

# GLOB Earnings Call Transcript

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**Quarter: 3**

Arturo Langa: Good afternoon. Welcome to Globant's third quarter 2025 earnings conference call. I am Arturo Langa, Investor Relations Officer at Globant. All participants on this call will be in listen-only mode. After today's presentation, there will be an opportunity to ask questions. Please note this event is being recorded and streamed live on YouTube. By now, you should have received a copy of the earnings release. If you have not, a copy is available on our website, [investors.globant.com](https://investors.globant.com). We will begin with remarks by our Chief Executive Officer, Martin Migoya, our Chief Financial Officer, Juan Ignacio Urthiague, and our Chief Technology Officer, Diego Tartara. This will be followed by a Q&A section. Before we begin, I would like to remind you that some of the comments on our call today may be deemed forward-looking statements. This includes our business and financial outlook and the answers to some of your questions. Such statements are subject to the risks and uncertainties as described in the company's earnings release and other filings with the SEC. Please note that we follow IFRS accounting rules for our financial statements. During our call today, we will report non-IFRS or adjusted measures, which is how we track performance internally, and the easiest way to compare Globant to our peers in the industry. You will find a reconciliation of IFRS and non-IFRS measures at the end of the press release we published on our Investor Relations website. Announcing this quarter's results. I will now turn the call over to Martin Migoya.

Martin Migoya: Hello, everyone, and welcome back as Globant presents its earnings for Q3 2025. We appreciate your continued interest as we navigate the ever-evolving technology landscape. Our commitment to innovation and reinvention remains at the core of who we are. The speed of change is only accelerating. This quarter, we are excited to share how we are not only adapting to market trends but also proactively shaping the future of our industry. Our focus on sustainable growth and delivering exceptional value continues to drive our efforts as we look ahead. Our business fundamentals remain strong, and we continue to perform by putting innovation first. Our AI studios bring together our talent to provide a new kind of AI-based solutions, specific for each industry. They transform how consumers interact with brands and how our clients run their businesses. Our AI bots are our next-generation offering designed to deliver agentic AI-based services that scale faster, operate more transparently, and focus on measurable outcomes. They combine the speed and autonomy of AI with the creativity and oversight of our experts, enabling customers to access continuous outcome-driven transformation at scale. All our agentic AI-based solutions from our industry-specific AI studios to our AI pods are orchestrated through Globant Enterprise AI, our central intelligence platform that acts as the golden path for enterprise-wide AI adoption and impact. Delivered through a transparent consumption-based model, it transforms AI isolated experiments into a predictable, scalable, and measurable source of enterprise value. Together, these elements form the backbone of Globant's growth to provide value for our customers and shareholder returns. During Q3, we generated \$617.1 million in revenue, \$2 million above our most recent guidance. We also launched a share buyback program reflecting how bullish we are on our long-term prospects. The pipeline has hit another all-time high, currently at \$3.7 billion, representing 30% year-over-year growth. It marks the solid demand we see for our services, and it grew this quarter despite very strong bookings. AI continues to emerge as the world's dominant technology. With an expected market of \$4.8 trillion by 2033, it would have made a 25x increase in one decade. Over the past few months, we have seen a healthy dose of realism in the AI space. There has

been a shift beyond hype towards tangible and effective adoption. We see tremendous potential in AI transformation today. While software as a service has played a crucial role in corporate technology by providing efficient and scalable solutions, our new AI pod subscription model represents a significant evolution in how organizations can leverage technology. With our AI Pods, we empower leaders to develop tailored solutions that effectively address their unique and ever-changing needs. Our AI studios and core studios are having these conversations with our clients to provide clarity in AI transformation, build versus buy, and cost optimizations that are top of mind for corporate leaders today. Since doubling down on our 100 square strategy this year, we have seen the execution being shown in bookings and revenue. Our top five clients grew sequentially by 2.1%, exceeding the company's average growth over this period. The share of clients we have identified as 100 square potential as part of our total bookings is currently 56.7%, up from 50% last year. Today, we have over a thousand engagements related to GenAI, CoreAI, or data currently running, representing a third of our overall projects. We have over 900 projects related to AI readiness in our pipeline. The new offering of AI pods, a departure from traditional consulting engaging models, has nearly doubled in its share of our pipeline. This growth significantly outpaced the overall pipeline expansion. Clients access these solutions via the Globant Enterprise AI platform, which serves as a multipurpose hub. First, as an AI hub connecting seamlessly with more than 140 LLMs. Clients can interact with the LLMs that are best for their needs without being locked into a single provider. Second, it is a corporate hub that connects with all major corporate information systems and data lakes, like SAP, Salesforce, Databricks, and many others. And third, an agent hub that allows clients to create agentic workflows to automate corporate processes. Globant Enterprise AI can be acquired on a subscription basis. This shift to our subscription revenue model is not just a theoretical goal. It is actively underway in our most valuable client base. Within our top 20 customers, a group that collectively represents close to 40% of our total revenue, we are currently embedding our subscription model with 17 of them in meaningful ways. This is a huge milestone, specifically considering we officially launched this methodology in June. We are encouraged to see how our clients are incorporating this new model. For example, at YPF, the largest shale oil operator in the world outside The United States, we are moving into full execution with 46 agents to optimize sourcing, inventory, contract, and supplier management, bringing clarity and efficiency to how the company interacts with its complex supply chain. As you know, Globant has a talent for applying AI to reinvent the human experience in entertainment, which is why we are particularly proud of our new engagement to bring agentic process to La Liga, one of the world's top sports leagues. Diego will expand on this later. A great example of our growing partnership is our work with Natura, a Brazilian multinational cosmetics company. This quarter, we announced that Globant will lead their S/4HANA migration, chosen for our ability to seamlessly integrate innovation and AI SAP methodology, development, and testing while enhancing traditional implementation efficiency. Together with SAP's SHU, our AI agents and platforms will accelerate delivery, reduce time to market, and support the clean core strategy by anticipating deviations and suggesting real-time corrections. Governed by our AI agents, this project brings a new vision of how technology can transform SAP implementations and drive business performance. This month, we also announced an important partnership with Riot Games, the company behind global esports phenomena League of Legends and Valorant. Globant will support its advancement in artificial intelligence, new game development, esports experiences, and software engineering capabilities. Over the next several years, both companies will push the boundaries of technology to deliver richer, more personalized experiences for millions of players and fans globally. This partnership is one of the largest agreements in the history of our games business. We are proud to work with companies that continue to shape global esports culture and inspire millions of players. We are making decisions to unlock the full power in our core studios as well. We recently announced that all of Globant's marketing and advertising efforts were consolidated under the GAT brand umbrella. Today, Globant and GAT bring a uniquely consistent and complete value proposition to the entire C-suite, empowering CTOs and CEOs to transform their business through technology while helping CMOs push creativity and marketing performance better than ever. Just as Amazon transformed the technology landscape by removing friction from how businesses access and scale computing infrastructure, effectively inventing the modern cloud industry, we aim to do the same for technology and professional services through our AI pods and subscription model. Traditional

consulting engagements are filled with friction, lengthy planning cycles, detailed scope definition, change requests, and constant budget negotiations that slow down execution and dilute impact. Our AI pods eliminate those barriers by combining agentic AI with expert human oversight, a transparent token-based subscription model that focuses on outcomes rather than hours. We define supervised talking capacity and continuous monitoring, execution becomes faster, auditable, and adaptive, allowing our clients to focus on delivering value instead of managing project logistics. We are not just redefining consulting. We are leading a revolution in how businesses access technology and professional services. Thank you for joining us on this exciting journey. Hello, all.

Arturo Langa: As we look at the third quarter, one thing has remained constant. The urgency for enterprises to deliver measurable results through AI. We have tirelessly enhanced our portfolio of services

Diego Tartara: and products around that very premise to enable our clients to apply AI fast and effectively to unlock business value at scale. What we are doing with LaLiga is a great example. The world's most successful football league is becoming the first global sports organization to adopt agentic models to reinvent its business end-to-end. From talent development, performance analysis, workflow automation, to personalized content creation. This quarter, we also expanded our footprint in immersive high-impact experiences. Through our strategic collaboration with Adobe and Red Sea Global, Saudi Arabia's vertically integrated real estate developer, together we are building a connected visitor experience platform. From trip planning to arrival and stay, the platform unites content, data, and AI agents to deliver personalized context-aware journeys at scale. Global Enterprise AI is at the core of our AI-centric solutioning and keeps delivering on our commitment to make it the best common gateway for clients to navigate the complex forest of AI. Less than a week after OpenAI launched the agentic commerce protocol in late September, we released a new version of Global Enterprise AI, including ACP and enabling our clients to create AI agents capable of executing commercial transactions safely and intelligently. Our partner ecosystem remains critical to scaling our AI vision, and as we see that our clients' biggest challenge is not the lack of technology, but the complexity of integrating it for real business outcomes or how to make their long-standing core systems agile, intelligent, and cloud-native without disrupting the business. With Unity, the world's leading platform to create interactive experiences, we join a service partner program combining Globant's global footprint with Unity's real-time 3D capabilities to power new immersive and interactive experiences in industries such as automotive, healthcare, and manufacturing. With AWS, we achieved the MSP partner program designation, recognizing our ability to deliver end-to-end cloud transformation and manage mission-critical operations at scale. A fundamental layer for AI adoption, while others provide basic cloud migration, Globant differentiates by focusing on cloud-native development and optimization. We leverage the full stack of AWS services from serverless computing to their Bedrock AI platform to build resilient, scalable, and cost-efficient solutions. With Microsoft, we have been appointed as a finalist of the 2025 Microsoft Media and Telco Partner of the Year award. Globant was honored among more than 4,600 entries from more than 100 countries for demonstrating outstanding Microsoft cloud application services, devices, and AI innovation during the past year. And by joining the IBM Quantum Network, we are preparing our clients to embrace quantum computing and unlock the next computing paradigm, ensuring they remain ahead of the curve as the future of intelligent systems unfolds. GAT, now powered by Globant's global creative and marketing capabilities, keeps accelerating cross-selling and elevating leading brands including AB InBev, P&G, MercadoLibre, Easting, Kraft Heinz, Verizon, and Havaianas. Also, Brazil's team created the first fully AI-generated campaign for MercadoLibre, Latin America's largest e-commerce platform in partnership with Samsung. Additionally, the official report was published listing GAT as the number nine global agency network at Cannes Lions 2025. Across sectors and geographies, our team continued to work with passion and creativity. Our AI pods are gaining traction. Our AI platform continues to improve, and new industries are embracing our approach to reinvention. We believe the winners will be those who act decisively today, and we are positioning Globant to help them accelerate that journey as we continue shaping the future of enterprise transformation. Thank you very much. Hello, and good afternoon, everyone. I am pleased to discuss our third quarter results.

Juan Ignacio Urthiague: During this period, we increased our top line, expanded profitability, and

generated strong free cash flow, all while maintaining a prudent and healthy balance sheet. Our revenues reached \$617.1 million, up 0.4% year over year and 0.5% sequentially, exceeding our previous guidance expectations. Excluding the positive impact of foreign currency, revenue was flat year over year. Turning to profitability, we closed Q3 with an adjusted gross profit margin of 38.1%, flat relative to our previous quarter despite significant FX headwinds coming from LatAm currencies. Our adjusted operating margin reached 15.5%, an increase of 50 basis points sequentially. In addition, this quarter we managed to dilute adjusted SG&A; by 20 basis points sequentially. The effective tax rate for the quarter stood at 29.4%, increasing significantly due to the acceleration of the Argentine peso depreciation during the quarter, which resulted in higher taxes than anticipated. We were able to partially offset this impact with FX hedges. Despite the mentioned tax effect, we achieved an adjusted net income of \$69.7 million with an 11.3% adjusted net profit margin, flat relative to our previous quarter. Adjusted diluted EPS for the quarter was \$1.53 based on 45.6 million average diluted shares, in line with our guidance. Our balance sheet remains strong, ending this quarter with \$167 million in cash and short-term investments, \$205.3 million in net debt. We repaid \$56.7 million of our debt during the quarter, reducing our total leverage. During the third quarter, we generated \$67.5 million of free cash flow, achieving a free cash flow to adjusted net income ratio exceeding 96%. This strong performance is consistent with our historical pattern where free cash flow generation is much stronger in the second half of the year. Lastly, as mentioned by Martin, we have authorized a \$125 million share repurchase program, which reflects our belief in our long-term strategic position and our commitment to enhancing shareholder value. Now let's turn to our guidance. Demand trends across our client base have started to stabilize, though the macro environment remains fluid. For 2025, we expect revenue to be at least \$6.5 billion, reaffirming the implied guidance provided in our prior earnings call. This Q4 guidance implies a minus 5.8% year-over-year growth and includes a positive FX impact of 150 basis points. We expect a non-IFRS adjusted operating margin to be at least 15%. And the IFRS effective income tax rate is expected to be in the 22 to 24% range. Non-IFRS adjusted diluted EPS is expected to be at least \$1.53 per share, assuming an average of 45.2 million diluted shares outstanding during the fourth quarter. For the full year 2025, we now expect revenue to be at least \$2.447 billion, representing 1.3% year-over-year growth. This expected growth includes a positive FX impact of 30 basis points. We now expect our non-IFRS adjusted operating margin to be at least 15% and the IFRS effective income tax rate is expected to be in the 23 to 25% range. Our full-year non-IFRS adjusted diluted EPS is expected to be at least \$6.12 per share, assuming a full-year average of 45.2 million diluted shares outstanding. To conclude, while much of the uncertainty persists, we are confident in our market position and ability to adapt. Our DNA is built on constant reinvention and industry-leading growth. Based on our operational discipline, we will continue investing in our AI studios, our subscription model, and top-notch talent to deliver differentiated value to our customers. Thank you for your continued support, and we look forward to sharing more updates on our growth and achievements in the coming months.

Arturo Langa: Thank you, Juan, and hi, everybody. So as we go through the Q&A; section of this call, I will first announce your name. At that point, please unmute your line and ask your question. Please mute your line after your question is done, and I would also ask you to please limit yourself to one question and one follow-up.

Puneet Jain: So thank you very much. And with that in mind, we take the first question today from the line of JPMorgan. Puneet, please go ahead. Hey. Thanks for taking my

Juan Ignacio Urthiague: So I wanted to ask about AI use cases. Like, are you seeing clients looking for AI use cases in global gut area, like AI-powered form factors for customers to do retailing or banking, through new form factors.

Martin Migoya: Thank you, Puneet, for the question. You said mute what? New what?

Juan Ignacio Urthiague: So the new platforms, like, new way, like, in which consumers can buy or do banking, like the which is powered by AI.

Martin Migoya: Yeah. I think the whole consumer experience is being transformed, and there's a lot of active projects that are going in the direction of changing that interface from a navigational interface towards a transactional or a conversational interface. And in that direction, we have been doing several projects on those areas, in many different customers. But it's not just connected to financial services, I

would say that this kind of conversational interface is being seen in many different areas and in many different types of industry. I would love Diego to take it over.

Diego Tartara: Sure. So, Puneet, here's an overview of what we are seeing and how it is working. Many large companies, the ones that are heavily regulated, what they are doing is they are building their platform for AI transformation and development. But while doing that, they are already doing AI projects. You mentioned, as an example, financial services. Fraud detection is one of the examples. Hyper customization for claim management is another one. With regards to internal operation, portfolio management is being also handled by Ascentyx system these days. So that is how it looks now. Even the most regulated sectors are jumping into AI, doing AI projects. I have to say that more than half of our projects are heavily related to AI.

Juan Ignacio Urthiague: No. That makes sense. Like, the reason I asked, like, it seems like there's a lot of demand, like, the underlying demand for AI, but, like, that's not reflecting in overall results.

Bryan Bergin: Do you think, like, the clients are at a point that, like, all those AI use cases and AI projects that they are ready to move them into mainstream or into production so that can overcome, like, the weak macro or other headwinds that you faced basically, can, like, should we expect, like, much better growth rates next year based on the pipeline, based on what you are saying compared to current trends.

Martin Migoya: Yeah. I mentioned in my part of speech, I was saying, Puneet, that the pipeline grew to something that was 30% higher than the same period last year. And about 900 projects are currently being inside a pipeline that are based on this kind of AI transformation projects. So I see a clear evolution from the beginning of the year in which projects were more exploratory and now they are more kind of transformational efforts going across the different parts of the company. And this is not just on what we were talking before, which is consumer interaction, but also on how to run processes. And, specifically, in that case, we announced a case with YPF but also the one with Riot Games with the one with Natura in which AI kind of takes a central role. And I think that this is something that will keep on evolving as we move forward. Also, our AI pod offering is also gaining a lot of momentum. It's kind of now the pipeline more than doubled from what we had on the last quarter just in two and a half months that we launched the initiative. Bookings are also high, the number of customers got increased substantially too. So we are seeing that AI is taking a central role. Of course, the digital transformation projects, the enterprise projects, like SAP migrations, now all of them are including this kind of AI initiatives inside of them. So it's difficult to split them, but it's very clear that these are the technology is making an impact. And, again, it's not that it's easy to implement one of these things and make it productive. And make it into production for large corporations. We're talking about probabilistic systems that need to be managed in a slightly different way from the traditional systems. And that will require a lot of our help to our customers moving forward. And I see pretty much all the industries now growing, as opposed to the last few quarters. All of the industries are moving forward in terms of revenue. So that is helping. And as you have seen on the news, we have announced many deals with many different big companies and deals in many different sectors. So I hope that will propel the revenue for 2026, and we will see good growth next year.

Juan Ignacio Urthiague: Thank you.

Arturo Langa: Thank you, Puneet. The next question comes from the line of TD Cohen. Brian, please go ahead. Hey, guys. Good afternoon. Thanks for taking the question.

Bryan Bergin: Was hoping if you could just help us connect the strong pipeline commentary with the operation headcount dynamics just sequentially. I understand you were going through a transition here. But can you give us a sense of just early 2026 client budgeting conversations we're just trying to determine when a growth trough may form for you. And just any early comments are you willing to share here, on next year's top line potential.

Martin Migoya: Yeah. I would take the pipeline thing. The pipeline, as I said, is much higher. The conversion speed as opposed to what we see in the first half of the year has also increased in the last few months. So that makes us happy. And I would say that we see a clear evolution towards the end of the year with all the deals we have. In terms of the headcount, I would like to take it. Sure. Juan to answer it. Hi, Brian, how are you?

Juan Ignacio Urthiague: Look. In terms of headcount, as you know, last quarter, we announced a

business optimization plan to align our company, our headcount, to the needs of the business, given the changes that we put in place in terms of industry studios, in terms of the subscription model, and also looking at the level of growth. You have to keep in mind that we started the year with expectations of much higher growth. Now all that is aligned. We are seeing flattish type of numbers for the fourth quarter. And when we look into 2026, when we look at how the new AI studios, new AI industry studios are tractioning combined with the traction on the pipeline and also on our top customers related to the subscription model, I think that puts us in a much better place to start thinking about 2026. The conversations with customers are ongoing. Everybody is finalizing budgets. When we look at all our internal numbers, initial numbers, we are seeing more growth in '26 than what we have now for the rest of the year in '25. So we are optimistic. I think that the situation is improving. You start to close deals like the one we recently announced with Riot Games or some other things that are being worked right now where they are growth-oriented. And for us, that's always great news. Right? When we start to see all the deals we're doing with YPF or with McCallery, a lot of those deals are growth-oriented. And when that happens, we tend to do better. We tend to gain market share. And that puts us in a much more optimistic position relative to '26 than what we were before. And as you can see, after a difficult year in terms of guidance and everything, this quarter, we were able to maintain the implied fourth quarter. We were able to raise a little bit the full-year number. So in general, we think it's a much better quarter. Based on the \$2 million that we exceeded the number in Q3. And we are optimistic about 2026.

Bryan Bergin: Okay. That's helpful. Thanks for that detail. And maybe just one on the margin front. So, obviously, that's a bigger focus for you going forward. Talk about the early efforts around efficiencies and how you're feeling about those efforts.

Juan Ignacio Urthiague: Yeah. So this quarter, we had a good quarter in terms of operating income. It increased about 50 basis points sequentially, together with accelerating growth during Q3. We have mentioned over the last two, three calls, and we continue to mention that there is a much bigger focus also on maintaining or improving margins, also on our free cash generation. It's a moment that, until the level of growth becomes much higher, we need to pay attention at the same time to hold those variables together. Right? And that's what we are doing. We will be executing on that. When you look at, for example, the CapEx levels going forward, they're going to be a little bit more aligned to the current levels of growth. So we are paying attention not just to the revenue or to the top line, but also to the gross margin. And you can look at the numbers. There has been a lot of peers taking margins significantly down. We have been very cautious on not doing that. You look at our margin, gross margin was stable, operating margin improved. And when you look at the fourth quarter operating margin is again above 15%. So we are trying to balance all the different things that are happening at the same time.

Arturo Langa: Thank you. Thank you, Brian. The next question comes from the line of Citi. Brian, please go ahead. Your line is open. Yeah. Hi, guys. Just wanna ask about the pricing environment in general.

Bryan C. Bergin: You know, there's some concern just with GenAI that there's pricing pressure through contracts and contract pricing as cost saves get passed on to clients. How do you guys think about the whole pricing environment through, as GenAI gets put into all these contracts? And what do you think about pricing as you head into next year?

Martin Migoya: Thank you, Brian, for the question. We don't look measure pressure on the pricing environment. I believe that the deals that we are putting together have a lot of value added, and that helps us to position the pricing in the place we want. Indeed, the revenue per head is doing okay. So it's not changing or going down. So that's a good sign of us being able to maintain that pricing efficiently.

Martin Migoya: But the most important comment I would say is there's a very strong connection between what you offer and how much you can charge for that and which is the value that you're creating for your customer. And at Globant, we have always paid a lot of attention to that value creation and to that specialization. And now with our AI studios that are capable of delivering a very substantial know-how for each of the industries in which we specialize. Plus, our core studios are bringing solutions that can go across pretty much all the industries, and I think that value proposition is resonating quite well. And if you add on top of that, we are accelerating the offering and we are discussing with 17 out of the 20 top customers the next generation model on how to engage with us, with our AI bots and with

the subscription model. And enterprise AI, which is our platform, also is gaining a lot of traction as each time we sell an AI pod, it has to do with our enterprise AI platform. So I believe that this is being accepted and this is being like, you know, we are able to reflect that on the price that we put on proposals hence maintaining our margin and maintaining our revenue per head. I don't know, Juan or Diego, if you want to comment.

Diego Tartara: No. I think that pretty much summarizes it. If you think about the individuals, like, on a profile basis and you tell me how does probably that price compare to what it used to be four years back? Yes. There's pressure there. But the mindset today is about efficiency. The mindset is about business impact. And when you talk about that, and that's one of our main strategies with the AI studios. When you talk about that, the conversation changes completely. So and that's why we've been able to maintain revenue per head.

Bryan C. Bergin: Got it. And then that's helpful. And then just one just thinking about the third quarter being roughly flat in revenue growth, and then it drops to about 7% organic. X x currency. Can you just help us to step down in revenue growth? What's causing that? And then I'm guessing this might be the trough in revenue growth in the fourth quarter. And then what does the first quarter look like sequentially?

Juan Ignacio Urthiague: On the talking about the fourth quarter, you know, the main impact that we have over there are the furloughs in mostly in professional services. That's impacting, you know, pretty much that's explaining pretty much the decrease on a sequential basis. When we look at I just give you some color on Q1, but when we look at the Q1 right now in all the initial numbers that we are seeing, we don't see any scenario similar to what we have in the last few years. You know, for example, 2025, Q1 was sequentially down 4.7%. We don't see anything similar to that at this point, anything at all. And that puts us in a much better place to get the ears that gives us also, you know, some we look at, you know, okay, how the ASR is building up, what are the conversations with the customers, what each AI studio is bringing to the table, what are the we are to just sign a very large deal with a gaming company as we discussed. Now when we accumulate all that, the Q1 number, you know, is definitely a lot better than, you know, what we have seen in prior years. Right? And I think that that puts us in a much better place getting into 2026.

Bryan C. Bergin: Great. Thank you. You're welcome.

Arturo Langa: Thank you, Brian. The next question from the line of William Blair. Maggie, please go ahead.

Maggie Nolan: Thank you. Hi.

Jamie Friedman: I wanted to put a finer point on the margin question, particularly as it relates to SG&A.; Can you drive more SG&A; dilution from here? And are you planning to? Or is this a reasonable level SG&A; to settle as a percentage of revenue?

Juan Ignacio Urthiague: You know, we closed the quarter at 17.7%. You know, almost one point below Q4 last year, for example. There is of course, there is always room to keep on diluting over time. But we also need to balance the growth that we expect to recover. You know, we need to balance all the changes that we are making in terms of our offering, all the changes we are making about our business units, you know, with all the AI industry studios. So there is more room, but, I mean, as always, you need to keep looking at, you know, 10 to 20, even 30 basis points of dilution every year, not more than that. But definitely, you know, as a business, this is a business that has the potential to run at, you know, about 15% SG&A; over time. But it's something that you have to achieve as you scale. Right? When you look at which are the companies that are running at those levels, those are the ones that are already at a very large scale. I think that 17.9%, 17.8%, 17.7% is a good number for the size that we have right now. Given all the different things that we are doing these days. Right? So I think that that's how we see SG&A; in my

Jamie Friedman: Thank you. That's helpful. And then it does sound like there's some momentum building across the business. I was wondering if you could comment on professional services in particular. Maybe if you back out the impact of the furloughs that you already commented on, do you feel like that vertical is showing signs of stabilizing?

Maggie Nolan: Yeah. Definitely. I mean, when you look at

Juan Ignacio Urthiague: and I think that when we are looking into Q1, for example, it's one area of

recovery. Right? I mean, after the furloughs in Q4, we have started to see stabilization in one large customer that was impacting that group. Plus, we are seeing growth in two or three others that will help us to offset what has happened to that customer that I mentioned before. But even in that large customer, now it has stabilized in a new level, but we see opportunities to recover from this new level upwards. So we think on professional services, once we go through the furloughs, that's the bottom of that sector for us. And we should start to see better numbers

Jamie Friedman: Great. Thank you.

Juan Ignacio Urthiague: Going forward starting in Q1. You're welcome, Maggie.

Martin Migoya: Thank you. Bye.

Arturo Langa: Thank you very much, Maggie. The next comes from the line of Goldman Sachs. Jim, your line is open.

Maggie Nolan: We cannot hear you, Jim.

Arturo Langa: As Jim tries to get his line back, we will go on to the next participant. The next question comes from the line of Guggenheim. Jonathan, please go ahead.

Maggie Nolan: Great. Thanks for taking our questions. Can you help one some of the vertical and geographic assumptions around that 4Q outlook and maybe the level of conservatism that you're assuming? Yeah.

Juan Ignacio Urthiague: As mentioned, you know, the one sector that will come down further down is professional services. Because of the furloughs that they it's going to be impacting that sector. And pretty much for almost all other sectors, you're going to see stable numbers. So I think that's something that again, I think that after a few quarters of moving pieces, we are definitely seeing stabilization in the business. With some green shoots that are putting us in a more positive way looking into '26. You know? Deals like some of the ones that we announced today have been on the cook for several months. And you start to see them closing. Some of them and companies are again becoming more aggressive in terms of growth. And I think this is always a positive sign for Globant. Conversations are in a much better place than where they were six months ago. So we are more confident about '26. And we think that, you know, that that's something that will be very positive for the business. And also

Martin Migoya: I think it's quite clear how you know, the difference in terms of conversion that we have seen in the at the very beginning of the year. I mean, at the very beginning of the year, everything kind of got frozen. Right? And now the things start to move not at the speed we saw in 2021, but, you know, much faster than before. And that is remarkable because

Martin Migoya: and also, the pipeline generation has been quite because we closed, like, large deals. And even closing those large deals, the pipeline grew a lot. So I think that dynamic is very different from what we have seen in the first half of the year. And that's the most remarkable part. That conversion coming back, our AI studio has been able to articulate that value proposition much better. I think that that evolution of Globant and that evolution of the market are two positive things to consider moving forward and into 2026.

Maggie Nolan: Appreciate that color, guys. You know, as you think about your confidence around 2026, what gives you incremental confidence that these client conversions or these pipeline conversions should continue into the middle of next year.

Martin Migoya: Well, we saw in the last few months a lot of activity in the space. I would say abnormal as opposed to one year ago or something like that. So I believe that this momentum will continue moving into Q4 and Q1 next year. That would generate increasing opportunities and incremental opportunities as Juan said, we don't see, you know, something happening on the first quarter, like, happened in February 2025. I mean, 2026 will be much more close to Q4 than it was before. So, I think that that's a positive sign of what we are seeing and how the momentum is coming. Jonathan, I think that,

Juan Ignacio Urthiague: what we are seeing is mostly shared by the industry today. So I think that everybody is being more positive about the market, the rural market condition. About 2026, so I think that we are after, you know, a few quarters of us or a few quarters or even a few years, if you look at some of our peers, of a very negative sentiment in terms of the market, in terms of the opportunities, I think that everybody is becoming a little bit more constructive.

Maggie Nolan: Mhmm. And we are in on that same boat. Yeah. And everybody's realizing that, you

know, creating these projects takes a lot of energy.

Martin Migoya: And takes a lot of knowledge and takes, you know, really, you know,

Martin Migoya: deep knowledge on how to navigate the AI landscape that is exponentially growing and exponentially becoming more complex. So I think that discussion is coming to an end. And people are starting to realize that yeah, they want to adopt AI. They need someone to help them adopt AI. Hundreds of new projects that didn't exist before now are happening. And are possible to happen. And then the traditional projects would need to keep on going. Now with the new AI technology. So opportunity keeps on building, keeps on being very large for the whole industry. And I'm more convinced than ever that, you know, once we pass this kind of difficult situation during the first half of the year, the opportunities moving forward will multiply and expand our opportunities for 2026.

Arturo Langa: Thank you for the question, Jonathan. Next question comes from the line of Itau Maraclara, please go ahead. Your line is open.

Maggie Nolan: Hi, everyone. Thanks for the opportunity. I just wanna

Maria Clara: to explore more about how you can balance employee and grow ahead. So even the current headcount and utilization levels, do you believe that you need to hire new people to honor a potential acceleration of growth in 2026, or maybe employees are becoming more productive with AI, so you are fine with your current headcount? Thank you. Yeah. Thank you, Maria Clara. So there's going to be a

Juan Ignacio Urthiague: combination of slightly higher utilization and hires. We're not gonna be able to get back to highest levels of growth without incrementing a little bit our headcount going forward. We have made all the equalization or the balancing of the level that we need right now. But as we get into next year and as we start to see those deals materializing, utilization, there is still room to go up because even though we increased 50 basis points, we're still below our target of 80%. There is some room there. But also we see that headcount is still a part of the equation. Of course, AI increases productivity of our developers. But you also will see headcount growing as we get higher levels of growth going forward.

Maria Clara: Thank you.

Juan Ignacio Urthiague: You're welcome.

Maria Clara: Thank you, Maria Clara.

Arturo Langa: The next question comes from the line of UBS. Leonardo, please go ahead.

Bryan Bergin: Hi, everyone. Good evening. First of all, congrats on the huge leverage reduction, 20 quarter on quarter. I've been particularly critical about

Leonardo Olmos: cash generation now. You've proved me wrong, so congrats on the figure. My question is about AI. I think you mentioned something about the embedded solution in 17 embedded AI pods in 17 out of the top 20 clients. Right? You said you said they're embedded in meaningful ways. Would like you to discuss that a little bit so we can try to assess, how could that eventually become, ready.

Martin Migoya: Leonardo, let me first clarify what I said. I said inside 17 of the top 20 accounts, we are about that. Not in all of them, we included already the AI bots, but in some of them, yes.

Martin Migoya: But the important thing is that those discussions are progressing quite healthy.

Martin Migoya: And I think the expectation in general of the model around a consumption model instead of different kind of metrics. While you have, like, variable scope, and you need to have a methodology that doesn't punish you and is more transparent than other methodologies that you have in the past. Is the concept that has been extremely well accepted by our customers. So what we foresee is that many new deals will come and are coming with that offering inside the proposal. By default. So what we're seeing is a natural growth of the pipeline of these. The conversion of that is quite healthy. It's almost doubling the pipeline, doubling the conversion, and the amount of customers is almost, you know, double from the 18 that we announced last quarter into what we have now. So I believe that those are the variables to have in mind. I don't know if you want any specific explanation of how we are implementing those things, but please, your question if you want. You're muted.

Bryan Bergin: Guess I didn't learn

Leonardo Olmos: 2020. Thanks for that. No. It's quite clear on that. I think just if you could talk a little bit, maybe, at is difficult to predict. Maybe a little bit ahead, three, five years, how much of revenue

could come from subscriptions more model and if AI plus will be the single driver of outcome-based out of time and materials. Are you thinking of something else?

Martin Migoya: No. Look. I mean, I don't have, like, a prediction to share with you about how much of the revenue that will be. Yes. What I can tell you is that the model is progressing much faster than any other thing that we have proposed to our customers in the past in terms of next-generation proposals. So that's a clear sign that it will take over, you know, I think, by storm next year. But I cannot predict a specific number. I know you want to include it in the model, but the thing is I don't have a number to provide to you at this moment. It's just two months and a half. But the things are the signals that we're receiving from the customers are very, I would say, positive.

Leonardo Olmos: Sounds promising. Thank you very much. Good evening.

Martin Migoya: Thank you. Thank you.

Arturo Langa: The next call the next question comes from the line of Sean Kennedy from Mizuho. Sean, please go ahead. Hi, everyone. Thanks for taking my questions.

Sean Kennedy: I was wondering if you could discuss what factors could raise conversion rates for the pipeline because as you noted, the growth there is robust. Is it just as simple as a better global economy, or are there other factors like AI, as in your customers are taking more time to think through their AI strategies before investing.

Martin Migoya: Yeah. I think there are several factors that may help. Of course, you know, as the global economy improves, it makes more sense for people to make more transformational projects. I know companies are I think that by the nature of understanding and going deeper into the benefits of that AI that any company can get from this new technology, I think companies are starting to understand that they need to move out from, I would say, trials into full programs. And this always takes time, and in other massive technology shifts we have seen in the past, these took time. So we expect now that there will be needed some more time

Martin Migoya: for the companies to agree that they need to go in the

Martin Migoya: full transformation, multi-year full transformation AI program for every single area. But the good news is that we are seeing that happening already maybe not on 100% of the cases, but in many more cases than six months ago. So that's a clear maturity of understanding how these projects must be developed that will help in the transform sorry. That would help on the conversion of these deals. And then, you know, if interest rates go down, if, you know, the economy, you know, in the US, which is one of our main markets, it has been quite stable if you take out the investments in AI.

Martin Migoya: So I believe that this will come back to growth

Martin Migoya: in some way as the whole economy improves. And that will help a lot. Right? But then

Martin Migoya: on the internal side, on the Globant side,

Martin Migoya: as we progress with our AI studios, and as we progress with our offering, and as we progress with our value proposition of new ideas like the AI and the enterprise AI and the subscription model. All those things will help, you know, customers say, okay. Yeah. Let's do it. You know, enterprise AI is the perfect path for AI. It will isolate you from any vendor dependence. You can connect with 140 LLMs on one side, on the other side with all the corporate information systems, then you can use those two things to create agents. And to give workflow that, you know, automate processes. But also that transform how consumers interact with your brand. So, as that value proposition gets stronger and deeper, and goes deeper into our customers, I think conversion will accelerate too. So there are multiple factors there affecting in my perspective in the future. But I don't know, Juan or Diego.

Diego Tartara: No. I think just to add a little bit on top of what Martin said. I think there's something related to what you mentioned, Sean, that the market continues to be in a mood that is about efficiency and impact. Right? And this is very important because what we see is, first of all, all the proposals that we send, they're being evaluated. And, of course, they need to understand the impact that will have in the business. And they're either a go or no. But I think with regards to the time it takes to evaluate proposals, close them up, which has certainly their larger period of times lead times, until closure, I think that it has a lot to do with the maturity both of the market and the technology as well. Evaluating a proposal, how to properly use new platforms, the proper model, the implementation, which is super complicated, and you have three different offers that might be totally different and you're not even super mature with regards to that, tends to take a lot more time. I think that will only improve in time, and

hopefully, we will get back to the usual times of the industry.

Sean Kennedy: Great. Good

Sean Kennedy: good to hear. Thanks for that. And then as a quick follow-up, I was wondering you were seeing demand from helping companies or companies prepare for AI in terms of data and cloud. Like, before the AI pods implementation?

Sean Kennedy: Yeah. Yeah. I think that those are interesting data points mentioned in the script.

Juan Ignacio Urthiague: There are 900 projects or potential projects in the pipeline. That are what we would call data readiness projects, which is either data, either a generative AI, either AI bots or a mix of the above. So there are plenty of projects that are happening and plenty of projects that are in the pipeline. That are AI-related. We still see many companies that need to get prepared for making a better use of AI. Right? And that's going to continue for a while. You have some comments that are there. Others are getting there.

Martin Migoya: Well, I'm sorry. But I know and not all the projects are generative AI. I mean, there's a lot of projects that are traditional AI, machine learning projects, in which a massive amount of information is being involved and models are being trained or tuned or I mean, not all the projects are about conversational projects or interfaces. There's a lot of AI projects that are traditional AI, you know, projects, of course, get enhanced by the use of generative AI. But it's much more the traditional data gathering and then trying to train models based on that information to predict certain factors or certain things, that you cannot do only by using a generic LLM. Right? So, it gets accelerated by using LLMs but it's traditional AI or fine-tuning or doing machine learning on specific industries, specific sectors, on specific areas of the company, that are also fueling that pipeline and that amount of projects that Juan was mentioning.

Sean Kennedy: Great.

Sean Kennedy: You. Appreciate all the color.

Martin Migoya: Thank you.

Arturo Langa: Thank you for your question, Sean. Unfortunately, that's all the time we have for the Q&A; section today. I will now Arturo,

Martin Migoya: hold on a second. There was one that got missed on the line. I don't know if he's ready for the question. Jim?

Arturo Langa: Jim, are you there on the line? If not, we can move to one more question then.

Maggie Nolan: I'm sorry.

Arturo Langa: Unfortunately, that's all the time that we have today. I don't see Jim in there. But with that, we will conclude the call today.

Maggie Nolan: And I would like to turn over the line to Martin. Martin, please go ahead for some closing remarks.

Martin Migoya: Thank you very much, guys, for supporting us, for being here with us. For another quarter of Globant. I'm looking forward to seeing you in the next one.