
Cristian Traut

DNI: 34.330.304

Autorizo a la Universidad del CEMA a publicar y difundir a los fines exclusivamente académicos y didácticos el Trabajo Final de mi autoría correspondiente a la carrera cursada en esta institución.



Master's Degree in Finance
Capital Markets
Final Research Program
Globant S.A.

Student: Lic. Cristian Traut
Coordinator: Dr. Jose Dapena

Buenos Aires, November 2017



Cristian Traut – MAF 2017

Sector: Technology
Industry: Information Technology Services
New York Stock Exchange

Globant S.A.

Date: 17/11/2017
Ticker - NYSE: GLOB

Current Price: \$40.58 (17/11/17)
Headquarters: Buenos Aires, ARG

Recommendation: HOLD
Target Price: \$42.48 USD

Fundamental Tests (STRONG)

EPS Growth > 0: **Pass**

Revenue Growth > 0: **Pass**

Five Year Avg. ROE > 5%: **Pass**

5 Yr. Min Gross Margin > 0: **Pass**

Book Value per Share Growth > 0: **Pass**

Current Ratio > 1: **Pass**

D/E Ratio < 13: **Pass**

Long Term Avg. Cash Flow > 0: **Pass**

Long Term Debt < 5 x Net Income: **Pass**

Never Missed a Dividend Payment: **No Dividend Pay**

Projections	2017-12	2018-12	2019-12	2020-12	2021-12
Revenue	401	498	618	767	953
Operating Expenses	347	431	535	664	825
EBIT	54	67	83	103	128
EBITDA	69	85	106	132	163
NOPAT	39	49	61	76	94
Net Cash Flow	52	65	80	100	124

Highlights

I initiate coverage on Globant (GLOB) with a **HOLD** recommendation based on a 31 December 2017 target price of **\$42.48**, offering **4.7%** upside from its closing price of **\$40.58** on November 17, 2017. My recommendation is primarily driven by:

- Growth Drivers** – Globant has been able to grow their revenues due to an increase in demand from companies looking to achieve digital transformation, increasing long term contracts with blue chip clients and maintaining a strong acquisition pipeline. As utilization rates reach mature levels, growth will primarily be driven through acquisitions, for which the Company is well positioned.
- Valuation** – Valuation methods indicate a current intrinsic value of **\$42.48** per share. I evaluated Globant intrinsic value primarily through a discounted cash flow analysis and compare with a relative multiples valuation.
- Main Risks to Globant Include** – Adverse changes in general economic, political and social environment in the United States, Europe and Latin America; resource utilization, attrition rate and availability of high quality talent IT professionals to continue innovating and remain at the forefront of emerging technologies and market trends.

Key Statistics

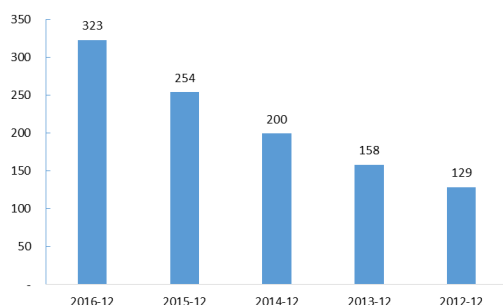
Price Nov 17 40.58
52 Week High (Daily) 47.51
52 Week Low (Daily) 30.90
Market Cap 1.421B
Enterprise Value 1.493B

Revenue (TTM) 385 M
Revenue (Qtrly YoY Growth) 33.18%
Net Income (TTM) 28 M
EPS Diluted (TTM) 0.80
EPS Diluted (Qtrly YoY Growth) -18.2 %

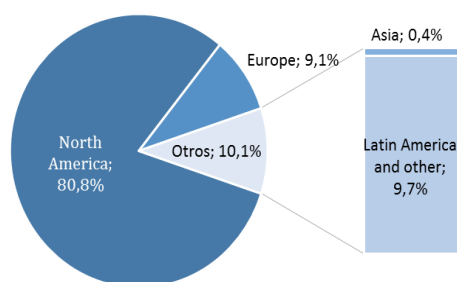
PE Ratio (TTM) 50.98
PS Ratio (TTM) 3.78
Profit Margin (Qtrly) 7.3 %
Return on Equity (TTM) 8.97 %
Beta (5 years) 1.08

Stock Price Evolution, 4 Years



Figure 1: Total Revenue (USD Millions)

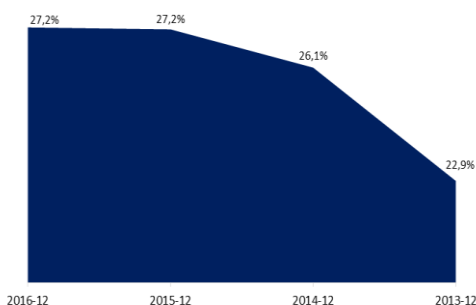
Source: Company Data

Figure 2: Revenue by Client Location

Source: Company Data

Figure 3: Globers in the World

Source: Company Data

Figure 4: Revenue Growth Rate

Source: Company Data

Company Overview

Globant was founded in 2003 and since their inception, they have benefited from strong organic growth and have built a blue chip client base comprised of leading global companies. Over that same period, they have expanded their offices from one to 35.

“Globers” are experts in creating digital journeys, composed of different software products including mobile apps, web apps, sensors and other hardware appliances orchestrated by a smart backend that uses big data and fast data, and that connects to all of Globant client’s system. This approach creates a deep understanding of each end user and assists their clients in creating customized responses for each end user.

Globant is a company where engineering, innovation and design meet scale. They help their clients transform their businesses through digital.

They provide services through a network of 35 locations in Argentina, Uruguay, Chile, Colombia, Brazil, Mexico, India, Peru, Europe and the United States, supported by three client management locations in the United States, and one client management location in each of the United Kingdom, Colombia, Uruguay, Argentina and Brazil. Globant reputation for cutting-edge work for global blue chip clients and their footprint across Latin America provide them with the ability to attract and retain well-educated and talented professionals in the region. They are culturally similar to their clients and they function in similar time zones. These characteristics have helped Globant to build solid relationships with their clients in the United States and Europe and facilitate a high degree of client collaboration.

In July 2014, Globant closed the initial public offering of their common shares in the United States and in August 2016 in the Luxembourg Stock Exchange.

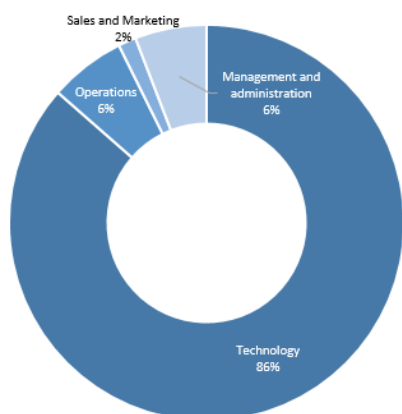
Globant growth has largely been organic. However, since 2008 they had made twelve small complementary acquisitions focused on deepening their relationship with key clients, extending their technology capabilities, broadening their service offering and expanding the geographic footprint of their delivery centers, including beyond Latin America:

- Accendra (2008), a Buenos Aires-based provider of software development services, in order to deepen their relationship with Microsoft and broaden their technology expertise to include Sharepoint and other Microsoft technologies. They also acquired Openware, a company specializing in security management based in Rosario, Argentina;
- Nextive (2011), the acquisition expanded their geographic presence in the United States and enhanced their ability to provide comprehensive solutions in mobile technologies;
- TerraForum (2012), an innovation consulting and software development firm in Brazil. The Intention was to expand to Brazil and strengthening the position as a leader in the creation of innovative software products;
- Dynaflows (2013 and 2015), this additional acquisition allowed them to broaden their Services over Platforms strategy;
- Huddle Group (2013 and 2014). A company specializing in the media and entertainment industries, with operations in Argentina, Chile and the United States;
- BlueStar Holdings (2014);
- Clarice (2015) which allowed them to establish the presence in India;
- WAE (2016);
- Difier (2016), provider of software development services;
- L4 Mobile (2016), the purpose was related to strengthening their leading position in the digital services space;
- Rario Cypress (2017). Offering design, development and quality assurance services necessary to build and manage robust digital products and video streaming solutions for major media companies.

In 2015, they launched new Studios to complement their offerings, including one focused on Cognitive Computing, and they incorporated a complementary approach to build digital journeys fast and in an innovative manner though: they service-over-platform offering.

During 2016 they introduced a new model that intends to reshape the strategy to scale in the coming years and take the company to the next level, called 50 Squared. The main goal of this new approach is to focus the team in the top 50 high potential accounts that have the capacity to grow exponentially over time.

Figure 5: Employees by function



Source: Company Data

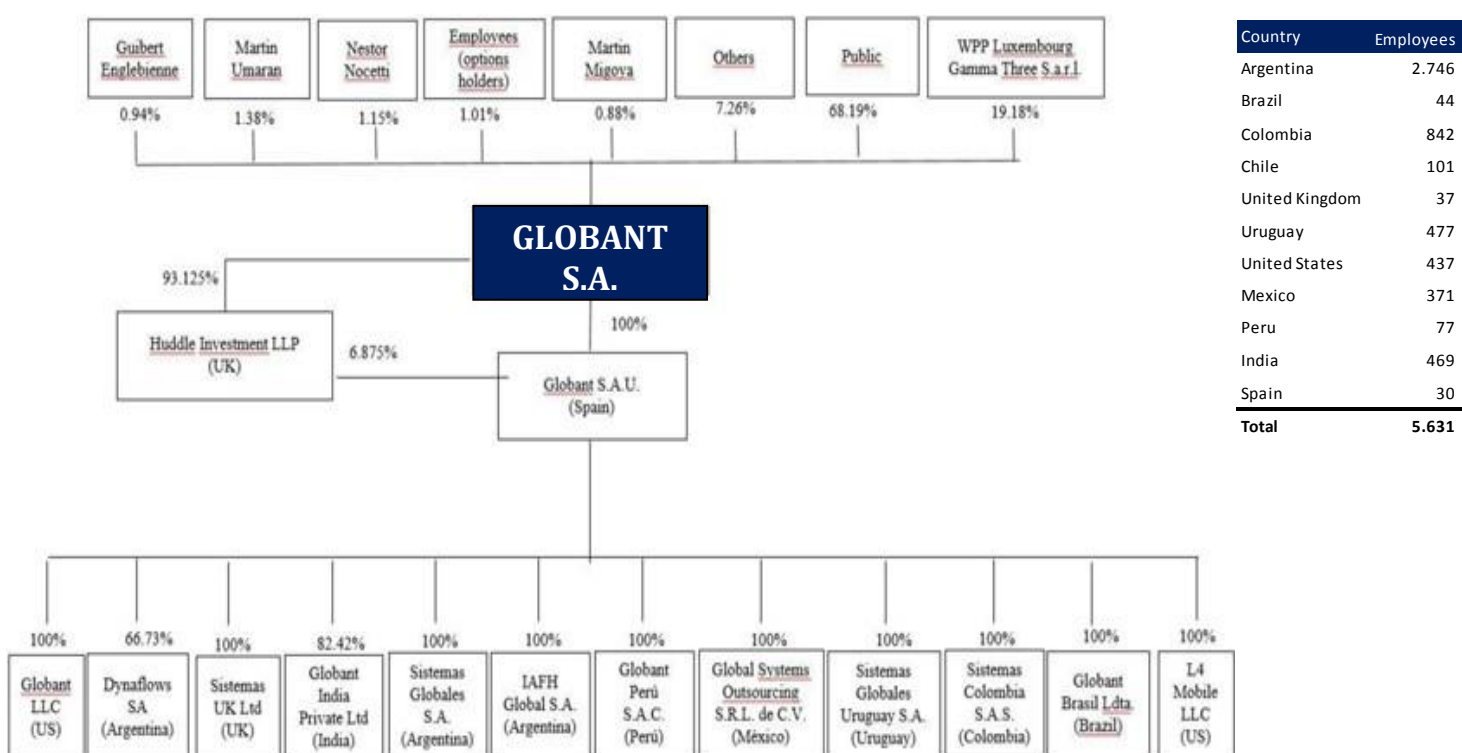
Organizational Structure

Globant was founded in 2003 by Martín Migoya, Chairman and Chief Executive Officer, Guibert Englebienne, Chief Technology Officer, Martín Uman, Chief of Staff, and Nestor Nocetti, Executive Vice President of Corporate Affairs.

They created a digitally native technology services company, starting in Latin America with the idea of build digital journeys that matter to millions of users, while also generating world-class career opportunities for IT professionals, not just in metropolitan areas but also in outlying cities and countries.

Globant was incorporated as the holding company for their business as a société anonyme (a joint stock company) under the laws of the Grand Duchy of Luxembourg. The principal operating subsidiary is based in Buenos Aires, Argentina.

Figure 6: Globant Family Tree, Shareholders, Board of Directors and Globers



Directors and Senior Management	Number Shares	% Total
Francisco Álvarez-Demalde	3,175	*
Gustavo Barreiro	53,885	*
Guibert Englebienne	365,508	1.05%
Marcos Galperin	22,17	*
Natalia Kanefsky	3,735	*
Guillermo Marscovetere	39,465	*
Martín Migoya	402,633	1.15%
Timothy Mott	22,2	*
Nestor Nocetti	407,343	1.17%
Philip A. Odeen	22,17	*
Patricio Pablo Rojo	81,249	*
Alejandro Scannapieco	60,122	*
Martín Uman	512,161	1.47%
Mario Vázquez	22,17	*
Guillermo Willi	47,102	*
David Moore	-	*
Wanda Weigert	7,5	*
Patricia Pomies	3,542	*
All executive officers and directors as a group	2,076,130	5.95%

*Less than 1%

5% or More Shareholders:	Number Shares	% Total
WPP Luxembourg Gamma Three S.à.r.l.	6,687,548	19.18%
Capital World Investors	3,778,613	10.84%
GIC Private Limited	2,514,950	7.21%
BlackRock, Inc.	1,800,418	5.16%
JPMorgan Chase & Co.	2,200,137	6.31%
Entities affiliated with Morgan Stanley	1,751,560	5.02%

Name	Position	Age	Date of Appointment	Current Term Expiring at Annual Meeting of Shareholders to Be Held in Year
Martín Migoya	Chairman of the Board and Chief Executive Off	49	May 6, 2016	2018
Martín Gonzalo Uman	Director and Chief of Staff	48	July 15, 2014	2017
Guibert Andrés Englebien	Director and Chief Technology Officer	50	July 15, 2014	2017
Francisco Álvarez-Demald	Director	38	May 4, 2015	2019
Mario Eduardo Vázquez	Director	81	May 6, 2016	2019
Philip A. Odeen	Director	81	May 4, 2015	2018
David J. Moore	Director	64	May 4, 2015	2018
Marcos Galperin	Director	45	May 6, 2016	2019
Timothy Mott	Director	68	May 6, 2016	2017

Figure 7: Today's Challenge



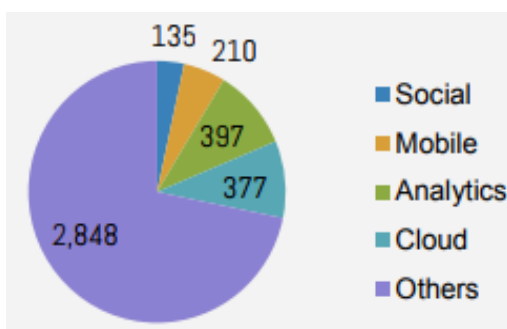
Source: Company Presentation

Figure 8: Digital Services Market Estimates

	2015	2016	2017	2018	2019	2020	2015-2020 CAGR (%)
Digital operations	18.7	24.3	30.5	35.8	43.0	55.2	24.1
Customer and brand engagement	13.1	14.2	17.4	24.9	29.4	32.6	20.0
Digital products and services	11.0	13.8	16.3	18.7	23.8	32.8	24.5
Total	42.8	52.2	64.3	79.4	96.1	120.5	23.0

Source: IDC, 2016: Worldwide Digital Strategy And Agency Services Spending by Foundation Use Case, 2015 - 2020

Figure 9: IT Global Spend 2016 (\$B)



Source: The Business Research Company Market Research and Gartner

Figure 10: Global AI Market Revenue Estimates



Source: Tractica

Business Description

Since the explosion of new technologies, a new way to connect with consumers started to arise. It's a way that is not driven by pushing messages through traditional channels like TV or radio, or just transacting online with users via platforms. It's about making them become part of a digital journeys that starts long before the consumer needs to interact with the brand. These kinds of ecosystems exceed the creation of a website, an app or even a unified omnichannel experience.

Globant is relevant in every touch point and creates an emotional connection with users. They are talking about building memorable experiences that are personalized, time sensitive, and context and location aware.

They seek to deliver the optimal blend of engineering, design, and innovation to harness the potential of emerging technologies for their clients. While engineering is central to information technology, only by combining strong engineering capabilities with creativity and agility can they deliver innovative solutions that enhance end-user experiences while meeting their clients' business needs.

Globant take a dive into their customers industry, culture, challenges and goals in order to understand their business. The harmonious integration between future trends and existing IT, infrastructure, services and applications is a critical enabler of any Digital Transformation process.

Globers are the most valuable asset, over 35 locations across 27 cities in Argentina, Uruguay, Chile, Colombia, Brazil, Mexico, Peru, Europe and the United States, supported by four client management locations in the United States, and one client management location in each of United Kingdom, Colombia, Uruguay, Argentina and Brazil. Their reputation for cutting-edge work for global blue chip clients and their footprint across the world provide them with the ability to attract and retain well-educated and talented professionals. They are culturally similar to their clients and function in multiple time zones. These characteristics have helped them build solid relationships with their clients in the United States and Europe and facilitate a high degree of client collaboration.

Industry Overview and Competitive Positioning

Demand Drivers

Over the last several years, a number of technologies have emerged to revolutionize the way end users interact with technology, reshape businesses and change the competitive landscapes for organizations.

Tech Trends

- **Artificial Intelligence (AI)**, Deep Learning and Machine Learning encompass a set of technologies that have advanced exponentially in recent years, blurring the line between fantasy and reality and creating an unparalleled market opportunity for whomever can bring the technology to eager consumers.
- **Cloud everything.** Cloud computing is a model for consuming and delivering business and consumer products and services, using Internet-based computing, storage and connectivity technology to house content distributed to an increasing variety of devices. This trend foster the development of new applications and devices that can access cloud-based software.
- **Natural Language processing (NLP)** allows more apps to be controlled by voice, reshaping the way companies think their user experiences, and pushing the no interface approach. This also allows more apps to control connected about homes as well functionality on our cars.
- **Virtual Reality and Augmented Reality** experiences will be expanded to involve more sensors, going from a visual and sound experience to include touch, smell - covering most of our senses. These technologies have started and will continue to be used by more industries, ranging from entertainment to healthcare.

Figure 11: Main Clients



Source: Company Data

Figure 12: Digital Journey



Source: Company Data

- Blockchain technology has been used in finance for some time. A blockchain is a distributed database in which information are listed sequentially in “blocks.” This helps prevent the tampering of data and promises increased trust and less business friction by offering transparent access to the chain. Several industries including gaming, music distribution, title registry, and identity verification, are already starting to leverage this technology in initiatives that are likely to see the light during 2018.
- Big data & fast data refers to the proliferation of data that enterprises are experiencing is driving demand for enhanced business analytics to enable them to identify patterns instantly, gain deeper insights into their customers and operations, and make better decisions.

Market Trends

In this new environment, companies’ customers, employees, partners, and stakeholders have become voracious users of technology with high expectations. These users move fast from place to place and are keen to interact with their digital ecosystem anywhere and anytime, in a painless, fast, relevant, and unrestricted way. They demand personalized, seamless and frictionless experiences that will simplify their lives.

They believe that these changes are resulting in a paradigm shift in the technology services industry and are creating a demand for service providers that possess a deep understanding of how to create digital journeys that leverage the following emerging technologies and related market trends:

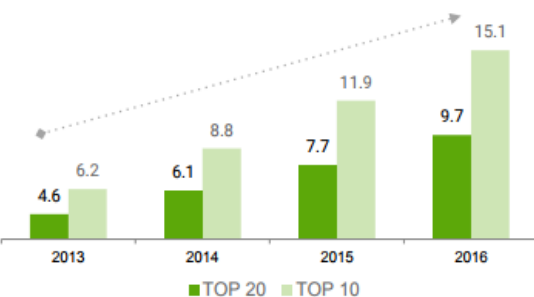
- Omnirelevant experiences** are now the focus of companies when planning their digital transformations. Focusing on relevance and quality of user interaction over quantity of touch points is at the heart of an effective digital strategy. This requires consumer- centric thinking from the outset. It means being aware of the moments that impact their customer and taking action throughout their digital journey while taking into consideration five key elements: harmony, familiar security, contextual content, sensory and surprise.
- Emotional engagement** is at the center of the discussion. Consumers are interested in having trusting relationships with brands and these require emotional intimacy at every step of the journey. Personalization, as an example, triggers a sense of familiarity making the user feel individualized while transacting through a system.
- Automation** continues to be in surge as many industries create technology to handle repetitive tasks. This is affecting traditional production tasks as well as digital ones such as for marketing and analysis purposes. For example, the use of machine learning allows for anomalies to be detected without the need of human intervention. Companies will continue to find ways to improve efficiency by automating their processes.
- Consumerization of Information Technology** increases as consumers continue to adopt emerging technologies into their personal lives, and come to expect the same experience, communication and features from business applications. Employees and enterprises are leveraging tools that originated in the consumer world to communicate, collaborate and share knowledge in the workplace, as well as with clients.
- Chat and business bots** are software programs that include AI components to interact with people over messaging apps. They have been used for practical purposes such as customer service or information acquisition, but businesses are beginning to see that they can be leveraged to incite conversations that deliver personalized and meaningful content to their customers at scale.

Strategy

They seek to be a leading provider of software that appeals and connects emotionally with millions of consumers. The key elements of Globant’s strategy for achieving this objective are as follows:

- Grow revenue with existing and new clients
- Remain at the forefront of innovation and emerging technologies
- Attract, train and retain top quality talent
- Selectively pursue strategic acquisitions

Figure 16: Average Revenue by Client (USD Millions)



Source: Company Data

Clients

Their clients include primarily medium- to large-sized companies based in the United States, Europe, Asia and Latin America operating in a broad range of industries including Media and Entertainment, Professional Services, Technology and Telecommunications, Travel and Hospitality, Banks, Financial Services and Insurance, and Consumer, Retail and Manufacturing. I believe clients choose them based on their ability to understand their business and help them drive revenues, as well as their innovative and high value-added business proposals, tailored Studio-based solutions, and their reputation for high quality execution. They have been able to grow with and retain their clients by merging their industry knowledge with their expertise in the latest market trends to deliver tangible business value.

They generate 47% of their revenue from long-term contracts with terms greater than 24 months.

Some of the major clients in 2016 included Google, Electronic Arts, Southwest Airlines Co. and Walt Disney Parks and Resorts Online, each of which was among their top ten clients by revenues for at least one Studio.

Figure 17: Client Revenue Contribution (%)

Clients	2013	2014	2015	2016	Q1'17
Top 1 Client	6	9	12	10	10
Top 5 Clients	25	28	33	34	31
Top 10 Clients	40	44	47	47	44

Source: Company Data

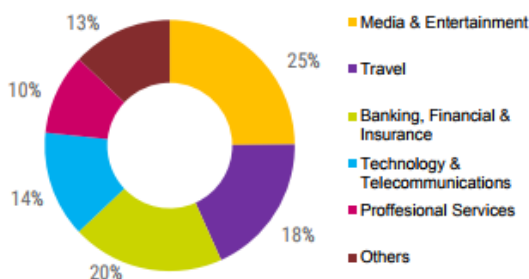
Competition

The markets in which they compete are changing rapidly. They face competition from both global IT services providers as well as those based in the United States. They believe that the principal competitive factors in their business include: the ability to innovate; technical expertise and industry knowledge; end-to-end solution offerings; reputation and track record for high-quality and on-time delivery of work; effective employee recruiting; training and retention; responsiveness to clients' business needs; scale; financial stability; and price.

They face competition primarily from:

- large global consulting and outsourcing firms, such as Accenture, Sapient, Thoughtworks and Epam;
- digital agencies and design firms such as SapientRazorfish, RGA and Ideo;
- traditional technology outsourcing IT services providers, such as Cognizant Technology Solutions, EPAM Systems, GlobalLogic, Aricent, Infosys Technologies, Mindtree HCL, Tata, Wipro and Luxoft; and
- in-house product development departments of their clients and potential clients.

Figure 18: Clients by Industry



Source: Company Data

I believe that their focus on creating software that appeals and connect emotionally with millions of consumers positions them well to compete effectively in the future. However, some of their present and potential competitors may have substantially greater financial, marketing or technical resources; may be able to respond more quickly to emerging technologies or processes and changes in client demands; may be able to devote greater resources towards the development, promotion and sale of their services than Globant can; and may make strategic acquisitions or establish cooperative relationships among themselves or with third parties that increase their ability to address the needs of their clients.

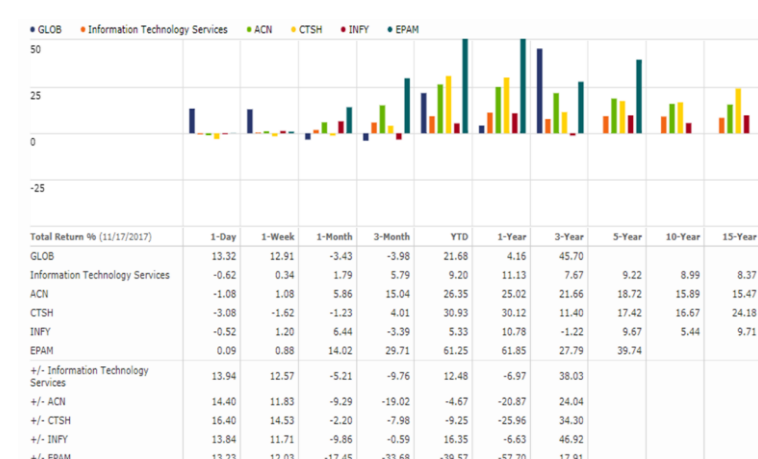


Figure 19: Worldwide Leader of Digital Strategy Consulting Services and Major Players of Digital Production Innovation in 2016

Source: IDC MarketScape Report.

IDC MarketScape Worldwide Digital Strategy Consulting Services for Digital Product Innovation Vendor Assessment

Financial Analysis and Multiples



Current Valuation

	GLOB	EPAM	INFY	CTSH
Market Cap (1)	1.421M	5.477M	34.890M	43.020M
Enterprise Value	1.493M	4.989M	27.290M	39.130M
PE Ratio (TTM) (2)	50.98	43.94	16.22	22.50
PS Ratio (TTM) (3)	3.78	4.13	3.44	3.03
Price to Book Value	5.71	5.56	3.15	3.92
EV to EBITDA (TTM)	44.18	26.91	10.87	13.28
EV to EBIT (TTM)	50.15	31.52	10.96	15.50
Operating Earnings Yield (TTM) (2)	2.5%	2.8%	7.7%	5.5%
Dividend Yield (TTM) (2)	-	-	29.72%	4.72%

Profitability

	GLOB	EPAM	INFY	CTSH
Profit Margin (TTM)	7.39%	9.41%	21.05%	13.42%
Operating Margin (TTM)	9.17%	11.60%	25.72%	16.51%
EBITDA Margin (TTM)	8.77%	13.58%	26.42%	20.40%
Asset Utilization (TTM)	1.21	1.35	0.81	1.03
Gross Profit Margin (TTM)	36.75%	36.58%	51.50%	38.59%

Management Effectiveness

	GLOB	EPAM	INFY	CTSH
Receivables Turnover (Quarterly)	1.48	1.16	1.09	1.20
Return on Equity (TTM)	12.51%	14.01%	20.58%	18.37%
Return on Assets (TTM)	8.97%	11.79%	16.81%	13.73%
Return on Invested Capital (TTM)	17.18%	13.51%	-	16.77%

Stock Price Performance

	GLOB	EPAM	INFY	CTSH
1 Month Price Returns (Daily)	-3.43%	14.02%	6.47%	-1.23%
Year to Date Price Returns (Daily)	21.68%	61.25%	10.85%	30.16%
1 Year Price Returns (Daily)	4.16%	61.85%	10.85%	30.16%
3 Year Price Returns (Daily)	45.70%	27.79%	-1.30%	11.42%

Income Statement

	GLOB	EPAM	INFY	CTSH
Revenue (TTM)	385M	1.285M	10.100M	14.130M
Revenue (Quarterly YoY Growth)	33.18%	26.56%	5.57%	8.90%
EBITDA (TTM)	34M	169M	2.703M	2.884M

Revenue (Quarterly YoY Growth)



Balance Sheet

	GLOB	EPAM	INFY	CTSH
Cash and Short Term Investments (Quarterly)	44M	444M	6.149M	4.378M
Book Value (Per Share) (MRQ)	7.1	17.5	4.6	17.8
NCP of Long Term Debt (Quarterly)	-	25M	-	747M
Long Term Debt	11M	25M	-	991M
Asset Utilization (TTM)	1.21	1.35	0.81	1.03
Shares Outstanding (MRQ)	35M	55M	2.286M	591M
Debt to Equity Ratio (Quarterly)	4.25%	2.72%	-	9.45%
Current Ratio (Quarterly) (MRQ)	1.82	6.06	3.39	3.35
Total Assets (Quarterly)	0.3B	1.08B	1.31B	1.39B
Total Liabilities (Quarterly)	0.1B	0.1B	2.5B	3.5B

Notes:

TTM: Trailing twelve months

EBITDA: Earnings before interest, taxes, depreciation and amortization

EBIT: Earnings before interest and taxes

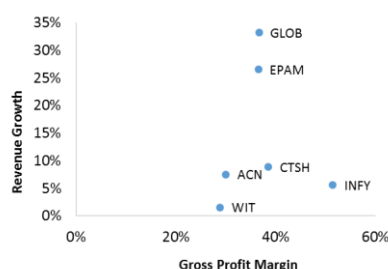
MRQ: Most recent quarter

1 Shares outstanding from most recent quarter.

2 TTM financial data.

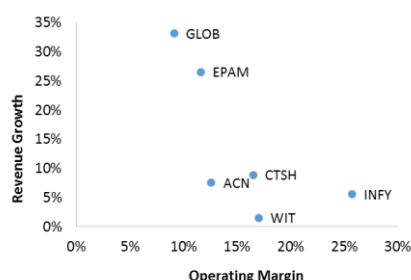
3 MRQ financial data.

Figure 20: Gross Margin Comparison



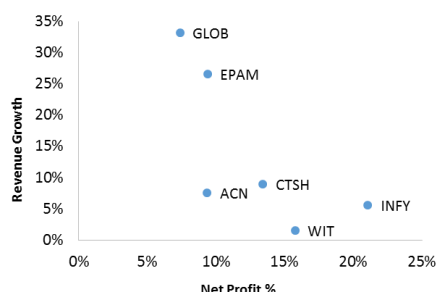
Source: Own Estimates

Figure 21: Operating Margin by Peers



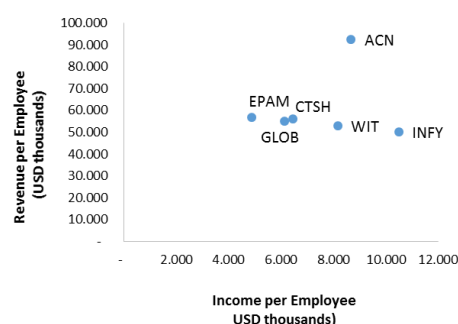
Source: Own Estimates

Figure 22: Profit Margin Comparison



Source: Own Estimates

Figure 23: Revenue and Income per employee (Peer Analysis)



Source: Own Estimates

Investment Summary

I issue a **HOLD** Recommendation on Globant (GLOB) with a target price of \$42.48 using a Discounted Cash Flow Analysis. This valuation is supported by numerous merits, as outlined below, as well as concerns taken into consideration:

Merits

Strong Technology Platforms

Globant has been able to focus on creating software that appeals and connect a lot of consumers through heavily investments in innovative technology platforms that positions them well to compete in the future and continue to drive revenue growth.

Increasing Revenue Growth

Globant is currently the company that had the highest sales growth in recent times compared to its peers. The DCF model projects that this trend will continue for the next few years.

Globant Stands to Benefit from worldwide IT spending in the next years

The information technology services industry will benefit from multiple tailwinds that will bring an increase in the use of technology by the next generations that include:

- Worldwide IT Spending will grow from 3.5 trillion in 2017 to almost 4 trillion in 2020.
- Digital Services will grow 23% CAGR from 2017 to 2020.
- Global Artificial Intelligence Revenues will grow from less than 5 billion to almost 40 billion in 2025.

I expect that this momentum will be sustainable for Globant and accretive to the technology sector.

Transparent Acquisition Pipeline

Globant has proven their continued ability to execute on their acquisition pipeline. Their third party management relationships will continue to provide test market scenarios through which Globant can increase their strategic market presence. The predictability of their acquisition pipeline, through these external operations, breeds confidence in the DCF's assumptions.

Concerns

Future Growth Constrained by Maturing Resource Utilization Rates

Over the last quarters, Globant has lowered its operating margins and efficiency levels compared to its peers. If the Company is unable to maintain current resource utilization rates and productivity levels, results of operations may be adversely affected. In the same way, if Globant is unable to manage attrition rate and attract and retain highly-skilled IT professionals, it may not have the necessary resources to maintain client relationships.

Highly Competitive Market

Globant face competition for market share against large global consulting firms, digital agencies and traditional technology outsourcing IT services providers. Some of their have substantially greater financial, marketing or technical resources to respond more quickly to emerging technologies or processes and changes in client demands and devote greater resources towards the development, promotion and sale of their services than Globant can.

As both of these factors limit profitability and growth, Globant will no longer see margin expansion at the same rate they have seen in the past.

Valuation

Valuation Price Target: **\$42.48**Recommendation: **HOLD**

DCF Model

A discounted cash flow analysis was used to estimate the intrinsic value of Globant's share price due to the predictability of cash flows in relation to growth and profitability. The model is forecasted five years.

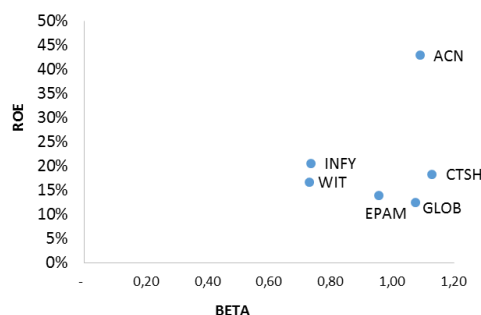
The base case for this model was formulated using guidance from historical performance, industry outlook, an assessment of Globant's competitive positioning, and company guidance on acquisitions, revenue, and earnings growth. The DCF is most sensitive to the following factors, the derivations of which are explained below:

Figure 24: WACC Analysis

WACC Analysis	Years '18 - '21	Terminal Value
Risk Free Rate	2,3%	4,3%
Globant Beta (S&P 500)	1,08	1,08
Market Risk Premium (Damodaran)	6,2%	6,2%
Cost of Equity	9,05%	11,05%
Cost of Debt	4,5%	4,5%
Tax Rate	27%	27%
E/(E+D)	96,5%	96,0%
D/(D+E)	3,5%	4,0%
WACC	8,9%	10,7%

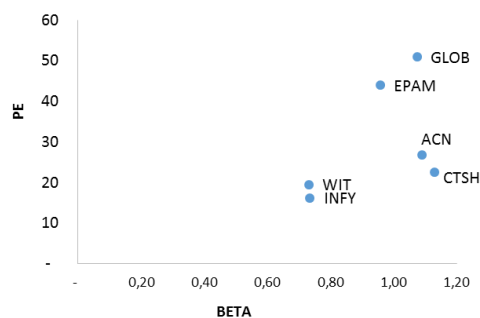
Source: Own Estimates

Figure 25: ROE / BETA Comparison



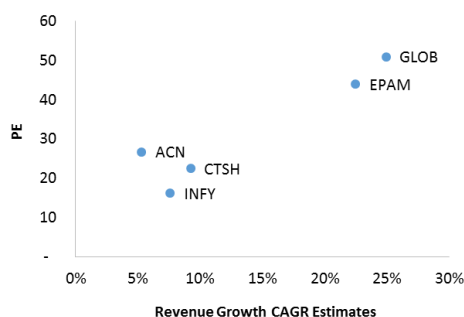
Source: Own Estimates

Figure 26: Price Earnings Ratios



Source: Own Estimates

Figure 27: Revenue Growth (Est.)



Source: Own Estimates

Weighted Average Cost of Capital (WACC)

To better estimate an appropriate discount rate, the WACC was split into two tiers. The first tier spans 2018-2021 to replicate short term treasury rates and for terminal value is structured other discount rate to accurately reflect the increase in long term treasury rates following the expected rate hike in next years.

To calculate Beta, linear regressions of Globant's stock price were run against the S&P 500 for 5-year daily.

CAPM was used to estimate Cost of Equity, while a weighted average cost of debt was used to calculate Cost of Debt. The target capital structure of 96.5% equity and 3.5% debt is utilized from 2018-2021.

Revenue Growth

As digital services industry market estimates continue to improve, Globant's growth rate will increase by 24.2% CAGR 2017 - 2021. This rate will reach a terminal growth rate equal to expected inflation of 2.3%, which was accounted for in the 5 year DCF model.

Impact and Application

The **HOLD** recommendation is based on my analysis that the market has adequately priced Globant's current and future growth expectations.

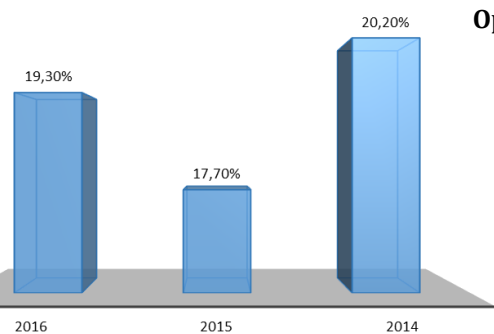
These growth expectations also take into consideration the industry growth, as well as the preservation of margin levels similar to recent years.

Based on expectations built into the base DCF model, Globant would mean an entry point that provided a 4.7% upside, on Price Target of \$42.48.

Fundamental Tests (STRONG)
EPS Growth > 0: Pass
Revenue Growth > 0: Pass
Five Year Avg. ROE > 5%: Pass
5 Yr. Min Gross Margin > 0: Pass
Book Value per Share Growth > 0: Pass
Current Ratio > 1: Pass
D/E Ratio < 13: Pass
Long Term Avg. Cash Flow > 0: Pass
Long Term Debt < 5 x Net Income: Pass
Never Missed a Dividend Payment: No Dividend Pay

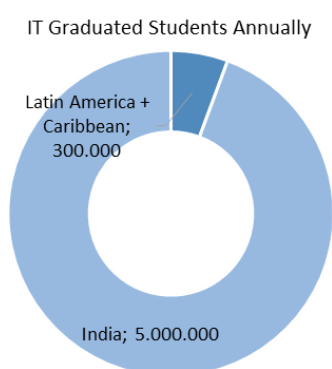
Value Score Components (Earnings and Assets low compare to price)
Earnings Yield: 2%
Continuing Ops Earnings Yield: 2.5%
Book to Market: 16.7%
Dividends Yield: 0.00
Market Cap to Sales Ratio: 3.7

Figure 28: Attrition Rate



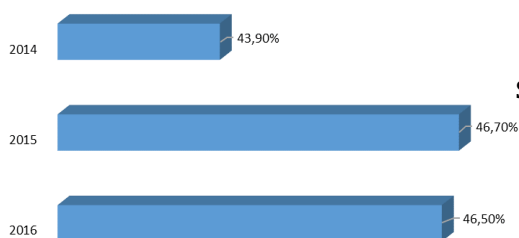
Source: Company Data

Figure 29: Availability of High – Quality Talent



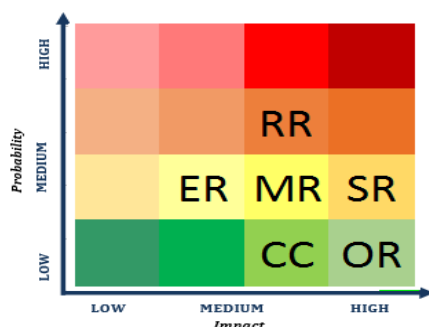
Source: Company Data

Figure 30: Long Term Contracts (Top Clients)



Source: Company Data

Figure 31: Risk Matrix



Source: Own estimates

Investment Risks

Operational Risks (OR):

- If Globant is unable to maintain current **resource utilization rates** and **productivity** levels, revenues, profit margins and results of operations may be adversely affected;
- If the Company is unable to manage **attrition rate** and attract and retain highly-skilled IT professionals, it may not have the necessary resources to maintain client relationships, and competition for such IT professionals could materially adversely affect the business, financial condition and results of operations;

Market Risks (MR):

- A significant portion of the revenues come from clients located in the United States and, to a lesser extent, Europe. Worsening general economic conditions in the United States, Europe or globally could materially adversely affect revenues, margins, results of operations and financial condition;
- Uncertainty concerning the instability in the current economic, political and social environment in Latin America, mainly in Argentina, may have an adverse impact on capital flows and could adversely affect Globant business, financial condition and results of operations;

Economic Risks (ER):

- If any of Globant largest clients terminates, decreases the scope of, or fails to renew its business relationship or short-term contract with them, revenues, business and results of operations may be adversely affected;

Regulatory Risks (RR):

- Argentina's regulations on proceeds from the export of services may increase the exposure to fluctuations in the value of the Argentine peso, which, in turn, could have an adverse effect on Globant operations and the market price of their common shares. The imposition in the future of regulations on proceeds collected outside Argentina for services rendered to non-Argentine residents or of export duties and controls could have an adverse effect on them;

Strategic Risks (SR):

- Globant may not be able to achieve their anticipated growth, which could materially adversely affect revenues, results of operations, business and prospects;
- The Company may be unable to effectively manage their rapid growth, which could place significant strain on management personnel, systems and resources;
- If Globant lose the services of their specialty senior management team or other key employees, business operations, competitive position, client relationships, revenues and results of operation may be adversely affected;
- If Globant does not continue to innovate and remain at the forefront of emerging technologies and related market trends, it may lose clients and not remain competitive, which could cause their results of operations to suffer;

Company Control (CC):

- Globant greater than 5% shareholders, directors and executive officers and entities affiliated with them beneficially own over than 50% of outstanding common shares. These shareholders therefore continue to have substantial control over the Company and could prevent new investors from influencing significant corporate decisions, such as approval of key transactions and including a change of control

Disclosures:

Ownership and material conflicts of interest:

The author of this report does not hold a financial interest in the securities of this company.

The author of this report does not know of the existence of any conflicts of interest that might bias the content or publication of this report.

Receipt of compensation:

Compensation of the author of this report is not based on investment banking revenue.

Position as an officer or director:

The author does not serve as an officer, director or advisory board member of the subject company.

Market making:

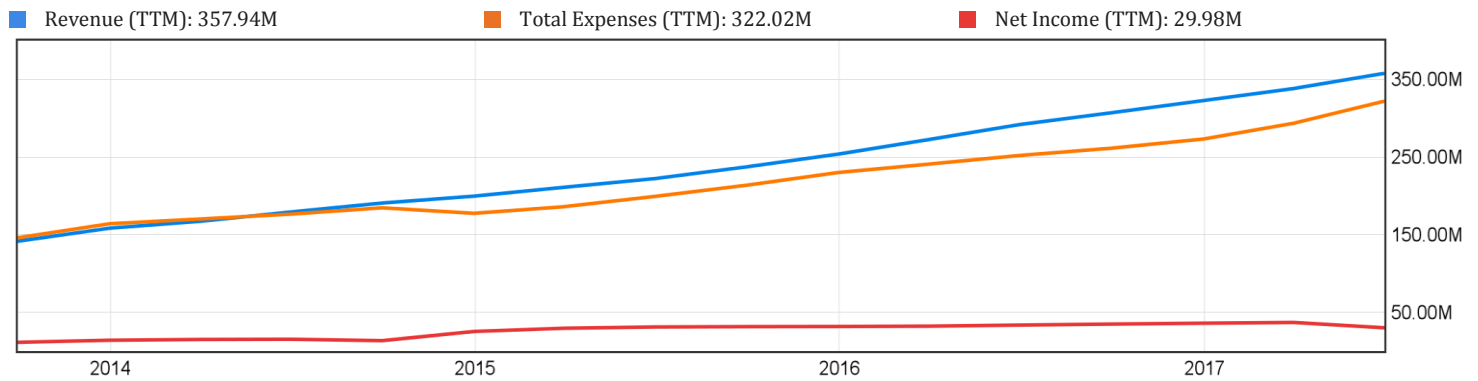
The author does not act as a market maker in the subject company's securities.

Disclaimer:

The information set forth herein has been obtained or derived from sources generally available to the public and believed by the author to be reliable, but the author does not make any representation or warranty, express or implied, as to its accuracy or completeness. The information is not intended to be used as the basis of any investment decisions by any person or entity. This information does not constitute investment advice, nor is it an offer or a solicitation of an offer to buy or sell any security. This report should not be considered to be a recommendation to this company's stock.

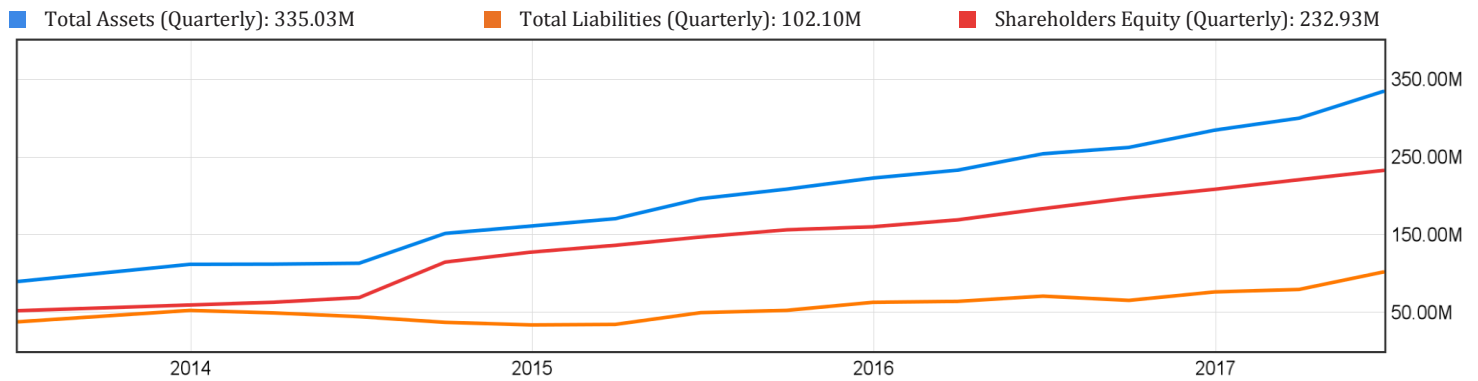


Appendix A: Income Statement



	2015-03	2015-06	2015-09	2015-12	2016-03	2016-06	2016-09	2016-12	2017-03	2017-06
Income										
Operating Revenue	54.51M	60.60M	67.12M	71.56M	73.33M	79.93M	82.35M	87.25M	88.74M	99.59M
Revenue	54.51M	60.60M	67.12M	71.56M	73.33M	79.93M	82.35M	87.25M	88.74M	99.59M
Cost of Goods Sold	34.61M	38.39M	42.47M	44.81M	41.36M	47.16M	49.67M	53.20M	55.49M	65.24M
Gross Profit	19.90M	22.21M	24.64M	26.75M	31.97M	32.76M	32.68M	34.05M	33.25M	34.35M
SG&A Expense	15.46M	17.96M	18.70M	9.498M	17.77M	20.32M	20.91M	10.32M	23.89M	29.13M
Special Income and Charges	1.820M	0.000		0.000		0.000				-1.586M
Total Operating Expenses	13.64M	17.96M	18.70M	19.47M	17.77M	20.32M	20.91M	22.89M	23.89M	30.71M
Operating Income	6.261M	4.25M	5.938M	7.281M	14.20M	12.44M	11.77M	11.16M	9.353M	3.632M
Non-Operating Interest Income	2.557M	3.943M	3.808M	-10.30M	6.886M	4.203M	2.415M	-13.44M	2.085M	2.037M
Non-Operating Interest Expense	2.736M	2.367M	3.415M	-7.522M	7.447M	5.686M	2.181M	-14.50M	2.135M	3.301M
Net Non-Operating Interest	-0.1790M	1.576M	0.3930M	-2.778M	-0.5610M	-1.483M	0.2340M	1.053M	-0.0500M	-1.264M
Income Expense										
Non-Operating Income	3.981M	4.367M	4.972M	13.98M	0.0030M	0.6510M	0.3990M	0.3210M	1.728M	0.6800M
Other Income and Expenses	3.981M	4.367M	4.972M	13.98M	0.0030M	0.6510M	0.3990M	0.3210M	1.728M	0.6800M
Net Interest Income	-0.1790M	1.576M	0.3930M	-2.778M	-0.5610M	-1.483M	0.2340M	1.053M	-0.0500M	-1.264M
Pre-Tax Income	10.06M	10.19M	11.30M	18.48M	13.64M	11.61M	12.40M	12.54M	11.03M	3.048M
Provision for Income Taxes	2.558M	2.620M	3.073M	10.17M	5.725M	2.674M	2.872M	3.056M	2.175M	0.9500M
Income from Continuing Operations	7.505M	7.573M	8.230M	8.312M	7.916M	8.938M	9.528M	9.480M	8.856M	2.098M
Income Attributable to Minority Interest	0.000	0.000			0.0240M		0.0090M	-0.0040M	0.0110M	
Net Income	7.505M	7.573M	8.230M	8.345M	7.940M	8.938M	9.537M	9.476M	8.867M	2.098M
Normalized Income	6.143M	7.573M	8.230M	8.345M	7.940M	8.938M	9.537M	9.476M	8.867M	3.316M
EBITDA	12.80M	12.56M	14.72M	10.96M	21.09M	19.75M	14.58M	-1.961M	13.17M	10.33M
Reconciled Depreciation						2.448M				3.982M
EBIT	12.80M	12.56M	14.72M	10.96M	21.09M	17.30M	14.58M	-1.961M	13.17M	6.349M
Basic EPS										
EPS Basic from Continuing Operations	0.2200	0.2200	0.2400	0.2400	0.2300	0.2600	0.2800	0.2700	0.2600	0.0600
Normalized Basic EPS	0.1795	0.2200	0.2400	0.2400	0.2300	0.2600	0.2800	0.2700	0.2600	0.0950
EPS Basic	0.2200	0.2200	0.2400	0.2400	0.2300	0.2600	0.2800	0.2700	0.2600	0.0600
Diluted EPS										
EPS Diluted from Continuing Operations	0.2200	0.2200	0.2300	0.2300	0.2300	0.25	0.2700	0.2600	0.25	0.0600
Normalized Diluted EPS	0.1805	0.2200	0.2300	0.2300	0.2300	0.25	0.2700	0.2600	0.25	0.0938
EPS Diluted	0.2200	0.2200	0.2300	0.2300	0.2300	0.25	0.2700	0.2600	0.25	0.0600
Shares Data										
Average Basic Shares Outstanding	33.62M	33.95M	34.08M	34.18M	34.22M	34.32M	34.46M	34.60M	34.68M	34.79M
Average Diluted Shares Outstanding	34.48M	34.90M	35.14M	35.20M	35.15M	35.23M	35.46M	35.67M	35.58M	36.03M

Appendix B: Balance Sheet



Assets	2015-03	2015-06	2015-09	2015-12	2016-03	2016-06	2016-09	2016-12	2017-03	2017-06
Cash										29.63M
Cash and Equivalents	28.23M	23.01M	29.71M	36.72M	32.72M	18.77M	16.71M	50.53M	29.44M	29.73M
Short Term Investments	41.64M	40.74M	43.76M	26.56M	37.38M	37.87M	38.70M	10.26M	12.68M	7.337M
Cash and Short Term Investments	69.88M	63.75M	73.48M	63.28M	70.10M	56.64M	55.41M	60.79M	42.12M	37.07M
Accounts Receivable	39.42M	42.77M	44.42M	42.64M	45.91M	51.82M	56.74M	46.85M	68.38M	65.28M
Loans Receivable				0.0590M				0.0320M		
Other Receivables	16.10M	21.57M	21.01M	3.655M	15.33M	16.34M	18.04M	7.785M	19.75M	29.20M
Total Receivables	55.52M	64.34M	65.43M	60.26M	61.24M	68.16M	74.78M	67.99M	88.13M	94.22M
Prepaid Expenses				4.258M				5.047M		
Restricted Cash			0.1070M							
Other Current Assets	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.1090M
Total Current Assets	125.40M	128.09M	139.01M	127.80M	131.34M	124.79M	130.19M	133.83M	130.24M	131.40M
Land and Improvements				2.354M				2.354M		2.354M
Buildings and Improvements				4.204M				6.981M		6.981M
Machine, Furniture & Equipment				37.58M				52.97M		58.04M
Other Properties				0.000				0.000		0.000
Construction in Progress				5.790M				3.899M		6.228M
Gross PP&E				49.93M				66.20M		73.61M
Accumulated D&A				-24.21M				-30.53M		-34.85M
Net PP&E	20.61M	22.34M	22.50M	25.72M	28.72M	33.48M	34.12M	35.68M	37.44M	38.76M
Goodwill	12.42M	30.18M	29.80M	32.53M	32.71M	49.08M	49.06M	65.18M	75.48M	103.10M
Other Intangible Assets	5.794M	6.213M	6.518M	7.209M	7.314M	10.56M	11.13M	13.79M	13.59M	13.91M
Goodwill and Intangibles	18.21M	36.39M	36.31M	39.74M	40.03M	59.64M	60.19M	78.97M	89.07M	117.01M
Long Term Investments	0.75M	2.550M	2.550M	1.521M	2.021M	1.986M	1.085M	1.119M	2.005M	2.105M
Long Term Deferred Assets	4.720M	5.809M	5.902M	7.983M	6.953M	8.440M	9.831M	7.691M	8.336M	10.41M
Other Long Term Assets	0.9320M	1.184M	2.375M	1.343M	24.04M	25.89M	27.02M	6.488M	33.08M	35.35M
Total Long Term Assets	45.23M	68.27M	69.64M	95.09M	101.76M	129.43M	132.26M	150.92M	169.93M	203.63M
Total Assets	170.63M	196.36M	208.65M	222.89M	233.10M	254.22M	262.44M	284.75M	300.18M	335.03M
Liabilities	2015-03	2015-06	2015-09	2015-12	2016-03	2016-06	2016-09	2016-12	2017-03	2017-06
Accounts Payable	3.842M	5.525M	5.080M	1.794M	3.235M	7.347M	5.106M	1.951M	6.351M	8.631M
Current Tax Payable	27.34M	28.27M	32.09M	14.57M	38.70M	30.96M	35.24M	11.76M	37.92M	34.27M
Other Payables	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total Payables	31.18M	33.80M	37.17M	16.36M	41.93M	38.31M	40.34M	13.71M	44.27M	42.90M
Accrued Expenses				23.85M				28.47M		
Payables and Accrued Expenses	31.18M	33.80M	37.17M	40.21M	41.93M	38.31M	40.34M	42.18M	44.27M	42.90M
Current Portion of Long Term Debt	0.4570M	0.4110M	0.3680M	0.2800M	0.2530M	0.2490M	0.2410M	0.2170M	0.1600M	10.28M
Current Debt & Capital Lease Obligation	0.4570M	0.4110M	0.3680M	0.2800M	0.2530M	0.2490M	0.2410M	0.2170M	0.1600M	10.28M
Other Current Liability	0.9200M	0.9990M	4.981M	6.249M	5.781M	6.466M	10.65M	12.60M	17.05M	26.59M
Total Current Liabilities	32.55M	35.21M	42.52M	46.74M	47.97M	45.02M	51.23M	55.00M	61.48M	79.77M

Long Term Provisions - Legal & Other	0.8940M	0.9790M	0.9790M	0.6500M	0.7120M	0.7880M	0.1420M	1.945M	1.071M	1.216M
Non-Current Portion of Long Term Debt	0.6300M	0.5250M	0.4090M	0.2680M	0.2060M	0.0900M	0.0430M	0.000		
Non-Current Portion of LTD and Capital Lease Obligation	0.6300M	0.5250M	0.4090M	0.2680M	0.2060M	0.0900M	0.0430M	0.000		
Minority Interest Ownership				0.0500M	0.0260M	0.0410M	0.0320M	0.0360M	0.0250M	0.0030M
Other Long Term Liabilities	0.2660M	12.74M	8.516M	15.04M	15.12M	24.80M	13.84M	19.24M	16.80M	21.11M
Total Long Term Liabilities	1.790M	14.24M	9.904M	16.01M	16.06M	25.72M	14.06M	21.23M	17.89M	22.33M
Total Liabilities	34.34M	49.45M	52.42M	62.75M	64.03M	70.74M	65.29M	76.22M	79.38M	102.10M

Shareholder's Equity	2015-03	2015-06	2015-09	2015-12	2016-03	2016-06	2016-09	2016-12	2017-03	2017-06
Total Capital Stock	40.69M	40.81M	40.97M	41.05M	41.08M	41.30M	41.45M	41.58M	41.67M	41.91M
Retained Earnings	45.09M	52.67M	60.90M	69.24M	77.18M	86.11M	95.64M	105.12M	113.99M	116.11M
Additional Paid In Capital	51.82M	54.57M	56.38M	51.85M	51.48M	56.95M	61.01M	62.79M	65.94M	75.94M
Shareholders Equity	136.29M	146.91M	156.23M	160.13M	169.07M	183.48M	197.16M	208.52M	220.80M	232.93M

Appendix C: Income Statement Projection

Financial Statements (In Millions of U.S. dollars)					
Income (Annual)	2017-12	2018-12	2019-12	2020-12	2021-12
Revenue	401	498	618	767	953
Cost of Goods Sold	242	301	374	464	576
Depreciation and amortization expense	5	7	8	10	13
Total Cost of Sales	248	307	382	474	589
Gross Profit	153	190	236	293	364
Depreciation and amortization expense	9	11	13	17	20
Charge to allowance for doubtful accounts	1	1	2	2	3
Other operating expenses	92	114	142	176	219
Total Operating Expenses	102	126	157	195	242
Impairment of tax credits, net of recoveries	-	-	-	-	-
Operating Income	52	64	79	99	123
Net Non-Operating Interest Income Expense	-3	-4	-5	-6	-8
Other Income and Expenses	2	3	3	4	5
Pre-Tax Income	50	63	78	97	120
Provision for Income Taxes	13	17	21	26	32
Income from Continuing Operations	37	46	57	71	88
Income Attributable to Minority Interest	0	0	0	0	0
EBITDA	69	85	106	132	163
Depreciation and amortization expense, Charge	15	19	23	29	36
EBIT	54	67	83	103	128
Provision for Income Taxes	13	17	21	26	32
NOPAT	40	50	62	77	96
Basic EPS (Annual)	2017-12	2018-12	2019-12	2020-12	2021-12
EPS Basic	1,06	1,31	1,63	2,02	2,51
Diluted EPS (Annual)	2017-12	2018-12	2019-12	2020-12	2021-12
EPS Diluted	1,02	1,27	1,57	1,96	2,43
Shares Data (Annual)	2017-12	2018-12	2019-12	2020-12	2021-12
Average Basic Shares Outstanding	35,02	35,02	35,02	35,02	35,02
Average Diluted Shares Outstanding	36,25	36,25	36,25	36,25	36,25

Appendix D: Balance Sheet Projection

Assets	2017-12	2018-12	2019-12	2020-12	2021-12
Total Current Assets	193	240	298	370	459
Total Long Term Assets	169	210	260	323	401
Total Assets	362	449	558	693	860
Liabilities (Quarterly)	2017-12	2018-12	2019-12	2020-12	2021-12
Total Current Liabilities	69	85	106	131	163
Total Long Term Liabilities	26	32	40	49	61
Total Liabilities	94	117	146	181	224
Shareholder's Equity (Quarterly)	2017-12	2018-12	2019-12	2020-12	2021-12
Total Equity attributable to owners of the Compa	268	332	412	512	636
Non Controlling Interests	0,1	0,1	0,1	0,1	0,1
Shareholders Equity	268	332	413	512	636

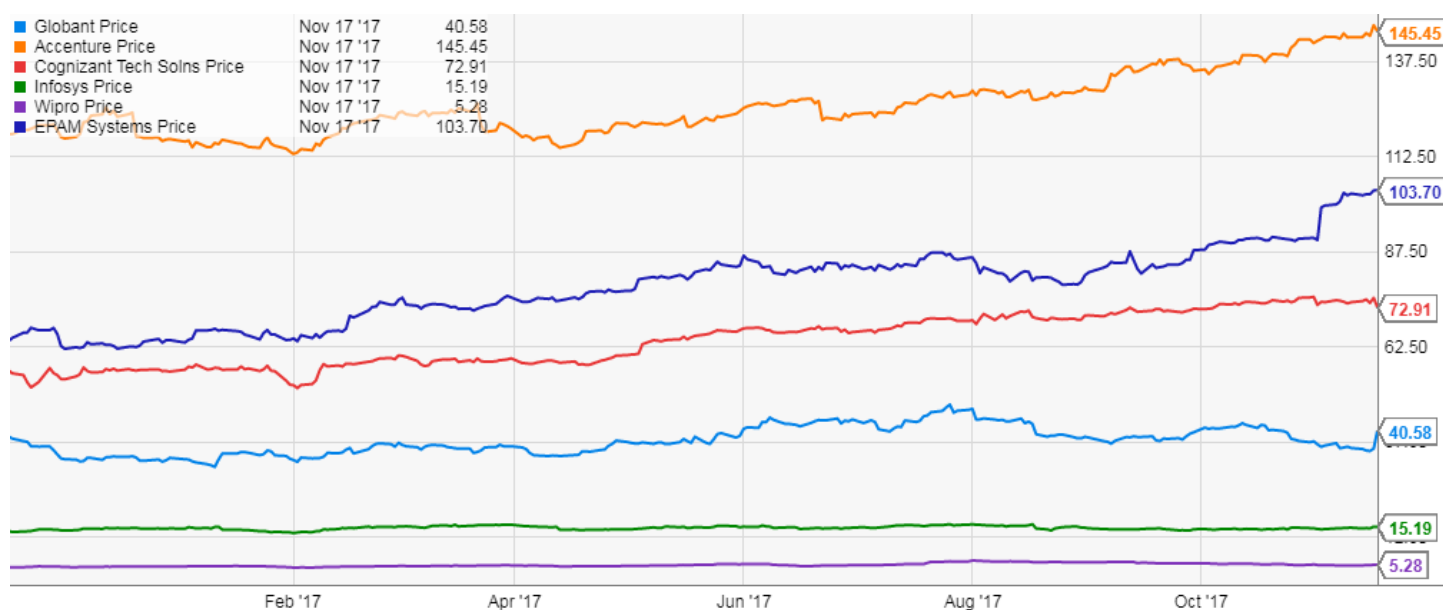
Appendix E: Free Cash Flow to the Firm

FCF	2017-12	2018-12	2019-12	2020-12	2021-12
Revenue	401	498	618	767	953
Operating Expenses	347	431	535	664	825
EBIT	54	67	83	103	128
Non - Cash Operating Expenses	15	19	23	29	36
EBITDA	69	85	106	132	163
Provision for Income Taxes	-14	-18	-22	-27	-34
NOPAT	39	49	61	76	94
Depreciation and Amortization Expense	15	19	23	29	36
(Net Change in Working Cap)	-23	-28	-35	-43	-54
(Net Change in Capital Expenditures)	-25	-32	-39	-49	-60
Net Change in Investments (Non Current)	31	38	47	59	73
Net Other Changes in Assets / Liabilities	15	19	23	29	36
Net Cash Flow	52	65	80	100	124
Terminal Value					2.022
Free Cash Flow	52	65	80	100	2.146
Valuation at 31.12.2017					
Enterprise Value	1.493				
(+) Cash and Equivalents	35				
(+) Short Term Investments	9				
(-) Debt	50				
(-) Non Controlling Interests	-0,02				
Total	1.487				
Average Shares Outstanding	35,02				
Per share	42,48				

Appendix F: Sales Estimates by Peers (IDC, 2016)

Estimates	2015	2016	2017	2018	2019	2015 - 2019 CAGR
GLOB	254	323	401	498	618	24,9%
ACN	32.910	34.800	36.770	38.000	40.420	5,3%
CTSH	12.420	13.490	14.800	16.170	17.680	9,2%
INFY	8.912	9.644	9.872	10.960	11.930	7,6%
EPAM	914	1.160	1.430	1.723	2.056	22,5%

Appendix G: Stock Price and Volume (Bloomberg, Morningstar, Ycharts)



Appendix H: Damodaran Risk Premium

Arithmetic Average	Annual Returns on Investments in		
	S&P 500	3-month T.Bill	10-year T. Bond
1928-2016	11.42%	3.46%	5.18%
1967-2016	11.45%	4.88%	7.08%
2007-2016	8.65%	0.74%	5.03%

Geometric Average	Annual Returns on Investments in		
	S&P 500	3-month T.Bill	10-year T. Bond
1928-2016	9.53%	3.42%	4.91%
1967-2016	10.09%	4.83%	6.66%
2007-2016	6.88%	0.73%	4.58%

Risk Premium		Standard Error	
Stocks - T.Bills	Stocks - T.Bonds	Stocks - T.Bills	Stocks - T.Bonds
7.96%	6.24%	2.13%	2.28%
6.57%	4.37%	2.42%	2.74%
7.91%	3.62%	6.06%	8.66%

Risk Premium	
Stocks - T.Bills	Stocks - T.Bonds
6.11%	4.62%
5.26%	3.42%
6.15%	2.30%

Bibliography:

Damodaran, Aswath. Wiley Finance (1995) 3rd Edition, Tools and Techniques for Determining the Value of any Asset.

Public Information

Globant, Investor Relations Reports. www.investors.globant.com

U.S Securities and Exchange Commission. Edgar Company Filings (20 – F, Annual Report).
<https://www.sec.gov/edgar/searchedgar/companysearch.html>

Board of Governors of the Federal Reserve System. <https://www.federalreserve.gov/>

Bloomberg. <https://www.bloomberg.com/quote/GLOB:US>

IDC MarketScape. <https://www.idc.com/MarketScape/index.jsp>

The Business Research Company Market Research and Gartner. <https://www.gartner.com/technology/home.jsp>

Latest Research Reports. <https://www.tractica.com/>

Mornigstar. <http://financials.morningstar.com/valuation/price-ratio.html?t=GLOB>