

Here are all of Paul Scott's articles on Globo, published on Stockopedia.com, from 2013-date (published in full, the sections relating to Globo)

Hopefully investors can learn what to look for, and avoid similar frauds in future, from the many red flags that Paul correctly identified, almost 3 years before the stock was suspended & fraud was admitted by Directors.

The evidence was very clear, and out in the open. You only had to look, and listen to experienced financial commentators such as Paul, also Ennismore's expose, and the great blogs from Matt Earl, plus numerous articles on ShareProphets.

Here are all Paul Scott's Stockopedia articles about Globo:

25 Jan, 2013

Globo (GBO) is a share I've always had nagging doubts about, after reading their Annual Report. It is regularly promoted in the financial press (which rings if not alarm, then at least mild warning bells). They divested their Greek operations in Dec 2012. It's a very lop-sided disposal deal with only E1m received on signing, and the other E10.2m sales proceeds deferred. Hmmm. The first thing I would do when scrutinising Globo's next set of accounts is to write off that E10.2m debtor! The other thing I would look closely at, is their policy of capitalising internal costs into intangible assets. You might find that profit is nowhere near as high as they claim, once you adjust the accounts to a more conservative basis expensing all costs.

However there's no denying that the trading statement this morning sounds very good. EBITDA is expected to be E29m for 2012, up 42%. I'd want to add back the costs they capitalise though, and work out what the profit really is, rather than this inflated EBITDA figure. Their mobile offerings, CitronGO!, GO!Social, and GO!Enterprise have all shown strong sales growth. It does look tempting, but I'm not happy with the accounts, so will pass on it (will probably kick myself when they double or triple from here). - See more at:

<http://www.stockopedia.com/content/small-cap-report-gbo-tmmg-cre-api-sal-cdy-70457/#sthash.ynM0ckOI.dpuf>

8 Apr, 2013

Results for the year ended 31 Dec 2012 from **Globo** (LON:GBO) look very impressive on the face of it. Turnover (from continuing operations) up 67% to E46m, EBITDA up 42% to E24m, and profit before tax up 43% to E17.2m.

As mentioned before, this company uses aggressive accounting policies, including capitalising a large amount of development spending each year. So when you look at the cashflow statement, it shows a very different picture.

Net cash from operating activities was E13.2m, but E11.6m was spent on purchases of tangible & intangible assets - in previous years this has been overwhelmingly capitalised development spending, which are internal costs, so arguably should really be fully expensed through the P&L each year.

This year there is also a £6.7m cash outflow relating to the disposal of a subsidiary, which seems to suggest that they gave away that amount of cash with the disposal of their Greek operations? Seems a bit strange to me.

Furthermore, this company which is presented as being highly profitable and successful, once again had to support itself with a E12.1m equity fundraising (on top of the E20.6m fundraising in 2011). I just don't buy it. To be worth £140m, this business should be throwing off bucketloads of cash, not consuming cash. Also, the balance sheet shows pretty high levels of debtors + work in progress, which total up to E38m in current assets, plus E9.7m of long term debtors, which look very high relative to E46m turnover from continuing operations.

So there are enough potential red flags there to make me want to deploy my bargepole with this one, despite the apparently good performance presented.

SAFE	Are receivables increasing in proportion to sales?	Details ↓
SAFE	Is the gross margin on sales stable?	Details ↓
SAFE	Is the quality of assets stable?	Details ↓
RISK	Is sales growth not excessive?	Details ↓
RISK	Is the rate of depreciation stable or increasing?	Details ↓
RISK	Are sales, general and administrative expenses under control?	Details ↓
SAFE	Is financial leverage decreasing or stable?	Details ↓
RISK	Are accruals low as a proportion of total assets?	Details ↓
For further information on how the M-Score is calculated click here .		
To view all the stocks with the worst M-Score record click here .		

Note that GBO is showing a bad score on the Beneish M-Score - which flags up a risk of "earnings management". I've not looked into this system, but I know Ed at Stockopedia likes it, and told me it correctly predicted problems at Cupid, amongst others. [Click here](#) (or click on the screenshot) to view the relevant Stockopedia page on the M-Score analysis for Globo (this screenshot shows part of that page).

- See more at:

<http://www.stockopedia.com/content/small-cap-report-8-apr-ind-gbo-vlk-mec-sncl-fdl-ghh-eck-ssy-72300/#sthash.YNAamCsS.dpuf>

25 Jul 2013

Globo (LON:GBO 42p) has issued a positive-sounding H1 trading update. "Strong growth momentum" of 51% year-on-year has been achieved in revenues, to E32m for continuing operations. They state that EBITDA and PBT will be "slightly ahead of market expectations".

Let's be clear, the EBITDA figures are totally meaningless, because Globo capitalise so many costs into intangibles. So to value the business on EBITDA is complete fantasy, as it is for most software companies. You're ignoring a large part of their overheads!

The Balance Sheet at Globo just doesn't look right to me at all. Far too much in debtors, and it therefore looks like potentially, an accident waiting to happen in my opinion. Very aggressive accounting techniques tend to come unstuck at some point, with big write-offs. Although those are presented as exceptional, and so it continues.

This type of business has products with very short lifespans too, so it's not something I would feel comfortable with at all, but good luck to people who ride the wave!

I set out in more detail what alarm bells ring for me with Globo's accounts [here on 8 April](#). Maybe I'm being too harsh on them, but having made a lot of mistakes in the past by ignoring accounting signals that worry me, I just don't take any risks any more.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-25-jul-ipel-vnet-hibu-ssy-hrn-gbo-75546/#sthash.N9T97wmU.dpuf>

23 Sep 2013

As regulars will know, I've never liked **Globo** (LON:GBO), because they capitalise a load of costs into intangible assets, thus greatly inflating EBITDA. Plus Debtors are far too high, which is a massive red flag of aggressive accounting treatments, and probable problems ahead. It generates lots of profit, but no cashflow.

So let's see how their interims for the six months to 30 Jun 2013 look.

First red flag, the bolding of "UP" five times in the bullet points (see below). Quindell do this too. I just don't like it, it's rampy:

Financial Highlights

- Revenues **UP** 52% to €32.03 million (H1 2012: €21.13 million);
- EBITDA **UP** 44% to €18.64 million (H1 2012: €12.93 million);
- Profit before tax **UP** 74% to €14.47 million (H1 2012: €8.33 million);
- Earnings per share **UP** 58% to €0.041 (H1 2012: €0.026);
- International revenues **UP** 74% to €28.40 million (H1 2012: €16.34 million) revenues.

This may be a small point, but conservatively run companies don't do it.

At 65p per share, the market cap of Globo is about £216m, so that's a very high multiple of sales, even if you double the interim turnover to E64m, and convert it into sterling, that's annualised sales of £54m, so a Price To Sales Ratio of 4 - the sort of multiple you would only give a high growth company that achieves high margins.

The next red flag is that the profit margins are too high, which to me indicates either highly aggressive accounting treatments, and/or some sort of one-off gains. They report operating profit of E14.5m, on turnover of E32.0m, so that's an operating profit margin of 45%. That is too high to be believable as far as I'm concerned.

The biggest red flag for me is the Cashflow statement. It only generated E2.36m in operating cashflow, and then spent E6.0m on capex. Given that there are hardly any tangible assets on the Bal Sheet (only E1.4m in property, plant & equipment), then it is safe to say that this capex is actually internal costs which have been capitalised. So the true picture, for this highly profitable company with 45% profit margins, is that it is not generating any cashflow at all! It's consuming cash.

Finally, another huge red flag for me is the Balance Sheet, which is stuffed full of unexplained debits, where there shouldn't be any debits. For example, E9.3m in "other receivables" in non-current assets. Within current assets there is E6.1m in inventories (seems strange for a mobile phone software company, what inventory do they hold, given that presumably the product is an App that people download?).

Also, "trade receivables" of E27.9m are far too high, that's almost 6 months turnover! Do mobile phone App customers pay on 6-month deferred terms? No. Then we have "other receivables" of E2.9m, "Other current assets" of E15.6m, which if you tot it all up means that the profit is just all flowing into the Debtors, but not cash.

These figures just don't look believable to me, not by a long shot. That's just my personal opinion, but I wouldn't touch this share with a bargepole. It's not cheap at all, it's very expensive, and these figures look like something nasty will happen at some point when all those Balance Sheet items have to be written off.

DYOR as usual, but this share has a huge flashing neon warning sign from me over it.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-23-sep-hynds-kbc-gbo-fif-77478/#sthash.SgRMWAow.dpuf>

17 Oct 2013

Not a great deal of trading statements this morning, hence why I decided to do a more general, strategic bit of commentary this morning. However, let's now return to some more company news.

Regulars will know that one of my least favourite companies (due to very aggressive accounting, inability to generate cash, and excessive hype) is **Globo** (LON:GBO). They have done another fund-raising, this time a Placing at 71p, to raise £24m before costs. It seems very odd to me that such a highly profitable company has to repeatedly raise cash from the market. Probably because the profits end up in debtors on the Balance Sheet, hence one has to question how real they are?

I might turn out to be wrong on this company, but there are enough red flags in their accounts to make the outcome irrelevant for me - the risk is too high, so it's uninvestable as far as I'm concerned. The key items of concern being that debtors are far too stretched (usually a sign of write-offs to come), and that EBITDA is highlighted as the key performance measure, even though it ignores a large amount of their operating costs (which are capitalised).

Interesting to see that Directors didn't buy any Placing stock, but instead used it as an opportunity to offload 1m shares of their own - another red flag. I'm sure that bulletin board rampers will be taking my name in vain over this, but I just speak as I find, and have no position in the company.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-17-oct-gbg-gbo-pfo-mtec-mbh-sdy-78173/#sthash.cJJcz3XJ.dpuf>

18 Oct 2013

It was good to see a lively discussion here yesterday about **Globo** (LON:GBO), where opinion is very divided. Although I would say that the tone of the discussion fell well below the standards we're used to here - so do please try to keep all comments civil in tone, and avoid any type of personal abuse or insinuations. A good rule of thumb is try not to type anything unless you would be happy to say it to someone face to face.

Coincidentally, it was my local Share Club monthly meeting last night, and someone proposed Globo as a share we should buy! So I chuckled and told them how I'd spent most of the day battling with bulls of the stock who want to ignore the glaring red flags in the accounts, and get terribly fractious when these problems are highlighted. Funnily enough, we came close to buying a few as a trading punt - I explained my serious concerns about their accounts, but we agreed that it clearly has momentum, and that people with deep pockets have bought the story & keep pumping in more & more money. So the likelihood is that the shares could easily continue upwards in the short term. Of course that's not of interest to me in this column - as I am focused on long term value here, not short term price movements. Momentum trading can work very well, providing you don't believe the hype but instead treat it as a punt, and get out before the bubble bursts. It's not my thing, but other people might do very well using that approach, whatever floats your boat.

Anyway, it was the busiest day ever for my column, with over 6,000 readers, and the busiest ever discussion thread from one of my articles, so that was great - even if one or two new members do still need to be house trained!

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-18-oct-afs-gbo-hyns-abm-vlx-78265/#sthash.RvLnk6X1.dpuf>

24 Oct 2013

I see that shares in **Globo** (LON:GBO) are up & down like a yoyo at the moment. There are potentially several reasons for this - profit-taking after a spectacular rise, an FT article today apparently has something to do with Blackberry making their software available on all phones (which could be negative for Globo), or the realisation that the company doesn't actually generate any cash & has a rather odd-looking Balance Sheet with a surfeit of debits where you wouldn't normally expect them to be.

I've had a very interesting, and generally good natured (apart from one obnoxious idiot) discussion with Globo shareholders over on the advfn discussion board, where I aired my concerns over the Balance Sheet, poor cashflow, and capitalising of costs into intangibles. There were some excellent replies, and I must return when time permits to respond.

However, I just want to clarify something again. Evil Knievil posted some inflammatory comments on advfn, and quoted my morning reports. I want to distance myself from his comments, which have absolutely nothing to do with me. If people want to quote my articles, that's up to them, and it's not something I or Stockopedia have any control over.

I'm not short of Globo shares, and never have been, and had no prior knowledge of EK's taking a short interest in it. He's a completely independent operator, and nothing to do with me.

My comments have always been absolutely specific, about precise accounting issues. I've never published any general derogatory comments about the company, it's only the figures that interest me. So I restate my *opinion*

that the accounting treatments look aggressive to me (perfectly legal I'm sure, but towards the aggressive end of what is permissible), and that I don't like their Balance Sheet one bit.

As with most fashionable stocks, I also detect strong confirmation bias in the bulls for the stock. Someone even claimed that my concern over debtor days being almost 6 months was because I was an old fashioned 1990s FD, and didn't understand modern business methods! I nearly fell off my chair laughing at that. Let me tell you this - tight control over your debtor book will never go out of fashion, and is an absolutely vital financial control. Any debtor book over 60 days on average is not being properly controlled, and can accumulate all manner of gunk in it. So the risks are clear. If investors choose to ignore those risks, or worse still, convince themselves that the risks are imaginary, then don't blame anyone else if & when things go wrong. Of course it might turn out fine. If Globo get on top of their debtor book & collect in the cash down to about 60 days, then I will happily admit that my concerns were wrong.

Also, to pre-empt any nonsense, we won't tolerate any personal attacks on the Stockopedia discussion threads, regardless of who it's from or to. We like to keep the discussion civil here, and from now on I'll be Moderating comments that fall outside acceptable limits. What is acceptable? The golden rule is, would you say that to the person's face? Most people are polite in person, so would not hurl abuse at anyone, so if they do so in the comments here, then it will be deleted.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-24-oct-csg-trcs-gbo-bmy-mlin-78420/#sthash.texMiU84.dpuf>

29 Oct 2013

I wondered if the collapse in price of **Globo** (LON:GBO) yesterday might have been due to Institutional holders being stuck at home for the day, given that many trains were cancelled? You would expect the Institutions to support the share price, given that they've just pumped in £24m in fresh cash in a Placing at 71p per share, so last night's precipitous fall to 53p was pretty dramatic.

The stock is subject to a raid by short sellers, and once again to clarify, **I have nothing whatsoever to do with this, and am not shorting this stock**, and never have done. I've been bearish on it here for the last 9 months, as you can see [from the archive](#). Also, as mentioned before, I want to clearly distance myself from the comments being made by the short sellers. My reports here have explained my views on the company, so what other people say (or quote me) is out of my control, and up to them.

So if it does get messy, I don't want to be dragged into the drama. The company's clarification statement is due out this Thursday, but I think they made a PR gaffe by pre-announcing a forthcoming statement. Why is it taking 4 days to put together information that should be at their fingertips? It would have been better to just issue the clarification information without delay.

A fascinating situation anyway, where again I'm happy to watch from the sidelines.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-29-oct-gtc-gbo-adt-nfc-78552/#sthash.gmsWPDLa.dpuf>

28 Oct 2013

Good morning, from the wind-swept south coast! I see that **Globo** (LON:GBO) has taken the unusual step of [announcing its intention to publish more information](#) about its working capital, and the disposal of its Greek subsidiary. That seems a good idea to me, and they note that it follows questions from investors at three recent events where Globo has done presentations.

A friend kindly emailed me a copy of the latest note from RBC Capital Markets (they are the house broker) on Globo, which certainly seems to present plausible explanations for the high level of debtors, and poor cashflow. However, to my mind, the Balance Sheet just doesn't look right - there are lots of unusual debit items, and when you have to keep explaining away multiple peculiarities in a set of accounts, there comes a point where you decide it's too high risk. I may be wrong on this company, and it's entirely possible that everything is fine, but there are enough peculiarities to mean that, for me (and it's only a personal opinion), the risk is too high.

Anyway, it's a sensible initiative to publish more detailed information - the more information we all have, then the better decisions we can make.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-28-oct-gbo-puri-beg-78512/#sthash.7NJ6dJAm.dpuf>

31 Oct 2013

The big news this morning is the [Additional Information](#) statement from Globo. Quite why it has taken them 3 days to put together a 4-page series of bullet points, is beyond me. On a quick skim, I can't see anything in there that changes my view about the company. The main focus of the statement is explaining why debtor days are so extended. Also, it emphasises that the divestment of the legacy business was almost cash/debt neutral.

Although I am puzzled by their statement that;

No trade receivables due to Globo

were moved off balance sheet as part of the disposal.

This just doesn't make sense to me. If you de-consolidate a subsidiary by selling 51% of it to your own management, then all the figures will be moved off the balance sheet, and be replaced by an "investment in associate" single line on the Balance Sheet. So I am perplexed as to how they can claim that no trade receivables were moved off balance sheet, when in reality all of GT's trade receivables (and other Bal Sheet items) will have been moved off Bal Sheet. Perhaps any reader who understands this point better than me can explain?

There's no convincing rebuttal in this statement to my mind, so I would expect the shorters to resume their attack, and we could well see the shares take another leg downwards, after the initial attempt by bulls to talk it up first thing no doubt.

I find it amazing that people are complaining to the Market Abuse people about shorters making wild claims about this company, when usually bulletin boards are chock full of rampers constantly talking shares upwards. Not to mention the entire financial system being geared up to persuading investors to over-pay for shares, through manipulating accounting standards to present the most bullish view possible, employing PR and brokers to constantly talk up share prices, etc. It seems to me that having some negative commentary on companies is like a breath of fresh air, and much needed. Although some of the tactics used in this case seem somewhat spivvy.

Bottom line is though, we're all adults, and if you can be scared out of a shareholding because someone on a bulletin board says something outrageous, then you probably shouldn't be in the markets at all.

In the interest of balance, I should say that Globo reports strong growth in revenues - up 58% for the 9 months to 30 Sep 2013, ahead of management expectations. They also report Q3 positive free cashflow of just E0.4m, which tends to rather reinforce the bear case - that it reports growth & profits, but never generates any cashflow. We are told that;

Since the interim results, the Group has completed the acquisition of Notify Technologies Inc. to augment the GO!Enterprise offering. The subsequent fundraising of £24 million (gross) has strengthened the balance sheet and provides the basis for further expansion. As a result, and combined with continuing profitable growth, the Board is confident in the Group's future financial performance.

Make of it what you will, but to me this is a long way from a convincing knock-out punch that the bulls were hoping for. It will be fascinating to see the tug of war between bulls & bears play out.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-31-oct-gbo-pla-mmc-smj-78648/#sthash.erHFin0t.dpuf>

8 Nov 2013

It will be another interesting day to watch **Globo** (LON:GBO), as it plunged again yesterday. I've been trying to find out why, and somebody said it's because some of the CFD/Spread Bet companies are raising their margin requirement on this stock to 100%. I've made some enquiries, and this is correct, although I understand that IG Index and Spreadex are maintaining normal margin requirement on it. Therefore holders might need to move their positions to those companies that will still allow positions in it on a normal margin. Although I think it is extremely foolhardy to use gearing on positions which are so volatile.

Offsetting that, I note that Investors Chronicle tipped Globo overnight, referring to the shorting attack by Evil Knieval & others. Again, please note this had nothing to do with me - I've been negative on Globo since Jan 2013 in my articles here. Just because EK quoted my articles does not mean I agree with his tactics, which I don't, indeed I've repeatedly distanced myself from that.

So it will be another fascinating bull-bear tug of war today. I'm expecting to see a perhaps 10-15% spike up on the Investors Chronicle effect, lasting a day or two, then another leg down. That's just a guess of course.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-8-nov-gbo-tni-bpi-78952/#sthash.PeCGL0YB.dpuf>

(please note the 4 month gap, during which time I must have opened a short position, and hence was barred from commenting on Globo)

10 Mar 2014

EDIT: Update on **Globo** (LON:GBO) - Stockopedia have pointed out that I was in breach of their Editorial policy, which prohibits commenting on companies where writers have a short position. My apologies for this. So I have had to make a choice between being silent on Globo, or closing my short. I have therefore closed my short today, so am now free to comment freely on the stock here).

On that bombshell, it's time to wrap up for the day.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-10-mar-2014-aga-gbo-flyb-goal-pen-esch-ffy-81918/#sthash.DhpJ3mEA.dpuf>

28 Jul 2014

Globo (LON:GBO) - another upbeat [trading statement](#) has been released today, as usual. On the face of it, there are lots of positive noises. However, the key question here is whether the company can actually generate any material cashflow? They have not done so far, so I remain deeply sceptical - the Balance Sheet has an alarming build-up of stray debits, which either have to turn into cash, or be written off. So, time will tell. - See more at: <http://www.stockopedia.com/content/small-cap-value-report-28-jul-2014-mtc-tstl-eah-ftc-gbo-zzz-wtl-84985/#sthash.ZwC2tR7e.dpuf>

30 Dec 2014

(sounds like I was limbering up early for NYE when I wrote this one, LOL!)

Globo (LON:GBO)

There's a fantastically positive announcement from Globo out today!!! This is an AMAZING announcement!

Look at this!! :-)

GLOBO plc

("Globo" or the "Group")

Globo to participate in European mHealth research project

Globo plc (LSE-AIM: GBO), the international provider of enterprise mobility management solutions and software as a service, has been selected to participate in a consortium of European Universities and companies* which has been awarded an European Union Framework Programme grant of €4.3 million for research into Parkinson's Disease (PD) management using mobile-health (mHealth) technology.

The PD manager programme will use unobtrusive mobile devices to capture data from the onset of symptoms in patients, such as tremor, posture imbalance or speech and cognitive changes. It will also be able to input data from the carer via a smartphone. The resulting data will be collated and used to build a care decision support platform which will help improve medication provision, a key factor for increasing independence and quality of life for patients. The PD knowledge management platform will be built with a cloud-based, open architecture approach, supporting the use of any commercial set of sensors and based on the Internet of Things concept.

I can barely contain myself. Hang on! They are going to, wait for it ... participate in a ... research project!!!!!!!!!!!!
WOW!!!!!!

Oh

My

God

:-D

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-30-dec-2014-gbo-tung-vlx-led-nxt-89406/#sthash.0FDnKGCD.dpuf>

30 Apr 2015

Globo (LON:GBO)

Share price: 51p (up 7% today)

No. shares: 373.7m

Market Cap: £190.6m

(for the avoidance of doubt, I have no position in this share at the time of writing)

Preliminary results - for calendar 2014 are out today - rather late, four months after the year end. As usual, the headline numbers look amazing - revenue up 49% to E106.4m, EBITDA up 41% to E50.9m, profit before tax up 30% to E35.7m. EPS up 27% to E0.094, ahead of market expectations. However, free cashflow is stated by the company to be only E7.3m - so only 20% of PBT converts into cash.

Intangible assets - the P&L is safely ignored, as it's effectively fantasy, in my eyes. The E35.7m profit before tax is achieved by diverting an enormous chunk of debit entries (costs) from the P&L, and onto the balance sheet, mainly into intangible assets. These are mainly just payroll costs, so they're worth zilch. They're not an asset at all, but they sit on the balance sheet as if they were.

You can capitalise costs into intangible assets under current accounting treatment, if you call it development spending. As Dr Paul Jourdan of Amati pointed out at the UK Investor Show, sitting next to me on the panel discussion about value investing, many fund managers are dismayed with this new accounting treatment, as they

had previously fought hard to stop companies capitalising costs into intangible assets. So in his view (and mine), such capitalised costs should be reversed by investors when looking at the accounts.

In this case, intangible assets (excluding goodwill) rose by E12.9m, so at the very least I would deduct that figure from PBT, to reduce it from E35.7m to E22.8m.

Cashflow statement - I find this far more revealing than the P&L, when looking at the accounts of companies that I suspect are indulging in creative accounting (several changes of auditor at Globo strongly reinforce that suspicion - one of many red flags with this company).

Several things jump out at me. Firstly, why is a company with substantial net cash paying substantial interest *payments* of E4.1m? Also, why did a company with substantial net cash repay E10m of borrowings, but take out E30.0m of new borrowings in 2014? That simply doesn't make sense to me. If you have a lot of spare cash, then you pay off your borrowings, to save interest. You don't take out new, larger borrowings. Very, very odd. Can anyone shed any light on that?

So the net cash from operating activities is E31.0m. Of that, most of it, E24.4m is spent on capex. Since tangible assets are negligible, what this means is that almost all of that money was spent on intangible assets - i.e. payroll costs! Add in interest received, and you arrive at free cashflow of E7.4m, which is near enough (after rounding) to the company's statement that it made free cashflow of E7.3m.

They also spent E9.1m on acquisitions, which is fair enough, it's fine to exclude that from free cashflow, as it's discretionary.

Therefore, the way I look at things, the free cashflow figure of E7.4m is effectively the real level of profitability the company is achieving, and the much higher P&L numbers are fantasy. You don't have to agree with me, this is just my opinion.

Growth & Value		vs. industry	vs. market
12m Forecast Rolling			
PE Ratio (f)	6.05		
PEG Ratio (f)	0.21		
EPS Growth (f)	41.0 %		
Dividend Yield (f)	n/a %		
Valuation (ttm)			
Price to Book Value	1.60		
Price to Tang. Book	2.33		
Price to Free Cashflow	20.5		
Price to Sales	2.89		
EV to EBITDA	5.06		
Quality		vs. industry	vs. market
Return on Capital	16.7 %		
Return on Equity	21.3 %		
Operating Margin	34.8 %		

Valuation - so as I've demonstrated above, this means that the company isn't on a PER of 6 at all, as the E part of that calculation is a fantasy number.

As is often the case with companies that indulge in creative accounting, it can fool a computer model! So you can see that the StockRank is high, at 85, and the Growth & Value section is a sea of green.

This is where, in my opinion, you need shrewd human input, to spot the flaws that the computers can't necessarily pick up, because the computer has to assume that the reported accounts are perfect. I don't, and I know what to look for, to identify the imperfect ones!

The **non-existent dividend yield is a big tell**. Again, a hugely profitable company with pots of cash should be paying decent divs, right? Yes it should, but Globo has never paid a divi. Something just isn't right here, in my view.

Balance Sheet - I've covered intangible assets already, but the other odd items here are "other receivables" within fixed assets - it's very unusual to see any debtor figure up there. I think this might relate to the deferred payments from when the company inexplicably decided to sell 51% of a part of the business to its management, and gave them a cash dowry to enable them to "buy" the business back. There is only one reason to explain why that was done - it was to get the figures off the consolidated balance sheet. It's now an associate, which is a single line entry.

Debtors - this is always a warning sign, if it's more than the usual range of about 60-90 days turnover. In this case trade debtors are E50.8m, which is 48% of turnover for the year. That's way too high, and I don't care what the reasons are, it's just far too high. The ageing of it looks to have deteriorated somewhat too, see note 4 to today's accounts. Although it's easy enough to credit off old, unpaid invoices, and then re-invoice them anew.

A lot of the unpaid debtors are probably Greek Govt, or Greek corporate debts. Which with Grexit impending, what's the likelihood a lot of Globo's debtors will have to be written off? Very high I would say.

Furthermore, there's another E21.1m in other debtors, which relate to deferred income. So the company has booked sales (and hence profit) through the P&L, but not yet billed the customer. So it sits in other current assets until an invoice is raised, and then moves into debtors. So really, total debtors are E71.9m, which is the bulk of 2014's entire turnover!

Cash - the company says it has E82.8m cash, and it did raise a load from a Placing some time ago. So why does it also have E42.4m in bank borrowings? Are they masochists, who enjoy paying the bank interest unnecessarily? On the face of it this seems crazy, but maybe there is an explanation - is the cash marooned in one country, and the debt in another possibly, I don't know?

My opinion - the figures have never looked right with this company, and I strongly believe that sooner or later, there will be big write-offs from this balance sheet. I don't believe the figures, to be blunt. Nor does the market, or the PER wouldn't be 6, would it?!

That said, there does appear to be something here. If you do believe the numbers, and some people might, then there seems good growth in licenses sold, etc.

Anyway, as you might have guessed, it's not for me.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-30-apr-2015-cct-ope-ubi-gbo-97917/#sthash.8sCr0fyB.dpuf>

7 Jul 2015

Globo (LON:GBO)

Share price: 46.3p (up 3% today)

No. shares: 373.7m

Market cap: £173.0m

Situation in Greece - Globo tries to reassure the faithful that the crisis in Greece is not really affecting it very much. Key points are;

- Greek Euro exit would lower their cost base
- in 2014 only 12% of Group revenue came from Greece
- All receivables relating to 2014 Greek sales have been received
- 2015 Greek turnover will only be 6-7% of the group total
- 42% of total group headcount are based in Athens

- Computer systems are cloud-based, and they have backup power generators, and satellite connections
- Cash reserves are outside of Greece, with only E100k in Greek bank accounts
- Capital controls should cause no interruption to their financing, as their purpose is mainly to control/stop the export of currency from Greece
- They reassure that the Greek 49% Associate is trading alright, and paying the instalments due to the group on time
- The situation in Greece "has not arisen overnight", hence they have had time to prepare

My opinion - overall, the above sounds reassuring. However, the bigger question is whether Globo's accounts can be relied upon - in particular, **where is the cash, and why do they borrow extensively (incurring E4m interest cost last year) whilst simultaneously holding greater cash balances?**

I remain of the view that the accounts for this company don't look right at all, and explained **specifically why here**.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-7-jul-2015-chh-som-gbo-cms-cnct-soli-mcb-102415/#sthash.0yl5IPk6.dpuf>

29 Jul 2015

Globo (LON:GBO)

Share price: 40.5p (up 5.9% today)

No. shares: 373.7m

Market cap: £151.3m

(for the avoidance of doubt, I am neither long nor short of this share)

Statement re share price movement - we have *yet another* clarification statement from Globo, which in itself is another red flag - clearly the market thinks there is something wrong, if the company has to repeatedly issue statements intended to calm the market.

As regulars will know, I've been a long term bear of this share, as there are numerous red flags with the accounts, changes of auditor, taking out large new borrowings when it supposedly already holds substantial net cash, aggressively capitalising intangibles to create (IMO artificial) profits, debtors piling up on the balance sheet, the inexplicable disposal of 51% of a subsidiary in order to get its figures off the balance sheet, never having paid

divis, repeated fundraisings despite claiming to be cashflow positive, the list just goes on and on with this company.

I set out in more detail the specifics here in [Apr 2015](#).

It should be emphasised that red flags are not necessarily a sign that things are definitely wrong, but an alert that something *might* be wrong, hence more research is needed, or in my case I've already seen enough to make me walk away. One of the worst things you can do is go to the company and ask for reassurances - as you will always get them!

Where you have multiple red flags, as with Globo, the probability that something is wrong increases, compared with a company that has only one red flag.

It will be very interesting to see how Globo eventually pans out, as I'm firmly in the something is badly wrong camp, whereas others, and the Stockopedia system, like it - the StockRank is currently very high, at 92.

To my mind, risk:reward is such that I will happily run the risk of missing out on a profit by not buying this share. There are plenty of other profitable trades/investments out there, and walking away from something that might be dangerous is a sensible thing to do.

The latest thing to rattle the market, is that Globo is apparently seeking to raise more debt (despite having large net cash), from a junk bond, with interest at 10%, which the company says is "mainly" for acquisitions totaling \$150m+ over the next two years. So it doesn't sound as if the money is immediately required - therefore why on earth would they be happy to raise fresh debt on a 10% coupon, unless it was going to be used immediately, especially as they claim to already hold net cash.

The way it looks to me, this company is behaving as if it is financially stressed, and not like a company which has net cash in the bank at all. Which makes you wonder if it really does actually have net cash? We've seen with Chinese companies that the huge cash piles were fictitious, so there is a precedent here. Cash only ever goes into Globo, it never comes out.

Bulls in the stock just ignore all the above, and concentrate on the bullish updates being put out by the company, claiming ever-increasing user numbers for its software. I would definitely like to see some watertight, detailed, third party *proof* that their software really is growing profitably, as the company suggests. It seems to have left a very light, almost non-existent impression on the internet so far, which is another cause for concern.

The valuation scores on Stockopedia look good, amazing even. Too good! This was how Quindell and the Chinese AIM stocks looked a while ago too:

(see StockRank page for Globo - I had to delete picture, as it corrupted the article)

When the valuation scores look too good to be true, that in itself is a red flag - because the market is saying that it doesn't believe the accounts/forecasts!

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-29-jul-2015-cap-rstr-gbo-qed-twtr-103745/#sthash.1bS7vEHb.dpuf>

23 Sep 2015

Globo (LON:GBO)

Share price: 34p (up 3% today)

No. shares: 373.7m

Market cap: £127.1m

(for the avoidance of doubt, I have no position in this company)

Proposed acquisition - this looks a potentially sensible move. Globo claims to have a large cash pile, yet simultaneously also has large bank borrowings (why???), and has been trying to raise a further substantial amount recently through a junk bond issue. This has understandably raised a lot of questions, as **it's totally illogical behaviour, and looks more like a company in financial distress than a cash-rich company. Or possibly a company where cash might have been syphoned off, and/or moved in circles between connected parties possibly?**

The obvious solution is for the company to abandon its junk bond issue, and instead use its cash pile to make some smallish acquisitions, and thereby prove to the market that it can do a good job buying other companies & integrating them.

The second thing they need to do, is turn some of the debtor mountain into cash, to demonstrate that it's a proper business.

Anyway, today's announcement says that the company has signed a letter of intent to buy an unnamed European software company. The name is to remain secret until a final agreement has been reached. Which begs the question, why pre-announce it now, if it's not been agreed? Why are things never simple with this company?

Globo gives the following financial details about the company it hopes to acquire;

- Revenue is based mainly on annual recurring license fees (sounds good, so how much is the turnover then?)
- *Projected* Dec 2015 y/end *adjusted EBITDA* of E900k (so no real profit then, presumably! Also, what are the historic figures like?)
- Considerable EBITDA growth predicted over the next 2 years (great, depending on how much is being capitalised into intangibles - presumably a lot, otherwise real profits would have been mentioned)
- Up-front consideration of c.E6.5m (relatively small beer, compared with the last reported net cash of E47.4m)

- Earn-outs of up to E7.5m payable over 2 years, based on profit targets (sounds sensible) - note that these are payable in a mixture (not specified) of cash & new GBO shares - so potential for some dilution.
- Globo says it will be immediately earnings enhancing - which is a given, when paying cash that is otherwise earning next-to-nothing in interest
- Will be completed during Oct 2015.

My opinion - a strategy of using surplus cash to make bolt-on acquisitions looks sensible. Although given the numerous red flags with this company's accounts (and actions), it pays to be highly suspicious about everything they do, in my opinion.

So the obvious question is whether the company being acquired has any link to Globo, or its existing shareholders/management? Which country is it based in? (hopefully not Greece).

The company seems to be ploughing ahead with its junk bond issue - an update was given on 14 Sep 2015 saying that everything was on track. Hmm, let's see what actually happens. This looks like long-term financial suicide for the company, as it has a chronic inability to turn profit into cash, therefore a 10% interest bill on borrowings that it doesn't actually need, is a totally bizarre thing to do, and just reinforces my suspicions that things possibly may not be what they seem at this company.

The company says it wants to use the junk bond issue to make cash generative acquisitions. So far they have failed to demonstrate that they can do this - so why would bond investors lend the company fresh money at a high coupon, for them to spend on acquisitions that (based on what's happened to date) only generate fantasy profits (EBITDA) and not real, positive cashflow?

I shall watch developments from the sidelines, but for me this remains completely uninvestable unless & until it can straighten out its wonky balance sheet (mainly turn debtors into cash), and can generate proper profits which do not rely on capitalising an enormous amount of costs into intangibles.

The problem with repeated acquisitions, is that it muddies the water further, making it harder to untangle what is really going on at the group. So I suspect Globo will remain a mystery for some time to come. As always though, this is just one person's opinion, so feel free to disagree, and do what you want with your own portfolio. Who knows, if I'm wrong, then this share could turn out to be a bargain? I can't see why it's worth taking the risk though. After all, you don't lose any money by avoiding a share, especially as there are plenty of other safer things to invest in.

The market clearly shares my concerns about the company, as the unfeasibly low PER is itself a red flag - as the valuation stats below combine to demonstrate that the market simply doesn't believe the figures. A PER below about 5 is usually a sign that there's something badly wrong, in my experience, so 3.5 is screaming to us that the figures are probably not right;

Growth & Value		vs. industry	vs. market
12m Forecast Rolling			
PE Ratio (f)	3.50		
PEG Ratio (f)	0.23		
EPS Growth (f)	18.7 %		
Dividend Yield (f)	n/a %		
Valuation (ttm)			
Price to Book Value	0.97		
Price to Tang. Book	1.38		
Price to Free Cashflow	22.9		
Price to Sales	1.59		
EV to EBITDA	2.54		

Quality		vs. industry	vs. market
Return on Capital	17.0 %		
Return on Equity	22.3 %		
Operating Margin	35.1 %		

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-23-sept-2015-rgs-gbo-ptg-beg-wand-puri-eck-106933/#sthash.33Qsq0xo.dpuf>

30 Sep 2015

Globo (LON:GBO)

Share price: 40.75p

No. shares: 373.7m

Market cap: £152.3m

I had a look at the latest [interim accounts](#) from **Globo** (LON:GBO) last night, and all my concerns remain, indeed have strengthened. **It's one of the most bizarre & unreal-looking balance sheets that I've ever seen.** Once

again the company reports huge profits, but **once again the bizarre debit balances on the balance sheet pile up into ever larger & more unbelievable mountains.**

Cash & debt - most companies have cash, or debt. There might be a bit of overlap, with some cash in transit, or cash at one subsidiary, and debt at another. Usually though the net picture makes sense. Not here! The group reports **cash of E104.4m** at 30 Jun 2015.

On the same date, it reports **borrowings of E56.9m**. Given that interest rates on cash deposits are close to zero, this is a staggeringly inefficient, indeed totally illogical arrangement. The P&L shows E368k of interest income, and E1,981k of interest cost, in just a six month period remember. Therefore, the first job I would if I became CFO of this group would be to repay all the bank debt from the cash pile. That would still leave the group with **net cash of E47.5m**, which looks ample.

However, by repaying all the bank debt, I would at a stroke have reduced the P&L interest charge by $E1,981k * 2 = E3.96m$. So there is a cost saving of nearly E4m p.a. interest charges just sitting on a plate, which could be taken today (unless there are early payment penalties on the debt).

The fact that Globo continues to report this huge net cash balance, whilst simultaneously holding significant, and expensive debt, is beyond bizarre. It's highly suspicious, since no rational company would allow this situation to persist for a considerable amount of time, as has happened here.

So the biggest, shiniest red flag is this weird cash & debt situation.

Debtors - this is the second big shiny red flag. Globo reports E54.5m trade receivables at 30 Jun 2015, which seems very high given that revenues for H1 were E72.4m. It's true that receivables includes VAT usually, whereas revenues doesn't, so that can skew things somewhat. However, I would always expect trade receivables to be less than half of interim revenues, or less than a quarter of full year revenues.

On that basis, Globo's trade receivables look excessive by about E18.3m to me.

However, it gets worse. There is another item called "Other current assets" of E35.8m, so a big number. There is no explanatory note given. So I looked back to the 2014 Annual Report, and the equivalent number is accrued income. The double entry for accrued income is this:

Dr Balance Sheet - Other current assets E35.8m

Cr P&L - Revenues (which drops straight through to profit) E35.8m

So this Other current assets line is effectively just more trade debtors, which haven't been billed yet. Add it to the other trade debtors figure, and you really have **total trade debtors of E90.3m**. That is equivalent to ALL of H2 2014 turnover (of E59.9m), plus E30.4m of H1 2015's turnover, or 42% of it. Therefore, there is nearly 9 months of sales sitting on the balance sheet, unpaid! What does that tell you? Answers on a postcard please, but **it tells me that the company is probably booking fictitious revenues through the P&L on a huge scale.**

That's always been the case in the past, when I've come across very excessive debtors like this. I can't think of a single case where excessive debtors has turned out to be absolutely fine in the long run. It's practically always

the precursor to the wheels coming off, in some shape or form, accounts being restated, a huge write-off of junk on the balance sheet, Directors being kicked out - in fact that's exactly what happened at [Quindell](#) (LON:QPP) when I raised exactly the same concerns for several years before it eventually all fell apart.

It's always the same. To create fictitious profit, the debit entries are left on the balance sheet, and become more & more obvious for anyone who takes the trouble to look.

Another similarity between Quindell and Globo is that if you recall, once its debtors became insanely high. Quindell came up with its own definition of debtor days, which excluded a large chunk of total debtors. So it was nonsense. Globo has done exactly the same thing in these interim figures! There is a section where it tries to reassure on debtor days, see below;

- **Receivables Volume Weighted Average Aging (RVWAA)**

Given the seasonality of stronger sales during Q2 and Q4 of each year, it is important to examine the volume weighted average ageing of receivables in order to judge the receivables collectability quality and controlling and collections execution performance.

This way we evaluate the overall receivables collection performance as a financial KPI

For the period ended 30 June 2015 the RVWAA calculation is the following:

	Up to 3 months	Between 3-6 months	Between 6-12 months	Over 12 months
	€'000	€'000	€'000	€'000
Qualified trade receivables H1 2015*	37,835	9,509	1,850	-
Qualified trade receivables H1 2014*	7,400	6,806	12,642	830
RVWAA H1 2015	71 Days			
RVWAA H1 2014	185 Days			

* Qualifying trade receivables include trade receivable, notes receivable, cheques receivable and exclude prepayments to vendors

As shown above, the Group has reduced the RVWAA by 62% to 71 days (H1 2014: 185 days) as a result of increased controls and execution in collection policies and customer relations.

Needless to say, it shows a dramatically *improved* picture! That's because it's actually ignoring about half of the total debtors! So this is just utter nonsense, designed to deceive in my opinion. Some people want reassurance, and so they will lap it up. More fool them!

Cashflow - the top half of the cashflow statement is interesting (see below). This shows that the group does *appear* to be generating some genuine cashflow:

**Six months
ended
30 June
2015
€'000
(unaudited)**

Cash Flows from Operating Activities

Cash generated from operations (Note 5)	23,020
Interest paid	(1,981)
Income tax paid	-

Net Cash generated from Operating Activities **21,039**

Cash Flow from Investing Activities

Investments in business combinations	(158)
Purchases of tangible and intangible assets	(14,215)
Proceeds from sale of tangible and intangible assets	-
Interest received	368

So the E23.0m cash generated from operations is largely consumed by purchasing intangible assets - i.e. costs that probably should have gone through the P&L, but instead have been capitalised. That takes cashflow down to E8.8m, or E7.2m after net interest costs.

So I concede that it's possible there might be a decent business somewhere in these numbers, but just not one generating anything like the profits that are shown on the P&L.

Acquisitions - the group says it is planning more acquisitions, and one (unnamed) target company was pre-announced recently. Today it says:

The Group has been targeting a series of acquisitions since the end of 2014 and we hope to progress certain of these over the coming months. We have recently announced the proposed acquisition of an innovative BYOD - Mobile Security Company in Europe for €14 million.

*Our current cash position and cash flow covers all of our operating requirements and will enable us to pursue selective acquisition opportunities in the near term. In order to grow the business through more sizeable acquisitions, **we continue our High Yield Bond discussions**. The Company **maintains a prudent view on the methods of financing its acquisition led growth**.*

Errr, hello! Earth calling Globo! A 10% p.a. interest junk bond is NOT a prudent way to finance acquisitions, at all. It's just another red flag actually - as the logical thing to do, would be to use your existing cash resources

(supposedly substantial in this case) first, then only draw down any borrowings when actually needed. **The way Globo is trying to do things looks plain fishy (like the rest of their accounts).**

My opinion - as you can probably tell from the above, I think the figures for this company stink to high heaven. I would look very carefully at all the companies they acquire in future - are there any connected parties? Is the price reasonable (based on real profits, not adjusted EBITDA)? There is a risk that buying a lot of junk companies could just be a device to disappear the cash pile (if it hasn't already been disappeared).

Decent companies simply don't present their accounts in this way, nor run huge cash balances simultaneously with increasing borrowings. Remember the change of auditors, twice, some time ago, which was unconvincingly explained away but has since been forgotten by gullible shareholders, who just want the share price to go up, and don't care about reality.

There are so many issues with this company, that to my mind, and based on a lot of experience in the market, avoiding dodgy companies & warning people about them, it is inconceivable that everything will turn out fine here. I think it's a serious accident waiting to happen.

Even if I'm wrong (which is possible, albeit unlikely) why take the risk, when there are so many warning signs?

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-gbo-koov-107216/#sthash.V666HjoW.dpuf>

23 Oct 2015

Globo (LON:GBO)

Share price: Shares suspended

No. shares: 373.7m

Market cap: £105.6m (based on c.28.25p price at time of suspension)

(at the time of writing I have a short position in this share)

Shares suspended - under Stockopedia's editorial policy, I'm not supposed to comment on shares where I hold a personal short position. However, since the shares are currently suspended, and we don't know when they are coming back from suspension (if at all), then it's not a stock which can currently be traded. Therefore I think it's perfectly reasonable for me to comment on this.

In any case, technically I *don't* personally hold the short position - it's in a family member's spread betting account, but I always over-disclose, because I think it's best to be completely open, and tell people all mine & my family's positions as if they were mine.

As regulars here will know, Globo has been a bargepole stock for me, for nearly 3 years now, I've been warning readers [here in numerous reports](#) that there are many red flags with the company's accounts, and its behaviour.

Put those things together, and I've been virtually certain that this thing was very badly wrong, and would probably end in disaster.

We don't know for certain yet, but it's looking increasingly likely that my suspicions were correct.

A small New York based Hedge Fund, called Quintessential Capital Management ("QCM") seems to have issued its highly critical report on Globo via ShareProphets. I've googled it, and can't find the report anywhere else, not even on [QCM's own website](#), which is visually pleasing, but almost entirely devoid of content. I saved a copy of the report onto my hard drive, just in case the report is pulled from the web.

I've read the full report twice now. My reaction is similar to others, in that it appears a little amateurish in parts, seems to make some factual errors - not good when you're trying to establish credibility. The little details do matter, so it's important to get it 100% right if you can, although everyone makes some mistakes.

The central thrust of the article is not really about the dodgy-looking accounts, or the other stuff that I've gone into a lot of detail about. QCM's allegations are new, and based on due diligence they have done, focused on product & distributors.

The conclusion they have come to, is staggering;

*... the results of our investigation strongly suggest that **at least 60% of Globo's turnover is fabricated.***

The method of carrying out this alleged fraud, is by the use of multiple shell companies, to generate fictitious sales, but also fictitious costs (which are then capitalised onto Globo's balance sheet into intangible assets). Hey presto! Sales, and profits are created, but no cashflow is generated.

This is consistent with my criticisms of the accounts, which have primarily been that the company's profits look fictitious, and have been created by capitalising costs very aggressively into intangible assets. The lack of cashflow (as debit balances piled up in various places on the balance sheet) is also consistent with the above. What cash there is, would just go round in a circle, in the above scenario.

QCM has also investigated Globo's distributors, and concluded that these are effectively sham distributors. They do not seem able find anyone able or willing to sell them any Globo products. Defenders of the company say that this is because the company mainly sells direct these days. No doubt Globo's forthcoming defence document will claim that to be the case.

It really should be incredibly easy for Globo to provide copious amounts of evidence, and happy clients, to back up its claims for large number of users of its main products. I've never been able to find anything much on the web - Globo's core products seem to leave hardly any footprint on the web at all, and when there is, [it's negative](#).

EDIT: MartinC from the comments section below has provided two links to more positive reviews of Globo products, [here](#), and [here](#), which are worth a look.

Although as defenders of the company have been at great pains to point out to me, I know nothing about software companies, and should leave that sort of analysis to the experts! There's some truth in that, but I am **very** good at sniffing out dodgy companies & dodgy accounts, as readers here will know well. That's because I

trained for 3 years as an auditor, and was then an FD for 8 years, so I know how accounts are actually put together, and I know where to look, to locate where the bodies are buried!

It's always the same - to create fictitious profits, you have to create **fictitious assets** on the balance sheet (or under-stated liabilities, or both). That's because of the way double-entry bookkeeping works. Fictitious profit is a credit entry on the P&L, so there *has* to be a fictitious debit entry (i.e. an asset) on the balance sheet, to make it balance.

Globo's balance sheet is riddled with obviously stretched assets - intangible assets were massive & growing fast, and various forms of debtor stuck out like sore thumbs, due to their size & improbability.

Going back to the QCM report, I think it's the comments from former employees that are the most striking. This hasn't been verified of course, but a comment in the report from a former employee says that the company's "products are junk, and nobody is buying them". That very much chimes with what [our own Ed reported here](#), when he tried to download & test Globo's product - it didn't work properly, so he very wisely avoided the shares.

My opinion - I've said repeatedly, for nearly 3 years now, that the accounts from Globo look dodgy as hell, or words to that effect. There is very unlikely to be an innocent explanation, in my opinion.

No doubt the company will now put out yet another clarification statement, which itself is a big red flag actually - Quindell did the same before that blew up.

The only big question now, is whether Globo's cash pile actually exists, or whether that has been syphoned off, partly or in full? QCM reckons the cash pile may still be intact. I'm not so sure, but time will tell - we just don't know at the moment. I wouldn't count on it though, in valuing the shares. **If a major fraud has really happened, then usually the cash will have vanished too. Fraudsters don't tend to leave the cash behind, do they?** But we don't know for sure (yet) whether or not Globo management are fraudsters, so let's not pre-judge that issue.

I agree with QCM that parts of Globo's business are bona fide, but probably don't make much, if any profit. That's been my view from the start, pretty much. It looks like an App developer, which has tried to present itself as a much bigger business than it actually probably is, in order to raise more money from investors and use that to build a bigger, legitimate business. That narrative sounds entirely believable to me, but we don't yet have the full facts, so let's see how it pans out in due course.

Proper companies, with decent products, and straightforward accounts, simply don't have problems like this. Short-sellers target companies specifically *because* there are things badly wrong with them, and most such detailed shorting attacks turn out to be correct. There now seems an established formula of bloggers flagging up the issues with such companies as Globo or Quindell, and then a USA Hedge Fund will pick up on it, and prepare a more detailed dossier that everyone seems to suddenly sit up and pay attention to. Which is rather frustrating for me, given that my stuff has been flagging up some of the issues for years now! Never mind. Maybe I should move to New York and give myself a fancy-sounding corporate name?!

EDIT: Note also that Dan McCrum of the FT has published an article which repeats some of the allegations against Globo. Interestingly in the comments section below [his article](#), he makes it clear that he has independently verified the facts.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-23-oct-2015-gbo-afn-nar-109206/#sthash.SSt9yNu9.dpuf>

26 Oct 2015

Good morning! No, it's better than that, it's a *fantastic* morning!

Globo has finally admitted that its accounts were indeed fraudulently misstated, as I suspected. So after a battle of nearly 3 years, I have been **completely vindicated** with my numerous warnings to investors that the accounts looked dodgy as hell, and all the specific red flags that I, well, flagged.

Some people listened, and saved themselves money by steering clear of this fraud. Other people thought they knew best, ignored all the obvious facts pointing to it being *at least* a semi-fraud, hurled abuse at me, constructed a false narrative in their minds that it was all an evil shorters' conspiracy, reinforced their incorrect views by discussing them with other similarly misguided people on bulletin boards, and have ended up looking complete idiots, on top of losing their money. No sympathy from me there I'm afraid.

I do however have a lot of sympathy for the more decent people who were sucked in unwittingly, through e.g. appalling puff pieces in the press, such as this horrendous Simon Thompson article from the Investors Chronicle on 5 Aug 2015 - "[Short sellers in for shock treatment](#)". To allow yourself to be used as a mouthpiece for a fraudster, trying to engineer a short squeeze, in my view shows shockingly poor judgment, and naivete. Not for the first time either, a similar thing happened with the China AIM frauds. Commentators need to be street-wise, and question everything, not just regurgitate stories from the PR people.

More on Globo below. The above is just for starters!

For anyone not aware, you have not one SCVR today, but three! Yes, I caught up on the backlog yesterday, apologies for my outage last week, and wrote belated reports, here are the links;

[Thu 22 Oct 2015 - Small Cap Value Report](#)

[Fri 23 Oct 2015 - Small Cap Value Report](#) - Globo special (NB. written *before* today's capitulation)

Globo (LON:GBO)

Share price: suspended

No. shares: doesn't really matter any more!

Market cap: probably nil

Company statement - it looked ominous when there was no statement from the company at 7am this morning - they should have had plenty of time to put together a rebuttal statement over the weekend, after the imperfect, but still damning expose written by Quintessential Capital Funds, and published by ShareProphets.

Proper companies with prudent accounts don't need to put out clarification statements at all, and don't get attacked by shorters in the first place. So if a company finds itself (not for the first time) having to rebut serious allegations, then the chances are there's something badly wrong.

Here is the main text of today's announcement, with my bolding of the key parts;

On Friday 23 October 2015 the Board of Directors of the Group became aware of a report published by Quintessential Capital Management ("QCM").

*Following the announcement by the Company on the morning of Friday 23 October 2015, an emergency Board meeting was convened as soon as practicable for Saturday 24 October 2015 to discuss the allegations in the report and to ascertain the actions that would be required to resolve the matter. **It was intended that an appropriate independent forensic accounting team be appointed to investigate the claims.***

*However, at the Board meeting, Costis Papadimitrakopoulos the CEO of the Group brought to the attention of the Board certain matters regarding the **falsification of data and the misrepresentation of the Company's financial situation**, and offered his resignation, as did Dimitris Gryparis the CFO of the Group.*

Following the meeting and receipt of legal advice, a committee of the board was set up, comprising the non-executive Directors only (the "Committee"). The Committee has accepted the resignations of Costis Papadimitrakopoulos and Dimitris Gryparis from the Company with immediate effect. Gerasimos (Makis) Bonanos (the COO) has been suspended from his duties with the Company also with immediate effect, pending the outcome of appropriate investigations.

*All of the executive directors have agreed to make themselves available and fully co-operate with any investigations. The Committee has **initiated discussions with appropriate advisers in relation to the next steps and to ascertain the true financial position of the Company**. In addition, the Committee has asked the Company's lawyers to **notify the matter to the appropriate authorities** and the Committee has informed the Company's principal bankers.*

*Further announcements will be made in due course. In the meantime the Company's **shares will remain suspended** from trading as per the dealing notice on Friday 23 October 2015.*

So that's very clear - the accounts are fraudulent, and the CEO, CFO, and COO have all gone.

So the only big question remaining, is how much cash, if any, is left? As I commented yesterday in [my SCVR for 23 Oct 2015](#), fraudsters don't usually leave the cash behind, do they? Since it's now clear this was a fraud, then I imagine that most, maybe all, of the cash has probably been stolen or otherwise dissipated (maybe through trading losses).

It's not really a surprise to me. The company's behaviour was so obviously suspicious - acting like a financially distressed company, trying to raise a junk bond at 10% interest, whilst claiming to simultaneously have E104.4m cash in the bank, was just beyond ridiculous. As I pointed out in my [SCVR of 30 Sep 2015](#), there is no reasonable explanation for this bizarre, unbelievable behaviour. The only logical explanation is that the cash had been stolen.

Director selling - even more ominously, if that's possible, it turns out that Costis has been dumping his personal shares, as follows;

*The Chief Executive Officer, Mr Konstantinos Papadimitrakopoulos advised the Company on 25 October 2015 that **up to** 22 October 2015 he has:*

- *sold 42,049,655 shares of Globo Plc; and*

- *pledged 10,000,000 shares of Globo Plc under a personal loan agreement with Lantau Holdings Limited. The loan will default at close of business today because of two consecutive days of the suspension of the Company's shares from trading.*

Note the words "up to" in the first bullet point. So it's not clear exactly when he dumped his stock. This reinforces the likelihood that the shares are worth very little, if anything.

My opinion - I'm going to be unbearably smug for the rest of this week, so apologies in advance for that! The bottom line is this - if people who are good at dissecting accounts are all saying that something doesn't look right, and explaining precisely what doesn't look right, then the sensible thing to do is sit up & listen, not stick your head in the sand just because you happen to hold that stock.

I think investor psychology is the biggest problem in this field - people are their own worst enemy, because they refuse to believe bad news, even when it's staring them in the face.

Hopefully the misguided bulls will learn something from this debacle - although I see the same names cropping up defending rubbish companies over & over again - Globo, Afren, Blinkx, Monitise, to name just a few. Every time they attack the shorters, and (almost) every time they're hopelessly wrong, and the shorters are nearly always right.

There's a reason for this. It's because shorters tend to be the most experienced investors, who've been round the block a few times & know what to look for at dodgy companies. So if people only learn one thing from the Globo fraud, it's to listen to shorters, and consider the facts fully, instead of trying to shoot the messenger with personal attacks.

Once again, the LSE, FCA, and NOMADs have been completely useless in protecting investors from fraud. Once again, it has been **shorters who have been the only effective regulators in the market**. What a total disgrace.

- See more at:

<http://www.stockopedia.com/content/small-cap-value-report-26-oct-2015-gbo-im-vindicated-rstr-109308/#sthash.9SKmqbTf.dpuf>