

RIDING THE RISE OF THE MACHINES



THE INTERNET OF THINGS is easily the most overhyped technology advance of the last 2,000 years. It's less important than agriculture, the internal combustion engine, the electric light, the airplane, antibiotics, wireless phones, space travel, the Internet itself and, arguably, sugarless gum.

But it's still incredibly important and could represent one of the most lucrative investment opportunities of our lifetime.

Connecting every tangible item and every person in an immersive web of dynamic intelligence over the next 15 years will yield stunning productivity, environmental, medical, entertainment and human benefits.

The new connective mesh could usher in the sort of utopian "hive mind" imagined by science fiction and currently practiced by bees and ants in which no keys are ever lost, no fact unremembered and no communications unsent. Imagine a mind-blowing state of total awareness.

With changes so massive coming you would think it would be easy to figure out how to take advantage. Most white papers at think tanks focus on the connectivity of the things, such as network equipment and sensors. And, to be sure, the recent spate of big semiconductor mergers—

A MIND-BLOWING STATE OF TOTAL AWARENESS AND THE INVESTMENT OPPORTUNITY OF A LIFETIME

i.e., Avago buying Broadcom, Intel buying Altera and NXP Semi buying Freescale—are aimed at scaling up to dominate this next phase of profound connectivity.

Yet most of the value of this brave new world will be in the software that compiles, analyzes and gives meaning to the data collected by billions of sensors and seamlessly knits together objects and people. You might even say that the best Internet of Things projects won't be products at all. They will be services that help us navigate the physical and online worlds with less friction and more joy. The easy software bets in this space are platform toll-takers like the Amazon Web Services and the Azure cloud services unit of Microsoft. But for aggressive investors, the smart bet will be in smaller, cutting-edge software and design companies that help clients bend and blend the worlds of sensors, market-

ing, connectivity, the cloud and aesthetics for customers' benefit.

One of the most intriguing along these lines is **GLOBANT (GLOB, 36)**, a little-known technology design and engineering firm that went public in mid-2014 at \$10 and has since quietly tripled, where it sports a modest \$1.2 billion market cap and a forward price/earnings multiple of 32 times.

I recently spoke to Guibert Englebienne, Globant's cofounder and chief technology officer, about his firm's role in the rise of the machines and came away impressed by his humanistic vision of a world where the Internet helps our things serve us better. As an example, consider an air traveler who makes a tight connection. Globant can help the airline create a mesh of software, hardware and sensors that allows the traveler to know whether her luggage caught a different plane and, if so, a specified time when it will be automatically sent to her hotel—no human interaction required.

Englebienne is describing an evolutionary step for companies beyond such current necessities as a powerful website and a slick mobile app. The new development is connective tissue that binds companies and customers into smoother, data-driven relationships.

The two-dimensional world of devices that do only one thing is being replaced by a 3-D world in which our devices automatically find and interact with one another. Yes, our machines will be talking behind our backs.

In this new scenario, sensors in a Nike sneaker will allow the company to build a deeper relationship with you by the automatic uploading of your running pace and mileage to a Web page where you can compare it to others' or share it with them. Your footwear becomes a node in the network. Other small software firms at the vanguard of hyperconnectivity design and analysis are \$4 billion **EPAM SYSTEMS (EPAM, 81)** of Newtown, Pa., San Francisco's \$1.8 billion **NEW RELIC (NEWR, 37)** and \$880 million **HORTONWORKS (HDP, 19)** of Santa Clara, Calif. **F**

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