

INVESTMENT DISCOVERIES

Uncovering innovation on the right side of change

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What does it mean for a company to be on the right side of change in 2020?

Put yourself in the shoes of a respected entertainment brand that's given the magical gift of flight to cars, caretakers, and elephants. You're known for innovation, but to make your next act work—creating a wearable technology to enhance the guest experience at your theme parks—you need the gift of top-flight software talent.

But that type of talent can be as elusive as the rightful owner of a glass slipper.

This story is emblematic of a digital transformation happening on a massive scale across corporate America. As companies embrace new technologies and strive to meet evolving consumer demands, they must find the talent to manage an array of new digital complexities. Increasingly and across industries, these firms are struggling to do so due to a scarcity of skilled software developers. Two forces are at play:

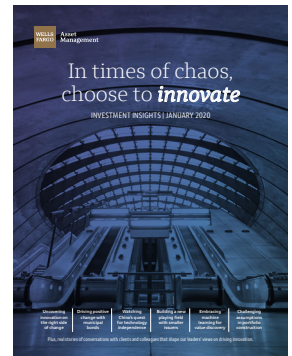
1

Digital transformation is of strategic importance to many global companies.

2

Trillions of dollars in market cap are resting on the shoulders of the search for software developer talent.

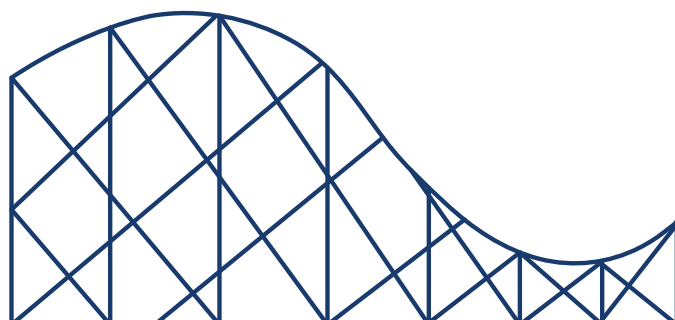
This is leading companies to turn to external service providers to meet their needs. And they are hunting in all corners of the globe to find this talent.



This is an excerpt from our report, **2020 Investment Insights | In times of chaos, choose to innovate**. For the full report, go to wfm.com/investment-insights

While conducting bottom-up research, we on the Fundamental Growth Equity team identified a compelling theme around this growing supply-and-demand imbalance for software developers. Our research analysts met with multiple management teams from companies of all sizes that noted over and over again how hard it was to find talent. Following our process to “surround the company,” the search for a solution to the developer shortage led our analysts to companies that recruited and developed skilled labor pools outside the U.S.

A chance conversation we had with a software management team at an industry conference added to our conviction, as the executive sang the praises of some select outsourced developers. Through the execution of our investment process, the team developed an investment thesis that Globant—an information technology (IT)



Can you recall a time in your family history of taking young children to a theme park?

Amid the joyful memories, you may remember a certain amount of chaos. The hours of waiting in line for rides. The constant juggling of food, balloons, and at least one child while you fumbled for your wallet to pay for it all. And finally, after a long day, near the point of collapse from exhaustion, you’ve arrived at your hotel room door only to realize you have lost your key.

Globant—as reported on its website¹—helped Disney create a next-generation online experience for its parks and resorts.

Perhaps you’ve heard of the MagicBand, a sensor-enabled wristband that—as reported by Wired²—allows wearers to avoid lines, pay for meals, and even unlock their hotel room doors. In our conversations with Globant, we learned it provided talent to help the entertainment brand achieve its innovative vision.

1 million

Number of IT jobs unfilled in the U.S.

80% of about 2,800

Tech-hiring decision-makers at U.S. firms who identified lack of IT talent as a key challenge

Sources: IT trade group CompTIA and Robert Half

services company in Latin America with 6,000+ IT professionals—has the potential to be a key beneficiary of the demand for software talent.

The company’s highly skilled software engineers have done work for a wide variety of businesses, such as American Express, Southwest Airlines, Zynga, and Google. Globant’s share price at the time did not reflect the growth opportunity we expected to see from owning it when we purchased the stock. This is where our example of a storied entertainment brand comes back into the picture.

Globant also helped gaming brand Electronic Arts develop its FIFA soccer game franchise and partnered with London’s Metropolitan Police to develop a digital platform for accessing police services digitally.

In conclusion, we believe 2020 will be a year where the pace of change continues to accelerate. Technological disruption will become even more pervasive. In order to thrive, companies will require a far greater amount of digital capabilities than they have in the past. We believe businesses on the right side of change that can meet the changing demands of consumers—such as the acute shortage of software developer talent—can be poised to produce strong excess returns. Just as major entertainment brands can revolutionize the consumer experience by bringing the right minds together, our team is using a uniquely designed process to capture these opportunities.

1. As reported on Investors.Globant.com: “Globant—We Are Ready”

2. As reported on Wired.com: “Disney’s \$1 Billion Bet on a Magical Wristband”

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