



Globant SA | NYSE: GLOB

INVESTMENT RESEARCH REPORT

"Global Crisis of Management Confidence"

RECOMMENDATION: *Strong Sell Opinion*

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Executive Summary

Spruce Point Is Short Globant (NYSE: GLOB) For The Following Reasons:

Globant SA (NYSE / LUX: GLOB) is a poorly organized roll-up of digital IT outsourcing companies. GLOB receives the highest valuation in its sector by convincing investors it achieves consistent 20% p.a. organic sales growth. However, our forensic analysis disproves management's bold claims, and suggests that its growth is in fact rapidly decelerating below target. Once investors realize GLOB uses aggressive accounting and financial presentation methods to paper over a cash degenerative business, while insiders quietly unload millions of dollars in stock, we expect shares to be materially re-rated lower by 40% to 50%.

Organic Revenue Growth Is Slowing: Globant has “optically” achieved the fastest top line revenue growth within its peer group posting revenue growth of 27.1%, 27.2%, and 28.1% in 2015, 2016, and 2017, respectively. This top line growth has led investors to award Globant the highest multiple in its peer group. Globant's management team consistently touts that its organic exceeds 20%. Management goes out of its way to avoid quantifying the attribution from M&A in discussing its revenue growth. In Globant's year over year "results of operations" discussion filed in its Form 20Fs, there is not a single mention or attribution to M&A when it discusses the drivers of revenue growth year over year. Our work uncovers a [slowing organic growth profile](#) versus the robust top line growth story that Globant portrays. [In 2017, we estimate that almost half \(>47%\) of Globant's growth in 2017 was from acquisitions.](#)

Cash Flow And Adjusted Earnings Metrics Reported By Globant Are Potentially Deceptive: We [warn investors not to rely on Adjusted EBITDA as a cash flow proxy](#). Globant's bulls will point to a growing upward trajectory in Adjusted EPS and EBITDA. We caution investors to be skeptical, since Globant's Adjusted EBITDA of \$64.6m in 2016 translated into a paltry \$7.4m of free cash flow. Globant does not even provide investors regular cash flow statement reporting. [Globant does not appear to generate recurring cash flow from outsourcing technology services. Rather, it generates cash from trading investment securities.](#) Globant regularly trades securities and its stellar track record has [generated a cumulative \\$68m](#) of cash flow in the period from 2011 to 2016. In regards to earnings, [we have provided an adjusted income statement based on Globant's core business of outsourcing IT and software solutions.](#) [We arrive at EPS results that are on average 36% lower since 2013](#) than the Adjusted EPS that Globant reports. Recent 2017 IFRS results declined 15% YoY, and didn't grow at all based on our normalized Adjusted EPS calculations.

Evidence of Accounting Games: Globant lacks consistency with adjustments and add-backs, and even tries to convince investors to ignore depreciation and amortization expense when presenting its adjusted results. [We have found instances where the same category of expenses are not treated uniformly in its reconciliation of Adjusted Net Income;](#) Globant makes the adjustment when it is favorable to add back the one-time item and ignores the adjustment when it is unfavorable. There is also a pattern where Globant continuously revises IFRS or adjusted numbers. [The 2016 financials have been published three times \(4Q16 press release, FY16 20F, and the 4Q17 press release\) and we identify changes in each subsequent release.](#) We also found potential [evidence of manipulation in quarterly earnings to meet consensus expectations.](#) Globant's 4Q16 Adjusted EPS was originally reported within its guidance and matched consensus expectations of \$0.31. When 4Q17 was reported on 2/15/18, we found that its 4Q16 Adjusted EPS was subsequently revised to \$0.27 which would have represented a \$0.04 miss versus consensus.

Spruce Point Has Established A Short Position In Globant (NYSE: GLOB), Sees 40% - 50% Downside For The Following Reasons

Corporate Strategy Initiatives Are Not Showing Signs of Progress: In 2016, Globant introduced a new company wide model called 50-Squared. The main goal of 50-squared is to focus Globant's team on the top 50 highest potential accounts that have the capacity to grow exponentially over time. We took a close look at its top 5 clients. [Four of its top clients \(excluding its top client, Disney\) only grew by an average of 2% in 2017.](#) We don't see evidence that this strategy is gaining acceptance with its most important clients.

Insiders Selling Is Staggering: [Insiders have sold \(or transferred\) over 70% \(+\\$80m\) of shares](#) since Globant's IPO in July of 2014. We think investors may be unaware of the magnitude of selling by Globant's founders and other insiders. Globant's status as a foreign private issuer allows it an exemption from reporting the customary insider disclosure via Form 4s to the SEC. Globant chooses to file paper forms with the SEC via Form 144s. Ironically, since the Luxembourg dual listing in August of 2016, Globant now files insider selling transactions electronically with the Luxembourg stock exchange. **We find it peculiar that Globant now files insider selling transactions electronically with the Luxembourg exchange and does not follow that same protocol with the SEC.** Further, the four founders all set up both revocable and irrevocable trusts. [All four founders in aggregate transferred over 3.0m shares](#) (~\$40m and ~10.4% of total share count) to irrevocable trusts at some point between August 2014 and January 2015. We believe that this transfer was done quietly with the potential motivation to allow for further insider selling

Corporate Governance Should Be Questioned: [Globant has not maintained an independent board since its IPO.](#) Given Globant's status as a foreign private issuer, it is able to adhere to different corporate governance standards. Globant has chosen home country status of Luxembourg, and must adhere to its corporate laws. There is no legal requirement under Luxembourg law to have a majority of independent directors. Although, Globant states that its board is "currently" independent. We analyzed the board independence over the last three years since its IPO. The Board was not independent at the time of its IPO. Furthermore, in both 2016 and 2017, the majority "independent" status was achieved by a single board member, Francisco Alvarez-Demalde (founder of Riverwood). Mr. Demalde at the time of its IPO represented Globant's second largest shareholder (Riverwood). Although, this former major shareholder may not need a "cooling off" period to be considered independent, we question why Globant would choose to achieve an independent Board in this manner. Also, its latest addition to the board, Linda Rotterburg (Endeavor), was also a pre and post IPO shareholder.

Analysts See 10% Upside, A Terrible Risk/Reward Given Our 40% - 50% Downside Estimate: GLOB is trading at peak valuation on the belief that it can maintain 20%+ organic revenue growth. Management continues to embrace the "organic" growth story while not sharing with investors the underlying contributors to growth that would reveal its slowing profile. GLOB does not lead its peer group in any key metrics that warrant its industry leading valuation (e.g. organic growth, EBITDA margin, FCF conversion, employee retention, or client diversification). Yet, the Street is valuing GLOB at 3.4x, 19.7x and 31.0x 2018E sales, EBITDA, P/E, respectively. Furthermore, analysts ignore obvious accounting and financial presentation issues that would give any prudent investor pause for concern. Once investors realize that GLOB's organic growth rate is slowing, we believe investors will recalibrate GLOB's valuation in-line with industry peers. [Our simple regression analysis linking valuation to organic growth rate among IT outsourcing peers suggests 40% to 50% downside \(approximately \\$24.50 to \\$29.50 per share\)](#)

Globalant's Largest Shareholder Is WPP, A Company Under Pressure And Its CEO Are Under Investigation:

"WPP Is Looking at CEO Martin Sorrell's Possible Misuse of Assets and Allegations of Improper Behavior Questions come as advertising giant is facing cost-cutting pressures from clients and stepped-up competition from Google, Facebook" Source: [Wall St. Journal](#), 4/3/18

- WPP's financial results are under pressure
- It's company structure has been described as "complicated"
- Its CEO is being investigated for misuse of company assets and allegations of improper behavior
- **Spruce Point believes that WPP's large ownership stake in Globalant could be a major overhang on the share price. Mr Sorrell is a member of Globalant's Board of Advisors, and WPP represents \$6m+ of related-party revenue for Globalant**

OUR BOARD OF ADVISORS INCLUDES:

**SIR MARTIN
SORRELL**

Sir Martin Sorrell – Sir Martin Sorrell joined WPP in 1986 as a director, becoming Group Chief Executive in the same year. He is a non-executive director of Formula One and Alcoa Inc.

Source: [Globalant website](#)

Shareholder	Shares Owned	% Ownership
WPP Luxembourg Gamma Three S.á.r.l. ⁽¹⁸⁾	6,687,548	19.18%
Capital World Investors ⁽¹⁹⁾	3,778,613	10.84%
GIC Private Limited ⁽²⁰⁾	2,514,950	7.21%
BlackRock, Inc. ⁽²¹⁾	1,800,418	5.16%
JPMorgan Chase & Co. ⁽²²⁾	2,200,137	6.31%
Entities affiliated with Morgan Stanley ⁽²³⁾	1,751,560	5.02%

Source: [Globalant 2016 20-F](#)

GLOB's Capital Structure And Valuation

Globant is trading at peak valuation on the inflated belief that its growth mainly stems from organic initiatives. Further, management continues to embrace the “organic” growth story while not sharing with investors the underlying contributors to growth

\$ in millions except per share figures

		Street Valuation	2017A	2018E	2019E
Stock Price	\$49.00	EV / Sales	4.2x	3.4x	2.8x
Diluted Shares	36.3	EV / Adj. EBITDA	31.3x	19.7x	16.2x
Market Capitalization	\$1,778.7	Price / Adj. EPS	38.3x	31.0x	25.4x
Total Debt Outstanding	\$6.0	Spruce Pt. Adj. P/E	49.0x		
Less: Cash and Equivalents	\$60.7	Price / Book Value	6.7x	5.5x	4.4x
Total Enterprise Value	\$1,718.0	<u>Growth and Margins</u>			
		Sales Growth	28.1%	21.7%	19.8%
		Spruce Pt. Organic Sales Growth	14.8%		
		Adj. EBITDA Margin	13.3%	17.3%	17.6%
		Adj. EPS Growth	17.4%	23.4%	22.2%
		Spruce Pt. Adj EPS	0.0%		

Source: Bloomberg, Company Filings and Spruce Point Estimates



Spruce Point's View On Organic Growth, EPS, EBITDA And FCF

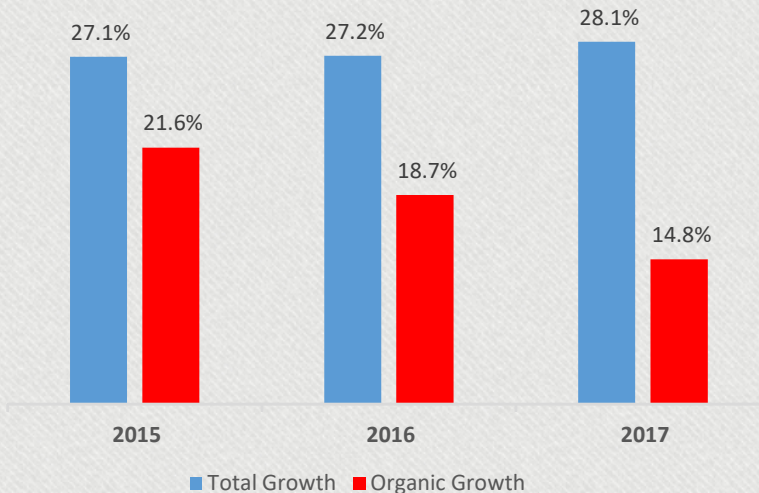
Potentially Misleading Organic Growth Profile

Globant consistently tells investors that most of its growth is organic (vs. from M&A).

We have done the work to prove otherwise.

M&A represented approximately 50% of its total growth in 2017. More alarming: organic growth is decelerating

Total Growth vs. Organic Growth



Growth Attribution Analysis (\$ in Millions)			
	2015	2016	2017
Revenues	\$253.8	\$322.9	\$413.4
Growth (%)	27.1%	27.2%	28.1%
Growth (\$)	54.2	69.1	90.6
Growth Attribution (%)			
Organic	21.6%	18.7%	14.8%
M&A	5.5%	8.5%	13.2%
Total	27.1%	27.2%	28.1%
% of Total Growth			
Organic	79.7%	68.8%	52.8%
M&A	20.3%	31.2%	47.2%
Total	100.0%	100.0%	100.0%
M&A Attribution (%)			
Prior Year M&A ⁽¹⁾	1.9%	4.0%	5.3%
Current Year M&A ⁽²⁾	3.6%	4.5%	7.9%
Total	5.5%	8.5%	13.2%
Growth Attribution (\$)			
Organic	\$43.2	\$47.5	\$47.8
M&A	11.0	21.5	42.8
Total	\$54.2	\$69.1	\$90.6

Organic Growth Is Decelerating

Almost 50% of Growth is Acquired

Dollar Value Of Growth Is Flat

Sources: [4Q17 Press Release](#), [FY16 20F](#), [1H17 6F](#)

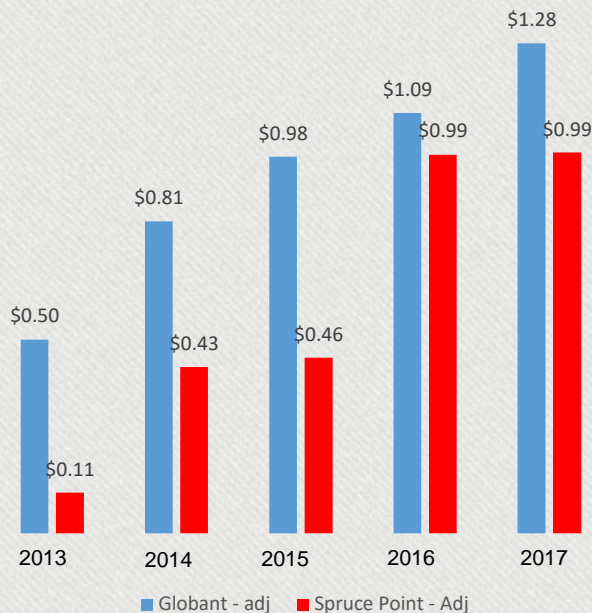
(1) Non-anniversaried revenues attributable to M&A transactions from the prior year period

(2) Revenues attributable to M&A from the current year period. For the Ratio and PointSource, revenues for 1H17 have been annualized.

Spruce Point Adjusted EPS Estimates

Globant does not include D&A in its Gross Margins or Adjusted SG&A. Further, in its adjusted income statement, Globant does not exclude one-time gains found within the finance and income line items on its income statement. Lastly, unlike its peers, Globant does not tax effect adjustments in its Adjusted Income Statement Reconciliation

Globant vs. Spruce Point Adjusted EPS



Spruce Point's adjusted EPS estimates are 36% lower than Globant's adjusted reported EPS results.

Globant's Adjusted vs. Spruce Point Adjusted Income Statement

(\$ in millions, except per share figures)

	2013		2014		2015		2016		2017	
	GLOB Adj.	Spruce ⁽¹⁾	GLOB Adj.	Spruce ⁽¹⁾	GLOB Adj.	Spruce ⁽¹⁾	GLOB Adj.	Spruce ⁽¹⁾	GLOB Adj.	Spruce ⁽¹⁾
Revenues	158.3	158.3	199.6	199.6	253.8	253.8	322.9	322.9	413.4	413.4
Cost of Revenues	<u>(96.2)</u>	<u>(99.4)</u>	<u>(117.8)</u>	<u>(121.7)</u>	<u>(155.1)</u>	<u>(159.6)</u>	<u>(186.2)</u>	<u>(190.5)</u>	<u>(253.2)</u>	<u>(256.9)</u>
Cost of revenues - Labor	(96.2)	(96.2)	(117.8)	(117.8)	(155.1)	(155.1)	(186.2)	(186.2)	(253.2)	(253.2)
Cost of revenues - D&A	0.0	(3.2)	0.0	(3.8)	0.0	(4.4)	0.0	(4.3)	0.0	(3.8)
Cost of revenues - SBC	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	62.1	58.9	81.8	77.9	98.7	94.2	136.7	132.4	160.3	156.5
GM%	39.2%	37.2%	41.0%	39.1%	38.9%	37.1%	42.3%	41.0%	38.8%	37.9%
SG&A	<u>(50.3)</u>	<u>(54.2)</u>	<u>(52.5)</u>	<u>(56.7)</u>	<u>(64.8)</u>	<u>(69.6)</u>	<u>(71.1)</u>	<u>(78.6)</u>	<u>(87.4)</u>	<u>(101.5)</u>
SG&A - Labor	(50.3)	(50.3)	(52.5)	(52.5)	(64.8)	(64.8)	(72.0)	(72.0)	(89.1)	(89.1)
SG&A - D&A	0	(3.9)	0	(4.2)	0	(4.9)	0	(6.6)	0	(12.4)
SG&A - SBC	0	(0.6)	0	0.0	0	0.0	0	0.0	0	0.0
SG&A - Acquisition Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	1.7	0.0
Impairment of Tax Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D&A	(7.2)	0.0	(8.0)	0.0	(9.3)	0.0	(10.9)	0.0	(16.1)	0.0
EBIT	4.7	4.7	21.2	21.2	24.6	24.6	54.7	53.7	56.7	55.1
Finance and Other	25.5	0.0	12.1	0.0	26.3	0.0	0.6	0.0	0.9	0.0
EBT	30.2	4.7	33.3	21.2	50.9	24.6	55.3	53.7	57.6	55.1
Income Taxes	(6.0)	(1.6)	(8.9)	(7.4)	(18.4)	(8.6)	(14.3)	(18.8)	(8.1)	(19.3)
Tax Rate	20%	35%	27%	35%	36%	35%	26%	35%	14%	35%
other adjustments										
Acquisition rel.	0.0		0.0		0.0		(3.0)		(3.5)	
US settlement, net	0.0		0.0		0.0		0.8		0.0	
(Impairment) of Tax Credit	(9.6)		1.5		1.8		0.0		0.0	
Net Income	14.6	3.0	25.9	13.8	34.3	16.0	38.8	34.9	46.1	35.8
EPS	\$0.50	\$0.11	\$0.81	\$0.43	\$0.98	\$0.46	\$1.09	\$0.99	\$1.28	\$0.99
Diluted Shares	28.9	28.9	31.9	31.9	35.0	35.0	35.4	35.4	36.1	36.1

Sources: Spruce Point Estimates and Company Filings ([IPO Prospectus](#), [4Q14 Press Release](#), [4Q15 Press Release](#), [4Q16 Press Release](#), [4Q17 Press Release](#))

(1) Spruce Point estimates eliminates finance and other income, tax effects all other one-time adjustments (Globant does not), and assumes a normalized 35% historical corporate tax rate.

As the operations of the Argentine subsidiaries are the most significant source of net taxable income for Globant, the 35% corporate income tax rate of Argentina is used.

Adjusted EBITDA To FCF Conversion

Globant's investors need to be cognizant that "Adjusted" EBITDA does not translate into free cash flow

Adjusted EBITDA to FCF reconciliation

(\$ in Millions)

	2011	2012	2013	2014	2015	2016
Adjusted EBITDA	\$12.4	\$17.0	\$11.8	\$29.3	\$33.9	\$64.7
Interest and other	(1.2)	(2.0)	25.5	12.1	26.3	0.6
Net Acquisition Expenses	0.0	0.0	0.0	0.0	(0.3)	(0.6)
Cash Taxes	(1.4)	(0.7)	(2.9)	(11.0)	(10.6)	(8.2)
Investment Gains	0.0	0.0	(30.4)	(16.4)	(37.5)	(7.0)
Other	0.2	1.4	2.0	2.7	10.8	5.0
<u>Working Capital</u>	<u>(8.9)</u>	<u>(8.0)</u>	<u>(4.8)</u>	<u>(2.4)</u>	<u>(28.0)</u>	<u>(23.1)</u>
Cash Flow from Operations	\$1.2	\$7.7	\$1.2	\$14.3	(\$5.3)	\$31.5
Capital Expenditures (Capex)	(5.4)	(6.0)	(5.0)	(11.4)	(13.6)	(17.7)
<u>Acq. Of Intangible Assets</u>	<u>(0.7)</u>	<u>(1.4)</u>	<u>(2.3)</u>	<u>(2.5)</u>	<u>(4.2)</u>	<u>(6.4)</u>
Free Cash Flow	(\$4.9)	\$0.3	(\$6.2)	\$0.4	(\$23.1)	\$7.4

Adjusted EBITDA
Does Not
Translate into
Free Cash Flow

Summary Conversion

Free Cash Flow	(\$4.9)	\$0.3	(\$6.2)	\$0.4	(\$23.1)	\$7.4
<u>Adjusted EBITDA</u>	<u>12.4</u>	<u>17.0</u>	<u>11.8</u>	<u>29.3</u>	<u>33.9</u>	<u>64.7</u>
<i>Conversion %</i>	-39.3%	1.9%	-52.2%	1.4%	-68.2%	11.5%

Cash Flows Are Not What They Appear. Globant Has Generated \$68m of Cash Flow From Investing

Globant has yet to illustrate that its operations can generate any meaningful free cash flow, but Globant is generating cash by trading stocks and bonds

(\$ in millions, except per share figures)

	2011	2012	2013	2014	2015	2016	Total '11 to '16
Net Income	\$7.1	(\$1.3)	\$13.8	\$25.3	\$31.6	\$35.9	
Stock Based Comp	0.0	11.7	0.8	0.6	2.4	3.6	
D&A	2.5	4.8	7.2	8.0	9.3	10.9	
Taxes	0.3	(0.9)	3.1	(2.0)	7.9	6.1	
Gain on Bonds	0.0	0.0	(29.6)	(12.6)	(19.1)	0.0	
Investment Gains	0.0	0.0	(0.9)	(3.8)	(18.4)	(7.0)	
Other	0.2	1.4	11.6	1.2	9.0	5.0	
<u>Working Capital</u>	<u>(8.9)</u>	<u>(8.0)</u>	<u>(4.8)</u>	<u>(2.4)</u>	<u>(28.0)</u>	<u>(23.1)</u>	
Cash Flow from Operations	1.2	7.7	1.2	14.3	(5.3)	31.5	50.6
Capital Expenditures (Capex)	(5.4)	(6.0)	(5.0)	(11.4)	(13.6)	(17.7)	
<u>Acq. of intangible Assets</u>	<u>(0.7)</u>	<u>(1.4)</u>	<u>(2.3)</u>	<u>(2.5)</u>	<u>(4.2)</u>	<u>(6.4)</u>	
Free Cash Flow	(4.9)	0.3	(6.2)	0.4	(23.1)	7.4	(26.0)
FCF/ Share	(\$0.18)	\$0.01	(\$0.21)	\$0.01	(\$0.66)	\$0.21	
Diluted Shares Outstanding	27.0	27.3	28.9	31.9	35.0	35.4	
Cash Flow from Investing Items:							
Cash flow from trading and investing	0.9	1.5	20.3	(2.2)	27.4	20.4	68.3

Globant has generated \$68M of cash flow from trading financial securities



Management's Potentially Misleading Claims

Globant's Claims vs. Reality

On Globant's last conference call, it stated that two acquisitions contributed in the range of 4% to 4.5% of 2017 revenue growth. Our analysis assumes that at approximately half of Globant's growth was attributable to five acquisitions made in 2016 and 2017

Globant's View

4Q17 Conference Call – February 15, 2018:

*Alejandro Scannapieco (CFO): "We don't really disclose the organic/inorganic [Growth] . . . if you do a quick math on the two acquisitions that we made in 2017, PointSource and Ratio, roughly 110 people. If you take the average rate for a typical rate for the U.S. [employee] and you [assume] 80% - 82% utilization. . . you're going to get to 400 - 450 basis points of contribution for the full-year 2017. So still, organic growth was very strong in the year. **We ended up the year growing 28% and probably 400 bps to 450 bps of that came from the acquisitions of PointSource and Ratio."***

Spruce Point
Uncovering
Reality

	Acquisition			Incremental	
	Date	Amt (\$)	# of Emp.	Revenues from M&A ⁽¹⁾	
2016 Acquisitions				2016	2017
WAE	05/16	\$19.9	40	\$7.5	\$3.3
Difier	11/16	0.0	N/D	0.4	1.4
L4	11/16	20.4	90	3.4	12.5
Total			130		\$17.1
2017 Acquisitions					
Ratio ⁽²⁾	02/17	10.7	45		10.1
Pointsource ⁽²⁾	06/17	30.2	97		15.4
Total			142		\$25.5
Total Company Revenues				2016	2017
<i>Growth</i>				\$322.9	\$413.4
Growth from M&A					28.1%
Growth from 2016 Acquisitions					5.3%
Growth from 2017 Acquisitions					7.9%
Total Growth from M&A					13.2%

A total of 5 acquisitions were made in 2016 and 2017 which were attributable for at least 13.3% of the growth.

2016 acquisitions Contributed at least 5.3% of 2017's total growth

2017 acquisitions (i.e. PointSource and Ratio) contributed at least 7.9% of 2017's total growth

142 employees were acquired from Ratio and PointSource

Sources: Bloomberg and Seeking Alpha Conference Call Transcripts and Company Filings ([FY16 20F](#), [1H17 6K](#))

(1) Incremental revenues from M&A are deduced from the footnote section disclosure -- "impact of acquisitions on the results of the company"
Revenue contribution for the first year are disclosed in the same footnote section -- "impact of acquisitions on the results of the company"

Revenue contribution for the second year, which is likely conservative, is the difference between the implied annual revenues less what was implied in the first partial year period of the acquisition

(2) Implied revenues for Ratio and PointSource are half year periods ending June 30, 2017 and then annualized assuming a full 12 month calendar year

Globant states that no acquisitions have been more than 3% to 5% of its revenues.

We estimate that three of Globant's past seven acquisitions have represented over 6% of Globant's prior year revenues

Globant's
View

3Q17 Conference Call – November 16, 2017:

Alejandro Scannapiego (CFO): "No acquisitions that we have made over the course of [Globant's history] have been more than **3% to 5% of our revenues**"

Spruce Point
Uncovering
Reality

Acquisition since the beginning of 2015 (\$ in Millions)				
Target	Acq. Date	Implied Revs ⁽¹⁾	Prior Yr. Revenue	
			\$	%
Clarice	05/15	\$16.7	199.6	8.4%
DynaFlows	10/15	0.8	199.6	0.4%
WAE	05/16	10.8	253.8	4.3%
Difier	11/16	1.8	253.8	0.7%
L4	11/16	15.9	253.8	6.3%
Ratio ⁽²⁾	02/17	12.1	322.9	3.8%
PointSource ⁽²⁾	06/17	26.6	322.9	8.2%
		<u>\$84.7</u>		

3 of its last 7 acquisitions have represented between 6.3% and 8.4% of Globant's prior year revenues

Sources: Bloomberg Conference Call Transcripts, Company Filings ([FY15 20F](#), [FY16 20F](#), [1H17 6K](#))

(1) Implied annual revenues are deduced from the footnote section disclosure -- "impact of acquisitions on the results of the company"

(2) Implied revenues for Ratio and PointSource are half year periods ending June 30, 2017 and then annualized assuming a full 12 month calendar year

Globant repetitively tells investors that its growth has been, and will remain, from internal “organic growth”

Globant's View

3Q17 Conference Call – November 16, 2017:

Alejandro Scannapieco (CFO): “[The] growth. . . *it's pretty much organic*. . . we have some tailwind from the acquisitions. But keep in mind that PointSource and Ratio were very small tuck-in acquisitions. . . So, pretty much the *growth is organic*. . . So, the *growth remains mostly organic* and within relationships that we have been forming. . . looking into 2018, we're very optimistic about keeping up with this level of *organic growth*.”

“We have been able to keep up with this 20%-plus growth steadily. We're still aiming to have that 20%-plus organically. . . That's the way to go and how we're going to be growing this company organically on a 20%-plus rate.”

If you repeat it, maybe investors will believe it.

Spruce Point Uncovering Reality

Growth Attribution Analysis (\$ in Millions)

	2015	2016	2017
Revenues	\$253.8	\$322.9	\$413.4
Growth (%)	27.1%	27.2%	28.1%
Growth (\$)	54.2	69.1	90.6
Growth Attribution (%)			
Organic	21.6%	18.7%	14.8%
M&A	5.5%	8.5%	13.2%
Total	27.1%	27.2%	28.1%
% of Total Growth			
Organic	79.7%	68.8%	52.8%
M&A	20.3%	31.2%	47.2%
Total	100.0%	100.0%	100.0%
M&A Attribution (%)			
Prior Year M&A ⁽¹⁾	1.9%	4.0%	5.3%
Current Year M&A ⁽²⁾	3.6%	4.5%	7.9%
Total	5.5%	8.5%	13.2%

Organic Growth was below 20% in 2016 and 2017 and will likely be far below 20% in 2018.

Sources: Bloomberg and Seeking Alpha Conference Call Transcripts, Company Filings ([FY15 20F](#), [FY16 20F](#), [1H17 6K](#), [4Q17 Press Release](#))

(1) Non-anniversaried revenues attributable to M&A from the prior year period

(2) Implied revenues for Ratio and PointSource (2017 Acquisitions) are half year periods ending June 30, 2017 and then annualized assuming a full 12 month calendar year

Globant repetitively tells investors that its growth has been, and will remain, from internal “organic growth”

Globant’s
View

4Q16 Conference Call – February 16, 2017:

“Q - Amit Singh: Hi, guys. This is Amit Singh for Jason. Just a quick question regarding your guidance for fiscal 2017. So the revenue growth guidance is around 20% year-over-year. **How much of that is sort of inorganic from L4?** . . .

Q - Amit Singh: Okay. And is **the inorganic contribution around 1%, 2% from L4?**

A - Martín Migoya (CEO): Oh, Ale, can you cover me on that?

A - Alejandro Scannapieco: No. Definitely, definitely. **It’s pretty much in that range. . . So you are pretty much in the range. Yes.**”

Spruce Point
Uncovering
Reality

	Acq. Date	Ann. Revs ⁽¹⁾	Incremental Revenues from M&A ⁽¹⁾	
			2016	2017
2016 Acquisitions				
WAE	05/16	\$10.8	\$7.5	\$3.3
Difier	11/16	1.8	0.4	1.4
L4	11/16	15.9	3.4	12.5
Total		\$28.5	\$11.3	\$17.1
2017 Acquisitions				
Ratio ⁽²⁾	02/17	\$12.1		\$10.1
Pointsource ⁽²⁾	06/17	26.6		15.4
Total		\$38.7		\$25.5
Total Company Revenues			2016	2017
			\$322.9	\$413.4
Growth				28.1%
Growth from M&A				
Growth from L4 Acquisition				3.9%
Growth from all other Acquisitions in 2016 and 2017				7.9%
Total Growth from M&A				13.2%

Incremental revenues from L4 represented at least 3.9% (not 1% to 2%) and probably closer to 5% as our work suggests that L4 was likely growing over 20% per year

Sources: Bloomberg and Seeking Alpha Conference Call Transcripts, Company Filings ([FY16 20F](#), [1H17 6K](#), [4Q17 Press Release](#))

(1) Implied annual revenues are deduced from the footnote section disclosure -- "impact of acquisitions on the results of the company"

(2) Implied revenues for Ratio and PointSource are half year periods ending June 30, 2017 and then annualized assuming a full 12 month calendar year

50 – Squared (Progress Update)

We don't see much evidence of wallet share growth amongst Globant's top clients

Globant's
50 Squared
Defined

50 Squared Definition from Globant – 20F filed April 7, 2017

“During 2016 we introduced a new model that intends to reshape our go-to-market strategy to scale our company in the coming years, called 50 Squared. The main goal of this new approach is to focus our team in the top 50 high potential accounts that have the capacity to grow exponentially over time. To do so, we have appointed our most senior people from Sales, Technology and Operations to lead these teams and take our company to the next level. This account focus has become the most important pillar of our go-to-market strategy and every account within Globant now has the goal to become part of this program.”

Spruce Point
Uncovering
Reality

Top 5 Client Analysis (\$ in millions)					
	2013	2014	2015	2016	2017
Top 5 Clients					
Total \$	\$40.2	\$55.5	\$83.6	\$108.8	\$121.4
Average \$ / Client	8.0	11.1	16.7	21.8	24.3
Growth		38%	51%	30%	12%
Disney					
Total \$	\$10.2	\$17.5	\$31.1	\$31.0	\$42.0
Top 5 Clients (Excluding Disney)					
Total \$	\$30.0	\$38.0	\$52.5	\$77.8	\$79.4
Average \$ / Client	7.5	9.5	13.1	19.5	19.8
Growth		27%	38%	48%	2%

Growth actually appears to be slowing

Excluding Disney, there does not seem to be much traction in GLOB's top 5 clients. Its top four clients (outside of Disney) **only grew 2%** or (\$300K/ year). The expansion of wallet share is not showing up with its top clients.



Accounting And Earnings Issues

Historical Adjusted Income Statement – Add Backs Are Not Consistent

Adjustments to Net Income each year are not treated uniformly

IFRS Income Statement				
(\$ in Millions)				
	No Adjustment is Made			Adjustment is Made
	2014	2015	2016	2017
Source:	4Q15	4Q15	4Q17	4Q17
Revs	\$199.6	\$253.8	\$322.9	\$413.4
Cost of Revs	(121.7)	(160.3)	(191.4)	(262.6)
Gross Profit	77.9	93.5	131.5	150.9
SG&A	(57.3)	(71.6)	(81.9)	(110.9)
(Impairment) of tax credits	1.5	1.8	0.0	(1.6)
EBIT	22.1	23.7	49.6	38.4
Finance and Other Income	12.1	26.3	0.6	0.9
EBT	34.2	50.0	50.2	39.3
Income Tax	(8.9)	(18.4)	(14.3)	(8.1)
Tax Rate	26.1%	36.8%	28.5%	20.6%
Net Income	\$25.3	\$31.6	\$35.9	\$31.2
Adjustments to Net Income				
IFRS Net Income	\$25.3	\$31.6	\$35.9	\$31.2
SBC	0.6	2.4	3.6	14.5
Impairment of tax credits	0.0	0.0	0.0	1.6
US settlement agreement, net	0.0	0.0	0.8	0.0
Acquisition related charges	0.0	0.3	(1.6)	(1.2)
Adj. Net Income	\$25.9	\$34.3	\$38.8	\$46.1

A reversal of impairment for tax credits aided net income in 2014 and 2015, yet was not adjusted for in the adjusted net income reconciliation. In 2017, the exact opposite occurred, and Globant recorded a loss of \$1.6M related to the recognition of the allowance for impairment of tax credits. In this instance, Globant treated this item as an adjustment and added it back to adjusted net income.

Fiscal Year 2016 – Is It Finally Right?

Fiscal Year 2016 metrics have now been reported differently in three occasions
(4Q16 Press release, FY16 20F, 4Q17 Press release)

FY16 -- IFRS Income Statement (\$ in millions)			
Period	2016		
Source:	4Q16	FY16	4Q17
Date	2/16/17	4/7/17	2/15/18
Revenues	\$322.9	\$322.9	\$322.9
Cost of Revenues	(190.9)	(191.4)	(191.4)
Gross Profit	131.9	131.5	131.5
SG&A	(81.3)	(81.9)	(81.9)
Impairment of tax credits	0.0	0.0	0.0
EBIT	\$50.6	\$49.6	\$49.6
EBITDA	61.5	60.5	60.5
Gain on Transaction w/ bonds	0.0	0.0	0.0
Finance income	16.2	16.2	16.2
Finance (expense) gain, net	(19.2)	(19.2)	(19.2)
other income, net	3.6	3.6	3.6
FBT	\$51.2	\$50.2	\$50.2
Income Tax	(14.5)	(14.3)	(14.3)
Net Income	\$36.7	\$35.9	\$35.9
EPS	\$1.04	\$1.01	\$1.01
Diluted Shares	35.4	35.4	35.4
Adjustments to Net Income			
Period	2016	2016	2016
Source:	4Q16	FY16	4Q17
IFRS Net Income	\$36.7	\$35.9	\$35.9
SBC	3.6	3.6	3.6
Impairment of tax credits	0.0	0.0	0.0
US settlement agreement, net	0.0	0.8	0.8
Acquisition related charges	0.0	0.0	(1.6)
Adj. Net Income	\$40.3	\$40.3	\$38.8
Adj. EPS	\$1.14	\$1.14	\$1.09

Cost of revenues and SG&A
(and related taxes) were
subsequently increased after
the initial 4Q16 press release

We believe this is related to a
write down in the fair value of
contingent consideration
liabilities

4Q16 Adjusted EPS Timeline – Guidance, Reported, And Revised

The adjusted financials for 4Q16 were revised in the most recently reported quarter (4Q17)
Globant shareholders were not privy to the actual \$0.04 miss in 4Q16 EPS until 4Q17 was reported

4Q16 Adj EPS Guidance, Reported and Restated

Period	Actual	Low	High	Date	Source
4Q16 Guidance		\$0.30	\$0.33	11/14/2016	3Q16 PR
4Q16 Reported	\$0.31			2/16/2017	4Q16 PR
Consensus	\$0.31				
Beat / Miss	\$0.00				
4Q16 Restated	\$0.27			2/15/2018	4Q17 PR
Consensus	\$0.31				
Beat / Miss	(\$0.04)				

Wall St. Has Penalized Two Recent Revenue and EPS Misses
By Globant's Peer LXFT



Sources: Bloomberg, Company Filings ([3Q16 6K](#), [4Q16 6K](#), [4Q17 6K](#))

Reconciliation from IFRS to adjusted metrics

(\$ in Millions)

	Original 4Q16	Restated 4Q16
Adjustments to Gross Profits		
IFRS Gross Profit	34.5	34.1
D&A	1.1	1.1
SBC	0.2	0.2
Adj. Gross profit	35.8	35.4
Adjustments to SG&A		
IFRS SG&A	(22.3)	(22.9)
D&A	2.1	2.1
SBC	0.7	0.7
Acquisition related charges	0.0	0.3
Adj. SG&A	(19.6)	(19.8)
Adjustments to EBIT		
IFRS EBIT	12.2	11.2
SBC	0.9	0.9
Impairment of tax Credits	0.0	0.0
Acquisition related charges	0.0	0.6
Adj. EBIT	13.0	12.6
Adjustments to Net Income		
IFRS Net Income	10.3	9.5
SBC	0.9	0.9
Impairment of tax credits	0.0	0.0
US settlement agreement, net	0.0	0.8
Acquisition related charges	0.0	(1.7)
Adj. Net Income	11.2	9.5
Adj. EPS	\$0.31	\$0.27
Diluted Shares	35.6	35.6



Insider Selling, Transfers To Trusts, And Disclosure

Foreign Private Issuer Exemptions And Departures From NYSE Corporate Governance

Globant's status as a foreign private issuer exposes shareholder to an unfair playing field. Globant does not have to report insider selling via Form 4s electronically with the SEC

Foreign Private Issuers are:

Exempt from Regulation FD (Fair Disclosure)

Exempt from filing insider trading reports (Forms 3, 4, and 5)

Able to adhere to different Corporate Governance standards than U.S companies listed on the NYSE

Globant's status as foreign private issuer means they are exempt from filing the traditional insider trading forms (i.e. Form 4s.) Globant does file its transactions via form 144s, but these forms are paper forms and are therefore not filed electronically with the SEC. This is important because many investors are likely unaware of the magnitude of the insider selling.

We find Globant's insider reporting methods to be deceiving as we are unsure why Globant would now file insider sales electronically with the Luxembourg exchange and not with the SEC.

Globant's Significant Departures from NYSE listing standards:

Majority of Independent Directors

- **No Legal requirement under Luxembourg Law to have a majority of independent directors**
- Luxembourg law recommends the Board of Directors have an appropriate number of independent directors

Standards for evaluating director independence

- No Legal requirement under Luxembourg Law (nor articles of incorporation) to require the Board, on a case by case basis, to express an opinion with regard to independence or lack of independence of each individual investor

Shareholder voting on equity compensation plans

- **No Legal requirement** under Luxembourg Law (nor articles of incorporation) **to require shareholder approval for equity compensation plans.**
- Further, Globant does not require shareholder approval for the compensation criteria for executive management

Non Management director meetings

- No Legal requirement under Luxembourg Law to have regularly scheduled executive sessions with non-management executives without management present

CEO Certification

- CEO is not required to provide the NYSE with the annual compliance certification in regards to NYSE corporate governance standards

We Estimate GLOB's Founders Have Sold (Or Transferred Ownership) of >\$80M In Shares Since IPO

We estimate GLOB founders sold (or transferred) over \$80m of stock in the IPO, each of the subsequent secondary offerings, and multiple open market sales. Additionally, we believe that the irrevocable trusts may not have to file its sales in the open market, making it difficult to track their current ownership

Founders Timeline of Selling and Transferring stock

	Date	Price	Migoya CEO	Englebienne CTO	Nocetti EVP	Umaran COS	Total
Shares owned prior to IPO	7/16/2014		1,591,554	1,591,554	1,591,555	1,505,104	6,279,767
Shares sold in IPO	7/17/2014	\$10.00	(120,026)	(120,026)	(120,026)	(113,506)	
Shares sold (7/14 -- 01/15)	7/14 -- 01/15	\$13.20	(48,312)	(48,312)	(48,312)	(45,688)	
Shares transferred to trust	7/14 -- 01/15	\$13.20	(833,333)	(833,333)	(750,000)	(625,000)	
Shares sold in secondary - March 2015	3/26/2015	\$18.50	(80,500)	(57,500)	(69,000)	(57,500)	
Shares Vested -- 2014			21,938	9,375	3,125	9,375	
Shares sold in secondary - July 2015	7/8/2015	\$28.31	(153,125)	(153,126)	(153,125)	(131,250)	
Shares Vested -- 2015			44,438	16,875	3,125	14,375	
Shares sold -- 144 (7/15/16)	7/15/2016	\$42.06	(50,000)	(50,000)	(50,000)	(50,000)	
Shares Vested -- 2016			30,000	10,000	0	6,250	
Shares sold -- 144 (3/29/17)	3/29/2017	\$36.10	(30,000)	0	(45,000)	(50,000)	
Total			372,634	365,508	362,343	462,160	1,562,644
Total Shares sold			481,962	428,963	485,462	447,944	
Total Shares Transferred to Irrevocable Trusts			833,333	833,333	750,000	625,000	
Total Shares sold and Transferred			1,315,295	1,262,296	1,235,462	1,072,944	4,885,998
Total Amount Sold (\$M)			(\$10.8)	(\$9.3)	(\$11.2)	(\$10.4)	
Total Amount Transferred to Irrevocable Trusts (\$M)			(\$11.0)	(\$11.0)	(\$9.9)	(\$8.2)	
Total Amount Sold and Transferred			(\$21.8)	(\$20.3)	(\$21.1)	(\$18.7)	(\$81.9)

Insider Selling (And Maneuvering)

The four founders have sold (or transferred ownership to irrevocable trusts) over 75% of their holdings since the IPO

Shares beneficially owned by the four founders have been reduced from 6.3M (21.5%) to 1.6M (4.5%).

Shares Ownership disclosed in company filings

Source	IPO		Secondary		20F	Secondary		20F	Luxembourg	20F	144s
	424B4	424B4	424B4	424B4		424B4	424B4		Prospectus		
Date	05/14	07/14	01/15	03/15	04/15	05/15	07/15	04/16	08/16	03/17	03/17
Direct Ownership by Founders											
Martin Migoya	1,591,554	1,487,184	589,884	519,884	509,384	531,321	398,169	378,196	372,633	402,633	372,633
Guibert Englebienne	1,591,554	1,487,184	589,884	539,884	532,384	541,759	408,606	388,633	355,508	365,508	365,508
Nestor Nocetti	1,591,555	1,487,184	673,217	613,217	604,217	607,342	474,190	454,218	407,343	407,343	362,343
Martin Umanan	1,505,104	1,406,403	720,910	670,910	663,410	672,785	558,655	541,536	505,911	512,161	462,161
Shares beneficially owned	6,279,767	5,867,955	2,573,895	2,343,895	2,309,395	2,353,207	1,839,620	1,762,583	1,641,395	1,687,645	1,562,645
Percent of Globant beneficially owned	21.5%										4.5%
Ownership by Irrevocable Trusts created by the founders											
Kajur International S.A. (Martin Migoya)			833,333	803,333		798,833	798,833				
Etmyl S.A. (Guibert Englebienne)			833,333	783,333		775,833	775,833				
Fudmy Corporation S.A. (Nestor Nocetti)			750,000	710,000		704,000	704,000				
Gudmy S.A. (Martin Umanan)			625,000	575,000		567,500	491,413				
Founders Irrevocable Trusts Total			3,041,666	2,871,666		2,846,166	2,770,079				

Approximately 3.0M shares were transferred by the four founders into four separate irrevocable trusts prior to January 31, 2015. Each of these four irrevocable trusts were formed under New Zealand Laws and their shares were subsequently transferred to four separate Uruguayan wholly owned companies.

Each of the four separate trusts created by the founders were selling shareholders in the secondary in March and July 2015 -- that is how we are able to follow the partial trail of the shares transferred and sold by the trust.

We don't believe these trusts have to report sales and can sell in the open market without disclosing in the U.S. or Luxembourg.

Disclosure Of Trusts

The four founders all set up both revocable and irrevocable trusts. For all eight trusts that were set up, Marcelo Cabrera Errandonea is the sole director and holds dispositive and voting power (+12% of all Globant's shares outstanding) for all shares held by all eight trusts

Shares Controlled By Trusts For the Founders

Date:	<u>1/31/2015</u>	<u>5/31/2015</u>	<u>3/20/2017</u>	<u>Voting Power</u>
Revocable Trusts created by:				
Martin Migoya	307,665	307,665	207,040	Marcelo Cabrera Errandonea
Martin Umaran	402,990	402,990	359,241	Marcelo Cabrera Errandonea
Guibert Englebienne	307,665	307,665	0	Marcelo Cabrera Errandonea
Nestor Nocetti	349,332	349,332	212,770	Marcelo Cabrera Errandonea
Irrevocable Trusts created by:				
Martin Migoya	833,333	798,833	N/D	Marcelo Cabrera Errandonea
Martin Umaran	625,000	567,500	N/D	Marcelo Cabrera Errandonea
Guibert Englebienne	833,333	775,833	N/D	Marcelo Cabrera Errandonea
Nestor Nocetti	<u>750,000</u>	<u>704,000</u>	N/D	Marcelo Cabrera Errandonea
Total voting power of Martin Cabrera Errandonea	4,409,318	4,213,818		
% of Total	13.0%	12.3%		

Marcelo Cabrera Errandonea is the sole director, holding both dispositive and voting for all eight of the trusts that were set up by the four founders. The footnote disclosure in the prospectuses filed for Globant's two secondary offerings (March 2015 and July 2015) disclose that Mr. Errandonea controlled the vote for 13% and 12.3% of Globant's shares as of January 31, 2015 and May 31, 2015, respectively. Outside of the prospectus disclosure where these trusts were selling shareholders, Globant does not disclose the voting power held by Mr. Errandonea. We believe a person or party having this much voting control as well as changes in the voting control should be disclosed to investors.

A Closer Look At The Board

The Board of Directors was not independent from its IPO until April 2016. Since April 2016, the Board has consisted of 4 Independent Directors, 1 former Non-Independent (now Independent), and 4 Non-Independent directors

Director	Related Party	Description	Independent (Y/N)		
			2015	2016	2017
Martin Migoya	Globant	Founder, CEO	No	No	No
Guibert Andres Englebienne	Globant	Founder, CTO	No	No	No
Martin Gonzalo Umaran	Globant	Founder, COS	No	No	No
David J. Moore	WPP	#1 Shareholder (current)	No	No	No
Francisco Alvarez-Demalde	Riverwood	Previous 5% Shareholder (pre and post IPO)	No	Yes	Yes
Marcos Galperin		Independent Director	Yes	Yes	Yes
Mario Vazquez		Independent Director	Yes	Yes	Yes
Philip Odeen		Independent Director	Yes	Yes	Yes
Timothy Mott		Independent Director	Yes	Yes	--
Linda Rottenberg	Endeavor	Previous 1% Shareholder (pre and post IPO)	--	--	Yes
Bradford Eric Bernstein	FTV	Previous 5% Shareholder (pre and post IPO)	No	--	--
# of Independent Directors			4	5	5
Total # of Directors			10	9	9
% independent			40%	56%	56%
Majority Independent			No	Yes	Yes

We would prefer to see the Board add individuals that have full independence and no prior connection to management



Peer Group And Valuation

Bullish Promoters



Globant is a high growth company and will continue to grow revenues +20% organically



Globant has surpassed either revenue or earnings expectations every quarter since it has been public



Acquisitions are used to strategically expand and strengthen verticals



Committed management team and investor base with meaningful stake in the company



Company wide initiatives such as “50-Squared” are increasing wallet share for their largest customers



Premium valuation justified by differentiated services, and superior financial performance

Spruce Point View



Globant’s organic revenue growth has slowed to the mid-teens and we believe organic growth is trending towards high single digits



We found instances where adjustments have been made to enhance EPS, as well as unexplained retrospective revisions to prior quarters that would have resulted in earnings misses



Acquisitions are used to mask the organic growth deceleration



The four founders have sold or relinquished control of over 70% of their holdings since the IPO in mid-2014



Four of Globant’s top 5 customers grew their revenues in 2017 by 2%



Undifferentiated IT outsource provider with higher business risk than peers (greater employee turnover, more client concentration), and inconsistent free cash flow generation

Analysts see GLOB shares as fully valued, representing a poor risk/reward at the current level

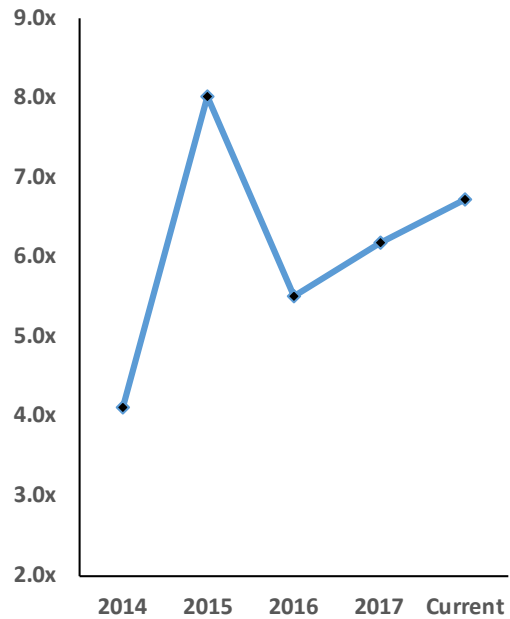
Broker	Recommendation	Price Target
SunTrust Robinson Humphrey	Buy	\$59
Cowen	Outperform	\$55
Wedbush	Outperform	\$55
Itau BBA Securities	Outperform	\$55
JP Morgan	Overweight	\$54
Cantor Fitzgerald	Neutral	\$47
KeyBanc Capital Markets	Sector Weight	--
William Blair & Co	Outperform	--
Average Price Target % Upside From Current (1)		\$54.00 +10%

Source: Bloomberg

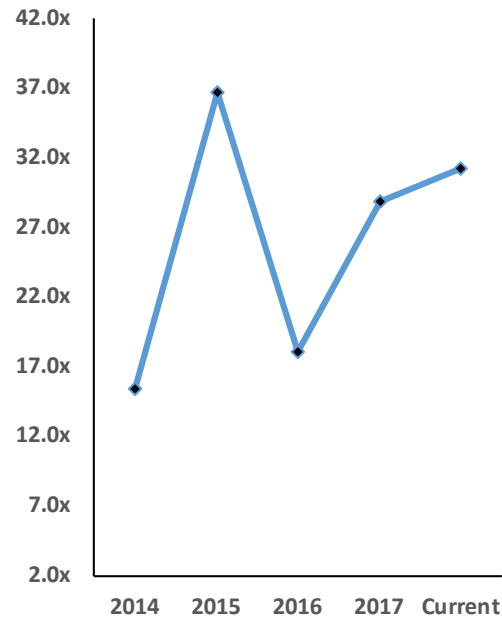
(1) Based on GLOB share price of \$49.00

Current and prospective investors are ascribing a near record multiple to GLOB's share price, despite evidence that organic growth is slowing.

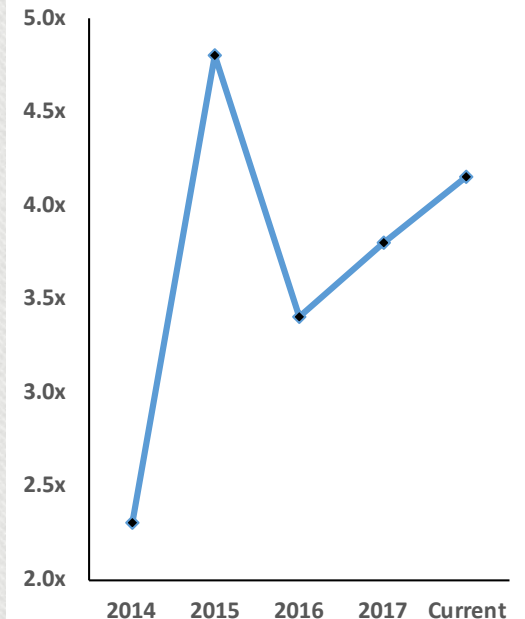
Price / Book



EV / EBITDA



EV / Sales



Globant is the highest valued outsourced IT servicing company. Globant is currently priced for perfection and we believe the stock will re-rate when investors come to the realization that its organic growth is slowing

\$ in mm, except per share figures

Name	Ticker	Stock Price 4/3/2018	% of 52-wk High	EV	Revenue Growth		EBITDA Margin		P/E		Enterprise Value				Net Debt/ 18E EBITDA	Dividend Yield
					2017	2018E	2017	2018E	2017	2018E	EBITDA		Sales			
Outsourced IT Services																
COGNIZANT TECH-A	CTSH	\$80.05	94%	\$42,891	9.8%	9.6%	22.3%	23.8%	21.1x	17.6x	13.0x	11.1x	2.9x	2.6x	-1.1x	1.0%
INFOSYS LTD	INFO	\$17.54	93%	\$34,763	2.4%	5.8%	26.6%	27.1%	16.3x	16.9x	12.2x	11.3x	3.2x	3.1x	-1.2x	2.4%
WIPRO LTD	WPRO	\$4.37	85%	\$17,334	-0.6%	2.7%	20.9%	20.6%	16.3x	15.2x	9.8x	9.7x	2.1x	2.0x	-1.4x	0.4%
GENPACT LTD	G	\$31.82	91%	\$6,868	6.5%	8.5%	17.8%	17.0%	19.6x	18.4x	14.1x	13.6x	2.5x	2.3x	1.4x	0.9%
WNS HOLDINGS-ADR	WNS	\$44.93	93%	\$2,155	24.5%	11.4%	18.2%	21.4%	21.4x	19.8x	17.0x	13.0x	3.1x	2.8x	-0.6x	0.0%
CONVERGYS CORP	CVG	\$22.59	85%	\$2,191	-4.2%	-5.4%	12.6%	12.4%	12.1x	13.4x	6.2x	6.7x	0.8x	0.8x	0.4x	1.8%
TTEC HOLDINGS	TTEC	\$30.90	71%	\$1,687	15.8%	2.8%	13.3%	13.5%	17.2x	15.8x	8.6x	8.3x	1.1x	1.1x	1.3x	1.7%
EXLSERVICE	EXLS	\$56.16	87%	\$1,717	11.1%	10.4%	17.6%	17.7%	21.2x	20.3x	12.8x	11.5x	2.3x	2.0x	-1.4x	0.0%
VIRTUSA CORP	VRTU	\$48.10	91%	\$1,384	20.0%	22.2%	10.9%	8.0%	32.1x	22.9x	13.1x	14.7x	1.4x	1.2x	-1.5x	0.0%
SYKES ENTERPRISE	SYKE	\$28.48	83%	\$1,153	8.6%	6.1%	10.8%	10.5%	14.2x	14.0x	6.8x	6.6x	0.7x	0.7x	-0.4x	0.0%
				Max	24.5%	22.2%	26.6%	27.1%	32.1x	22.9x	17.0x	14.7x	3.2x	3.1x	1.4x	2.4%
				Average	9.4%	7.4%	17.1%	17.2%	19.1x	17.4x	11.4x	10.6x	2.0x	1.9x	-0.4x	1.4%
				Min	-4.2%	-5.4%	10.8%	8.0%	12.1x	13.4x	6.2x	6.6x	0.7x	0.7x	-1.5x	0.4%
Digital Outsourcing Pure Plays																
EPAM Systems Inc	EPAM	\$112.74	90%	\$5,422	25.0%	24.9%	18.1%	18.1%	32.6x	27.7x	20.6x	16.6x	3.7x	3.0x	-1.7x	0.0%
Luxoft Holding Inc	LXFT	\$40.50	60%	\$1,291	17.0%	13.4%	15.3%	13.8%	14.3x	13.3x	9.6x	9.4x	1.5x	1.3x	-0.5x	0.0%
				Max	25.0%	24.9%	18.1%	18.1%	32.6x	27.7x	20.6x	16.6x	3.7x	3.0x	-0.5x	0.0%
				Average	21.0%	19.1%	16.7%	15.9%	23.4x	20.5x	15.1x	13.0x	2.6x	2.1x	-1.1x	0.0%
				Min	17.0%	13.4%	15.3%	13.8%	14.3x	13.3x	9.6x	9.4x	1.5x	1.3x	-1.7x	0.0%
Globant SA	GLOB	\$48.83	89%	\$1,720	28.1%	21.7%	17.2%	17.3%	38.1x	30.9x	24.2x	19.7x	4.2x	3.4x	-0.6x	0.0%
<i>Globant SA - Adj</i>					14.8%											

A Look At GLOB's Two Closest Peers

Globant has the highest valuation amongst its two closest peers, EPAM and Luxoft. We do not believe this is justified given higher business risk, and lower financial transparency

One of the few public companies Spruce Point has ever seen that avoids providing quarterly cash flow statements

Name	Ticker	CAPX / Sales		Per Avg. Head		Foreign Private Issuer	Quarterly Cash Flow Filed	Employee Attrition ⁽¹⁾		Client Concentration ⁽²⁾	
		2016	2017	2017 Capex	2017 Revs			2016	2017	Top 5	Top 10
Digital Outsourcing Pure Plays											
EPAM Systems Inc	EPAM	2.5%	2.1%	\$4,336	\$60,004	No	Yes	10%	N/D	24%	34%
Luxoft Holding Inc	LXFT	3.2%	2.5%	\$7,032	\$73,619	Yes	Yes	10%	13%	49%	60%
Globant SA	GLOB	5.5%	4.5%	\$9,393	\$66,770	Yes	No	19%	18%	29%	43%

Globant appears to spend more freely on providing nice office fixtures for employees, than on computer equipment or software (3)

PP&E Breakout			
	GLOB	EPAM	LXFT
Computer Equip and Software	\$18.1	\$70.5	\$73.0
Furniture and Supplies	5.1	28.9	16.7
Office Fixtures	29.7		
Leasehold Improvements		13.2	
Total	\$52.9	\$112.6	\$89.7
Employees	5,631	25,962	12,766
Spend per Employee	\$9,394	\$4,337	\$7,026

Source: Bloomberg, Spruce Point Estimates and Company Filings ([EPAM 10K](#), [LXFT 10K](#), [LXFT Investor Presentation](#))

Financials have been calanderized for comparative purposes

(1) Annualized turnover of workforce

(2) Percentage of revenues

(3) [Office Snapshots](#)

Peer Group Comparison: Digital Outsourcing Pure Plays

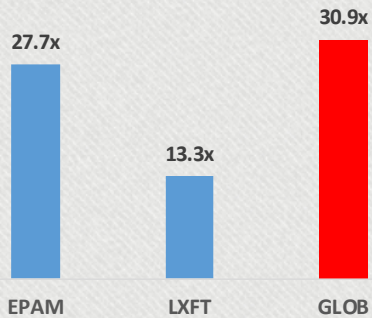
Globant has the highest valuation amongst its two closest peers (Luxoft and EPAM) despite a weaker business profile

Highest Valuation

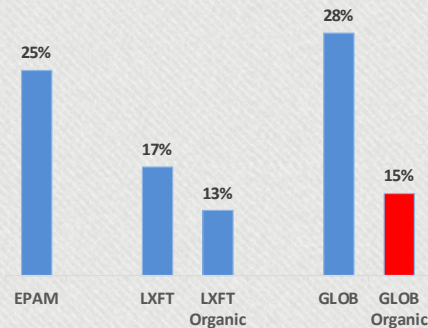


Peer Low or Middle of the Pack Performance

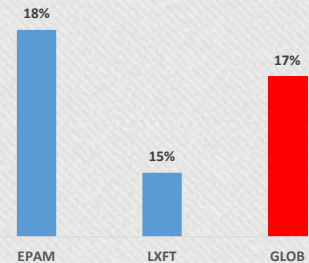
2018E EV / EBITDA



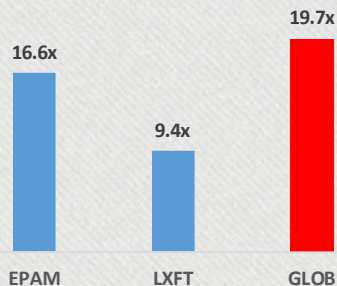
2017 Revenue Growth (1)



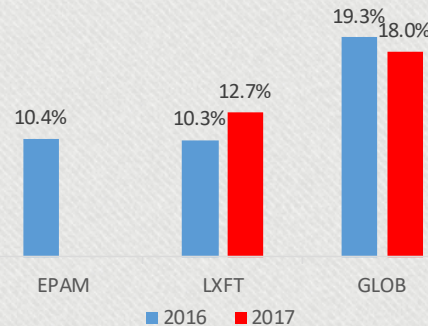
2017 EBITDA Margin



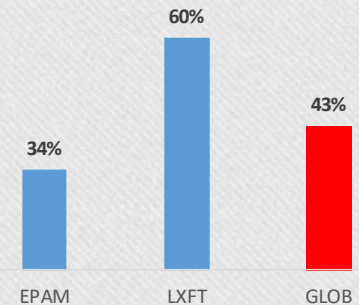
2018E P/E



Employee Turnover Rates (2)



2017 Revenue Concentration – Top 10 Clients



Source: Bloomberg, Spruce Point Estimates and Company Filings

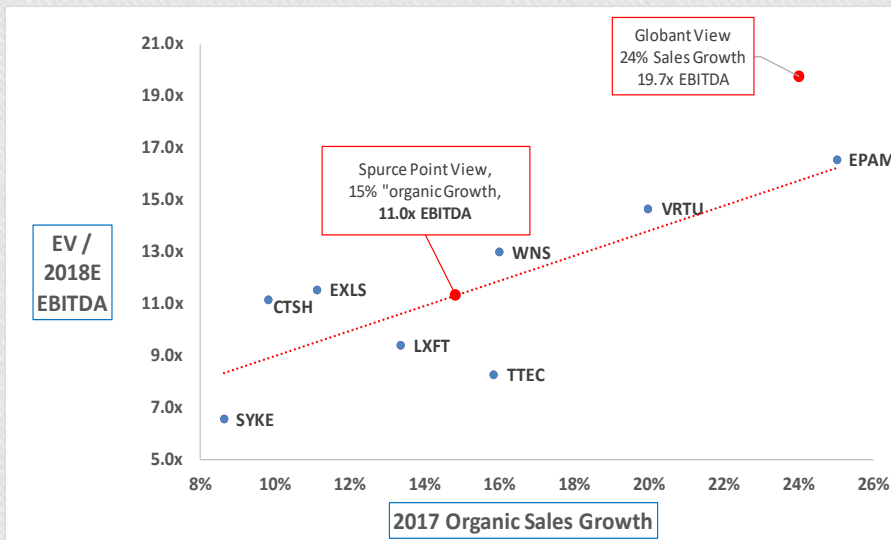
Financial data has been calendarized for comparative purposes

(1) LXFT's 2017 calendar year organic growth assumes \$50M of annual revenues from Insys acquisition on July 18, 2016

(2) Employee Turnover for EPAM was reported at 10.4% in Q316. LXFT's employee turnover reflects its fiscal year ending March 31.

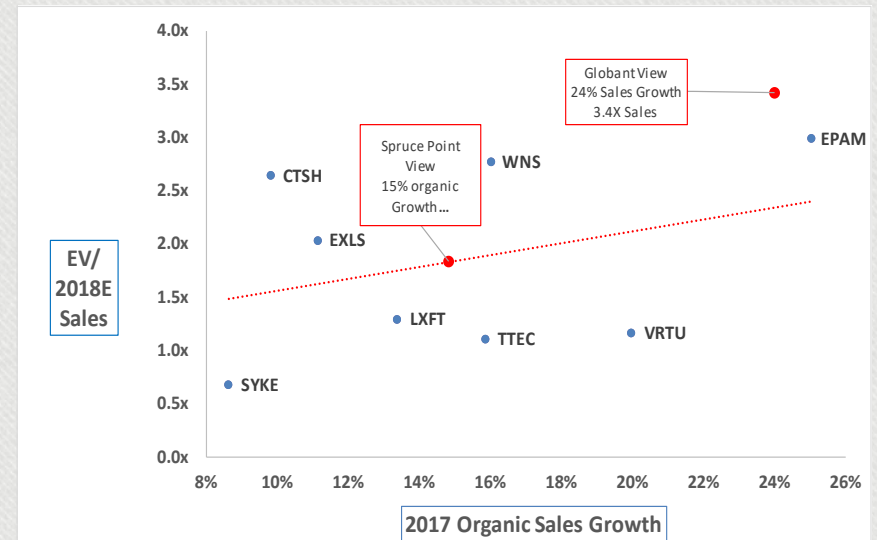
We ran a regression analysis to aid us in our valuation framework.
We included peers that had organic growth rates of at least 9%

2018E EV / EBITDA vs. Sales Growth



Our linear regression on similar companies suggests a valuation based on EBITDA of approximately 11.0x which equates to a price target of approximately \$28.00

2018E EV / Sales vs. Sales Growth



Our linear regression on similar companies suggests a valuation based on Sales of 1.8x which equates to a price target of approximately \$26.50

Globant's lack of cash flow generation from its core operations, decelerating organic growth, and potentially misleading claims by management are all reflected in our choice of its multiple range

	Valuation Scenarios			
	<u>Current</u>	<u>Optimistic</u>	<u>Regression</u>	<u>Low</u>
2018E EBITDA	\$87.1	\$87.1	\$87.1	\$87.1
Multiple	19.7x	13.0x	11.0x	10.0x
Implied Enterprise Value	\$1,718.0	\$1,132.3	\$958.1	\$871.0
Target Price	\$49.00	\$32.70	\$27.90	\$25.50
% Downside	0.0%	-33.3%	-43.1%	-48.0%
2018E Sales	\$503.3	\$503.3	\$503.3	\$503.3
Multiple	3.4x	3.0x	1.8x	1.3x
Implied Enterprise Value	\$1,718.0	\$1,509.9	\$905.9	\$654.3
Target Price	\$49.00	\$43.10	\$26.46	\$19.53
% Downside	0.0%	-12.0%	-46.0%	-60.1%



Appendix

**Globant consistently tells investors that most of its growth is Organic (vs. from M&A).
We have done the work to prove otherwise!**

M&A represented at least 47% of its total growth in 2017. More alarming is that organic growth is decelerating

Target	Acquisition Date	Amount (\$)	Employees	Implied Annual Revs ⁽¹⁾	Incremental Revenues from M&A ⁽¹⁾								
					2011	2012	2013	2014	2015	2016	2017	2018	
Nextive / Tecnologia	7/29/2011	\$5.4	N/D	\$8.2	\$4.0	\$4.2							
Terraforum	10/26/2012	5.2	58	4.7		0.9	\$3.9						
Huddle Group	10/11/2013	8.1	156	9.9			2.1	\$7.8					
BlueStar Energy	10/10/2014	1.4	N/D	4.8				1.1	\$3.7				
Clarice	5/14/2015	20.2	337	16.7					7.1	\$9.6			
DynaFlows	10/22/2015	1.8	N/D	0.8					0.2	0.6			
WAE	5/23/2016	19.9	40	10.8						7.5	\$3.3		
Difier	11/14/2016	0.0	N/D	1.8						0.4	1.4		
L4	11/14/2016	20.4	90	15.9						3.4	12.5		
Ratio ⁽³⁾	2/28/2017	10.7	45	12.1							10.2	\$1.9	
Pointsource ⁽³⁾	6/1/2017	\$30.2	97	\$26.6							15.4	11.2	
Total		\$123.2		\$112.3	\$4.0	\$5.1	\$6.0	\$8.8	\$11.0	\$21.5	\$42.8	\$13.1	

Sources: Company Filings ([FY14 20F](#), [FY15 20F](#), [FY 16 20F](#), [1H17 6K](#))

(1) Implied annual revenues are deduced from the footnote section disclosure -- "impact of acquisitions on the results of the company"

(2) Revenue contribution for the first year are disclosed in the same footnote section -- "impact of acquisitions on the results of the company"

Revenue contribution for the second year, which is likely conservative, is the difference between the implied annual revenues less what was reported in the first partial year period of the acquisition

(3) Implied revenues for Ratio and PointSource are half year periods ending June 30, 2017 and then annualized assuming a full 12 month calendar year

Related Parties Revenue Disclosure

We believe that Globant should explicitly disclose to investors which of their related parties are affiliated with WPP. We believe the spirit of related party disclosure is to highlight to investors how much revenues are coming from your largest shareholder

WPP represents 99% of related party revenue since 2013

Other Related Parties represent 1% of Related Party Revenue

Note 21: WPP and other Related Parties

#	Firm	WPP Owned?	2013	2014	2015	2016
1	Acceleration eMarketing	Yes	-	-	12	—
2	Added Value	Yes	-	-	361	790
3	AkQA	Yes	266	-	-	-
4	Blue State Digital	Yes	-	-	41	-
5	Burson Marsteller	Yes	-	121	261	59
6	Digitarias	Yes	43	-	-	-
7	Fbiz Comunicação Ltda.	Yes	-	518	267	-
8	Geometry Global	Yes	-	146	2	-
9	Grey Global Group Inc.	Yes	635	974	1,011	1182
10	Group M Worldwide Inc	Yes	1,741	1,137	868	822
11	Hogarth	Yes	40	-	-	-
12	IBOPE Argentina	Yes	-	-	6	244
13	IBOPE Pesquisa de Mídia Ltda	Yes	-	-	288	-
14	JWT	Yes	921	839	957	919
15	Kantar Group	Yes	306	1,754	282	674
16	Kantar Media	Yes	254	-	-	-
17	Kantar Operations	Yes	213	-	-	-
18	Kantar Retail	Yes	-	-	69	93
19	Kantar World Panel	Yes	1,897	-	-	-
20	Mindshare	Yes	423	168	71	-
21	Ogilvy & Mather Brasil Comunicat	Yes	-	49	-	611
22	Rockfish Interactive Corporation	Yes	122	193	77	-
23	Tenthavenue Media ltd	Yes	-	-	69	-
24	TNS	Yes	1,229	1,207	1,086	579
25	VML	Yes	-	31	-	-
26	Wunderman CATO Johnson S.A	Yes	-	24	-	-
27	Young & Rubicam	Yes	442	520	652	366
28	Mercado Libre S.R.L.	No	-	-	-	100
29	Qualicorp	No	-	-	275	-
30	Coretech	No	-	-	-	23
WPP Total			\$8,532.0	\$7,681.0	\$6,380.0	\$6,339.0
% of Total			100%	100%	96%	98%
Other			\$0.0	\$0.0	\$275.0	\$123.0
Total			\$8,532.0	\$7,681.0	\$6,655.0	\$6,462.0

Founder of Mercado Libre is on the board of Globant and was listed as a client since 2011. Why was this not disclosed until 2016?