

## **Globo Plc. – What is missing in the Research Report?**

As most of the followers of Globo Plc. are aware the US based hedge fund firm Quintessential Capital Management (QSM) published a research report on Globo Plc (the report is available for the public from Shareprophets.com) on Thursday indicating that above 60 % of the revenue was fake and that Globo was actually big fraud. While I think QSM make some good points and that Globo have some explanation to do – I think there are some huge missing points here.

But first I would like to thank and congratulate QSM. They have done an incredible job digging up dirt at Globo and reporting that to the public. The markets needs short sellers that are willing to do the dirty work to cover frauds etc. But as I stated above – I think they are missing a lot of things

### **Globo was not merged into an Israel Company:**

QSM states that Globo reversed into an Israel company listed on the AIM in 2007. Just to make everything clear. This is false. Globo did a reverse merger with a British Company listed on the AIM. The company they merged into was named Israeli Acquisitor I plc – so maybe this is where QSM got their facts wrong.

### **How extensive is the fraud?**

First – I will admit – I don't know if there has been some fraud or not. The extensive and impressive research from QSM clearly indicates that there has been some kind of misleading or fraudulent business. But they do not provide any facts about how extensive it is. They list a lot of distributors etc. they say are just shell companies or do not exist. And after that they conclude that all of Globos business that was not by Sourcebits and Notify (or their 49 % owned Globo Technologies) really doesn't exist. I think this is an extreme conclusion.

What could have happened (all of this is guesses by me)?

- Maybe Globo just needed some distributors on their website so it looked more impressive and faked some

- Maybe Globo just needed to a little extra profit to their reported earnings.

Or something else – we would need Globo to respond here and see what the truth is. I think they deserve the benefit of the doubt.

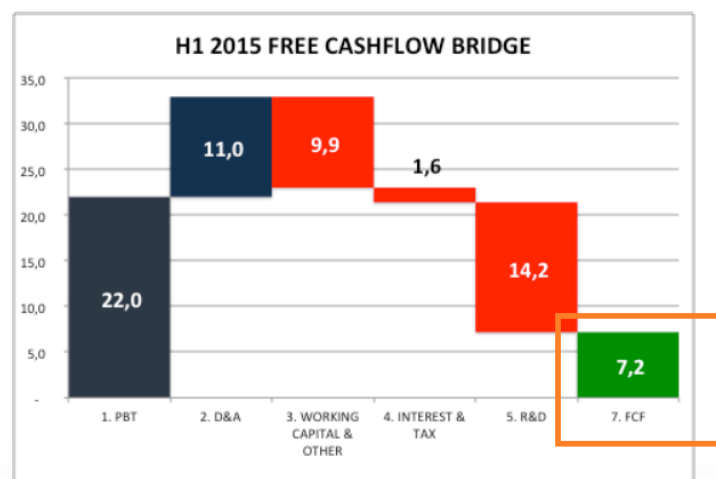
QSM are not listing any transactions – not any financial statements from the “shell companies” – not any numbers at all. So because Globo have some questionable distributors listed on their website nearly all of their revenue is fraudulent? I think this is a little extreme.

### Cash flow:

Everyone knows – what matters in business valuation is cash flow – not reported earnings. While QSM is questioning the reported earnings from Globo Plc. they are not setting much if any questions about the accuracy of Globos stated cash flows. One of the first big missing points is that they report “levered free cash flows” from Capital IQ. The numbers QSM states shows negative free cash flows in every year besides 2012 (where they disposed Globo Technologies). I really don’t know how Capital IQ gets their numbers – but the free cash flow I calculate like this:

## Cashflow: Free Cashflow Generation H1 2015

- Operating cash flow of €23.02 million (H1 2014: €18.23 million)
- Net operating cash flow increased by 27% to €21.04 million (H1 2014: €16.56 million).
- Working Capital + Other represent 38% of revenue increase



Source: Globo H1 2015 Results presentation

Globo reported free cash flow of 7.2 mio. Euro in H1 2015. 2013 and 2014 were also cash flow positive adjusted for acquisitions. I have gone through the numbers. The net cash position 30/6 2015 and 31/12

2014 clearly illustrates the 7.2 mio. Euro free cash flow is accurate. And remember, the cash flow is back loaded at Globo, so maybe they will do 20 million Euro in free cash flow this year?

### Where is the cash?

Another point by QSM is that Globos cash position is in “low quality banks” etc. What they do not mention is this is not the case anymore:

## Cash management

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- The Group holds bank accounts with several banks in the UK, Switzerland, USA, Dubai, India, Greece and Cyprus.

<b>Credit Rating</b>	<b>As at 30 June 2015 €'000</b>	<b>As at 31 December 2014 €'000</b>
A+, A, AA-, Aa3 *	103,489	9,977
B3, B, B-,Baa3	869	72,774
CA	-	11
<b>Total</b>	<b>104,358</b>	<b>82,762</b>

\* Banks located in UK, US and Switzerland

Source: Globo Plc H1 2015 results presentation

Globo directly illustrated that about a month ago – and not even mentioned by QSM

### The product is low quality:

Another point from short sellers in general about Globo are that the GO!Enterprise platform and products are really low quality. The normal comments are:

- There a no downloads in android and app stores
- The reviews are negative
- The products freeze etc.

First of all – we need to clear the second bullit out:

The reviews are not good for Globo products – but that is the same for products for Airwatch, Mobileiron and Good Technology. Actually I think the reviews for Globo products are better than the competitors. The other thing and this is important. The GO!Enterprise MDM space is targeting big companies that have their own IT departments etc. This is not the BOYD part of GO!Enterprise. If you work for at big company with a big IT-department etc. you will not as an employee go to APP store and download the app. The app will be preinstalled directly on your company phone from your IT-department.

The products freeze? I have not experienced that – but again – I don't think the program will work without actually having it set up by an IT-department or on the computer prior to downloading the app.

Globo employees are not using it? I cannot talk for all Globo employees – but from what I saw on head of investor relation Mike Jeremys corporate phone – he was indeed using GO!Enterprise.

But what is the strange thing here?

Short sellers are only writing about GO!Enterprise MDM i am talking about above.

The reviews are poor (2,3 about of 5) and the downloads are low (10.000-50.000) – but as I stated before – this is normally a pre-downloaded system on corporate phones.

<https://play.google.com/store/apps/details?id=net.notify.notifymdm>



## GO!Enterprise MDM

GLOBO Productivity

★★★★★ 252


PEGI 3

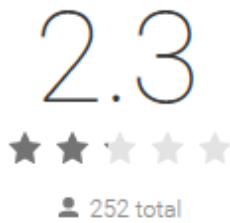
⚠ You don't have any devices

🔖 Add to Wishlist

Install

## REVIEWS

 Write a Review



## ADDITIONAL INFORMATION

<b>Updated</b> September 15, 2015	<b>Size</b> 2.9M	<b>Installs</b> 10,000 - 50,000
<b>Current Version</b> 3.9.3.4321	<b>Requires Android</b> 2.2 and up	<b>Content Rating</b> PEGI 3 <a href="#">Learn more</a>
<b>Permissions</b> <a href="#">View details</a>	<b>Report</b> <a href="#">Flag as inappropriate</a>	<b>Offered By</b> GLOBO
<b>Developer</b> <a href="#">Visit website</a> Email <a href="mailto:techsupport@notifycorp.com">techsupport@notifycorp.com</a>		

First – look at the total reviews. Only 252 review. Not a big picture. Also remember this is really not a Globo developed product. This is the MDM suite developed by Notify and later incorporated into GO!Enterprise. As Notify primarily were targeting big costumers (like Oracle) of cause those downloads were pre-downloaded to corporate phones – not through android store.

But if you dig a little deeper (I would image short sellers have done this – so I am a little confused they have not written about it): There are another GO!Enterprise product than the MDM product in android store. The legendary BOYD Globo product is named GO!Enterprise Workspace. This product you can read about here:

<https://play.google.com/store/apps/details?id=gr.globo.citrongo.enterprise.client>



# GO!Enterprise Workspace

GLOBO Business

★★★★☆ 958

PEGI 3

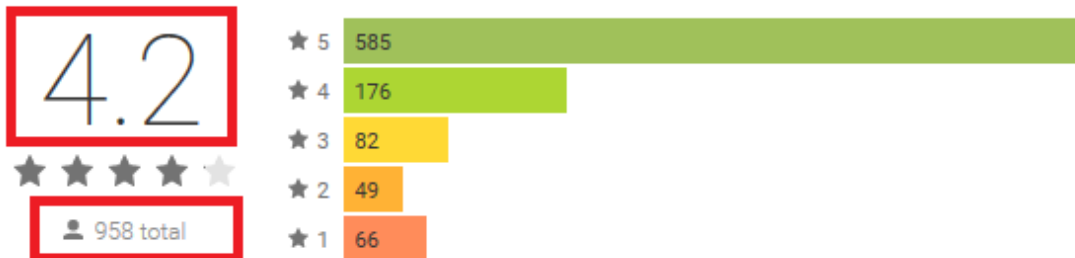
⚠ You don't have any devices

Add to Wishlist

**Install**

## REVIEWS

Write a Review



And look at the review here. A lot more review – 958 reviews and the average if 4.2 out of 5 with the majority really great. But what about the downloads?

## ADDITIONAL INFORMATION

### Updated

October 14, 2015

### Size

35M

### Installs

50,000 - 100,000

### Current Version

2.7.1

### Requires Android

4.0 and up

### Content Rating

PEGI 3

[Learn more](#)

### Permissions

[View details](#)

### Report

[Flag as inappropriate](#)

### Offered By

GLOBO

### Developer

[Visit website](#)

Email [globo.android.dev@gmail.com](mailto:globo.android.dev@gmail.com)

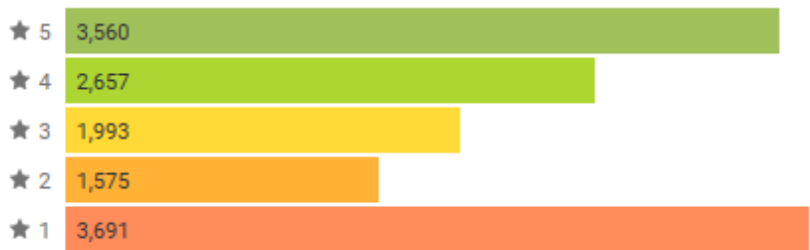
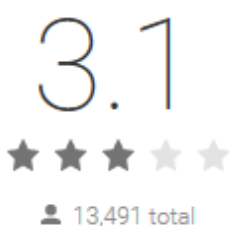
The downloads here are at least 50,000. While that is clearly above the numbers on the MDM space it is still not high in regards to the total number of users mentioned by Globo – but still much higher than the MDM product and with much better reviews – so why aren't short sellers not mentioning this?

Remember the GO!Enterprise Workspace had 4.2 in reviews. What about the competitors?

**Good Technology:**

REVIEWS

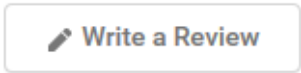
 Write a Review

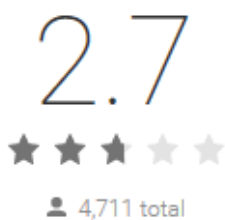


<https://play.google.com/store/apps/details?id=com.good.android.gfe>

**MobileIron:**

REVIEWS

 Write a Review



<https://play.google.com/store/apps/details?id=com.mobileiron>

## Airwatch:

### REVIEWS

 Write a Review



<https://play.google.com/store/apps/details?id=com.airwatch.androidagent>

I think those reviews indicate that the GO!Enterprise workspace product is definitely not as bad as short sellers want people to think.

But what about the big IT recommenders? Big companies like IDC, Gartner and Ovum have also evaluated the GO!Enterprise products. The big company Gartner actually reviewed Globos products and included it into their early magic quadrant. It is extremely hard to get into this without having great products.

<http://globopl.com/globo-at-a-glance/resources/gartner-madp-magic-quadrant/>

From the above link you can download Globos inclusion into Gartners 2015 MADP quadrant.

Globo is proud to announce its position as a **Challenger** in Gartner's 2015 Magic Quadrant for Mobile Application Development Platforms. Being already included in the Magic Quadrant for Enterprise Mobility Management Suites, we can safely say that we are **the only pure-play mobility vendor that is recognized in both MQs**, validating our position as an end-to-end mobility solution provider.

And seems from gartners it has been even harder to get in:

<http://solutions-review.com/mobile-application-development/2015-gartner-madp-magic-quadrant-whats-changed-since-2014/>

Globo was also included in Ovums decision matrix.

<http://globopl.com/globo-at-a-glance/news/globo-included-in-ovums-madp-decision-matrix-report/>



And in their EMM report:

<http://globopl.com/globo-at-a-glance/news/globo-included-in-ovums-emm-solutions-report/>

Both can be downloaded from Globos homepage:

About the Globo Product Ovum says:

*“Ovum has engaged with the leading vendors in the market to produce an Ovum Decision Matrix for MADP, designed to make it easier for organizations to find an appropriate solution.”*

Many of the short sellers says that the vendors and distributors in the market dosent even know about GO!Enteprise but when the biggest researchers in the field space ask the vendors network Globo gets included?

### **Are there any real costumers or earnings?**

My research indicates that there truly are a lot of Globo costumers. Beside the acquisitions of Notify and Sourcebits – Globo also acquired a company called ReachFurther Communications. All cash flow from those aqcusitions should definitely be real.

Gartners about evaluating companies for the magic quadrant:

I don't know if I am legally obligated to link to the Gartners report so I would now do that. You can download it from Globos homepage with the link above. But one of the funny things. Gartners talk about the companies in their quadrant needed to have demonstrated market impact, having big revenues and “having high volume of inquiries from Gartners end-user-clients”.

Why do short sellers say no one knows about Globo products and they do not have any costumers when Gartner says it is a criteria that there is inquiries about the products directly to them?

<http://globopl.com/globo-at-a-glance/news/globo-included-in-ovums-emm-solutions-report/>

From the link above I will just highlight some comments:

*The demand for cross-platform mobile management has created a fast growing and extremely competitive market for EMM solutions”, said Richard Absalom, Senior Analyst Enterprise Mobility at Ovum. “We are tracking over 70 vendors offering some form of EMM capability. Globo offers a well-rounded, end-to-end EMM solution, and is one of very few vendors to offer five out of six of our defined components. It combines strong MDM, containerization and MAM features with a proprietary MADP, offering an interesting choice for enterprises looking for a single solution delivering each of these EMM components.”*  
*Additional inclusion criteria for vendors to be included in the report were:*

- *The product solution has over 200 unique enterprise customer deployments*
- *Direct Ovum clients have shown particular demand for the solution*

Again – short sellers says no one knows about Globos products and there isn't costumers but Richard Absalom from Ovum says directly that they have above 200 unique enterprise costumer deployments and that ovum clients have shown demand. And also that they have tracked over 70 vendors.

If no truly did not know about Globos products, why do they have download and recommendations in android store and why does Gartner, Ovum etc. mention Globo?

Another point short sellers normally say are: Globo does not really have costumers and they will not tell who their costumers are. Actually they do. Globo stated in 2014 (<http://globopl.com/wp-content/uploads/2015/09/1388-rns.html>) that they have won a huge contract with Milton Keynes council. To make sure this was not faked – I researched it a little more:

<b>Contract :</b>	Mobile Device Management Software
<b>Reference :</b>	QU0482
<b>Main Contact :</b>	sultan.khan@milton-keynes.gov.uk
<b>Customer :</b>	Resources, Finance and Public Access
<b>Value (£) :</b>	7854975.00
<b>Start Date :</b>	25 August 2014
<b>Expiry Date :</b>	24 August 2017
<b>Supplier :</b>	Globo PLC
<b>Supplier Phone :</b>	020 7378 8828

Source: <https://in-tendhost.co.uk/miltonkeynescouncil/asp/ViewContractsRegister.aspx?id=39181528-a75d-49c5-acf2-8ddd5e60f36f&iContractID=3002>

I think this close to 8 mio. £ Costumer project is actually quite real. This is about 10 mio. Euro or alone about 10 % of their annual running revenue – is states it expires in 2017 but from Globo it seems the project is already finished. And also that it should provide Globo with early recurring revenue form licenses in the years after.

Globo states it won a 50.000 a year license deal valued 1.2 million \$ from a fortune 100 company:

<http://globopl.com/wp-content/uploads/2015/09/1396-rns.html>

Globo wins a 7.5 million Euro project order:

<http://globopl.com/wp-content/uploads/2015/09/1359-rns.html>

Globo Plc. Will get 60 % of that sum or 4,5 mio. Euro.

I could not find the grant to the project on:

[http://ec.europa.eu/regional\\_policy/en/projects/ALL?search=1&keywords=&countryCode=DE&regionId=ALL&themeld=ALL&typeld=ALL&periodId=3&dateFrom=](http://ec.europa.eu/regional_policy/en/projects/ALL?search=1&keywords=&countryCode=DE&regionId=ALL&themeld=ALL&typeld=ALL&periodId=3&dateFrom=)

But it seems that they only have updated the database from 2007-2013 and not projects from 2014 and forward as I could not find any projects from 2014 and going forward.

When I google: **Greek Ministry of Public Order and Citizen Protection**

I get to websites from Hellenic Police and Hellenic public. The websites are primarily in Greece so I cannot find much about Globo. But it would be possible Globo have used their involvement with the Hellenic Foundation to get this project. If you look at Globo CEO LinkedIn profile he is involved with Hellenic Capital and Hellenic Association of Mobile Application Companies (HAMAC)

<https://www.linkedin.com/in/costispapadim>

Globo receive 300.000 \$ order as part of consortium:

<http://globopl.com/wp-content/uploads/2015/09/1392-rns.html>

Another order published by Globo.

### Major shareholders:

Recently it was notified by Globo that Forum GMBH in 2 funds have purchased total above 11 % of the capital in Globo. It is clear signal that Forum really believes and trusts in Globo.

## MAJOR SHAREHOLDERS

UP TO 3%, AS OF 10/22/2015

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Konstantinos Papadimitrakopoulos	<b>18.67 %</b>
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Hargreaves Lansdown Asset Mgt	<b>6.67 %</b>
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Forum Venture Capital GmbH	<b>6.00 %</b>
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TD Direct Investing	<b>5.50 %</b>
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Forum European Smallcaps GmbH	<b>5.00 %</b>
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Barclays Wealth	<b>4.70 %</b>
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Source: Globplc.com

It is quite interesting because Forum is at company that to expensive research in the companies they invest in. From their website it seems that Globo is their second biggest investment right now. They run a concentrated portfolio of investment where they have done deep due diligence.

From Forums website:

<http://www.forumgruppe.de/en/listed-companies-public-equity/about-forum-public-equity.html>

# Investment philosophy

## Business Level

We look for "one-of-a-kind" businesses displaying high customer stickiness, run by dedicated managers for the long-term.

Such characteristics should translate into compounding economics> – a high return on capital and the ability to reinvest returns to achieve outstanding organic growth

Our investment philosophy is characterized by consistent application of the principles of value investing: avoid any risk for permanent loss of capital and ensure downside protection with a margin of safety.

We align ourselves with the Buffett / Fisher School ("internal compounding") rather than with Graham ("cheap assets").

Source: Forumgruppe.de

## How We Like To Do Due Diligence

We like to meet the management in person – preferably also members of the second level management.

We like to spend a day on the company's premises

- learning the basics
- meeting people
- feeling the spirit.

We like to meet customers (and non-customers)

- on our own
- spending a day with the sales people in the field.

Source: Forumgruppe.de

Forum actually writes concrete about their investment in Globo in their Q4 2014 and Q1 2015 reports:

### 5.2.1 Globo plc.

Our largest holding in this group is **Globo plc.** with ca. 8,7% of AUM. This is a software company with two divisions:

- a) A software solution for compression of mobile data, used to give feature phones connectivity to the internet. Thus it is mainly sold to mobile network operators in emerging countries.
  
- b) A software solution to integrate personal smartphones into company networks (“Enterprise Mobility Services”), a fast developing application in developed countries, mainly in the USA.

The feature phone business will gradually disappear while the market for the second application will grow – at Globo revenues of the latter grew by 90% in 2014.

The stock is heavily shorted as some people suspect there is fraudulent accounting and thus the company is presently **valued at an EV/EBIT 2014 of ca. 6x**. The company – which is headquartered in Athens – not a good place in these days to signal reliability – is not doing a good job to proactively communicate its cause. We did a thorough Due Diligence and think the concerns are unfounded.

In our opinion **the main risk in this investment** is the competitive situation in the new application.

Source: Forumgruppe.de

The 8,7 % of Asset under Management was before they increased their position. By my calculation they have close to 15 % of their AUM in Globo at the moment.

As we had to report a stake we can also name it – it is **Globo plc.**

In H1 2015 the company **reported growth of 56%** mainly driven by the new business line Enterprise Mobility Management (“EMM”) which grew by 126% and now represents 62% of group revenues. **EBITDA grew 55%** showing the focus of the company on remaining very profitable despite the strong growth. Finally **renewal rate of prior year’s licenses was ca. 99%**, an extremely high stickiness.

Source: Forumgruppe.de

Another interesting point. If you look at shorttracker you can see what companies have short positions in Globo:

Fund manager	% short	Change	Date changed/created
<a href="#">Ennismore Fund Management Limited</a>	6.76%	↑ 0.43%	2015-10-21
Total	6.76%		

<http://shorttracker.co.uk/company/GB00B282VW04/all>

QSM says they do have a short position in Globo but it cannot be above 0,5 % because it would then have to be reported. Globo currently have a market value about 110 mio. £. A 0,5 % short interest is around 600.000 £. How big conviction can they have in their short position if they are not even short shares worth 0,6 mio. £ ?

The only published short position as of 2015-10-22 is Ennismore Fund Management.

With Forum long around 11 % of the shares in Globo and Ennismore short around 7 % I did find it quite interesting that Forum on their website uses Ennismore as a peer comparing their performance to them:

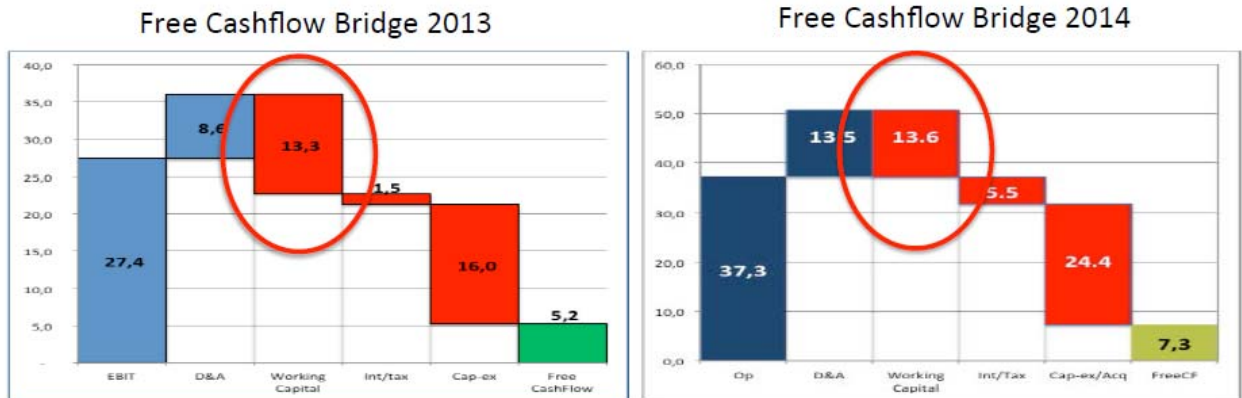
since begin (2002), p.a.	FORUM		HSBC European Smallcap Index		Ennismore NAV in €	
	Percent	Index	Percent	Index	Percent	Index
2002	-7,0%	93	-25,0%	75	-0,3%	100
2003	78,0%	165	38,0%	103	20,0%	119
2004	74,0%	287	24,0%	128	23,0%	147
2005	178,0%	798	36,0%	174	34,0%	197
2006	-37,0%	502	33,0%	231	10,0%	216
2007	1,0%	504	-5,5%	218	0,0%	216
2008	-50,0%	252	-51,5%	106	-28,0%	156
2009	129,1%	577	55,8%	165	4,0%	162
2010	26,9%	728	25,8%	208	22,8%	199
2011	-23,5%	557	-18,6%	170	11,5%	222
2012	13,2%	630	23,7%	210	10,9%	246
2013	66,9%	1052	32,4%	278	24,3%	306
2014	-13,2%	913	5,3%	290	12,4%	344
2015 ytd	5,0%	959	12,9%	330	8,8%	374
<b>IRR p.a. since Jan. 2002 to</b>	<b>17,9%</b>		<b>9,1%</b>		<b>10,1%</b>	

As can be seen Forum have and IRR at 17,9 % compared to Ennismore track record of about 10 %.



## Valuation:

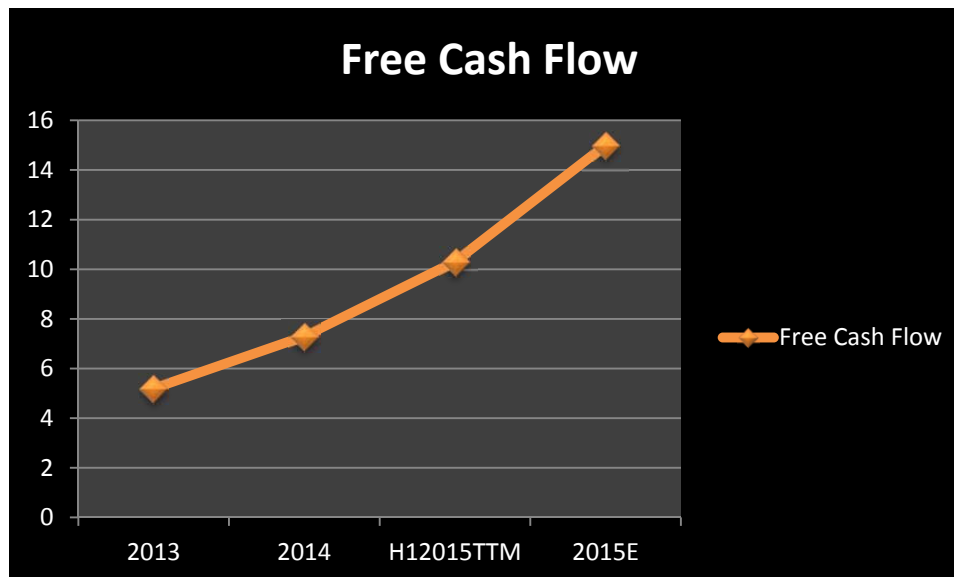
How should investors value Globo? I always value companies based on their cash flows, not on their reported earnings. That is because, reported earnings can be manipulated, it can be aggressive and misleading. Cash flow normally can't.



The above chart is from Globos 2014 annual results presentation.

I have run through the numbers and clearly think the cash flows of 5,2 mio. Euro and 7,3 mio. Euro are accurate.

In H1 2015 the cash flow alone was 7,2 mio. Euro.



Source: Developed myself on background of Globo financial reports. 2015 Estimated cash flow of 15 mio. Euro is estimated by me. This is by looking at H1 2015 cash flow of 7,2 and remembering the second half is normally stronger.

How should Globo then be valued?

A company with a 15 million Euro free cash flow growing at a +50 % CAGR. I would normally say at least 20 times cash flow or 300 million Euro.

Here I would assume investors want some kind of rebate because of the uncertainties around Globo but the shares should not be overvalued at this point of time.

This of course assumes that Globos stated cash flows statements etc. are accurate and not falsified. But as of now I have not seen a short seller report or anything alike indicating that Globos cash flows are not true or seen any prove in this regards. It has always been around revenue and profits.

Again let me say that I was impressed by the analysis from QSM and they clearly have some great points that Globo needs to answer. But what also amasses me is, how can someone make so much deep research and forget all the obvious points I have stated here. Why aren't they?

- Telling anything about GO!Enterprise Workspace but only about MDM?
- Saying anything about Gartner, IDC, Ovum etc. that have researched Globos products
- Writing anything about the projects like the Milton Keynes that clearly indicates real costumers

What could Globo have done?

As I stated in the beginning they could have fabricated some distributors on their website to make it more charming. They could have fabricated earnings a bit in 2007-2012 when they needed new Equity cash to survive. But I think they should have benefit of the doubt and be able to respond before making those accusations.

Globo have 485 Employees as of 30/6 2015. If their revenue and earnings were faked, how the hell would they have been able to pay all those employees their salaries and paying other corporate expenses without having a huge capital outflow?

I will be following this story closely and monitoring the response from Globo around the accusations in the QSM report.

**My company remains long the shares of Globo Plc.**

**Disclaimer:**

I wrote this article myself without any help. I can't guarantee for the accuracy of anything in this report. It is based on my best knowledge. You should not make any investment decisions based on the writing and outcome of this report.