld	—	97	—	547	—	547

Issuance of shares and payments of tax obligations resulted from net share settlement of vested stock awards	158	—	(1,567)	—	—	(1,567)
Foreign currency translation adjustment, net of tax	—	—	—	—	(561)	(561)
Balance at September 30, 2023	75,589	\$ 7	\$ 391,216	\$ (18,788)	\$ 489	\$ 372,924

Balance at

March 31, 2024

		Accumulated				
		Common Stock	Additional	Retained	other	Total
		Shares	Amount	paid-in capital	earnings/(accumulated deficit)	comprehensive income/(loss)
Balance at December 31, 2021	66,851	\$ 7	\$ 212,077	\$ 15,093	\$ (126)	\$ 227,051
Common Stock						
Shares						
Balance at December 31, 2022						
Balance at December 31, 2022						
Balance at December 31, 2022						
Net loss	Net loss	—	—	—	(2,667)	—
Stock-based compensation	Stock-based compensation	—	—	8,661	—	—
Exercise of stock options	Exercise of stock options	72	—	292	—	—
Issuance of shares and payments of tax obligations resulted from net share settlement of vested stock awards	Issuance of shares and payments of tax obligations resulted from net share settlement of vested stock awards	134	—	(1,802)	—	—
Foreign currency translation adjustment, net of tax	Foreign currency translation adjustment, net of tax	—	—	—	(283)	(283)
Balance at March 31, 2022	67,057	\$ 7	\$ 219,228	\$ 12,426	\$ (409)	\$ 231,252
Net loss	—	—	—	(13,186)	—	(13,186)
Stock-based compensation	—	—	16,387	—	—	16,387
Exercise of stock options	160	—	538	—	—	538
Issuance of shares and payments of tax obligations resulted from net share settlement of vested stock awards	77	—	(1,284)	—	—	(1,284)
Foreign currency translation adjustment, net of tax	—	—	—	—	(782)	(782)
Balance at June 30, 2022	67,294	\$ 7	\$ 234,869	\$ (760)	\$ (1,191)	\$ 232,925

Net loss	—	—	—	(6,659)	—	(6,659)
Stock-based compensation	—	—	17,551	—	—	17,551
Exercise of stock options	47	—	314	—	—	314
Issuance of common stock in 2022 Offering, net of transaction costs of \$253	6,571	—	109,284	—	—	109,284
Issuance of shares and payments of tax obligations resulted from net share settlement of vested stock awards	87	—	(1,705)	—	—	(1,705)
Foreign currency translation adjustment, net of tax	—	—	—	—	(872)	(872)
Balance at September 30, 2022	73,999	\$ 7	\$ 360,313	\$ (7,419)	\$ (2,063)	\$ 350,838
Balance at March 31, 2023						

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

GRID DYNAMICS HOLDINGS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Nine months ended September 30,		Three Months Ended March 31,		Three Months Ended March 31,	
			2023	2022		
	2024	2024			2023	
Cash flows from operating activities	Cash flows from operating activities					
Net loss	Net loss	\$ (4,667)	\$ (22,512)			
Net loss						
Net loss						
Adjustments to reconcile net loss to reconcile net loss to net cash provided cash provided by operating activities:	Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation and amortization	Depreciation and amortization					
Depreciation and amortization	Depreciation and amortization	6,255	4,907			
Operating lease right-of-use assets amortization expense	Operating lease right-of-use assets amortization expense	2,295	2,218			
Bad debt expense	Bad debt expense	674	113			
Deferred income taxes	Deferred income taxes	(2,451)	(1,032)			

Change in fair value of contingent consideration issued for acquisition of business	(4,220)	—
Stock-based compensation	Stock-based compensation	27,677 42,599
Other expenses	98	36
Other (income)/expenses, net		
Changes in assets and liabilities:	Changes in assets and liabilities:	
Accounts receivable		
Accounts receivable		
Accounts receivable	Accounts receivable	3,085 (11,228)
Unbilled receivables	Unbilled receivables	(1,509) (40)
Prepaid income taxes	Prepaid income taxes	(5,295) (1,553)
Prepaid expenses and other current assets	Prepaid expenses and other current assets	28 (3,067)
Accounts payable	Accounts payable	(471) 2,425
Accrued compensation and benefits	Accrued compensation and benefits	6,554 2,971
Operating lease liabilities	Operating lease liabilities	(2,119) (2,268)
Accrued income taxes	Accrued income taxes	5,638 5,821
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	1,965 249
Net cash provided by operating activities	Net cash provided by operating activities	33,537 19,639
Cash flows from investing activities	Cash flows from investing activities	
Purchase of property and equipment	Purchase of property and equipment	(5,593) (4,381)
Purchase of investment	—	(1,000)
Acquisition of business, net of cash acquired	(17,830)	—
Purchase of property and equipment		
Purchase of property and equipment		
Other investing activities, net		
Net cash used in investing activities	Net cash used in investing activities	(23,423) (5,381)
Cash flows from financing activities	Cash flows from financing activities	

Proceeds from exercises of stock options, net of shares withheld for taxes	491	1,144
Proceeds from exercises of stock options		
Proceeds from exercises of stock options		
Proceeds from exercises of stock options		
Payments of tax obligations resulted from net share settlement of vested stock awards	(14,958)	(4,791)
Payment of contingent consideration related to previously acquired businesses	—	(6,933)
Proceeds from debt	—	5,000
Repayment of debt	—	(5,000)
Debt issuance cost	—	(201)
Proceeds from issuance of Common Stock from 2022 Offerings	—	109,537
Equity issuance cost	—	(253)
Net cash (used in)/provided by financing activities	(14,467)	98,503
Net cash used in financing activities		
Effect of exchange rate changes on cash and cash equivalents	1,337	(1,937)
Net increase/(decrease) in cash and cash equivalents	(3,016)	110,824
Cash and cash equivalents, beginning of period	256,729	144,364
Cash and cash equivalents, end of period	\$253,713	\$255,188
Supplemental disclosure of cash flow information:		
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 9,936	\$ 4,060
Supplemental disclosure of non-cash activities		
Acquisition fair value of contingent consideration issued for acquisition of business	\$ 932	\$ —
Cash paid for income taxes		
Cash paid for income taxes		

GRID DYNAMICS HOLDINGS, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share data)

Note 1 — Nature of operations and summary of significant accounting policies

Grid Dynamics Holdings, Inc. (the "Company") provides enterprise-level digital transformation in the areas is a leading provider of technology consulting, platform and product engineering, and advanced analytics services. The Company's core business includes cloud platform and product engineering, supply chain and advanced manufacturing, and data and machine learning platform engineering. Grid Dynamics also helps organizations become more agile custom and create innovative digital products and experiences through its deep expertise in emerging technology, such as artificial intelligence ("AI"), data science, cloud computing, big data and DevOps, lean software development practices and data analytics to Fortune 1000 companies. a high-performance product culture. The Company's headquarters and principal place of business is in San Ramon, California.

The following is a summary of critical accounting policies consistently applied in the preparation of the accompanying unaudited condensed consolidated financial statements. Full description of significant accounting policies is provided in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023, as filed with the SEC on February 28, 2023 February 29, 2024.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of the Company's management, necessary for the fair presentation of the results of operations for the interim periods. Operating results for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024. These interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022 December 31, 2023 included in the Company's annual report on Form 10-K that the Company filed with the SEC on February 28, 2023 February 29, 2024.

Principles of consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries that are directly or indirectly owned or controlled. Intercompany transactions and balances have been eliminated upon consolidation.

The Company provides services to its customers utilizing its own personnel as well as personnel from subcontractors. One of the subcontractors exclusively supports and performs services on behalf of the Company and its customers. The Company had no ownership in this subcontractor ("Affiliate") as of September 30, 2023 March 31, 2024. The Company is required to apply accounting standards which address how a business enterprise should evaluate whether it has a controlling financial interest in a variable interest entity ("VIE") through means other than voting rights and accordingly should determine whether or not to consolidate the entity. The Company has determined that it is required to consolidate the Affiliate because the Company has the power to direct the VIE's most significant activities and is the primary beneficiary of the Affiliate. The assets and liabilities of the Affiliate primarily consist of inter-company balances and transactions all of which have been eliminated in consolidation. There was minimal activity in the Affiliate during the three months ended March 31, 2024.

Use of estimates

The preparation of the unaudited condensed consolidated financial statements in accordance with the U.S. GAAP requires the Company to make estimates and assumptions that affect the amounts reported in the unaudited condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates and such differences could be material. Significant estimates include determination of fair value, useful lives and recoverability of intangible assets and goodwill, valuation of stock-based compensation and contingent consideration payable, determination of provision for income taxes, deferred tax assets and liabilities and uncertain tax positions.

Allowance for credit losses

The Company maintains an allowance against accounts receivable for the estimated probable losses on uncollectible accounts. The allowance is based upon historical loss experience, as adjusted for the current market conditions and forecasts about future economic conditions. As of March 31, 2024 and December 31, 2023 the Company recorded \$1.4 million of allowance for credit losses.

Stock-based compensation

The Company recognizes the cost of its stock-based awards based on the fair value of these awards at the date of grant. The fair value of service-based and performance based awards without market conditions at the date of grant is based on the closing price of the Company's shares on NASDAQ. For performance awards with market conditions the grant date fair value is measured using the Monte-Carlo model. Grant-date fair value of stock options is estimated using the Black-Scholes-Merton option pricing model. The model requires management to make a number of key assumptions including expected volatility, expected term, risk-free interest rate, and expected dividends. The Company evaluates the assumptions used to value its share-based awards on each grant date. For an award with graded vesting that is subject only to a service condition (e.g., time-based vesting), the Company uses the straight-line attribution method under ASC Topic 718 under which it recognizes compensation cost on a straight-line basis over the total requisite service period for the entire award (i.e., over the requisite service period of the last separately-vesting tranche of the award). For awards with performance conditions the compensation cost

recognized is based on the actual or expected achievement of the performance condition based on the graded attribution method. Additionally, the Company applies the "floor" concept so that the amount of compensation cost that is recognized as of any date is at least equal to the grant-date fair value of the vested portion of the award on that date. That is, if the straight-line expense recognized to date is less than the grant date fair value of the award that is legally vested at that date, the company will increase its recognized expense to at least equal the fair value of the vested amount. The requisite service period, which is the vesting period, of service-based and performance-based awards is typically 4 years and 3 years, respectively. The Company made an accounting policy election to account for forfeitures when they occur.

Prior period reclassifications

The Company presented and analyzed its revenues by customer locations attributing revenues based upon billed customer location. Effective December 31, 2023, the Company attributes revenues to geographic regions based upon location of the customer served irrespective of the location billed, or the location of the delivery center performing the work. The Company believes this change allows it to more effectively analyze its geographies and associated risks. This change did not result in any adjustments to our previously issued financial statements and were applied retrospectively beginning on January 1, 2021. Comparative information for the three months ended March 31, 2023 is presented in the following table:

Customer Location	Three Months Ended March 31, 2023	
	As reported	Reclassified
	(in thousands)	
North America	\$ 63,949	\$ 60,137
Europe	15,894	15,908
Other	237	4,035
Total Revenues	\$ 80,080	\$ 80,080

Recently adopted accounting pronouncements

Changes to U.S. GAAP are established by the Financial Accounting Standards Board (the "FASB"), in the form of Accounting Standards Updates ("ASUs"), to the FASB's ASC. The Company will adopt according these changes according to the various timetables the FASB specifies.

Measurement of Credit Losses on Financial Instruments — In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326) — Measurement of Credit Losses on Financial Instruments* that was subsequently amended by ASU 2019-4, *Codification Improvements to Topic 326, Financial Instruments — Credit Losses*, ASU 2019-5, *Financial Instruments — Credit Losses (Topic 326): Targeted Transition Relief*, and clarified with the release of ASU 2020-2 *Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842)*. These ASUs replace the current incurred loss impairment methodology with a methodology that reflects expected credit losses measured at amortized cost and certain other instruments, including loans, held-to-maturity debt securities, net investments in leases, and off-balance sheet credit exposures. The Company There were no recently adopted Topic 326, effective January 1, 2023, using a modified-retrospective approach. Adoption of Topic 326 did not have any impact on its condensed consolidated financial statements.

Recently issued accounting pronouncements

The Company considered the applicability of all recently issued ASUs and believes their impact will not have standards which had a material impact on its condensed the Company's consolidated financial position, results of operations, changes in stockholders' equity and cash flows upon adoption.flows.

Recently issued accounting pronouncements

On November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) —Improvements to Reportable Segment Disclosures*, that expands disclosures requirements around significant segment expenses and other segment items that are included in reported measure of segment profit or loss. The guidance also requires entities to provide in their interim financial reports all disclosures about a reportable segment's profit or loss and assets that are currently required only on annual basis. Guidance also obliges entities with a single reportable segment to provide all the disclosures under amended ASC 280 in their interim and annual financial statement. The new guidance is effective for annual reporting periods beginning after December 15, 2023, and interim reporting periods within fiscal years beginning after December 15, 2024 on a retrospective basis, The Company is currently evaluating the impact on this guidance on its consolidated financial statements.

On December 14, 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740) — Improvements to Income Tax Disclosures*, which expands annual disclosure requirements around income taxes primarily related to the rate reconciliation and income taxes paid. The new guidance is effective for annual reporting periods beginning after December 15, 2024 with early adoption permitted. The guidance will be applied on a prospective basis with a retrospective application option. The Company is currently evaluating the impact on this guidance on its consolidated financial statements.

Note 2 — Acquisitions

NextSphere — On April 18, 2023, the Company completed the acquisition of 100% of NextSphere Technologies, Inc. ("NextSphere"). Founded in 2006, NextSphere is headquartered in Tampa, FL, has an engineering presence in Phoenix, AZ, and operates two large engineering centers in India's tech hubs of Hyderabad and Chennai. NextSphere specializes in modern application development, systems monetization, product development, cloud and infrastructure services, and quality assurance. Over the years, NextSphere has worked with several brands across numerous industry verticals with expertise in Healthcare, Fintech, and CPG/Manufacturing industries. The Company believes this acquisition will support the Company's objectives of enhancing its technical capabilities, expanding its global footprint, and increasing its client base. The total purchase consideration is \$25.2 million and consists of cash consideration of \$24.3 million paid at closing, and fair value of the contingent consideration at the date of the acquisition of \$0.9 million. The maximum amount of potential contingent cash consideration is \$2.0 million. The contingent consideration is payable based on revenue and gross profit metrics to be achieved by NextSphere within 12 months. The Company recorded a liability for the contingent consideration amount based on the Company's best estimate of the fair value of the expected payout. See Note 3 for further details on During the third quarter of 2023 the Company concluded that NextSphere was not going to achieve required performance metrics and has written-off all related contingent consideration. consideration liability.

Mutual Mobile — On December 23, 2022, the Company acquired 100% of the equity interest of the software company Mutual Mobile Inc. ("Mutual Mobile"). Founded in 2009, Mutual Mobile is based in the United States and India, offers end-to-end design and development of next-generation applications, combining mobile, augmented/virtual/mixed reality, and cloud edge/IoT practices. The acquisition of Mutual Mobile added approximately 180 employees to the Company's headcount. The acquisition will accelerate Company's strategic expansion into the India engineering market and further solidifies Grid Dynamics' commitment to global growth. The total purchase consideration is \$16.1 million and consists of cash consideration of \$12.8 million paid at closing, and fair value of the contingent consideration at the date of the acquisition of \$3.3 million. The maximum amount of potential contingent cash consideration is \$5.0 million. The contingent consideration is payable based on revenue and gross profit metrics to be achieved by Mutual Mobile within 12 months. The Company recorded a liability for the contingent consideration amount based on the Company's best estimate of the fair value of the expected payout. See Note 3 for further details on During the third quarter of 2023 the Company concluded that Mutual Mobile was not going to achieve required performance metrics and has written-off all related contingent consideration. consideration liability.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed:

		Mutual	
		NextSphere	Mobile
		(in thousands)	
NextSphere		NextSphere	
		(in thousands)	
Current assets	Current assets	\$ 9,708	\$ 4,982
Property, plant and equipment	Property, plant and equipment	192	132
Intangible assets	Intangible assets	9,906	3,749
Goodwill	Goodwill	9,119	9,556
Other noncurrent assets	Other noncurrent assets	511	102
Total assets acquired	Total assets acquired	\$ 29,436	\$ 18,521
Accounts payable, accrued expenses and other liabilities	Accounts payable, accrued expenses and other liabilities	(1,990)	(1,576)
Deferred taxes	Deferred taxes	(2,235)	(875)

Total liabilities assumed	Total liabilities assumed	\$ (4,225)	\$ (2,451)
Purchase price allocation	Purchase price allocation	\$ 25,211	\$16,070

Current assets acquired include cash and cash equivalents in the amount of \$6.4 million for NextSphere and \$3.5 million for Mutual Mobile. The purchase price for all acquisitions was assigned to assets acquired and liabilities assumed based on their estimated fair values as of the date of acquisition, and any excess was allocated to goodwill, as shown in the table above. **Goodwill**

The **goodwill** recognized as a result of the **NextSphere** acquisition represents the value the Company expects to achieve through the implementation of operational synergies and growth opportunities as the Company expands its global **reach**. **Goodwill** for **NextSphere** and **Mutual Mobile** **reach** as well as the assembled workforce acquired. The **goodwill** is not deductible for income tax purposes.

For The **goodwill** recognized as a result of the **Mutual Mobile** acquisition is attributable to synergies expected to be achieved by combining the businesses of **NextSphere** the Company and Mutual Mobile, expected future contracts, the estimated assembled workforce acquired and other factors. The **goodwill** is not deductible for income tax purposes.

During the fourth quarter of 2023, the Company finalized working capital adjustment for NextSphere that resulted in a decrease of original purchase price in the amount of \$0.3 million and updated fair values value of deferred taxes by \$0.2 million. These adjustments resulted in a corresponding net change in goodwill by \$0.1 million. The Company then finalized the fair value of the assets acquired and liabilities assumed are provisional in the acquisition of NextSphere.

During the fourth quarter of 2023, the Company finalized working capital adjustment for Mutual Mobile which reduced the original purchase price by \$0.5 million and based on decreased fair value of deferred taxes by \$0.2 million. These adjustments resulted in a corresponding net change in goodwill by \$0.7 million. The Company then finalized the information that was available as fair value of the acquisition date. The Company expects to finalize the purchase price allocations as soon as practicable but no later than one year from assets acquired and liabilities assumed in the acquisition date. of Mutual Mobile.

The estimated fair value, useful lives and amortization methods of identifiable intangible assets as of the date of acquisition updated for any changes as of **September 30, 2023** **March 31, 2024** are as follows:

		NextSphere		Mutual Mobile			
		Fair Value	Useful Life	Fair Value	Useful Life		
		(in thousands, except in years)				Fair Value	Useful Life
		NextSphere		NextSphere		Mutual Mobile	
		Fair Value		Fair Value		Fair Value	
		(in thousands, except years)				(in thousands, except years)	
Customer relationships	Customer relationships	\$8,415	10 years	\$3,453	8 years	\$3,453	8 years
Acquired software	Acquired software	995	2.5 years	—	—	—	—
Trade name	Trade name	496	2 years	152	4 years	152	4 years
Non-compete agreements	Non-compete agreements	—	—	144	2 years	144	2 years
Total identified intangible assets	Total identified intangible assets	\$9,906		\$3,749			

The Company used the acquisition method of accounting for all acquisitions, and consequently, the results of operations for all acquisitions are reported in the consolidated financial statements from the dates of acquisition.

The following unaudited pro forma information presents the combined results of operations as if have not been presented because the effect of the acquisitions of Mutual Mobile and NextSphere had occurred at the beginning of the year preceding the acquisition date. Pre-acquisition results of business acquired have been added to on the Company's historical results. The pro forma results contained condensed consolidated financial statements was not material individually or in the table below include adjustments for amortization of acquired intangibles and related income taxes. Any potential cost savings or other operational efficiencies that could result from the acquisition are not included in these pro forma results. aggregate.

These unaudited pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations as they would have been had the acquisitions occurred on the assumed dates, nor are they necessarily an indication of future operating results.

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
	(in thousands, except per share data)	
Revenue	\$ 87,290	\$ 244,205
Net loss	\$ (4,773)	\$ (19,302)
Diluted loss per share	\$ (0.07)	\$ (0.29)

Note 3 — Fair value

The Company measures contingent consideration payable at fair value on a recurring basis using significant inputs that are not observable in the market. Fair value of the contingent consideration liability is based on the Monte-Carlo model which is primarily based on budgets and discounted cash flow analysis. The Company believes its estimates and assumptions are reasonable, however, there is significant judgment involved. Changes in the fair value of contingent consideration payable primarily result from changes in timing and amount of specific milestone estimates and changes in probability assumptions with respect to the likelihood of achieving the various earnout criteria. These changes could cause a material impact to, and volatility in the Company's operating results.

During the three months ended December 31, 2022 and three months ended June 30, 2023 the Company completed the acquisitions of Mutual Mobile and NextSphere, respectively, under which the Company committed to make a cash earnout payment subject to attainment of specific performance targets. The weighted average discount rates used to determine the fair value of NextSphere and Mutual Mobile contingent considerations were 15.5% and 10.3%, respectively. During the third quarter ended September 30, 2023 the Company concluded that performance targets for both acquisitions will not be attained and consequently reduced related earn-out liabilities to zero.

The Company records contingent consideration payable in Other current liabilities in its unaudited consolidated balance sheet. A reconciliation of the beginning and ending balances of Level 3 acquisition-related contingent consideration payable using significant unobservable inputs for the nine months ended September 30, 2023 are as follows:

	Amount (in thousands)
Contingent consideration payable as of December 31, 2022	\$ 3,288
Acquisition date fair value of contingent consideration payable - NextSphere	932
Change in fair value of contingent consideration payable included in Other income/(expense) - Mutual Mobile	(3,288)
Change in fair value of contingent consideration payable included in Other income/(expense) - NextSphere	(932)
Contingent consideration payable as of September 30, 2023	\$ —

Financial Assets and Liabilities Not Measured at Fair Value on a Recurring Basis

Estimates of fair value of financial instruments not carried at fair value on a recurring basis are generally subjective in nature, and are determined as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Company's financial assets and liabilities, are generally short-term in nature; therefore, the carrying value of these items approximates their fair value.

The following tables present the estimated table summarizes certain fair values value information as of the Company's March 31, 2024 and December 31, 2023 for financial assets and liabilities not measured at fair value on a recurring basis, as well as estimated fair values of the dates indicated: certain other financial assets and liabilities not measured on a recurring basis:

	Fair Value Hierarchy				
	Estimated	Level Level			
	Balance	Fair Value	Level 1	2	3
(in thousands)					
September 30, 2023					
Fair Value Hierarchy					
Balance		Balance	Estimated Fair Value	Level 1	Level 2
(in thousands)		(in thousands)			
March 31, 2024		Fair Value Hierarchy			
Balance		Balance	Estimated Fair Value	Level 1	Level 2
(in thousands)		(in thousands)			

Financial Assets:	
Financial Assets:	
Financial Assets:	Financial Assets:
Cash equivalents:	Cash equivalents:
Cash equivalents:	
Money market funds	Money market funds
Short-term investments:	
Time deposits	
Time deposits	
Time deposits	
Long-term investments:	
Marketable equity securities	
Marketable equity securities	
Marketable equity securities	
Non-marketable equity securities	
December 31, 2022	
December 31, 2023	
December 31, 2023	
December 31, 2023	
Financial Assets:	
Financial Assets:	
Financial Assets:	Financial Assets:
Cash equivalents:	Cash equivalents:
Cash equivalents:	
Money market funds	Money market funds
Short-term investments:	
Marketable equity securities	
Marketable equity securities	
Marketable equity securities	

Non-
marketable
equity
securities

Non-Marketable Securities Without Readily Determinable Fair Values Investments in equity securities

The Company holds **investment investments** in public and privately-held entities. As the Company does not have either controlling interest or significant influence over these entities investments are accounted using two different methods depending on the type of equity securities investments:

- Equity investments in public entities are measured and carried at fair value with any changes recognized in Other income/(expense), net in the condensed consolidated statements of a related party loss and comprehensive loss.
- Equity investments that does do not have readily determinable fair values. This investment value are accounted for under the fair value measurement alternative. Under the measurement alternative, the carrying value is recorded measured at cost, and is remeasured to fair value based on certain less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or impairment events as they occur. The carrying amount similar investments of the investment was \$1.0 million as same issuer. All gains and losses on non-marketable securities, whether realized or unrealized, are recognized in Other income/(expense), net in the condensed consolidated statements of September 30, 2023 loss and December 31, 2022, and was classified as comprehensive loss.

The Company classifies its investments in equity securities in Other noncurrent assets in the Company's unaudited condensed consolidated balance sheets.

Note 4 — Prepaid expenses Investment in non-marketable equity securities held by the Company as of March 31, 2024 and other current assets

The prepaid expenses and other current assets were as follows:

	As of		(in thousands)
	September 30, 2023	December 31, 2022	
Prepaid expenses	\$ 2,807	\$ 3,323	
Guarantee deposits placed	2,011	2,295	
Value added, goods and service taxes receivable	1,760	1,384	
Other prepaid and current assets	1,696	1,152	
Total prepaid expenses and other current assets	\$ 8,274	\$ 8,154	

December 31, 2023 represents investment in its related party, a company affiliated with the member of the Company's Board of Directors, that does not have readily determinable fair values.

Note 54 — Property and equipment, net

Property and equipment, net consisted of the following:

	As of		(in thousands)	
	Estimated September 30, 2023	December 31, 2022		
	(in years)	(in thousands)		
	Estimated Useful Life	March 31, 2024	Estimated Useful Life	As of
	(in years)		(in years)	March 31, 2024
				December 31, 2023
Computers and equipment	Computers and equipment	2-5	\$ 12,922	\$ 11,679
Furniture and fixtures	Furniture and fixtures	3-10	1,698	1,614

Leasehold improvements	Leasehold improvements	2-8	1,286	646
Software	Software	3-5	1,245	1,053
Machinery and automobiles	Machinery and automobiles	4-6	563	349
			<u>\$ 17,714</u>	<u>\$15,341</u>
		\$		
Less: Accumulated depreciation and amortization	Less: Accumulated depreciation and amortization		(11,380)	(8,614)
			<u>\$ 6,334</u>	<u>\$ 6,727</u>
		\$		
Capitalized software development costs	Capitalized software development costs	2-3	\$ 7,327	\$ 6,210
Capitalized software development costs	Capitalized software development costs			
Less: Accumulated amortization	Less: Accumulated amortization		(3,218)	(4,722)
			<u>\$ 4,109</u>	<u>\$ 1,488</u>
		\$		
Property and equipment, net	Property and equipment, net		<u>\$ 10,443</u>	<u>\$ 8,215</u>

Note 65 — Intangible assets, net

Intangible assets, net consisted of the following:

		As of		
		Estimated September 30, 2023	December 31, 2022	
		(in years)	(in thousands)	
		Estimated Useful Life	March 31, 2024	Estimated Useful Life
		(in years)		(in years)
Customer relationships	Customer relationships	8-12	\$ 27,839	\$19,424
Tradenames	Tradenames	2-10	5,324	4,828
Acquired software	Acquired software	2.5	995	—
Non-compete agreements	Non-compete agreements	2	584	584
			<u>\$ 34,742</u>	<u>\$24,836</u>
		\$		

Less:	Less:		
Accumulated amortization	Accumulated amortization		
		(7,155)	(4,461)
Intangible assets, net	Intangible assets, net	\$ 27,587	\$20,375

Based on the carrying value of the Company's existing intangible assets as of **September 30, 2023** **March 31, 2024**, the estimated amortization expense for the future years is as follows:

Years ending December 31, (in thousands)		Amount
		Amount
		(in thousands)
2023 (excluding nine months ended September 30, 2023)		1,040
2024		4,048
2024 (excluding three months ended March 31, 2024)		
2025	2025	3,629
2026	2026	3,168
2027	2027	3,130
2028		
Thereafter	Thereafter	12,572
Total	Total	\$27,587

Note 76 — Accrued expenses and other current liabilities

The components of accrued expenses and other current liabilities were as follows:

		As of		
		September 30, 2023	December 31, 2022	
				(in thousands)
As of				As of
March 31, 2024		March 31, 2024		December 31, 2023
				(in thousands)
Accrued expenses	Accrued expenses	\$ 4,097	\$ 1,302	
Customer deposits				
Deferred revenue				

Value added tax payable	Value added tax payable	1,264	1,345
Customer deposits		743	754
Contingent consideration payable		—	3,288
Other liabilities	Other liabilities	1,146	1,836
Total accrued expenses and other current liabilities	Total accrued expenses and other current liabilities	\$ 7,250	\$ 8,525

As of September 30, 2023 and December 31, 2022 December 31, 2023 the Company had payable to its related party, a company affiliated with the member of the Company's Board of Directors, in the amount of \$0.6 million that was classified as Other current liabilities in unaudited condensed consolidated balance sheet. The Company fully settled this payable during the first quarter of 2024. There were no payables to related parties as of March 31, 2024.

Note 87 — Debt

Revolving Credit Facility — On March 15, 2022, the Company entered into a Credit Agreement (the "2022 Credit Agreement") by and among the Company, as borrower, the guarantors party thereto from time to time, the lenders party thereto from time to time, and JPMorgan Chase Bank, N.A., as administrative agent for the lenders (the "Agent"). The 2022 Credit Agreement provides for a secured multicurrency revolving loan facility with an initial aggregate principal amount of up to \$30.0 million, with a \$10.0 million letter of credit sublimit. The Company may increase the size of the revolving loan facility up to \$50.0 million, subject to certain conditions and additional commitments from existing and/or new lenders. The 2022 Credit Agreement matures on March 15, 2025.

At the Company's option, borrowings under the 2022 Credit Agreement accrue interest at a per annum rate based on either (i) the base rate plus a margin ranging from 1.0% to 1.5%, (ii) an adjusted term Secured Overnight Financing Rate ("SOFR") or adjusted the Euro Interbank Offer Rate ("EURIBOR") (based on one, three or six-month interest periods) plus a margin ranging from 2.0% to 2.5%, or (iii) an adjusted daily simple SOFR rate (or SONIA rate in the case of loans denominated in pounds sterling, or SARON rate in the case of loans denominated in Swiss francs), plus a margin ranging from 2.0% to 2.5%, in each case, with the applicable margin determined based on the Company's consolidated total leverage ratio. The Company is also obligated to pay other closing fees, administration fees, commitment fees and letter of credit fees customary for a credit facility of this size and type.

The Company's obligations under the 2022 Credit Agreement are required to be guaranteed by certain of its domestic subsidiaries meeting materiality thresholds set forth in the 2022 Credit Agreement. Such obligations, including the guaranties, are secured by substantially all of the personal property of the Company and the Company's subsidiary guarantors.

The 2022 Credit Agreement contains customary affirmative and negative covenants, including covenants limiting the ability of the Company and its subsidiaries to, among other things, incur debt, grant liens, undergo certain fundamental changes, make investments and acquisitions, make certain restricted payments, dispose of assets, enter into certain transactions with affiliates, and enter into burdensome agreements, in each case, subject to limitations and exceptions set forth in the 2022 Credit Agreement. The Company is also required to maintain compliance with a consolidated total leverage ratio, determined in accordance with the terms of the 2022 Credit Agreement. As of September 30, 2023 March 31, 2024, the Company was in compliance with all covenants contained in the 2022 Credit Agreement.

In October, 2017, the Company entered into a loan agreement for a revolving line of credit facility (the "Line of Credit") with a borrowing capacity of \$0.5 million. The Line of Credit is secured by substantially all of the Company's assets and was secured in order to provide credit support for a letter of credit facility and balances under the Company's credit cards. Borrowings under the Line of Credit are subject to a variable interest rate, based on changes in the Prime Rate, as calculated published by the Wall Street Journal. The Company closed the Line of Credit in March of 2022.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, the Company did not have any outstanding debt under the 2022 Credit Agreement.

Note 98 — Revenues

Disaggregation of revenues

The tables below present disaggregated revenues from contracts with customer by customer location, industries and contract-types. The Company believes this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues

and cash flows are affected by industry, market and other economic factors. The Company has a single reportable segment for the **nine****three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**.

The following table shows the disaggregation of the Company's revenues by major customer location. Revenues are attributed to geographic regions based upon **location of the customer served irrespective of the location billed, client location, or the location of the delivery center performing the work**. Substantially all of the revenue in our North America region relates to operations in the United States.

		Three Months Ended		Nine Months Ended			
		Ended		September 30,			
		September 30,		September 30,			
		2023	2022	2023	2022		
Customer Location	Customer Location	Three Months Ended		Nine Months Ended		Three Months Ended	
		March 31,		September 30,		March 31,	
		2024		2024		2023	
Customer Location	Customer Location	(in thousands)		Customer Location		(in thousands)	
North America	North America	\$63,276	\$68,057	\$189,169	\$189,324		
Europe	Europe	14,121	13,040	45,266	40,371		
Other	Other	22	64	406	211		
Total Revenues	Total Revenues	\$77,419	\$81,161	\$234,841	\$229,906		

The following table shows the disaggregation of the Company's revenues by main vertical markets:

		Three Months Ended		Nine Months Ended			
		Ended		September 30,			
		September 30,		September 30,			
		2023	2022	2023	2022		
Vertical	Vertical	Three Months Ended		Nine Months Ended		Three Months Ended	
		March 31,		September 30,		March 31,	
		2024		2024		2023	
Vertical	Vertical	(in thousands)		Vertical		(in thousands)	
Retail	Retail	\$26,544	\$25,260	\$ 77,972	\$ 74,019		
Technology, Media and Telecom	Technology, Media and Telecom	23,732	26,335	74,639	71,170		
Finance							
CPG/Manufacturing ⁽¹⁾	CPG/Manufacturing ⁽¹⁾	9,668	16,058	33,186	47,127		
Finance		7,299	6,073	20,562	15,649		
Healthcare and Pharma							
Other	Other	10,176	7,435	28,482	21,941		
Total Revenues	Total Revenues	\$77,419	\$81,161	\$234,841	\$229,906		

(1) CPG stands for Consumer Packaged Goods

The following table shows the disaggregation of the Company's revenues by contract types:

		Three Months Ended		Nine Months Ended			
		Ended		September 30,			
		September 30,		September 30,			
		2023	2022	2023	2022		
Contract Type	Contract Type	Three Months Ended		Nine Months Ended		Three Months Ended	
		March 31,		September 30,		March 31,	
		2024		2024		2023	
Contract Type	Contract Type	(in thousands)		Contract Type		(in thousands)	

Time-and-material	Time-and-material	\$69,532	\$75,085	\$209,201	\$211,293
Fixed-fee	Fixed-fee	7,303	6,076	24,588	18,613
Other revenues	Other revenues	584	—	1,052	—
Total	Total				
Revenues	Revenues	\$77,419	\$81,161	\$234,841	\$229,906

Contract balances

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. A contract liability, or deferred revenue, consists of advance payments and billings in excess of revenues recognized. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** the Company did not have material contract assets recorded in its unaudited condensed consolidated balance sheet. Contract liabilities were \$0.4 million and \$1.1 million **\$0.6 million** as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. These balances were classified as Accrued and other current liabilities in the unaudited condensed consolidated balance sheets.

During the first quarter of 2024, the Company recognized \$0.3 million of revenues that were included in Accrued and other current liabilities at **December 31, 2023**. During the first quarter of 2023, the Company recognized \$0.4 million of revenues that were included in Accrued and other current liabilities at **December 31, 2022**.

Remaining performance obligation obligations

As of **March 31, 2024**, the aggregate amount of transaction price allocated to remaining performance obligations was \$4.7 million. Our remaining performance obligations represent commitments for future services for which work has not been performed and revenues are to be recorded in future periods. The Company expects to recognize approximately 50.3% of its remaining performance obligations as revenues during nine months of fiscal year 2024, and an additional 49.7% in 2025. Remaining performance obligations include currently recorded contract liability as well as amounts that will be invoiced in future periods and excludes the contracts that meet at least one of the following criteria under ASC Topic 606 "Revenue from Contracts with Customers" requires that the Company disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as of **September 30, 2023** and **December 31, 2022**. This disclosure is not required for:

- 1) contracts with an original duration of one year or less, including contracts that can be terminated for convenience without a substantive penalty,
- 2) contracts for which the Company recognizes revenues based on the right to invoice for services performed,
- 3) variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with ASC 606-10-25-14(b), for which the criteria in ASC 606-10-32-40 have been met, or
- 4) variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

All **Many** of the Company's contracts met one or more of these exemptions as of **September 30, 2023** and **December 31, 2022** **March 31, 2024**.

Customers concentration

The following table shows the amount of revenue derived from each customer exceeding 10% of the Company's revenue:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Customer 1	14.3 %	13.1 %	14.1 %	12.1 %
Customer 2	n/a	11.2 %	n/a	10.9 %

During the three and nine months ended **September 30, 2023** the Company recorded revenues from its related parties of \$2.0 million and \$6.0 million, respectively. During the same periods of 2022 the Company recorded revenue from related parties of \$1.7 million and \$4.3 million, respectively.

	Three Months Ended March 31,	
	2024	2023
Customer 1	16.7 %	13.9 %

The following table shows number of customers exceeding 10% of the Company's billed and unbilled receivable balances:

As of

		September 30, 2023	December 31, 2022		
		As of March 31, 2024		As of March 31, 2024	As of December 31, 2023
Accounts receivable	Accounts receivable	1	2 Accounts receivable	1	1
Unbilled receivable	Unbilled receivable	2	2 Unbilled receivable	3	2

Transactions with related parties

During the three months ended March 31, 2024 and 2023, the Company conducted transaction with a number of companies affiliated with the members of the Company's Board of Directors. As a result, the Company recorded revenues from its related parties of \$2.8 million and \$1.8 million during the first quarter of 2024 and 2023, respectively. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 accounts receivable from related parties were \$1.0 million \$1.9 million and \$0.9 million, respectively.

Note 109 — Leases

A major part of the Company's lease obligations is for office real estate. The Company may also lease corporate apartments, cars and office equipment. Payments on some of our leases may depend on index or rate, including Consumer Price Index. Such payments are included in the calculation of lease liability and assets at the commencement dates, all future changes are accounted as variable payments similar to other variable payments, such as common area maintenance, property and other taxes, utilities and insurance that are based on the lessor's cost.

The Company's leases have remaining lease terms ranging from 0.50.1 to 4.66.2 years. Certain lease agreements may include the option to extend or terminate before the end of the contractual term and are often non-cancelable or cancellable only by the payment of penalties. The Company includes these options in the lease term when it is reasonably certain that they will be exercised.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had no finance leases.

Operating lease expense is recorded on a straight-line basis over the lease term. During the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 lease costs were as follows:

		Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023		
		2024	2022	2023	2022
(in thousands)					
		Three Months Ended March 31, 2024	2024	Three Months Ended March 31, 2023	2023
		(in thousands)		(in thousands)	
Operating lease cost	Operating lease cost	\$1,065	\$845	\$2,785	\$2,397
Variable lease cost	Variable lease cost	56	(16)	318	(88)

Short-term lease cost	Short-term lease cost	92	133	288	400
Total lease cost	Total lease cost	\$1,213	\$962	\$3,391	\$2,709

Supplemental information related to operating lease transactions is as follows:

	Three Months Ended		Nine Months Ended		(in thousands)	
	Ended		Ended			
	September 30,	September 30,	2023	2022		
	2023	2022	2023	2022		
Lease liability payments	Lease liability payments	\$ 1,024	\$ 602	\$ 2,664	\$ 2,220	
Lease assets obtained in exchange for liabilities	Lease assets obtained in exchange for liabilities	\$ 369	\$ 1,729	\$ 5,005	\$ 3,243	
Non-cash net change in lease assets due to lease modifications	Non-cash net change in lease assets due to lease modifications	\$ (8)	\$ (129)	\$ 18	\$ (1,015)	
Non-cash net change in lease liability due to lease modifications	Non-cash net change in lease liability due to lease modifications	\$ 8	\$ 129	\$ (18)	\$ 1,015	

Weighted average remaining lease term and discount rate as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 is as follows:

	As of		(in thousands)	
	September December			
	30, 2023	31, 2022		
As of				
March 31, 2024				
Weighted average remaining lease term, in years	3.4	3.8	Weighted average remaining lease term, in years	
Weighted average discount rate	6.5 %	5.0 %	Weighted average discount rate	

As of September 30, 2023 March 31, 2024, operating lease liabilities will mature as follows:

Years ending December 31, 2023	Lease Payments (in thousands)

2023 (excluding nine months ended September 30, 2023)	\$ 1,084
2024	4,140

Lease Payments (in thousands)		Lease Payments (in thousands)
2024 (excluding three months ended March 31, 2024)		
2025	2025	3,206
2026	2026	2,214
2027	2027	1,816
2028	2028	89
Thereafter		
Total lease payments	Total lease payments	12,549
Less: imputed interest	Less: imputed interest	(1,410)
Total	Total	\$ 11,139

There were no material lease agreements signed with related parties as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**.

As of March 31, 2024, the Company had committed to payments of \$0.4 million related to operating lease agreement that had not yet commenced as of March 31, 2024. This operating lease will commence in 2024 with the lease term of 6.2 years. The Company does not have finance lease agreements that had not yet commenced.

Note 11.10 — Income taxes

The Company recorded income tax expense of **\$2.6 million** **\$0.9 million** and **\$3.4 million** **\$3.7 million** for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively. The Company's effective tax rate was **79.5%** **(30.9%)** and **(101.8%)** **(84.9%)** for the **third** **first** quarter of **2024** and **2023**, and **2022**, respectively. On a year-to-date basis, the Company recorded income tax expense of \$8.0 million and \$7.2 million for 2023 and 2022, respectively. The Company's effective tax rate was **240.0%** and **(47.4%)** during the nine months ended September 30, 2023 and 2022, respectively.

The change in the effective tax rate for the three and nine months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022** **2023**, was attributable mainly to Section 162(m) compensation deduction limitations, foreign rate differential, and foreign inclusion adjustments.

For the three and nine months ended **September 30, 2023** **March 31, 2024**, the Company used a discrete effective tax rate method to calculate income taxes due to sensitivity of the forecast. Through **September 30, 2023** **March 31, 2024**, the Company determined that small changes in the estimated "ordinary" income would result in significant changes in the estimated annual effective tax rate causing material distortion in the year-to-date tax provision. As of **September 30, 2023** **March 31, 2024**, the Company is unable to produce a reliable estimate of ordinary income for the quarter and year ending **2023** **2024** due to the inability to reliably or accurately forecast **2023** **2024** operating expenses. Similarly, for the three and nine months ended **September 30, 2023** **March 31, 2024**, due to uncertainties created by geopolitical risks, the Company's estimated annual effective tax rate method would not provide a reliable estimate and therefore was not used.

Note 12.11 — Stock-based compensation

Employee stock-based compensation cost recognized in the condensed consolidated statements of income/(loss) loss and comprehensive income/(loss) loss was as follows:

	Three Months Ended		Nine Months Ended			
	September 30,		September 30,			
	2023	2022	2023	2022		
(in thousands)						
	Three Months Ended		Three Months Ended			
	March 31,		March 31,			
	2024		2024			
	(in thousands)		(in thousands)			
Cost of revenue	Cost of revenue	\$ 502	\$ 367	\$ 1,482	\$ 888	
Engineering, research, and development	Engineering, research, and development	1,005	1,834	3,678	4,336	
Sales and marketing	Sales and marketing	854	1,239	2,732	3,117	
General and administrative	General and administrative	4,906	14,111	19,785	34,258	
Total stock-based compensation	Total stock-based compensation	\$7,267	\$17,551	\$27,677	\$42,599	

Stock Options

2018 Plan

Stock option activity under the Company's 2018 Plan is set forth below:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted Average Contractual Term (in years)
Options outstanding as of December 31, 2022	1,598,811	\$ 3.54	\$ 12,279	6.0
Options exercised	(62,795)	\$ 3.54		
Options outstanding as of September 30, 2023	1,536,016	\$ 3.54	\$ 13,271	5.2
Options vested and exercisable as of September 30, 2023	1,529,816	\$ 3.54	\$ 13,218	5.2

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted Average Contractual Term (in years)
Options outstanding as of December 31, 2023	1,486,428	\$ 3.54	\$ 14,552	
Options exercised	(65,533)	\$ 3.54		
Options outstanding as of March 31, 2024	1,420,895	\$ 3.54	\$ 12,433	4.8
Options vested and exercisable as of March 31, 2024	1,420,895	\$ 3.54	\$ 12,433	4.8

The total unrecognized As of March 31, 2024, the Company fully recognized stock-based compensation expenses costs related to 2018 Plan options as of September 30, 2023 was \$0.8 thousand to be expensed on a straight-line basis over 0.1 years. options.

2020 Plan

As of September 30, 2023 March 31, 2024, 7.21.9 million shares were available for grant under 2020 Incentive Stock Plan ("2020 Plan").

Stock option activity under the Company's 2020 Plan is set forth below:

	Number of Options	Exercise Price	Aggregate Value (in thousands)	Contractual Term (in years)	Weighted Average
					Weighted Average
					Intrinsic Value (in thousands)
Options outstanding as of December 31, 2022	3,003,611	\$ 13.22	\$ 3,883	8.3	
Options outstanding as of December 31, 2023					
Options granted					
Options granted					
Options granted	Options granted	642,000	\$ 11.59		
Options exercised	Options exercised	(111,869)	\$ 8.25		
Options exercised					
Options exercised					
Options forfeited					
Options forfeited	Options forfeited	(251,407)	\$ 15.11		
Options expired	Options expired	(28,841)	\$ 21.61		
Options outstanding as of September 30, 2023	3,253,494	\$ 12.85	\$ 4,898	7.8	
Options expired					
Options expired					
Options outstanding as of March 31, 2024					
Options outstanding as of March 31, 2024					
Options outstanding as of March 31, 2024					
Options vested and exercisable as of September 30, 2023	1,492,386	\$ 11.47	\$ 3,864	6.8	
Options vested and exercisable as of March 31, 2024					
Options vested and exercisable as of March 31, 2024					
Options vested and exercisable as of March 31, 2024					
Options vested and exercisable as of March 31, 2024	1,834,453	\$ 11.73	\$ 4,470	6.5	

The Company elected the policy to account for forfeitures as these occur upon occurrence. The total unrecognized compensation expenses related to 2020 Stock Plan options as of September 30, 2023 March 31, 2024 was \$10.2 million \$7.7 million to be expensed on a straight-line basis over the remaining 2.7 2.5 years.

Restricted Stock Units

RSUs granted do not participate in earnings, dividends, and do not have voting rights until vested.

The following table summarizes activity of the Company's RSUs for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested awards as of December 31, 2022	2,245,968	\$ 11.99
Unvested awards as of December 31, 2023	1,035,826	\$ 11.71
Awards granted	185,500	\$ 11.36
Awards vested and released	(1,293,759)	\$ 12.18
Awards forfeited	(101,883)	\$ 11.22
Unvested awards as of September 30, 2023	1,035,826	\$ 11.71
Unvested awards as of March 31, 2024		

During the nine months ended September 30, 2023 the Company net withheld and returned to the 2020 Plan pool 0.6 million shares to cover \$6.9 million tax obligations for RSU releases. The total unrecognized compensation expenses related to 2020 Stock Plan RSUs as of **September 30, 2023** **March 31, 2024** was **\$9.6 million** **\$20.3 million** to be expensed on a straight-line basis over **0.9** **2.4** years.

Performance Stock Units

The following table summarizes activity of the Company's PSUs for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested awards as of December 31, 2022	1,328,482	\$ 39.41
Awards granted	523,938	\$ 11.97
Awards vested and released	(1,328,482)	\$ 39.41
Awards forfeited	(32,375)	\$ 11.97
Unvested awards as of September 30, 2023	491,563	\$ 11.97
Unvested awards as of December 31, 2023⁽¹⁾	822,895	\$ 11.97
Awards granted ⁽²⁾	1,626,600	\$ 14.51
Performance achievement adjustment ⁽³⁾	200,614	\$ 14.21
Awards vested and released	(822,895)	\$ 11.97
Unvested awards as of March 31, 2024	1,827,214	\$ 14.48

During first quarter (1) Reported at the certified performance achievement of 2023, 170% of the Company withheld 0.7 million target shares to cover granted.
 (2) Reported of 100% of the \$8.1 million tax obligations related to the release of vested 2022 PSU target shares certified at 256% performance goal achievement on February 21, 2023. The total estimated granted.

(3) Reported at the estimate performance achievement of 137% for the first tranche of the target shares granted in 2024.

The total estimated unrecognized compensation expenses related to 2020 Stock Plan PSUs as of September 30, 2023 March 31, 2024 was \$3.8 million \$22.7 million to be expensed over 0.4 years based on projected 160% performance goal achievement estimated as probable. 1.9 years.

Note 13.12 — Earnings per share

Basic earnings per share ("EPS") is computed by dividing the net income applicable to common stockholders for the period by the weighted average number of shares of common stock outstanding during the same period. Diluted EPS is computed by dividing net income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, restricted stock units, and performance stock units. The dilutive effect of potentially dilutive securities is reflected in diluted EPS in order of dilution and by application of the treasury stock method and the if-converted method for stock-based compensation and convertible preferred securities, respectively.

The following table sets forth the computation of basic and diluted EPS of common stock as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands, except per share data)			
Numerator for basic and diluted income/(loss) per share				
Net income/(loss)	676	(6,659)	(4,667)	(22,512)
Denominator:				
Weighted-average shares outstanding – basic	75,464	68,623	75,026	67,566
Net effect of dilutive stock options and restricted stock units	1,875	—	—	—
Weighted-average shares outstanding – diluted	77,339	68,623	75,026	67,566
Net income/(loss) per share				
Basic	\$ 0.01	\$ (0.10)	\$ (0.06)	\$ (0.33)
Diluted	\$ 0.01	\$ (0.10)	\$ (0.06)	\$ (0.33)
 Numerator for basic and diluted loss per share				
Net loss			(3,948)	(7,970)
Denominator for basic and diluted loss per share				
Weighted-average shares outstanding – basic and diluted			76,151	74,459
Net loss per share				
Basic	\$ (0.05)	\$ (0.11)	\$ (0.05)	\$ (0.11)
Diluted	\$ (0.05)	\$ (0.11)	\$ (0.05)	\$ (0.11)

The following table represents the number of share equivalents outstanding during the period that were excluded from the calculation of diluted net **income/(loss) loss** per share attributable to common stockholders because including them would have had an anti-dilutive effect.

		Three		
		Months	Nine Months	
		Ended	Ended	
		September	September	
		30,	30,	
		2023	2022	2023
		2022	2022	
(in thousands)				
		Three Months Ended		Three Months Ended
		March 31,		March 31,
		2024		2023
		(in thousands)		(in thousands)
Stock options to purchase common stock	Stock options to purchase common stock	2,167	4,416	4,845
Restricted stock units	Restricted stock units	20	2,484	1,686
Performance stock units	Performance stock units	—	1,251	904
Total	Total	2,187	8,151	7,435
				7,632

Note 13 — Segment and geographic information

The Company's business activities have similar economic characteristics and are similar in all of the following areas: the nature of services, the type or class of customer for which they provide their services, and the methods used to provide their services. In accordance with ASC Topic 280, *Segment Reporting*, the Company has determined it has single operating and reportable segments. This determination is consistent with the financial information regularly reviewed by the chief operating decision maker who assesses the Company's performance and allocates resources based on the Company's consolidated financial information.

Geographic Information

The following table presents revenues by customer location for the three months ended March 31, 2024 and 2023. The Company attributes customers to respective countries based upon location of the customer served. It differs from the prior period definition that was based upon location of the customer billed. Refer to Note 1 for more details on reclassifications.

	Three Months Ended	
	March 31,	
	2024	2023
(in thousands)		
United States	\$ 63,509	\$ 59,761
United Kingdom	5,509	8,995
Netherlands	2,500	3,473
Other	8,299	7,851
Total Revenues	\$ 79,817	\$ 80,080

Long-lived assets include property and equipment, net of accumulated depreciation and amortization. Physical locations and values of the Company's long-lived assets are summarized below:

	As of	
	March 31, 2024	
	2024	2023

	(in thousands)		
Serbia	\$	2,575	\$ 2,457
United States		2,498	2,174
Ukraine		2,496	2,437
Poland		1,875	1,522
Other		3,108	2,768
Total	\$	12,552	\$ 11,358

Note 14 — Commitments and contingencies

Legal Matters

The Company is subject to legal proceedings and claims that arise in the ordinary course of its business. Management evaluates each claim and provides for potential loss when the claim is probable to be paid and reasonably estimable. While adverse decisions in certain of these litigation matters, claims and administrative proceedings could have a material effect on a

particular period's results of operations, subject to the uncertainties inherent in estimating future costs for contingent liabilities, management believes that any future accruals with respect to these currently known contingencies would not have a material effect on the financial condition, liquidity or cash flows of the Company. There were no material amounts required to be reflected in these unaudited condensed consolidated financial statements related to contingencies.

Note 15 — Subsequent events

The Company performed its subsequent event procedures through November 2, 2023 May 2, 2024, the date these unaudited condensed consolidated financial statements were issued.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

The following discussion and analysis of the financial condition and results of operations of Grid Dynamics Holdings, Inc. should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2022 December 31, 2023, which has been filed with the Securities and Exchange Commission ("SEC") on February 28, 2023 February 29, 2023.

The statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements (within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act) that involve risks and uncertainties. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seek," "intends," "plans," "estimates," "projects," "anticipates," or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ materially from those projected in the forward-looking statements include, but are not limited to, those discussed in the sections titled "Risk Factors" and "Cautionary Note Regarding Forward Looking Statements," included elsewhere in this Quarterly Report on Form 10-Q.

Overview

Grid Dynamics Holdings, Inc. ("Grid Dynamics," "GDH," the "Company," "we," "us," or "our") is a rapidly expanding leading provider of technology consulting, platform and product engineering, and advanced analytics services. As a forefront provider of technology consulting, platform and product engineering services, company, specializing and bespoke software development, we draw from over 7 years of leadership in enterprise-level digital transformations for Fortune 1000 corporations. For enterprises that create innovative digital products Enterprise artificial intelligence ("AI"), coupled with profound expertise in cloud, data, and experiences, Grid Dynamics closely collaborates with its customers advanced analytics. Our commitment to provide digital transformation initiatives that span strategy consulting, development of early prototypes engineering excellence, R&D leadership, a co-innovation ethos, globally efficient "Follow-the-Sun" delivery model, and enterprise-scale delivery of new digital platforms. an unwavering "whatever it takes" dedication to client success empower us to solve even the most complex enterprise challenges, ensuring profitable business outcomes and future-proof growth.

Established in 2006 and headquartered in Silicon Valley, as a cloud consultancy firm, Grid Dynamics has quickly established itself as a provider of choice for technology and

evolved partners with clients ranging from innovative start-ups to become a leading force in digital innovation, with a strong focus on artificial intelligence ("AI"), data, analytics, cloud, and customer experience.

As a leading global digital engineering and IT services provider with engineering centers the largest companies in the United States, Mexico, India, Jamaica and multiple European countries, Grid Dynamics' core business is to deliver focused and complex technical consulting, software design, development, testing and internet service operations. Grid Dynamics also helps organizations become more agile and create innovative digital products and experiences through its deep expertise in emerging technology, such as AI, data science, cloud computing, big data and DevOps, lean software development practices and a high-performance product culture. Grid Dynamics believes that the key to its success is a business culture encouraging an unwavering "whatever it takes" dedication that puts products over projects, client success over contract terms, products over projects, and real business results over purely pure technical innovation. By leveraging Grid Dynamics' With our proprietary processes optimized for innovation, emphasis on talent development, and technical expertise, Grid Dynamics has been able to achieve significant growth.

is well-positioned for continued success.

The following tables table sets forth a summary of Grid Dynamics' financial results for the periods indicated:

	Three Months Ended September 30,				
	2023		2022		
	(in thousands, except per share data and percentages)				
Revenues	\$	77,419	100.0 %	\$	81,161
Gross profit		28,152	36.4 %		32,670
Income/(loss) from operations		143	0.2 %		(4,750)
Net income/(loss)		676	0.9 %		(6,659)
Diluted income/(loss) per share	\$	0.01	n/a	\$	(0.10)
<i>Non-GAAP Financial Information⁽¹⁾</i>					n/a
Non-GAAP EBITDA ⁽¹⁾		10,733	13.9 %		17,086
Non-GAAP Net Income ⁽¹⁾		5,861	7.6 %		10,976
Non-GAAP Diluted EPS ⁽¹⁾	\$	0.08	n/a	\$	0.15

	Three Months Ended March 31,				
	2024		2023		
	(in thousands, except per share data and percentages)				
Revenues	\$	79,817	100.0 %	\$	80,080
Gross profit		27,665	34.7 %		28,575
Loss from operations		(5,542)	(6.9)%		(5,992)
Net loss		(3,948)	(4.9)%		(7,970)
Diluted loss per share	\$	(0.05)	n/a	\$	(0.11)
<i>Non-GAAP Financial Information⁽¹⁾</i>					n/a
Non-GAAP EBITDA ⁽¹⁾		10,292	12.9 %		10,832
Non-GAAP net income ⁽¹⁾		5,238	6.6 %		6,523
Non-GAAP diluted EPS ⁽¹⁾	\$	0.07	n/a	\$	0.08

(1) Non-GAAP EBITDA, Non-GAAP Net Income net income and Non-GAAP Diluted diluted EPS are non-GAAP financial measures. See "Non-GAAP Measures" below for additional information and reconciliations to the most directly comparable GAAP financial measures.

	Nine Months Ended September 30,				
	2023		2022		
	(in thousands, except per share data and percentages)				
Revenues	\$	234,841	100.0 %	\$	229,906
Gross profit		85,032	36.2 %		88,310

Loss from operations	(4,515) ²⁰²³	(1.9)%	(15,396) ²⁰²²	(6.7)%
Net loss	(4,667)	(in thousands, except percentages)	(15,512)	(9.8)%
From gross per share	\$ 30,081	14.1%	\$ 27,095	12.1%
Top five customers	\$ 87,531	37.3 %	\$ 100,834	43.9 %
Top ten customers	\$ 133,342	56.8 %	\$ 137,434	59.8 %
Non-GAAP EBITDA ⁽¹⁾	\$ 33,550	14.3 %	\$ 41,743	18.2 %
Top twenty customers	\$ 161,689	68.9 %	\$ 167,699	72.9 %
Non-GAAP Net Income ⁽¹⁾	\$ 19,380	8.3 %	\$ 26,154	11.4 %
Customers below top twenty	\$ 73,152	31.1 %	\$ 62,208	27.1 %
Non-GAAP Diluted EPS ⁽¹⁾	\$ 0.25	n/a	\$ 0.37	n/a

Results of Operations

Seasonality The three months ended March 31, 2024 compared to the three months ended March 31, 2023

(1) Non-GAAP EBITDA, Non-GAAP Net Income and Non-GAAP Diluted EPS are non-GAAP financial measures. See "Non-GAAP Measures" below for additional information and Grid Dynamics' business is subject to seasonal trends that impact its revenues and profitability between quarters. Some of the factors that influence the seasonal trends include the timing of holidays in the countries in which Grid Dynamics operates and the U.S. retail cycle, which drives the behavior. The following table sets forth a summary of Grid Dynamics' retail customers. Excluding consolidated results of operations for the impact interim periods indicated, and the changes between periods:

Quarterly Highlights	Three Months Ended		Change	
	March 31, 2024	2023	Dollars	Percentage
During Our key metrics for the third three months ended March 31, 2024 are presented below: (in thousands, except percentages)				
Revenues	\$ 79,817	\$ 80,080	\$ (263)	(0.3)%
• We recorded revenues of \$79.8 million that remained flat compared to the corresponding period of 2023.	52,152	51,505	647	1.3 %
Gross profit	\$ 27,665	\$ 28,575	\$ (910)	(3.2)%
Our GAAP and Non-GAAP gross profit margins during the first quarter of 2023, our revenues of \$77.4 million 34.7% and 35.3%, respectively. Slightly decreased by \$0.7 million or 2.2%.	27,665	28,575	(910)	(3.2)%
Engineering and Manufacturing respectively, compared to the three months ended September 30, 2022 March 31, 2023, 2024 decline in gross profit margin, both on a GAAP and Non-GAAP basis was driven mainly by increased employee-related costs and foreign currency headwinds.	27,665	28,575	(910)	(3.2)%
Sales and marketing	\$ 5,634	\$ 1,658	\$ 3,976	29.4 %
• Loss from operations decreased by 7.5% reaching \$5.5 million during the first quarter of 2024 compared to \$6.0 million during the last year's quarter.	21,543	24,730	(3,187)	(12.9)%
Total operating expense	33,207	34,567	(1,360)	(3.9)%
• We managed to reduce our net loss to \$3.9 million in the first quarter of 2024 largely due to lower levels of stock-based compensation costs.	(5,542)	(5,992)	450	(7.5)%
Loss from operations	\$ 450	\$ 450	\$ 0	(100.0)%
Other income/(expense), net	\$ 2,525	\$ 1,682	\$ 843	50.1%
• We ended the first quarter of 2024 with Non-GAAP EBITDA of \$10.3 million, and remained flat of 12.9% of revenues compared to \$10.8 million, or 13.5% of revenues in the first quarter of 2023.	2,525	1,682	843	50.1%
Loss before income taxes	\$ (3,017)	\$ (4,119)	\$ 1,102	30.0%
• The decline was largely due to decreased gross profits, combined with increased operating expenses, excluding stock-based compensation.	(3,017)	(4,119)	1,102	30.0%
Provision for income taxes	931	3,660	(2,729)	(74.6)%
• Operating cash inflows decreased by 72.2% reaching \$3.2 million. Our capital expenditures of \$3.2 million doubled compared to the prior quarter of 2023. The year-over-year decrease in revenues was largely due to the impact of macroeconomic conditions, which resulted in lower customer demand.	931	3,660	(2,729)	(74.6)%
Net loss	\$ (3,948)	\$ (7,970)	\$ 4,022	(50.5)%

Revenues

During the three months ended September 30, 2023 our Retail vertical comprised 34.3% of our third quarter revenue and grew by 5.1% compared to the same period of last year. On a year-over-year basis, our revenues remained flat during the first quarter of 2024. On a year-over-year basis, we witnessed Telecom in its book of business. Grid Dynamics has historically recorded higher revenue in Finance and gross profit. Other verticals from both existing and new clients, offset by decline in the second remainder of the verticals. During the three months ended September 30, 2023, our Consumer Packaged Goods ("CPG")/Manufacturing vertical continued to decline falling by 39.8% and 11.1% on a year-over-year and sequential basis, respectively. Key

Revenues by Verticals. We assign our customers into one of our five main vertical markets or a group of various industries where we are increasing our presence, which we label as "Verticals". During the third quarter of 2023, Finance and Other verticals contributed to 9.4%, and 13.1%, respectively. Revenues from our Top 5 customers during the quarter decreased by 21.1% to 36.8% compared to the same period a year ago quarter mainly due to a decrease in increased investments in revenues generated from one computer hardware, related equipment, and office facilities caused by expansion of our larger customers. geographical presence.

and third quarters. Pharma as a separate vertical due to its growing importance and materiality to the Company. The following table presents our revenues by vertical and revenues as a percentage of each year total revenues for the periods indicated:

For the three months ended June 30, 2023 and a change from a GAAP Net Loss of \$6.7 million, or 8.2% in the third quarter of 2022. The year-over-year increase in GAAP Net Income was largely driven by a combination of lower stock-based compensation expenses and a decrease in geographic reorganization and relocation costs. We ended the third quarter of 2023 with \$10.7 million, or 13.9% in Non-GAAP EBITDA, down from \$12.0 million, or 15.5% in the second quarter of 2023 and from \$17.1 million, or 21.1% in the three months ended September 30, 2022. The sequential decrease in Non-GAAP EBITDA was largely driven by increased operating expenses. The year-over-year decrease was largely driven by a combination of lower levels of revenue and increased operating expenses.

Business Update Regarding Military Action in Ukraine

	Three Months Ended March 31, 2024	% of revenue	Three Months Ended March 31, 2023	% of revenue
Technology, Media and Telecom	\$ 24,629	30.9 %	\$ 25,396	31.7 %
On February 24, 2022, Russian forces launched significant military action against Ukraine, and sustained conflict and disruption in the region has resulted and is likely to continue.	24,033	30.1 %	26,811	33.5 %
The impact to Ukraine as well as actions taken by other countries, including new and stricter sanctions imposed by the U.S., Canada, the United Kingdom, the European Union, and other countries and organizations against officials, individuals, regions, and industries in Russia and certain regions of Ukraine.	10,243	12.8 %	6,515	8.1 %
Other manufacturing companies and organizations against officials, individuals, regions, and industries in Russia and certain regions of Ukraine.	1,550	2.1 %	12,640	16.8 %
Response to such sanctions, tensions, and military actions could have a material adverse effect on our operations. For example, in response to increased sanctions, Russia could attempt to take control of assets in Ukraine of companies registered in the United States, such as Grid Dynamics. Any such material adverse effect from the conflict and enhanced Other	3,009	3.8 %	3,152	3.9 %
	8,344	10.4 %	5,560	7.0 %

Total sanctions activity may disrupt our delivery of services, impair our ability to complete financial or banking transactions, require us to continue to shift all or portions of our work occurring in the region to other countries, and may restrict our ability to engage in certain projects in the region or involving certain customers in the region.

During the first quarter of 2024, Retail decreased by 3.0% compared to the prior year but continued to be our largest vertical with \$24.6 million, or 30.9% of our total revenues. On a year-over-year basis, we witnessed a slight decrease in Retail revenues from our European clients offset by the US based customers.

The Technology, Media and Telecom ("TMT") vertical with \$24.0 million of revenues decreased by 10.4% on a year-over-year basis. We saw growth in our largest customer in TMT vertical which was offset by a decrease from a few of our technology customers.

Our CPG and Manufacturing vertical, representing 12.0% of our revenues for the three months ended March 31, 2024, showed a decrease of 24.4% compared to the three months ended March 31, 2023. The key reasons for the decline were a combination of macro-related uncertainty resulting in a more cautionary outlook towards spending and customer specific factors at some of our larger customers, in Armenia and workforce expansion in India. As of June 2023, our former subsidiary in Russia is liquidated and we are not performing any client services from Russia.

The Healthcare and Pharma vertical remained flat with \$3.0 million, or 3.8% of total revenues during the three months ended March 31, 2024 compared to \$3.2 million, or 3.9% of total revenues a year ago. The conflict in Ukraine, as the conflict and government reactions continue to develop and are beyond our control. Prolonged unrest, military activities, expansion of hostilities, or broad-based sanctions, could have a material adverse effect on our operations and business outlook. For example, if our Finance and Other verticals, representing 12.8% and 10.4% of total revenues, respectively, continued to steadily grow with each increasing by more than 50.0% during the three months ended March 31, 2024. Revenue growth was driven by increased demand from existing as well as new clients. These factors could severely affect our business.

Cost of Revenues and Gross Margin is accurate as of the date hereof, but may become outdated due to changing circumstances beyond our present awareness or control.

Our cost of revenues consists primarily of salaries and employee benefits, including performance bonuses and stock-based compensation, and project-related travel expenses of client-serving professionals. Cost of revenues also includes depreciation and amortization expenses related to client-serving activities.

During the three months ended March 31, 2024 our cost of revenues was \$52.2 million, a slight increase of \$0.6 million from \$51.5 million in the corresponding period of 2023. Our gross profit decreased 3.2% on a year-over-year basis reaching \$27.7 million during the first quarter of 2024. The key reason was the higher cost associated with delivery professionals accompanied by foreign currency headwinds.

Expressed as a percentage of revenues, our gross margin for the first quarter decreased 1.0% to 34.7% from 35.7% in the three months ended March 31, 2023. For additional information on the various risks posed by the military action in Ukraine and the impact in the region, as well as other macroeconomic factors affecting our business, **Engineering, Research and fourth quarters Development** quarterly Report on Form 10-Q.

The principal components of each year. In addition, many engineering, research and development expenses are salaries and employee benefits including performance bonuses and stock-based compensation for personnel engaged in the design and development of solutions, as well as depreciation and amortization expenses related to engineering, research and development activities. On April 18, 2023, we acquired NextSphere Technologies Inc. ("NextSphere"), a full-service custom application development firm. NextSphere is headquartered in Tampa, FL. It also has an engineering presence in Phoenix, AZ, and operates two large engineering centers in the India tech hubs of Hyderabad and Chennai. The acquisition of NextSphere will Engineering, research, and development expenses were \$4.4 million and \$4.2 million during the three months ended March 31, 2024 and 2023, respectively. Expressed as a percentage of revenues, engineering, research, and development expenses were 5.5% during the first quarter of 2024 compared to 5.2% in the corresponding period of 2023. On December 23, 2022, we acquired Mutual Mobile Inc. ("Mutual Mobile"), a company based out of Austin, Texas and with delivery operations in India. Mutual Mobile offers end-to-end design and development of next-generation applications, combining mobile, augmented/virtual/mixed reality, and cloud edge / IoT practices. It has developed wide-ranging, technical solutions for prominent global brands across numerous industry verticals, with Technology, Healthcare, Automotive, and

Sales and Marketing

Sales and Marketing
Financial Services representing the top verticals by revenue. The acquisition of Mutual Mobile enhances our skills in the area of mobile technologies and UX expertise as well as Sales and marketing expenses represent spending associated with promoting and selling of our services. These expenses comprise of personnel costs, including performance bonuses and stock-based compensation, marketing events, travel expenses, as well as depreciation and amortization expenses related to such activities.

Key Performance Indicators and Other Factors Affecting Performance

During the three months ended March 31, 2024, our sales and marketing expenses increased by \$1.7 million as compared to the same period of 2023 and reached \$7.3 million. Sales and marketing expenses as a percentage of revenue during the first quarter of 2024 increased by 2.1% to 9.1% from 7.0% in the corresponding period of 2023. The changes were largely driven by increases in sales personnel and new sales initiatives.

General and Administrative

General and administrative expenses include costs to support the business and consist primarily of administrative personnel and officers' salaries, employee benefits including performance bonuses, stock-based compensation, legal and audit expenses, insurance, operating lease expenses of office premises and other facility costs, workforce global mobility initiatives, restructuring and employee relocation cost not directly related to customer projects, and depreciation and amortization expenses related to such activities. General and administrative expenses include a substantial majority of Grid Dynamics' retail sector customers tend stock-based compensation costs for the financial periods discussed herein. The table below shows the number of Grid Dynamics personnel (including full-time and part-time employees and contractors serving in similar capacities) by region, as of the dates indicated:

General and administrative expenses decreased from \$24.7 million in the first quarter of 2023 to \$21.5 million in 2024. The year-over-year decline was largely due to lower levels of stock-based compensation expenses. As a result, expressed as a percentage of revenues, our general and administrative expenses decreased by 3.9% to 27.0% during the holiday sale season, which typically lasts three months March 31, 2024 compared to 30.9% a year ago.

Other Income/(Expense), Net	2023	2022
Americas	2,744	3,189
Other income/(expense), net represent interest earned on our cash and cash equivalents, including money market funds, interest expense related to our borrowings, foreign exchange gains and losses as well as changes in the fair value of contingent considerations and investments in equity securities.	532	498
Total	3,823	3,746

During the three months ended March 31, 2024 other income/(expense), net, was \$2.5 million, an increase of \$0.8 million or 50.1% compared to \$1.7 million recorded during the first quarter of 2023. Main drivers of increase continue to be income generated by our money market funds accompanied by unrealized gain from late November (before Thanksgiving) through late December (after Christmas), our marketable equity investments recognized in the first quarter of 2024.

	2024	2023
Provision for Income Tax Americas ⁽¹⁾	550	515

Grid Dynamics follows the asset and liability method of accounting for income taxes. The provision for income taxes reflects income earned and taxed in the various U.S. federal and state and non-U.S. jurisdictions. Jurisdictional tax law changes, increases or decreases in permanent differences between book and tax items, accruals or adjustments of accruals for tax contingencies or valuation allowances, and the change in the mix of earnings from these taxing jurisdictions all affect the overall effective tax rate.

Total	3,892	3,744
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During the three months ended March 31, 2024 we recognized a provision for income tax of \$0.9 million compared to \$3.7 million in the same period of 2023. The difference in the tax provision was attributable mainly to Section 162(m) compensation deduction limitations, foreign rate differential, and foreign inclusion adjustments.

(1) Americas includes personnel located in North, Central and South America.

Non-GAAP Measures/Results of Operations

(2) Rest of the world includes personnel located in India and other countries not included in regions described above. To supplement Grid Dynamics' consolidated financial data presented on a basis consistent with U.S. GAAP, this Quarterly Report contains certain non-GAAP financial measures, including Non-GAAP EBITDA, Non-GAAP Net Income and Non-GAAP Diluted Earnings Per Share, or EPS. 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. These measures exclude certain expenses that are required under U.S. GAAP. Grid Dynamics excludes these items because they are not part of core operations or, in the case of stock-based compensation, non-cash expenses that are determined based in part on Grid Dynamics' underlying performance.

Grid Dynamics targets a voluntary attrition rate no higher than the mid-teen percentages, in line with the industry. Grid Dynamics believes these supplemental performance measurements are useful in evaluating operating performance, as they are similar to measures reported by its public industry peers and those regularly used by security analysts, investors and other interested parties in analyzing operating performance and prospects. These non-GAAP financial measures are not intended to be a substitute for any GAAP financial measures and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry. Grid Dynamics' management tracks and projects billable hours as an indicator of business volume and corresponding resource needs for IT professionals. To maintain its gross profit margins, Grid Dynamics must effectively utilize its IT professionals. 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. The three months ended March 31, 2024, compared to the related GAAP financial measures, the same period. Grid Dynamics' management analyzes and projects utilization to measure the efficiency of its workforce and to inform management's budget and personnel recruiting decisions.

Customer Concentration

Grid Dynamics' ability to retain and expand its relationships with existing customers and add new customers are key indicators of its revenue potential. During the nine months ended September 30, 2023 March 31, 2024, the total number of customers was 265, up 210, down from 242 220 customers in the same period a year ago. Grid Dynamics' procurement of new customers has a direct impact on its ability to diversify its sources of revenue and replace customers that may no longer require its services. Grid Dynamics has a relatively small number of large customers. 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.

Grid Dynamics defines and calculates its non-GAAP financial measures as follows:

- **Non-GAAP EBITDA:** Net income/(loss) before interest income/expense, provision for income taxes and depreciation and amortization, and further adjusted for the impact of stock-based compensation expense, transaction-related costs (which include, when applicable, professional fees, retention bonuses, and consulting, legal and advisory costs related to Grid Dynamics' merger and acquisition and capital-raising activities), impairment of goodwill and other income/expenses, net (which includes mainly interest income and expense, foreign currency transaction losses and gains, fair value adjustments, potential loss contingencies, and other miscellaneous expenses), and 2023 Restructuring costs. One customer accounted for 10% or more of Grid Dynamics' revenues in each of the periods indicated. Comparatively two We expect to continue our focus on maintaining our long-term relationships with customers accounted for 10% or more of Grid Dynamics' revenues during three and nine months ended September 30, 2022.
- **Non-GAAP Net Income:** Net income/(loss) adjusted for the impact of stock-based compensation, impairment of goodwill, transaction-related costs, restructuring costs, other income/expenses, net, and the tax impacts of these adjustments.
- **Non-GAAP Diluted EPS:** Non-GAAP Net income, divided by the diluted weighted-average number of common shares outstanding for the period.

The following table presents the reconciliation sets forth a summary of Grid Dynamics' Non-GAAP EBITDA to its consolidated net income/(loss), the most directly comparable GAAP measure, results of operations for the interim periods indicated while diversifying our customer base.

GAAP net income/(loss)	Three Months Ended September 30,		Three Months Ended September 30		Nine Months Ended September 30,	
			2023	2022	2023	2022
	(in thousands)					
GAAP net income/(loss)			\$ 676	\$ (6,659)	\$ (4,667)	\$ (22,512)
Adjusted for:						
Depreciation and amortization			2,478	1,627	6,255	4,907
Provision for income taxes (in thousands, except percentages)			2,626	3,359	8,001	7,240

Stock-based compensation	Three Months Ended March 31, 2024	7,267	17,551	Three Months Ended March 31, 2023	42,599	
Transaction and transformation-related costs ⁽¹⁾	436	—	—	1,511	—	
Geographic reorganization ⁽²⁾	306	2024	2,658	1,528	2023	9,633
Restructuring ⁽³⁾ (in thousands, except percentages)	103	—	—	1,086	—	
Other (income) expense, net ⁽⁴⁾	(3,159)	(1,450)	(7,849)	(124)	—	
Customer customer \$11,082 14.3 % \$10,624 13.1 % Top one customer \$10,733 13 % 16.7 % 16.7 % Top one customer \$10,086 15 % 15 % Top one customer \$13,950 13.9 % Top one customer \$13,743 13.6 %						
Non-GAAP EBITDA						
Top five customers	—	—	—	—	—	
Top five customers	\$28,499	36.8 %	\$36,125	44.5 %	Top five customers	
(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.	\$ 31,583	39.6	39.6 %	\$ 32,667	40.8	40.8 %
Top ten customers	—	—	—	—	—	
Top ten customers	\$11,222	54.0 %	\$10,600	61.1 %	Top ten customers	
(2) Geographic reorganization includes expenses connected with military actions of Russia against Ukraine indicated, 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.	\$ 11,141	55.3	55.2 %	\$ 48,391	60.4	60.4 %
Top twenty customers	—	—	—	—	—	
Top twenty customers	\$24,809	32.0 %	\$21,351	26.3 %	Customers below top twenty	
(3) We implemented	\$ 24,828	31.1	31.1 %	\$ 22,099	27.6	27.6 %
		Three Months Ended March 31,		Change		
		2024	2023	Dollars	Percentage	
		(in thousands, except percentages)				
Revenues						
Cost of revenues	\$ 79,817	\$ 80,080	\$ (263)	(0.3)%		
	52,152	51,505	647	1.3 %		
Gross profit	27,665	28,575	(910)	(3.2)%		
Engineering, research, and development	4,372	4,203	169	4.0 %		
Sales and marketing	7,292	5,634	1,658	29.4 %		
General and administrative	21,543	24,730	(3,187)	(12.9)%		
Total operating expense	33,207	34,567	(1,360)	(3.9)%		
Loss from operations	(5,542)	(5,992)	450	(7.5)%		
Other income/(expense), net	2,525	1,682	843	50.1 %		
Loss before income taxes	(3,017)	(4,310)	1,293	(30.0)%		
Provision for income taxes	931	3,660	(2,729)	(74.6)%		
Net loss	\$ (3,948)	\$ (7,970)	\$ 4,022	(50.5)%		

Revenues

On a restructuring plan year-over-year basis, our revenues remained flat during the first quarter of 2023. Our restructuring costs comprised of severance charges 2024. On a year-over-year basis, we witnessed growth in our Finance and respective taxes Other verticals from both existing and are included in General and administrative expenses new clients, offset by decline in the Company's unaudited condensed consolidated statement remainder of income/(loss) and comprehensive income/(loss), the verticals.

(4) **Revenues by Verticals.** Other (income)/expense, net consist primarily of gains and losses on foreign currency transactions, fair value adjustments, and other miscellaneous non-operating expenses. Our five main vertical markets or a group of various industries where we are increasing our presence, which we label as well as other income consists primarily "Verticals". In the first quarter of 2024, we disaggregated Healthcare.

and Pharma as a separate vertical due to its growing importance and materiality to the Company. The following table presents our revenues by vertical and revenues as a reconciliation percentage of Grid Dynamics' Non-GAAP Diluted EPS and its Non-GAAP Net Income to its consolidated net income/(loss) total revenues for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands, except per share data)			
GAAP net income/(loss)	\$ 676	\$ (6,659)	\$ (4,667)	\$ (22,512)

Adjusted for:

Stock-based compensation	7,267	17,551	27,677	42,599
Transaction and transformation-related costs ⁽¹⁾	436	—	1,519	—
Geographic reorganization ⁽²⁾	306	2,658	1,528	9,633
Restructuring costs ⁽³⁾	103	—	1,086	—
Other (income)/expense, net ⁽⁴⁾	(3,159)	(1,450)	(7,849)	(124)
Tax impact of non-GAAP adjustments ⁽⁵⁾	232	(1,124)	86	(3,442)
Non-GAAP Net Income	\$ 5,861	\$ 10,976	\$ 19,380	\$ 26,154
Number of shares used in the GAAP Diluted EPS	77,339	68,623	75,026	67,566
GAAP Diluted EPS	\$ 0.01	\$ (0.10)	\$ (0.06)	\$ (0.33)
Number of shares used in the Non-GAAP Diluted EPS	77,339	71,857	77,298	70,739
Non-GAAP Diluted EPS	\$ 0.08	\$ 0.15	\$ 0.25	\$ 0.37

	Three Months Ended March 31,			
	2024	% of revenue	2023	% of revenue
	(in thousands, except percentages)			
Retail	\$ 24,629	30.9 %	\$ 25,396	31.7 %
Technology, Media and Telecom	24,033	30.1 %	26,811	33.5 %
Finance	10,243	12.8 %	6,515	8.1 %
CPG/Manufacturing	9,559	12.0 %	12,646	15.8 %
Healthcare and Pharma	3,009	3.8 %	3,152	3.9 %
Other	8,344	10.4 %	5,560	7.0 %
Total	\$ 79,817	100.0 %	\$ 80,080	100.0 %

(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. During the first quarter of 2024, Retail decreased by 3.0% compared to the prior year but continued to be our largest vertical with \$24.6 million, or 30.9% of our total revenues. On a year-over-year basis, we witnessed a slight decrease in Retail revenues from our European clients offset by the US based customers.

The Technology, Media and Telecom ("TMT") vertical with \$24.0 million of revenues decreased by 10.4% on a year-over-year basis. We saw growth in our largest customer in TMT vertical which was offset by a decrease from a few of our technology customers.

Our restructuring costs comprised CPG and Manufacturing vertical, representing 12.0% of severance charges our revenues for the three months ended March 31, 2024, showed decrease of 24.4% compared to the three months ended March 31, 2023. The key reasons for the decline were a combination of macro-related uncertainty resulting in a more cautionary outlook towards spending and respective taxes customer specific factors at some of our larger customers.

The Healthcare and are included in General Pharma vertical remained flat with \$3.0 million, or 3.8% of total revenues during the three months ended March 31, 2024 compared to \$3.2 million, or 3.9% of total revenues a year ago.

Our Finance and administrative expenses in Other verticals, representing 12.8% and 10.4% of total revenues, respectively, continued to steadily grow with each increasing by more than 50.0% during the Company's unaudited condensed consolidated statement of income/(loss) and comprehensive income/(loss) three months ended March 31, 2024.

(4) Other (income)/expense, net consist primarily of gains and losses on foreign currency transactions, fair value adjustments, and other miscellaneous non-operating expenses. Revenue growth was driven by increased demand from existing as well as other income consists primarily of interest on cash held at banks and returns on investments in money-market funds.new clients.

(5) Reflects the estimated tax impact of the non-GAAP adjustments presented in the table.

Key Components of Revenue and Expenses

Revenues

Grid Dynamics generates revenues by providing focused and complex services in the area of software engineering, development, integration, testing, and operations of digital services. Grid Dynamics provides services mainly on a time and materials basis and, to a much lesser extent, on a fixed-fee basis. While fixed-fee contracts currently represent not significant portion of overall revenue for the periods presented compared to time and material engagements, Grid Dynamics expects proportionate revenue from fixed-fee contracts to increase in future periods. On a time and materials basis, Grid Dynamics earns and recognizes revenue as hours and costs are incurred. On its current and future fixed fee contracts, Grid Dynamics earns and recognizes revenue as the work is performed, the monthly calculation of which is based upon actual labor hours incurred and level of effort expended throughout the duration of the contract. For both time and materials contracts and fixed fee contracts, hourly rates are typically determined based on the location and experience of Grid Dynamics personnel selected to perform the service and are negotiated for each contract or statement of work, as the case may be. For fixed fee contracts, the fixed fee generally remains constant for the contracted project period unless the customer directs a change in scope of project work or requests additional Grid Dynamics employees in excess of those scheduled for a specific project.

In select cases, Grid Dynamics offers volume discounts or early settlement discounts, which are recorded as contra-revenue items. Volume discounts apply once the customer reaches certain contractual spend thresholds. Early settlement discounts are issued contingent upon the timing of the payment from the customer. If there is uncertainty about project completion or receipt of payment for services provided, revenue is deferred until the uncertainty is sufficiently resolved.

Costs and Expenses

Cost of Revenues. Cost Revenues and Gross Margin

Our cost of revenue revenues consists primarily of salaries and employee benefits, including performance bonuses and stock-based compensation, and project-related travel expenses for of client-serving personnel. Cost of revenue revenues also includes depreciation and amortization expense expenses related to client-serving activities.

During the three months ended March 31, 2024 our cost of revenues was \$52.2 million, a slight increase of \$0.6 million from \$51.5 million in the corresponding period of 2023. Our gross profit decreased 3.2% on a year-over-year basis reaching \$27.7 million during the first quarter of 2024. The key reason was the higher cost associated with delivery professionals accompanied by foreign currency headwinds.

Expressed as a percentage of revenues, our gross margin for the first quarter decreased 1.0% to 34.7% from 35.7% in the three months ended March 31, 2023.

Engineering, Research and Development. Engineering, Development

The principal components of engineering, research and development expenses consist mainly of salaries and employee benefits including performance bonuses and stock-based compensation for personnel engaged in the design and development of solutions. Engineering, research and development expenses also include solutions, as well as depreciation and amortization expenses related to such engineering, research and development activities.

Engineering, research, and development costs are expensed expenses were \$4.4 million and \$4.2 million during the three months ended March 31, 2024 and 2023, respectively. Expressed as incurred, a percentage of revenues, engineering, research, and development expenses were 5.5% during the first quarter of 2024 compared to 5.2% in the corresponding period of 2023.

Sales and Marketing. Marketing

Sales and marketing expenses consist primarily of expenses represent spending associated with promoting and selling Grid Dynamics' services and consists mainly of salaries and employee benefits, our services. These expenses comprise of personnel costs, including performance bonuses and stock-based compensation, marketing events, travel expenses, as well as depreciation and amortization expenses related to such activities.

During the three months ended March 31, 2024, our sales and marketing expenses increased by \$1.7 million as compared to the same period of 2023 and reached \$7.3 million. Sales and marketing expenses as a percentage of revenue during the first quarter of 2024 increased by 2.1% to 9.1% from 7.0% in the corresponding period of 2023. The changes were largely driven by increases in sales personnel and new sales initiatives.

General and Administrative. Administrative

General and administrative expenses include costs to support the business and consist primarily of administrative personnel and officers' salaries, and employee benefits including performance bonuses, and stock-based compensation, legal and audit expenses, insurance, operating lease expenses (mainly facilities and vehicles) of office premises and other facility costs, workforce global mobility initiatives, restructuring and employee relocations relocation cost (not in connection with not directly related to customer projects), projects, and depreciation and amortization expenses related to such activities. General and administrative expenses include a substantial majority of Grid Dynamics' stock-based compensation costs for the financial periods discussed herein.

General and administrative expenses decreased from \$24.7 million in the first quarter of 2023 to \$21.5 million in 2024. The year-over-year decline was largely due to lower levels of stock-based compensation expenses. As a result, expressed as a percentage of revenues, our general and administrative expenses decreased by 3.9% to 27.0% during the three months March 31, 2024 compared to 30.9% a year ago.

Other Income/(Expense), Net

Other income/(expense), net represent interest earned on our cash and cash equivalents, including money market funds, interest expense related to our borrowings, foreign exchange gains and losses as well as changes in the fair value of contingent considerations and investments in equity securities.

During the three months ended March 31, 2024 other income/(expense), net, was \$2.5 million, an increase of \$0.8 million or 50.1% compared to \$1.7 million recorded during the first quarter of 2023. Main drivers of increase continue to be income generated by our money market funds accompanied by unrealized gain from our marketable equity investments recognized in the first quarter of 2024.

Provision for Income Taxes

Grid Dynamics follows the asset and liability method of accounting for income taxes, whereby deferred income taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. The provision for income taxes reflects income earned and taxed in the various U.S. federal and state and non-U.S. jurisdictions. Jurisdictional tax law changes, increases or decreases in permanent differences between book and tax items, accruals or adjustments of accruals for tax contingencies or valuation allowances, and the change in the mix of earnings from these taxing jurisdictions all affect the overall effective tax rate.

During the three months ended March 31, 2024 we recognized a provision for income tax of \$0.9 million compared to \$3.7 million in the same period of 2023. The difference in the tax provision was attributable mainly to Section 162(m) compensation deduction limitations, foreign rate differential, and foreign inclusion adjustments.

Results of Operations

The three and nine months ended September 30, 2023 March 31, 2024 compared to the three and nine months ended September 30, 2022 March 31, 2023

The following table sets forth a summary of Grid Dynamics' consolidated results of operations for the interim periods indicated, and the changes between periods:

		Three Months Ended		Change				Three Months Ended		Change	
		September 30,	March 31,	2023	2022	Dollars	Percentage	2024	2023	Dollars	(i)
		(in thousands, except percentages)									
Revenues	Revenues	\$ 77,419	\$ 81,161	\$ (3,742)	(4.6)	% Revenues		\$ 79,817	\$ 80,080	\$ (263)	(0.3)
Cost of revenues	Cost of revenues	49,267	48,491	776	1.6	% revenues		52,152	51,505	51,505	647
Gross profit	Gross profit	28,152	32,670	(4,518)	(13.8)	% Gross profit		27,665	28,575	28,575	(910)
Engineering, research, and development	Engineering, research, and development	3,402	4,139	(737)	(17.8)	% development		4,372	4,203	4,203	169
Sales and marketing	Sales and marketing	6,132	5,084	1,048	20.6	% marketing		7,292	5,634	5,634	1,658
General and administrative	General and administrative	18,475	28,197	(9,722)	(34.5)	% administrative		21,543	24,730	24,730	(3,187)
Total operating expense	Total operating expense	28,009	37,420	(9,411)	(25.1)	% expense		33,207	34,567	34,567	(1,360)
Income/(loss) from operations		143	(4,750)	4,893	(103.0)	%					
Loss from operations				Loss from operations				(5,542)	(5,992)	450	(7)
Other income/(expense), net	Other income/(expense), net	3,159	1,450	1,709	117.9	% net		2,525	1,682	1,682	843
											50.1

Revenues

	Nine Months Ended September 30,			Change	
	2023		2022		Dollars
	(in thousands, except percentages)				Percentage
Revenues					
Cost of revenues	\$ 234,841	\$ 229,906	\$ 4,935		2.1 %
	149,809	141,596	8,213		5.8 %
Gross profit	85,032	88,310	(3,278)		(3.7)%
Engineering, research, and development	10,878	11,075	(197)		(1.8)%
Sales and marketing	17,729	14,431	3,298		22.9 %
General and administrative	60,940	78,200	(17,260)		(22.1)%
Total operating expense	89,547	103,706	(14,159)		(13.7)%
Loss from operations	(4,515)	(15,396)	10,881		(70.7)%
Other income/(expense), net	7,849	124	7,725		6,229.8 %
Income/(loss) before income taxes	3,334	(15,272)	18,606		(121.8)%
Provision for income taxes	8,001	7,240	761		10.5 %
Net loss	\$ (4,667)	\$ (22,512)	\$ 17,845		(79.3)%

On a year-over-year basis, our revenues remained flat during the first quarter of 2024. On a year-over-year basis, we witnessed growth in our Finance and Other verticals from both existing and new clients, offset by decline in the remainder of the verticals.

Revenues by Vertical. **Verticals.** We assign our customers into one of our **four** **five** main vertical markets or a group of various industries where we are increasing our presence, which we label as "Verticals". In the first quarter of 2024, we disaggregated Healthcare

and Pharma as a separate vertical due to its growing importance and materiality to the Company. The following table presents our revenues by vertical and revenues as a percentage of total revenues by vertical for the periods indicated:

Three Months Ended September 30,				Three Months Ended March 31,								
		% of revenue				% of revenue						
2023	2024	2022	2023	2024	2022	2023	2024					
(in thousands, except percentages)												
Retail	Retail	\$ 26,544	34.3 %	\$ 25,260	31.1 %	Retail	\$ 24,629	30.9	30.9 %	\$ 25,396	31.7	31.1 %

Technology, Media and Telecom	Technology, Media and Telecom	23,732	30.7 %	26,335	32.4 %	Technology, Media and Telecom	24,033	30.1	30.1 %	26,811	33.5	33.
Finance	Finance					Finance	10,243	12.8	%	6,515		8.1
CPG/Manufacturing	CPG/Manufacturing	9,668	12.5 %	16,058	19.8 %	CPG/Manufacturing	9,559	12.0	12.0 %	12,646	15.8	15.
Finance		7,299	9.4 %	6,073	7.5 %							
Healthcare and Pharma	Healthcare and Pharma					Healthcare and Pharma	3,009	3.8	%	3,152		3.9
Other	Other	10,176	13.1 %	7,435	9.2 %	Other	8,344	10.4	10.4 %	5,560	7.0	7.
Total	Total	\$ 77,419	100.0 %	\$ 81,161	100.0 %	Total	\$ 79,817	100.0	100.0 %	\$ 80,080	100.0	100.

Nine Months Ended September 30,												
(in thousands, except percentages)												
Retail		\$	77,972		33.2 %	\$	74,019		32.2 %			
Technology, Media and Telecom			74,639		31.8 %		71,170		31.0 %			
CPG/Manufacturing			33,186		14.1 %		47,127		20.5 %			
Finance			20,562		8.8 %		15,649		6.8 %			
Other			28,482		12.1 %		21,941		9.5 %			
Total	Total	\$ 234,841		100.0 %		\$ 229,906		100.0 %				

Revenues. During the first quarter of 2024, Retail decreased by 3.0% compared to the prior year but continued to be our largest vertical with \$24.6 million, or 30.9% of our total revenues. On a year-over-year basis, we witnessed a slight decrease in Retail revenues from our European clients offset by the US based customers.

The Technology, Media and Telecom ("TMT") vertical with \$24.0 million of revenues decreased by \$3.7 million or 4.6% during the third quarter of 2023 largely due to macroeconomic conditions. On a year-to-date basis, revenue increased by \$4.9 million or 2.1%, reaching \$234.8 million. The year-over-year increase 10.4% on a nine-month basis, year-over-year basis. We saw growth in our largest customer in TMT vertical which was driven offset by contributions a decrease from the recent acquisitions, a few of our technology customers.

Cost Our CPG and Manufacturing vertical, representing 12.0% of Revenues. Cost of our revenues remained relatively on the same level with a 1.6% increase in for the three months ended September 30, 2023 over March 31, 2024, showed decrease of 24.4% compared to the same period last year, three months ended March 31, 2023. The key reasons for the decline were a combination of macro-related uncertainty resulting in a more cautionary outlook towards spending and customer specific factors at some of our larger customers.

The Healthcare and Pharma vertical remained flat with \$3.0 million, or 3.8% of total revenues during the three months ended March 31, 2024 compared to \$3.2 million, or 3.9% of total revenues a year ago.

Our Finance and Other verticals, representing 12.8% and 10.4% of total revenues, respectively, continued to steadily grow with each increasing by more than 50.0% during the three months ended March 31, 2024. Revenue growth was driven by increased demand from existing as well as new clients.

Cost of Revenues and Gross Margin

Our cost of revenues consists primarily of salaries and employee benefits, including performance bonuses and stock-based compensation, and project-related travel expenses of client-serving professionals. Cost of revenues also includes depreciation and amortization expenses related to client-serving activities.

During the three months ended March 31, 2024 our cost of revenues was \$52.2 million, a slight increase of \$0.6 million from \$51.5 million in the corresponding period of 2023. Our gross profit decreased 3.2% on a year-to-date year-over-year basis grew by \$8.2 million, or 5.8% reaching \$149.8 million compared to \$27.7 million during the same period of 2022 largely due to contributions from our recent acquisitions.

Gross Profit. The Company witnessed a decrease of 13.8% in gross profit for the third first quarter of 2023 compared to 2024. The key reason was the same period of last year reaching \$28.2 million. At the same time gross profit for the nine months 2023 showed a slight decrease higher cost associated with delivery professionals accompanied by \$3.3 million or 3.7% which is largely driven by higher revenues that helped to partially offset increased costs, foreign currency headwinds.

Expressed as a percentage of revenues, our gross margin for the third first quarter slightly decreased by 3.9% on a year-over-year basis and by 0.2% on a sequential basis. 1.0% to 34.7% from 35.7% in the three months ended March 31, 2023.

Engineering, Research and Development

The principal components of engineering, research and development expenses are salaries and employee benefits including performance bonuses and stock-based compensation for personnel engaged in the design and development of solutions, as well as depreciation and amortization expenses related to engineering, research and development activities.

Engineering, research, and development expenses decreased by \$0.7 million, or 17.8% to \$3.4 million in were \$4.4 million and \$4.2 million during the three months ended September 30, 2023 March 31, 2024 and 2023, respectively. Expressed as compared to the same period last year. During the nine months a percentage of 2023 revenues, engineering, research, and development costs decreased by 1.8% to \$10.9 million expenses were 5.5% during the first quarter of 2024 compared to \$11.1 million recorded 5.2% in the nine months ended September 30, 2022. The decrease in both periods was primarily due to decrease in stock-based compensation expenses, that was partially offset by increase in staffing and greater investments in customer delivery operations on a year-to-date basis, corresponding period of 2023.

Sales and Marketing. Marketing

Sales and marketing expenses represent spending associated with promoting and selling of our services. These expenses comprise of personnel costs, including performance bonuses and stock-based compensation, marketing events, travel expenses, as well as depreciation and amortization expenses related to such activities.

During the three and nine months ended **September 30, 2023** **March 31, 2024**, our sales and marketing expenses increased by **\$1.0 million** and **\$3.3 million**, respectively, **\$1.7 million** as compared to the same period of **2022** **2023** and reached **\$7.3 million**. Sales and marketing expenses as a percentage of revenue during the **third** **first** quarter and the **nine months of 2023** **2024** increased by **1.6%** and **1.2%**, respectively, **2.1%** to **9.1%** from **7.0%** in the corresponding period of **2023**. The changes were largely driven by increases in sales personnel and new sales initiatives.

General and Administrative. Administrative

General and administrative expenses include costs to support the business and consist primarily of administrative personnel and officers' salaries, employee benefits including performance bonuses, stock-based compensation, legal and audit expenses, insurance, operating lease expenses of office premises and other facility costs, workforce global mobility initiatives, restructuring and employee relocation cost not directly related to customer projects, and depreciation and amortization expenses related to such activities. General and administrative expenses include a substantial majority of Grid Dynamics' stock-based compensation costs for the financial periods discussed herein.

General and administrative expenses decreased from **\$28.2 million** **\$24.7 million** in the **third** **first** quarter of **2022** **2023** to **\$18.5 million** **\$21.5 million** in **2023** **2024**. The year-over-year decline **on a three-month basis** was largely due to lower levels of **the** **stock-based compensation expenses**. **On** **As a year-to-date basis**, **result**, expressed as a percentage of **revenues**, **our** **general and administrative expenses** decreased by **22.1%** reaching **\$60.9**

million **3.9%** to **27.0%** during the three months **March 31, 2024** compared to **\$78.2 million** **30.9%** a year ago.

Other Income/(Expense), Net

Other income/(expense), net represent interest earned on our cash and cash equivalents, including money market funds, interest expense related to our borrowings, foreign exchange gains and losses as well as changes in the **nine months** fair value of **2022**. This decrease was largely due to a combination of lower stock-based compensation contingent considerations and geographic reorganization expenses, investments in equity securities.

Other Income/(Expenses), Net. During the three months ended **September 30, 2023** **March 31, 2024** other **income** **doubled** **income/(expense)**, **net**, was **\$2.5 million**, an increase of **\$0.8 million** or **50.1%** compared to the three months ended **September 30, 2022** mainly due to a write-off of contingent consideration related to **Mutual Mobile** and **NextSphere** acquisitions. During the nine months ended **September 30, 2023** the Company generated **\$7.8 million** of other income compared to **\$0.1 million** **\$1.7 million** recorded during the same periods **first quarter of 2022**. The **2023**. Main drivers of increase **on a year-to-date basis** in **2023** in comparison **continue to 2022**, was driven by **be** **income** **generated** **by** **our** **money market funds** **which we started to receive during** **accompanied by** **unrealized gain from our marketable equity investments** **recognized** **in the** **third** **first** **quarter of 2022** **as well** **as change in fair value of contingent consideration related to Mutual Mobile and NextSphere acquisitions.2024.**

Provision for Income Tax.

Grid Dynamics follows the asset and liability method of accounting for income taxes. The provision for income taxes reflects income earned and taxed in the various U.S. federal and state and non-U.S. jurisdictions. Jurisdictional tax law changes, increases or decreases in permanent differences between book and tax items, accruals or adjustments of accruals for tax contingencies or valuation allowances, and the change in the mix of earnings from these taxing jurisdictions all affect the overall effective tax rate.

During the three months ended **September 30, 2023** **March 31, 2024** we recognized a provision for income tax of **\$2.6 million** **\$0.9 million** compared to **\$3.4 million** **\$3.7 million** in the same period of **2022**. During the nine months of **2023** we recognized a provision for income tax of **\$8.0 million** compared to **\$7.2 million** during the same period of **2022, 2023**. The difference in the tax provision was attributable mainly to Section 162(m) compensation deduction limitations, foreign rate differential, and foreign inclusion adjustments.

Non-GAAP Measures

To supplement Grid Dynamics' consolidated financial data presented on a basis consistent with U.S. GAAP, this Quarterly Report contains certain non-GAAP financial measures, including Non-GAAP EBITDA, Non-GAAP net income and Non-GAAP diluted earnings per share, or EPS. 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. These measures exclude certain expenses that are required under U.S. GAAP. Grid Dynamics excludes these items because they are not part of core operations or, in the case of stock-based compensation, non-cash expenses that are determined based in part on Grid Dynamics' underlying performance.

Grid Dynamics believes these supplemental performance measurements are useful in evaluating operating performance, as they are similar to measures reported by its public industry peers and those regularly used by security analysts, investors and other

interested parties in analyzing operating performance and prospects. These non-GAAP financial measures are not intended to be a substitute for any GAAP financial measures and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry.

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.

Grid Dynamics defines and calculates its non-GAAP financial measures as follows:

- **Non-GAAP EBITDA:** Net income/(loss) before interest income/(expense), provision for income taxes and depreciation and amortization, and further adjusted for the impact of stock-based compensation expense, transaction-related costs (which include, when applicable, professional fees, retention bonuses, and consulting, legal and advisory costs related to Grid Dynamics' merger and acquisition and capital-raising activities), impairment of goodwill and other income/(expense), net (which includes mainly interest income and expense, foreign exchange gains and losses, fair value adjustments, potential loss contingencies, and other miscellaneous expenses), and restructuring costs.
- **Non-GAAP net income:** Net income/(loss) adjusted for the impact of stock-based compensation, impairment of goodwill, transaction-related costs, restructuring costs, other income/expenses, net, and the tax impacts of these adjustments.

Net Income/(Loss). • *During the three and nine months ended September 30, 2023, we recognized Non-GAAP diluted EPS:* Non-GAAP net income, divided by the diluted weighted-average number of \$0.7 million and common shares outstanding for the period.

The following table presents the reconciliation of Grid Dynamics' Non-GAAP EBITDA to its consolidated net loss, the most directly comparable GAAP measure, for the periods indicated:

	Three Months Ended March 31,		
	2024		2023
	(in thousands)		
GAAP net loss	\$ (3,948)	\$ (7,970)	
<i>Adjusted for:</i>			
Depreciation and amortization	2,914	1,645	
Provision for income taxes	931	3,660	
Stock-based compensation	11,339	13,257	
Transaction and transformation-related costs ⁽¹⁾	454	788	
Geographic reorganization ⁽²⁾	501	691	
Restructuring costs ⁽³⁾	626	443	
Other (income)/expense, net ⁽⁴⁾	(2,525)	(1,682)	
Non-GAAP EBITDA	\$ 10,292	\$ 10,832	

(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 \$4.7 million, respectively, compared 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 comprises of severance charges and respective taxes, and are included in General and administrative expenses in the Company's unaudited condensed consolidated statements of loss and comprehensive loss.

(4) Other (income)/expense, net consist primarily of gains and losses on foreign currency transactions, fair value adjustments, and other miscellaneous non-operating expenses as well as other income consists primarily of interest on cash held at banks and returns on investments in money-market funds.

The following table presents a reconciliation of Grid Dynamics' Non-GAAP diluted EPS and its Non-GAAP net income to its consolidated net loss for the periods indicated:

	Three Months Ended	
	March 31,	
	2024	2023
(in thousands, except per share data)		
GAAP net loss	\$ (3,948)	\$ (7,970)
<i>Adjusted for:</i>		
Stock-based compensation	11,339	13,257
Transaction and transformation-related costs ⁽¹⁾	454	788
Geographic reorganization ⁽²⁾	501	691
Restructuring costs ⁽³⁾	626	443
Other (income)/expense, net ⁽⁴⁾	(2,525)	(1,682)
Tax impact of non-GAAP adjustments ⁽⁵⁾	(1,209)	996
Non-GAAP net income	\$ 5,238	\$ 6,523
Number of shares used in the GAAP diluted EPS	76,151	74,459
GAAP diluted EPS	\$ (0.05)	\$ (0.11)
Number of shares used in the Non-GAAP diluted EPS	78,374	77,129
Non-GAAP diluted EPS	\$ 0.07	\$ 0.08

(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 \$6.7 million revenue, engineering, research and \$22.5 million 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 comprises of severance charges and respective taxes, and are included in General and administrative expenses in the same periods Company's unaudited condensed consolidated statements of 2022 due to loss and comprehensive loss.

(4) Other (income)/expense, net consist primarily of gains and losses on foreign currency transactions, fair value adjustments, and other miscellaneous non-operating expenses as well as other income consists primarily of interest on cash held at banks and returns on investments in money-market funds.

(5) Reflects the reasons stated above, estimated tax impact of the non-GAAP adjustments presented in the table.

Liquidity and Capital Resources

Grid Dynamics measures We measure liquidity in terms of its our ability to fund the cash requirements of its our business operations, including working capital needs, capital expenditures, contractual obligations, and other commitments with cash flows from operations and other sources of funding. Grid Dynamics Our current liquidity needs relate mainly to compensation and benefits of Grid Dynamics' our employees and contractors and capital expenditures for computer hardware investments to support our growth and office furniture. Grid Dynamics' geographical expansion. Our ability to expand and grow its our business will depend on

many factors including its our capital expenditure needs and the evolution of its our operating cash flows. Grid Dynamics We may need more cash resources due to changed business conditions or other developments, including investments or acquisitions.

Our principal source of liquidity continues to be cash generated from our operations. Additionally, on March 15, 2022, we entered into an agreement establishing a revolving credit facility with JPMorgan Chase Bank, N.A., as an administrative agent for the lenders. The revolving credit facility provides us with \$30.0 million of available borrowing capacity. See Note 7 "Debt" in the notes to our condensed consolidated financial statements in "Part I. Item 1. Financial Statements (Unaudited)" of this Quarterly Report for information regarding our debt.

As of March 31, 2024, Grid Dynamics believes that its current had cash position on its and cash equivalents amounting to \$249.4 million compared to \$257.2 million at December 31, 2023. Of this amount, \$22.1 million and \$21.2 million, respectively, was held outside the United States, and included among others the U.K., Netherlands, Switzerland, Poland, India, Mexico, Armenia and other countries. We did not have any debt outstanding under the revolving credit facility at any balance sheet of \$253.7 million as of September 30, 2023

is date presented. We believe that our cash and cash equivalents balance and cash generated from operating activities will be sufficient to fund its currently expected levels of operating, investing and financing expenditures for a period of twelve months from the date of this filing. However, if Grid Dynamics' our resources are insufficient to satisfy its our cash requirements, it we may need to seek additional equity or debt financing, which may be subject to conditions outside of Grid Dynamics' our control and may not be available on terms acceptable to Grid Dynamics' our management or at all.

The Company's cash is held with high-quality financial institutions. Deposits held with banks may, at times, exceed the amount of insurance provided on such deposits. As of September 30, 2023 See Note 7 "Debt", Note 9 "Leases" and December 31, 2022 Grid Dynamics had cash Note 14 "Commitments and cash equivalents amounting to \$253.7 million and \$256.7 million respectively. Of this amount, \$19.4 million and \$16.8 million, respectively, was held outside the United States. Cash balances held in Ukraine as of September 30, 2023 and December 31, 2022 equaled \$4.3 million and \$0.6 million, respectively. Cash held outside of the United States is used for the operational needs of the local entities and cash balances change with the expected operating needs of these entities. If we decide to remit funds from these countries to the United States contingencies in the future, whether in the form of inter-company dividends or otherwise, we may be subject notes to foreign withholding taxes. Additionally the Company holds cash deposits in countries where the banking sector remains periodically unstable, banking and other financial systems generally do not meet the banking standards of more developed markets, and bank deposits made by corporate entities are not insured. Such countries apart from Ukraine include Armenia, Moldova, Romania, Serbia, India, and Mexico. The Company places its cash with financial institutions considered stable in the region and conducts ongoing evaluations of the credit worthiness of the financial institutions with which it operates. However, a banking crisis, bankruptcy or insolvency of banks that process or hold the Company's funds, may result in the loss of the Company's deposits or adversely affect the Company's ability to complete banking transactions, which could adversely affect the Company's business and financial condition.

On March 15, 2022, we entered into a new agreement establishing a revolving credit facility with JPMorgan Chase Bank, N.A., as administrative agent for the lenders. See Note 8 to the our condensed consolidated financial statements. As statements in "Part I. Item 1. Financial Statements (Unaudited)" of September 30, 2023 we had no outstanding debt under the credit facility.

this Quarterly Report for detailed information on our contractual obligations and commitments.

Cash Flows

The following table summarizes Grid Dynamics' cash flows for the periods indicated:

	Nine Months Ended		2024	Three Months Ended		
	September 30,			March 31,	(in thousands)	
	2023	2022				
	(in thousands)			(in thousands)		
Net cash provided by operating activities	Net cash provided by operating activities	\$ 33,537	\$ 19,639			
Net cash used in investing activities	Net cash used in investing activities	\$ (23,423)	\$ (5,381)			
Net cash (used in)/ provided by financing activities		\$ (14,467)	\$ 98,503			
Net cash used in financing activities						
Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	\$ 1,337	\$ (1,937)			
Net increase/(decrease) in cash and cash equivalents		\$ (3,016)	\$ 110,824			

Net (decrease)/increase in cash and cash equivalents		
Cash, cash equivalents (beginning (beginning of period)	Cash, cash equivalents (beginning of period)	\$ 256,729 \$144,364
Cash, cash equivalents (end of period)	Cash, cash equivalents (end of period)	\$ 253,713 \$255,188

Operating Activities. Net cash provided by operating activities for the **nine** three months ended **September 30, 2023** increased **March 31, 2024** decreased by **\$13.9 million** **\$8.4 million** to **\$33.5 million** **\$3.2 million** from **\$19.6 million** **\$11.7 million** provided in the same period of **2022, 2023**, driven by **a combination** changes in timing of **decrease the employee-related compensations in days-sales-outstanding** some of the offshore locations and **improved cash collections from customers**, timing of some customers' payments.

Investing Activities. Net cash used in investing activities during the **nine months** **first quarter of 2023** **2024** primarily reflects **our capital expenditures** that increased from **\$1.6 million** during the **acquisition of NextSphere** that resulted **three months** ended **March 31, 2023** to **\$3.2 million** in a **payment of \$17.8 million** net of cash acquired. Capital expenditures during **nine months of 2023** increased by **\$1.2 million** compared to the **same period of 2022** and were comprised of capital expenditures for computer hardware, related equipment and software, **current year quarter**.

Financing Activities. Net cash used in financing activities in the **nine** three months ended **September 30, 2023** **March 31, 2024** was **\$14.5 million** **\$7.0 million** and reflected the tax withholding obligations due to issuance of shares in connection with vested awards that was **\$10.2 million** higher **\$1.4 million** lower compared to 2022. Cash provided 2023. We also benefited from proceeds from exercise of stock options that increased by **financing activities** during **\$0.6 million** compared to the **nine months ended September 30, 2022** reflected the equity offering during **third** **first** quarter of **2022** that was slightly offset by the payment of contingent consideration for Daxx acquisition and the tax obligations noted above. 2023.

Off-Balance Sheet Arrangements and Commitments

Except for its credit support for the letter of credit and balances on corporate credit cards, Grid Dynamics does **We do not have any** **material off-balance sheet commitments or contractual arrangements** other than those disclosed in Note 9 "Leases" and Note 14 "Commitments and contingencies" of **the kind** required **our condensed consolidated financial statements** in "Part I. Item 1. Financial Statements (Unaudited)" of this Quarterly Report.

As a result of analysis related to Grid Dynamics' functional control of its subcontractors one was determined to be **disclosed under SEC rules** a variable interest entity ("VIE") and does not is therefore consolidated in Grid Dynamics' financial statements. The assets and liabilities of this VIE consist primarily of intercompany balances and transactions, all of which have any off-balance sheet or contingent commitments, except as described above with respect to operating leases been eliminated in **Note 10** **consolidation**.

Recently Adopted and Issued Accounting Pronouncements

Recently issued and adopted accounting pronouncements are described in Note 1 to Grid Dynamics' condensed consolidated financial **statements** **statements** in "Part I. Item 1. Financial Statements (Unaudited)" of this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Grid Dynamics has in the past and may in the future be exposed to certain market and credit risks in the ordinary course of business, including exposure related to fluctuations in foreign currency rates, and on occasion and to a lesser extent, changes in interest rates and concentration of credit risk. In addition, Grid Dynamics' international operations are subject to risks related to differing economic conditions, changes in political climate, differing tax structures, and other regulations and restrictions. See the section titled "Risk Factors" for additional information.

Foreign Currency Exchange Rate Risk

Grid Dynamics is exposed to foreign currency exchange transaction risk related to funding its non-US operations and to foreign currency translation risk related to certain of its subsidiaries' cash balances that are denominated in currencies other than the U.S. dollar. In addition, Grid Dynamics' profit margins are subject to volatility as a result of changes in foreign exchange rates. Grid Dynamics' functional currency apart from the U.S. dollar includes EURO, British pounds, Mexican pesos, Moldovan leu and Indian rupees. When and where possible, Grid Dynamics seeks to match expenses of each entity to currencies in which

revenues are generated creating natural hedge. In future periods, Grid Dynamics may also become materially exposed to changes in the value of Serbian dinars and Moldovan leu against the U.S. dollar, due to the recent acquisitions and continuous expansion of operations.

In the three months ended September 30, 2023 March 31, 2024, approximately 38.0% 39.1% of Grid Dynamics' \$77.3 million \$85.4 million combined cost of revenue revenues and total operating expenses were denominated in currencies other than the U.S. dollar. Comparatively, approximately 28.3% 34.9% of Grid Dynamics' \$85.9 million \$86.1 million of combined cost of revenue revenues and total operating expenses were denominated in currencies other than the U.S. dollar in the three months ended September 30, 2022 March 31, 2023.

In the three months ended September 30, 2023 March 31, 2024:

- a 10% decrease in the value of the Polish zloty against the U.S. dollar would have resulted in a \$0.9 million \$1.3 million increase in Grid Dynamics' income from operations, while a 10% increase in the zloty's value would have resulted in a \$1.1 million \$1.5 million decrease in income from operations.
- a 10% decrease in the value of the Mexican pesos against the U.S. dollar would have resulted in a \$0.4 million increase in Grid Dynamics' income from operations, while a 10% increase in the pesos' value would have resulted in a \$0.4 million decrease in income from operations.

In the three months ended March 31, 2023:

- a 10% decrease in the value of the Polish zloty against the U.S. dollar would have resulted in a \$0.8 million increase in Grid Dynamics' income from operations, while a 10% increase in the zloty's value would have resulted in a \$1.0 million decrease in income from operations.
- a 10% decrease in the value of the Mexican pesos against the U.S. dollar would have resulted in a \$0.3 million increase in Grid Dynamics' income from operations, while a 10% increase in the pesos' value would have resulted in a \$0.4 million decrease in income from operations.

In the three months ended September 30, 2022:

- a 10% decrease in the value of the Polish zloty against the U.S. dollar would have resulted in a \$0.5 million increase in Grid Dynamics' income from operations, while a 10% increase in the zloty's value would have resulted in a \$0.6 million decrease in income from operations.
- a 10% decrease in the value of the Mexican pesos against the U.S. dollar would have resulted in a \$0.2 million increase in Grid Dynamics' income from operations, while a 10% increase in the pesos' value would have resulted in a 0.3 million decrease in income from operations.

In the nine months ended September 30, 2023, approximately 38.0% of Grid Dynamics' \$239.4 million combined cost of revenue and total operating expenses were denominated in currencies other than the U.S. dollar. Comparatively, approximately 34.7% of Grid Dynamics' \$245.3 million of combined cost of revenue and total operating expenses were denominated in currencies other than the U.S. dollar in the three months ended September 30, 2022.

In the nine months ended September 30, 2023:

- a 10% decrease in the value of the Polish zloty against the U.S. dollar would have resulted in a \$2.6 million increase in Grid Dynamics' income from operations, while a 10% increase in the zloty's value would have resulted in a \$3.2 million decrease in income from operations.
- a 10% decrease in the value of the Mexican pesos against the U.S. dollar would have resulted in a \$0.9 million increase in Grid Dynamics' income from operations, while a 10% increase in the pesos' value would have resulted in a \$1.2 million decrease in income from operations.

In the nine months ended September 30, 2022:

- a 10% decrease in the value of the Polish zloty against the U.S. dollar would have resulted in a \$1.5 million increase in Grid Dynamics' income from operations, while a 10% increase in the zloty's value would have resulted in a \$1.8 million decrease in income from operations.
- a 10% decrease in the value of the Mexican pesos against the U.S. dollar would have resulted in a \$0.5 million increase in Grid Dynamics' income from operations, while a 10% increase in the pesos' value would have resulted in a \$0.6 million decrease in income from operations.

Grid Dynamics analyzes sensitivity to the zloty pound sterling and pesos separately because, in management's experience, fluctuations in the value of these currencies against the U.S. dollar are frequently driven by distinct macroeconomic and geopolitical factors and have the largest effect on our results during the third first quarter of 2023 2024.

Grid Dynamics does not currently hedge its foreign currency exposure, although it seeks minimize it by limiting cash transfers to amounts necessary to fund subsidiary operating expenses for a short period, typically one week. Grid Dynamics' management may evaluate new hedging strategies in future periods.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

Our management, including the CEO and CFO, confirmed there have been no changes in our internal control over financial reporting during the three months ended **September 30, 2023** **March 31, 2024**, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, do not expect that our disclosure controls or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not currently a party to any material legal proceeding. In addition, we are not aware of any material legal or governmental proceedings against us or contemplated to be brought against us. Future litigation may be necessary, among other things, to defend us or our customers by determining the scope, enforceability and validity of third-party proprietary rights or to establish our proprietary rights. The results of any litigation cannot be predicted with certainty and, regardless of the outcome, litigation can have an adverse impact on our company because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, the risk factors set forth below. The risks and uncertainties described in this Quarterly Report on Form 10-Q are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also affect our business. See the section titled "*Special Note Regarding Forward-Looking Statements*" of this Quarterly Report on Form 10-Q for a discussion of the forward-looking statements that are qualified by these risk factors. If any of these known or unknown risks or uncertainties actually occurs and have a material adverse effect on us, our business, financial condition and results of operations could be seriously harmed.

Summary of Risk Factors

Our business is subject to numerous risks and uncertainties that you should consider before investing in our company, as fully described below. The principal factors and uncertainties that make investing in our company risky include, among others:

- We have a relatively short operating history and operate in a rapidly evolving industry, which makes it difficult to evaluate our future prospects and may increase the risk that we will not continue to be successful and may adversely impact our stock price.
- We may be unable to effectively manage our growth or achieve anticipated growth, particularly as we expand into new geographies, which could place significant strain on our management personnel, systems and resources.
- Our revenues have historically been 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 our revenues and adversely affect our business, financial condition and results of operations.
- We have incurred significant net losses in recent years, we expect to incur losses in the future and we may not be able to generate sufficient revenue to achieve and maintain profitability.

- The impact of the military action in Ukraine has affected and may continue to affect our business.
- Macroeconomic conditions, inflationary pressures, and the geopolitical climate could adversely affect our operating results and growth prospects.
- Our revenues are highly dependent on clients primarily located in the U.S. Any economic downturn in the U.S. or in other parts of the world, including Europe, or disruptions in the credit markets may have a material adverse effect on our business, financial condition and results of operations.
- We face intense competition.
- Damage to our reputation may adversely impact our ability to generate and retain business.
- Our failure to successfully attract, hire, develop, motivate and retain highly skilled personnel could have a significant adverse effect on our business, financial condition, and results of operations.
- Our business operations may be severely disrupted if we lose the services of our senior executives and key employees.
- Failure to adapt to changing technologies, methodologies, and evolving industry standards may have a material adverse effect on our business, financial condition, and results of operations.
- Social ethical and business ethical issues relating to the use of AI artificial intelligence ("AI") in our offerings. offerings may result in reputational harm or liability.

- Security breaches and incidents, system failures or errors, and other disruptions to our networks and systems, could result in unauthorized access to, or disclosure or other processing of, confidential information and expose us to liability, which would cause our business and reputation to suffer.
- Undetected software design defects, errors or failures may result in loss of business or in liabilities that could have a material adverse effect on our reputation, business and results of operations.
- War, terrorism, other acts of violence, or natural or man-made disasters may affect the markets in which we operate, our clients and our service delivery.
- Our global business, especially in CIS and CEE countries, exposes us to significant legal, economic, tax and political risks.
- Acquisitions strategic investments, partnerships or alliances could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our financial condition and results of operations, we may not achieve the financial and strategic goals that were contemplated at the time of a transaction, and we may be exposed to claims, liabilities and disputes as a result of the transaction that may adversely impact our business, operating results and financial condition.

Risks Related to Our Business, Operations and Industry

We have a relatively short operating history and operate in a rapidly evolving industry, which makes it difficult to evaluate future prospects and may increase the risk that we will not continue to be successful and may adversely impact our stock price.

We were founded in 2006 and have a relatively short operating history in the The technology services industry which is competitive and continuously evolving, subject to rapidly changing demands and constant technological developments. As a result, success and performance metrics are difficult to predict and measure. Since services and technologies are rapidly evolving and each company within the industry can vary greatly in terms of the services it provides, its business model and its results of operations, it can be difficult to predict how any company's services, including ours, will be received in the market.

While many Fortune 1000 enterprises, including our clients, have been willing to devote significant resources to incorporate emerging technologies and related market trends into their business models, they may not continue to spend any significant portion of their budgets on services like those provided by us in the future. Neither our past financial performance nor the past financial performance of any other company in the technology services industry is indicative of how we will fare financially in the future. Our future profits may vary substantially from those of other companies and our past profits, making an investment in us risky and speculative. If clients' demand for our services declines as a result of economic conditions, market factors or shifts in the technology industry, our business, financial condition and results of operations would be adversely affected.

Our stock performance is highly dependent on our ability to successfully execute and grow the business. Consequently, our stock price may be adversely impacted by our inability to execute to our plan, our inability to meet or exceed forward looking financial forecasts, and our inability to achieve our stated short-term and long-term goals.

We may be unable to effectively manage our growth or achieve anticipated growth, particularly as we expand into new geographies, which could place significant strain on our management personnel, systems and resources.

Continued growth and expansion may increase challenges we face in recruiting, training and retaining sufficiently skilled professionals and management personnel, maintaining effective oversight of personnel and delivery centers, developing financial and management controls, coordinating effectively across geographies and business units, and preserving our culture and values. Failure to manage growth effectively could have a material adverse effect on the quality of the execution of our engagements, our ability to attract and retain IT professionals, as well as our business, financial condition and results of operations.

In addition, as we increase the size and complexity of projects that we undertake with clients, add new delivery sites, introduce new services or enter into new markets, we may face new market, technological, operational, compliance and administrative risks and challenges, including risks and challenges unfamiliar to us. We may not be able to mitigate these risks and challenges to achieve our anticipated growth or successfully execute large and complex projects, which could materially adversely affect our business, prospects, financial condition and results of operations.

All of these risks are heightened as we are currently rapidly expanding continue to expand geographically, including through acquisitions. During 2022, we announced our expansion to a new European hub with an office in Zug, Switzerland, a new engineering office in

Yerevan, Armenia, Romania, and expansion in India and Jamaica. As we grow, we continue to explore other geographies for expansion. This may result in higher costs affecting our profitability levels. Furthermore, as we expand to new geographies, we may not be able to sustain the level of competitiveness, including high

quality and low cost, of our workforce that has enabled us to succeed at with our customers. Additionally, we do not have a long history of operating our business, including recruiting, training and retaining employees, in these new geographies, and our competitiveness may decline if we are not able to effectively manage these risks.

Our revenues have historically been highly dependent on a limited number of clients and industries and any decrease in demand for outsourced services in these industries may reduce our revenues and adversely affect our business, financial condition and results of operations.

Our revenues have historically been highly dependent on a limited number of clients. In the nine months first quarter of 2023 2024 and 2022, 2023, we generated a significant portion of our revenues from our largest clients. For example, we generated approximately 56.8% 55.3% and 59.8% 60.4% of our revenue from our 10 largest clients during the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023 we had one and two clients, client in each of the periods, respectively, that each accounted for greater than 10% of our revenue revenues for the periods indicated. Since a substantial portion of our revenue is derived through time and materials contracts, which are mostly short-term in nature and cancellable by our customers on limited notice, a major client in one year may not provide the same level of revenues for us in any subsequent year. In addition, a significant portion of our revenues is concentrated in our top three four industry verticals: technology, retail, finance and CPG/manufacturing. Our growth largely depends on our ability to diversify the industries in which we serve, continued demand for our services from clients in these industry verticals and other industries that we may target in the future, as well as on trends in these industries to outsource the type of services we provide.

Our business is also subject to seasonal trends that impact our revenues and profitability between quarters, driven by the timing of holidays in the countries in which we operate and the U.S. retail cycle, which drives the behavior of several of our retail clients. Excluding the impact of growth in our book of business, we have historically recorded higher revenue and gross profit in the second and third quarters of each year compared to the first and fourth quarters of each year. In addition, many of our retail sector clients tend to slow their discretionary spending during the holiday sale season, which typically lasts from late November (before Thanksgiving) through late December (after Christmas). Such seasonal trends may cause reductions in our profitability and profit margins during periods affected.

A reduction in demand for our services and solutions caused by seasonal trends, downturns in any of our targeted industries, a slowdown or reversal of the trend to outsource IT services in any of these industries or the introduction of regulations that restrict or discourage companies from outsourcing may result in a decrease in the demand for our services and could have a material adverse effect on our business, financial condition and results of operations.

We have incurred significant net losses in recent years, we expect to incur losses in the future and we may not be able to generate sufficient revenue to achieve and maintain profitability.

We have incurred significant net losses in recent periods, including net losses of \$4.7 million \$3.9 million for the nine three months ended September 30, 2023 March 31, 2024 and \$22.5 million \$8.0 million for the nine three months ended 2022, 2023. We may continue to incur significant losses in the future for a number of reasons, including unforeseen and high-levels of operating expenses, expansion into higher-cost geographies, increased costs due to wage inflation, and costs related to the Russian invasion of Ukraine.

We anticipate that our operating expenses will increase in the foreseeable future as we invest in our business for growth. This includes, but is not limited to acquisition related integration costs, costs associated with maintaining compliance as a public company, and increased spending related to sales, marketing, and R&D. These increased expenditures may make it more difficult to achieve and maintain profitability. In addition, our efforts to grow our business may be more expensive than we expect, and we may not be able to generate sufficient revenue to offset increased operating expenses. If we are required to reduce our expenses, our growth strategy could be materially affected. We will need to generate and sustain significant revenue levels in future periods in order to become profitable, and, even if we do, we may not be able to maintain or increase our level of profitability.

Accordingly, we cannot assure you that we will achieve sustainable operating profits as we continue to expand our business and infrastructure, further develop our marketing efforts, and otherwise implement our growth initiatives. Any failure to increase our revenue sufficiently to keep pace with our investments and other expenses could prevent us from achieving and maintaining profitability or positive cash flow on a consistent basis. If we are unable to successfully address these risks and challenges as we encounter them, our business, results of operations and financial condition would be adversely affected. In the event that we fail to achieve or maintain profitability, this could negatively impact the value of our common stock.

The impact of the military action in Ukraine has affected and may continue to affect our business.

On February 24, 2022, Russian forces launched significant military action against Ukraine. The conflict has impacted our business and may continue to pose risks to our business. The impact to Ukraine as well as actions taken by other countries, including new and stricter sanctions imposed by US, the United States, European Union, the United Kingdom, Canada, and other countries against officials, individuals, regions, and industries in Russia and Ukraine, and actions taken by Russia in response to such sanctions, and each country's potential response to such sanctions, tensions, and military actions could have a material adverse effect on our operations. For example, in response to increased sanctions, Russia could attempt to take control of assets in Ukraine of companies registered in the United States, such as Grid Dynamics. Any such material adverse effect from the conflict and enhanced sanctions activity may disrupt our delivery of services, impair our ability to complete financial or banking transactions, cause us to shift all or portions of our work occurring in the region to other countries, and may restrict our ability to engage in certain projects in the region or involving certain customers in the region.

We are actively monitoring the security of our personnel and the stability of our infrastructure, including communications and internet availability. We ~~executed our business continuity plan and~~ have adapted to developments as they occur to protect the safety of our people and handle potential impacts to our delivery infrastructure. This includes moving ~~affected employees to safer locations in Western Ukraine and, where permissible, outside Ukraine, and reallocating work to other geographies within our global footprint~~. We are actively working with our personnel and with our customers to meet their needs and to ensure smooth delivery of services.

In April 2022, Grid Dynamics also announced it would cease remaining operations in the Russian Federation. We have worked towards the safe and expedient relocation of willing employees and ongoing management of projects to eliminate delivery impact to clients. ~~In addition we announced our expansion to a new European hub with an office in Zug, Switzerland, a new engineering office in Yerevan, Armenia, Romania and workforce expansion in India and Jamaica. As of June May~~ 2023, our former subsidiary in Russia is liquidated and ~~are~~ is not performing any client services from Russia.

We have no way to predict the progress or outcome of the military action in Ukraine, as the conflict and government reactions continue to develop and are beyond our control. Prolonged unrest, military activities, expansion of hostilities, or broad-based sanctions, could have a material adverse effect on our operations and business outlook. In addition, the current geopolitical situations in Armenia and separately in Serbia create additional uncertainty in the region, and could adversely affect our business.

The information contained in this section is accurate as of the date hereof, but may become outdated due to changing circumstances beyond our present awareness or control.

Macroeconomic conditions, inflationary pressures, and the geopolitical climate could adversely affect our operating results and growth prospects.

We operate globally and as a result our business, revenues and profitability are impacted by global macroeconomic conditions. The success of our activities is affected by general economic and market conditions, including, among others, inflation rate fluctuations, interest rates, tax rates, economic uncertainty, fluctuations in consumer spending, political instability, changes in laws, and trade barriers and sanctions. Recently, inflation rates in the US have increased to levels not seen in several years, and there are concerns of a recession. Further, a federal government shutdown resulting from failing to pass budget appropriations, adopt continuing funding resolutions, or raise the debt ceiling, and other budgetary decisions limiting or delaying deferral government spending, may negatively impact U.S. or global economic conditions, including corporate and consumer spending, and liquidity of capital markets. Such economic volatility could adversely affect our clients' business, as well as our business, financial condition, results of operations and cash flows, and future market disruptions could negatively impact us. Because of our concentration on our clients' capital-intensive digital transformation programs, our clients, and therefore our business, may be particularly sensitive to rising interest rates. Geopolitical destabilization could continue to impact global currency exchange rates, commodity prices, trade and movement of resources, which may adversely affect the technology spending of our clients and potential clients.

Our revenues are highly dependent on clients primarily located in the U.S. Any economic downturn in the U.S. or in other parts of the world, including Europe, or disruptions in the credit markets may have a material adverse effect on our business, financial condition and results of operations.

The IT services industry is particularly sensitive to the economic environment and tends to decline during general economic downturns. We derive the majority of our revenues from clients in the U.S. In the event of an economic downturn in the U.S. or in other parts of the world, including Europe, our existing and prospective clients may reduce or postpone their technology

spending significantly, which may in turn lower the demand for our services and may have a material adverse effect on our business, financial condition and results of operations. In addition, if a disruption in the credit markets were to occur, it could pose a risk to our business if clients or vendors are unable to obtain financing to meet payment or delivery obligations to us or if we are unable to obtain necessary financing.

We face intense competition.

The market for technology and IT services is highly competitive and subject to rapid change and evolving industry standards, particularly around the use and development of AI solutions, and we expect competition to persist and intensify. We face competition from other offshore IT services providers in outsourcing destinations with low wage costs such as India, China, CEE countries and Latin America, as well as competition from large, global consulting and outsourcing firms and in-house IT departments of large corporations. Industry clients tend to engage multiple IT services providers instead of using an exclusive IT services provider, which could reduce our revenues to the extent that our clients obtain services from competing companies. Industry clients may prefer IT services providers that have more locations or that are based in countries that are more cost-competitive, stable and/or secure than some of the emerging markets in which we operate.

Our primary competitors include global consulting and traditional IT service providers such as Accenture plc, Capgemini SE, Cognizant Technology Solutions Corporation, Infosys Technologies, Wipro, and digital transformation providers such as EPAM Systems, Inc., Globant S.A., Endava plc, and Thoughtworks Holding, Inc., and Slalom Consulting Inc. Many of our present and potential competitors have substantially greater financial, marketing and technical resources, and name recognition than we do. Therefore, they may be able to compete more aggressively on pricing or devote greater resources to the development and promotion of technology and IT services and we may be unable to retain our clients while competing against such competitors. Increased competition as well as our inability to compete successfully may have a material adverse effect on our business, prospects, financial condition and results of operations.

Damage to our reputation may adversely impact our ability to generate and retain business.

Since our business involves providing tailored services and solutions to clients, we believe that our corporate reputation is a significant factor when an existing or prospective client is evaluating whether to engage our services as opposed to those of our competitors. In addition, we believe that our brand name and reputation also play an important role in recruiting, hiring and retaining highly skilled personnel.

However, our brand name and reputation is potentially susceptible to damage by factors beyond our control, including actions or statements made by current or former clients and employees, competitors, vendors, adversaries in legal proceedings, government regulators and the media. There is a risk that negative information about us, even if untrue, could adversely affect our business. Any damage to our reputation could be challenging to repair, could make potential or existing clients reluctant to select us for new engagements, could adversely affect our recruitment and retention efforts, and could also reduce investor confidence.

Our failure to successfully attract, hire, develop, motivate and retain highly skilled personnel could have a significant adverse effect on our business, financial condition, and results of operations.

Our continued growth and success and operational efficiency is dependent on our ability to attract, hire, develop, motivate and retain highly skilled personnel, including IT engineers and other technical personnel, in the geographically diverse locations in which we operate and into which we are expanding. Competition for highly skilled IT professionals is intense and as a consequence, we may witness increasing challenges around employee retention, talent shortages, and attrition rates. While our management targets a voluntary attrition rate (expressed as a percentage) no higher than in the low-twenties, the significant market demand for highly skilled IT personnel and competitors' activities may induce our qualified personnel to leave and make it more difficult for us to recruit new employees with suitable knowledge, experience and professional qualifications. High attrition rates of IT personnel would increase our operating costs, including hiring and training costs, and could have an adverse effect on our ability to complete existing contracts in a timely manner, meet client objectives and expand our business. Failure to attract, hire, develop, motivate and retain personnel with the skills necessary to serve our clients could decrease our ability to meet and develop ongoing and future business and could materially adversely affect our business, financial condition and results of operations.

Our business operations may be severely disrupted if we lose the services of our senior executives and key employees.

Our success depends substantially upon the continued services of our senior executives and other key employees. If we lose the services of one or more of such senior executives or key employees, our business operations can be disrupted, and we may not

be able to replace them easily or at all. In addition, competition for senior executives and key personnel in our industry is intense, and we may be unable to retain such personnel or attract and retain such personnel in the future, in which case our business may be severely disrupted.

Failure to adapt to changing technologies, methodologies, and evolving industry standards may have a material adverse effect on our business, financial condition, and results of operations.

We operate in an industry characterized by rapidly changing technologies, such as generative AI, methodologies and evolving industry standards. Our future success depends in part upon our ability to anticipate developments in our industry, enhance our existing services and to develop and introduce new services to keep pace with such changes and developments and to meet changing client needs.

Development and introduction of new services and products, including generative AI, is expected to become increasingly complex and expensive, involve a significant commitment of time and resources, and subject to a number of risks and challenges, including:

- difficulty or cost in updating services, applications, tools and software and in developing new services quickly enough to meet clients' needs;
- difficulty or cost in making some features of software work effectively and securely over the internet or with new or changed operating systems;
- difficulty or cost in updating software and services to keep pace with evolving industry standards, methodologies, regulatory and other developments in the industries where our clients operate; and
- difficulty or cost in maintaining a high level of quality and reliability as we implement new technologies and methodologies.

We may not be successful in anticipating or responding to these developments, including generative AI, in a timely manner, and even if we do so, the services, technologies or methodologies we develop or implement may not be successful in the marketplace. Furthermore, services, technologies or methodologies that are developed by competitors may render our services non-competitive or obsolete. Our failure to adapt and enhance our existing services and to develop and introduce new services to promptly address the needs of our clients may have a material adverse effect on our business, financial condition and results of operations.

Regulatory issues relating to the use of AI may adversely affect our business, financial condition, and results of operations.

As with many technological innovations, artificial intelligence presents risks and challenges that could affect its adoption, and therefore our business. Uncertainty in the legal regulatory regime, relating to AI, may require significant resources to modify and maintain business practices to comply with U.S. and non-U.S. laws, the nature of which cannot be determined at this time. Several jurisdictions around the globe, including Europe and certain U.S. states, have already proposed or enacted laws governing AI. Other jurisdictions may decide to adopt similar or more restrictive legislation that may render the use of such technologies challenging. These obligations may make it harder for us to conduct our business, lead to regulatory fines or penalties, require us to change our business practices, or prevent or limit our use of AI or our customers' demand for AI solutions. If we cannot use AI or our customers' demand for AI solutions decreases, our business may be less efficient, or we may struggle to attract or retain customers. Any of these factors could adversely affect our business, financial condition, and results of operations.

Social and ethical issues relating to the use of AI in our offerings may result in reputational harm or liability.

Social and ethical issues relating to the use of new and evolving technologies such as AI in our offerings, may result in reputational harm and liability, and may cause us to incur additional research and development costs to resolve such issues. We are increasingly building AI into many of our offerings. As with many innovations, AI presents risks and challenges that could affect its adoption, and therefore our business. AI presents emerging ethical issues and if we enable or offer solutions that draw controversy due to their perceived or actual impact on society, we may experience brand or reputational harm, competitive harm, or legal liability. Potential government regulation in the space of AI ethics may also increase the burden and cost of research and development in this area, subjecting us to brand or reputational harm, competitive harm, or legal liability. Failure to address AI ethics issues by us or others in our industry could undermine public confidence in AI and slow adoption of AI in our products and services.

Security breaches and incidents, system failures or errors, and other disruptions to our networks and systems could result in unauthorized access to, or disclosure or other processing of, confidential information and expose us to liability, which would cause our business and reputation to suffer.

We often have access to, or are required to collect, process, transmit, store, or otherwise process, sensitive or confidential client and customer data, including intellectual property, proprietary business information of Grid Dynamics and our clients, and personal information of our clients, customers, employees, contractors, service providers, and others. We use our data centers and networks, and certain networks and other facilities and equipment of our contractors and service providers, for these purposes. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks and disruptions by hackers or other third parties, the introduction of ransomware or other malicious code, or otherwise may be breached or otherwise subject to security incidents or compromises due to human error, phishing attacks, social engineering, zero-day vulnerabilities, malfeasance or other disruptions. Because of increases in the number of our personnel and our contractors' and service providers' personnel working remotely, we face increased risks of such attacks and disruptions that

may affect our systems and networks or those of our clients, contractors, and service providers. Increased risks of such attacks and disruptions, including a heightened risk of potential cyberattacks by state actors and state affiliated actors, also exist because of Russia's geopolitical events such as Russia's significant military action against Ukraine. Such risks could increase as we expand geographically. Further, cyberattacks are becoming increasingly sophisticated, including as a result of the proliferation of artificial intelligence and machine learning. Any such breach, incident or disruption could compromise our data centers, networks and other equipment and the information stored or processed there could be accessed, disclosed, altered, misappropriated, lost, stolen, rendered unavailable, or otherwise processed without authorization. In addition, any failure or security breach or incident in a client's system relating to the services we provide could also result in loss or misappropriation of, or unauthorized access, alteration, use, acquisition, disclosure, or other processing of sensitive or confidential information, and may result in a perception that we or our contractors or service providers caused such an incident, even if our and our contractors' and service providers' networks and other facilities and equipment were not compromised. Although we maintain industry standard information security controls, including supply chain security verification, anti-phishing training and testing, and vulnerability management consistent with our ISO27001 certification, no safeguard or combination of safeguards can prevent all incidents from happening.

Our contractors and service providers face similar risks with respect to their facilities and networks used by us, and they also may suffer outages, disruptions, and security incidents and breaches. We cannot guarantee that our or our third-party vendors and service providers' systems and networks have not been breached or otherwise compromised or that they do not contain any exploitable vulnerabilities, defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our services. Breaches and security incidents suffered by us and our contractors and service providers may remain undetected for an extended period. Any such breach, disruption or other circumstance leading to loss, alteration, misappropriation, or unauthorized use, access, acquisition, disclosure, or other processing of sensitive or confidential client or customer data suffered by us or our contractors or service providers, or the perception that any may have occurred, could expose us to claims, litigation, and liability, regulatory investigations and proceedings, cause us to lose clients and revenue, disrupt our operations and the services provided to clients, damage our reputation, cause a loss of confidence in our products and services, require us to expend significant resources designed to protect against further breaches and incidents and to rectify problems caused by these events, and result in significant financial and other potential losses.

Our errors and omissions insurance covering certain damages and expenses may not be sufficient to compensate for all liability. Although we maintain insurance for liabilities incurred as a result of certain security-related damages, we cannot be certain that our coverage will be adequate for liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, results of operations, and reputation.

Undetected software design defects, errors or failures may result in loss of business or in liabilities that could have a material adverse effect on our reputation, business and results of operations.

Our services involve developing software solutions for our clients and we may be required to make certain representations and warranties to our clients regarding the quality and functionality of our software. Given that our software solutions have a high degree of technological complexity, they could contain design defects or errors that are difficult to detect or correct. We cannot provide assurances that, despite testing by us, errors or defects will not be found in our software solutions. Any such errors or defects could result in litigation, other claims for damages against us, the loss of current clients and loss of, or delay in, revenues, loss of market share, a failure to attract new clients or achieve market acceptance, diversion of development resources, increased support or service costs, as well as reputational harm and thus could have a material adverse effect on our reputation, business, prospects, financial condition and results of operations.

We do not have long-term commitments from our clients, and our clients may terminate contracts before completion or choose not to renew contracts.

Our clients are generally not obligated for any long-term commitments to us. Although a substantial majority of our revenues are generated from repeated business, which we define as revenues from a client who also contributed to our revenues during the prior year, our engagements with our clients are typically for projects that are singular in nature. In addition, our clients can terminate many of our master services agreements and work orders with or without cause, and in most cases without any cancellation charge. Therefore, we must seek to obtain new engagements when our current engagements are successfully completed or are terminated as well as maintain relationships with existing clients and secure new clients to expand our business.

There are a number of factors relating to our clients that are outside of our control which might lead them to terminate a contract or project with us, including:

- financial difficulties for the client;
- a change in strategic priorities, resulting in elimination of the impetus for the project or a reduced level of technology spending;
- a change in outsourcing strategy resulting in moving more work to the client's in-house technology departments or to our competitors;
- the replacement by our clients of existing software with packaged software supported by licensors;
- mergers and acquisitions or significant corporate restructuring; and
- changes in the macro-economic environment resulting in weak demand at our **customers' customers'** business.

Failure to perform or observe any contractual obligations could result in cancellation or non-renewal of a contract, which could cause us to experience a higher than expected number of unassigned employees and an increase in our cost of revenues as a percentage of revenues, until we are able to reduce or reallocate our headcount. The ability of our clients to terminate agreements makes our future revenues uncertain. We may not be able to replace any client that elects to terminate or not renew its contract with us, which could materially adversely affect our revenues and thus our results of operations.

In addition, some of our agreements specify that if a change of control of our company occurs during the term of the agreement, the client has the right to terminate the agreement. If any future event triggers any change-of-control provision in our client contracts, these master services agreements may be terminated, which would result in loss of revenues.

Failure to successfully deliver contracted services or causing disruptions to clients' businesses may have a material adverse effect on our reputation, business, financial condition, and results of operations.

Our business is dependent on our ability to successfully deliver contracted services in a timely manner. Any partial or complete failure of our equipment or systems, or any major disruption to basic infrastructure like power and telecommunications in the locations in which we operate, could impede our ability to provide contracted services to our clients. In addition, if our professionals make errors in the course of delivering services to our clients or fail to consistently meet the service requirements of a client, these errors or failures could disrupt the client's business. Any failure to successfully deliver contracted services or causing disruptions to a client's business, including the occurrence of any failure in a client's system or breach of security relating to the services provided by us, may expose us to substantial liabilities and have a material adverse effect on our reputation, business, financial condition and results of operations.

Additionally, our clients may perform audits or require us to perform audits and provide audit reports with respect to the IT and financial controls and procedures that we use in the performance of services for our clients. Our ability to acquire new clients and retain existing clients may be adversely affected and our reputation could be harmed if we receive a qualified opinion, or if we cannot obtain an unqualified opinion in a timely manner, with respect to our controls and procedures in connection with any such audit. We could also incur liability if our controls and procedures, or the controls and procedures we manage for a client, were to result in an internal control failure or impair our client's ability to comply with its own internal control requirements. If we or our partners fail to meet our contractual obligations or otherwise breach obligations to our clients, we could be subject to legal liability, which may have a material and adverse effect on our reputation, business, financial condition, and results of operations.

We rely on software, hardware and SaaS technologies from third parties that may be difficult to replace or that may cause errors or defects in, or failures of, our services or solutions.

We rely on software and hardware from various third parties as well as hosted Software as a Service ("SaaS") applications from third parties to deliver our services and solutions. If any of these software, hardware or SaaS applications become unavailable due to loss of license, extended outages, interruptions, or because they are no longer available on commercially reasonable terms, there may be delays in the provisioning of our services until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated, which could increase our expenses or otherwise harm our business. Furthermore, any errors or defects in or failures of third-party software, hardware or SaaS applications could result in errors or defects in or failures of our services and solutions, which could be costly to correct and have an adverse effect on our reputation, business, financial condition and results of operations.

Existing insurance coverage and limitation of liability provisions in service contracts may be inadequate to protect us against losses.

We maintain certain insurance coverage, including professional liability insurance, director and officer insurance, property insurance for certain of our facilities and equipment, and business interruption insurance for certain of our operations. However, we do not insure for all risks in our operations and if any claims for injury are brought against us, or if we experience any business disruption, litigation or natural disaster, we might incur substantial costs and diversion of resources.

Most of the agreements we have entered into with our clients require us to purchase and maintain specified insurance coverage during the terms of the agreements, including commercial general insurance or public liability insurance, umbrella insurance, product liability insurance, and workers' compensation insurance. Some of these types of insurance are not available on reasonable terms or at all in some countries in which we operate.

Our liability for breach of our obligations is in some cases limited under client contracts. Such limitations may be unenforceable or otherwise may not protect us from liability for damages. In addition, our existing contracts may not limit certain liabilities, such as claims of third parties for which we may be required to indemnify our clients. The successful assertion of one or more large claims against us in amounts greater than those covered by our current insurance policies could materially adversely affect our business, financial condition and results of operations. Even if such assertions against us are unsuccessful, we may incur reputational harm and substantial legal fees.

If we are not able to maintain an effective system of internal control over financial reporting, current and potential investors could lose confidence in our financial reporting, which could harm our business and have an adverse effect on our stock price. We cannot provide assurances that material weaknesses, or significant deficiencies, will not occur in the future.

Any failure to maintain effective internal controls over our financial reporting could materially and adversely affect us. Section 404 of the Sarbanes-Oxley Act requires us to include in our annual reports on Form 10-K an assessment by management of the effectiveness of our internal controls over financial reporting. In addition, we are now required to report and have our independent public accounting firm attest to and report on management's assessment of the effectiveness of our internal control over financial reporting because we ceased to qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act (the "JOBS Act") as of December 31, 2022. In the future, if we are unable to conclude that we have effective internal control over financial reporting or, if our independent auditors are unable to provide us with an attestation and an unqualified report as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our securities.

If material weaknesses or significant deficiencies in internal controls are discovered in the future, they may adversely affect our ability to record, process, summarize and report financial information in a timely and accurate manner and, as a result, our financial statements may contain material misstatements or omissions.

Our global business, especially in CIS and CEE countries, exposes us to significant legal, economic, tax and political risks.

We have significant operations in certain emerging market economies, and are expanding into other countries, which creates legal, economic, tax and political risks. Risks inherent in conducting international operations include:

- less established legal systems and legal ambiguities, inconsistencies and anomalies;
- changes in laws and regulations;
- application and imposition of protective legislation and regulations relating to import or export, including tariffs, quotas and other trade protection measures;

- difficulties in enforcing intellectual property and/or contractual rights;
- bureaucratic obstacles and corruption;
- compliance with a wide variety of foreign laws, including those relating to privacy data protection and cybersecurity;
- restrictions on the repatriation of dividends or profits;
- expropriation or nationalization of property;
- restrictions on currency convertibility and exchange controls;
- fluctuations in currency exchange rates;

- potentially adverse tax consequences;
- competition from companies with more experience in a particular country or with international operations;
- civil strife;
- unstable political and military situations; and

• overall foreign policy and variability of foreign economic conditions, including the effects of the COVID-19 pandemic conditions.

The legal systems of Ukraine, Poland, Serbia, India, Mexico, Moldova, Romania and other countries are often beset by legal ambiguities as well as inconsistencies and anomalies due to the relatively recent enactment of many laws that may not always coincide with market developments. Furthermore, legal and bureaucratic obstacles and corruption exist to varying degrees in each of these countries. In such environments, our competitors may receive preferential treatment from governments, potentially giving them a competitive advantage. Governments may also revise existing contract rules and regulations or adopt new ones at any time and for any reason, and government officials may apply contradictory or ambiguous laws or regulations in ways that could materially adversely affect our business and operations in such countries. Any of these changes could impair our ability to obtain new contracts or renew or enforce contracts under which we currently provide services or to which we are a party. Any new contracting methods could be costly or administratively difficult for us to implement, which could materially adversely affect our business and operations. We cannot guarantee that regulators, judicial authorities or third parties in Ukraine, Poland, Serbia, India, Mexico, Moldova, Romania or other countries will not challenge our (including our subsidiaries') compliance with applicable laws, decrees and regulations. In addition to the foregoing, selective or arbitrary government actions may include withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions, all of which could have a material adverse effect on our business, financial condition and results of operations.

The banking and other financial systems in certain Commonwealth of Independent States ("CIS") and CEE Central and Eastern European ("CEE") countries where we operate remain subject to periodic instability and generally do not meet the banking standards of more developed markets. Armed conflict, or the threat of armed conflict, including the significant military action against Ukraine launched by Russia, as well as sanctions targeting banks in the region in response to such military action, could contribute to banking challenges or a banking crisis in these countries. Such events, or a financial crisis or the bankruptcy or insolvency of banks through which we receive, or with which we hold, funds may result in the loss of our deposits or adversely affect our ability to complete banking transactions in that region, which could materially adversely affect our business and financial condition.

Furthermore, existing tensions and the emergence of new or escalated tensions in CIS and CEE countries, including the significant military action against Ukraine launched by Russia, has exacerbated and could further exacerbate tensions between such countries and the U.S. Such tensions, concerns regarding information security, and actual and potential imposition of additional sanctions by the U.S. and other countries, or responses by Russia to such additional sanctions, may discourage existing or prospective clients to engage our services, have a negative effect on our ability to develop or maintain our operations in the countries where we currently operate, and disrupt our ability to attract, hire and retain employees. The occurrence of any such event may have a material adverse effect on our business, financial condition and results of operations.

As a result of our acquisitions of Tacit in May 2021, Mutual Mobile in December 2022 We have acquired and NextSphere in April 2023, we have acquired expanded operations in Moldova, Mexico and India respectively. The laws and regulations in Mexico and India to which we have become subject thereby, and interpretations thereof, may change, sometimes substantially, as a result of a variety of factors beyond our control, including political, economic, regulatory or social events. In Mexico, as a result of amendments in May 2019 to the Mexican Federal Labor Law (Ley Federal del Trabajo) and other related regulations, among other things, new labor authorities and courts were created, new bargaining procedures were implemented and provisions related to employees' freedom of association and organization, collective bargaining agreements, and rules against labor discrimination were issued or amended. We cannot assure you that these changes will not lead to an increase in litigation, labor activism or increasingly contentious labor relations,

which in turn may adversely affect our business, financial condition, results of operations and prospects, particularly in Mexico. These and any other policies, laws and regulations which are further

adopted could result in a deterioration of investment sentiment, political and economic uncertainty, and increased costs for our business, which may in turn have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our effective tax rate could be adversely affected by several factors.

We conduct business globally and file income tax returns in multiple jurisdictions. Our effective tax rate could be materially adversely affected by several factors, including changes in the amount of income taxed by, or allocated to, the various jurisdictions in which we operate that have differing statutory tax rates; changing tax laws, regulations and interpretations of such tax laws in multiple jurisdictions; and the resolution of issues arising from tax audits or examinations and any related

interest or penalties. In particular, there have been significant changes to the taxation systems in CEE countries in recent years as the authorities have gradually replaced or introduced new legislation regulating the application of major taxes such as corporate income tax, value-added tax, corporate property tax, personal income taxes and payroll taxes. The Organization for Economic Cooperation and Development has made a number of proposals, including implementing a new global minimum effective corporate tax rate of 15% for large multinational companies and rules that would result in the reallocation of certain profits to market jurisdictions where customers and users are located. Furthermore, any significant changes to U. S. tax law could materially adversely affect our effective tax rate. The recently enacted Inflation Reduction Act includes, among other changes, a 1% excise tax on certain stock repurchases.

The determination of our provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of tax liability is always subject to review or examination by authorities in various jurisdictions. If a tax authority in any jurisdiction reviews any of our tax returns and proposes an adjustment, including a determination that the transfer prices and terms we have applied are not appropriate, such an adjustment could have an adverse effect on our business, financial condition and results of operations.

We are unable to predict what tax reforms may be proposed or enacted in the future or what effect such changes would have on our business, but such changes, to the extent they are brought into tax legislation, regulations, policies or practices in jurisdictions in which we operate, could increase the estimated tax liability that we have expensed to date and paid or accrued on our balance sheets, and otherwise affect our financial position, future results of operations, cash flows in a particular period and overall or effective tax rates in the future in countries where we have operations, reduce post-tax returns to our stockholders and increase the complexity, burden and cost of tax compliance.

There may be adverse tax and employment law consequences if the independent contractor status of some of our personnel or the exempt status of our employees is successfully challenged.

Certain of our personnel are retained as independent contractors. The criteria to determine whether an individual is considered an independent contractor or an employee are typically fact intensive and vary by jurisdiction, as can the interpretation of the applicable laws. If a government authority or court makes any adverse determination with respect to some or all of our independent contractors, we could incur significant costs, including for prior periods, in respect of tax withholding, social security taxes or payments, workers' compensation and unemployment contributions, and recordkeeping, or we may be required to modify our business model, any of which could materially adversely affect our business, financial condition and results of operations.

Global mobility of employees may potentially create additional tax liabilities for us in different jurisdictions.

In performing services to clients, our employees have been and may be required to travel to various locations. Depending on the length of the required travel and the nature of employees' activities the tax implications of travel arrangements vary, with generally more extensive tax consequences in cases of longer travel. Such tax consequences mainly include payroll tax liabilities related to employee compensation and, in cases envisaged by international tax legislation, taxation of profits generated by employees during their time of travel.

We have internal procedures, policies and systems, including an internal mobility program, for monitoring our tax liabilities arising in connection with the business travel. However, considering that the tax authorities worldwide are paying closer attention to global mobility issues, our operations may be adversely affected by additional tax charges related to the activity of our mobile employees. These risks may also affect us as we are relocating employees from Ukraine to other locations.

Tax authorities may disagree with our positions and conclusions regarding certain tax positions, or may apply existing rules in an arbitrary or unforeseen manner, resulting in unanticipated costs, taxes or non-realization of expected benefits.

A tax authority may disagree with tax positions that we have taken, which could result in increased tax liabilities. For example, a tax authority could challenge our allocation of income by tax jurisdiction and the amounts paid between our affiliated companies pursuant to our intercompany arrangements and transfer pricing policies, including methodologies for valuing developed technology and amounts paid with respect to our intellectual property development.

A tax authority may take the position that material income tax liabilities, interest and penalties are payable by us, where there has been a technical violation of contradictory laws and regulations that are relatively new and have not been subject to extensive review or interpretation, in which case we expect that we might contest such assessment. High-profile companies can be particularly vulnerable to aggressive application of unclear requirements. Many companies must negotiate their tax bills with tax inspectors who may demand higher taxes than what the applicable law appears to provide. Contesting such an assessment may be

lengthy and costly and if we were unsuccessful in disputing the assessment, the implications could increase our anticipated effective tax rate, where applicable.

Our business, financial condition and results of operations may be adversely affected by fluctuations in foreign currency exchange rates.

Grid Dynamics is exposed to foreign currency exchange rate risk and its profit margins are subject to volatility between periods due to changes in foreign currency exchange rates relative to the U.S. dollar. Grid Dynamics' functional currency is the US Dollar, U.S. dollar. That said, the company's company's revenues and costs are exposed to a number of currencies that include EURO, British pounds, Mexican pesos, Moldovan leu Polish zloty, and Indian rupees. As we do not hedge our foreign currency, we are exposed to foreign currency exchange transaction risk related to funding our non-U.S. operations and to foreign currency translation risk related to certain of our subsidiaries' cash balances that are denominated in currencies other than the U.S. dollar. In addition, Grid Dynamics' our profit margins are subject to volatility as a result of changes in foreign exchange rates. In the three and nine months ended September 30, 2023, March 31, 2024 and 2023, approximately 38.0% in each 39.1% and 34.9% of the periods of Grid Dynamics' our combined cost of revenue and total operating expenses were denominated in currencies other than the U.S. dollar, respectively. Comparatively, approximately 28.3% and 34.7% of Grid Dynamics' combined cost of revenue and total operating expenses were denominated in currencies other than the U.S. dollar, in the three and nine months ended September 30, 2022, respectively. Any significant fluctuations in currency exchange rates may have a material impact on our business and results of operations. In some countries, we may be subject to regulatory or practical restrictions on the movement of cash and the exchange of foreign currencies, which would limit our ability to use cash across our global operations and increase our exposure to currency fluctuations. This risk could increase as we continue expanding our global operations, which may include entering emerging markets that may be more likely to impose these types of restrictions. Currency exchange volatility caused by political or economic instability or other factors, could also materially impact our results. See the section titled, "Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rate Risk" in our most recent annual report on Form 10-K and this quarterly report on Form 10-Q for more information about our exposure to foreign currency exchange rates.

We may be exposed to liability for actions taken by our subsidiaries.

In certain cases, we may be jointly and severally liable for losses of our subsidiaries. Irrespective of incurring liability for losses of our subsidiaries, we may incur secondary liability and, in certain cases, liability to creditors for obligations of our subsidiaries in certain instances involving bankruptcy or insolvency.

Further, an effective parent is secondarily liable for an effective subsidiary's debts if the effective subsidiary becomes insolvent or bankrupt as a result of the action or inaction of the effective parent. Compensation for the effective subsidiary's losses from the effective parent that caused the effective subsidiary to take action or fail to take action, knowing that such action or failure to take action would result in losses, may be claimed, inter alia, by the other stockholders of the effective subsidiary, the administrators and creditors in an insolvency proceeding. We could be found to be the effective parent of the subsidiaries, in which case we could become liable for their debts, which could have a material adverse effect on our business, financial condition and results of operations or prospects.

Our profitability may suffer if we are unable to maintain our resource utilization and productivity levels.

As most of our client projects are performed and invoiced on a time and materials basis, our management tracks and projects billable hours as an indicator of business volume and corresponding resource needs for IT professionals. To maintain our gross profit margins, we must effectively utilize our IT professionals, which depends on our ability to:

- integrate and train new personnel;
- efficiently transition personnel from completed projects to new assignments;

- forecast customer demand for services; and
- deploy personnel with appropriate skills and seniority to projects.

If we experience a slowdown or stoppage of work for any client, or on any project for which we have dedicated personnel or facilities, we may be unable to reallocate these personnel or assets to other clients and projects to keep their utilization and productivity levels high. If we are unable to maintain appropriate resource utilization levels, our profitability may suffer.

If we are unable to accurately estimate the cost of service or fail to maintain favorable pricing for our services, our contracts may be unprofitable.

Grid Dynamics expects proportionate revenue from fixed-fee contracts to increase in future periods. In order for our contracts to be profitable, we must be able to accurately estimate our costs to provide the services required by the applicable contract and appropriately price our contracts. Such estimates and pricing structures used by us for our contracts are highly dependent on internal forecasts, assumptions and predictions about our projects, the marketplace, global economic conditions (including foreign exchange volatility) and the coordination of operations and personnel in multiple locations with different skill sets and competencies. Due to the inherent uncertainties that are beyond our control, we may underprice our projects, fail to accurately estimate the costs of performing the work or fail to accurately assess the risks associated with potential contracts. In select cases, we also offer volume discounts once a client reaches certain contractual spend thresholds, which may lower the reference price for a client or result in a loss of profits if we do not accurately estimate the amount of discounts to be provided. We may not be able to recognize revenues from fixed-fee contracts in the period in which our services are performed, which may cause our margins to fluctuate. Any increased or unexpected costs, delays or failures to achieve anticipated cost savings, or unexpected risks we encounter in connection with the performance of our contracts, including those caused by factors outside our control, could make these contracts less profitable or unprofitable.

We face risks associated with the long selling and implementation cycle for our services that require significant resource commitments prior to realizing revenues for those services.

We have a long selling cycle for our services, which requires us to expend substantial time and resources to educate clients on the value of our services and our ability to meet their requirements. In certain cases, we may begin work and incur costs prior to executing a contract. Our selling cycle is subject to many risks and delays over which we have little or no control, including clients' decisions to choose alternatives to our services (such as other IT services providers or in-house resources) and the timing of clients' budget cycles and approval processes. Therefore, selling cycles for new clients can be especially unpredictable and we may fail to close sales with prospective clients to whom we have devoted significant time and resources. Any significant failure to generate revenues or delays in recognizing revenues after incurring costs related to sales processes could have a material adverse effect on our business, financial condition and results of operations.

Failure to obtain engagements for and effectively manage increasingly large and complex projects may have an adverse effect on our business, financial condition and results of operations.

Our operating results are dependent on the scale of our projects and the prices we are able to charge for our services. In order to successfully perform larger and more complex projects, we need to establish and maintain effective, close relationships with our clients, continue high levels of client satisfaction and develop a thorough understanding of our clients' needs. We may also face a number of challenges managing larger and more complex projects, including:

- maintaining high quality control and process execution standards;
- maintaining planned resource utilization rates on a consistent basis;
- using an efficient mix of on-site, off-site and offshore staffing;
- maintaining productivity levels;
- implementing necessary process improvements;
- recruiting and retaining sufficient numbers of highly skilled IT personnel; and
- controlling costs.

There is no guarantee that we may be able to overcome such challenges. In addition, large and complex projects may involve multiple engagements or stages, and there is a risk that a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. Our failure to successfully obtain engagements for and effectively manage large and complex projects may have an adverse effect on our business, financial condition and results of operations.

Increases in compensation expenses, including stock-based compensation expenses, could lower our profitability, and dilute our existing stockholders.

Wages and other compensation costs in the countries in which we maintain significant operations and delivery centers are lower than comparable wage costs in more developed countries. However, wages in the technology industry in these countries may increase at a faster rate than in the past, which may make us less competitive unless we are able to increase the efficiency and

productivity of our people. If we increase operations and hiring in more developed economies, our compensation expenses will increase because of the higher wages demanded by technology professionals in those markets. Wage inflation, whether driven by competition for talent or ordinary course pay increases, could increase our cost of services as well as selling, general and administrative expenses and reduce our profitability if we are not able to pass those costs on to our customers or charge premium prices when justified by market demand.

In addition, we have granted certain equity-based awards under our equity incentive plans and expect to continue doing so. For the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, Grid Dynamics recorded **\$27.7 million** **\$11.3 million** and **\$42.6 million** **\$13.3 million**, respectively, of stock-based compensation expense related to the grant of equity-based awards. If we do not grant equity awards, or if we reduce the value of equity awards we grant, we may not be able to attract, hire and retain key personnel. If we grant more equity awards to attract, hire and retain key personnel, the expenses associated with such additional equity awards could materially adversely affect our results of operations. If the anticipated value of these equity awards does not materialize because of volatility or lack of positive performance in our stock price, we may be unable to retain our key personnel or attract and retain new key employees in the future, in which case our business may be severely disrupted and our ability to attract and retain personnel could be adversely affected. The issuance of equity-based compensation may also result in dilution to stockholders.

Failure to collect receivables from, or bill for unbilled services to, clients may have a material adverse effect on our results of operations and cash flows.

Our business depends on our ability to successfully obtain payment from our clients of the amounts they owe for work performed. We usually bill and collect such amounts on relatively short cycles and maintain allowances for doubtful accounts. However, actual losses on client balances could differ from those that we anticipate and, as a result, we might need to adjust our allowances.

There is no guarantee that we will accurately assess the creditworthiness of our clients. If clients suffer financial difficulties, it could cause them to delay payments, request modifications to their payment arrangements that could increase our receivables balance, or default on their payment obligations.

In addition, some of our clients may delay payments due to changes in internal payment procedures driven by rules and regulations to which they are subject. Timely collection of client balances also depends on our ability to complete our contractual commitments and bill and collect contracted revenues. If we are unable to meet our contractual requirements, we may experience delays in collection of or inability to collect accounts receivable. If this occurs, our financial condition, results of operations and cash flows could be materially adversely affected.

Our debt service obligations may adversely affect our financial condition and cash flows from operations.

On March 15, 2022, we entered into a Credit Agreement (the "2022 Credit Agreement"), by and among us, as borrower, the guarantors party thereto from time to time, the lenders party thereto from time to time, and JPMorgan Chase Bank, N.A., as administrative agent for the lenders (the "Agent"). The 2022 Credit Agreement provides for a three-year secured multicurrency revolving loan facility in an initial aggregate principal amount of up to \$30.0 million, with a \$10.0 million letter of credit sublimit. We may increase the size of the revolving loan facility up to \$50.0 million, subject to certain conditions and additional commitments from existing and/or new lenders. The 2022 Credit Agreement contains customary affirmative and negative covenants, including covenants limiting the ability of the Company and its subsidiaries to, among other things, incur debt, grant liens, undergo certain fundamental changes, make investments and acquisitions, make certain restricted payments, dispose of assets, enter into certain transactions with affiliates, and enter into burdensome agreements, in each case, subject to limitations and exceptions set forth in the 2022 Credit Agreement. The Company is also required to maintain compliance with a consolidated total leverage ratio, determined in accordance with the terms of the 2022 Credit Agreement. Our obligations under the 2022 Credit Agreement are required to be guaranteed by certain of our domestic subsidiaries meeting materiality thresholds set forth in the 2022 Credit Agreement. Such obligations, including the guarantees, are secured by substantially all of the personal property of our and our subsidiary guarantors.

Maintenance of our indebtedness, contractual restrictions, and additional issuances of indebtedness could:

- cause us to dedicate a substantial portion of our cash flows from operations towards debt service obligations and principal repayments;
- increase our vulnerability to adverse changes in general economic, industry, and competitive conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;

- impair our ability to obtain future financing for working capital, capital expenditures, acquisitions, general corporate, or other purposes; and
- due to limitations within the debt instruments, restrict our ability to take certain corporate actions, subject to customary exceptions.

We are required to comply with the covenants set forth in our credit agreement. If we breach any of the covenants and do not obtain a waiver from the lenders, then, subject to applicable cure periods, we would not be able to incur additional indebtedness under the credit agreement, and any outstanding indebtedness under the credit agreement may be declared immediately due and payable.

We may need additional capital and failure to raise additional capital on terms favorable to us, or at all, could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

We may require additional cash resources due to changed business conditions or other future developments. If existing resources are insufficient to satisfy cash requirements, we may seek to sell additional equity or debt securities or obtain one or more credit facilities. The sale of additional equity securities could result in dilution to stockholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations. In addition, actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. Our cash is held with high-quality financial institutions. Deposits held with banks may, at times, exceed the amount of insurance provided on such deposits. Additionally we hold cash deposits in countries where the banking sector remains periodically unstable, banking and other financial systems generally do not meet the banking standards of more developed markets, and bank deposits made by corporate entities are not insured. Such countries apart from Ukraine include Armenia, Moldova, Serbia and Mexico. We place our cash with financial institutions considered stable in the region and conducts ongoing evaluations of the credit worthiness of the financial institutions with which we operate. However, a banking crisis, bankruptcy or insolvency of banks that process or hold our funds, may result in the loss of our deposits or adversely affect our ability to complete banking transactions, which could adversely affect our liquidity, business and financial condition.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including investors' perception of, and demand for, securities of IT services companies, conditions in the capital markets in which we may seek to raise funds, our future results of operations and financial condition, and general economic and political conditions. Financing may not be available in amounts or on terms acceptable to us, or at all, which could limit our ability to grow our business and develop or enhance our service offerings to respond to market demand or competitive challenges.

War, terrorism, other acts of violence, or natural or man-made disasters may affect the markets in which we operate, our clients and our service delivery.

Our business may be adversely affected by instability, disruption or destruction in a geographic region in which we operate, regardless of cause, including war, terrorism, riot, civil insurrection or social unrest, climate change, and natural or man-made disasters, including famine, flood, fire, earthquake, storm or pandemic events and spread of disease, such as the COVID-19 pandemic. For example, the significant military action against Ukraine launched by Russia and the conflict between Israel and Hamas have affected and will further affect our business and have resulted in disruptions in the broader global economic and geopolitical environment, which may further affect our business. Such events and conflicts may cause clients to delay their decisions on spending for the services provided by us and give rise to sudden significant changes in regional and global economic conditions and cycles. These events also pose significant risks to our personnel and to physical facilities and operations, which could materially adversely affect our financial results.

Acquisitions could be difficult to identify and integrate, divert the attention of management, disrupt our business, dilute stockholder value and adversely affect our financial condition and results of operations, we may not achieve the financial

and strategic goals that were contemplated at the time of a transaction, and we may be exposed to claims, liabilities and disputes as a result of the transaction that may adversely impact our business, operating results and financial condition.

We continuously review and consider strategic acquisitions of businesses, products or technologies. For example, in December 2020 we acquired Daxx, in May 2021 we acquired Tacit, in December 2022 we acquired Mutual Mobile, and in April 2023 we acquired NextSphere Technologies. In the future we may seek to acquire or invest in other businesses, products or technologies that we believe could complement or expand our services, enhance our technical capabilities or otherwise offer growth

opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not the acquisition purchases are completed. Additionally, we may not be able to find and identify desirable acquisition targets or be successful in entering into an agreement with any particular target or obtain adequate financing to complete such acquisitions. If we acquire businesses, we may not be able to successfully integrate the acquired personnel, operations, and technologies, or effectively manage the combined business following the acquisition.

Additionally, we may not be able to find and identify desirable acquisition targets or be successful in entering into an agreement with any particular target or obtain adequate financing to complete such acquisitions. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our financial condition, cash flows and results of operations. In addition, if an acquired business fails to meet our expectations, we may not achieve the financial and strategic goals that were contemplated at the time of a transaction, and our business, financial condition and results of operations may be adversely affected. Furthermore, we may acquire businesses that have inferior margins and profitability levels in comparison to our existing business and this may dilute our overall profitability of the company. This, in turn, may result in adverse financial results and dilution to existing stockholders.

Our operating results or financial condition may be adversely impacted by claims or liabilities that we assume from an acquired company or technology or other claims or liabilities otherwise related to an acquisition, including, among others, claims from governmental and regulatory agencies or bodies, terminated employees, current or former customers, current or former stockholders or other third parties, or arising from contingent payments related to the acquisition; pre-existing contractual relationships that we assume from an acquired company that we would not have otherwise entered into, the termination or modification of which may be costly or disruptive to our business; unfavorable revenue recognition or other accounting treatment as a result of an acquired company's practices; and intellectual property claims or disputes. We may fail to identify or assess the magnitude of certain liabilities, shortcomings or other circumstances prior to acquiring a company or technology, which could result in unexpected litigation or regulatory exposure and other adverse effects on our business, operating results and financial condition.

We face risks associated with the transparency, quality, and reliability of financial information of a business we acquire.

Although we perform due diligence on a targeted business that we intend to acquire, we are exposed to risks associated with the quality and reliability of the financial statements of the acquired business. This risk may be higher with smaller businesses and businesses that are operated in jurisdictions and countries with poorer regulatory and compliance requirements. In such situation where we acquire a target with unreliable financial statements, we are exposed to material risks that may impact the reliability of our overall financial statements and may adversely impact our stock price.

We also cannot assure you that the diligence we conduct when evaluating future acquisitions will reveal all material issues that may be present, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of our control will not later arise. Even if our due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Further, as a result of a completed acquisition, purchase accounting, and integration of the acquired business, we may be required to take write-offs or write-downs, restructuring and impairment or other charges that could negatively affect our business, assets, liabilities, prospects, outlook, financial condition and results of operations.

Some of the additional risks associated with acquiring a business include, but not limited to the following:

- inability to integrate or benefit from acquired technologies or services;
- product synergies, cost reductions, increases in revenue and economies of scale may not materialize as expected;
- the business culture of the acquired entity may not match well with our culture;
- unforeseen delays, unanticipated costs and liabilities may arise when integrating operations, processes and systems in geographies where we have not conducted business;
- unanticipated costs or liabilities associated with the strategic transactions;

- incurrence of transaction-related costs;
- assumption of the existing obligations or unforeseen liabilities of the acquired business;
- difficulty integrating the accounting systems, security infrastructure, operations, and personnel of the acquired business;

- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the current and prospective customers of the acquired business onto our platform and contract terms, including disparities in the revenue, licensing, support, or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects to our existing business relationships with business partners and customers as a result of the strategic transactions;
- unexpected costs may arise due to unforeseen changes in tax, payroll, pension, labor, trade, environmental and safety policies in new jurisdictions where the acquired entity operates;
- difficulty in retaining, motivating and integrating key management and other employees of the acquired business;
- use of resources that are needed in other parts of our business;
- dispute over contingent payments; and
- use of substantial portions of our available cash to consummate the strategic transaction.

Changes in financial accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our reported results of operations.

Generally accepted accounting principles in the U.S. are subject to interpretation by the Financial Accounting Standards Board ("FASB"), the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in accounting standards or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Reports published by analysts, including projections in those reports that differ from our actual results, could adversely affect the price and trading volume of our common stock.

Securities research analysts may establish and publish their own periodic projections for us. These projections may vary widely and may not accurately predict the results we actually achieve. Our share price may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on us downgrades our stock or publishes inaccurate or unfavorable research about our business, our share price could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, our share price or trading volume could decline and demand for our shares could decrease.

Risks Related to Government Regulations

We are exposed to various risks related to the global regulatory environment as well as legal proceedings, claims and the like.

As a public company with global operations, we are subject to the laws of the United States and multiple foreign jurisdictions and the rules and regulations of various governing bodies, which may differ among jurisdictions, including those related to financial and other disclosures, accounting standards, corporate governance, intellectual property, tax, trade (including import, export and customs), antitrust, environment, health and safety (including those relating to climate change), employment, immigration and travel regulations, privacy, data protection and localization, anti-corruption, investment and treasury regulations. Changing, inconsistent or conflicting laws, rules and regulations, and ambiguities in their interpretation and application create uncertainty and challenges, and compliance with laws, rules and regulations may be onerous and expensive, divert management time and attention from revenue-generating activities, and otherwise adversely impact our business operations. Violations or alleged violations of law, rules and regulations, including, among others, those described above, could

result in fines, criminal penalties, restrictions on our business, and damage to our reputation, and could have an adverse impact on our business operations, financial condition and results of operations.

From time to time we **may be** involved in legal proceedings or claims regarding a variety of legal or regulatory matters or receive governmental or third-party requests for information regarding compliance or regulatory matters. Legal proceedings, claims, and such requests for information, whether with or without merit, may be time-consuming and expensive; divert

management's attention and other resources; result in adverse judgments for damages, injunctive relief, penalties and fines; and negatively affect our business. There can be no assurance regarding the outcome of any legal proceedings, claims or the like.

Failure to comply with laws and regulations relating to privacy, data protection, and cybersecurity could lead to government enforcement actions, private litigation and adverse publicity.

We receive, store and process personal information and other data from and about customers in addition to our employees and contractors. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies and various state, local and foreign agencies. Our data handling also is subject to contractual obligations and may be deemed to be subject to industry standards, including certain industry standards that we undertake to comply with. The laws and regulations relating to privacy, data protection and cybersecurity are evolving, can be subject to significant change and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions.

For example, the European Union has implemented the General Data Protection Regulation ("GDPR"), which came into effect on May 25, 2018. The GDPR has a significant impact on how businesses can collect and process the personal data of individuals in the European Economic Area ("EEA"). The regulation includes stringent operational requirements for processors and controllers of personal data and imposes significant penalties for non-compliance of up to the greater of €20 million or 4% of global annual revenues. With regard to transfers to the U.S. of personal data from our employees and European customers and users, we rely upon standard contractual clauses approved by the European Commission (the "SCCs"). The SCCs have been subject to legal challenge and may be modified or invalidated, and we may be unsuccessful in maintaining legitimate means for the transfer and receipt of personal data from the EEA. In 2020, the Court of Justice of the European Union (the "CJEU") deemed the SCCs valid, but ruled that transfers made pursuant to the SCCs and other alternative transfer mechanisms must be analyzed on a case-by-case basis. Subsequent guidance from EU regulators has stated that in certain cases, the SCCs must be accompanied by the use of supplementary measures. Concerns remain about the potential for the SCCs and other mechanisms to face additional challenges. On June 4, 2021, the European Commission published new SCCs and required their implementation. Additionally, the United Kingdom has enacted legislation that substantially implements the GDPR, with a similar penalty structure, and has issued new standard contractual clauses to support personal data transfers out of the United Kingdom ("UK SCCs"). We may, **in addition to other impacts of the Schrems II decision and other developments relating to cross-border transfer**, experience additional costs associated with increased compliance burdens **in connection with developments relating to cross-border data transfers**, and we and our customers face the potential for regulators in the EEA, Switzerland, or the United Kingdom to apply different standards to the transfer of personal data from those regions to the U.S., and to block, or require ad hoc verification of measures taken with respect to,

certain data flows from those regions to the U.S. We also may be required to engage in new contract negotiations with third parties that aid in processing data on our behalf. We may experience reluctance or refusal by current or prospective customers in those regions to use our products, and may find it necessary or desirable to make further changes to our handling of personal data of residents of those regions. The regulatory environment applicable to the handling of personal data of residents of the EEA, Switzerland, and the United Kingdom, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs and obligations and could result in our business, operating results and financial condition being harmed. Additionally, we and our customers may face a risk of enforcement actions by data protection authorities relating to personal data transfers. Any such enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel and negatively affect our business, operating results and financial condition.

In addition, California has enacted legislation that has been described as the first "GDPR-like" law in the U.S. The California state legislature passed the California Consumer Privacy Act ("CCPA") in 2018 and California voters approved a ballot measure subsequently establishing the California Privacy Rights Act ("CPRA") in 2020, which modifies the CCPA and ~~increase~~ increases the privacy and security obligations of entities handling certain personal information of California residents, including requiring covered companies to provide new disclosures to California consumers, and afford such consumers new abilities to opt-out of certain sales of personal information. The CCPA came into effect on January 1, 2020, and the California Attorney General may bring enforcement actions, with penalties for violations of the CCPA. The CPRA is effective as of January 1, 2023, instilling enforcement authority in a new dedicated regulatory body, the California Privacy Protection Agency. Other states have also proposed, and in certain aspects enacted, legislation similar to the CCPA including Virginia, Colorado, Utah, and Connecticut, all of which enacted such laws with effectiveness in 2023. Numerous other states have enacted similar legislation that is set to become effective in 2024 through 2026, and other states have passed other types of privacy legislation. For example, Washington has enacted the My Health, My Data Act, which includes a private right of action. Aspects of the

CCPA, CPRA, other state laws, and their interpretations remain uncertain. We cannot yet fully predict the impact of these laws on our business or operations, but developments regarding these and other privacy and data protection laws and regulations around the world may require us to modify our data processing practices and policies and to incur substantial additional costs and expenses in an effort to maintain compliance on an ongoing basis. Other countries and jurisdictions throughout the world are considering or enacting laws and regulations requiring the local storage of data. For example, under Russian law, all data operators collecting personal data of Russian citizens through electronic communications, including the Internet, must comply with Russian laws regulating the local storage of such data in databases located in the territory of Russia. This law applies not only to local data controllers but also to

data controllers established outside Russia to the extent they gather personal data relating to Russian nationals through websites aimed at the territory of Russia.

We have been undertaking measures in an effort to comply with the GDPR, CCPA, CPRA and other applicable privacy and data protection laws and regulations, and our efforts to comply with these laws and regulations may require us to incur substantial operational costs and to require its data handling practices. The costs of our measures designed to comply with, and other burdens imposed by, such laws, regulations and policies that are applicable to us may limit the use and adoption of our products and solutions, alter the way we conduct business and/or could otherwise have a material adverse impact on our results of operations. For example, we may find it necessary to establish systems to maintain data originated in certain jurisdictions within those jurisdictions, which may involve substantial expense and distraction from other aspects of our business. Further, the costs of compliance with, and other burdens imposed by, such laws, regulations and policies that are applicable to us, may limit the use and adoption of our products and solutions and could have a material adverse impact on our results of operations.

Any failure or perceived failure (including as a result of deficiencies in our policies, procedures or measures relating to privacy, data protection, cybersecurity, marketing or client communications) by us to comply with laws, regulations, policies, legal or contractual obligations, industry standards, or regulatory guidance relating to privacy, data protection or cybersecurity may result in governmental investigations and enforcement actions, litigation, fines and penalties or adverse publicity and could cause our clients to lose trust in us, which could have a material adverse effect on our reputation, business, financial condition and results of operations.

We expect that there will continue to be new proposed laws, regulations and industry standards relating to privacy, data protection, cybersecurity, marketing, consumer communications and information security in the U.S., the European Union, Russia and other jurisdictions, and we cannot determine the impact such future laws, regulations and standards may have on our business. Future laws, regulations, standards and other obligations or any changed interpretation or enforcement of existing laws or regulations could impair our ability to develop and market new services and maintain and grow our client base and increase revenue.

We are subject to governmental export controls and trade and economic sanctions that could impair our ability to compete in international markets or subject us to liability if we violate these controls.

Our operations are subject to laws and regulations restricting our operations, including activities involving restricted countries, organizations, entities and persons that have been identified as unlawful actors or that are subject to U.S. sanctions imposed by the Office of Foreign Assets Control ("OFAC") or other international economic sanctions that prohibit us from engaging in trade or financial transactions with certain countries, businesses, organizations and individuals. Additionally, the United States and various foreign governments have imposed controls, export license requirements and restrictions on the import or export of certain products, technologies and software. *Obtaining the necessary export license or other authorization for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.* For example, as mentioned above, following Russia's invasion of Ukraine, the United States and other countries imposed certain economic sanctions and severe export control restrictions against Russia and Belarus as well as certain Russian nationals which required us to terminate certain business relationships. As of ~~June~~ May 2023, our former subsidiary in Russia is liquidated and ~~are~~ is not performing any client services from Russia. These sanctions and restrictions have continued to increase as the conflict has further escalated, and the United States and other countries could

impose wider sanctions and export restrictions and take other actions in the future that could further impact our business. **Obtaining the necessary export license or other authorization for a particular sale may be time-consuming and may result in the delay or loss of sales opportunities.**

We have implemented controls to ensure that we are in compliance with export controls, OFAC sanctions, and similar sanctions, laws and regulations, and we periodically undergo a review of those controls. This review could result in the discovery of issues or violations with respect to the foregoing by us or our employees, independent contractors, subcontractors or agents of which we were previously unaware.

Any investigation of any potential violations of such laws by the U.S. or other jurisdictions could also have an adverse impact on our reputation, business, financial condition and results of operations.

Failure to comply with anti-bribery and anti-corruption laws and anti-money laundering laws, and similar laws, could subject us to penalties and other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the United Kingdom Bribery Act 2010, and possibly other anti-bribery and anti-corruption laws and anti-money laundering laws in countries outside of the United States where we conduct our activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering, or providing,

directly or indirectly, improper payments or benefits to recipients in the public or private sector. We operate in many parts of the world that have experienced governmental corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices.

We sometimes leverage third parties to sell our products and conduct our business abroad. We, our employees, agents, representatives, business partners and third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, business partners or third-party intermediaries even if we do not explicitly authorize such activities. We cannot assure you that all of our employees, agents, representatives, business partners or third-party intermediaries will not take actions in violation of applicable law for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, we cannot assure you that none of our employees, agents, representatives, business partners or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any allegations or violation of the FCPA or other applicable anti-bribery and anti-corruption laws and anti-money laundering laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from government contracts, all of which may have an adverse effect on our reputation, business, results of operations, and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees

Changes to the U.S. administration's fiscal, political, regulatory and other policies may adversely affect our business, financial condition and results of operations.

Recent events, including new policy introductions following the 2020 U.S. presidential election, may result in substantial regulatory uncertainty regarding international trade and trade policy. U.S. policies have called for substantial changes to trade agreements, have increased tariffs on certain goods imported into the U.S. and have raised the possibility of imposing significant, additional tariff increases. In the past, unilateral tariffs on imported products by the U.S. have triggered retaliatory actions from certain foreign governments, including China and may trigger retaliatory actions by other foreign governments, potentially resulting in a "trade war." While we cannot predict the extent to which the U.S. or other countries will impose quotas, duties, tariffs, taxes or other similar restrictions upon the import or export of our products in the future, a "trade war" of this nature or other governmental action related to tariffs or international trade agreements could have an adverse impact on demand for our services, sales and clients and affect the economies of the U.S. and various countries, having an adverse effect on our business, financial condition and results of operations.

In addition, regulatory, judicial or other developments regarding SPACs or companies, such as us, that have merged with a SPAC, could have an adverse effect on us. There can be no assurances that such developments or other regulations and legal circumstances unique to SPACs would not have an adverse effect on our business, financial condition and results of operations.

Negative publicity about offshore outsourcing or anti-outsourcing legislation and restriction on immigration may have an adverse effect on our business.

The issue of companies outsourcing services to organizations operating in other countries is a topic of political discussion in many countries, including the U.S., which is our largest source of revenues. Many organizations and public figures in the U.S. and Europe have publicly expressed concern about a perceived association between offshore outsourcing IT services providers and the loss of jobs in their home countries. For example, measures aimed at limiting or restricting outsourcing by U.S. companies are periodically considered in Congress and in numerous state legislatures to address concerns over the perceived association between offshore outsourcing and the loss of jobs in the U.S. A number of U.S. states have passed legislation that

restricts state government entities from outsourcing certain work to offshore IT services providers. Given the ongoing debate over this issue, the introduction and consideration of other restrictive legislation is possible. If enacted, such measures may broaden restrictions on outsourcing by federal and state government agencies and on government contracts with firms that outsource services directly or indirectly, impact private industry with measures such as tax disincentives or intellectual property transfer restrictions, and/or restrict the use of certain business visas. In addition, current or prospective clients may be discouraged from transferring services to providers that utilize offshore delivery centers such as us to avoid any negative perceptions that may be associated with using an offshore provider or for data privacy and security concerns. As a result, our ability to service our clients could be impaired and we may not be able to compete effectively with competitors that operate

primarily from within the countries in which our clients operate. Any such slowdown or reversal of the existing industry trends toward offshore outsourcing may have a material adverse effect on our business, financial condition and results of operations. These risks may become more acute as we continue to expand to new geographies.

Some of our projects may involve our personnel obtaining visas to travel and work at customer sites outside of our personnel's home countries and often in the United States. Our reliance on visas to staff projects with employees who are not citizens of the country where the work is to be performed makes us vulnerable to legislative and administrative changes in the number of visas to be issued in any particular year and other work permit laws and regulations. The process to obtain the required visas and work permits can be lengthy and difficult and variations due to political forces and economic conditions in the number of permitted applications, as well as application and enforcement processes, may cause delays or rejections when trying to obtain visas. Delays in obtaining visas may result in delays in the ability of our personnel to travel to meet with and provide services to our customers or to continue to provide services on a timely basis. In addition, the availability of a sufficient number of visas without significant additional costs could limit our ability to provide services to our customers on a timely and cost-effective basis or manage our sales and delivery centers as efficiently as we otherwise could. Delays in or the unavailability of visas and work permits could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our subsidiaries in CEE can be forced into liquidation on the basis of formal noncompliance with certain legal requirements.

We operate in CEE primarily through locally organized subsidiaries. Certain provisions of local laws may allow a court to order liquidation of a locally organized legal entity on the basis of its formal noncompliance with certain requirements during formation, reorganization or during its operations. If a company fails to comply with certain requirements including those relating to minimum net assets, governmental or local authorities can seek the involuntary liquidation of such company in court, and the company's creditors will have the right to accelerate their claims or demand early performance of the company's obligations as well as demand compensation for any damages. If involuntary liquidation of any of our subsidiaries were to occur, such liquidation could materially adversely affect our business, financial condition and results of operations.

Risks Associated with Intellectual Property

We may not be able to prevent unauthorized use of our intellectual property and our intellectual property rights may not be adequate to protect our business, financial condition and results of operations.

Our success largely depends on methodologies, practices, tools and technical expertise and other intellectual property that we use in designing, developing, implementing and maintaining our services and solutions. We rely upon a combination of nondisclosure, confidentiality, assignment of invention and other contractual arrangements as well as trade secret, patent, copyright and trademark laws to protect our intellectual property rights. We may also rely on litigation to enforce our intellectual property rights and contractual rights.

The nondisclosure and confidentiality agreements that we enter into with our employees, independent contractors, vendors and clients in order to protect our proprietary information may not provide meaningful protection against unauthorized use, misappropriation or disclosure for trade secrets, know-how or other proprietary information and there can be no assurance that others will not independently develop the know-how and trade secrets or develop better methods than us. Policing unauthorized use of such proprietary information is difficult and expensive. We may not be able to deter current and former employees, contractors, vendors, clients and other parties from breaching confidentiality agreements and misappropriating proprietary information and it is possible that third parties may copy, reverse engineer, or otherwise obtain and use our information and proprietary technology without authorization or otherwise infringing on our intellectual property rights. If these agreements are breached, we may not have adequate remedies for such breach.

In addition, our current and former employees or contractors could challenge our exclusive rights in the intellectual property they have developed in the course of their employment. In certain countries in which we operate, an employer is deemed to own the copyright in works created by its employees during the course, and within the scope, of their employment, provided certain

requirements are complied with. The employer may be required to satisfy additional legal requirements in order to make further use and dispose of such works. While we believe that we have complied with all such requirements and have fulfilled all requirements necessary to acquire all rights in intellectual property developed by our contractors and subcontractors, these requirements are often ambiguously defined and enforced.

Implementation of intellectual property-related laws in CIS and CEE countries in which we operate has historically been lacking and there is no assurance that we will be able to enforce or defend our rights under our non-disclosure, confidentiality or assignment of invention agreements or that protection of intellectual property rights in such countries will be as effective as

that in the U.S. Any litigation relating to our intellectual property may not prove successful and might result in substantial costs and diversion of resources and management attention.

We have registered or applied to register certain patents, copyrights, and trademarks in the United States and may do so in countries outside the United States. However, there is no guarantee that these registrations will not be challenged, invalidated, or circumvented by third parties. Further, there can also be no assurance that pending or future United States or foreign trademark or patent applications will be approved in a timely manner or at all, or that such registrations will effectively protect our intellectual property or brand.

In some cases, litigation may be necessary to enforce our intellectual property rights or to protect our trade secrets. Litigation could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights and exposing us to significant damages or injunctions. Our inability to protect our intellectual property against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay sales or the implementation of our products, impair the functionality of our products, delay introductions of new products, result in our substituting less-advanced or more-costly technologies into our products or harm our reputation. In addition, we may be required to license additional intellectual property from third parties to develop and market new products, and we cannot assure you that we could license that intellectual property on commercially reasonable terms or at all.

Due to the foregoing reasons, we cannot guarantee that we will be successful in maintaining existing or obtaining future intellectual property rights or registrations, be able to detect unauthorized use of our intellectual property and take appropriate steps to enforce and protect our rights, or that any such steps will be successful. We can also neither guarantee that we have taken all necessary steps to enforce our intellectual property rights in each jurisdiction in which we operate nor that the intellectual property laws of any jurisdiction in which we operate are adequate to protect our interest or that any favorable judgment obtained by us with respect thereto will be enforced in the courts. Unauthorized use by third parties of, or other failure to protect, our intellectual property, including the costs of enforcing intellectual property rights, could have a material adverse effect on our business, financial condition and results of operations.

We may face intellectual property infringement claims that could be time-consuming and costly to defend and failure to defend against such claims may have a material adverse effect on our reputation, business, financial condition and results of operations.

Our success largely depends on our ability to use and develop our technology, tools, code, methodologies and services without infringing the intellectual property rights of third parties, including patents, copyrights, trade secrets and trademarks. We may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties.

Our customer contracts often require us to indemnify clients who purchase our services and solutions against potential infringement of intellectual property rights, which subjects us to the risk of indemnification claims. These claims may require us to initiate or defend protracted and costly litigation on behalf of our clients, regardless of the merits of these claims and are often not subject to liability limits or exclusion of consequential, indirect or punitive damages. If any of these claims succeed, we may be forced to pay damages on behalf of our clients, redesign or cease offering our allegedly infringing services or solutions or obtain licenses for the intellectual property such services or solutions allegedly infringe. If we cannot obtain all necessary licenses on commercially reasonable terms, our clients may be forced to stop using our services or solutions and may seek refunds of amounts they have paid us for such services or solutions.

The holders of patents and other intellectual property rights potentially relevant to our service offerings may make claims that we infringe, misappropriate, or otherwise violate their intellectual property rights. There can be no assurance that we will be successful in defending against these allegations or reaching a business resolution that is satisfactory to us. Any intellectual property claims, with or without merit, could be very time-consuming and expensive to settle or litigate, could cause us to incur significant expenses, pay substantial amounts in damages, ongoing royalty or license fees, or other payments, require us to

cease making, licensing or using our offerings that incorporate or use the challenged intellectual property, require us to re-engineer all or a portion of our business or require that we comply with other unfavorable terms. The costs of litigation are considerable, and such litigation may divert management and key personnel's attention and resources, which might seriously harm our business, financial condition and results of operations. Third parties making infringement claims may make it difficult for us to enter into royalty or license agreements which may not be available on commercially acceptable terms. Also, we may be unaware of intellectual property registrations or applications relating to our services that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties which may damage our ability to rely on such technologies.

Parties making infringement claims may be able to obtain substantial damages for the infringement and an injunction to prevent us from delivering our services or using technology involving the allegedly infringing intellectual property. If, as a result of successful infringement claim, we are required to develop non-infringing technology or rebrand our name or cease making, licensing or using products that have infringed a third party's intellectual property rights, all of which may be time-consuming and expensive. Protracted litigation could also result in existing or prospective clients deferring or limiting their purchase or use of our software product development services or solutions until resolution of such litigation or could require us to indemnify our clients against infringement claims in certain instances. Any intellectual property claims or litigation in this area, whether or not we ultimately win or lose, could damage our reputation and materially adversely affect our business, financial condition and results of operations.

Our use of open source software may lead to possible litigation, negatively affect sales and create liability.

We often incorporate software licensed by third parties under so-called "open source" licenses, which may expose us to liability and have a material impact on our software development services. Use of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or the quality of the code. In addition, the public availability of such software may make it easier for others to compromise our services. Although we monitor our use of open source software in an effort both to comply with the terms of the applicable open source licenses and to avoid subjecting our client deliverables to conditions we do not intend, the terms of many open source licenses have not been interpreted by courts in relevant jurisdictions, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our clients' ability to use the software that we develop for them and operate their businesses as they intend. Moreover, we cannot assure you that our processes for controlling our use of open source software in our products will be effective, and we may inadvertently use third-party open source software in a manner that exposes us to claims of non-compliance with the applicable terms of such license, including claims for infringement of intellectual property or for breach of contract. We may face claims challenging the ownership of open source software against companies that incorporate it into our products.

Additionally, some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine certain open source software with other software in a specific manner, we could, under open source licenses, be required to release the source code of our proprietary software or software developed for a customer to the public, including authorizing further modification and redistribution, or otherwise be limited in the licensing of such software. Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose source code that incorporates or is a modification of such licensed software.

Therefore, there is a possibility that our clients could be subject to actions by third parties claiming that what we believe to be licensed open source software infringes such third parties' intellectual property rights, and we would generally be required to indemnify our clients against such claims. In addition, in the event that portions of client deliverables are determined to be subject to an open source license requiring the release of such deliverables, we or our clients could be required to publicly release the affected portions of source code or re-engineer all, or a portion of, the applicable software. Disclosing our proprietary source code could allow our clients' competitors to create similar products with lower development effort and time and ultimately could result in a loss of sales for our clients. Furthermore, if the license terms for the open source code change, we may be forced to re-engineer our software or incur additional costs. Any of these events could create liability for us to our clients and damage our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Common Stock

Our bylaws provide that the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in Delaware or the federal district court for the District of Delaware) shall, to the fullest

extent permitted by law, be the sole and exclusive forum for substantially all disputes between us and our stockholders (other than claims arising under federal securities laws, including the Securities Act or the Exchange Act and any successors thereto), which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provide that the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another State court in Delaware or the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for the following (except for any claim as to which such court determines that there is an indispensable party not subject to the jurisdiction of such court (and the indispensable party does not consent to the personal

jurisdiction of such court within 10 days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than such court or for which such court does not have subject matter jurisdiction):

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by, or otherwise wrongdoing by, any of our directors, officers or other employees to us or our stockholders;
- any action arising pursuant to any provision of the Delaware General Corporation Law (the "DGCL"), our certificate of incorporation or bylaws;
- any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws; and
- any other action asserting a claim that is governed by the internal affairs doctrine.

However, notwithstanding the exclusive forum provisions, our bylaws explicitly state that they would not preclude the filing of claims brought to enforce any liability or duty created under federal securities laws, including the Exchange Act or Securities Act.

Our amended and restated bylaws also provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States shall be the sole and exclusive forum for any action asserting a claim arising pursuant to the Securities Act, such a provision known as a "Federal Forum Provision." Any person or entity purchasing or otherwise acquiring any interest in our shares of capital stock shall be deemed to have notice of and consented to these provisions.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. Additionally, a court could determine that the exclusive forum provision is unenforceable. If a court were to find the exclusive forum provision in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could seriously harm our business.

The price of our common stock may be volatile.

The price of our common stock may fluctuate due to a variety of factors, including:

- our ability to effectively service any current and future outstanding debt obligations;
- the announcement the introduction of new products or services, or enhancements thereto, by us or our competitors;
- developments concerning intellectual property rights;
- changes in legal, regulatory and enforcement frameworks impacting our products;
- variations in our and our competitors' results of operations;
- the addition or departure of key personnel;
- announcements by us or our competitors of acquisitions, investments or strategic alliances;
- actual or perceived data security incidents or breaches;
- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- the failure of securities analysts to publish research about us, or shortfalls in our results of operations compared to levels forecast by securities analysts;
- any delisting of our common stock from NASDAQ due to any failure to meet listing requirements;

- the military action launched by Russian forces in Ukraine, the actions that have been and could be taken by other countries, including new and stricter sanctions and actions taken in response to such sanctions, and the effect of these developments on our business and results of operations;
- adverse developments from litigation; and
- the general state of the securities market, including valuation adjustments and lowering multiples.

These market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

As of September 30, 2023 March 31, 2024, approximately 25.7 26.1 percent of our outstanding common stock was held or beneficially owned by our executive officers and directors, or by stockholders controlled by our executive officers or directors. The concentration of ownership provides such persons with substantial control over us, which could limit your ability to influence the outcome of key transactions, including a change of control, and future resales of our common stock held by such persons may cause the market price of our common stock to drop significantly.

As a result, such stockholders, acting together, have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate action might be taken even if other stockholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

To the extent that such persons purchase additional shares of ours, the percentage of shares that will be held by them will increase, decreasing the percentage of shares that are held by public stockholders.

If any significant stockholder sells large amounts of our common stock in the open market or in privately negotiated transactions, this could have the effect of increasing the volatility in the price of our common stock or putting significant downward pressure on the price of our common stock.

We do not currently intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have not paid any cash dividends on our common stock since our merger with ChaSerg. The payment of any cash dividends will be dependent upon our revenue, earnings and financial condition from time to time. The payment of any dividends will be within the discretion of our board of directors. It is presently expected that we will retain all earnings for use in our business operations and, accordingly, it is not expected that our board of directors will declare any dividends in the foreseeable future. Our ability to declare dividends may be limited by the terms of any financing and/or other agreements entered into by us or our subsidiaries from time to time and by requirements under the laws of our subsidiaries' respective jurisdictions of incorporation to set aside a portion of their net income in each year to legal reserves. Therefore, you are not likely to receive any dividends on your common stock for the foreseeable future and the success of an investment in shares of our common stock will depend upon any future appreciation in its value. Consequently, investors may need to sell all or part of their holdings of our common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

Delaware law and our certificate of incorporation and bylaws contain certain provisions, including anti-takeover provisions, that limit the ability of stockholders to take certain actions and could delay or discourage takeover attempts that stockholders may consider favorable.

Our certificate of incorporation and bylaws, and the DGCL, contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors and therefore depress the trading price of our common stock. These provisions could also make it difficult for stockholders to take certain actions, including electing directors who are not nominated by the current members of our board of directors or taking other corporate actions, including effecting changes in our management. Among other things, our certificate of incorporation and bylaws include provisions regarding:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock, including "blank check" preferred stock, and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the limitation of the liability of, and the indemnification of our directors and officers;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- the requirement that directors may only be removed from our board of directors for cause;

- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of stockholders and could delay the ability of stockholders to force consideration of a stockholder proposal or to take action, including the removal of directors;
- the requirement that a special meeting of stockholders may be called only by our board of directors, the chairman of our board of directors, or our chief executive officer, which could delay the ability of stockholders to force consideration of a proposal or to take action, including the removal of directors;
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings;
- the requirement for the affirmative vote of holders of at least a majority of the voting power of all of the then outstanding shares of the voting stock, voting together as a single class, to amend, alter, change or repeal any provision of our certificate of incorporation or our bylaws, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our board of directors and also may inhibit the ability of an acquirer to effect such amendments to facilitate an unsolicited takeover attempt;

- the ability of our board of directors to amend the bylaws, which may allow our board of directors to take additional actions to prevent an unsolicited takeover and inhibit the ability of an acquirer to amend the bylaws to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which could preclude stockholders from bringing matters before annual or special meetings of stockholders and delay changes in our board of directors and also may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our board of directors or management.

In addition, as a Delaware corporation, we are subject to provisions of Delaware law, including Section 203 of the DGCL, which may prohibit certain stockholders holding 15% or more of our outstanding capital stock from engaging in certain business combinations with us for a specified period of time.

Any provision of our certificate of incorporation, bylaws or Delaware law that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our common stock.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Purchases of Equity Securities

None.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

During our last fiscal quarter, the following officers, as defined in Rule 16a-1(f), adopted two "Rule 10b5-1 trading arrangements" as defined in Regulation S-K Item 408, as follows:

On August 30, 2023, Anil Doradla, our Chief Financial Officer, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 92,084 shares of our common stock. The trading arrangement was intended to satisfy the affirmative defense in Rule 10b5-1(c). The Rule 10b5-1 plan may sell a portion of Mr. Doradla's shares each month until November 1, 2024, No director or earlier if all transactions under the trading arrangement are completed.

On September 1, 2023, Leonard Livschitz, our Chief Executive Officer, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of shares of our common stock. The expected number of shares to be sold is between 260,000 to 685,638 shares. The trading arrangement was intended to satisfy the affirmative defense in Rule 10b5-1(c). The Rule 10b5-1 plan may sell a portion of Mr. Livschitz's shares each month until December 20, 2024, or earlier if all transactions under the trading arrangement are completed.

No other officers or directors, officer, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the last fiscal quarter, three months ended March 31, 2024.

Item 6. Exhibits.

The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Quarterly Report on Form 10-Q.

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference From Form	Incorporated by Reference From Exhibit Number	Date Filed
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith		
32.1*	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith		
32.2*	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith		
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith		
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith		
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith		
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith		
104	Cover Page Interactive Data File the cover page interactive data is embedded within the Inline XBRL document or included within the Exhibit 101 attachments	Filed herewith		

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Grid Dynamics Holdings, Inc.

Date: **November 2, 2023** **May 2, 2024**

By: /s/ Leonard Livschitz

Leonard Livschitz
Chief Executive Officer and Director
(Principal Executive Officer)

Date: **November 2, 2023** **May 2, 2024**

By: /s/ Anil Doradla

Anil Doradla
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Leonard Liveschitz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Grid Dynamics Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2023

By: /s/ Leonard Liveschitz

Name: Leonard Liveschitz

Title: Chief Executive Officer and Director

(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anil Doradla, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Grid Dynamics Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 2, 2023** **May 2, 2024**

By: **/s/ Anil Doradla**
 Name: **Anil Doradla**
 Title: **Chief Financial Officer**
(Principal Financial and Accounting Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
 18 U.S.C. SECTION 1350,
 AS ADOPTED PURSUANT TO
 SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Leonard Liveschitz, Chief Executive Officer of Grid Dynamics Holdings, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The quarterly report on Form 10-Q for the Company for the quarter ended **September 30, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 2, 2023** **May 2, 2024**

By: **/s/ Leonard Liveschitz**
 Name: **Leonard Liveschitz**
 Title: **Chief Executive Officer and Director**
(Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
 18 U.S.C. SECTION 1350,**

**AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Anil Doradla, Chief Financial Officer of Grid Dynamics Holdings, Inc. (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The quarterly report on Form 10-Q for the Company for the quarter ended **September 30, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 2, 2023** **May 2, 2024**

By: **/s/ Anil Doradla**

Name: **Anil Doradla**

Title: **Chief Financial Officer**

(Principal Financial and Accounting Officer)

DISCLAIMER

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