

DESK NOTE

26.02.2025

Globant S.A. (GLOB US) – *AI Expansion and Strong Clients Set the Stage for GLOB's Recovery*

Conclusive Summary: We recommend entering GLOB at \$130, given its favorable risk-reward profile at those levels.

Globant continues to deliver solid performance with low-teens revenue growth and good margins, **though 2025 guidance of ~10% growth fell short of market expectations leading to repricing**. Analysts appear concerned about regional variability particularly in LATAM. AI-driven services remain a key long-term growth driver, contributing \$350M+ in 2024 revenue (~14% of Revenue), with further scaling expected to enhance profitability. **While the stock trades at a 10% premium to peers, it appears attractive relative to its historical multiples**. Due to this we **expect some rebound toward its 2Y average**. Potential catalysts include AI expansion and deeper client relationships with Disney, Coca-Cola, MercadoLibre, and Verizon, which could drive both short-term revenue acceleration and long-term market re-rating.

Competitive Position: operates in a highly competitive global IT services market, **facing competition from large multinational firms like Accenture, Tata Consultancy Services, and Infosys, as well as mid-sized digital transformation specialists such as EPAM Systems and Endava**. While larger firms benefit from financial scale and brand recognition, Globant differentiates itself through its **Studio model**, which offers deep industry expertise, and its **Agile Pods** approach, which enhances flexibility and responsiveness. Additionally, proprietary AI-driven platforms like Augoor and MagnifAI aim to provide unique technological advantages. The company's **strong client retention** (89.6% of revenue from existing clients) and **focus on emerging technologies such as AI, blockchain, and the metaverse** position it well for growth. However, it faces challenges from lower-cost regional competitors, potential pricing pressure, and the need for continuous innovation to stay ahead in a rapidly evolving market.

Valuation: Using a combination of EV/Rev, EV/EBITDA and P/E multiples, **we reach a blended target price (TP) of \$182, +17% above current levels**. We expect GLOB to mean revert somewhat to its 2Y historic multiples over time which currently trades 1.0-1.5 standard deviations below its 2Y historic averages. The stock is trading at about 10% premium to its competitors after the recent drawdown. **We recommend buying GLOB at \$130 for a solid upside potential.**

Ticker: GLOB US

Previous day close price: \$156

Price range (52w.): \$151 - \$238

Reason for note: 4Q24 Earnings

Target price: \$182 (+17% upside)

Recommendation: **Buy@ \$130**

Description: Globant S.A. (NYSE: GLOB) is a global technology services company specializing in **digital transformation, software development, and IT consulting**. Founded in 2003 in Argentina, it operates in over 30 countries with more than 29,000 employees. The company differentiates itself by leveraging AI, cloud computing, and automation to help enterprises modernize operations, **serving major clients like Disney (8.7% of Revenue), Electronic Arts, and Google**. Revenue is primarily generated through technology consulting, custom software development, and proprietary AI-driven solutions under its **Studio model** and **Globant X** platform. Its **Agile Pods** delivery model enhances efficiency, and strategic acquisitions expand its capabilities. Globant is becoming increasingly more geographically diversified although North America remains its dominant market in 2023:

- North America: **59.5%**,
- Latin America: **22.1%**,
- EMEA: **15.4%**,
- Asia & Oceania: **3.0%**.

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Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Rev	3.1	2,752	8,530	254	8,084	43.3	\$191.14
EV/EBITDA	16.0	554	8,864	254	8,404	43.3	\$198.85
P/E	28.0	5.16				43.3	\$156.46
Avg. Multiple Price							\$182.15

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Earnings Preview:

LOB	Expected Next Report Date		Next FY End		Review Date
GLOBANT SA	5/16/2025	?	12/31/2025		2/26/2025
Targets	DPRG	182	Street	222.13	
Current Price/ Upside	156.01	16.7%		42.4%	
Earnings Q Review					
Last Q Report	2/20/2025		Quarterly		
Last Close	Q4	2024:A	Q4	Prev Quarter	Year Ago
156.01					
	Comparable	% Surprise	As reported		
Sales, \$ mil.	642	-0.27%	642	615	581
			growth	4.5%	10.6%
EBITDA, \$ mil.	112	-11.33%	123	112	109
			growth	9.5%	12.5%
Net Income, \$ mil.	79	1.10%	60	53	53
			growth	13.1%	14.6%
EPS, \$	1.75	0.81%	1.33	1.20	1.20
			growth	11.5%	11.5%
Valuation	Current	-1STD	Average 2Y	+1STD	%STD
EV to Forward 12M Sales	2.58	2.94	3.34	3.73	-192%
EV to Forward 12M EBITDA	12.97	14.59	16.71	18.83	-177%
Price to Forward 12M EPS	21.71	25.42	28.84	32.27	-208%
EV/Sales	Underpriced				
EV/EBITDA	Underpriced				
PE	Underpriced				
Total Rating on Valuation	Underpriced				
Company Guidance	1Q25	4Q24	1Q24	Date of Guidance	
Sales	623	642	581		2/20/2025
	growth	-3.0%	7.3%		
Gross Margin	38.2%	35.7%	35.4%		

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