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PRESENTATION

Operator

Good day, and welcome to the Globant Third Quarter 2019 Earnings Conference Call. (Operator Instructions) Please note, this event is being recorded. I would now like to turn the conference over to Paula Conde, Investor Relations Officer for LATAM and Europe. Please go ahead.

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

Thank you, operator, and thanks, everyone, for joining us today on our call to review our 2019 third 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 Martín 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 would like now to turn the call over to Martín Migoya, our CEO.

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

Thank you, Paula. Hi, everyone, and thanks for joining us today. I'm excited to share with you updates on our business and financial performance for the 3 months ended September 30, 2019. At the end of the call, Juan will share with you our outlook for Q4 and full year 2019.

Q3 2019 was another record quarter for Globant, closing at $171.3 million in revenues, a robust 27.3% year-over-year growth. This solid growth was mainly driven by strong performance of our top accounts, growing at 27.2% over the third quarter of 2018. Also due to the outstanding growth outside our top 10 accounts, increasing more than 44% year-over-year. As in previous periods, we continue to expand our relationship with our key customers. We now have 104 accounts over $1 million in annual revenues compared to 90 1 year ago. Additionally, during the last 12 months, we had 13 accounts over $10 million in annual revenues compare to 9 accounts for the same period last year. Later during the call, Juan will share more details on our financial performance. We continue to see strong demand coming from organizations looking to transform their companies. Consumer expectations are growing faster than technology, leading to continuous expansion of the market opportunity. In their digital transformation technology and industry outlook presentation, IDC analysts, Shawn Fitzgerald and Craig Simpson, point out they expected to see at least $6.1 trillion in direct investment in digital transformation worldwide from 2019 up to 2022. This opportunity is touching every industry, ranging from financial services and manufacturing to retail, transportation and more. In one of our recent reports called Cutting Through Chaos, we analyzed the abuse of business leaders and their strategies. The report can be accessed at www.globant.com/cuttingchaos. We found that while 87% of organizations are currently pursuing a digital transformation initiative, only 1/3 believe they are innovative and their digital maturity is cutting-edge. The study also discovered that most companies still need to consider internal transformation as part of their overall strategy. All these conclusions shows the huge opportunity in front of us. As a pure-play in digital and cognitive transformation, we are ready to help companies reinvent themselves for the future challenges.

At Globant, we are reinventing our company with a new approach. The goal is to continue to focus on producing real business impact for our clients. We do that based on 3 pillars. One, we deliver engineering, innovation and design at scale. We create software products that emotionally connect our customers with millions of consumers and employees. We do that through our studios, deep pockets of expertise on the latest technologies and trends. Our studio model fosters creativity and innovation while allowing us to build disruptive solutions. We are also expanding our consulting capabilities to our business-hacking studio. The goal is to help our customers rethink their business to increase their revenue growth. Second, we have an autonomous culture. It is based on a lean structure focused on agile pods. Driven by self-regulated teamwork, each board works directly with our customers, avoiding unnecessary bureaucracy, opposed to the traditional IT service structures, Globant popular model eliminates the need for command-and-control methods. It also provides teams with full independence in customer interaction. We're able to replicate our unique culture around the world by leveraging technology. (inaudible) let us disseminate our values while allowing us to gain insights on our Globers, and three, we are disrupting our industry with artificial intelligence. By bringing artificial intelligence into everything, we are creating an augmented Globant. We're increasing Globant's capabilities and reinventing the technology industry. Some examples of how we are doing this include augmented coding. We are enhancing the coding experience to augment engineers' capacity. With augmented coding, our collaborators can find code within a project repository. It accelerates ramp-up times and improves quality on delivery. Augmented culture, as I mentioned earlier, (inaudible) is a system that help us understand the human tissue within an organization. We can discover cultural leaders, influencers, trend generators and even disengaged teams. It help us detect and retain talent, promote integration and foster the company's growth. We're using artificial intelligence to uncover cultural insights. For more information about the augmented global initiatives, I invite you to visit augmented.globant.com. We shared these views during our latest CONVERGE edition in Mexico, Madrid and New York.

During this event, we welcomed over 1,000 attendees, eager to learn more about future trends. Speakers from organizations like Mastercard, Morgan Stanley, Openbank, Repsol, Globalia, Cabify, the Hershey Company and AB InBev shared their thoughts on how industries are evolving. Very good insights and interesting points of view. For those that couldn't attend, I'd like to invite you to check our blog, stayrelevant.globant.com, where we will be posting the different talks.

In regards to our business, we continue to witness strong demand coming from a wide variety of industries and geographies. Let me share some examples about our current work. We're working with Prisma, leading Argentine payment company, to redefine its virtual wallet [TotalPower]. We're creating the overall business strategy focused on merchants and end users. We're also working with [QV]on their spring 2020 launch. QV is an exciting new platform to fit quick bites of entertainment into any moment of end users' day. The best of the creative community will be designing content intended specifically for the phone. We're providing co-development for Lucky Jackpot Casino, a social casino company with leading mobile apps for video poker and Keno. We have started working with Nissan's global customer experience and design teams. We're helping them to create new online experiences that support their ambition and delivering Nissan's intelligent mobility to millions of customers around the world. We're working for [Global], one of the fastest-growing tech companies in Spain. Globant is helping to accelerate their digital roadmap supporting their business expansion. We are collaborating with Santander Argentina to redefine the way of working of their technology teams. We're also redefining how we can deliver value in collaboration with their business stakeholders.

We work for [IBV], optimizing internal processes with RPA, maximizing security and efficiency during critical user-termination process. Lastly, for Banco Itaú, we studied the transformation program to build a new comprehensive home banking platform for corporate customers. We're incorporating new technologies in order to speed up on-boarding and interaction processes.

During the past quarter, we continued with our global growth by increasing our talented teams throughout the world. We are increasing our operations in Europe, Asia and the Americas. On top of that, we are developing more professionals as a way to expand the industry and the opportunities it can provide for global talent.

A few months ago, we launched 500 scholarships to train people in technology. Out of the 500 scholarships, 80% have been granted to woman, promoting inclusion and diversity in this industry. Today, we already have 200 people actively doing the training. We expect the rest of the courses to start between Q4 2019 and Q1 2020. This is a key initiative that will help drive more talent and diversity to a fast-growing market.

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

With that, I will turn the call over to Juan Urthiague, our CFO, for a further detailed financial review on the third quarter 2019 and also to provide guidance on Q4 and full year 2019. Juan, please. Thank you very much.

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

Thanks, Martín, and good afternoon, everyone. Let me start by summarizing the results of our third quarter and 9 months ended September 30, 2019. I will then discuss our guidance for the fourth quarter and full year of 2019. I am very pleased to announce another quarter of record revenues and strong financial performance. Our revenues for Q3 amounted to $171.3 million, above the midpoint of our guidance and representing a solid 27.3% year-over-year growth. Revenue growth was robust despite 70 basis points of year-over-year FX headwind in the quarter. During Q3 2019, Disney was once again our largest customer, showing a strong acceleration of growth on a sequential basis and growing 27.2% year-over-year coming from a very tough comp. We are excited with the fact that high-potential accounts are scaling up and becoming large and meaningful within our customer portfolio. In addition to strong growth at Disney, our second [and beyond] clients together also displayed robust growth of 27.3% year-over-year, with clients 11 and beyond growing at 44.2% year-over-year.

Our 50-Squared strategy to have a diversified base of multimillion-dollar accounts is progressing in line with our expectations. Moreover, during the quarter, we continued to successfully cross-sell services with our recently acquired companies. During the last 12 months, we had 13 accounts above $10 million in annual revenues compared to 9 accounts for the same period last year, and we had 104 accounts with more than $1 million of annual revenues compared to 90 1 year ago. We continue to expand our relationship with our key accounts, aligned with our 50-Squared strategy.

Looking at diversification of our revenues by industry verticals, it is evident that Globant's value proposition and service offerings are attractive to enterprises across all the industries. Our top 3 industry verticals for this quarter were: medium entertainment, with 23.4% of revenues; banks, financial services and insurance, with 21.3% of revenues; and technology and telecommunications with 14% of revenues. Consumer, retail and manufacturing, professional services and technology and telecommunications were our fastest-growing industry verticals in Q3, growing at 54%, 51.9% and 51% year-over-year, respectively.

Our customer concentration for Q3 2019 displays ongoing improvement, with our top 1, top 5 and top 10 accounts representing 11.9%, 26.1% and 38.6% of revenues compared to 11.9%, 33.4% and 45.8% of revenues, respectively, from the third quarter of 2018.

In terms of geographic regions, during the third quarter of 2019, 77.1% of revenues were in North America, the U.S. as our top country; 17% in Latin America and others, Argentina being the top country; and 5.9% were in Europe, Spain as our top country. During this quarter, we saw strong growth and investment in digital transformation in Latin America.

During the third quarter of 2019, 86.3% of our revenues were denominated in U.S. dollars, providing good protection to our top line against currency fluctuations.

Turning now to profitability. Our adjusted gross profit for the period increased to $69.6 million, representing 40.6% adjusted gross margin compared to $55.5 million, representing 41.2% adjusted gross margin in the third quarter of 2018. The margin decrease year-over-year was primarily driven by FX headwinds. Last year, we benefited from the large depreciation of the Argentinian peso, so we had a tough comparison given the outstanding Q3 2018 margins. Sequentially, our adjusted gross margin experienced an improvement of 40 basis points versus Q2 2019. We finished the quarter with 11,293 Globers, 10,462 of which were IT professionals. This represents a solid 1,247 increase quarter-over-quarter in the number of IT professionals. This quarter also marks a huge milestone for the company, exceeding 10,000 Globers worldwide. The strong net hires in the quarter is driven by our robust pipeline across industries and geographies.

Attrition for the past 12 months was industry-leading at 14.1% compared to 19.2% in Q3 2018, showing a significant improvement in most talent-development centers, particularly in Argentina.

Going forward, we now view 14% to 16% attrition rate as the normalized level for Globant. Adjusted SG&A decreased 30 basis points compared to Q3 2018, accounting for 19.4% 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 our target markets.

During 2019, we have been able to successfully dilute SG&A despite the new tax on export of services in Argentina, including within this expense line. As a result, our adjusted operating income for the quarter amounted to $30.9 million or 18.1% of revenues compared to $23.2 million or 17.3% of revenues for the third quarter of 2018. This year-over-year decrease in gross margin was more than offset with SG&A and [DNA] dilution, leading to a robust 80 basis points improvement in our adjusted operating margins year-over-year. We are very proud of this margin level for a company of our size.

Share-based compensation expense for the third quarter of 2019 amounted to $4.8 million, representing 2.8% of the total revenues for the period. This expense is mainly related to the plan of restricted stock units granted to certain key employees and directors of the company as part of our long-term retention plan.

Financial income and expense net amounted to a loss of $3.5 million. This net result is composed of FX gains and losses resulting from monetary assets and liabilities in local currencies; costs related to our hedging strategies; interest expenses from our credit lines and leasings; and finally, interest income from our portfolio of investments.

Our GAAP effective tax rate for the quarter was 21.7%, fairly consistent with previous quarters. Adjusted net income for the third quarter of the year totaled $23.5 million, representing 13.7% adjusted net income margin compared to $16.8 million, representing 12.5% adjusted net income margin for the third quarter of 2018.

Adjusted diluted EPS for the quarter was very solid at $0.52 based on 37.8 million average diluted shares for the quarter, above the upper end of our guidance range and compared to $0.46 for the third quarter of 2018, based on 36.8 million average diluted shares for the quarter. Growing at 35.7% year-over-year, EPS continued growing faster than revenues for this quarter. This is an outstanding result in terms of EPS growth.

Moving on to balance sheet. Our cash and investments as of September 30, 2019, was $59.5 million compared to $86.2 million as of December 31, 2018. Cash generation in the third quarter was very robust but reflects more than $57 million payment for M&A.

Now let's talk about the 9 months ended September 30, 2019. Revenue for the 9 months ended September 30, 2019, was $475 million, implying a 24.3% year-over-year growth. This increase was mainly boosted by our 50-Squared accounts and new customer wins as our portfolio of high-potential customers continues to grow at a very healthy pace. Adjusted gross profit for the 9-month period was $193 million, 40.6% adjusted gross margin compared to $153.6 million, 40.2% adjusted gross margin for the same period last year, an increase of 40 basis points.

On a year-to-date basis, we continued to see the positive tailwinds of the FX market corrections in Latin American currencies. Adjusted SG&A is also showing a healthy dilution of 50 basis points, currently accounting for 19.8% of our revenues for the 9 months ended September 30, 2019.

Adjusted profit from operations for the 9-month period ended September 30, 2019, was $81.6 million or 17.2% adjusted profit from operations margin compared to $61 million or 15.9% adjusted profit from operation margin for the same period last year, representing a solid improvement of 120 basis points.

Adjusted net income for the 9-month period ended September 30, 2019, was $61.9 million or 13% adjusted net income margin compared to $45.2 million, 11.8% adjusted net income margin for the same period last year, representing an improvement of 120 basis points. Adjusted diluted EPS for the 9-month period ended September 30, 2019, was $1.65 based on 37.6 million average diluted shares for the quarter compared to $1.24 for the same period last year based on 36.6 million average diluted shares for the same period last year.

To wrap up, let me provide you with our guidance for Q4 2019 and the full year. Based on current visibility, we expect Q4 2019 revenues to be between $182 million and $184 million, implying a robust 30.6% year-over-year growth at the midpoint of the range. Adjusted diluted EPS is expected to be between $0.58 and $0.62, assuming 38 million average diluted shares outstanding for the quarter.

Regarding the full year 2019, we expect revenues to be between $657 million to $659 million, an implied 26% year-over-year growth at the midpoint of the range. In terms of adjusted diluted EPS, we are now expecting a range of $2.23 to $2.27, assuming 37.7 million average diluted shares outstanding for the full year.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question today will come from Tien-Tsin Huang with JP Morgan.

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

I wanted to ask, I guess, on the -- I appreciate the update on the strategy. Just the 13 accounts above $10 million is in a good place. I'm curious, of those 13, now that you've had that, that's been rising, do you feel like you have a good group there that can eventually qualify for the -- for your 50-Squared strategy? Just curious how the pipeline of that next wave of large accounts are coming along?

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

Yes. This is Juan. So yes, I mean, we are very comfortable with the way our largest customers are performing in general. We are seeing now more and more accounts in our top 20, top 30 accounts, growing above $5 million, above $10 million, and that is probably one of the main positive results of the 50-Squared strategy that we launched a few years ago. When we look at these accounts that are now more than $10 million, and we are not reporting more than $20 million or more than $30 million, but those are also segments that keep growing, and we feel very comfortable about that. When we look at Disney, a very strong performance. I mean that's -- it seems that the account will continue performing like that for the rest of the year and the year after. But also when we look at customers, for example, 11 to 20 or 6 to 10, you are also seeing very strong growth. I do know that there was a little bit of a slowdown in the 2 to 5, that's because of 2 specific accounts, one that we mentioned in the last call, another one, it's a big project coming from Europe that were delayed. But except from that, we see very strong growth in all other groups, [1], 6 to 10, 11 to 20, 11 to the end. So we are optimistic about the demand. We continue to see a strong market. So we are very optimistic about next year as well.

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

Okay. Yes, no, that's why I asked. For the couple of accounts, you said that in 2 to 5, you had some issues. That's why I was asking if 6 to 10, if there's potential for that to replace those 2 and to keep the growth trajectory going, that's why I asked...

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

Yes. And also, we continue to think that those -- the airline that we spoke in the last quarter, [a company is] going to come back. I mean we feel comfortable the relationship is very strong there. And the other one is advanced in Europe. And there was this update on international project that -- I mean we did a [big] project in Europe that needs to go international, and that got a little delayed, but it's one account. So we are thinking about a better Q4 for Europe and a good 2020 for Europe as well. So it's just specific things. All the rest of the accounts, top 1, 6 to 10, 11 to 20, there is a lot of potential there.

Operator

Our next question will come from Ashwin Shirvaikar with Citi.

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

I guess the question I have is if you can maybe provide an update on any competition. Are you seeing any differences from before, either in your new client pursuits or maybe in your act of getting deeper into existing clients? And it kind of goes back to the (inaudible) of the earlier question because this is a second quarter in a row that revenues ended up being in the guided range instead of your historical track record of [beating], and it's also been a while since you did not raise the upper part of the guidance. It's the first time in 3 years or something, you did not raise. So I'm kind of curious what's going on in your revenue outlook.

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

Yes. So in terms of the first question, in terms of competition, competition remains similar to what it used to be. We -- maybe Accenture, [Cold Works], sometimes (inaudible). Those are like the main accounts that we usually compete, most of the times with Accenture. The deals are getting bigger. But again, we are not seeing any differences in terms of the market. I mean the demand remains strong. The accounts that we are working with are embarking on large transformational deals, so we have seen good opportunities. In terms of our guidance, again, we always like to guide where we know that we will end. I do appreciate that in some quarters in the past, we were able to exceed the guidance we provided. But again, we are, again, in the guidance, and we are raising $1 million for the year. So in general, when you look at where we guide, what we like to do is basically guide wherever we know that we can be if we can exceed better, like we did, for example, with APS, but the commitment of what we try to always do is started [with] what we guide.

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

Appreciate that. And then the follow-up question is on headcount, up 44%. That's a good number there. How much of that is organic versus adding Belatrix? And what is Belatrix's contribution within 4Q?

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

We had in -- the leverage was about 600 people. So we added another 600-and-something organic. So again, it was, as you said, a very large increase in the number of engineers, and half of it comes from organic and the other half comes from the acquisition of Belatrix. The good thing there, or the good news there is that as the teams from Belatrix were in Latin America, in Argentina, Colombia and Peru, we had already merged the teams, even including mixing people in some offices, and we are already using their engineers and our customers, some of our engineers in some form are Belatrix customers. So that is a very easy integration, in a way, for us.

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

That's good to know. That seems like a good cultural fit.

Operator

Our next question will come from Maggie Nolan with William Blair.

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

I just wanted to follow-up on that commentary about Europe and the customer there. Is this really a one-off instance in Europe that's kind of account specific? Or is there anything that we should be deriving from this instance that maybe other accounts may see some more weakness? Or is that Europe, in general, could potentially be weaker?

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

So in terms of this specific customer. I mean at the end of the day, this is a very large project. The part that we were going to take of the international version got delayed because there was another vendor that got delayed before. So our part on that project will start at a later stage because of that. It's a one-off customer. In fact, we believe that Europe, for Q4, is going to be better than Q3. We are not, at this point, experiencing anything across multiple customers, it's just a specific customer. We do have some new logos in Europe with high potential, so we are not concerned about Europe. It's just the one customer thing, and it's a specific processing that is not really related to us. It has got delayed because of [one of our] vendor, but hopefully, it's going to come back by the end of the year or starting next year.

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

Okay. Understood. And then as we start to think about 2020, obviously, you pointed out there was a little bit of a tough compare on the margins in this quarter given currency movements, so how should we think about that margin at both the gross margin level going into 2020? And then as well as at the operating level, including any leverage that you're able to drive?

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

Yes. So as always, in terms of revenues, we are very optimistic. We feel that the (inaudible) is there, the customers that we have are the right customers, the new loans that we are signing have a lot of potential. So we are -- we continue to think that organic 20% plus a little bit more coming from acquisitions is the long-term target that we should have. We are, right now, working at the budget, so I cannot guide or give any more color in terms of revenues, but we are optimistic. We are seeing good numbers coming from our regions across the globe. So we're happy what we are seeing so far. In terms of margins, when you look at today's margin-adjusted operating income on a year-to-date basis, we are running at around 17%, coming from about 15.9% last year year-to-date. So we think that we have for the company that we are -- the site that we have today, stable margins is what we -- which we'll be targeting going forward. We have made significant improvements in terms of our margins, both for the operating and net income margins over the last 4 or 5 years. But -- And we believe that we have achieved very solid margins. Our gross margin is running at around 40%. SG&A has been diluted significantly since we did the IPO, and the operating income that we have today is around 17%. We think it's a very good number, and we should target to have stable margins going forward.

Operator

Our next question will come from Arvind Ramnani with KeyBanc.

Michael Vidovic;KeyBanc;Analyst

This is Michael Vidovic speaking in for Arvind. So could you just comment on Latin America and trends you're seeing across there and then the U.S.?

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

Can you repeat the -- comment on Latin America?

Michael Vidovic;KeyBanc;Analyst

Yes, please.

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

Yes. So you mean in terms of revenues?

Michael Vidovic;KeyBanc;Analyst

Yes. Just in terms of execution and like, trends you're seeing across there?

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

Yes, so Latin America has been growing a lot for us in the last few quarters. Part of it is organic, some of the deals that Martín mentioned in the call, like the Prisma deal, some deals with some banks here in the region, a big -- a very big deal with an airline here in the region. So it's strong. There is a lot of investment going on, and you can see that in the revenue number. Also, there have been some benefits from the deals that we did in the past, Avanxo has a big presence in Brazil, and we are seeing good progress in oversea and operation, which is something very important to us. And in terms of execution, Latin America continues to be our largest region in terms of talent and growing a lot in terms of talent. This quarter, we added another 600-plus engineers organically plus the inorganic part. Attrition came down to below 14% -- to around 14%. So what we are seeing is that our ability to attract talent is not only Latin America but also in the rest of the world, remains very solid. And that is very, very important because as you guys know, this is a very highly competitive sector, and our ability to attract and retain talent has been improving significantly, which puts us in a very good position for 2020 and onwards.

So execution on that front, in the case of Latin America, is very, very solid.

Michael Vidovic;KeyBanc;Analyst

Great. And then can you just talk about the overall feedback on your CONVERGE series? And how does that -- how you -- how do you make -- how do you feel about the (inaudible) environment over the next year given that?

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

Yes. We think that the event was very successful. There were like 1,000 people attending the conference and very appealing speakers, companies -- top world-class companies attended the event. They talked about some of the projects they are doing, some of the projects they are doing with us. We were able to discuss augmented Globant concepts, how we think that the industry is going to evolve, how we will evolve our company using more AI in the way we work, in the way our developers work. So we got very, very good feedback. And of course, I mean, typically in this event, you also get some leads. And that was -- that's a very success -- that was a very successful event in our view.

Operator

Our next question will come from Bryan Bergin with Cowen.

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

Wanted to ask on the top client just some of the areas that were driving the strength that you saw there. They've obviously been in the news, also their new platform. Can you talk about potential opportunities that you think you might have there also in the future?

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

Yes, Bryan. Yes, Disney, as we mentioned in the last call and I think also in the previous call, was going to come back and grow fast. We saw that in these numbers. One of the areas where we're growing the most is the BTIC, which is the area that, among other things, has Disney Plus. We work all around -- I mean we don't do the -- as you know, we don't do the platform itself, but we work all around the platform, helping Disney to get content and to organize contents around the platform. We help Disney to work on getting statistics and using the information that they can get out of the platform, for example, to sell merchandise and things like that. So we are very connected to the platform, and we think that this means, as we mentioned in the last few calls, has a lot of potential, and we continue to see that potential for the rest of the year and for 2020. So even though Disney is going to perform really, really well, again, as we mentioned in the last few calls, this is not a one business or a one-company thing. When you look today at our revenue concentration, even though the top 1 is 11.9%, a very important thing is that top 5 is now 26%, and top 10 is 38%. So that means that our level of dependence on 1 or 2 or 5 specific customers is decreasing. It is a very good thing going forward. There are -- I mean we work for the main companies in every industry. As you can see, we are -- we continue to be very diversified in terms of industries, and that will be very positive for the future of the company.

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

Okay. And I just wanted to follow up here. The delivery location investments that you've been making, can you just talk about how your efforts in scaling the Central and Eastern Europe locations are progressing?

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

Yes. So in the case of Central and Eastern Europe, we have operations in Romania and in Belarus. As of now, the operation in Belarus is growing very strongly, very nicely. We have some (inaudible) customers in the Romanian industry, and we are very optimistic about that. In the case of Romania, that operation is also growing nicely. Again, we are still early stages integrating that operation into the rest of Globant, but we find extremely good talent in both regions, and we find complementary skill sets to the rest of the organization. So the fact that now we have a big operation in Latin America, a growing and already big operation in India and this emerging operation in Eastern Europe, I think, is very positive in terms of our ability to hire and attract talent going forward. So we believe we're in the right places in different stages of maturity. And of course, Eastern Europe is a newer location for us. But both locations are performing in line with our expectations.

Operator

Our next question will come from Joseph Foresi with Cantor Fitzgerald.

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

First question, just on Disney, I think you said that it's grown, I think, 25%-plus, and we thought that, that was going to continue. What exactly are you [doing] for Disney? And do you expect that to be sort of consistent through 2020?

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

Yes. So in the case of Disney, as we said, as you know, we work in multiple -- for multiple sectors, right? We work for the Parks and Resorts division. We work for the cruise lines. We work for the TV channels that they own, the TV stations that they own. We work for DTIC (sic) [DTCI], which is Direct to Consumer & International, which is where Disney Plus sits. So we are kind of working in multiple areas. All of them are growing at different levels, but all of them are growing. The one that is growing the fastest at this point is DTCI, which is the one that has the Disney Plus platform included there. We are, again, doing a lot of work to get -- to help Disney increase or -- and improve the usability and the level of content that they have into the platform. That is one of the areas of more growth. And then on the Parks division, we are helping Disney on some of their -- the parks that are outside of Florida to bring some functionalities like the one that we've been working with them in Florida.

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

Got it. So -- but it isn't one project just around the magic band, you're in one particular geography. It's a bunch of different work that's going to carry the growth rate.

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

That is correct. It's multiple geographies, multiple stakeholders, even multiple companies within Disney Group, right? Disney Group is -- as you know, it's a huge company, and we are working for very different stakeholders. Also for Fox, we do work for Fox so multiple stakeholders there.

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

Got it. Okay. And my follow-up, just on the organic growth side. What's the organic growth in 4Q? And can you remind us of your thoughts around sort of long-term margins? I know you've taken on some new acquisitions. I'm just wondering if those are accretive or dilutive. And if you expect to offset it.

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

Yes. So yes, I mean, again, for Q4, we are targeting around, again, depending on how you measure some of the engineers that are working for our customers so on, so forth. But we are targeting around 20% to 21% organic and the rest, about 8% to 9% inorganic contribution. That's for Q4. Going forward, we continue to think that the 20 organic plus some [confusion] for acquisitions, that is what we expect for the mid-term. And then in terms of margins, the deals -- the company that we bought [as usually] we have smaller companies. On the gross margin, they are at similar levels where we are. In terms of SG&A, usually, they come in a little bit heavier SG&A. But once you merge the 2 companies, eventually, you start to see some efficiencies over there. And hence, that's what we think that margins going forward to be kind of more stable for the next year or so.

Operator

Our next question will come from Diego Aragão with Goldman Sachs.

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

Yes. Martín, Juan. I guess the first question is regarding the length of the contract. I mean you are clearly expanding on your strategy to grow within the existing customers. So I was wondering if you can just comment on the length of the contracts and new agreements you are starting up at this point with these clients.

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

Sure, Diego. So yes, what you are seeing, and this has been a trend in the last 2 years, is an extension in the length of the average contract. The reason for that is that what used to be digital projects now became digital programs or company-wide transformational programs. And we are doing a number of those in different industries. So the average length is right now at around 15 months. That's, of course, the legal, by contract, let's say, average, right? Because what happens a lot is that project gets renewed [and] renewed again and again every year. So when you look at our top 10 accounts, for example, we've been working with them for more than [9] years on average. So -- and in some cases, we've been working on the same project or similar projects, for example, for one gaming company for more than 8 or 9 years already. So what you see is that projects, specifically those that are consumer-facing projects, actually never end. They keep evolving and evolving and adding new features, new functionalities. They keep growing and growing as long as they are successful. So just to answer your question short, it's growing. It's now at 16% on average -- 16 months on average. But we continue to see that expanding over time as the (inaudible) programs become a lesser part of the revenues that we have.

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

That's very helpful. And I guess my second question, just a follow-up regarding Latin America, I do understand that you have a very little exposure, actually, like to Chile and Bolivia. And I know those countries are, say, very, let's say, a lot of uncertainty on the political side. So I was wondering if you can just comment whether you have, like, some revenue that's [pointed] to those countries and the number of employees you have and whether we should be worried about something for the fourth quarter.

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

Yes. So in the case of Bolivia, we don't have any operations or any customers there. So -- and then in the case of Chile, which is the other country that right now is going through some political issues, we do have some revenues. Actually, we are growing quite a lot there, and we are working for some of the largest companies in Chile. At this point, we are not seeing any impact of the political issues that they have. These companies continue to invest. We are working on long-term projects there. So we haven't seen any impact. In terms of our employees, they continue to go to the office, they continue to go to work. They continue to work at the customer premises, and we haven't had any issues over there. And we expect -- we hope that the situation gets resolved as soon as possible for everybody.

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

Very clear. And maybe just a quick follow-up. I mean, if you would look in constant currency, how much are you growing in Latin America?

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

Yes. So the revenue, the impact of FX was about 80 basis points on the revenue. So instead of growing 27.3 as a company at constant FX, we would have grown about 28.1. Again, we have very little exposure, especially in Latin America. We tried to reduce and to invoice our customers in dollars. We try to avoid this in local currencies. We only -- we typically have like contracts in dollars. And then when we pay our salaries, most of the countries where we're operating, we pay salaries in local currencies. So in a way, the way it works is that on the revenue have little impact on the cost side. And that's why sometimes we talk about FX impact on our costs. That's why you may have some benefits or headwinds depending on how currencies evolve over time.

Operator

Our next question will come from Arturo Langa with Itaú BBA.

Arturo Langa - *Itaú Corretora de Valores S.A., Research Division - Research Analyst*

Just 2 very quick. But the first one is -- so organically, just to confirm, but I estimate that revenue growth was close to 24%, which is mostly in line but a bit above the 23% of the previous quarter. I just wanted to verify that. And then second, regarding Argentina, could you remind us what the plans for the government are regarding the export taxes? I understand that we should be working if they were to stay, but I believe that they will be renegotiated or potentially up for discussion either 2021 or 2022. If you could just remind me the date, that would be very helpful. And also what your expectations are there.

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

Yes. So for the first question, again, both (inaudible) and (inaudible), the integrations are going very fast. They are selling our customers. We are [selling] their customers, the teams are get mixed. So sometimes it not so easy to do, to put an exact number, but we are -- we estimate that for Q3, 20.5% to 21.5% of revenues are organic, purely organic. And then you have another 6% to 7% coming from customers that came with the acquisitions. And that's for the first question. For the second question, the export tax stays until the end of December 2020. It is [4 pesos to dollar] of exports and then by the end of 2020, the governments will decide what they're going to do with that tax.

Arturo Langa - *Itaú Corretora de Valores S.A., Research Division - Research Analyst*

And for that -- in that regard, you're working your base scenario that it will stay, or do you think there's a high likelihood that it could be removed?

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

Look, I have to work with whatever is stated in the regulation, which is going to disappear. Of course, internally, we work with different scenarios. But this is -- we need to think that what's going to happen is that it's going to disappear.

Arturo Langa - *Itaú Corretora de Valores S.A., Research Division - Research Analyst*

Okay. And on that point, is there any other piece of regulation that you're looking out for in Argentina or anything that we should keep our eyes on concerning the incoming government will likely face -- or have some majority in Congress?

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

Again, I don't -- we don't want to speculate on things that could be -- I mean there are multiple scenarios that are possible. What we can tell you is that Globant, start in 2003, we grew the company with different governments. We took it public under the previous administration. We continue to grow with this administration. So Globant is a global company, only 3% to 4% of revenues are coming from Argentina. Only about 30% of headcount is in Argentina, the other 70% is outside of Argentina. So we will continue growing in Argentina as we will continue growing outside of Argentina as well. We are a global company, and we need to deal with multiple countries. We operate in 16 different countries as we speak. And our target markets are still primarily in the U.S. and Europe.

Arturo Langa - *Itaú Corretora de Valores S.A., Research Division - Research Analyst*

Okay. But nothing specific to the sector, though? Nothing specific to technology?

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

(inaudible). If you want, there was some good news. I mean, like in the case of Argentina, the new government -- sorry, the previous government -- I mean (inaudible) administration passed the new regulation for the knowledge law, which extends the benefits that we have under the software promotional law for another 10 years. The new elected president, who visited our offices in Mexico, by the way, a few weeks ago, was very optimistic about the industry. I mean our industry generates a lot of employment in the country and in every other country where we are operating. It generates dollars because it's primarily an export industry. So I think every government in every country will want these type of industries to grow. The elected president, Mr. Fernandez, was very positive in Q3 [he toured our offices].

Operator

This concludes our question-and-answer session. I would now like to turn the conference back over to management for any closing remarks.

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

Okay. So thank you, guys, for joining the call. Thank you for your continued support, and see you soon. Bye-bye.

Operator

Thank you for attending today's conference. The presentation has now concluded, and you may now disconnect.
