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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Globant Q1 2019 Earnings Conference Call. (Operator Instructions) .

At this time, it is my pleasure to turn the floor to your host for today, Ms. Paula Conde. Ma'am, the floor is yours.

Paula Conde - *Globant S.A. - IR Officer*

Thank you, operator, and thanks, everyone, for joining us today on our quarter review our 2019 first quarter financial results.

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.

Our speakers today are Martin Migoya, Chief Executive Officer; and Juan Urthiague, Chief Financial Officer.

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 in 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 results.

I like now to turn the call our to Martin Migoya, our CEO.

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

Thank you, Paula. Good afternoon, everybody, and thanks for joining us today. I'm very happy to share with you our business and financial performance for the 3 months ended March 31, 2019. Later in the call, Juan will share our outlook for Q2 and the rest of 2019.

We have another great quarter and a solid start of the year. Our Q1 revenue amounted to a record of $146.2 million, which represented 22.1% year-over-year growth. At the same time, adjusted EPS for this quarter was $0.50, growing more than 30% over the same period last year. We have consistently managed to keep growing while improving our operating and net margin profile. Later during the call, Juan will share more details on our financial performance and our guidance for the rest of the year.

Now I like to go over some of our latest news as we see the market evolve. We continue to experience strong demand coming from organizations looking to transform their businesses. Today, it is not just a matter of rethinking how companies connect with their users, it is also about reshaping organizations, including their internal processes, departments and overall vision. A profound cultural change in the company can help improve the business model with renewed digital and cognitive user experiences.

At Globant, we are extremely well positioned as a leader to deliver these transformations as we are organized around new a paradigm. Our podular structure pushes innovation, entrepreneurship and agility to drive efficiency to our customers during their digital and cognitive evolution. Let me share with you more insights on why we continue to differentiate from traditional IT players.

First, we have mastered a unique way of organizing our teams known as the Agile Pod model. Opposed to traditional structures, Globant podular module eliminate the need of a command-and-control method. We also provide teams with full independence in customer interaction. It is a more autonomous structure that brings customer centricity, closeness to the front line, fast decision-making and elimination of bureaucracy.

Second, we know that in order to be successful, transformations need to impact every single dimension of an organization. It is not enough for companies to boost their consumer experiences, they also need to transform themselves internally. With our Organizational Fitness Lifecycle, we can help companies go through a profound cultural and then build, evolve and distribute their digital and cognitive initiatives.

Lastly, our expertise is organized around our Studio model. It is based on putting emphasis first on technology and then on industry knowledge. Each Studio represents a deep pocket of expertise in the latest technologies. This technical focus can connect better with consumers and employees even when redefining an internal process. We have profound industry knowledge that is also fundamental. However, our Studio model brings the disruptive approach that our customers are looking for.

To sustain this unique approach, we also provide our customer with valuable insights to help them stay relevant. Understanding the changes that happen around us is key to remain successful in front of new business opportunities. During the past month, these are some of the initiatives that we launched. Our experts have put together a set of trends that will reshape our world in the next year and beyond. This annual report dives into different emerging technologies, including the IoT Grid; the Artificial Intelligence Engine, AI Engine; Cloud; Intelligent Automation; Quantum Computing and 5G. To read more about these, visit trends.globant.com.

We complement that report with a special edition about the Augmented Organization. As we dive into the cognitive revolution, we want to share how organizations can apply artificial intelligence to different functions within their business. The goal is to enhance their structures, internal experiences and processes. In the report, we show how companies can augment the capacity of employees by integrating AI capabilities into daily tasks. To read the Trends Report on Augmented Organizations, visit augmented.globant.com.

On top of this, today we are hosting the first 2019 edition of CONVERGE in Colombia. Speakers from different countries are getting together to discuss trends such as AI, robotics, digital transformation and more. We expect to receive more than 500 attendees to explore emerging technologies and new ways of doing business. After Colombia, we'll take our insignia event to other countries. For more information about the event, visit converge.globant.com.

As we continue to grow, we're also deepening our focus with our partners. We're glad to announce the availability of our Signal OTT platform on Microsoft Azure. This we'll help media houses and content publishers reach and engage users and drive new revenue streams through delightful experiences. Signal simplifies the OTT workflow and allows companies to focus on their content and business vision.

In regard to our business, we're seeing sustained growth as we added new logos from a wide variety of industries, including companies like Globalia, InCountry, Wargaming and Greensill and leading organizations from media and entertainment and finance among other sectors. Let me also share a few examples about what we are doing with them.

Globant has partnered with Greensill, the leading non-bank provider for working capital finance to companies globally for multiyear digital transformation deal. We started working with the innovation Department of CCU in January 2019. The first endeavor was a discovery process to help CCU improve their market share in the returnable space, run a 2-month immersive and cocreative process where we tested 6 areas on the market. As a result of that, in May, we will start the further development of one of those areas.

Globant partnered up with a leading reporting and analytics solution provider for the financial and services industry. The goal was to enhance the customer's transaction analysis and data controlling capabilities by adding AI and machine learning power to their solution. The augmented functionality becomes smarter as it continues to reconcile transactions and solve reporting exceptions. At the same time, a human-in-the-loop capability allows the systems to continue to learn in a supervised fashion.

To support the expansion of our business, we continue to increase our presence within different regions. During Q1, we have specially reinforced our European operations with the opening of new offices in Paris, France. France complements our existing centers in Spain and England. We believe this operation will be key to address the growing demand coming from local organizations.

On top of that, a few weeks ago, we inaugurated our development center in Cluj-Napoca, Romania. With this new opening, we continue to expand our Globant talent base as we bring in some of the best local professionals. Aligned to this vision, we have just announced a program to offer 500 scholarship in LATAM to train young people in IT skills with special focus on women. We want to give more opportunities for women to access the IT industry with the goal of increasing diversity in a highly demanded sector. We will be working with Acamica to train the candidates in key technologies. We expect to continue working on these types of initiatives to expand our talent base and promote the role of minorities in leading positions within the technology industry. For more information about this program, visit scholarship.globant.com.

Lastly, let me remark that our pipeline and backlog remain strong and we feel very confident about our ability to keep delivering sustainable growth in the future.

With that, I'll turn the call over to Juan Urthiague, our CFO, for further detailed financial review on the first quarter 2019 and also to provide guidance for Q2 2019 and for the full year 2019. Juan, please? Thank you very much.

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Thanks, Martin, and good afternoon, everyone. I will spend a few minutes taking you through our first quarter 2019 results. Then I will share our outlook for Q2 and the rest of the year.

Let me start by saying that we are very pleased with our overall results for the first quarter. Revenues for Q1 amounted to $146.2 million, implying a solid 22.1% year-over-year growth. Given the current fluctuations over the last 12 months, I would also like to mention that our revenues in constant currencies for Q1 2019 increased 25.5% over the same period last year. This is primarily explained by the Argentinian peso and the euro. Disney was once again our largest customer for the quarter coming from an outstanding 2018 and with healthy prospects for 2019.

During this quarter, we experienced accelerated demand among many of our 50-Squared accounts and particularly strong performance among non-top 10 customers. Revenues for customers other than our top 10 increased 30.2% over the first quarter of 2018. From a vertical standpoint: media entertainment; banks; financial services and insurance; and consumer, retail and manufacturing industries continue to be key contributors to our growth and building up robust pipelines.

Looking into regions during Q1 2019. Europe outpaced other geographies in terms of growth, while Latin America also increased its share, as several customers are growing nicely and we have gained new accounts coming from the Avanxo acquisition.

On a sequential basis, revenues increased 4.3% during Q1 2019 over the last quarter of 2018. As a result of our diversification of operations into multiple regions, we have been able to gradually reduce the impact of seasonality in terms of revenues. Our customer concentration numbers for Q1 2019 remained fairly consistent with past quarters, with our top 1, top 5 and top 10 accounts representing 10.5%, 28.9% and 40.8% of our revenues compared to 11.1%, 31.3% and 44.5% of revenues, respectively, for the first quarter of 2018. Our vertical diversification continues to be balanced across the different industries, with media entertainment and BFSI leading the pack accounting for 25% and 22.8% of revenues, respectively.

During the last 12 months ended March 31, 2019, we've rendered services to 472 customers compared to 348 for the same period last year. This significant increase in the total number of customers served is mainly driven by the new accounts coming from the Avanxo acquisition, the majority of which currently yield less $100,000 per year. On the other hand, during the last 12 months ended March 31, 2019, we have 91 customers accounting for more than $1 million of annual revenues compared to 89 1 year ago and 5 accounts over $20 million in annual revenues compared to 3 accounts for the same period last year, proving our ability to grow the size of our accounts align with of our 50-Squared strategy.

During the first quarter of 2019, 72.3% of our revenues were in North America, the U.S. as our top country; 17% in Latin America and others, Argentina being the top country; and 10.7% were in Europe, Spain being the top country. During the first quarter of 2019, 83.3% of our revenues were denominated in U.S. dollars, minimizing impact on our top line from currency fluctuations.

Turning now to profitability. Our adjusted gross profit for the period increased to $60.1 million, 41.1% adjusted gross margin compared to $46.8 million or 39.1% adjusted gross margin in the first quarter of 2018. Our strategy of diversifying our talent base across the regions combined with some tailwinds from Latin American currencies were key drivers to the margin expansion.

We finished the quarter with 9,259 Globers, 8,609 of which are IT professionals. During Q1 2019, we had a significant increase in terms of net additions, with a total headcount increase of 875 employees. Attrition for the past 12 months was 16% compared to 19.5% 1 year ago, showing a significant improvement year-over-year and positively impacted by the large headcount increase over the last quarter. We currently see a more normalized number around 17%.

Adjusted SG&A decreased 70 basis points compared to Q1 2018, accounting for 20.1% of our quarterly revenues. We have been very disciplined in managing our costs as we gain scale, while we continue investing for the future primarily to expand our sales coverage in the U.S. and Europe. We have been able to dilute SG&A despite the new tax on export of services in Argentina, included within this expense line.

As a result, our adjusted operating income for the quarter amounted to $24.7 million or 16.9% of revenues compared to $17.6 million or 14.7% for the first quarter of 2018. Higher-than-expected gross margin expansion combined with SG&A dilution were the 2 main drivers for the significant operating margin expansion. Financial income and expense net amounted to a loss of $2.8 million. This net result is mainly composed of FX losses from the exposure of monetary assets and liabilities in local currencies and interest related to lease contracts according to IFRS 16. Our effective income tax rate for the quarter was 22.1%, in line with the average effective income tax rate expected for the full year.

Adjusted net income for the first quarter of the year totaled $18.5 million, 12.7% adjusted net income margin compared to 11.6% for the first quarter of 2018. Adjusted diluted EPS for the quarter was $0.50, based on 37.3 million average diluted shares for the quarter compared to $0.38 for the first quarter of 2018. During this quarter, EPS grew faster than revenues.

Moving to the balance sheet. Our cash and investments as of March 31, 2019, amounted to $46.7 million compared to $86.2 million as of December 31, 2018. This decrease in cash was mainly explained by the acquisition of Avanxo. Our balance sheet remains strong with current assets of $204 million accounting for 39.6% of the company's total assets.

To wrap up, let me provide you with our guidance for Q2 2019 and the rest of the year. Let me start with the industry macroeconomic environment. Despite this all in the beginning of the year, we feel confident with the overall business environment and we are very satisfied with the progress of our 50-Squared accounts strategy.

Based on current visibility, we expect Q2 2019 revenues to be between $156 million and $158 million, implying 22.8% year-over-year growth at the midpoint of the range. Adjusted EPS is expected to be between $0.50 and $0.54, assuming 37.5 million average diluted shares outstanding for the quarter.

Regarding the full year of 2019, we are increasing our revenue guidance to a new range of $638 million and $646 million, an implied 22.9% year-over-year growth at the midpoint of the range. In terms of adjusted EPS, we are now expecting a range of $2.13 to $2.21, assuming 37.5 million average diluted shares outstanding for the full year.

Thanks, everyone, for participating in the call and for your courage and support. Operator, can you please queue questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll go first to Tien-Tsin Huang, JPMorgan.

Tien-Tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Nice growth, obviously. Wanted to ask about how broad-based some of this growth is. I know you mentioned -- Juan, you mentioned top 10 -- non-top 10 growing faster. I'm curious, again, how broad-based that is. Is it a handful of accounts? Or more insight of your top 10 to 20 or 20 to 30 accounts, any kind of additional color would be great.

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes. So yes. I mean, as you pointed out, the revenue of customers other than top 10 exceed. It grew about 30% year-over-year. We don't typically report the other ranges. But if we were to look at 11 to 20, for example, the revenue growth there was over 45%. So what you're clearly seeing is part of the 50-Squared strategy come into play, the top 20, 30 accounts that are basically leading our growth as a company.

Tien-Tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

That's great. Good to know. Then I will ask one margin question maybe. Just curious if you're managing your expenses and getting the G&A leverage. You've talked about the cover over the tax. But I'm curious, are you sacrificing your ability to grow in any way in order to preserve margin? I'm curious how you're balancing the margin versus your potential to grow?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes, it's a very good question. We have been gaining scale in the last few years. We have been building our company and building infrastructure and stuff areas in such a way that we can basically take on and aggregate organization and we can make it work seamlessly. And we -- typically what we do is we continue investing heavily in sales and marketing, which is kind of where we like to have more coverage and we continue investing. And we try to generate some savings in the rest of the stuff areas where the scale and also the fact that we are delivering on our 50-Squared strategy help us gain dilution. Keep in mind that when you sell to 40, 50 accounts, most of your revenues for all the stuff areas (inaudible) this year to support that company than when we are serving a much higher number of customers. So we think that a big part of the dilution that we were able to gain in the last few years is actually a consequence of the implementation of the 50-Squared strategy. So the answer is, we continue to invest in sales, we continue to invest in coverage. But we have been able to offset this (inaudible) we have through savings in finance, savings in legal, savings in other stuff areas where we have all the systems in place and we have our infrastructure that can support the large organization.

Tien-Tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Okay. No, that's great. So maybe one more quick one. Can you give us a little more color on -- more guidance on what margin would look like in the second quarter or the second half of the year, given what you just did there post the currency volatility?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes. Yes. For us -- for the margin -- for gross margin -- adjusted gross margin, we remain confident that we should be able to close the year around -- somewhere around 40%. We always guide 38% to 40% on average. That's kind of our long-term view, but we think that we should be close to the higher end of the range. And then in terms of SG&A, we think that we should be able to close the year with an SG&A of around -- basically gaining between 10 and 20 basis points, so maybe closing the year at 19.8% to 20%.

Operator

We'll move next to Ashwin Shirvaikar at Citi.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

Good results here. So I guess, my question first is to talk about -- if you could talk about North America versus non-North America growth, obviously growth outside North America extremely healthy. So maybe you can also break out the impact of Avanxo.

Martin Migoya - *Globant S.A. - CEO*

Yes. Look -- I mean, North America has pretty healthy growth. Some of our largest accounts like Disney, for example, has been flat across the last 1.5 quarters approximately. And the reason why is that they're making the huge acquisition and the reorganization and things like that. I see the forecast -- as always, we -- sometimes we take a very good Disney and sometimes we take a break with a big account. And we -- the other come to -- the other accounts come to expand the volume of business in general for Globant. So this is reorganization, it's happening. And then we expect -- and we are in a great position to catch, I would say, many of the new business that will become connected to this connection between Fox and Disney. So we feel pretty confident about that growth in the next quarters. And then the rest of the region, Europe, I think is pretty interesting how we performed compared to last year. So I think in Europe, you see a huge effort of business development that we have been investing, as we have been saying during the last earnings calls. Then in Latin America, Avanxo, the breakup, Juan?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes. So in there, in Latin America, we're seeing this growth both from the existing business and also from Avanxo that now is primarily focused on Latin America. The integration is working extremely well, much faster than expected. We are actually already integrating all the stuff areas. We are doing a lot of cross-selling. So Avanxo is selling to Globant customers, and Globant is selling into Avanxo customers. So we are very confident that, that operation has been extremely successful for us. And it really complements our service offerings, and we are seeing the benefit coming from that.

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

Yes. Pretty much everything, the customer from our big customers to more, much smaller customers are seeing and needing this cloud practice and Salesforce practice that Avanxo has. So the integration and the energy has been very, very, very positive, winning new deals, now making new deals within accounts that we are already in with these new capabilities. So extremely happy with that.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

Great. And then the second question, it was very interesting to hear the opening of the office in France, which I'm thinking may be related to the fact that you're also opening nearshore supply capabilities in Cluj. Is that -- I mean, should we look for a more aggressive European expansion as you build out the delivery capabilities there?

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

Look -- I mean, the connection between Cluj and -- Cluj-Napoca and France is not that correct. I think it's more appropriate to talk about the connection between Cluj and our expansion in the whole Europe. I think that it's giving us like a very nice platform to get talent and to develop our studios. The team that we put in together there was really -- and it's really amazing. So we expect to grow it very, very fast. So -- but yes, it's connected to the Europe strategy. I mean, for years, we have been trying to enhance our Europe operations. And when we try to concentrate on something, it happens, and I think Europe is not an exception to that idea. And so yes, it is connected. You can expect a strong growth from Europe as we have been delivering in the past quarters. But we have had accounts in Europe too that were very, very fast and very, very aggressive on growth, and now we're growing slower. And then we have others that are growing now big deals in U.K. that are growing much faster. So it's always a game of who's growing at this moment to push your growth forward. So I feel very confident with Europe, as I feel very confident with U.S. and Latin America. I think in general, as I said in my script, in general, I feel that the business momentum is very, very good. And I feel that the capabilities that we have are really well connected to the things that our customers are requiring.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

Understood. Understood. If I can ask one last question. The headcount growth on a year-over-year basis, very strong. And should we consider that as a indicator of forward revenue growth as well?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes, Ashwin. This is Juan here. So yes, the headcount grew quite a lot in the last quarter and also in the last few quarters. Typically, as we have been able to increase our margins, of course, helped a little bit by the depreciation of some of the currencies, especially in Latin America, we decided to increase headcount for basically 2 reasons: one, because we need to train more and more people to be ready for project we have in the pipeline; and two, we can pay for that right now without impacting our margins. So basically what we decided was to invest some of the margin or the regional margin that we could -- that we had, especially since the beginning of Q3 into training more people. Of course, I mean, we hire people in anticipation of demand. But we want to make sure that we have a lot of -- enough people training and ready to be staffed in some of the projects that we have in the pipeline.

Operator

We'll go next to Maggie Nolan with William Blair.

Margaret Marie Niesen Nolan - *William Blair & Company L.L.C., Research Division - Analyst*

Wanted to follow-up on some of that commentary around Europe. Really good to hear that, but I wanted to kind of think about that in the context of guidance. Is there some really optimism around your updated full year guidance? Or is there any conservatism baked in? We did hear some of your peers during this earnings cycle talk about some pullback in spending related to Brexit. So just wanted to hear how you're thinking about that for the full year.

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

So in -- for us, Europe, we have been talking for several quarters about the investments in Europe and the opportunities that we have there. So we are starting from a small base. I mean, we did about -- I have the numbers here. We did about $15 million in revenues in Europe, and that's still a small amount of money. And actually Spain is driving the majority of that growth. So it's not coming really from the U.K. Now having said that, we are seeing very interesting opportunities in the pipeline, both in the U.K. and also in Spain. So we are optimistic about Europe, but of course, I mean, we are starting from a lower base and we have been investing for several quarters in that. And in terms of the update or the increase in the guidance for the full year, it's not related to a specific geography. No, we look at -- we do our guidelines and our forecast account-by-account, and we are optimistic about all the regions for the rest of the year.

Margaret Marie Niesen Nolan - *William Blair & Company L.L.C., Research Division - Analyst*

Okay. Great. And then with respect to the 91 customers with over $1 million in annual revenues, I'm trying to get a sense for how important that $1 million mark is? So when these customers pass $1 million, do they generally stay above that level? Or is there a fair amount of movement kind of in and out of that bucket with those 91 customers?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes. So I mean, to be honest, it's more relevant for us, the -- I mean, customers over $5 million. But we think that it's still relevant to see that how many accounts we have potential to grow over time, right? I mean, we focus more on what we call 50-Squared, which is like asset classification within our customers, as you know. But I would look more at how we have been able, over the last few years, to increase the wallet share from our top accounts. I mean, that is actually our strategy. We've continue to take get 50-Squared these very large names and high potential. So the plus-$1 million is just like an indicator of an account that has some potential. But it's actually the 50-Squared accounts, the ones are that really matter to us.

Operator

We'll go next to Bryan Bergin with Cowen.

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - Director*

Wanted to just follow up on margin here. Obviously, very strong gross margin. Can you give us a sense on how much of that is currency impact versus the improved productivity versus potentially better pricing?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes. When you look at margins year-over-year -- I mean, if you look at the margins for this quarter, they were in line with Q3 and Q4. So in a way, we have been able to maintain the benefits that we got back in Q3 and still now -- I feel now we will continue to see the same level of margins. Now when we compare that Q1 compared to Q1 last year, we basically increased around 200 basis points, of which about 150 are coming from FX in Latin America, in India, and of course, within Latin America, Colombia, which as you know is becoming -- is very close to become our # 1 country. Right now, it's still Argentina. But we also have some benefits in the Colombian peso. So I would say 2/3 is coming from FX and 1/3 from productivity in the case of the gross margin.

Bryan C. Bergin - *Cowen and Company, LLC, Research Division - Director*

Okay. And then I wanted to ask -- you're talking about more clients' internal organizational transformation engagements. I'm curious does that require a different mindset from your developers or any varying contractual commitments versus where you traditionally had been working on more consumer-facing engagements. Just really curious if you have to train your professionals differently or anything that's notable there to call out?

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

No. I mean, for years, we have been developing our consultancy practice and our, I would say, business hacking practice within that. And that division is a division that is taking over those deals. And then it is expanding -- that Studio is expanding rapidly, and we are very happy to see the results of many customers by giving us pretty much the full challenge, which is extremely interesting for us, because we already have the knowledge. And then when you talk about coders, then you need to -- the thing that we will say is that this is not just about engineers, it's also about innovation and product people, and of course, designers. And those guys are the guys that are leading those changes within -- together with the consultancy guys in the organizations that we are doing the full transformation. So I think that our customers really appreciate our podular organization, which is not a traditional command-and-control organization that companies like, whatever, I don't want to mention anyone, but other companies have. But I say -- I think that the most important part is the autonomy that those pods have and how well prepared they are to take over that transformation. We're not seeing any challenge, to your question, any challenge on the training of our people and the capabilities they have, because we already have those capabilities. We acquired them in the past, and we have been expanding it very consistently during the last few years.

Operator

We'll move next to Diego Aragão of Goldman Sachs.

Diego M. Aragão - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

Just to follow up on the question of Avanxo. I'm not sure if I misheard the numbers. But how much it contributed in the quarter? And if you don't mind commenting on how margins were behaving at this company before the acquisition.

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes. So as I was trying to explain before, the integration is moving extremely fast. And providing a number from that will be a little bit complicated at this point, because we have some customers of Globant who are selling Avanxo's services and the other way around. But what we know is that we have been able to close deals together in our customers and in Avanxo's customers. So that's working really well. And what we see in terms of pricing from them is that they basically have a similar margin profile than what we have. I mean, we were not anticipating any impact in terms of margins, maybe a little bit in terms of revenue per head, because they were selling at a slightly lower revenue per head. But in terms of margins, they have similar margins to Globant, and we think that we will not have any impact going forward coming from that acquisition.

Diego M. Aragão - *Goldman Sachs Group Inc., Research Division - Equity Analyst*

That's super-helpful. And my second question is still related to M&A. We have been seeing you expanding to new geographies, making some efforts to face this, let's say, challenging outlook in Argentina, while you're exploring opportunities in new regions. So just want to get your thoughts about further M&A opportunities and how to think about your business exposure in the coming years as you keep expanding your business footprint.

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

This is Martín. Look -- I mean, the acquisition strategy we have is either to cover geographies or to be in places or to augment places that we didn't have, geographically speaking. That's number one. Number two is to acquire some abilities that we didn't have, like in the case of Avanxo, they are providing us a lot of consultants that are trained on -- specifically on Salesforce and cloud operations that we didn't have. Or it could be for a specific customer that we are interested. Those are the 3 dimensions. The efforts around -- it's not about bequeathing Argentina. Argentina keeps growing. There are other places that are growing faster. So I think Argentina will keep being very, very important. However, it has been diluted during the last years as compared to other regions that really grew much faster like India or like Colombia or like Mexico itself. So we'll continue trying to be every day a more hedged company. And with that bring -- that will bring more stability on our revenue, more stability on our costs. And I think that's a healthy exercise to do every day at Globant. So -- and that includes how we think about acquisitions. So that's pretty much the rationale behind the things we do.

Operator

We'll move next to Moshe Katri, Wedbush.

Moshe Katri - *Wedbush Securities Inc., Research Division - MD of Equity Research & Senior Equity Research Analyst*

Good numbers. I didn't hear a lot about Argentina. This is something obviously we talk about every quarter. Where was the headcount in terms of the overall mix out of Argentina? That's number one. Where are we in terms of wage inflation, any changes that we saw during the quarter? What do you think about the year? And then how did that impact the cost base for the quarter?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Sure. So Argentina is now 32% of our total headcount. Colombia is 26%. Mexico is 11%. All of LATAM as a whole is 79%. Then you have India for 11% and the U.S. and Europe for 10%. So that is the headcount breakdown that we have today. We continue to expect -- as I just mentioned a few minutes ago, we continue seeing that Colombia is going to overtake Argentina during this year. It's going to become the largest delivery center that we have. Argentina for us, as you know, we grew 70% in 2014, the year of the IPO, when we started implementing the diversification strategy. Argentina is growing in absolute numbers, but again, it's growing at a lower base than the rest of the countries. Wage inflation for Argentina for this year is expected to be around 30%. About 20% is going to be during Q2. And the rest is going to be in Q4. What we are seeing at the same time is that the peso has also depreciated since the beginning of the year and particularly in the last 1.5 months. So we don't anticipate any margin impact coming from Argentina. Keep in mind that 3 quarters ago, we started hedging the peso in Argentina. So typically what we do is we sell dollars forward, and by doing that, we were looking very good rates, which help us to offset any of this impact that we are talking about.

Moshe Katri - *Wedbush Securities Inc., Research Division - MD of Equity Research & Senior Equity Research Analyst*

Got it. And then one last question, you've had a very impressive growth rate out of non-top 10 clients, I think you said 30%-plus. Are you doing anything specific here just to get that growth going? Is there any change in terms of the way you're selling to that client base? What's really triggered that uptick. Is that the fact that these guys are just behind in terms of digital? Any color there would be helpful.

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

Yes. Look, the color on that is quite simple. We have -- for years, we've been pushing this strategy called 50-Squared and the idea of getting high-potential accounts to grow into a space where we can take it over in some years to get to $50 million or maybe $100 million or whatever, $50 million, it's an arbitrary number. So I think that this is -- what you're seeing there is the exact conclusion or consequence of our efforts of selling to high-potential accounts. So if you see the little detail of those 11 to 20 accounts and 11 to -- how much is it?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

11 to 20 is about 45%.

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

11 to 20 is about 45% of growth. You can see the names of those accounts. You will see that there is a lot of very, very high-potential accounts that could become 50-Squared accounts. So that's why we are -- they are picking up very fast. We are being able to sell with our delivery capabilities with our Studio, with our differentiators. They are picking up the difference, and they are choosing us to be able to grow their businesses. So I would say, it's a direct consequence from the 50-Squared strategy that we are persuading from many, many years ago.

Operator

We'll move next to Cesar Medina, Morgan Stanley.

Cesar Alejandro Medina - *Morgan Stanley, Research Division - Equity Strategist*

Congratulations on the quarter. I have 2 questions. The first one was related to the attrition rate of employees. You said you were like 16%. Is that a function of the acceleration in employee additions? Or is there something more structural that is leading to lower attrition? That's the first question.

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

So attrition came down significantly to 16%. As I mentioned in the call, part of that is because of the denominator growing very fast with the level of hirings that we have seen. But also, when you look at our attrition numbers, they have been coming down. And we are seeing -- and because we have been very active on different strategies to decrease attrition. So the number came down both because of the activities that we have been performing in the last few years, but also because of the high growth or the high number of hirings that we have in the last few quarters. We expect attrition to be more around 17% than 16% as we showed this quarter, but still a good improvement from where we were before.

Cesar Alejandro Medina - *Morgan Stanley, Research Division - Equity Strategist*

And then the second question, this is not operational, but I notice a big swing on financial income. What drove the change this quarter?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes. Yes, yes. It was more negative than we expected. We're a company that's exposed to multiple currencies in our liabilities and in our assets, primarily on the liabilities side and -- but also on the assets. And sometimes, for example, in the case of Argentina, when you have a big depreciation, it has an impact on our fiscal credits, the ones that we have with the government, and that generates some losses that the hedge didn't work exactly as we expected. Sometimes the hedge is not 1:1, but it's more like a long-term hedge strategy. So it's related to the changes in the peso and the changes in the Colombian peso. That is what drove that number during Q1. The hedge is not working 100% as we expected.

Operator

We'll move next to Arvind Ramnani, KeyBanc.

Arvind Anil Ramnani - *KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst*

Congrats on another good quarter. I mean, having looked at some of the ups and downs that -- across the other industries that's been facing some kind of revenue pressure, I think one of the reasons you're able to still grow is because your distinctive technology offering. A couple of questions around this one. Can you -- can I explain -- maybe using a client example of the various technologies you're working with. Are there specific kind of tools and technologies and partners you're working with? And then the second question is, what is your process to identify which areas of technology to build your expertise around?

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

Well, the areas of technology, we are in contact with hundreds of customers -- of top-notch customers, which now in essence we -- they ask us to do many things and they are constantly on the verge of technology. And we are analyzing those trends, and we have internally what we call a heat map of those technologies, which is a pretty interesting document that we have internally, where is the heat coming and where is the demand coming. So that's on the aspect of where to start putting an eye or start looking in advance what's going to happen technically on the market. I would say that in these few months and in these few quarters, our artificial intelligence and the cloud operations in general have seen like very, very hot things that are happening. And we are working in many different projects, not just externally for our customers to replace processes, to be able to augment intelligence of decisions to be able to fight corruption in some -- for some governments, in many different aspects to help -- e-learning companies to be able to answer to their alumni -- sorry, to their people in a more efficient way. So we have many different projects in many different areas we -- specifically with AI. Then the other hot aspect right now, I would say, has to do with conversational interfaces. We are seeing a huge trend towards -- the whole interaction to be place within SMS or WhatsApp or Hangouts or any kind of interface that has a lot of traffic and companies trying to enter there to be able to talk with automatics and bots that also includes artificial intelligence to be able to answer questions to make transactions, but not leaving the WhatsApp or the Hangouts or the SMS environment, but within that same environment. So avoiding the creation of no applications and avoiding crowding the space on your mobile phone. And we are seeing that as another strong thing that is happening. Then on the cloud space, which is the second one, I would say that there's an enormous demand of moving to the cloud very, very fast and not just on the, I would say, satellite systems or new systems that are made, but also there's a big demand on the core systems like Salesforce and other systems that are being moved to the cloud at warp speed. So we're seeing those 2 places like big places for growth in the future and big places for current growth, which also are connected, those things that I mentioned with the digital transformation of pretty much every company is planning in digital and cognitive transformation that pretty much every company needs to go through.

Arvind Anil Ramnani - *KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst*

Great. That's pretty helpful. And just a quick follow-up on that. Sort of given that change in the technology environment, are you also seeing your -- when you compete with some of the larger players, have you win rates improved and are there particular firms that you're taking business away from?

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

I'm sorry, I didn't get the question.

Arvind Anil Ramnani - *KeyBanc Capital Markets Inc., Research Division - Senior Research Analyst*

No. So when you think of the various technologies, tools available, are your win rates improving against some of the larger legacy players?

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

Yes. So yes, I think first thing is that together with the growth of our company, we started to see more often companies like Accenture or like some of the bigger players competing for some projects. And we have been increasing our win ratio significantly over the last few quarters when we are competing with those guys. I mean, many of our customers now feel very comfortable assigning a project to Globant that maybe in the past because of scale they were probably be more willing to give to one of the bigger players. But that's not the case anymore. So win rates have improved versus the bigger players.

Operator

We'll move next to Joseph Foresi at Cantor Fitzgerald.

Joseph Dean Foresi - *Cantor Fitzgerald & Co., Research Division - Analyst*

I was curious about the sales build-out. Can you give us an update on how many salespeople you have now versus this time last year? And how your go-to-market, I know, is changed, because you've decided to ramp on the sales side?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes. Just give me 1 second. So we now have about 85 sales account managers or -- I mean, different roles of sales people compared to 70 1 year ago. But at that the same time, what is happening now is that a lot of the growth is -- a lot of the -- I'll tell, the closing of deals is coming from tech guys and operations guys that are sitting in our customers' premises. So today, it's like -- I mean, I provided the numbers, because you asked for it, so -- but it's not more relevant, the number specifically of customer representatives that we have. It's more about how we have been able to sell as a team with tech guy, with an operations guy and with a sales guy working together as a team than like in the past where the revenue number was more related to the number of salespeople. For us, today when we think about coverage, we think about having more people from technology in our customers' premises, more people from sales and also more people from operations.

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

It's like version 2 of coverage.

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Exactly right.

Joseph Dean Foresi - *Cantor Fitzgerald & Co., Research Division - Analyst*

Got it. So has the amount of revenues from the present client base or kind of recurring revenues, has that changed much? I know that the industry is tipping like 90% of revenues comes from existing clients in a year? I'm just trying to get a sense of new versus old.

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes. Back in December when we provided the number for the full year. The number was 95% of revenue coming from customers existing the year before. And that number used to be about 85% to 90% in previous years. So that number has been expanding together with 50-Squared strategy. And the focus is to grow on existing accounts. I mean, we believe -- of course, we always want to have some logos, and you will always see us getting new high-potential logos of customers. But the focus of the company at this point is to find the customers that we already have that have huge potential. I mean, we have about 50 Fortune 500 customers -- as customers, sorry. So we believe we have a very nice portfolio of customers where we can generate revenue from.

Joseph Dean Foresi - *Cantor Fitzgerald & Co., Research Division - Analyst*

Got it. Okay. And then at the headcount level, how many of those were inorganic versus organic? Or is that not included in this quarter's numbers?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

So yes, in Q1, we grew our IT headcount by 798 IT professionals, of which almost 475 -- actually -- of which 475 were organic. When we reported the acquisition of Avanxo, we mentioned that we have 315 IT professionals at the time of -- when we made the the acquisition.

Joseph Dean Foresi - *Cantor Fitzgerald & Co., Research Division - Analyst*

Got it. Okay. And one last one from me. Anything worth pointing out from a seasonality perspective between here and the end of the year? I know you gave some color on margins, but I'm thinking on either the top line of the margin, anything that we should be aware off for the modeling?

Juan Ignacio Urthiague - *Globant S.A. - CFO & IR Officer*

Yes, not in terms of margins, but in terms of growth. Q1 and Q2 last year were 2 quarters where we have very, very high growth. So that's why we have a very tough comparisons for the first half of the year. That's the only seasonality that I will take into account. For Q2, we already have the salary increases granted, and we are confident about our margins for the quarter. So we are not seeing any seasonality in terms of margin. What you will see is probably -- we are expecting a little bit of an acceleration in our revenues in upcoming quarters.

Operator

And there appear to be no further questions at this time. I would like to turn the conference back to the CEO, Martin Migoya, for closing remarks.

Martín Migoya - *Globant S.A. - Chairman, CEO & President*

So thank you very much, everyone, for participating and thank you very much for your continued support and interest and coverage on Globant. So looking forward to see you on the next earnings call. And have a great and good luck. Cheers.

Operator

Ladies and gentlemen, that will conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time, and have a great day.
