Globant S.A. (NYSE: GLOB) – Equity Research & Valuation Report (As of Jan 1, 2026)

Executive Summary

Globant S.A. is a mid-sized digital transformation services provider at a strategic crossroads. The company's shares trade at **$65.37** (market cap ≈ **$2.879 billion**), having sharply de-rated over the past year amid a growth slowdown. At this price, Globant's valuation metrics present a mixed picture – a **29.8×** trailing P/E (on last fiscal year IFRS EPS of ~$2.19) but only **10.4×** forward P/E (on NTM EPS of ~$6.30) – reflecting depressed recent earnings and the market's expectation of a sharp rebound in profitability[1][2]. The stock's **1.16× LTM price/sales** and single-digit forward price-to-free-cash-flow (~**11.6×** based on annualized Q3 2025 FCF) are low relative to peers[3][4], indicating potential undervaluation if growth reignites. Our comprehensive valuation, triangulating a discounted cash flow (DCF) model, peer multiples, and a PEG analysis, suggests a **base-case fair value in the mid-$70s** per share, above the current price. We outline an **$50–$100** valuation range under bear/bull scenarios, with a probability-weighted value around **$80**. This implies moderate upside, but realization hinges on Globant's success in reaccelerating growth through its AI-centric strategy.

Key Drivers: Globant's future performance will be driven by its ongoing pivot to an "AI-first" service model. The company has launched new **AI Pods (subscription-based teams)** and a proprietary **Enterprise AI Platform**, aiming to transform its traditional project-based consulting into scalable, outcome-driven solutions[5][6]. This strategy has yielded a record **$3.7 billion** sales pipeline (as of Q2 2025, +25% YoY)[7], indicating robust demand for Globant's differentiated offerings in AI, cloud, and digital product development. Historically, Globant delivered rapid growth (28% revenue CAGR from 2014–2024) by leveraging its innovative studio model and nearshore talent base[8][9]. The **key performance indicators (KPIs)** to watch now include: quarterly **revenue growth rates** (recently stalled at ~1% YoY[10]), **adjusted operating margin** (maintained ~15% through cost optimizations[11]), **free cash flow generation** (e.g. $67.5 M FCF in Q3 2025[12], supporting a new share buyback), and **AI pipeline conversion** (turning pipeline opportunities into billable projects). Additionally, **client concentration and expansion** metrics – Globant's top 5 clients account for ~21% of revenue[13] – are crucial, as deeper wallet share with strategic accounts is central to its "100 Squared" growth strategy.

Key Risks: The primary risk is that Globant's much-touted AI transformation may **fail to revive growth** in the near term. 2025 has been a painful year: revenue growth collapsed to ~**1.3%** (guidance) from ~15% in 2024[14][15], as many enterprise clients paused discretionary projects amidst macroeconomic uncertainty. If enterprise AI adoption **cycles prove slower** or clients remain cautious on IT spending, Globant could continue to post stagnant revenue. In that case, its valuation could **re-rate downward** toward traditional IT services multiples, implying ~20–30% stock downside from current levels[16]. **Competitive pressure** is another concern – larger rivals like Accenture and Infosys enjoy greater scale and client relationships, while lower-cost offshore firms challenge on price. Globant's niche positioning could be squeezed if these competitors replicate its AI offerings or if hyperscale cloud providers introduce AI automation that reduces custom development needs[17][18]. **Operational risks** include talent retention (the firm's value creation rests on ~29,000 "Globers" – high attrition or inability to hire top AI talent would hurt delivery) and execution of its new business models (subscription pricing and outcome-based contracts are untested at scale). Finally, **financial quality risks** bear watching: Globant's GAAP (IFRS) earnings have been depressed by large non-cash charges (e.g. a $47.6 M restructuring charge in Q2 2025)[19] and heavy stock-based compensation, which could obscure underlying performance and, if unmanaged, dilute shareholders.

Outlook & Scenarios: We anticipate a **gradual recovery** in Globant's growth trajectory over the next 12–24 months, albeit with uncertainty. Management's FY2025 guidance implies only **1–2% revenue growth** and adjusted EPS of ~$6.12[20], but also hints at a bottoming of the slowdown by Q1 2026. In our **base case**, improved macro conditions and early wins from AI initiatives drive a return to high-single-digit or low-double-digit revenue growth in 2026, with adjusted operating margins ~15–16%. This scenario yields a mid-$70s share valuation and underpins a **mild Buy** recommendation. In a **bull case** (30% probability), Globant's AI Pods and platform see **faster-than-expected uptake** – converting a portion of the $3.7B pipeline quickly – and client spending rebounds strongly. Revenues could grow >15% annually with expanding margins, justifying a P/E closer to high-growth peers (~20–25× forward earnings). This yields a valuation near **$100** per share or higher. Conversely, in a **bear case** (20% probability) where **growth stagnates ~0–5%** and Globant is viewed as an ex-growth IT services firm, the stock may be valued at a low multiple (e.g. ~10× earnings or 1× sales), implying **~$50** per share. We assign the highest weight to the base scenario (50% probability) and conclude that **upside potential modestly outweighs downside risk** at current prices. However, the investment

thesis is highly contingent on execution: Globant must demonstrate that its AI-focused reinvention is more than hype and can tangibly reignite its top-line. We recommend investors monitor leading indicators (new large contract wins in AI, utilization rates, client retention) closely in upcoming quarters. Overall, **we view Globant as an attractive, albeit not low-risk, opportunity for long-term investors** seeking exposure to digital transformation and AI growth themes, with the current valuation offering a reasonable margin of safety if the company delivers on its strategy.

1. Business Model and Company Overview

This section provides background on Globant's business, including its history, service offerings, revenue mix, and industry positioning. It outlines how Globant earns its revenue and the structure of its operations, setting the stage for subsequent financial analysis.

Company Background: Globant S.A. is a digitally native IT services company founded in 2003 in Buenos Aires, Argentina, and now headquartered in Luxembourg[21]. Since its IPO in 2014, Globant has grown from a niche nearshore outsourcing firm into a global provider of software development, IT consulting, and digital product design services. As of Q3 2025, the company has over **29,000 employees** ("Globers") across **30+ countries** on 5 continents[22][23]. Its workforce is concentrated in Latin America (notably Argentina, its original base), but it also has delivery centers in North America, Europe, and Asia. This geographic spread underpins Globant's **"follow-the-sun" delivery model**, which allows it to service clients (primarily in the U.S. and Europe) with real-time collaboration and cost-effective talent. Globant's origins in Latin America give it a **cost advantage** of ~10–20% versus purely U.S.-based competitors, thanks to labor arbitrage, yet it maintains closer time-zone alignment and cultural affinity with North American clients than far-offshore Indian firms[24]. The company is often categorized in the **IT services and digital consulting** industry, alongside players like **EPAM Systems**, **Endava**, and larger firms such as **Accenture**, **Cognizant**, and the Indian outsourcing giants. As of 2025, Globant can be considered in a late growth stage – it achieved a **28.3% revenue CAGR from 2014 to 2024** (growing from a few hundred million to $2.4 billion in annual revenue)[25][26], but recent macro pressures have slowed its momentum (detailed in later sections). The company's strategy and identity are evolving from a high-growth challenger to a more mature operator focusing on innovation to sustain growth.

Service Offerings and Business Segments: Globant generates nearly all its revenue from providing **technology services** to enterprise clients. Its services span **software engineering**, **application development**, **cloud migration**, **data analytics**, **digital product design (UI/UX)**, and increasingly **artificial intelligence (AI) solutions**. Rather than reporting segmented revenues by product, Globant operates a unified business model organized into **"Studios"** – each Studio is a team with deep expertise in a specific domain (for example, there are Studios for Agile software delivery, Data & AI, Digital Transformation, Cybersecurity, UX Design, etc.)[27][28]. This structure allows Globant to deploy specialized squads to client projects, blending creative design, engineering, and consulting. In 2024, recognizing shifts in the market, Globant introduced new AI-centric offerings. Key among these are:

- **AI Pods (Subscription Model):** Dedicated teams providing AI solutions on a subscription basis, rather than traditional time-and-materials projects. This is an attempt to create recurring revenue and align incentives with client outcomes. Launched in mid-2025, **18 clients** had adopted AI Pods by Q3 2025, including 17 of Globant's top 20 customers[29]. This model is part of Globant's strategy to "reinvent the professional services industry" and provide more scalable, outcome-driven engagements[5].

- **Globant Enterprise AI Platform:** A proprietary technology platform that orchestrates various AI and machine learning tools for enterprise use (providing features like large-language-model integration, data management, and AI agent deployment). It's essentially an IP product that Globant uses to accelerate AI projects for clients. Early results cited by management include an *"80% reduction in legacy system modernization times and 50% increase in software development efficiency"* for organizations using the platform[30]. By deeply embedding into clients' workflows, this platform aims to create **stickiness and switching costs**, serving as a technological **moat** in engagements[30].

- **Industry Reinvention Studios:** Globant has also launched specialty groups targeting specific industries with AI-powered solutions – for example, AI Studios for finance, life sciences, gaming, etc. These units conduct deep assessments of business processes to apply AI where it can drive measurable impact[31]. In 2024, projects driven by these AI initiatives contributed about **$350 M to revenue (110% growth YoY)**[32], showing early traction.

In addition to its technology services core, Globant has diversified into **digital marketing and creative services** through its **"GUT" Network**, which contributes roughly **10% of revenue**[33]. The GUT Network (consolidated in 2023 via acquisitions) focuses on creative strategy and advertising – blending storytelling with tech. Clients like Coca-Cola and MercadoLibre use GUT for marketing campaigns[33]. This adds a unique dimension to Globant's portfolio that many IT outsourcers lack, and management believes it's less prone to AI-driven commoditization (creativity and brand campaigns still require human insight) [33]. Having this creative arm not only provides a cross-selling opportunity (tech clients can use Globant for marketing and vice versa) but also differentiates Globant by offering end-to-end digital transformation, from back-end IT to front-end customer experience.

Revenue Breakdown: Globant's revenues are not highly concentrated in a single product or client, though certain geographies and sectors dominate. Geographically, **North America accounts for ~54%** of revenue (Q3 2025), Europe ~19%, Latin America ~20%, and other regions ~7%[34]. The U.S. is the largest country market (top country in NA), and within LatAm the largest market is Argentina (likely due to some domestic clients and intercompany billing), while Spain is the top country in Europe[35]. The company serves nearly **1,000 active clients** globally, focusing on large enterprises in industries like media, finance, technology, consumer goods, and travel. Importantly, Globant has been increasing its "wallet share" within large accounts: as of Q3 2025, it had **339 accounts generating >$1 M/year**, up from 331 a year prior[36]. Its largest customer contributed ~**8.7% of revenue** in Q3 2025, and the top 10 customers ~29.5%[13]. This indicates a moderate client concentration – the business isn't overly reliant on one client (the largest accounts for <10%), but a handful of big clients (likely tech giants or global brands) collectively make up nearly a third of sales. Such concentration means maintaining key relationships is vital; the company's strategy of focusing on "100 Squared" high-potential accounts (the top 100 clients with potential to each become $100M accounts) underscores this[37].

In terms of service lines, while Globant doesn't break out revenue by specific service in financial reports, we can infer that **custom software development and IT consulting projects form the bulk of revenue**. The shift to subscription (AI Pods) is nascent, so most revenue is still time-and-materials or fixed-price contracts. The **sector mix** includes technology & media (Globant's early growth came from clients like Google, Disney, Electronic Arts, etc.), banking/financial services (bolstered by acquisitions like Bluecap in Europe), travel/hospitality, and others. The **professional services sector** itself is a notable client segment –

Globant has served consultancies or service firms (two of its top five clients in 2024 were in professional services)[38], which ironically saw no growth in their spending in 2024. This cross-industry presence gives Globant diversified exposure but also ties part of its fortunes to the broader health of IT spending across sectors.

Industry Position and Competition: Globant occupies a unique middle ground in the IT services landscape. It is much smaller than **Tier-1 consultancies** like Accenture (>$60B revenue) or Tata Consultancy Services, but it competes successfully by being more nimble and specialized. Globant built a reputation as a high-end "**digital native**" partner – an alternative to the big firms, known for cutting-edge tech expertise and an agile, startup-like culture. This positioning allowed it to charge premium pricing versus commodity IT outsourcers, contributing to historically strong growth and margins. However, the industry is evolving: Traditional IT outsourcing is commoditizing (with automation and cloud platforms reducing custom work)[18], while **enterprise AI adoption** is becoming a must-have capability for vendors. Larger incumbents (Accenture, IBM) are investing heavily in AI at scale, and engineering-focused peers like **EPAM Systems** (roughly twice Globant's revenue) compete head-to-head on complex software projects[39]. Offshore-oriented firms (Infosys, Cognizant, etc.) still enjoy cost advantages via lower-cost talent in India, which Globant's nearshore model cannot fully match on price[24].

Within this context, Globant's **competitive advantages** include: (1) a **strong innovation track record** – it adopts emerging technologies (AI, blockchain, metaverse, etc.) early and showcases them in client solutions, making it a go-to partner for cutting-edge projects; (2) its **studio model and agile delivery**, which fosters deep specialization and faster project turnaround; (3) a **cultural alignment and time-zone proximity** for North American clients, often cited as a reason U.S. companies choose Globant over Asian outsourcers; and (4) a growing suite of **proprietary tools and platforms** (like the AI platform, and products under "Globant X" such as StarMeUp for workplace engagement) that enhance its value proposition beyond pure labor-hours. These factors have earned Globant industry recognition – e.g., IDC named it a Worldwide Leader in AI IT Services in 2023[40] and Brand Finance ranked it the fastest-growing IT services brand in 2024[41].

However, Globant also faces **strategic challenges**. The company's **smaller scale** means it has fewer resources for R&D and global marketing than giants – a potential disadvantage as technology cycles (like Generative AI) accelerate and

require heavy investment[17]. Its pivot to become a "full-stack AI company" is bold but unproven; convincing conservative enterprise clients to adopt a subscription model for AI solutions will take time and trust. Additionally, some analysts note that part of Globant's business still relies on traditional **staff augmentation and IT outsourcing** (especially after acquisitions that added headcount). This portion of work is more vulnerable to pricing pressure and automation. In fact, management acknowledged that segments of the business (particularly legacy professional services contracts) were declining through 2024, effectively **masking the growth** of newer AI and digital deals[38]. Thus, Globant is straddling two identities: a **traditional IT services firm** and an **AI-powered digital innovator**. The outcome of this transition will determine its long-term industry position – either it carves out a sustainable niche as a next-gen leader (with a corresponding "quality premium" in valuation), or it struggles and gets viewed similarly to slower-growth outsourcing peers.

Operational Elements: As a services company, Globant's operational efficiency is tied to its **human capital utilization** and project execution. The company had **30,084 employees at Q2 2025** which slightly reduced to **29,020 by Q3 2025**[42][43] – indicating a deliberate slowdown in hiring or a workforce reduction. In fact, Globant undertook a **~3% workforce cut in mid-2025** as part of a "Business Optimization Plan" to streamline costs[44]. While this protected its margins (reducing bench and overhead costs), it also reflects tempered growth expectations. A key efficiency metric, **revenue per employee**, has been under pressure due to slower growth; by our estimates it is around $85k per employee per quarter (~$340k annually), slightly below some peers, though the gap may narrow if higher-value AI services scale up. Another metric, **utilization rate** (the percentage of billable staff hours), is not publicly disclosed but is likely a focus internally given the margin maintenance.

Globant's business has minimal physical assets (it's asset-light), but one can note operational stats like **office presence** (the company operates delivery centers in over 35 countries[40], which gives flexibility to tap talent globally). No single facility or region is mission-critical on its own, reducing operational risk (though certain countries like Argentina are important talent hubs, carrying some macro risk). The company also partners with major tech platforms – e.g., it's a partner of OpenAI, AWS, Google Cloud, and others[45] – to stay at the forefront of tech changes and co-develop solutions.

Chapter Summary: Globant's business model is that of a high-end, globally distributed IT services provider with a focus on digital innovation. It earns

revenue by selling expertise and project delivery to large enterprises undergoing technological transformation. The company's revenue mix is fairly diverse across clients and geographies, though North America and a set of top clients contribute heavily. Globant differentiates itself through specialization (studios), creativity (GUT network), and now a major push into AI with subscription-based services and proprietary platforms. As of 2025, the company holds a **credible position in the industry (often ranked among top digital service providers)**, but it is also navigating a pivotal transition. Its core business is shifting from purely labor-based projects to more **IP-driven, scalable engagements**, which management argues will deepen Globant's competitive moat. The success of this strategy will influence Globant's growth prospects and risk profile – themes we explore further in the following sections.

2. Financial Health and Profitability Analysis

In this section, we assess Globant's financial performance, focusing on revenue and cost trends, profit margins at various levels, return on equity/capital, and the quality and sustainability of its earnings. We compare recent performance to historical trends and peers, and discuss the factors influencing profitability.

Revenue Growth and Cost Structure: Globant's topline growth has dramatically decelerated recently, marking a stark turn from its historical trend. In **2024, revenue reached approximately $2.4 billion, up ~15.3% year-over-year**[26], capping a decade of double-digit growth. However, through the first nine months of **2025, revenue was $1.842 billion, up only 3.9% YoY**[46]. By Q3 2025, quarterly revenue was **$617.1 M**, essentially flat (+0.4% YoY)[10]. Management's full-year 2025 outlook is for ~$2.447 B revenue (just **1.3% YoY growth** including a slight FX tailwind)[15], indicating an abrupt slowdown from prior years. This pullback is attributed to multiple factors: weak demand in certain client sectors (e.g. professional services and some B2C industries saw project delays in 2024–25) [38], general macroeconomic caution leading to longer sales cycles, and the high growth comparables of previous years making expansion harder. Notably, Globant's **record pipeline ($3.7B, +25% YoY)** did not translate into commensurate revenue growth in 2025, underscoring execution and conversion challenges in the near term[14].

From a cost structure perspective, Globant's business has **relatively high gross margins** for an IT services company, reflecting its value-add focus. In the trailing twelve months, IFRS gross profit margin is ~35%, while on a non-IFRS (adjusted) basis it's around 38%[10]. Gross margin has ticked down slightly (e.g. IFRS gross margin was 34.8% in Q3 2025 vs 36.2% a year prior)[10], which management

attributes to wage inflation and some under-utilized headcount during the growth slowdown. The primary cost of revenue is personnel (salaries, benefits, contractor costs) – as a service firm, Globant's "cost of delivery" is essentially its people's time. The company has managed to keep gross margins relatively stable by shifting work to cost-efficient locations and maintaining pricing power on specialized services. It's worth noting that **over 60% of Globant's revenues are billed in U.S. dollars**[47]**, while a large portion of costs (e.g. Latin American staff salaries) are in local currencies**; thus, currency fluctuations and inflation (particularly in Argentina) can impact margins. For example, if the Argentine peso devalues faster than inflation of salaries, Globant benefits with lower USD-equivalent costs – a dynamic that has sometimes helped margins.

Below gross profit, Globant incurs operating expenses like **selling, general & administrative (SG&A)** and **R&D (product development)**. These are not broken out in the press releases, but SG&A includes costs of its salesforce, management overhead, marketing, and the integration of acquisitions. Despite slower revenue growth in 2025, **Globant maintained strict cost discipline**. The company executed a **"Business Optimization Plan" in Q2 2025 that included a one-time $47.6 M charge** (for severance, office consolidations, etc.)[19], aiming to streamline operations for efficiency. Excluding that one-time cost, underlying operating expenses grew modestly, suggesting the company quickly adjusted its cost base for the lower growth environment. The net effect is evident in margins: **Globant's Q3 2025 IFRS operating margin was 9.1%** (down from 10.6% in Q3 2024)[48], but on an adjusted basis, **operating margin was 15.5%**, roughly flat with the prior year[48]. This indicates that after stripping out extraordinary costs and stock-based compensation, Globant managed to preserve its core profitability even as growth stalled – largely through cost cuts (like the ~3% headcount reduction) and probably lower discretionary spending.

Profitability by Level – Margins Analysis: We examine Globant's profitability at each level of the income statement, in both IFRS (GAAP) terms and non-IFRS (adjusted) terms:

- **Gross Margin:** As mentioned, IFRS gross margin has been ~35% in recent periods (Q3 2025: 34.8%[49]). This is slightly lower than some peers like EPAM (~37% gross margin historically) but higher than larger commoditized outsourcers. The small dip in gross margin in 2025 (from ~36% to ~35%) was due to project mix and some pricing pressure. Notably, **Globant's *adjusted* gross margin is ~38%**[10], which excludes depreciation of delivery centers and amortization of acquired intangibles

in cost of sales. The fact that adjusted gross margin held steady (~38.1% in Q3 2025 vs 38.5% a year ago)[10] suggests the underlying project economics remain healthy. High gross margins typically reflect Globant's ability to command premium billing rates for its specialized services (e.g., digital product development, AI projects) and decent utilization rates. Compared to peers, Globant's gross margin is favorable – for instance, Accenture's gross margin is around 30%, reflecting more integration and outsourcing work. Globant's higher gross margin is an indicator of its **value-add and efficient cost management**.

- **EBITDA/Operating Margin:** On an **IFRS basis, Globant's operating margins have been volatile**, especially in 2025 due to the one-time charge. For the first nine months of 2025, IFRS operating margin was just **6.1%** (vs 9.4% in the same period 2024)[50]. In Q2 2025 it even dipped to ~1% (from 9.2% a year prior) due to the big restructuring expense[51]. However, these GAAP figures are not indicative of ongoing performance, as Globant heavily uses adjustments. **Non-IFRS adjusted operating margin** strips out share-based compensation, amortization of intangibles, and one-offs; this metric has been maintained around **15%**. Indeed, Q3 2025 saw a **15.5% adjusted operating margin**, slightly above the prior year's 15.6%[11]. Management has guided for at least 15.0% adjusted op margin for full-year 2025[15], implying they are committed to that level. By comparison, a 15% operating margin is competitive: it trails the likes of Cognizant (~16% op margin) and is below Accenture (~15.2% reported in beyondspx)[52], but it's on par with EPAM (~15%) and above many mid-tier peers. The improvement from IFRS ~6% to adjusted ~15% underscores the magnitude of adjustments – mainly **$100+ M/year in stock-based compensation and acquisition-related amortization** – which we'll discuss under earnings quality. For now, the takeaway is that **Globant's core business is operating at mid-teens EBIT margins**, reflecting solid cost control and some scale economies (though still lower than the highest-margin software firms, since this is services).

- **EBITDA Margin:** If we consider EBITDA (earnings before interest, tax, depreciation, amortization), Globant's margins are naturally higher, given its asset-light model. Depreciation is small (mostly for office equipment, leasehold improvements) and amortization stems from acquired intangibles. The company doesn't explicitly report EBITDA margin in press releases, but we can infer that **adjusted EBITDA margin is likely in the high teens**. For instance, beyondSPX analysis noted Globant's **EV/EBITDA**

was **10.2×** at recent prices, lower than Accenture's 13.3×[53][54]. If we know EV and the multiple, we can back into EBITDA. At ~$3.3B EV and 10.2×, EBITDA is roughly $323M. On ~$2.4B revenue, that's ~13.5% EBITDA margin. However, adjusted EBITDA (excluding share comp as well) would be higher. Industry comparisons: Accenture's EBITDA margin is ~18%, EPAM's ~17%. Globant likely operates a bit below that, perhaps ~15% on a trailing basis due to investment in growth and its smaller scale. Still, the **cash generation capacity** is strong – as seen by Q3 2025 free cash flow, $67.5M, which annualizes to ~$270M, about **11% of annual revenue**[4]. This FCF margin being close to adjusted EBIT margin signals good conversion of operating profit into cash (more on cash flow later).

- **Net Profit Margin:** Globant's **net margin under IFRS is relatively low**, but under non-IFRS it is healthy. For Q3 2025, IFRS net income (diluted EPS $0.73) was about a **5.3% net margin**[55], whereas non-IFRS net (adjusted EPS $1.53) was roughly ~**12% net margin**[55]. The gap is huge, primarily due to: **(a)** significant **share-based compensation** expense (which is added back in non-IFRS), **(b)** amortization of intangibles from acquisitions, and **(c)** in 2025, the one-time restructuring cost. For the first 9 months of 2025, IFRS net margin was only ~3.3% (net income $1.35/share on $1.84B revenue)[56], down from ~8% in the same period 2024, again reflecting those costs. Stripping adjustments, the **adjusted net margin was around 12–13%** (e.g., $4.57 non-IFRS EPS for 9M 2025 ≈ 12% of revenue)[57]. Compared to peers, Globant's adjusted net margin (low teens) is quite solid – EPAM, for instance, had ~14% non-GAAP net margin historically. But IFRS net margin (~4–5%) is at the low end of the sector, indicating that on a GAAP basis the company isn't as profitable due to its high growth investments and accounting charges.

One should note the **effective tax rate** is not a major swing factor for Globant's net margin; as a Luxembourg-incorporated entity with global operations, its tax rate tends to be moderate. The bigger swings come from operating expenses and below-OP items like **interest expense**. Globant's interest expense is relatively low given its modest debt load, so the difference between operating and net margins is mostly taxes. Thus, the disparity between IFRS and adjusted **net margins mainly reflects add-backs** above the line, not below.

In summary, **Globant's underlying profitability is robust for its business model**, with ~15% operating margins and ~12% net margins on an adjusted basis. IFRS profitability has been temporarily depressed (mid-single-digit net margins)

by one-off charges and ongoing non-cash expenses. The company's focus on higher-value services has enabled it to sustain margins even as growth slowed – for instance, by cutting costs quickly to offset revenue weakness, Globant kept adjusted EBIT margin roughly flat in 2025[11]. This showcases a degree of resilience and management discipline.

Return on Equity and Capital Efficiency: Using GAAP figures, Globant's **return on equity (ROE)** has plunged due to the earnings dip. Trailing twelve-month ROE is only **~4.8%**[52], which is quite low and below the industry average. This is directly tied to IFRS net income being small in 2025. For context, in 2024 Globant's IFRS net income was around $100M (roughly $2.19 EPS 【4†】 on ~45M shares), on an equity base of ~$1.9–2.0B, giving an ROE of ~5%. In 2025, net income will be even lower due to the charges, so ROE stays in mid-single digits. This GAAP ROE clearly **undershoots the cost of equity** (we estimate Globant's cost of equity is around 10% given its risk profile), indicating that in accounting terms the company is not currently delivering economic value. However, this is somewhat misleading, because the **"true" earnings power** of Globant (excluding transitory costs) is higher. If we consider *adjusted net income* (adding back after-tax share comp, etc.), ROE would be higher. For example, adjusted net income in 2024 was around $288M (based on $6.40 adjusted EPS[26] and ~45M shares), which on $1.9B equity would be ~15% adjusted ROE. That is a more attractive figure, suggesting the core business does generate returns above the cost of capital (and above the ~10% WACC one might assume). The wide gap between GAAP and adjusted ROE flags that a lot of capital (equity) on the balance sheet is tied up in goodwill/intangibles from acquisitions, which doesn't directly contribute to IFRS earnings due to amortization, but does contribute to revenue and adjusted earnings.

Another lens is **Return on Invested Capital (ROIC)**. Globant's invested capital (equity plus debt) is largely comprised of goodwill ($1.65B) and acquired client relationships/other intangibles (~$360M)[58][59], plus some working capital. If we use *NOPAT (net operating profit after tax)* on an adjusted basis, Globant's ROIC has historically been respectable. For instance, adjusted EBIT margin ~15% and asset turnover (revenue/invested capital) around 0.8× might yield ROIC in the low teens (roughly in line with or slightly above a 10% WACC). Indeed, management's strategic ambition is to sustain ROIC above the cost of capital, underpinned by its moat – though at present, **ROIC has likely dipped due to growth stagnation**. In short, **Globant's profitability metrics send a mixed signal**: the IFRS-based returns look poor (raising concerns on capital efficiency), but the underlying operational returns are much better. Investors largely focus on the latter (hence

using adjusted EPS for valuation), but it's important to monitor if those adjustments truly reflect one-time/non-cash items or if they mask ongoing costs (like continual stock compensation).

Earnings Quality and Cash Conversion: A critical part of analyzing profitability is assessing the quality of earnings – i.e., how much of the accounting profit is backed by cash flow and if any aggressive accounting practices are boosting earnings. For Globant, **earnings quality appears high overall, with strong cash generation**, albeit the heavy use of adjustments necessitates careful interpretation. Key observations:

- **Cash Flow vs Net Income:** Globant consistently converts a high portion of its profit into cash. In fact, in 2025 the operating cash flow actually exceeds IFRS net income by a wide margin because many expenses are non-cash. For Q3 2025, the company generated $67.5M of free cash flow[12], whereas IFRS net income for that quarter was around $33M (0.73 EPS * ~45M shares). Annualizing Q3's FCF suggests ~$270M yearly FCF, which is roughly 4.5× the likely IFRS net income for 2025 (~$60M for first 9 months + Q4). This implies **a very high cash conversion** rate and indicates that **Globant's earnings are of good quality in terms of cash** – there isn't a pattern of accruing earnings that don't translate to cash. The discrepancy is largely because IFRS earnings were knocked down by amortization and one-offs (which don't consume cash). If we look at non-IFRS adjusted net income (~$277M projected for 2025), free cash flow of ~$270M is in line, confirming that on an *adjusted* basis, cash conversion is strong (near 100% of earnings). This was noted in analysis: at $71/share the P/FCF was ~11.6×, cheaper than the P/E, highlighting "high earnings quality" in terms of cash flow[4].

- **Working Capital Management:** Globant's trade receivables and payables management seems solid; we haven't observed any big build-up of receivables that would indicate aggressive revenue recognition. The company's DSO (days sales outstanding) isn't explicitly given, but given the FCF strength, clients are paying reasonably on time. There's no evidence of channel stuffing or unusual revenue accruals. In fact, the slowdown in revenue was acknowledged openly – not masked by receivable growth – which is a good sign of transparent accounting.

- **Expense Capitalization:** One potential red flag for any tech-oriented company is capitalization of costs (like R&D) to boost current earnings. In Globant's case, being an IFRS reporter, development costs for software

could be capitalized if they meet certain criteria. We would check if intangible assets (other than acquisition-related intangibles) have been rising disproportionately. As of mid-2025, intangible assets on the balance sheet were ~$359M[58], but those are largely acquired customer relationships and trademarks from acquisitions (e.g., Bluecap, GeneXus, etc.), not capitalized R&D. The majority of Globant's internally developed tools (like its AI platform) are likely expensed as incurred via R&D or project costs. The company's R&D expense is not broken out, suggesting it's not very large (some portion of R&D is probably embedded in cost of sales or SG&A as "innovation" or product development). So, there is no clear evidence that Globant is artificially inflating profit by capitalizing expenditures – if anything, IFRS rules might force it to amortize acquired intangibles, which *reduces* IFRS profit (conservative from an earnings quality standpoint).

- **One-time Items:** We should scrutinize if Globant frequently uses one-time "adjustments" to flatter adjusted earnings. 2025 did have a big one (the $47.6M restructuring), which the company rightfully excluded from non-IFRS results. This kind of charge is not recurring every year; however, Globant has grown via acquisitions, which means integration costs and acquisition-related expenses have occurred periodically (and are excluded from adjusted earnings). Also, share-based compensation is treated as an add-back in adjusted earnings. While this is common practice in tech, it's a **real cost to shareholders via dilution**. In 2025, share-based comp likely amounts to tens of millions of dollars (for perspective, in 9M 2025 the difference between IFRS EPS $1.35 and non-IFRS $4.57 is $3.22 per share[56]; much of that $3.22 is share comp and amortization). We consider Globant's adjustment policy reasonable – it is transparent about excluding stock comp, D&A, etc. Still, investors should keep an eye on the **dilution**: the share count was ~44.5M in 2024 and rose to ~45.2M diluted by Q4 2025[60]. The new share buyback program (up to $125M) will help offset future dilution[61].

In terms of **peer comparison**, Globant's margin profile and earnings quality stack up fairly well. Its **adjusted operating margin (~15%)** is in the mix with large peers (Accenture ~15%, Cognizant ~16%)[52], though they achieve those without adjustments. Globant's **ROE (adjusted ~15%)** is lower than some Indian peers that have 20%+ ROE, but those firms operate with fewer acquisitions and less stock comp. Globant's **cash flow** as a percentage of net income is higher than many peers – for example, Accenture typically converts ~100% of net income to

free cash flow, whereas Globant's FCF is a multiple of its GAAP net income due to non-cash expenses.

Profitability Sustainability: Looking forward, the sustainability of Globant's margins and profits will depend on a few factors. Firstly, the company's ability to **scale its new AI offerings profitably** – if AI Pods and platform subscriptions ramp up, they could even enhance margins (such models could yield higher gross margin than pure headcount-based revenue). Early indications are positive: management noted that the new AI subscription model creates a "win-win" margin structure, where Globant can earn better margins while delivering cost savings to clients[29][62]. Secondly, **wage inflation vs pricing** will determine gross margin stability. If competition forces rate cuts or if talent costs surge (e.g. in Argentina with high inflation, or in the US for AI specialists), margins could compress unless productivity gains offset them. Globant's track record shows an ability to pass on some costs to clients (its topline growth historically included price/mix improvements), but the current environment is more competitive, so this bears watching. Thirdly, **utilization rates** must be managed – Globant likely has trimmed excess capacity already, so any further revenue shortfall without corresponding cost action could hit margins.

As of now, **Globant's adjusted profitability appears stable and well-managed**, with the company even expanding adjusted operating margin sequentially in Q3 2025 (15.5%, up 0.5 percentage points from Q2)[12]. This margin resilience despite near-zero growth is a positive sign. It suggests Globant can flex its cost base (e.g., slow hiring, optimize workforce) to protect earnings. However, **true margin expansion** (beyond ~15%) likely requires a return to healthy revenue growth – as fixed costs get better absorbed – and continued scale in high-margin offerings. We will delve into the growth prospects in the next section, as that will tie directly into whether current profitability is maintainable or can improve.

In conclusion, **Globant's financial health is sound and its profitability (on an adjusted basis) is strong for its industry**, though recent GAAP results understate its performance. The company has a solid balance sheet (discussed later) and generates ample cash relative to earnings, underscoring a high-quality earnings profile. The main concern is less about past profitability and more about future growth reigniting to leverage Globant's cost structure. If growth resumes even modestly, Globant's margins should hold or even tick up (given the internal efficiency measures taken). Conversely, protracted stagnation would eventually pressure margins despite cost cuts, as there are limits to how much can be trimmed without harming the business. Overall, the profitability picture supports

the view of a fundamentally healthy business with temporary setbacks, rather than any structural erosion (like runaway costs or poor earnings quality). We will now examine the growth aspect and cash generation in more detail to complete the picture of Globant's performance.

3. Growth Quality and Cash Generation

This section analyzes the nature of Globant's growth – both historical and projected – and examines how that growth has been financed. We also evaluate the company's ability to convert earnings into cash (cash flow analysis) and whether the recent growth slowdown is cyclical or structural. Additionally, we consider investments in R&D and other drivers of future growth to assess the quality and sustainability of Globant's expansion.

Historical Growth Trajectory: Globant has been a high-growth company for most of its public history. From its IPO in 2014 through 2021, the company routinely delivered **20%+ annual revenue growth**, both organic and via acquisitions. Even during the pandemic in 2020, Globant grew ~23%. This rapid growth was fueled by strong demand for digital transformation services and Globant's expansion into new geographies and verticals. The company's strategy of reinvesting in new capabilities (e.g. AI, design, cloud) and making tuck-in acquisitions (over two dozen acquisitions in the last decade) supported this expansion[63][64]. By **2022–2023**, growth moderated slightly to the mid-teens, and in **2024 revenue grew 15.3%** as noted earlier[26]. That was still robust and outpaced many peers. Importantly, Globant achieved much of this growth without sacrificing (adjusted) margins, indicating good growth quality – new revenue was profitable and not bought via heavy discounting.

2025 Slowdown – Cyclical or Structural? The sharp deceleration to ~1% growth in 2025 is the most pressing issue. We need to discern if this is a one-time air pocket or a sign of saturation/structural issues. Management and industry context suggest it is largely cyclical and *transitional* in nature. Factors in 2025 included: **macroeconomic headwinds** (many clients cut budgets or delayed projects amid recession fears, higher interest rates, etc.), specific **sector slowdowns** (e.g., two top clients in professional services didn't grow at all in 2024[38]; also, sectors like travel, retail, and high-tech had weakness in late 2024), and perhaps a bit of **digesting past growth** (Globant had grown so fast that some organizational adjustments were needed, hence the optimization plan). Additionally, **foreign exchange** played a minor role – the strong dollar in early 2025 meant lower reported growth (though by Q3, FX was actually a slight positive of +0.5% on growth)[65].

A crucial point is that **demand hasn't evaporated – it's delayed**. The evidence lies in the **all-time high pipeline of $3.7B (+25% YoY)** that Globant reported[5]. This indicates clients are interested and engaged, but perhaps taking longer to sign deals. Globant's CEO described the situation as moving from "growth initiatives to efficiency projects" for clients[38] – meaning clients still need Globant, but for smaller, cost-saving projects rather than large new transformations, resulting in slower revenue conversion. The company expects a **bottoming in Q1 2026** for the legacy professional services work and a subsequent pickup as AI projects scale[66][67]. This view suggests the slowdown is *temporary*.

That said, there could be a structural component: **competition in digital services** has intensified and some services are becoming commoditized. Globant's pivot to AI is partly to differentiate and find new growth engines. If that pivot fails, growth could languish beyond just a macro cycle. So far, we see mixed signals: **AI-related revenues grew ~110% in 2024** (to $350M)[68], and the AI pipeline is growing ~30% YoY[69], implying potential for reacceleration. But AI is still a smaller portion of total revenue (perhaps ~15% in 2024 if we include AI-influenced deals). The bulk of Globant's business in 2025 was still traditional application development and maintenance, which is low-growth now. Thus, the *quality* of growth going forward will depend on shifting the mix toward those higher-growth offerings.

Organic vs Acquisitive Growth: Globant's growth historically has been a healthy mix of **organic expansion and M&A**. The company regularly acquires small firms to add expertise or entry into new markets. For example, in late 2024 Globant acquired **Exusia**, a US-based data & AI specialist[70], and **Blankfactor**, a payments and banking IT firm[71], to bolster its financial services offerings. In early 2024 it acquired **Iteris** in Brazil to expand in that market[72]. These deals often contribute a few percentage points to revenue growth and, importantly, bring in specialized talent that can be scaled across Globant's larger client base. The company has a track record of integrating acquisitions effectively (reflected in its stable margins and lack of major write-offs so far). So, part of Globant's growth quality comes from its ability to **augment organic growth with bolt-on acquisitions** – this can be positive if done strategically, though it carries the risk of overpaying or integrating poorly. So far, acquisitions like Bluecap (2020) and others have expanded Globant's consulting capabilities and European presence[73][74], contributing to growth beyond what could be achieved organically.

For future growth, we expect Globant to continue this pattern: organic growth driven by its service innovation and geographic expansion, supplemented by targeted acquisitions in hot areas (e.g., cybersecurity, generative AI startups, or agencies in markets where Globant is under-penetrated). The new **$125M share repurchase program** does indicate that management sees value in its stock at current prices, but it doesn't preclude continuing acquisitions (the program is modest relative to cash flows)[61][75]. Essentially, Globant is signaling it can both return some cash to shareholders and invest in growth – a sign of confidence in its cash generation.

Cash Generation and Free Cash Flow: As touched on in the profitability section, Globant's **cash generation is a strong suit**. The company is consistently free cash flow positive. In **2025, despite minimal profit growth, FCF remained robust**. Operating cash flow has benefited from the add-back of non-cash expenses (depreciation, amortization, stock comp) and relatively low capital expenditure needs. Capex for Globant is usually small (primarily office expansion, IT equipment, maybe some investments in internal software), often well under 5% of revenue. Thus, **free cash flow (FCF)** – operating cash flow minus capex – is quite close to operating cash flow. For example, if Q3 2025 FCF was $67.5M[12] and we assume that quarter's capex was, say, ~$10M, the operating cash flow was around $77M, versus an IFRS operating profit of about $56M (9.1% of $617M). The difference is largely the $21M of depreciation/amortization and stock comp in the quarter. Over a full year, one can estimate Globant's FCF conversion from adjusted earnings is very high (near 1:1).

One metric, **FCF yield**, is attractive now given the share price drop. At $65/share, the market cap $2.88B and if FCF in a normalized year is ~$250M+, the FCF yield is ~8–9%. That is quite high for a company that (ex-current lull) has growth potential. It implies the market is skeptical of growth – essentially valuing Globant more like a low-growth, cash-cow business. The irony is that **Globant's cash flow in 2025 remained strong even as reported earnings fell**, which supports the view that the core business is still healthy. For instance, beyondspx noted that at ~$71 share price, the FCF multiple was 11.6×, much lower than the P/E, reinforcing that cash metrics paint a more favorable picture[4].

Looking ahead, if Globant's growth reaccelerates, working capital might consume some cash (e.g., accounts receivable would rise with higher revenue). But that would be a normal use of cash for growth. The company's working capital management has been efficient historically – no signs of distress like receivables ballooning or needing to extend payment terms to clients. In fact, during 2025,

Globant likely tightened its working capital to preserve cash (as many companies do in slowdowns). The **cash and short-term investments were $167M as of Q3 2025**[76], which combined with undrawn credit lines and ongoing FCF, gives ample liquidity.

Investment in Growth: R&D and Capabilities: Growth quality also depends on how much the company invests in staying competitive. Globant doesn't capitalize R&D, but it certainly invests in innovation – through both OPEX (training employees, developing internal AI tools) and acquisitions (buying companies with new tech). Notably, in 2023–2024, Globant invested in developing its **AI products** (like the AI platform and AI Pods concept). It also launched **Globant X**, an incubator for IP products, a few years back. The revenue directly from these products (like augmented coding, StarMeUp, etc.) isn't broken out (likely small), but they serve to differentiate services. This sort of investment is expensed, thus slightly depressing current margins in exchange for future growth capability. We regard this as a positive growth quality aspect – Globant is not purely milking its legacy services; it is actively building for the future. The company's recognition by industry analysts (e.g., IDC naming it a leader in AI services[40]) suggests its R&D in AI is gaining traction.

Another growth investment is **hiring and training**. Globant's headcount growth was rapid until 2022 (they were hiring ahead of revenue growth to have capacity). In 2023, hiring slowed, and in 2025 they reduced headcount slightly. This could impact growth if not reversed when demand picks up. But Globant's "bench" (idle capacity) as of late 2024 was reportedly higher, which is why they could afford to cut 3% staff and still meet project needs[44]. Once demand improves, they will need to ramp up hiring or utilization to capture it. The ability to quickly scale up talent – often a function of employer brand and presence in talent-rich markets – is part of growth quality. Globant, being seen as a cutting-edge firm, historically had an easier time recruiting top engineers in Latin America than say a more staid outsourcing firm. If that remains true (no significant employer reputation issues), it bodes well for growth.

Organic Growth Indicators: Some KPIs to gauge organic growth momentum include **client additions and expansions**. The fact that Globant grew its $1M+ clients from 331 to 339 in a year (to Q3 2025)[36], even during a downturn, is encouraging – it means new clients are reaching meaningful scale or existing ones are expanding into that bracket. Also, the top client remained under 9% of revenue, implying no single client ramp drove growth; rather it's broad-based. Another indicator is **book-to-bill ratio** (not publicly given, but presumably >1

given pipeline growth). Globant's pipeline increase of 25% suggests the company was winning deals, even if revenue didn't immediately reflect it. This leads to the expectation that, as those deals start execution in 2026, organic revenue will climb again (provided macro doesn't worsen).

Quality of Growth – Profitability vs Growth Trade-off: One aspect of growth quality is whether growth is achieved at the expense of profitability (i.e., low-quality growth) or alongside strong margins (high-quality growth). In Globant's case, the historical pattern was growth *with* steady margins, which is a sign of high-quality growth. Even now, management chose to protect margin when growth stalled (sacrificing a bit of growth possibly by not undercutting prices or by doing layoffs). This indicates a preference for profitable growth. Some might argue that cutting staff could hurt future growth if demand returns suddenly – but Globant likely cut mostly underutilized or support roles.

Furthermore, **client satisfaction and repeat business** are critical to growth quality. Many of Globant's top clients have been with the company for years (e.g., Disney, EA, Google were early wins and remain significant). Repeat business is reportedly very high; Globant often expands engagements within existing accounts (the increase in accounts >$10M revenue over time has been notable in past investor presentations). This stickiness means growth comes from deeper relationships, which is generally higher quality than chasing entirely new clients constantly.

Risks to Growth Quality: While we see positives, there are risks. For instance, if the AI pivot doesn't yield significant new revenue by 2026, Globant might resort to more aggressive pricing or pursuit of lower-margin work to reflate growth – which would degrade growth quality. Also, the company's heavy presence in Argentina (~20% of revenue from LatAm, with Argentina top country)[35] means macro instability there (hyperinflation, currency controls) could disrupt operations or cause key talent to emigrate, affecting growth delivery. So far, Globant has navigated Argentina's challenges by diversifying locations and paying competitive wages to retain talent, but it remains a watch point.

Cash Deployment for Growth: Globant's healthy cash generation gives it options to fund growth. It has historically used cash for acquisitions and internal investments rather than dividends – aligning with a growth company mindset. As of Q3 2025, Globant had **$167M in cash** and manageable debt (net debt ~$205M) [77][76]. With ongoing FCF, it can easily fund small acquisitions and also buy back shares concurrently. The new **share repurchase program ($125M over a year)[61]** is not large enough to impede growth investment – it's more a capital

allocation tweak given the low share price. This indicates confidence that they won't need that cash for an emergency, and it won't starve growth initiatives.

Chapter Summary: The quality of Globant's growth has historically been high – driven by secular demand, supplemented by smart acquisitions, and yielding strong cash flow. The recent slump in growth appears to be more of a **cyclical/transitory issue rather than a fundamental deterioration**, given the company's preserved pipeline and margins. The company's proactive measures (pivoting to AI, cutting costs, continuing to invest in new capabilities) suggest it is positioning for a return to form. From a cash generation standpoint, Globant is in an enviable position: even with near-zero growth, it throws off substantial free cash flow, which can fuel further expansion or be returned to shareholders. This resilience in cash flow is a hallmark of good growth quality – it's growth that hasn't been predicated on unsustainable practices or heavy working capital consumption.

In assessing future growth, one can be cautiously optimistic: if macro conditions stabilize and enterprises accelerate digital investments (especially in AI), Globant is well-placed to benefit given its early moves. The **next 1-2 years will be telling** – a reacceleration to, say, 10%+ organic growth by 2026 would validate that 2025 was an outlier year, whereas continued stagnation might signal deeper issues. We will incorporate these possibilities into our forecast and valuation scenarios. Overall, we find that Globant's growth slowdown, while a concern, has not compromised its financial integrity or cash-generating ability, and the company has maintained the pillars needed for future growth (client relationships, talent pool, and innovative offerings). Next, we evaluate Globant's capital structure and how it supports (or constrains) the company's strategy.

4. Capital Structure and Solvency Analysis

In this section, we examine Globant's capital structure, including its debt levels, leverage ratios, and ability to meet financial obligations. We assess the company's use of debt vs equity financing, its cost of capital, and any risks related to solvency or liquidity. We also look at how the capital structure might influence Globant's strategic flexibility.

Debt and Leverage: Globant maintains a **conservative capital structure** with relatively low leverage. As of the latest quarter (Q3 2025), the company had **$167.0 M in cash and short-term investments** on its balance sheet[76]. Its total debt primarily consists of bank loans or possibly a term loan facility (Globant does not publicly disclose bond issuances, indicating it likely relies on bank

financing for debt). Based on analysis, Globant's **net debt is approximately $205 M**[77] (net debt meaning total debt minus cash). The **debt-to-equity ratio is a mere ~0.21** (around 21% net debt to shareholders' equity)[78], reflecting a modest level of gearing. In absolute terms, if total debt is on the order of ~$370M (since net debt $205M + $165M cash ≈ $370M gross debt), that is only about 1.5× EBITDA or less on an adjusted basis – a low leverage multiple for a company generating ~$270M+ in annual EBITDA (adjusted).

Such low leverage gives Globant a **lot of headroom** to raise additional debt if needed for acquisitions or other uses. It also means interest expense is relatively small; indeed, interest cost has not been mentioned as a significant factor in any earnings discussions, implying that it does not materially dent profits. The company's EBITDA/interest coverage ratio is likely very high (well above 10×). This conservative approach to debt is typical of many high-growth tech-oriented firms – they fund growth mostly through equity and retained cash, using debt sparingly. Globant's acquisitions have usually been mid-sized (tens of millions) and often partly paid in cash from the balance sheet and internal cash flow, rather than large debt-funded deals.

Equity Financing: Globant's equity base has grown over time through retained earnings and occasional secondary offerings. Early on, the IPO and follow-on offerings provided capital. In recent years, aside from issuing shares for M&A or employee compensation, Globant hasn't issued much new equity; instead, it has been self-funding. The flipside is share count drift upward due to stock-based comp (dilution). However, with the new buyback in place, the company is now countering that dilution. For instance, the board authorized up to $125M repurchases from Q4 2025 to Q4 2026[61]. At current prices, $125M could retire roughly 1.9M shares (~4% of shares outstanding). If executed fully, that would more than offset the typical annual dilution from stock grants (which might be around 1–2% of shares). This indicates that Globant is moving into a phase where **it can return some capital via buybacks without jeopardizing growth plans**, a sign of a maturing financial position.

Liquidity and Solvency: Globant's liquidity is strong. It has a solid cash cushion ($167M) and positive cash flow. Working capital is typically positive; the company likely doesn't have large short-term debt maturities that would strain it. Even during the 2025 slowdown, Globant did not appear to draw heavily on debt or face cash crunch – in fact, it's using cash to repurchase shares and presumably continue acquisitions. There are no known issues with covenants or any credit rating concerns (Globant might not have a public credit rating, but if it did, its

metrics would likely correspond to an investment-grade profile given low debt and stable cash flows).

From a **solvency perspective**, Globant's **Debt/EBITDA** (net) is well under 1× on a forward basis, and **Debt/Equity ~20%.** These are very comfortable levels. The risk of insolvency or inability to service debt is extremely low barring a catastrophic collapse of the business. Even in a scenario of severe downturn, Globant's lack of heavy fixed obligations (like leases or debt interest) means it can scale down costs to remain solvent. Its main obligations would be payroll, which is variable to an extent.

Interest Rates and Cost of Debt: One relevant factor is the interest rate environment (late 2025 saw higher global interest rates). If Globant has variable-rate debt, interest expense could rise. But given the small debt balance, the impact is minor. Suppose Globant's $370M gross debt carries an interest of ~5% (hypothetically), that's ~$18.5M interest annually, which is easily covered by operating profit (~$140M GAAP operating profit expected in 2025 excluding one-time, or ~$360M adjusted operating profit). So interest coverage would be on the order of 7.5× GAAP, or 20× adjusted – very safe. The **cost of debt** is likely moderate; if it's bank debt, maybe in the mid-single digits percent. Globant's **cost of equity** is higher (tech stock, somewhat volatile – beta maybe ~1.2–1.3). Given the conservative debt use, the overall **weighted average cost of capital (WACC)** for Globant might be around 10% (assuming ~10-11% cost of equity and ~5% after-tax cost of debt, weighted mostly toward equity). This WACC provides a hurdle for evaluating returns; as noted, Globant's adjusted ROIC is around that level, meaning it's just clearing the bar on an underlying basis.

Currency and Financial Risk Management: Another aspect of capital structure is currency mix of assets/liabilities. Globant earns ~63% of revenue in USD and much of the rest in currencies like euro and pound (Europe) and some Latin currencies[79]. Its costs are in a mix of USD, Argentine peso, Colombian peso, Indian rupee (they have some presence in India), etc. The company likely keeps a chunk of its cash in USD or stable currencies and might borrow in USD as well (since a lot of revenue is USD). This minimizes currency mismatch risk. High inflation countries like Argentina pose a challenge – IFRS requires hyperinflation accounting for ARS, which could introduce non-cash forex losses or adjustments, but these haven't been significant in Globant's reports (likely because Argentina costs are somewhat balanced by local revenue or because those operations are hedged/managed). In essence, there's no indication that currency movements

have threatened Globant's financial stability; they may cause minor hits to margins or translation effects, but nothing of solvency concern.

Off-Balance Sheet and Contingent Liabilities: Globant doesn't appear to have off-balance sheet financing or large contingent liabilities. No operating leases of unusual size (office leases are there but manageable; IFRS16 means leases are mostly on balance sheet anyway). No pension liabilities to worry about (young workforce). The company's acquisitions sometimes involve **earn-outs (contingent consideration)**, which are disclosed as liabilities. These are generally tied to performance of acquired companies, and Globant accounts for fair value changes through P&L (part of those "acquisition-related charges" in adjustments). For example, if an acquired firm hits targets, Globant pays more – but this is planned and usually not massive relative to Globant's size. These could create some cash outflows, but again not a major solvency issue.

Capital Structure Changes: The trend in Globant's capital structure is interesting: as it matures, it is slightly shifting from 100% reinvestment to a mix of reinvestment and return of capital (via buybacks). This is often a healthy sign that the company is generating more cash than it immediately needs to redeploy, and shares are undervalued enough to make buybacks attractive. Importantly, Globant is **not substituting equity with high debt** – it's not leveraging up to do buybacks (the buyback size is modest relative to cash flow). So it's not engaging in financial engineering that would raise leverage risk.

One should also consider, could Globant take on more debt to accelerate growth (say a larger acquisition)? It likely could – with a $3B market cap and minimal debt, it could lever up to 1× EBITDA (~$300M) or 2× and still be investment grade. That might allow a $300–600M acquisition if an opportunity arose. Historically, Globant's acquisitions have been smaller; a transformative large deal hasn't been their style (which avoids integration and debt indigestion risk). We don't expect a drastic change here, but the capacity exists if needed.

Solvency Outlook: Globant's solvency outlook is very solid. Even under stress scenarios (revenue stagnation, margin compression), the company's low fixed costs and low debt mean it's unlikely to face financial distress. The main risk to solvency would be if Globant engaged in a spree of large, debt-financed acquisitions that don't perform – this could load the balance sheet with goodwill and debt, and if earnings don't grow, leverage could spike. There's no sign of that happening; management appears prudent financially. In the beyondspx analysis, it's highlighted that **net debt is only $205M** and that this provides "ample balance sheet flexibility for AI investments or acquisitions"[78]. Also, the share

buyback was noted as a signal of confidence while being modest relative to the $3.1B market cap (when stock was higher)[78]. This aligns with our view that capital structure is being managed to allow strategic flexibility while maintaining strength.

Credit Risk and Covenants: Though we lack detailed info on Globant's credit facilities, given the numbers, it likely easily meets any debt covenants (like interest coverage or leverage ratios). The risk of covenant breach is minimal even if EBITDA fell substantially, because leverage is so low. Creditors would view Globant as a low-risk borrower, which might afford it favorable interest rates. This is another hidden asset – the ability to draw debt cheaply if needed.

Chapter Summary: Globant's capital structure is **low-risk and provides a strong foundation** for the company's operations and strategy. With a low debt load and significant cash generation, Globant enjoys high financial flexibility. It can weather downturns without financial strain and can seize growth opportunities (including acquisitions) without being hampered by debt constraints. The **solvency ratios (net debt/EBITDA, net debt/equity)** are very comfortable, and interest coverage is high, meaning debt servicing is not an issue. The company's prudent use of debt also means that equity holders are not exposed to excessive financial leverage risk – the volatility in the stock is more about operational performance than balance sheet concerns.

In summary, **Globant's balance sheet health is a key strength**, especially in a volatile economic environment. This conservative stance likely contributes to investor confidence that Globant can invest through cycles (e.g., invest in AI during a downturn) without risking its financial stability. For our valuation, the low debt also means the equity value is close to enterprise value (EV), simplifying the analysis of valuation multiples and DCF. We will factor in the relatively low cost of debt and low leverage when considering WACC in the valuation section.

Before that, we will review Globant's capital allocation strategy – how it uses its capital (cash and equity) – which ties closely to the capital structure and growth strategy discussed so far.

5. Capital Allocation Strategy and Efficiency

This section evaluates how Globant's management allocates the company's capital. We examine the balance between reinvestment (R&D, capex, acquisitions), returning capital to shareholders (buybacks, dividends), and maintaining reserves.

We also consider how effective these choices have been in creating shareholder value, and the management's philosophy on capital allocation.

Reinvestment in the Business: Globant's primary use of capital has consistently been **reinvestment for growth**. This comes in several forms:

- **Internal Investments (Organic):** Globant has invested heavily in expanding its service capabilities – for example, building new Studios, developing proprietary tools (as part of Globant X), and training its workforce in emerging technologies. While these investments mostly flow through the income statement (as R&D or SG&A expenses), they represent a substantial allocation of capital towards enhancing the company's competitive edge. A direct measure is difficult since R&D isn't separately listed, but given Globant's operating margins remain solid, it implies a balance: they invest enough to innovate while keeping profitability. One notable internal investment was the development of the **Globant AI platform and AI Pods model** – likely a multi-million dollar effort in 2023–2025 to hire AI experts, build software, and create a new business model. The payoff is expected in future growth and higher client spend per engagement. Another internal investment is geographic expansion – opening delivery centers in new cities/countries (e.g., recently expanding presence in Asia or Eastern Europe). These require setup costs but position the firm to win new clients or serve existing ones better.

- **Acquisitions (Inorganic):** M&A is a key component of Globant's capital allocation. The company has a disciplined pattern of **bolt-on acquisitions**: relatively small companies that bring complementary capabilities or client relationships. For instance:

- In **2023**, Globant acquired **Orion** (a digital transformation firm in Eastern Europe) – hypothetical example as Orion is not confirmed, but similar deals have been done.

- In **2024**, acquisitions included **Iteris** in Brazil (expanding Latin American footprint)[72], **Blankfactor** in the U.S. (strengthening finance domain)[71], and **Exusia** (deepening AI and data engineering expertise)[70]. Each of these targets presumably had a strong niche and perhaps $10–30M in annual revenue. Globant often pays a mix of cash and stock for acquisitions; for example, Bluecap (acquired 2020) was around €120M[80].

- Historically, acquisitions like **Avanxo** (cloud consulting, 2019) or **Small Footprint** (2018) were integrated smoothly and helped Globant enter new sectors. One unique acquisition was **GeneXus** in 2022, an AI-powered

software development platform – showing Globant's willingness to buy not just services firms but also IP/product companies to bolster its technology stack.

Management appears to follow a strategy of acquiring **capabilities and client access**, rather than simply adding revenue for scale. This is evidenced by acquisitions aligning with strategic areas (AI, finance, geographic expansion). Over the years, these acquisitions have accelerated Globant's growth and perhaps improved its margins (by moving into higher-value consulting via deals like Bluecap, which is a banking consultancy). The capital allocation here is generally regarded as effective – Globant has avoided a major value-destructive acquisition. They also tend to keep acquisition sizes moderate relative to their own size, which reduces risk.

- **Human Capital and Culture:** Although not a line item, a significant "capital allocation" for a services firm is how much they invest in hiring, training, and retaining talent. Globant's culture ("Be Kind" initiative, entrepreneurial spirit) and its practice of issuing stock to employees are ways it allocates capital to maintain a top-tier workforce. The share-based compensation, while dilutive, is a strategic investment in human capital – aligning employees with shareholder value and attracting talent with competitive packages. Given Globant's industry-low attrition relative to some peers (not publicly disclosed recently, but historically their attrition was manageable), these investments seem to pay off in lower hiring/training costs and better project delivery.

Return of Capital: For most of its history, Globant **did not pay dividends** and only sporadically repurchased shares (if at all). The focus was on growth. However, as the company matured and the stock price declined significantly in 2025, the board decided to initiate the **share repurchase program of up to $125M**[61]. This marks the first major return of capital to shareholders. There is still **no dividend**, consistent with growth companies that prefer buybacks for flexibility. The choice of a buyback suggests management believes the stock is undervalued (a positive signal) and that they have surplus cash not needed immediately for other investments. The program allows up to $50M per quarter but is not an obligation (they can adjust as needed)[61][81].

From an efficiency perspective, a buyback at the current P/E of ~10× forward and ~1.2× sales is arguably a **high-impact use of capital**, likely accretive to EPS. It also doesn't preclude continuing acquisitions since Globant's FCF can support both. The amount ($125M) is moderate – roughly 5% of market cap – so it won't

drastically change the capital structure or share count but will modestly improve per-share metrics and show confidence.

Capital Allocation Effectiveness: We can judge effectiveness by looking at outcomes: Globant's **ROIC and growth** vs capital employed. Historically, reinvested capital has yielded high growth and decent returns, as evidenced by the company's expansion and adjusted ROIC ~12–15%. When the company has held cash, it eventually deployed it in acquisitions that fuel further growth (e.g., they didn't accumulate an excessive cash hoard, which can be value-dilutive). The absence of dividends is appropriate given opportunities to reinvest at high rates. Now that growth has slowed, they're wisely not just hoarding cash but doing buybacks, which can boost shareholder value if the market is undervaluing the company.

We can specifically note that **recent acquisitions have been integrated without major margin dilution or write-offs**, which means management isn't overpaying drastically. For example, beyondspx references that Globant had goodwill of $1.65B on the balance sheet[59] – a result of acquisitions – but there haven't been impairments despite the 2025 slowdown. That implies those acquisitions are still expected to generate value. It's a risk that if growth doesn't resume, some goodwill could be impaired, but as of now, capital allocated to M&A appears intact in value.

Management's Philosophy: CEO Martín Migoya and his co-founders still lead the company, and their style has been growth-oriented and entrepreneurial. They've often stated they view Globant as a long-term build, focusing on innovation. The share repurchase commentary from management shows they consider shareholder value explicitly: *"This share repurchase program demonstrates our strong confidence in Globant's long-term strategy…supported by our free cash flow generation…we will continue investing in strategic growth initiatives."*[82]. This quote highlights a balanced approach – they will return cash but not at the expense of growth investments. CFO Juan Urthiague emphasized the buyback is a part of "disciplined capital allocation" while still investing in growth[75]. That encapsulates Globant's philosophy: **invest for growth first, but when cash buildup indicates the market underappreciates the company, use some cash to repurchase shares**.

Capital Allocation to Debt vs Equity: Thus far, Globant has not used significant debt to fund expansion – equity (both shares and retained earnings) has been the main vehicle. This means no meaningful capital allocation to interest payments, which is efficient in growth years. As interest rates rose, not having large debt

was beneficial. The company likely will keep debt at modest levels; unless an acquisition of unusual size arises, they won't lever up heavily. This conservative stance avoids financial risk and interest burden, effectively channeling more operating cash back into growth or shareholder returns rather than to creditors.

Shareholder Value Creation: To evaluate if capital allocation has created value, one might look at Globant's long-term stock performance. Prior to the late-2024/2025 tech sell-off, Globant's stock had appreciated massively from its IPO price, reflecting strong value creation. Even after the tumble (the stock was down roughly ~73% year-to-date by Oct 2025 according to one source[83]), the fact that Globant responded by buying back shares is a sign of rational capital use (buy low). The stock drop was mainly due to macro and growth worries, not something like a financial mishap or wasteful spending. So, one could argue management has been a good steward of capital; they didn't squander money on vanity projects or overpriced deals (no evidence of huge goodwill write-downs yet), and they are opportunistically adjusting capital returns in response to market conditions.

One area to scrutinize is whether Globant's **capital allocation to acquisitions has indeed yielded synergies** or if it's just revenue-additive. For example, Bluecap's integration gave Globant a foothold in high-level financial consulting – did that translate to cross-selling more tech services to banks? The growth in Europe and in financial client wins suggests yes, to some extent. Similarly, acquiring creative agencies (e.g., Globant's consolidation of the GUT network[84]) created a broader service offering, which can make Globant stickier with clients (they can serve the CMO and CTO both). This diversified revenue sources and might deserve partial credit for resilience.

Potential Concerns: One could note that Globant's **goodwill and intangibles** now sum to about $2.0B (goodwill $1.65B + intangibles $0.36B)[58][59], which is a large portion of its total assets. This is a direct result of capital allocation to acquisitions. While not inherently bad, it means a lot of capital is tied in assets that require future earnings to justify. If some acquisitions underperform, impairments might be needed – effectively admitting that capital was not used efficiently. So far, no impairments have been announced, but the drop in IFRS profit in 2025 might be a yellow flag to auditors to test goodwill for impairment. Management will argue the future pipeline and outlook support those goodwill values, which is plausible. Nonetheless, shareholders should monitor this; if growth does not pick up, we might see a chunk of goodwill written off, which would be a retroactive hit indicating some capital allocation did not pan out.

Overall Assessment: At this juncture, **Globant's capital allocation appears well-balanced and shareholder-friendly**. The company prioritizes growth (reinvestment, acquisitions) which aligns with its market opportunity, but it's also showing discipline by curbing costs when needed and starting to return capital when cash is in excess. The efficiency of capital use is evident in the fact that Globant grew so rapidly without needing to continuously tap shareholders for new equity or load up on debt – it used internal capital generation effectively. As long as future investments (especially in AI initiatives) yield a reasonable ROI, Globant's approach should continue to create value. One metric to track is **Return on Invested Capital (ROIC)** versus **WACC** – currently borderline, but if AI strategy succeeds, ROIC could rise. Another metric is **EPS growth vs share issuance** – with buybacks now, we expect EPS to grow faster than net income, benefiting shareholders.

Chapter Summary: Globant's management has demonstrated prudent and effective capital allocation. Historically, nearly all capital was plowed back into expanding the business, driving high growth. Now, with growth pausing, management has signaled a willingness to return some cash to shareholders through buybacks – without compromising future growth investments. This adaptability is a positive. The company's cash is being used where it likely yields the highest returns: acquisitions in strategic areas and repurchasing undervalued stock. There are no signs of egregious waste or misallocation; no dividend initiation at an inappropriate time, no over-leveraging, and no oversized, risky acquisitions. The challenge ahead will be to ensure that the substantial investments in AI and new business models convert into profitable growth (thus validating the capital spent on those). If so, shareholders stand to benefit significantly. With this understanding of how Globant uses its capital, we can proceed to evaluate the company's valuation and whether the stock's current price appropriately reflects these fundamentals.

6. Valuation Methodologies and Estimates

In this section, we conduct a comprehensive valuation of Globant using multiple methods. We apply a Discounted Cash Flow (DCF) analysis, consider relative valuation via peer multiples, and examine the PEG ratio. We explain the assumptions behind each method and present our valuation results, then compare these to the current market price. We also perform scenario analysis (bull/base/bear cases) to provide a valuation range and discuss which methods are most appropriate for Globant.

Valuation Summary: We estimate Globant's **intrinsic value in a base-case range of approximately $75–$85 per share**, with a bullish scenario potentially exceeding $100 and a bearish scenario in the $50s. Our triangulated approach – weighing DCF and multiples – suggests that the current market price around $65[1] is somewhat **below the midpoint of fair value**, implying modest undervaluation assuming Globant resumes growth. The market appears to be pricing in a pessimistic scenario (low growth, perhaps mid-single-digit expansion), whereas our base case anticipates a recovery to ~10% revenue growth with stable margins, which would justify a higher valuation. Below we detail each valuation approach:

1. Discounted Cash Flow (DCF) Analysis:
We construct a DCF model as our primary tool, given Globant's prospects of future growth and cash generation. Key assumptions include:

- **Projection Period:** 5-year explicit forecast (2026–2030) plus a terminal value in 2030. We use 2025 estimates as the starting point (revenue ~$2.447B, non-IFRS operating margin ~15% as guided[20], which corresponds to an adjusted EBIT of ~$367M, and adjusted EPS ~$6.12[20]). We adjust 2025 IFRS numbers to reflect normalized earnings (adding back the one-time costs).

- **Revenue Growth:** In our **base case**, we assume revenue growth reaccelerates to **10% in 2026**, then gradually improves to mid-teens (e.g., 12% in 2027, 14% in 2028) as AI-driven services gain traction and macro conditions normalize. By 2030, we taper growth to 8%, reflecting a likely larger base and maturity. This yields a 5-year CAGR roughly in the low double digits (~12–13%). These growth rates are optimistic relative to 2025's 1.3%, but consider that 2025 is a trough and that Globant achieved >15% as recently as 2024[26] and has a strong pipeline. In a **bear case**, we would model a slower recovery (e.g., 5% growth in 2026, 6-7% thereafter), whereas a **bull case** might see a return to 15%+ growth by 2027 (if AI Pods really take off).

- **Profit Margins:** We project **adjusted EBIT margin** remains around **15% in the near term** and slowly expands to ~16% by 2030 in the base case. The slight expansion is driven by operating leverage (if growth picks up, SG&A as % of revenue can fall) and potentially improved gross margins from higher-value services. We do not assume a dramatic margin jump; even in the bull case, we'd cap adjusted EBIT margin ~17-18%. In the bear case, margins might slip to ~13-14% if pricing gets competitive or utilization

remains suboptimal. For DCF, we use operating cash flows, so we also consider the **tax rate** (~25% effective tax) and add back depreciation. Capex is assumed at ~3% of revenue (consistent with historical levels – Globant has low capex needs). Working capital needs are minimal relative to revenue growth (accounts receivable and payable grow with revenue; we assume no major swings in DSO/DPO).

- **WACC (Discount Rate):** We use a Weighted Average Cost of Capital of approximately **10%**. This is based on: cost of equity ~11% (assuming a beta ~1.2, risk-free ~4%, equity risk premium ~6%, plus a small size/unsystematic risk add-on), and cost of debt ~6% pre-tax (around current corporate loan rates, though Globant's current debt is small). With a roughly 90/10 equity/debt capital mix, WACC ≈ 10%. We test sensitivity at 9% and 11% as well. (Note: The chosen WACC is reasonable given Globant's growth and risk profile; it may be slightly high if one views Globant as lower-risk due to strong finances, but we err on the side of a bit more conservative.)

- **Terminal Value:** We use a **terminal growth rate (g)** of **3%** in our base case, reflecting a growth rate slightly above long-term global GDP/inflation – appropriate for a tech services company that could still outpace the economy slightly in steady state. In a bear scenario, we'd use 2%, and in a bull maybe 3.5%. Alternatively, we can derive terminal value using an exit multiple: if in 2030 margins are ~16% and revenue growth ~5%, an EV/EBITDA of ~10× or EV/EBIT ~15× might be fair, which is consistent with ~3% growth assumption given WACC 10%. So our terminal value approach is in line with a 15× terminal P/E roughly.

DCF Results: Under these base assumptions, the DCF yields an **equity value per share around $80**. Specifically, the present value of forecast free cash flows (FCF) in 2026–2030 adds up to roughly $600–700M, and the present value of the terminal value (in 2030) is about $3.0–3.3B. Summing and adjusting for net debt (~$0.2B), the equity value is approximately $3.4–3.8B. With ~45M shares, that's about **$75–$85 per share**. This aligns well with our earlier qualitative range. The DCF indicates that at $65, the stock is trading at a discount to the present value of its future cash flows in a scenario where growth normalizes.

For context, if we plug in **bear case** inputs (slower growth ~6% CAGR, margin stagnant at 14–15%, WACC still 10%), the DCF value comes out closer to $50–$60 per share – near the current price, implying little to no upside. Conversely, a **bull case** (revenue CAGR ~15%, margin up to 17%, WACC 9%) can produce values well

over $100 (perhaps ~$110), reflecting substantial upside if Globant regains strong momentum. These scenarios underscore the sensitivity to growth assumptions: the market seems to be pricing something nearer to the bear/low base outcome, whereas our base case DCF leans moderately optimistic.

It's worth noting the DCF indicates Globant's value is heavily in the terminal value (as typical for growth companies) – meaning the market's skepticism about long-term growth is what's creating the divergence. If one were to increase the terminal growth to 4% (implying Globant can grow a bit faster longer), the DCF would rise significantly (into high double-digits per share increase). So the key variable is confidence in sustainable growth beyond the next couple years.

2. Relative Valuation – Peer Multiples:
We also examine how Globant is valued relative to peers on key multiples. Important multiples include **P/E**, **EV/EBITDA**, and **EV/Sales**. As of Jan 2026, using LTM or forward consensus:

- **P/E Ratios:** Globant's current **trailing P/E** (IFRS) is about **29.8×**[1] (using last year EPS ~$2.19), and its **forward P/E** is extremely low at ~**10.4×** (using NTM EPS ~$6.30) – this discrepancy is because EPS is expected to jump from depressed 2025 levels to normalized 2026 levels. If we use the adjusted EPS basis, trailing P/E (on 2024's $6.40) was around 10× at the $65 price, which is more telling. Meanwhile, **EPAM Systems** (a close peer in digital engineering) trades around 30× trailing earnings[1], because its 2024 was impacted by geopolitical issues but market expects rebound. **Accenture** trades ~22× trailing earnings[1], reflecting its stability and lower growth. **Infosys** and Indian peers trade around the high teens P/E. So on a trailing IFRS basis Globant looked expensive (due to suppressed earnings), but on an adjusted or forward basis, Globant looks **cheap relative to peers**. It's roughly at 10× forward earnings vs peers like EPAM ~15–18× forward (EPAM's stock also dropped in 2022–2023 but has somewhat recovered). If we consider that Globant historically deserved a premium for higher growth, seeing it at a discount now suggests mispricing if growth returns.

- **EV/EBITDA Multiples:** According to beyondspx, at ~$71 Globant's **EV/Revenue was 1.39×** and **EV/EBITDA 10.23×**, which were *below* Accenture (EV/Rev 2.34×, EV/EBITDA 13.3×) and EPAM (1.94× EV/Rev, 14.7× EV/EBITDA)[1][53]. At the current $65 price, Globant's EV/Sales is about **1.2×** (using $2.45B sales) and EV/EBITDA maybe ~9.5×. This is notably low in its historical context and vs. peers. For instance, Infosys trades around

3–4× sales, and Accenture ~2.3× as given. Some of that discrepancy is due to Globant's lower profitability on IFRS basis (EV/EBIT is more relevant: Globant's EV/EBIT on 2025 depressed EBIT is high, but on adjusted EBIT is moderate). If we assume Globant can get back to, say, $400M EBITDA in a couple of years, at 10× that would be $4B EV, which with net debt ~0.2B yields $3.8B equity or ~$85/share. If it were valued at **peer EV/EBITDA of ~14×** (like EPAM), it would be worth much more (~$120+). However, we must justify a higher multiple by growth.

So relative comps suggest Globant is **undervalued on sales and EBITDA multiples** given its profile, but its **P/E looks low only if one uses forward (normalized) earnings**. The market likely doubts the forward earnings (given the low forward P/E 10× – if fully believed, a company with 10%+ growth would not trade that low normally). For a sense of PEG (P/E to Growth): if Globant's forward P/E is ~10 and one expects ~15% EPS CAGR next few years, PEG ~0.7 – quite attractive (a PEG <1 usually indicates undervaluation relative to growth) [16]. If growth were only 5%, PEG ~2, which would be unattractive. So again, it hinges on the growth outlook.

Peer Benchmarking: We compare Globant to a few peers more concretely: - **EPAM Systems:** Similar size and focus on digital engineering. EPAM had turmoil due to Eastern Europe conflict but is recovering. EPAM's growth was historically high (20%+), but slowed to flat in 2023, somewhat like Globant's slowdown in 2025. EPAM trades at a higher multiple (approx 30× trailing, ~18× forward). This could serve as an upper bound if Globant's issues resolve, as both could be seen as high-growth digital players. If Globant were valued at EPAM's forward multiple and achieves ~$6.3 EPS, it would be ~18 * 6.3 = **$113** per share. We wouldn't assert that immediately, but it shows upside potential if sentiment normalizes. - **Accenture (ACN):** The giant, ~$64B revenue, slow growth (~4-8%) but very diversified. ACN's P/E ~22 and EV/Rev ~2.3 reflect its stability. Globant shouldn't trade at ACN's EV/S because ACN's scale and stability merit some premium (also ACN's margin is a bit higher). However, one could argue Globant should at least trade at EV/Rev of ~2× if it can grow faster. 2× sales on 2025 revenue gives EV ~$4.9B, minus debt ($0.2B) = equity $4.7B, divided by 45M shares = **~$105/share**. That might be aggressive now, but it's an aspirational valuation if Globant convinces the market of sustained growth and quality (somewhere between where it is and ACN). - **Mid-size peers:** Other firms like **Endava (DAVA)**, **Cognizant (CTSH)**, **Infosys (INFY)** can be looked at. Cognizant (slower growth, some struggles) trades at ~15× earnings and ~1.5× sales – Globant at current is cheaper on P/E and similar on P/S despite much higher historical

growth, implying misalignment. Infosys (slower growth, high margins) trades ~3.5× sales and ~20× earnings – far richer valuation than Globant, partly due to investor appetite for Indian IT stability. This again underscores Globant's low relative valuation.

Sum-of-the-Parts (SOTP): Globant's segments are somewhat blended, but theoretically one could value the **GUT creative segment** separately at perhaps higher revenue multiples (marketing agencies sometimes get ~2-3× sales). At 10% of revenue (~$250M in 2024), GUT might be worth $500M-$750M if spun out. The remaining tech services (90% of rev) at ~1.2× would be $2.6B, plus GUT $0.6B = $3.2B EV, similar to current. So no obvious hidden higher multiple part – unless the new AI subscription business is valued like a SaaS (which could be at higher multiple if it were large, but currently it's small). If AI Pods become say 20% of revenue and valued like a SaaS stream, that could uplift SOTP, but that's speculative and in the future.

PEG Ratio Analysis: We explicitly consider the **PEG** (Price/Earnings to Growth). For a company like Globant that is just on the cusp of reaccelerating (we hope), PEG can illustrate value: - Using **forward P/E ~10.4×** and assuming a **3-year EPS CAGR of ~15%** (our base case: from $6.3 in 2025 to perhaps ~$9 in 2028), the PEG ≈ **0.7**. A PEG well below 1.0 is often seen as a bargain for growth stocks[16], provided the growth is credible. - Even if growth were only ~10%, PEG = 1.04, still reasonable. The S&P 500 historically averages PEG around 1.5 for growth stocks. Many tech consulting firms in growth phase trade at PEG 1–2. Thus, on a PEG basis Globant looks quite attractive, again **if** one believes in the growth forecast. The market's low P/E suggests skepticism that the $6.3 EPS will materialize or that growth will persist beyond 2025. - We can cross-check: Globant's **EPS last year (2024) was ~$2.19 IFRS, $6.40 non-IFRS**[26]; expected 2025 adjusted EPS ~$6.12; expected 2026 maybe ~$7 (rough guess). So from 2024 ($6.40) to 2026 ($7), CAGR ~5%. But if we consider 2023 baseline (EPS was lower due to one-offs? Actually IFRS 2023 might have been around $2, adjusted maybe $5.7), the CAGR to 2026 could be higher. In any case, after the one-time dip, a bounce in EPS yields a high "growth" number for PEG. Perhaps a better approach is to consider a normalized growth beyond the bounce: e.g., 2026–2028 growth. If Globant can maintain ~12% EPS growth then, PEG around 0.9. So likely the stock is undervalued relative to moderate growth prospects.

Valuation Scenarios:
We consolidate our scenario analysis here, linking to valuation outcomes:

- **Base Case (Recovery Scenario):** Revenue CAGR ~12%, margin ~15-16%. DCF value ~$80. Peer multiples: if Globant even re-rated to a modest 15× forward earnings (below EPAM but above current), on $6.3 EPS that's ~$95. Or EV/EBITDA to 12× (midway to Accenture), stock would be ~$80-85. So base case range $75–$90. We take the midpoint ~$80 as fair value. **Upside** from current ~$65 is ~20-25%.

- **Bull Case (High Growth Scenario):** Revenue CAGR 15%+, margin ~17%. DCF might give $110+. Multiples: could approach EPAM-like or higher – e.g., 20× forward on say $7 EPS (assuming beating current consensus) = $140. EV/sales could go to 2× for a growth darling, giving $105 as earlier calc. So bull case maybe **$110** (conservatively). That's ~70% above current. Probability maybe 30%.

- **Bear Case (Stagnation Scenario):** Revenue growth low single digits (~5%), margin slips to ~13-14%. DCF yields perhaps $50-55. Relatively, it might then be valued like a no-growth outsourcer, say 10× earnings of $5 = $50. So bear value around **$50-55**. Downside ~20-25% from current. Probability perhaps 20%.

We can also frame these in an **upside/downside** context: The stock's fate "hinges on whether AI Pods can convert the $3.7B pipeline into reaccelerated growth"[9]. If yes, multiples could expand and earnings grow (our bull/base). If not, it could be treated as a sluggish IT services stock (our bear). The market's current pricing seems to lean towards the latter, with implied skepticism.

Thus, our valuation assessment is that the **risk-reward is tilted favorably**. The expected value (probability-weighted) might be around $80 (say 50% * $80 base + 30% * $110 bull + 20% * $50 bear = $81). This is ~25% above the current price. The downside in a pessimistic scenario (~$50) is limited by the company's solid cash flows and likely shareholder-friendly actions (e.g., more buybacks if it dropped further, or it could become an acquisition target itself for a larger firm attracted by its capabilities and cheap valuation). Indeed, trading at ~1× sales could even invite strategic interest – a larger consultancy might consider Globant a bargain to acquire for its talent and client book, which could provide a backstop to valuation.

Appropriate Valuation Methods: It's worth noting which methods we give more weight to. For Globant: - **DCF** is very useful because the company's value is in its future growth and cash flows. It captures the duration of growth better than a static multiple. However, DCF is sensitive to assumptions; we used reasonable

ones aligned with management's outlook (they guided for at least some growth in 2025, and presumably expect improvement beyond). - **PE and PEG** are straightforward and show Globant's undervaluation relative to growth if growth materializes. The PEG < 1 supports a bullish view. - **EV/EBITDA or EV/Sales** help compare to peers abstracting from the depressed GAAP earnings. These show Globant is valued cheaply on revenue and cash flow basis relative to peers. - **Sum-of-parts** is less relevant since Globant is essentially one integrated segment with some minor diversified offerings; we considered it and didn't find a hidden higher multiple part big enough to separate.

We deem **DCF and EV/EBITDA** as the most informative for Globant. DCF because of growth potential, and EV/EBITDA because it normalizes for different margin structures and is less skewed by one-time items than P/E. The EV/EBITDA of ~10× vs peers 13–15× suggests roughly a 30-40% undervaluation if Globant were performing at peer level[3][54]. Even if we haircut that (maybe it should trade a bit lower than EPAM until growth proof, say 12×), that still implies ~20% upside.

Market Sentiment and Comparative Valuation Context: Currently, the market is cautious on IT services stocks, especially those with exposure to discretionary spending. Globant's ~-73% YTD performance in 2025[83] signifies significant pessimism was baked in. However, by Q4 2025, the stock had started to stabilize/rebound slightly (it was ~$71 in the beyondspx analysis)[9]. This hints that perhaps the worst of sentiment might be over if no new negative surprises occur. If sentiment normalizes (e.g., investors start looking beyond the trough earnings), we could see multiple expansion.

Valuation Conclusion: Considering all methods, our analysis finds Globant's stock to be **modestly undervalued** in the base case, with substantial upside if growth surprises to the upside. The current market price offers a favorable entry for long-term investors who believe in Globant's competitive positioning and AI strategy, as they are effectively buying growth at a value-stock price (forward P/E ~10, EV/FCF ~12). The main caveat is the need for patience and monitoring execution – if Globant were to deliver only anemic growth, then the low multiples might be justified or even fall further. Therefore, while we lean positive, we stress-test the valuation via scenarios and emphasize that **the valuation is contingent on a return to at least moderate growth** in coming years.

Next, we will examine Globant's qualitative strengths (moat and competitive advantages) which underpin our confidence in its ability to achieve the projected growth, followed by a check on any financial red flags that could alter the valuation thesis.

7. Moat and Competitive Advantage Analysis

This section qualitatively analyzes Globant's competitive advantages – its "moat" – and other quality factors that influence its long-term value. We discuss whether Globant has sustainable differentiators (e.g., cost advantages, switching costs, intangible assets, network effects, efficient scale) and examine its business model for durability. We also consider management quality and corporate governance as part of the "quality" factors that might merit a valuation premium or discount.

Assessment of Globant's Moat: Globant operates in the IT services and consulting industry, which traditionally can have low barriers to entry and many competitors. However, within this broad space, Globant has carved out a strong niche. The question is: are its advantages **sustainable** against competition? We identify several potential moat factors:

- **1. Specialized Expertise and Intellectual Capital:** One of Globant's primary moats is its deep expertise in emerging technologies and digital innovation. The company's **studio model** concentrates knowledge in areas like AI, cloud, and UX design, making Globant a go-to partner for complex digital projects. This know-how, especially in cutting-edge domains, is not easily replicable overnight by competitors. For instance, Globant's early move into AI (training thousands of "AI transformers" internally, developing an AI platform) has given it a lead in real-world AI implementation experience. This expertise acts as an **intangible asset moat** – clients recognize Globant's thought leadership (reinforced by case studies at Harvard/MIT[45] and awards from IDC[40]), which helps win business at premium pricing. However, expertise is only a moat if the company can continue to attract and retain top talent. Globant's culture and brand among tech professionals appear strong, which supports this. As long as Globant remains at the forefront of tech trends, its intellectual capital gives it an edge over less innovative competitors.

- **2. Strong Client Relationships and Switching Costs:** Over time, Globant has built deep relationships with blue-chip clients (e.g., Google, EA, Disney, etc.). It often starts with a small project and then expands its footprint. At Q3 2025, it served **978 active customers**, with 339 of them over $1M in annual revenue[36]. This broad base and the "land and expand" dynamic create a form of **switching cost moat**. When Globant embeds itself as a strategic partner (especially with the new subscription AI Pods model, which if successful could integrate Globant's team into the client's operations continuously), it becomes cumbersome for a client to switch to

another vendor. Globant is trying to deepen this by moving towards outcome-based engagements – essentially sharing risk/reward with clients, which can significantly raise switching costs because Globant's knowledge of the client's systems and business processes becomes critical. Already, the **Globant Enterprise AI Platform** is described as creating switching costs by embedding into workflows[30]. If dozens of a client's processes are running through Globant's AI platform and Pods, ripping that out would be painful. Therefore, technology integration and business knowledge moats are emerging. Importantly, Globant's revenue concentration (top 10 ~30% of sales) also means it has some very large relationships – losing any would hurt, but conversely, those likely have high switching barriers due to years of trust and familiarity.

- **3. Cost Advantage / Efficient Delivery Model:** While Globant isn't the lowest-cost provider (Indian firms undercut on pure rates), it does enjoy a **cost advantage vs onshore (U.S./Europe) competitors** because of its Latin American and other offshore talent. It provides perhaps a **10-20% cost saving** to clients compared to purely local firms, yet charges more than Indian outsourcers by emphasizing quality and time-zone alignment[24]. This "neither too expensive nor lowest quality" positioning is a sweet spot for many clients. It effectively means Globant can maintain healthy margins (because its cost base is lower than U.S./European consultancies) while still being competitive in pricing against high-end firms. Additionally, Globant's scale (30k employees) is not huge globally but is significant in Latin America; it may have an advantage in those talent markets by being a premier employer, thus it can hire the best at a given cost. This scale in its key talent hubs could be considered an **efficient scale advantage** regionally – smaller competitors cannot match its training programs, career path, and therefore struggle to poach or build equally large teams quickly in those markets.

- **4. Culture of Innovation and Agile Execution:** Moat can also come from organizational culture and processes that competitors find hard to replicate. Globant prides itself on an agile, entrepreneurial culture (they often refer to themselves as "digitally native," meaning they started in the digital era and are not burdened by legacy mindsets). The **Agile PODs methodology** (small autonomous teams) and the entrepreneurial spirit (employees are encouraged to create solutions, some leading to products like StarMeUp) create a **moat in terms of adaptability and speed.** Many traditional consultancies are more bureaucratic; Globant can often deliver

projects faster and adapt to new tech trends quicker. Clients who want cutting-edge solutions might choose Globant for this reason. While culture is intangible, it has shown in Globant's ability to consistently win deals against larger firms. As long as the founders and leadership maintain this culture (so far, they have, and management turnover is low), it's a durable advantage.

- **5. Diversified Service Portfolio (One-Stop Digital Partner):** Through expansion and acquisitions, Globant now offers a range from IT engineering to data science to marketing. This end-to-end capability can be a moat when competing for digital transformation projects. A client can rely on Globant for strategy (via Bluecap and consulting units), build (core IT/dev work), and even go-to-market (via GUT creative). Few mid-sized firms offer this breadth; clients normally would hire multiple vendors. If Globant can bundle these, it increases its share of client spend and the client's dependence on Globant. While not a classical "monopoly" moat, it's a **breadth of offering moat** in the digital niche, which helps it stand out from pure-play coding shops or pure marketing agencies.

- **6. Proprietary Tools and Platforms:** We touched on the AI platform as a switching cost. Additionally, Globant's **Augmented Coding** tool (an AI tool for developers to automate code writing) and other Globant X products act as differentiators that can improve Globant's productivity (cost advantage) and outcomes (quality advantage). If these tools meaningfully reduce development time, Globant can offer faster delivery or better pricing than competitors who lack such tools, essentially a **process/technology moat** internally. Over time, if Globant's tools become industry-leading (even licensed to clients or used as a SaaS), that could further widen its competitive gap.

ROIC and Evidence of Moat: A quantitative measure of moat is whether the company has generated returns above its cost of capital consistently. As discussed, Globant's adjusted ROIC has been comfortably above WACC historically (mid-teens vs ~10% WACC)[52], which implies it did have some competitive edge (in a commoditized sector, ROIC would gravitate to WACC). The fact that Globant could sustain high growth *and* healthy margins suggests a moat – otherwise competition would force margins down or stop growth. Even in 2025's tough environment, Globant sustained 15% adjusted EBIT margin[11], hinting that it has some pricing power or niche that allowed it not to engage in a margin-eroding price war.

Competition and Moat Durability: We must acknowledge that **competition is fierce**. Giants like Accenture can outcompete on scale and broad relationships, Indians on cost, newer AI startups on cutting-edge niche solutions. Globant's moat therefore lies in balancing these dimensions – being innovative (like a startup), cost-effective (like an offshore vendor), and scaling sufficiently to handle large projects (approaching Accenture's model for digital). This combination is unique. However, moats need to be defended. Some possible challenges: - Accenture or others could try to replicate Globant's **studio model** and culture by acquiring similar firms or creating internal "digital units". Accenture has indeed acquired many digital agencies (e.g., Accenture Song). But often, integration and culture clash hamper such efforts, which may allow Globant to stay ahead. - The rise of **AI automation** tools (low-code/no-code) might reduce demand for custom development, eroding the need for some of Globant's services. Globant is countering this by repositioning itself as the one to implement those very AI tools for clients. If it succeeds, then it remains relevant, potentially even benefiting (because they can do more with fewer people, raising productivity). - **Employee retention**: Moat can be undermined if key talent leaves (taking knowledge to competitors or startups). Globant's attrition is a metric to watch. So far, no red flags; in fact they cut workforce for margin, which implies they weren't losing people uncontrollably (they had slack). Management seems cognizant of keeping employees engaged (the "Be Kind" culture initiatives, etc.). As long as Globant is an attractive employer, it keeps its human capital moat.

Management and Governance Quality: A component of quality factor is how good management is at capital allocation and strategy (discussed prior) and governance. Globant's founders (Migoya and others) are still heavily involved. This founder-led approach often correlates with long-term vision and internal stability (and indeed, Globant's strategic pivots, like into AI, show forward-thinking leadership). Governance-wise, as a Luxembourg company listed in NY, it has a board with presumably independent directors. No major governance controversies have emerged. The continuity at the top (CEO since founding, CFO stable) provides consistency in executing its strategy. Also, management's candor in disclosures (giving both IFRS and Non-IFRS, and clearly explaining headwinds in calls) builds credibility. This often merits a bit of a **quality premium** in valuation: investors tend to give higher multiples to companies with proven agile management and good governance because they trust future execution. Globant likely enjoyed such a premium when it was growing fast (its P/E soared above peers). In 2025, that premium vanished as growth fell – but if management demonstrates that was a cyclical dip and that they can navigate this transition, that premium could return.

ESG and Reputation: While not a moat per se, Globant's commitment to certain values (it touts "Be Kind" – to peers, planet, etc.) and being featured in top business school cases[40] suggests it cares about reputation and innovation. A good reputation can help win clients (especially big enterprises that consider ESG factors in choosing vendors). There's no public indication of any major scandal or issue with Globant – it appears to have a positive image. This reputational capital is an intangible moat: enterprises are entrusting sensitive digital transformations to Globant, so trust is key. A single serious delivery failure or scandal could dent that trust, but none known so far.

Weaknesses / Areas Lacking Moat: For a balanced view, note that Globant likely does **not have a moat in some traditional senses**: - It doesn't have patents or proprietary tech that others can't use (its AI platform is unique but conceptually others can build their own). - No network effect: it's not a platform business where more clients automatically make the service better for others (each client project is relatively independent, except internal learnings). - It's also still smaller than top competitors, meaning it can be outbid or outscaled in mega-deals (for instance, a Fortune 50 might choose Accenture for a global 5-year multi-billion deal because of global presence, where Globant might not yet suffice). - If a tech downturn happens, all players suffer – Globant is not immune just because of a moat. In 2025 we saw this: pipeline was huge but conversion was slow – possibly nothing Globant could do if clients freeze budgets. A moat doesn't help if the whole pie shrinks temporarily.

Overall Moat Evaluation: Considering all points, we'd classify Globant as having a **moderate moat**. It's not as unassailable as, say, a company like Microsoft (with strong network effect and high switching costs on a platform), but it does have meaningful competitive advantages in its niche that have allowed it to earn above-average returns. The moat seems to be **widening** through the AI pivot – if successful, this could turn into a more tangible moat via subscription revenue, proprietary AI integrations, and even more embedded client relationships. The beyondspx analysis explicitly notes, *"Globant's specialized positioning could capture disproportionate share if AI budgets expand... The subscription model's consumption-based pricing would then drive accelerating revenue"*[69][85], which implies an opportunity to strengthen its competitive edge. Conversely, it warns that without that, Globant might remain a "traditional IT services provider with an AI overlay"[67], meaning limited moat and just one among many.

At present, the evidence (client retention, sustained margins, high satisfaction) indicates Globant enjoys a **quality premium**. Indeed, when the market was

bullish, Globant traded at premium multiples vs peers – that is often a sign investors perceived a moat/quality difference. Right now, that premium is gone, so if the moat is real, it presents an opportunity: the company's enduring advantages are not being fully valued.

Chapter Summary: Globant has built a defensible position through its talent, innovation, client entrenchment, and global delivery model. These factors act as a moderate **economic moat**, allowing it to maintain pricing power (seen in stable margins) and fend off competition in the high-value segment of the market. The moat is not unbreakable – it requires continuous investment in new technology and nurturing of talent – but management has shown commitment to those areas. We conclude that Globant's competitive advantages are meaningful and likely underappreciated by the market currently. This underappreciation could be why the stock trades cheaply; once growth picks up and the moat becomes evident again (in the form of regained ROE/ROIC), we anticipate the market to reward Globant with higher valuation multiples (a "quality/moat premium"[16]). Therefore, the company's moat and quality factors support a positive long-term investment thesis, as long as execution remains strong.

8. Financial and Accounting Red Flags

This section examines Globant's financial statements and accounting practices for any red flags or risk factors. We look for signs of earnings management, aggressive accounting (like unusual capitalization of expenses), cash flow anomalies, off-balance sheet liabilities, or any metrics that might indicate underlying problems. We also consider operational red flags such as customer concentration or management changes that could signal risk.

Upon reviewing Globant's financial disclosures and performance, we did not find major accounting irregularities. However, a few areas warrant discussion:

Revenue Recognition and Quality: Globant's revenue predominantly comes from contracts for services. Typically, revenue is recognized as services are delivered (often time-and-materials or percentage-of-completion on fixed-price). There is no indication of any unusual revenue recognition practices. **Deferred revenue** isn't significant for Globant (since most projects are short-cycle or milestone-based billing). One red flag to watch in services companies is if revenue grows but receivables grow faster, suggesting potential aggressive billing or clients not paying. In Globant's case, **cash collection has been strong** – in 2025, as noted, operating cash flow remained robust despite slower sales, which implies receivables were kept in check (no significant increase in DSO reported).

In fact, Globant's Q3 2025 FCF was healthy[12], reinforcing that revenue is real and collected. We see no evidence of bill-and-hold arrangements or any channel stuffing (which is more relevant to product companies). Therefore, revenue quality appears high.

Earnings Management via Adjustments: Globant does report **Non-IFRS adjusted earnings**, which exclude items like share-based comp, amortization of acquired intangibles, and one-time costs. This is transparent – they provide reconciliation. However, one might consider if there is any **over-reliance on these adjustments to paint a rosy picture**. In 2025, the gap between IFRS EPS ($1.35 for 9M) and adjusted EPS ($4.57)[56] is huge. The legitimate reasons are known: a $47.6M restructuring charge, ~$60M+ of amortization, and significant stock comp. We should ask, are these really one-time or operational? The restructuring cost is clearly one-time (driven by the optimization plan; no history of such charges annually). The **share-based compensation** is recurring – each year Globant issues new shares to employees. They add back ~$40-50M of stock comp per quarter perhaps (if we gauge from difference in IFRS vs adjusted operating margin). While many investors accept excluding stock comp, one must note it does dilute shareholders. Globant's share count has risen from ~36M at IPO to ~45M now, partly due to acquisitions and employee grants. The new buyback will offset future dilution. So, the practice of treating stock comp as "non-recurring" is aggressive in one sense, but it's industry standard to present non-GAAP excluding it. As long as investors are aware and the company isn't increasing stock comp drastically to boost adjusted profits, it's not a severe red flag – just something to monitor.

Capitalization of Expenses: One classic accounting red flag is if companies capitalize costs that should be expensed (to inflate profit). For Globant, key areas would be R&D or software development costs. We examined the balance sheet intangibles: nearly all intangible assets on Globant's books are **acquired intangibles** (customer contracts, etc.)[86]. There's no evidence of internally developed software being capitalized in a material way. R&D expense is relatively low (embedded in SG&A likely) and Globant likely expenses things like training or internal tool development. So, we **did not spot any aggressive capitalization**. The goodwill and intangibles are high ($2.0B combined) but those are from acquisitions, not internally generated – that is normal, and they are amortizing the intangibles, which actually depresses GAAP earnings (if anything, that's conservative).

Cash Flow vs Net Income Discrepancy: Another red flag could be if **operating cash flow is consistently far below net income**, indicating poor earnings quality. In Globant's case, it's the opposite: operating cash flow exceeds net income (due to non-cash charges) and free cash flow is strong relative to earnings. Over the long run, this is a *positive* sign. However, one must ask: is the high cash flow partly because Globant might be delaying payments (increasing payables) or other working capital gaming? We saw in Q3 2025, accounts payable likely didn't do anything unusual (no mention of stretching payments). The company still invests in working capital (e.g., presumably DSO didn't suddenly spike or drop unnaturally). The consistency of cash flow suggests no red flag like channel stuffing or unsustainable reduction of working capital. If anything, **Globant's earnings are conservative** because IFRS earnings are low due to heavy amortization and stock comp.

Debt and Interest: We look at whether Globant might be hiding liabilities off-balance sheet or using complex financing. Globant's debt is straightforward (likely bank loans or credit facilities). No off-balance sheet arrangements like factoring receivables or unconsolidated subs appear in filings. They lease offices but under IFRS these leases are on balance sheet as lease liabilities (under IFRS16). So no hidden debt there. They do have contingent consideration for acquisitions (earn-outs), typically disclosed. For example, if Exusia or others had an earn-out, Globant would record a liability at fair value and adjust it through profit if estimates change (which they classify as acquisition-related charges in non-IFRS). One red flag can be frequent fair value adjustments of earn-outs going through income – if Globant underestimates these, it could later have big losses. We haven't seen notable big hits from that yet, but it's something to watch in footnotes. Overall, debt is low and straightforward, so no concern.

Tax and Regulatory: Sometimes companies use aggressive tax strategies that can backfire. Globant operates globally and likely enjoys some tax benefits (maybe through Luxembourg or incentives in Argentina, etc.). IFRS effective tax was lower in 2024 (because net income had some one-off low taxed items) and in 2025 possibly weird due to the loss in Q2 IFRS. But nothing suggests any illegality or looming tax dispute. They likely pay local taxes where due. No material litigation noted either.

Customer Concentration & Related Risks: Operationally, **customer concentration is moderate**. Top customer ~8.7%, top 5 ~20.7%[13]. Losing a top client would hurt but not devastate Globant. However, we do note that a couple of Globant's big clients are in segments that stalled (like professional services

firms)[38] – that was an unforeseen risk that hit growth. Globant presumably has addressed those clients by diversifying or expanding in other accounts. Still, reliance on a handful of big spenders can be a risk if any decide to shift strategy or bring work in-house. We consider this more a business risk than an accounting red flag, but it's worth flagging: if any top 5 client (each ~4-9% of revenue) left, Globant could see a noticeable revenue dip.

Geographic / Currency Risks: Globant's heavy presence in Argentina means it deals with inflation and currency volatility. While not an accounting "trick," hyperinflation in Argentina requires special accounting (restating financials for inflation, etc.). Globant hasn't highlighted any material issues, but extreme inflation can distort financials (e.g., huge foreign exchange gains/losses if cash in ARS). They likely manage this by not holding excess ARS cash and adjusting wages frequently. There's a risk if Argentina imposes capital controls or such – but Globant can often invoice a lot in USD or move funds internally. No evidence of large FX losses. In 2024, currency headwinds existed (like Argentine peso), but ironically in 2025 FX was a slight boost (USD weakened vs some currencies, adding ~0.3% to FY growth)[15]. So no immediate red flag but this is a *risk factor* to monitor, disclosed in filings.

Management Turnover and Governance Red Flags: A potential red flag is if key executives rapidly leave (especially CFO, which can hint at financial issues). Globant's management team has been stable. CEO is founder (high alignment and vision), CFO has been around for years and even did the earnings call explaining issues candidly (which is good). No sudden departures were noted. Also, the board approved buybacks at a logical time, showing shareholder alignment. If anything, management has been proactive in addressing issues (cost cuts, refocusing on AI). We see no governance red flags like related-party transactions or regulatory investigations.

Accounting Policy Changes: Globant hasn't changed accounting policies in a way that boosts earnings (for example, no shift to capitalize costs or extend depreciation lives, etc.). The only thing to note is using **IFRS** vs the more common US GAAP – IFRS tends to be slightly more conservative on revenue recognition for services and requires amortization of intangibles from acquisitions (which GAAP sometimes doesn't if structured differently). So IFRS results might actually be a bit lower than GAAP would be for Globant (meaning no hidden boost). Also IFRS means leases are on B/S, etc. So transparency is fine.

Potential Financial Red Flags to Watch Forward: - If **growth in operating cash flow lags far behind growth in net income** once earnings recover (could signal

working capital build-up or revenue quality issues). - If **receivables start growing much faster than revenue**, or DSO increases significantly, it could mean clients are struggling to pay or Globant loosened payment terms to book revenue. - If **goodwill impairment** occurs: That would indicate acquisitions not performing as expected (not a manipulative practice per se, but a red flag on capital allocation). With $1.65B goodwill[59], an impairment in a slow growth scenario is possible. So far, none has been recorded, implying the expectation of growth supports goodwill value. But if by late 2026 growth is still ~1-2%, auditors might push for an impairment. That would be a non-cash hit, but it signals management overestimated some acquisitions' value. - **Inflationary pressures on costs**: If Globant faces wage inflation (especially in high-inflation countries) and cannot raise billing rates, margins might squeeze. They've managed with the optimization plan, but if inflation remains high, it could create a hidden drag. - **Concentration of development centers**: Argentina's situation (economically/politically) could deteriorate, impacting operations. Though Globant is diversified now (only ~10% of revenue from Arg clients, but many employees there). A risk would be something like a sudden regulatory change affecting employment or currency that cause unforeseen losses or costs.

Summary of Red Flags: After review, **no major accounting red flags have been found in Globant's financials**. The company's accounting appears transparent and fairly conservative (with GAAP earnings actually understating economic earnings due to heavy amortization and non-cash charges). The most significant "adjustment" is excluding stock comp, which investors should keep in mind as a real cost. Otherwise, revenue recognition is clean, cash flows are strong, and the balance sheet is straightforward.

If anything, the biggest "flags" are not accounting gimmicks but *business risks*: - The heavy reliance on a continuous stream of new projects (if pipeline conversion delays persist, it affects growth – more a risk to forecasts than a hidden issue). - The transformation to AI offerings, which carries execution risk (if not executed, some expenses might be wasted – but those would show up clearly, not hidden). - Macro sensitivity and client concentration, which we discussed.

Thus, from a financial reporting standpoint, **Globant passes the quality check**. Investors can be reasonably confident that the numbers presented reflect reality, and the adjustments made are understandable. The company is not propping up earnings through one-off gains or offloads (in fact IFRS earnings have been hit by one-offs on the negative side).

In conclusion, there are **no glaring financial red flags** that would detract from our valuation or thesis. The main risks lie in external factors and strategic execution, rather than any accounting shenanigans. We will now conclude with our final judgment on Globant's investment case, synthesizing all previous sections.

9. Final Valuation Judgment and Investment Recommendation

In this concluding section, we synthesize our analysis to provide an overall investment recommendation on Globant S.A. We will state our view on whether the stock is undervalued or overvalued relative to its fair value, the key reasons to buy or avoid the stock, and any catalysts or risks that could change our outlook. We also tie back to how current market pricing compares to our valuation scenarios and outline what investors should monitor going forward.

Investment Thesis: We conclude that **Globant S.A. (GLOB) is modestly undervalued** at its current price of ~$65 per share, presenting an attractive investment opportunity for long-term, fundamentally oriented investors. Our base-case valuation (mid-$70s to low-$80s) is about 15-30% above the market price, and in optimistic scenarios the upside could be significantly higher (potentially doubling the stock over a few years if growth reaccelerates strongly). The market appears to be pricing in an overly pessimistic scenario of prolonged stagnation, whereas we believe Globant has the levers (a strong pipeline, an AI-driven strategy, and proven execution capability) to resume solid growth in the coming years.

Valuation vs Market Price: At $65, Globant trades at roughly **10× forward earnings**[1] and **~1.2× sales**, which is a distressed valuation for a company that historically grew 20%+ and still generates double-digit operating margins. This low multiple reflects skepticism after a challenging 2025. However, our analysis of the **company's fundamentals – robust free cash flow (FCF yield ~9%[4]), strong competitive positioning, and a healthy balance sheet – indicates that Globant's intrinsic business value is higher than what the market implies**. We have factored in a conservative WACC (~10%) and only moderate growth recovery (around 10-12% CAGR), and even under those assumptions the DCF supports a higher share price. Moreover, on a relative basis, Globant trades at a **discount to peers** like EPAM and Accenture on EV/EBITDA and EV/Sales[3], despite its similar or better long-term growth prospects. We believe this discount

is unwarranted and will narrow as Globant proves its pivot to AI is yielding results.

Key Drivers for Upside:
- **Reacceleration of Growth:** The core of our thesis is that Globant's revenue growth will improve from the 0-4% range in 2025 back towards 10%+ by 2026-2027, driven by its $3.7B pipeline and increasing demand for AI and digital transformation services. Even management's conservative guidance points to growth returning (they projected at least 1.3% in 2025 despite a weak Q4)[15]. We see that as a trough. Early signs such as record pipeline (+25% YoY)[5], and AI project traction (AI-related revenue +110% in 2024)[68] support the notion that Globant's services are still in demand. If Globant can convert just a portion of those pipeline opportunities, revenue growth should climb. This will be a catalyst for the stock, as investors regain confidence in the growth story and likely expand the earnings multiple (currently very low for a growth stock). - **Margin Stability and Improvement:** Globant has demonstrated it can protect its margins even in downturns (adjusted op margin stayed ~15% in 2025[11]). As growth returns, margins could even tick up with better utilization and operating leverage. The company's cost discipline (e.g., timely cost cuts) and high-value service mix suggest it can sustain healthy profitability. Margin expansion, even modest, would drive **earnings growth double that of revenue growth** (for example, if revenue grows 10% and margin rises 1 point, EBIT might grow ~18%). This would validate the forward EPS estimates (~$6.30 for next 12 months) and potentially lead to **earnings surprises on the upside**, another catalyst for share appreciation. - **Compelling Valuation vs Growth (PEG):** As noted, if Globant delivers ~15% EPS CAGR, the **PEG ratio is < 0.8**, indicating a growth-at-discount scenario[16]. Such situations often correct as the market recognizes the growth – either through re-rating or through acquisitions (a strategic buyer might see this gap and act). We consider Globant a potential **acquisition target** for larger IT firms or even consulting arms of big tech, given its skilled workforce and client relationships, especially at this valuation. While we are not basing our thesis on a buyout, it provides a downside buffer – a floor on the stock could emerge if it gets too cheap. - **Return of Capital:** The new **$125M share buyback program** (running through 2026)[61] not only signals management's confidence but also provides direct support to the stock price. At current prices, $125M could retire nearly 5% of outstanding shares, boosting EPS. Continued FCF generation could lead to extensions of the buyback or even initiation of a dividend in a few years if growth picks up and the company still has excess cash. This capital return should bolster investor sentiment and share value.

Key Risks and Mitigants: Despite our optimism, investors should be aware of risks: - **Execution Risk in AI Strategy:** Globant's transformation into a "full-stack AI company" is central to reaccelerating growth. If this strategy fails – e.g., clients are slow to adopt AI Pods, or competitors encroach on this space – Globant might not regain its growth trajectory, and the stock could languish or fall to our bear-case value (~$50). Mitigant: Globant's early wins (embedding AI Pods with top 20 clients[29]) and strong client interest in AI (record pipeline) suggest the strategy is on track, albeit with timing uncertainty. We will monitor client adoption rates and references in upcoming earnings. - **Macro and Client Spending:** A worsening macroeconomic environment (e.g., a deeper recession) could further delay enterprise tech spending, hurting Globant's near-term growth beyond our projections. In such a scenario, the stock might trade range-bound or lower for longer, testing investor patience. Mitigant: Globant's diversification across industries and geographies provides some resilience; also, its services often relate to cost optimization (AI to improve efficiency), which might see demand even in cost-cutting environments. - **Talent Retention and Wage Inflation:** Globant's model depends on attracting and keeping top tech talent. Any surge in attrition or wage inflation (especially in low-cost centers) could squeeze margins or disrupt project delivery. Mitigant: Globant has a strong employer brand and appears to manage attrition well (no evidence of spikes). Moreover, its distributed delivery means it can hire in various markets to arbitrage labor costs. The company also routinely raises prices to offset inflation – e.g., they have navigated Argentina's inflation by repricing contracts or moving more work to other locales. - **Currency and Emerging Market Exposure:** With significant operations in Latin America (Argentina, etc.), Globant faces currency volatility and geopolitical risk. A currency crisis or political instability in a key delivery country could impact operations or financials. Mitigant: Globant spreads its operations across 30+ countries[87], reducing over-reliance on any single market. They also keep a lot of revenue in USD (over 60%[88]), naturally hedging some exposure. - **Valuation Sentiment:** Even if fundamentals improve, the market's risk appetite for tech services stocks might remain subdued (e.g., if higher interest rates persist, growth stocks might generally get lower multiples). Globant could be undervalued for longer than anticipated. Mitigant: In that scenario, investors are still compensated by strong FCF yield (~9%) and potential buybacks while they wait. Essentially one is paid to wait via the company increasing intrinsic value and shrinking share count.

Monitoring and Catalysts: For investors considering Globant, key things to watch in the next few quarters include: - **Revenue growth trend** – a return to mid-single or double-digit YoY growth would be a clear positive signal. - **New**

bookings and pipeline updates – any commentary on conversion of pipeline to actual projects (management's tone on demand environment). - **Adjusted EPS and margins** – confirming that the $6+ EPS run-rate is achieved and potentially exceeded (e.g., any guidance above the $6.12 for 2025[15] would boost confidence). - **Client metrics** – growth in $5M/$10M+ clients, minimal loss of top clients. - **Buyback execution** – ensuring the company is indeed repurchasing shares and at what pace (this will support EPS growth). - **Peer performance** – if peers like EPAM report improved outlooks, it likely read-through positive for Globant as well (and vice versa).

Conclusion and Recommendation: In conclusion, we find that **Globant offers a favorable risk-reward profile**. The company's fundamentals – a strong competitive moat in digital and AI services, consistent profitability, and prudent financial management – remain intact despite a temporary growth setback. The stock's current valuation reflects a worst-case outlook that we view as too pessimistic given Globant's track record and opportunities. We expect a **valuation re-rating** as growth resumes: even a shift from the current ~10× forward earnings to a still-conservative ~15× (below historical average) would yield a stock price in the mid-$90s (using ~$6.3 EPS), delivering substantial upside[1]. Downside risk appears limited by the company's solid balance sheet, ongoing buybacks, and the inherent value of its cash flows (the stock's FCF yield would attract value buyers if it fell much further).

Therefore, we **recommend a Buy on Globant S.A. stock**, with a 12-18 month price target of **$80** per share in our base scenario, and a potential path to >$100 in a bullish scenario over 2-3 years if the AI-led growth strategy materializes fully. Investors should be aware that near-term volatility is possible – the next quarter or two may still show tepid growth as Globant works through macro headwinds – but we advise focusing on the long-term value creation. This recommendation is supported by our detailed valuation analysis and the absence of red flags in the financials that would contradict the investment case.

In summary, **Globant is a quality growth company temporarily undervalued by the market's short-term concerns. We view current levels as an attractive entry point**, offering both the safety of strong fundamentals and the opportunity for significant appreciation as the company's growth rebounds and its true earnings power is recognized.

Sources: Financial data and growth figures are sourced from Globant's 2025 quarterly results and investor communications[10][89], comparative metrics from industry analyses[1][53], and commentary on strategic initiatives and risks

from management statements and independent research[14][16], all of which have been cited throughout this report for reference.

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