

Globo Plc

Our Final Opinion: It's a Greek Parmalat

By Quintessential Capital Management – Investigative Research Team

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Acknowledgements

We would like to provide our most sincere thanks to the few brave and inquisitive people who have contributed to the creation of this report. Your help has been crucial and will not be forgotten. Most sincere thanks also to Mr. Simon Cawkwell giving us the idea to look at this stock.

About QCM

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On the short side, we only act when supremely confident on our thesis and, so far, we enjoy a spotless success rate. Our latest short, American Addiction Center, has dropped over 70% in the two weeks following the release of our report¹².

Executive Summary

Quintessential Capital Management has opened a short position on Globo Plc stock. We have been investigating Globo Plc after studying several online blogs containing allegations of fraudulent accounting and other questionable behavior. After months of deep due diligence and information-gathering activity on the field, we have collected overwhelming evidence suggesting the existence of what appears to us as a large-scale conspiracy to deceive investors and creditors through pervasive and systematic accounting manipulation.

In a nutshell, we are of the view that Globo Plc is massively overstating its revenue and profit by generating fictitious sales invoices from shell companies created and controlled by Globo to pose as legitimate clients. In order to justify the resulting cash shortfall, other shell companies pose as suppliers to Globo and generate fictitious expenses, part of which are then capitalized. The results of our investigation suggest that the Company relies on its fabricated financial statements to issue shares and to secure credit to cover its ongoing expenses and to finance the acquisition of legitimate businesses, in the hope of diluting the "fraudulent" part of its business and eventually listing itself on the NASDAQ.

While a minor portion of its business is authentic, the results of our investigation strongly suggest that at least 60% of Globo's turnover is fabricated. The Company's alleged activities, in our view, suggest possible criminal behavior and to cause its total demise if exposed.

¹ <http://seekingalpha.com/article/3342015-american-addiction-centers-our-final-opinion-its-a-castle-of-cards>

² <http://blogs.wsj.com/moneybeat/2015/08/05/blog-post-from-college-student-causes-massive-sell-off-in-aac-holdings/>

Company Description

History

Costis Papadimitrakopoulos founded Globo Plc in 1997 out of a small office in Athens, Greece. Costis has followed an unconventional career path for a tech entrepreneur. Costis initiated his career as a professional windsurfer. He then joined his family business, a food processing company. This experience apparently involved plenty of travel abroad, especially in Eastern Europe, where Costis claimed he formed many business contacts which, as we will see later, might play a part in the subsequent Globo affair. Following his family business experience, he then completed a degree in Electrical Engineering and subsequently started Globo.³

According to our research, in 2007 Globo went public not through a customary IPO, but by way of a reverse merger with an Israeli shell company⁴. While a legitimate instrument, reverse mergers have historically been used by numerous fraudulent companies to float their shares and their reputation is doubtful, since they allow a company to go public while avoiding the scrutiny and due diligence typical of an IPO.

Over the years Globo showed an impressive sequence of increasing sales and profits (albeit with increasingly negative free cash flows) and was active in M&A transactions, both as a buyer and as a seller. In 2013 and 2014 it acquired Notify and Sourcebits, two California-based mobile software companies for \$5m and \$12m respectively. Each transaction was performed at a valuation of 1x sales so Globo acquired \$17m worth of sales.

In 2012, Globo sold 51% worth of Globo Technologies (GT), a subsidiary engaging in software development and distribution, to Globo's management. Although the consideration was about \$15m, the terms of payment were unusual and one of the net effects of the disposal was to effectively decrease the amount of trade receivable on Globo's balance sheet⁵. This is because at less than 50% GT assets, including receivables, get consolidated and treated as a long-term investment.

Following its US acquisitions, Globo's CEO has moved to Palo Alto in order to lead Globo's expansion in the United States, although the company's headquarters remain in Athens. In June 2015 Globo attempted to raise \$180m on the high yield bond market.⁶ The move raised many eyebrows in the investment community⁷ since these bonds would be issued at a very high interest rate. According to its financial statements, Globo sits on \$104 of cash (though most of it

³ <https://www.megabuyte.com/free2air/18779/megabuyte-interview-costis-papadimitrakopoulos>

⁴ <http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=23809915>

⁵ <http://lordshipstrading.blogspot.com/2013/10/globo-gbo-wake-up-and-smell-houmous.html>

⁶ [http://www.morningstar.co.uk/uk/news/AN_1434706989487905400/globo-wants-to-issue-high-yield-bonds-to-fund-acquisitions-\(alliss\).aspx](http://www.morningstar.co.uk/uk/news/AN_1434706989487905400/globo-wants-to-issue-high-yield-bonds-to-fund-acquisitions-(alliss).aspx)

⁷ [http://www.morningstar.co.uk/uk/news/AN_1442242423577575800/globo-says-high-yield-bond-issue-delayed-by-market-uncertainty-\(alliss\).aspx](http://www.morningstar.co.uk/uk/news/AN_1442242423577575800/globo-says-high-yield-bond-issue-delayed-by-market-uncertainty-(alliss).aspx)

held in banks with speculative credit ratings) and it is unclear why it would be willing to pay a 8%+ interest rate while having cash sitting unused in the bank. The bond issue was first reduced to \$120m and then suspended altogether because it failed to generate sufficient interest from perspective buyers. According to our research, prior to their attempt to issue junk debt, Globo tried unsuccessfully to raise a senior secured loan of \$120m from a large global investment management firm. **The apparent inability of Globo to pass serious creditor due diligence lately should be seen with concern.**

Business Model

Roughly 90% of declared revenue originates from Globo's Mobile Products and Services division. Essentially, Globo sells two main product categories: first, it helps businesses develop customized mobile applications for their specific needs (Go!AppZone). Second, it sells ready-made applications for so-called BYOD, or Bring Your Own Device needs (Go!Enterprise). As employees frequently prefer to use their own mobile devices for work needs, BYOD apps allow the user to connect to the company's servers and securely access their work email, calendars, files, etc. This is a common feature and is supplied by a number of large competitors including IBM, Kony, Microsoft, SAP and many others.

Globo claims as many as 3 million active users, 340k enterprise users and 13 million of device licenses in place. We shall see later on how such statistics seem enormously inflated vis-à-vis objective metrics such as the number of downloads executed from Android or iOS platforms.

Allegations

Numerous analysts on the web question the real nature of Globo Plc and the following allegations frequently recur in one form or another⁸⁹:

- **Accounting Inconsistencies:** Globo shows consistent revenue and earnings growth over the years, yet generates overall negative and decreasing free cash flows. The discrepancy between earnings and free cash flow is primarily due to receivables, capitalized R&D expenses and purchases of intangible assets. Some investors have speculated that Globo's sales and profits may be overstated, using aggressive capitalization of intangibles to "cover up" any cash flow discrepancy.
- **Lack of Proven Customers:** Some analysts have raised doubts as to the authenticity of all or part of Globo's client base. Globo does not disclose the identity of its main customers, but does mention a few names on its reports. Attempts to verify the authenticity of such supplier/client relationships have repeatedly failed. Surveys of various IT departments have shown that Globo's applications are not known in the industry.
- **Doubts on product quality:** The validity of Globo's products has been put into serious question. Product reviews accessible online are overwhelmingly negative. Attempts to

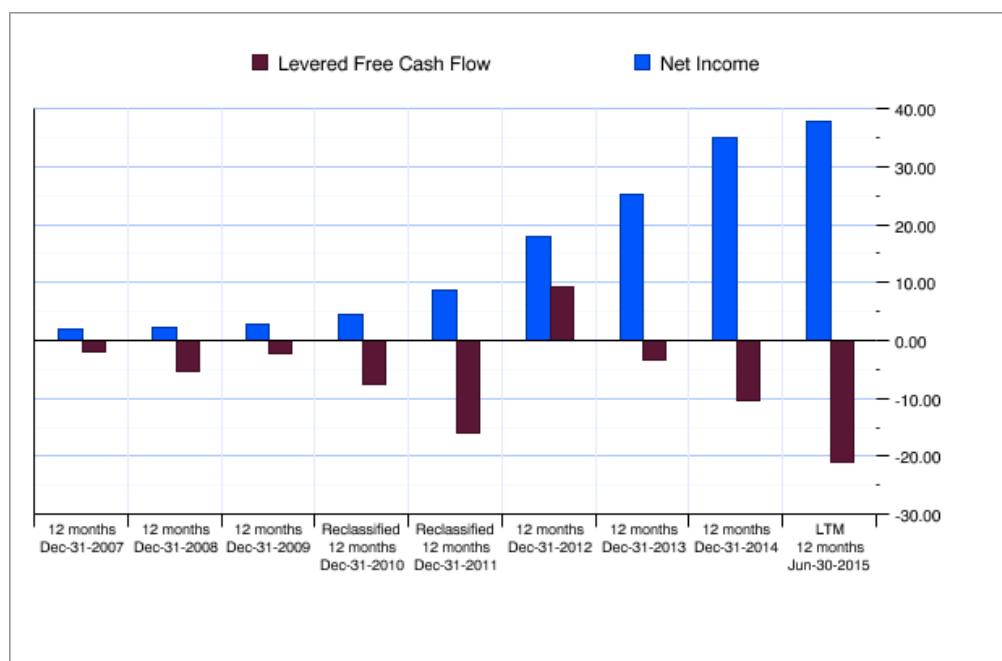
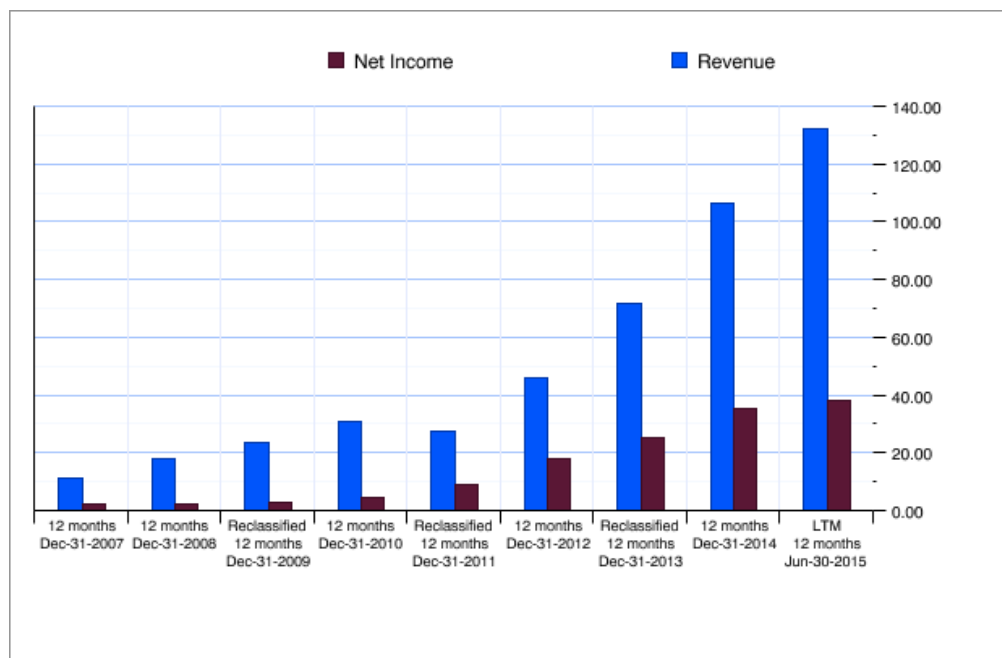
⁸ Ennismore research

⁹ <http://lordshipstrading.blogspot.com/2013/10/globo-gbo-wake-up-and-smell-houmous.html>

test Globo's products have shown a barely functioning software, particularly prone to freezes and often causing a dramatic slowdown of the devices where it is installed.

- **Suspicious financial management:** As mentioned earlier, Globo's decision to raise funds in the high-yield bond market seemed strange for a company claiming large cash reserves. Many investors have expressed skepticism as to the actual existence of Globo's bank deposits.
- **Corporate Governance Concerns:** the presence of some board members has raised red flags. For example, a blog written by Ennismore Fund Management, a hedge fund with a short position on the stock, observes how Mr. Barry Ariko, a member of Globo's board, has been a non-executive director at Peregrine Systems. The latter is a software company that went bankrupt in 2002 following an accounting scandal. It should be noted that Mr. Ariko himself was not personally charged in connection with this episode.

Financial Analysis¹⁰



¹⁰ Source: Capital IQ

At first glance, Globo's financials look impressive. During the last five years, revenue and earnings have been positive and growing at 35% and 65% compounded respectively. A closer look, however, suggests a different picture. While earnings have been increasing, free cash flows (as defined by Capital IQ) have been almost always negative and steadily decreasing. "Investments" (especially capital expenses and intangibles) have outpaced operating cash flows. The shortfall has been covered with cash raised through creditors and stock issues. Since 2007, when Globo went public, it claims to have generated Euro 119m in operating cash flows, while investing 145m and raising 145m from credit and stock issues.

Generally, software companies are highly cash generative and require relatively little reinvestment in the business in order to grow. In Globo's case however, **a combination of increasing capex, intangibles and trade receivables seems to prevent the company from ever generating cash flows from its profits.** It is also notable that, unlike many of its peers, Globo capitalizes its software development expenses, including a substantial portion of workers' salaries.

Some observers have raised a troublesome concern: **could it be that Globo's cash flow generation problems actually indicate the presence of an accounting scheme?**

Mechanics of the Scheme

Based on the evidence obtained through our extensive research, we believe strongly that most or all of the allegations concerning Globo Plc are well founded and, if anything, they tend to *underestimate* the gravity and scale of the irregularities being committed.

As far as we understand, Globo started probably as a legitimate company. In its early phase, prior to its reverse merger in 2007, Globo seemed to be involved mostly in software development and in various digitalization projects, mostly in Greece. For example, we learned that Globo performed a number of low value added services to government entities, such as digitizing various forms of official records.

The situation changes following Globo's listing in the stock market in 2007. It would seem that, at this point, Globo's executives started getting greedy and initiated or intensified a large-scale scheme to inflate Globo's financials at the detriment of creditors and investors.

The most important part of the scheme involves so-called "satellite companies". These are essentially empty shell companies, located in various countries (especially Cyprus, Panama and Greece), which Globo uses to generate fictitious sales and costs in order to inflate revenue and profitability. The resulting fictitious financials are then mixed up with legitimate ones to give the impression of a larger and rapidly growing company. We suspect that, fabricated financials make it possible to raise additional funds from creditors and shareholders with the objective of acquiring legitimate companies and, presumably, to dilute the "fraudulent" part of the business over time.

Nature of satellite companies

From our trusted sources, we know of more than 20 suspected satellite companies located in 8 different countries. These companies are often located in shadowy jurisdictions (e.g. Cyprus, Panama) and we understand are controlled by directors close to Globo's executives. We investigated all of the satellite companies we managed to identify and found ample evidence suggesting very high probability of fraud. These companies, which pose as Globo's customers and suppliers, tend to exhibit the following suspicious characteristics:

- They are often located in non-transparent jurisdictions.
- They show little or no evidence of ordinary business activity.
 - No business address or located in residential neighborhoods.
 - No websites or very generic ones.
 - Little or no web footprint.
 - Few, if any, employees.
 - Phone lines disconnected or not available.
 - Lack of responsiveness to email or other forms of solicitation.
- They feature directors serving in multiple companies, seemingly unrelated, but with links to Globo.
- In many cases, links with Globo, e.g.:
 - Directors are former Globo employees (in some cases seemingly trying to conceal it).
 - Addresses located at walking distance from Globo's headquarters.
 - Company logos or website design looking similar to Globo's (suggesting the use of the same design firm).

Suspicious Use of Satellite Companies

In order to generate fictitious sales, Globo seems to "pretend" to sell its products and services to these satellite companies. In a typical transaction, Globo (or often one of its foreign subsidiaries) would invoice one of these shell companies for a given amount, which would then be booked as a sale even though no cash, goods or services ever changed hands. The sale would then be booked in the trade receivables account and never get settled.

Of course, this creates a problem: customer balances cannot stay overdue for too long without arising the auditor's suspicions. The solution seems to lie in satellite companies, this time posing as suppliers. Here, the shell company would invoice Globo for a certain amount offsetting part of the receivables. In some cases, the same shell company may act as both customer and supplier. In other cases, it is two separate shell companies, which can then trade with each other to offset the transactions without services or cash changing hands. Sometimes, shell companies are apparently used directly to pay Globo's employees. Because a large portion of Globo's expenses is capitalized as software development costs, the company is able to generate an accounting profit even if revenue and expenses are of equal amounts.

What kind of expenses and revenue are being "passed around"? Since Globo's activities deal with intangibles, there is no need to provide any physical evidence of transactions. Globo's subsidiaries typically have a vendor/customer agreement in place with these shell companies and the issuing of invoices back and forth becomes a relatively straightforward process.

These fictitious transactions seem to serve multiple purposes for Globo:

1. They inflate revenue and profit, which support the price of Globo's stock.
2. They allow Globo to raise additional cash from creditors and shareholders.
3. They may allow Globo to elude taxation since transactions are "engineered" so that Globo's subsidiaries in high-tax jurisdictions stay unprofitable while profits are concentrated in low-tax countries. It would be a big problem having to pay high taxes for non-existing profits!
4. They seem to allow Globo to reap certain EU subsidies that require certain expenses to originate in a particular country, for example for hiring unemployed personnel.

Below a flow chart detailing how the scheme may work:

--- Strictly Private & Confidential ---



The Evidence

The ones just described constitute serious allegations and we would not advance them without being certain of their veracity. The evidence we collected is based on the followings sources:

1. Declarations of sources close to the company.
2. Analysis of Globo's distributors and resellers.
3. Analysis of Globo's clients and suppliers (suspected satellite companies).
4. Research on personnel involved in the scheme.
5. Interviews with industry players (e.g. IT personnel, competitors)

Globo's partners (i.e. distributors & resellers)

Globo disclosed its "partners" prominently on a dedicated page on its website. We have identified, analyzed and approached the majority of Globo's claimed suppliers and resellers. Despite the fact that we know part of Globo's business to be authentic, **we have been unable to confirm even a single legitimate partner**. In many cases, the claimed distributors tend to exhibit a number of issues including the following:

- The company cannot be detected (e.g. no records, valid address, functioning phone, etc.).
- The company exists, but seems to operate in an unrelated industry.
- The company operates in a related industry, but does not appear to sell Globo's products.
- The company appears to sell Globo's product, but interrupts all communication once Globo is mentioned in our enquiries.

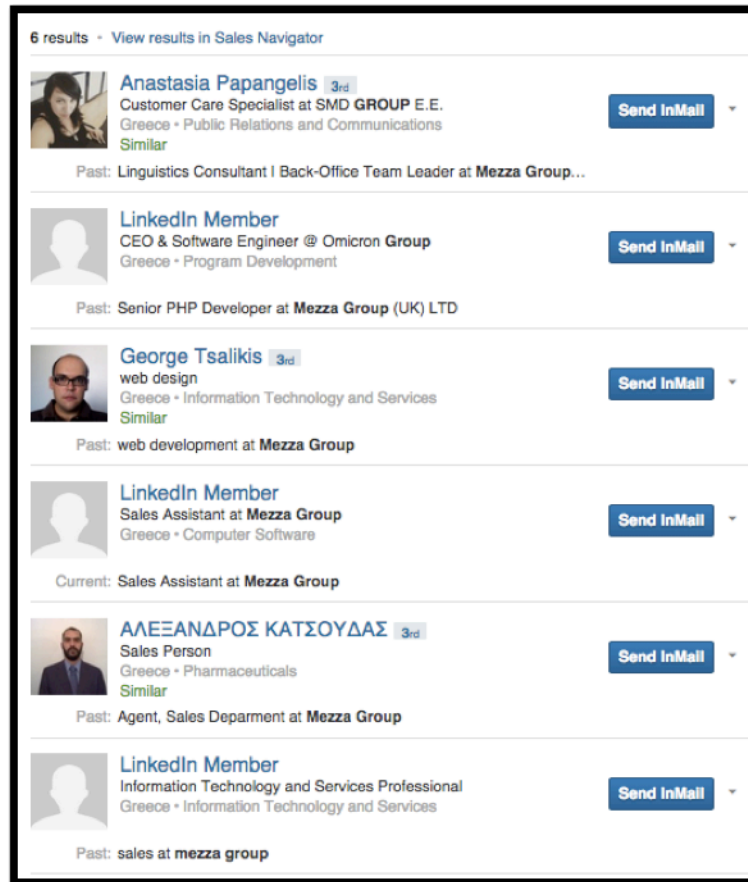
We have collected a list of suspicious partners in the appendix together with evidence questioning the validity of these companies. **We have meticulously checked each and every one of Globo's partners (about 40) and, every time, failed to receive any significant response from any of these companies.** You are welcome to try them yourself: in the appendix you will find a full list with our specific findings.

For the sake of example, we have included a few of the most emblematic cases of likely bogus distributors (complemented by the full list in the appendix):

Distributor #1: Mezza Group

Mezza Group appears on Globo's website¹¹ as a "specialized partner". We did not find other significant partners in the UK so this one must account for a significant portion of UK revenue¹². The website¹³ looks generic enough and describes a company apparently involved in online marketing and SEO (what does Globo's enterprise mobility have to do with this?). The telephone number listed on the website leads directly to a fax, without any voice mail present. Our many approaches to the company by mail and its employees via LinkedIn have gone unanswered.

Mezza Group is a UK company located in South London. Yet, a LinkedIn search reveals six employees all of whom Greek and living in Greece. Five out of six are no longer working at Mezza Group.



¹¹ <http://globopl.com/globo-at-a-glance/partners/#ourPartners>

¹² Globo does not segment revenue by country, but 13.5% would come from Western Europe and we suspect UK is a major part of this.

¹³ <http://www.mezzagroup.com/>


Mezza Group is located in London at 25 Norway Gate, SE16 7TR. This is what the company's building looks like from outside (it's located in a residential neighborhood):




We checked if other companies are located at the same address and found 48 (!):

Who shares the same registered office address as Greekon Ltd 25 NORWAY GATE SE16 7TR

There are 48 companies registered at the same address as Greekon Ltd 25 Norway Gate SE16 7TR



SAVE MONEY...

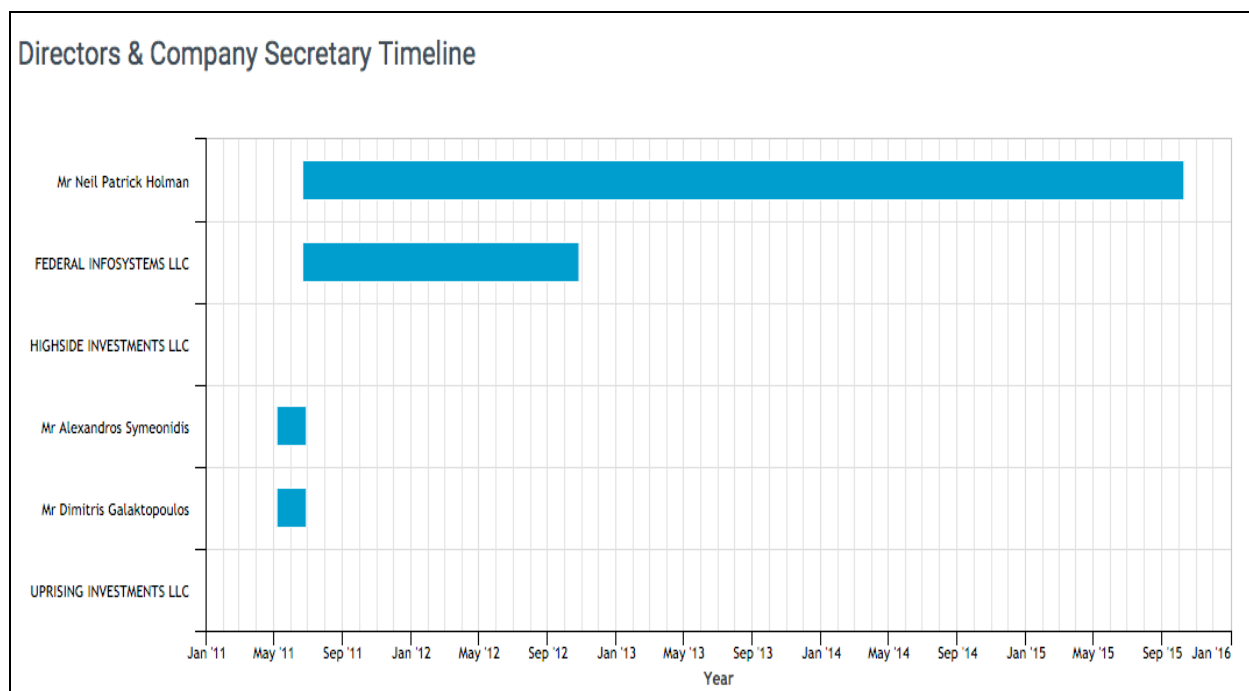


07173723 ABBE BECKA ACCOUNTANCY LIMITED Active Private Limited Company
08427200 ACCOUNTING INFOSYSTEMS HOLDING LIMITED Active Private Limited Company
08427147 AKINTO ONLINE REAL ESTATE PORTAL HOLDING LIMITED Active Private Limited Company
08427217 DOMAINS MARKETPLACE HOLDING LIMITED Active Private Limited Company
07678124 DONKEY ACCOUNTANT LIMITED Active Private Limited Company
08427212 E-LODGING RESERVATIONS HOLDING LIMITED Active Private Limited Company
08427233 E-PRESS CMS HOLDING LIMITED Active Private Limited Company
08427876 ECALL SPHERE HOLDING LIMITED Active Private Limited Company
06876864 EDGESTART LIMITED Active Private Limited Company
08427191 EMR INFOSYSTEMS HOLDING LIMITED Active Private Limited Company
08427225 ESHOPFACTORY HOLDING LIMITED Active Private Limited Company
08468397 EXELYSIS LIMITED Active Private Limited Company
08427220 FEMMALL AR-COMMERCE SAAS HOLDING LIMITED Active Private Limited Company
08651862 FIREFLY PRODUCTIONS LIMITED Active Private Limited Company
08427230 FREEHOSTING MONETIZATION INFOSYSTEMS HOLDING LIMITED Active Private Limited Company
0C346846 GLOBAL SERVICES & CO. LLP Active Limited Liability Partnership
08404945 GREEKON LTD Active Private Limited Company
08142229 HIGH-SIDE HOLDING LTD Active Private Limited Company
09771324 ICANDO4U LTD Active Private Limited Company
08427240 IZYBIZY HOLDING LIMITED Active Private Limited Company
08427182 JOY ONLINE GAMING PLATFORM HOLDING LIMITED Active Private Limited Company
08427186 KNOWLEDGE-BASE & KNOW-HOW SAAS HOLDING LIMITED Active Private Limited Company
08632041 LAW TUTORS ONLINE LIMITED Active Private Limited Company
07287111 LINK CARE TECHNOLOGIES LIMITED Active - Proposal to Strike off Private Limited Company
08427295 LIVEDELIVERY HOLDING LIMITED Active Private Limited Company
08427338 LMS DYNAMICS HOLDING LIMITED Active Private Limited Company
08427176 LOGIN WEB ERP-CRM SAAS HOLDING LIMITED Active Private Limited Company
08427181 ME ONLINE SOCIAL NETWORK HOLDING LIMITED Active Private Limited Company
07624979 MEZZA GROUP (UK) LIMITED Active Private Limited Company
09769404 MOOVIEREEL LIMITED Active Private Limited Company
08427207 MULTINET APPLIANCES HOLDING LIMITED Active Private Limited Company
08156600 MY HOSTING RULES LIMITED Active Private Limited Company
08427157 MYAFFILIATES AFFILIATION SERVICES HOLDING LIMITED Active Private Limited Company
08427188 MYJUSTICE ENTERPRISES HOLDING LIMITED Active Private Limited Company
08386040 OMICRON BIT LIMITED Active Private Limited Company
08427344 PARENTHESIS CALL CENTRE HOLDING LIMITED Active Private Limited Company
09687475 PETER SIPOS LTD. Active Private Limited Company
08427036 READY2LOVE ONLINE DATING AGENCY HOLDING LIMITED Active Private Limited Company
08156259 SALT N' SWEET INVESTMENTS LIMITED Active Private Limited Company
07016054 SMART PRODUCTS AND SERVICES LTD. Active Private Limited Company
07755277 SMART THOUGHT TECHNOLOGY SOLUTIONS UK LIMITED Active Private Limited Company
08427200 STREAMP MEDIA SERVICES HOLDING LIMITED Active Private Limited Company

We studied meticulously these 48 companies (feel free to check for yourself) and have concluded that almost all of them look suspicious. For example, **almost all of them have Greek directors** (this is remarkable since this is an address in London). Most of them do not have websites or any

Internet footprint or any employees we could identify. Is this some sort of UK den for Greek shells?

We checked Mezza Group's directors and found the following document:



Two obviously Greek directors Alexandros Symeonidis and Dimitris Galaktopoulos founded the company and then left immediately leaving the directorship to a “Neil Patrick Holman” and to a company named “Federal Infosystems”. We found no useful information on the former, but we did come across an **interesting article apparently claiming that Mr. Galaktopoulos was involved in a fraud concerning a technology company¹⁴**:

¹⁴ <http://www.netweek.gr/default.asp?pid=9&cID=5&arId=29612&la=1>

In Justice will shift the IS SA

Reply-slap of IS SA on charges of fraud

16 April 2015 | 13:09 | Writes the [Net Week Online Team](#) 

Topics: News, [Institutional](#)

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KTH AE
Κοινωνία της Πληροφορίας ΑΕ

Answer today gave George Tsakogianni, CEO of Information Society SA in a strange complaint that saw the light of day through tvxs, whereby Dimitris Galaktopoulos, company spokeswoman European Infosystems, which is a consultant company for the implementation of digi-lodge actions, digi-content and digi-retail complains the CEO and board members of the Society SA, for "fraud and blackmail."

O D. Galaktopoulos complained that approached the adviser to the Board the IS SA and called starter and money to unblock funding for projects of companies representing the European Infosystems. Today, the Society SA and G.. Tsakogianni sent a letter stating that the complaint is unreasonable, it is late and does not list objective evidence. That letter states, inter alia, that the works represented by the European Infosystems «uncleared because the mission of the Society to the Financial Crime as confesses and the same Mr. Galaktopoulos, which appears to be directly aggrieved, and just acting, as he claims, as a consultant of the companies investigated by the authorities. The delay to the Financial Crime and not the IS SA. Regarding the substance of the case, the IS SA is awaiting the completion of the investigation by the competent prosecuting and supervisory authorities, which has delivered all those elements of State aid projects for suspected irregularities. '

Online Network (16 April 2015)

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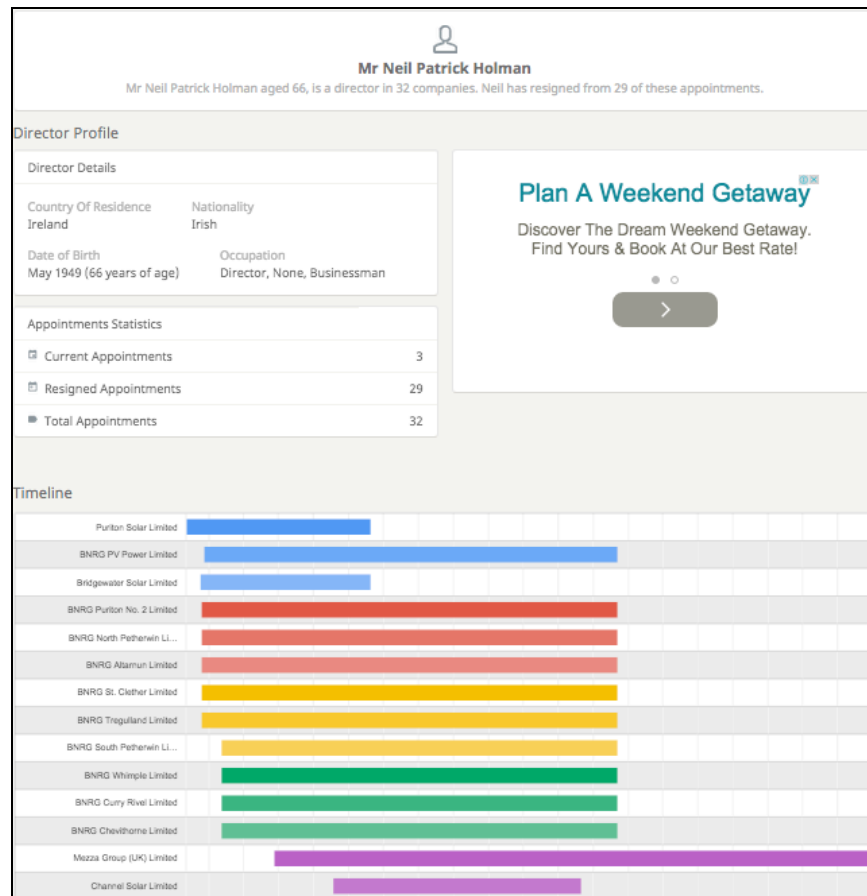
האתר שלך

עוד היום

לקוחות באמצעות

שובר מתנה בשווי

About the next director, Mr. Holman, we checked whether he was director in any other company and found 32 (!) of them¹⁵:



Finally, you will see that a further director alongside Mr. Holman is a company called “**Federal Infosystems LLC**”. This is very curious since Federal Infosystems is listed on Globo’s website as another of its distributors in...Mumbai! (a full analysis on this distributors follows in a later section).

Curious by these staggering findings, we actually went for a recon trip to Mezza Group in London, its located about 20’ walk from Canada Water tube station, in a narrow residential street called Norway Gate. It took us almost ten minutes to locate the building, but eventually we came across a common English apartment building. On the entrance, not a single company label or sign. We spoke to a gardener working in the area who told me he knows the building well and is sure it is fully residential, with no offices inside whatsoever. The door was locked, so we rang #25, corresponding to Mezza Group. We almost left after two minutes, when somebody answered, in a sleepy voice and a foreign accent (Greek?) as if he just woke up. We said we were looking for Mezza Group: **the person simply hanged up**: Mezza Group (and the other 48

¹⁵ <http://www.endole.co.uk/profile/1172216/neil-patrick-holman>

businesses domiciled at #25 Norway Gate) simply does not seem to have any basic business infrastructure..

These are the photographs we took on our field trip:



So what is going on here? Mezza Group, a company that Globo claims is its main UK distributor, shares its address with 48 other dodgy companies all having Greek directors. The company's office apparently does not exist.

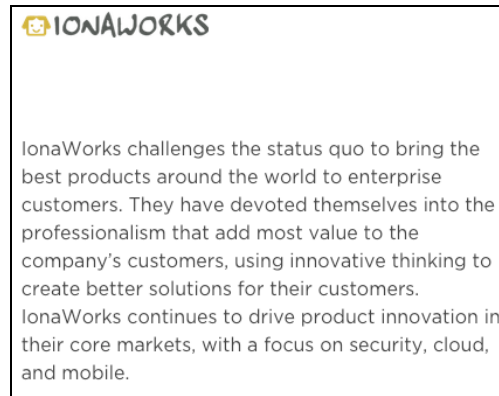
Mezza Group has one director, Mr. Holman, that looks like a figurehead. About its three former directors: one (Mr. Symeonidis) is unknown. The other, Mr. Galaktopoulos, has been charged with fraud. The third director, Federal Infosystems, is a small laptop repair shop in Mumbai that Globo claims is its Indian distributor. The company's phone number is inactive and its employees have ignored any approaches.

You may draw your own conclusions. For us, this is strong documented evidence that Mezza Group is a dummy company that has been engineered by Globo to pose as a distributor.

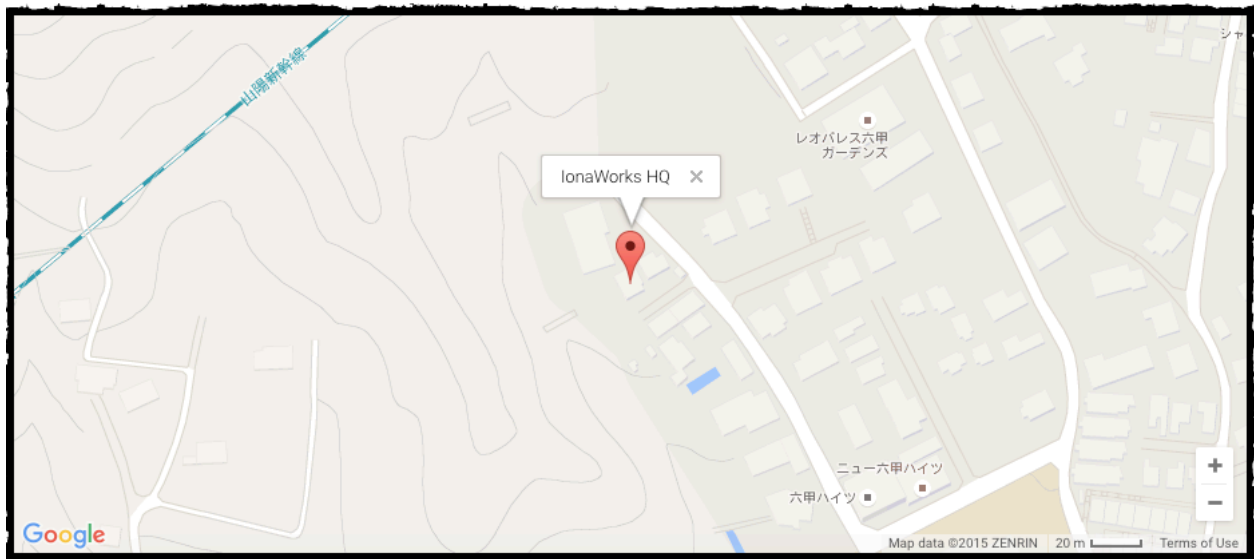
Distributor #2: Ionaworks

Ionaworks is one of Globo's Asian distributors. The name however, sounds anything but Asian, in fact, the word **"Ionic"** is curiously a synonym for **"Greek"**!

This is Ionaworks description appearing on Globo's website:



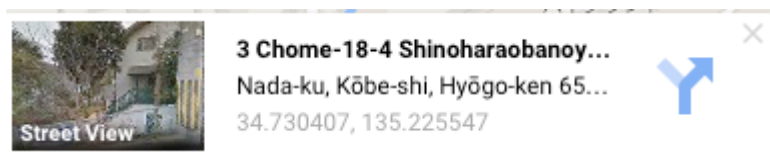
The poorly designed website is not very informative and the team appears to be composed by Chinese and Korean youngsters (interesting, since the company is located in Kobe, Japan). The company did not reply to our email approaches and we found out that their phone line is disconnected¹⁶. There is no address on their website but the company does provide a map.



Using Google Maps, we located the region in Kobe and the property address based on the information above.

¹⁶ <http://www.ionaworks.com/#!/contact/c24vq>

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This is a residential neighborhood and residential house!



In our opinion, all evidence again points to a bogus distributors for bogus products and services.

Distributor #3: Abox

Abox is one of Globo's distributors located in Barcelona.

<http://www.abox.com/abox.asp>

It looks small scale, quite unlike the pompous description appearing on Globo's website (see below) and is located on the 3rd floor of a derelict building. We approached the company and managed to receive an answer in English.

We posed as potential clients for an "enterprise mobility solution". The manager was immediately eager to offer a solution by a certain "MobileGest" (we did not manage to identify what this is!). We told him we were interested in Globo instead. The manager did not reply and **interrupted all contact with us after Globo was mentioned**. All our subsequent solicitations went unanswered.



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Fax: 91 420 15 40 / Email: info@abox.com



ABOX

Since its founding in 1994 ABOX has been evolving and growing year after year. It is headquartered in Barcelona and has offices in Madrid, Rodez (France) and Ayse (France). Abox focuses its activity on software that is dedicated to the marketing and support of tools and programs for the management of systems and networks. Abox is also centered in the sale, installation and support of communications equipment, network servers, virtualization, and security solutions as well as in the Services Area as it is providing services that meet the demands of customers. Currently, more than twenty professionals form the implementation team of ABOX in addition to numerous external collaborators. The company holds commercial agreements with various companies driving a number of needs but is also focuses on delivering mobility projects.

Abox less than majestic offices in Barcelona (3rd floor).

Distributor #4: Federal Infosystems

This is Federal Infosystems' description appearing on Globo's website:

FEDERAL INFOSYSTEMS INC. is a one stop shop for their entire customer IT needs. The reseller included GO!Enterprise Box in its portfolio solution, to provide their customers with a holistic mobility solution for secure mobile access to emails, contacts, calendar, files and folders sharing, but also for mobile app development, management and distribution along with other attractive features over a cloud.

From Globo's description above, you would think this is a large scale IT provider. However, a cursory look at Federal's website¹⁷ would reveal that **this is a humble laptop repair shop in India** where Globo's products do not fit and are never mentioned. This company, as we saw earlier, figures as the director of **Mezza Group**, another distributor of Globo's in the UK. There is no good reason for that and logic would dictate that Globo probably asked Federal Infosystem to be on the board of Mezza Group to give the impression of being a legitimate company, and not the dodgy shell it probably is.



¹⁷ <http://www.federalinfosystems.com/>


It is probably a low quality business as well as these Google reviews seem to suggest:

FEDERAL INFOSYSTEMS INC

209, 2nd Floor,, Andheri Universal Industrial Estate,, J.P. Road, Next to Wadia School,, Andheri(W), Mumbai - 400 058 (India), India


2 reviews


Sort by: Most helpful ▾



kshiteej joshi
4 months ago

★☆☆☆☆ I had given my dell vostro laptop for repair as the screen was going off. When they checked , they said that it was a MotherBoard issue and they had to repair it. and they charged 3500 rs. which I paid thinking that the lappie will work ... [More](#)



chetan kaushal
a year ago - 

★☆☆☆☆ My experience with Federal Infosystems was very bad. I gave my dell laptop with the issue of screen and I was using the laptop with extended screen. I was told that it seem to be motherboard issue because of my screen was not working. They ask me for service charge of Rs 3000 to fix the motherboard without tell me consequence of if it is not fixed. Two days later when I called them to check the status, I was told that they were not able to fix the motherboard and motherboard once tired to fix any issue become useless if not fixed. They tried to send my laptop back with worse situation which I denied. When I checked further how to make my laptop working They asked me to replaced motherboard for Rs 15000 as now laptop was not at all starting.

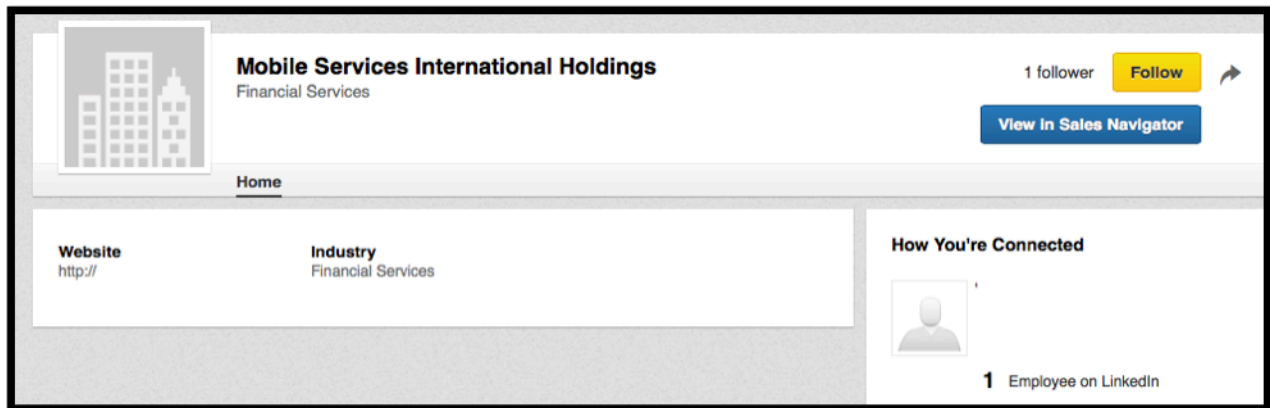
I suspect they replaced my motherboard or other valuable parts and making me fool. Or they have stupid engineers who don't know anything and just do R&D by reading the articles how to fix laptop on internet. I strongly warn people to go to them for their service else you will left with all scrape in your ends.

Distributor #5: Mobile Services International (MSI)

This is Globo's description of MSI:

Mobile Services International (MSI) is an engineering consulting firm in Mobile Telecommunications with deep knowledge and experience, which has shown insight into the emerging market of mobile technologies in the Americas with operations in more than 15 countries.

As usual, high-sounding description of a large multinational operating in 15 countries. Yet, a LinkedIn search shows only 1(!) employee, who conveniently chooses to remain anonymous.



The company lists two different office addresses:

Find out how MSI can help you in the exciting world of mobility.

Corporate and General Inquiries

6300 Bahama Shores Drive S,
St. Petersburg, Florida 33705

+1-305-546-0404

+1-727-560-1869

info@msiamericas.com

Sales and Business Development

2010 Corporate Ridge Drive, Suite 700
McLean, Virginia 22102

+1-310-796-9017

+1-310-343-5470

+1-727-388-6687

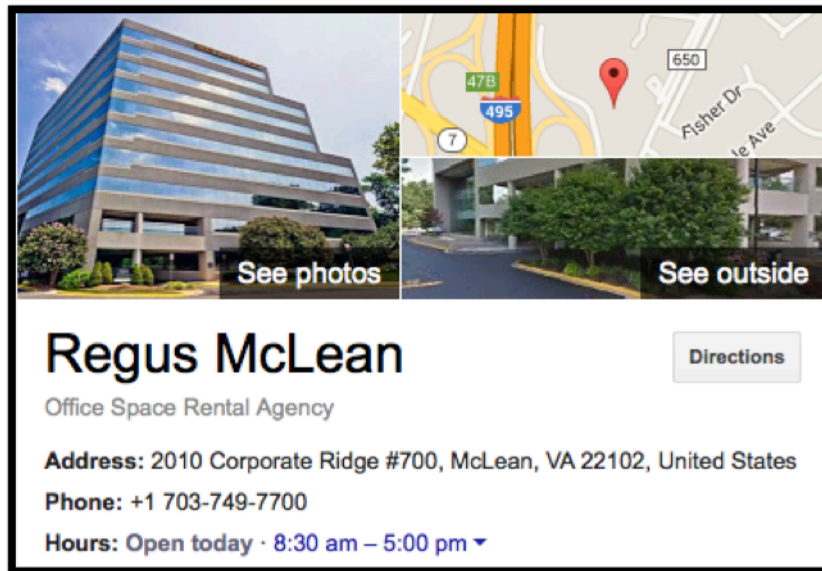
sales@msiamericas.com

--- Strictly Private & Confidential ---

We investigated these locations: the first address looks like a residential location in Florida (strange since the only LinkedIn employee lists its location in New Jersey).



The second address lists a Regus facility in Virginia (Regus is a short term office lease company).



Once again, evidence suggests the use of bogus distributors for bogus services (by the way, MSI does not even list Globo products on its site).

The five cases above are only examples. The reader may refer to the appendix showing that **most remaining distributors of Globo are just as suspicious as the ones mentioned above.**

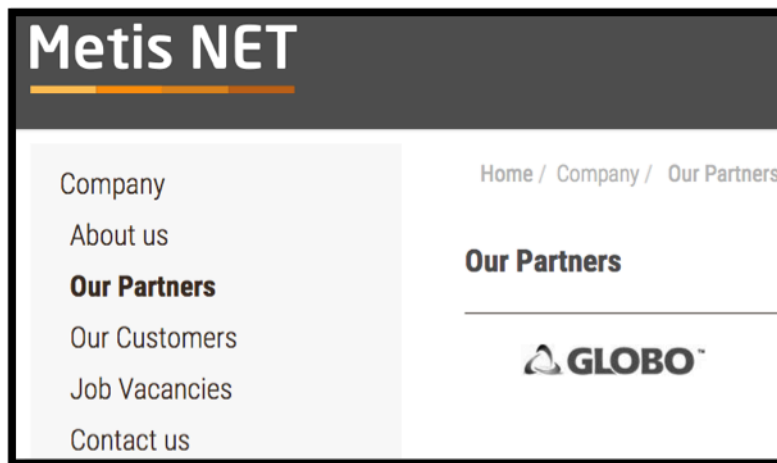
Evidence 2: Satellite Companies

This is a critical part in our inquiry. Of course, Globo does not reveal the identity of its clients and suppliers (unlike most legitimate companies). We asked Globo several times to reveal the name of its main customers and, while they were responsive to other questions, they always remained silent to this one (and other potentially revealing ones).

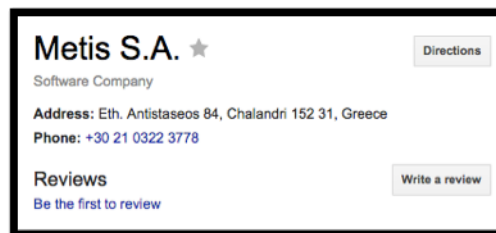
However, with our extensive due diligence, we managed to uncover a few companies which we strongly suspect are used as shells for Globo to fabricate dummy invoices. Some of these companies do not appear on Globo's list of partners, but they still boast a Globo partnership logo on their website. We assume that **this implies some sort of link that Globo prefers to keep covert.**

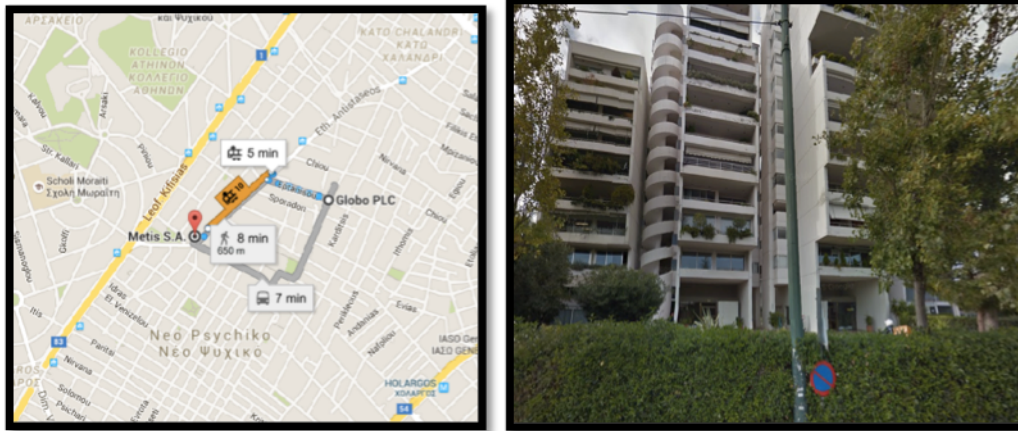
Suspected Satellite co. # 1: Metis SA

We strongly suspect this is a satellite company. It claims to be a large, multinational firm in IT services with 140 employees. They boast a Globo partnership logo, even though the company does not appear in Globo's official distributors list:



The first suspicious thing about Metis is its location, **exactly 9 minutes walking from Globo's headquarters** in Athens in what appears to be a residential building.





Second, the company claims having 140 employees on its website in several countries, yet LinkedIn shows only five, all very junior and all located in Greece.

Search

Advanced >

All

People

More...

Relationship

☒ All

☐ 1st Connections

☐ 2nd Connections

☐ Group Members

☐ 3rd + Everyone Else

Location

☒ All

☐ Greece (5)

+ Add

Current Company

☐ All

☐ Microsoft (114673)

☐ Google (54340)

☐ Goldman Sachs (33690)

☐ LinkedIn (9249)

☒ Metis Innovation & Techn... (5)

+ Add

Industry

5 results • View results in Sales Navigator

Current Company: Metis Innovation & Technology Management S.A x Reset

Panagiotis Terzopoulos 3rd
Consultant at Metis Innovation & Technology Management S.A.
Greece • Management Consulting
Similar
Current: Consultant at Metis Innovation & Technology Management S.A

Send InMail

Sotirios Sampanis 3rd
Consultant
Greece • Marketing and Advertising
Similar
Current: Consultant at Metis Innovation & Technology Management S.A

Send InMail

Lefki-Laoura Dimitriou 3rd
Student at University of Thessaly
Greece • Architecture & Planning
Similar
Current: Consultant at Metis Innovation & Technology Management S.A

Send InMail

Stavroula Pathiaki 3rd
Junior Consultant / P.A
Greece • Information Technology and Services
Similar
Current: P.A. at Metis Innovation & Technology Management S.A

Send InMail

LinkedIn Member
metis
Innovation & Technology Management
Greece • Information Technology and Services

Send InMail

Suspected Satellite Co. #2: Darga LLC

This is a very interesting one. Just like Metis, Darga does not appear on Globo's partners list, yet it boasts a logo partnership logo on its, very basic, website:



Next, we confronted the two logos:



Are we the only ones that see some curious similarities? Let's move along.

Darga's website¹⁸ looks quite vague and generic. This is the information appearing on the "contact us" page:

¹⁸ <http://dargamobile.com/home.html>



There is a voice mail service, but no option for leaving a message (try it yourselves). There is an option to obtain technical support, but the line disconnects as soon as you choose that option.

Next we visited the “sales office” address and found that Darga claims to be located in the McGraw Hill building in the middle of midtown Manhattan, no less. We spoke to the concierge and security guards and tried to locate the company: unsurprisingly, **nobody had ever heard of them**. These are the pictures we took during our visit to the building:



The alleged owner of the company appears to be a “Craig Darga”. We couldn’t find much on him on the web and this is the only photograph of this colorful character with his exact same name on a Facebook profile:



I think there is no need to be explicit in drawing conclusions about this company as the evidence clearly speaks for itself. But it gets better:

Darga Mobile (<http://dargamobile.com/home.html>) website is very low budget and looks highly suspicious. The website owner/creator is a certain “Alan Bates”¹⁹.

A search under this name shows a company, Alan Bates Design Limited, with registered address located at NORTH HOUSE, HIGH STREET, TONBRIDGE, KENT, TN9 1BE UK. No number is provided, but a search of this address in Google maps brings up the following location:



Zooming in shows the sign “Fosse House” which is a rental agency it seems. The address for this location is 198, HIGH STREET, TONBRIDGE, KENT, TN9 1BE UK.

4 properties down the street (20m), guess what, is a Globo listed office at 190 High Street Tonbridge, Kent TN9 1BE! As of June 2015 part (or all) of this property was for let.

¹⁹ is <http://www.scamadviser.com/check-website/dargamobile.com>



<http://gbcomp.p-o.co.uk/en/alsoatthisaddress/05506731/>

There are 61 companies registered at the same address as Globo Plc 190, High Street TN9 1BE, including the following:

GLOBO PLC

GLOBO TECHNOLOGIES UK LIMITED

HELLENIC CAPITAL PLC

HIGHAM WOOD THREE LIMITED

HOT ROCKS INVESTMENTS PLC

IFA (2014) LIMITED Active PRI/LTD BY GUAR/NSC

IFA FACULTY OF BUSINESS LIMITED

IFA INSTITUTE OF BUSINESS MANAGEMENT LIMITED

IFA INSTITUTE OF BUSINESS MANAGERS LIMITED

IFA INSTITUTE OF FINANCIAL MANAGEMENT LIMITED

The companies highlighted in **BOLD** have a clear connection to Globo in that a Globo director is also a director at that company.

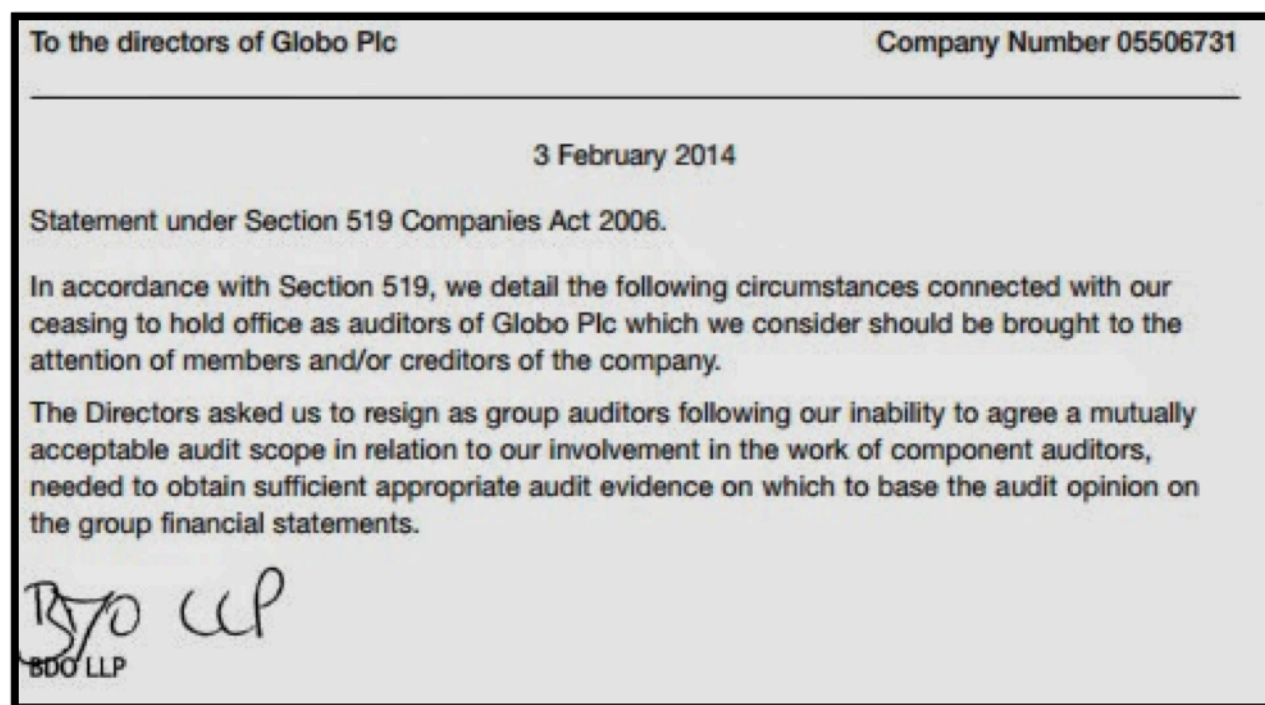
This provides a strong basis to the theory that someone (or multiple) people from the board of Globo know Alan Bates and that he was contracted by Globo to create a dummy website for Darga LLC (a supposedly US company) to create the illusion of a company which is buying their products.

Auditing

If Globo is indeed generating significant fraudulent transactions, as overwhelming evidence seems to show, a legitimate question is why the auditors did not pick up on this behavior. Well, in a way they did. Until 2014 Globo was audited by BDO, but was dismissed on March 2014 by Globo ostensibly because of concerns over pricing and scope. In the occasion, Globo's management released the following letter:



The following is a letter issued by BDO with their own version of the situation:



Clearly, BDO do not mention pricing issues, but they do cite their inability to agree on an audit scope. Of course this is vague so we investigated with people close to the company about the real reason for the change in auditors. It turns out, **BDO demanded, as part of its activity, to audit not only Globo Plc accounts, but also the accounts of Globo's foreign subsidiaries.** Globo denied and BDO essentially refused to proceed. Now, why would Globo refuse to let BDO audit these subsidiaries? Given the evidence above, we can guess that all the bogus transactions with shell companies take place not with Globo Plc, but with Globo's foreign subsidiaries. An audit of those subsidiaries would have entailed checking the identity of their clients and suppliers and, most likely, uncovering the alleged scheme just as we are trying to do in this report.

BDO's successor, Grand Thornton, appears instead willing to close an eye instead and let Globo play its game. It is impossible to know whether this is simply sloppy auditing work or if there is something worse going on (corruption?). The fact remains that the Greek representatives of Grand Thornton are a small entity and could be vulnerable to all sorts of pressure or incentives.

People Involved

According to the evidence we analyzed, the alleged scheme was probably engineered by many of the senior executives and employees in 2007 or earlier. The CEO hired some of his friends, many with debatable talent, questionable experience, but unquestionable loyalty. The bargain might have been participation in the scheme, discretion and loyalty with long-term tenure and high salaries in return²⁰.

This of course includes the company's founder and CEO **Costis Papadimitrakopoulos**. Given the fact that most satellite companies are located abroad, we believe that the head of international accounting, Mr. **Panagiotis Martinos** might be heavily involved. Also, it is hard to believe that the scheme could be perpetrated without knowledge of the CFO, Mr. **Dimitrios Gryparis**. A former junior banker at Eurobank, Mr. Gryparis never held a CFO role before. Presumably he was hired due to his connections in banking that came in handy in order to raise credit for Globo.

We don't know whether the entire board and the rest of the management team is involved in the alleged scheme. Our sources claim that most board members are completely uninvolved in the company, that contacts between them and the company are rare and that some of them have not been paid in years. Apparently, most board members have been hired solely on the basis of their name and reputation.

The interactions with satellite companies and distributors must have required the complicity, or at least the tacit knowledge, of some junior employees and of key personnel in many of Globo's distributors, besides, of course, the directors of the satellite companies.

Most of Globo's junior employees are probably unaware, but it is known within the company that Globo's products are "junk" and that nobody is buying them²¹. Incredibly, we heard that **Globo employees do not use Globo's products on their mobile devices!**

²⁰ Source: interview with persons close to the company.

²¹ Source: declarations of former employees.

Is any of Globo's business real?

Yes, we believe that a significant part of Globo's activities are legitimate and real, and this is what makes the scheme harder to uncover. First, we have evidence that Globo Technologies, the software company partially divested in 2012 is a real company with real sales. According to Capital IQ Globo Technologies has sales of \$40m, half of which belong to Globo that owns 49% of it.

Globo recently acquired two US companies, Sourcebits and Notify. The former has sales of \$13m, the latter sales are unknown, but selling price was \$5m and we assume a multiple of 1x sales was paid. Summing it all up, we estimate that real sales are at least \$38m vs \$100m declared in Globo's income statement. So, **about 60% of Globo's sales may be fraudulent** and this is the same number we received from our sources close to the company, implying that **most of Globo's legacy products i.e. Go!AppZone and Go!Enterprise are most likely fictitious.**

It is to be noted how the companies recently acquired by Globo do have real (but tiny) sales to large US accounts (e.g. Coca Cola) and this would allow Globo to boast such clients on its website.

Product Quality

To see further evidence of quality of Globo's flagship products, it might be helpful to take a look at some of their their apps reviews on Google Play:

GO!Enterprise MDM
GLOBO Productivity
PEGI 3

★ ★ ★ ★ ★ 249

Add to Wishlist Install

The GO!Enterprise MDM (GO!MDM) device app is a component of the GO!Enterprise Mobile Device Management platform. Communicating with the server, it enables users to keep current with policies, ensuring integrity of transmitted corporate information. Contact Globo Mobile Technologies Inc. Technical Support (gormdm.globopl.com) or your IT administrator.

REVIEWS Write a Review

2.3
★ ★ ★ ★ ★ 1
249 total

Star Rating	Count
★ ★ ★ ★ ★	49
★ ★ ★ ★	19
★ ★ ★	25
★ ★	18
★	138

Santhosh Kumar ★ ★ ★ ★ ★
It kills the phone memory and makes it toooooo slow. Last 2 days it crashes and doesn't

Manish Chandra ★ ★ ★ ★ ★
Worst app ever

Ivo Rodrigues ★ ★ ★ ★ ★
The app keeps draining my battery phone doesn't last 6 hours need to keep it

Matthew Budd ★ ★ ★ ★ ★
Phone is now unusable with this app. It keeps highjacking other apps and bring itself to

WHAT'S NEW
1. Fixed a crash issue

ADDITIONAL INFORMATION

Updated	Size	Installs
September 15, 2015	2.9M	10,000 - 50,000

Reviews are overwhelmingly negative and we suspect that Globo's employees may have posted the few positive ones. Please note (bottom right corner) how the application has been downloaded only 10-50k times, in stark contrasts with the millions of users claimed by Globo.

The situation is even worse for iOS users: here the **downloads have been so few that the system does not display any reviews**:



Our own research confirms these findings. We spoke to several of Globo's competitors (e.g. Kony) and many IT providers and, almost without exception, **Globo's products were completely unknown**. We downloaded a trial version of the app on our devices and it froze irrevocably after a couple of minutes.

The Mysterious Cash Balances

Many bearish bloggers have wondered whether Globo's cash balances, totaling \$104m, are actually existent. Their doubts were based on the accounting irregularities we mentioned earlier and on Globo's eagerness to issue \$120m worth of junk bonds at high interest rate. Also, Globo's annual report does not mention the name of the banks where the cash is held, but it shows the banks' credit rating, for the most part below investment grade:

The Group holds bank accounts with several banks in the UK, Switzerland, USA, Dubai, India, Greece and Cyprus. The Group held cash in banks with the following credit ratings:			
	As at 31 December 2014 €'000	As at 31 December 2013 €'000	
Credit rating			
A+, A, AA-, Aa3	9,977	27,228	
BB+	—	707	
B3, B, B-, Baa3	72,774	36,117	
CA	11	37	
Total	82,762	64,089	

Our investigation actually shows that **Globo's cash balances may be genuine and backed by bank statements**. The cash was in junk-rated banks presumably because it is needed where Globo's subsidiaries and satellite companies are located, often in low-credit rating countries such as Cyprus and Greece.

The existence of genuine cash balances does not contradict our possible "fraudulent" scheme thesis: the cash comes from bank credit, shares issues and, in minor part, from the legitimate parts of the company.

Legal Analysis of Globo Plc Activities

Our talented legal team, together with top notch outside consultants, has gone through the entire Globo affair and produced a preliminary assessment as to what sort of liability might be involved. The list is long and serious and includes both civil and criminal charges. The following is a non-exhaustive list:

- Securities fraud.
- Transfer Pricing Violations.
- Misrepresentation.
- Tax Evasion.
- Breach of Fiduciary Duties.
- Lack of Disclosure.
- Classic Fraud.

The evidence seems to suggest that the above-described activities involve multiple countries. Therefore, we would assume that many of Globo's legal liabilities are likely to involve multiple jurisdictions.

What is Likely to Happen Next

Given the extent of the alleged scheme, we believe that its uncovering will no doubt involve dramatic effects including **a collapse of Globo's stock price** (followed by its prompt delisting), the opening of **multiple investigations** (civil, criminal and regulatory) and the initiations of several **lawsuits by creditors and shareholders**.

The company will likely try to defend itself and deny these allegations, but **any reader, armed with a PC and a telephone can verify our claims easily**.

Conclusion

We believe we have presented overwhelming evidence on the likely existence a massive "fraudulent" scheme perpetrated by Globo Plc. The overwhelming majority of the data we published is easily verifiable: for example, you can easily try to call many of Globo's distributors appearing on its website and check whether they exist as legitimate companies and carry Globo's products. You can also try and download Globo's apps and verify their quality.

--- Strictly Private & Confidential ---

A lot of people are likely to have suffered and will continue to suffer serious damages as a result of Globo's activities, unless somebody puts an end to this activity. This is our humble attempt.

Entity Name	Location	Notes
Cipher	?	product does not appear on the website. Sent email, no response.
Ingram	US	Large public co. Globo does not appear on the website. We contacted one of their sales managers and they never heard of Globo.
MSI	US	They claim having offices in 15 countries, yet only one employee (anonymous on LinkedIn)..Their head office in Florida looks like a residential address (a villa). Their sales office in Virginia corresponds to a Regus location. They don't list Globo as Partner or product.
Grupo Softron	Chile	Bare, generic website. 3 generic tweets.Approached the company's manager. Interrupted all communication after Globo was mentioned.
Beytech	Brazil	They have several employees and list Globo as a partner. Approached them with a request for proposal. No reply.
Softbrilliance	Peru	Legitimate company. Approached employee to ask references. No reply.
Qast	China	
Dynamics	?	unable to identify. No footprint
Mobilise IT	Australia	they list Globo's products on their website. The company's CEO appears to be Greek.
Federal Infosystems	Mumbai India	This appears to be little more than a laptop repair and retail shop. No mention of mobility nor of Globo.
Pha Vietnam	Vietnam	They list Globo on their website. It is all very vague.
Telesma	Greece	1 employee on linkedin. Street view shows a residential apartment.
Saga Group	France	large company but involved in logistics. No clear the link with Globo.
Insight UK	UK	Globo appears on the website.
Bechtle	Germany	Company looks legit, but Globo is not listed in their mobility solutions.
Chase Security	UK	They sell IT security solutions. Globo is listed as a partner. The company has but a single employee on Linked in.
IT2Trust	Holland	They recommend Globo MDM products
LxPN	Germany	they recommend globo on their website. We contacted a former employee for questions and received no replies.
Agiltech		
Mellon Technologies	Greece	The company seems legit and seems to include Globo.
Sistemi e Servizi	Italia	Globo does look like a partner, but the products they sell are unrelated. The company did not reply an innocent request for a meeting.
Tim Systems	Serbia	Small IT consulting firm in Belgrade. They list Globo as partner.
Soluti	?	unable to identify. No footprint
Alexander Moore	Greece	They seem to sell SAP solutions. Globo not mentioned. They are located 12' walk from Globo's headquarters. Buildings looks like a residential location.
Prestigio	Cyprus	seems another name for Asbis. Sent email, no response.
NSREEP\286964.2 - 07/18/15		Only 1 product shows up on the online catalog and is listed at 39 price of \$0. Sent email, no response.
Asbis	Cyprus	

Appendix: Comprehensive list of Globo's partners and our findings