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Conference Call Transcript

ACN - Q1 2009 Accenture Earnings Conference Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Accenture's first-quarter fiscal 2009 earnings conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session. (Operator Instructions) And as a reminder, today's conference is being recorded. I would now like to turn the conference over to our host, managing Director of Investor Relations, Richard Clark. Please go ahead.

Richard Clark - Accenture - Director of IR

Thank you, operator. And thanks, everyone, for joining us today on our first-quarter fiscal 2009 earnings announcement. As the operator just mentioned, I'm Richard Clark, managing Director of Investor Relations. With me this afternoon are Bill Green, our Chairman and Chief Executive Officer; Pamela Craig, our Chief Financial Officer; and Steve Rohleder, our Chief Operating Officer. We hope you've had an opportunity to review the news release we issued a short time ago.

Let me quickly outline the agenda for today's call. Bill will begin with an overview of our results. Pam will take you through the financial details including the income statement and balance sheet, and Steve will add some operational perspective. Pam will then provide our business outlook for the second quarter and the full fiscal year 2009, and Bill will close the presentation before we take your questions.

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As a reminder, when we discuss revenues during today's call we're talking about revenues before reimbursements, or net revenues. Some of the matters we'll discuss on this call are forward-looking, and you should keep in mind that these forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include but are not limited to general economic conditions and those factors set forth in today's news release and discussed under the Risk Factors section of our annual report on Form 10-K and other SEC filings. During our call today we will reference certain non-GAAP financial measures which we believe provide useful information for investors. You can find reconciliation of those measures to GAAP on the Investor Relations section of our Web site at Accenture.com. As always Accenture assumes no obligation to update the information presented on this conference call. Now, let me turn the call over to Bill.

Bill Green - Accenture - Chairman & CEO

Thank you, Richard, and thanks everyone for joining us today. We had a strong first quarter and are off to a good start for our fiscal year 2009. In the face of a very uncertain market for everyone, we not only delivered strong revenue growth but we brought it right to the bottom line. We are seeing changing demand patterns, but overall the market for Accenture services is very active, and we are very positive about the business broadly, from the way we are managing and executing, to the game-changing opportunities that we are engaged in right now.

Here are some highlights from the quarter. We delivered strong revenues of \$6 billion, an increase of 9% in local currency, which is a considerable accomplishment in this market. We grew EPS by 24%. We expanded operating margin by 70 basis points, reflecting our focus on operating discipline and strict cost management. We delivered bookings of \$5.8 billion, with consulting bookings a strong \$3.6 billion.

In addition, throughout the quarter we continued to invest in our business in skills, assets and offerings, and we continued to attract new clients and gain market share. We have shown the flexibility to respond quickly in this market. Our operating model makes us nimble so we can focus our resources where they're needed and efficiently manage supply and demand.

We are working with clients across a wide spectrum of assignments, from improvements in quality, cost, speed and customer service to in-depth strategic direction... From being at the core of the transformation of our clients' operating models to being at the core of the reinvention of entire industries. We are executing well. We are focused on results. We are determined to win. Now, I'll turn the call over to Pam who will provide more detail on our financials.

Pamela Craig - Accenture - Chief Financial Officer

Thank you, Bill. Happy holidays to you all and thanks for listening today. I am pleased to tell you more about our excellent results in the first quarter of fiscal 2009. Despite the challenging macro environment we produced strong revenues, operating margin, cash flow and earnings. Let me take you through some detail behind the numbers in our income statement, balance sheet and cash flow. Unless I state otherwise, all figures are US GAAP, except the items that are not part of the financial statements or that are calculations.

Net revenues for the first quarter were \$6 billion, an increase of 6% in US dollars and 9% in local currency over the period last year. We had solid revenue generation for the quarter, coming in at the low end of our previously guided full-year range of 9% to 12%.

I should note that Q1 net revenues reflected a foreign-exchange impact of negative 3%. Our previously guided range of \$6.15 billion to \$6.35 billion assumed an FX impact of negative 1% to positive 1%. If we adjust for the actual FX impact, our guided range for the quarter would have been \$5.9 billion to \$6.2 billion. Our revenues of \$6.0 billion were solidly in this range. Consulting revenues were \$3.7 billion, an increase of 6% in US dollars and 9% in local currency. Outsourcing revenues were \$2.4 billion, an increase of 7% in US dollars and 9% in local currency.

Moving down the income statement... Gross margin was 31.4%, up from 30.1%, a 130-basis-point improvement over last year's first quarter. SG&A costs for the first quarter were \$1.1 billion, or 17.8% of net revenues, compared with \$970 million, or 17.1% of net revenues, for the first quarter last year. Operating income for the quarter increased 12%, to \$815 million, reflecting a 13.5% operating margin. That is a 70-basis-point improvement over last year's first quarter. I am very pleased with how we delivered operating margin this quarter compared to last year. So, let me provide some detail.

First, we drove a 130-basis-point expansion in gross margin by improving contract profitability and at the same time absorbing the annual salary increases we put in place September 1. This was an outstanding result. Second, sales and marketing costs increased approximately 20 basis points compared to Q1 of last year. We were also pleased with this result, as we continued to drive new bookings and qualify new opportunities coming into the pipeline. Lastly, general and administrative expenses for the quarter were 8.4% of net revenues. Included in G&A costs for this quarter was a provision we made for bad debt of \$72 million, a 120-basis-point impact. We booked this provision because we felt it was prudent given the uncertainty in the current environment. Without it, G&A expenses for the quarter would have been 7.2% of net revenues. Absent the bad-debt provision, SG&A would have improved by 50 basis points, G&A would have improved by 70 basis points, and operating margin would have

improved by 190 basis points over last year's first quarter. This is a clear indication that we are showing discipline in managing our costs in both local currency and US dollars to drive profitability in our business.

Our effective tax rate for the quarter was 26.6%, below our previously guided annual range of 30% to 32%. Final determinations reduced our tax rate in the quarter by approximately 4% and provided a benefit of \$0.04 to earnings per share.

Income before minority interest for the quarter was \$593 million, compared with \$506 million for the first quarter last year, an increase of 17%.

Diluted earnings per share were \$0.74, an increase of 24% over diluted EPS of \$0.60 in the first quarter last year. We delivered an increase of \$0.20, or 33% growth, from strong operating performance, including \$0.08 from revenue and operating income growth in local currency; \$0.08 from a lower tax rate, including the \$0.04 I just mentioned; and \$0.04 from a lower share count. This was partially offset by a total of \$0.06, comprising \$0.04 due to lower non-operating items, including lower interest income; and \$0.02 unfavorable FX impact in our Q1 operating results compared to last year. So, the earnings performance is quite outstanding given that EPS rose \$0.14, or 24%, despite the headwinds in non-operating-type items.

Now, let's turn to some key parts of our cash flow and balance sheet. Free cash flow for the quarter was very strong, \$396 million, resulting from cash generated by operating activities of \$468 million, net of property and equipment additions of \$72 million. First-quarter free cash flow was driven by our strong net income performance and holding the line on DSOs.

Turning to DSOs, our days services outstanding were 36 days, down one day from the last quarter in fiscal 2008. The bad debt reserve I previously mentioned reduced DSOs by about a day. So, with flat DSOs in this environment, we continue to believe that our DSO levels are strong and industry-leading.

Our total cash balance at November 30 of \$2.78 billion, versus \$3.60 billion at the end of August, reflects a \$300-million-reduction due to foreign-exchange translation on the cash balances we hold around the world. In addition, our strong free cash flow I just mentioned was more than offset this quarter by the cash we returned to shareholders through repurchases and dividends. We continue to invest our cash conservatively in liquid overnight time deposits and US treasury repurchase agreements.

Total debt at November 30 was \$2 million, compared with \$8 million at August 31.

Our balance sheet metrics remain strong. For the first quarter our return on invested capital was 84%, our return on equity was 85%, and our return on assets was 21%.

Before I turn things over to Steve I will comment on our ongoing objective to return cash to shareholders through share repurchases and dividends. During the quarter we repurchased or redeemed 21.8 million shares, for \$690 million, including \$431 million for approximately 14 million shares repurchased in the open market. The average price of shares repurchased and redeemed in the quarter was \$31.62 per share. We increased the level of open-market repurchases, as there was lower selling demand by our founders and we found the market prices to be attractive. At November 30, we had \$1.9 billion of share repurchases authority remaining.

Also in November we paid our fourth annual cash dividend to Accenture Ltd Class A and Accenture SCA Class I common shareholders. The dividend payment of \$0.50 per share was \$0.08 more than the dividend we paid last year, representing an increase of 19%, for a total of \$378 million.

Finally, let me comment on the size of our public float. Using what we believe to be the most conservative method of calculation, our public float at the end of the quarter was approximately 75%, which excludes all outstanding founder shares.

In sum, it was a well-executed quarter. I'm very pleased with the hard work and focus that our people collectively demonstrated in driving such strong results. Now, Steve will give you some detail on our operations.

Steve Rohleder - Accenture - Chief Operating Officer

Thanks, Pam. Hi everyone, and thanks for joining us today. We delivered strong first-quarter results, reflecting our continued ability to drive demand for our business as well as strong operating discipline. Let me first take you through some of the highlights for the operating groups and geographic regions, then I'll cover some of the trends we are seeing in our growth platforms and update a few of our operational metrics.

All five operating groups achieved revenue growth in local currency. Resources had the highest overall growth — 16% in US dollars and 20% in local currency — driven by strong consulting growth across all geographic regions in Natural Resources, Utilities and Energy. We also saw solid outsourcing growth in the Americas in Utilities, Chemicals and Natural Resources.

Our Public Service operating group grew revenues by 7% in US dollars and 11% in local currency. Last quarter I mentioned that we were focusing on improving profitability in Public Service, and I'm pleased to report that we saw a sequential uptick in Q1, with growth in both operating income and improved operating margin.

I know there's continued interest in our Financial Services business. In Q1 Financial Services revenues were flat in US dollars but increased 2% in local currency. We delivered solid growth in both Insurance and Banking in the Americas and Asia Pacific. While we did experience slower overall growth than in past quarters, we are fortunate that many of our key clients are playing a major role in reshaping the industry. This in turn is driving continued demand for our services around mergers and acquisitions, cost reduction and finance transformation.

Looking at the quarter from a geographic perspective, Q1 revenues in the Americas grew 11% in US dollars and 12% in local currency, with strong growth in the US and Brazil.

In EMEA, revenues were flat in US dollars but grew 4% in local currency. We had strong growth in the Netherlands, with growth moderating in France, Germany, Italy and Spain. Growth in EMEA was negatively affected by a decline in the UK. We have a number of initiatives in place to improve our UK performance but expect it will take the remainder of the fiscal year to see the full effect of these initiatives.

Once again Asia Pacific turned in outstanding results, with revenue growth 22% in US dollars and 25% in local currency, led by Japan, Singapore and China.

Turning to our growth platforms, we are seeing demand in a number of areas, but I'd like to highlight three that are particularly relevant in today's business environment: operational excellence, rapid and sustained cost management, and M&A execution. Let me tell you how these three trends are driving demand in our growth platforms.

In management consulting we're helping clients develop and execute their strategies in order to drive new sources of growth, optimize processes and balance costs. The broad operational excellence trend is driving demand for finance & performance management and supply chain optimization, as well as for our new Process & Innovation Performance service line.

Clients are turning to outsourcing to meet the demand for rapid cost savings. I'm excited by the increased interest in BPO, with an emphasis on back-office cost improvement opportunities. In addition, demand for application outsourcing remains strong.

In systems integration and technology we're seeing increased demand around services to improve IT effectiveness as well as momentum in post-merger integration across all operating groups and geographies.

Finally, let me touch on few operational metrics. We continue to expand the capabilities of our global delivery network, ending the quarter with 83,000 people, up 10% from the first quarter of 2008.

Bookings for the quarter were \$5.8 billion, and our investment in industry skills, assets and differentiation continues to pay off, as we achieved consulting bookings of \$3.6 billion. This made Q1 our eighth straight quarter of consulting bookings in excess of \$3 billion. Outsourcing bookings were 2.2 billion. As you know, our bookings vary from quarter to quarter, and I'm excited by the increased interest and activity levels in outsourcing as clients focus on immediate cost- and service-improvement opportunities.

Now, let me turn to people management. We ended the quarter with more than 187,000 employees, an increase of 7% over Q1 last year. Utilization for the quarter was 83%, and attrition was down significantly, to 13%.

Now I'd like to comment on three of our most important operational priorities. In this uncertain environment, managing supply and demand of our resources remains a top priority, and we'll continue to take steps to ensure that we have the proper balance of skills in each market. Second, we continue our focus on improving SG&A. Prior to Q1 we took a number of steps to ensure that our G&A cost did not out pace our revenue growth. I was extremely pleased that absent the provision for bad debt, we saw a 50-basis-point improvement in SG&A for the quarter. Third, we're on a multi-year journey to improve our cost structure, including both labor and non-labor costs. We're optimizing our mix of resources, including subcontractors, and continuing to consolidate major purchases through our procurement function. These actions will drive profitability regardless of the business environment.

So, just to summarize... We are off to a great start in fiscal '09. We delivered strong revenue growth and outstanding bottom-line results this quarter in a challenging economic environment. We have our hands on all of the operating levers of our business, giving us the flexibility to adjust quickly to changing conditions. And we continue to drive demand and see plenty of opportunity in the market.

With that let me turn it back to Pam for our business outlook.

Pamela Craig - Accenture - Chief Financial Officer

Thank you, Steve. As a reminder, each quarter we provide an outlook for the next quarter's revenue and an update on our annual outlook for the full fiscal year, and we will continued to so.

For the second quarter, we expect revenues to be in the range of \$5.45-\$5.65 billion, which assumes a foreign-exchange drag of approximately 8% to 10%. As you all are well aware, currency movements recently have been quite volatile. This range reflects December's assumed rate of approximately negative 11% and our latest assumption for currency movement, given that the US dollar is currently weakening.

Now, turning to the full fiscal year, let me first give you the context of how we are thinking about the impact of FX on our full fiscal year results. When I spoke last quarter about the impact foreign exchange would have on our fiscal 2009 outlook, we assumed a negative 2% to negative 4% headwind based on exchange rates experienced during the month of September. At this time we have reset our annual outlook given the actual Q1 results and our new assumption based on exchange rates experienced during the month of December so far. So, we therefore now assume the FX impact for the remaining three quarters of fiscal year '09 to be in the range of negative 8% to negative 10%, which as I just mentioned is also the range we are assuming for the second quarter. This current foreign-exchange assumption has been factored into our outlook for bookings, earnings per share and cash flow.

For some time now we've communicated that our business can grow at 9% to 12% in local currency. We stated this last quarter, and our management team continues to believe this and remains committed to driving the business to this goal. We continue to see strong demand for our services and feel good about the future business we see. However, given the uncertainty, our assessment of what is going on, and the 9% local-currency growth in the first quarter, we feel it is prudent to modestly adjust our fiscal year 2009 revenue outlook to 6% to 10% in local currency.

Let me next cover operating margin. We now expect a further expansion of operating margin this fiscal year, to a range of 13.4% to 13.7% — a 50- to 80-basis-point expansion over last year. We have done this based on the strength of our Q1 results and our expectation that we will continue to effectively manage costs and contract profitability. You should expect some fluctuations quarter-to-quarter as we have seen in the past. So, taking into account the different foreign-exchange assumption and the expected revenue growth for the fiscal year, we now expect new bookings to be in the range of \$24-\$27 billion; we now expect earnings per share to be in a range of \$2.78 to \$2.85; and we now expect operating cash flow to be in the range of \$2.8-\$3.0 billion; property and equipment additions to be \$370 million; and free cash flow to be in the range of \$2.4-\$2.6 billion.

Finally, we now expect our annual effective tax rate to be in the range of 29% to 31%, a decrease of one percentage point from our previously communicated range.

Our first-quarter results reflect those of a well managed business in a highly dynamic environment. Our clients are facing challenges they have never seen before, and I believe we are well-positioned to help them successfully take on some of those challenges. We continue to focus on profitable growth and positioning for the future across our portfolio of businesses. So, here is Bill to close before we take your questions.

Bill Green - Accenture - Chairman & CEO

Thank you, Pam, and let me recap quickly before we go to your questions. First of all, we are very pleased with our strong performance in the first quarter. We are closely managing the business, as we said we would, and we are executing well against our plans. Despite economic and FX headwinds, our consistent operating discipline and our ability to adjust quickly to the market conditions enabled us to significantly improve operating margin and deliver a 24% increase in EPS. We generated strong cash flow, and our balance sheet remains rock solid. We continue to win new clients and to expand our relationship with exiting clients.

While we are closely monitoring the current environment, we continue to invest in the business and take steps to put more distance between ourselves and our competitors. Our first-quarter results clearly demonstrate both our relative resistance to the economic turmoil and our tremendous operational discipline, which is not only helping us navigate the downturn but will also make us even stronger when market conditions improve. Now, let's go ahead and open it up for your questions.

QUESTION AND ANSWER**Operator**

(Operator Instructions) We do have a question from Tien-tsin Huang, JP Morgan. Please go ahead.

Tien-tsin Huang - JP Morgan - Analyst

Thanks, nice work on the margins and defending the earnings. I guess I'll ask about the new outlook on local-currency growth. Can you be a little bit more specific on what drove the decision to moderate that outlook and what might push you to the low end of the new outlook, because the results in the bookings don't seem to suggest you're heading down the path to 6%, but just want to make sure.

Bill Green - Accenture - Chairman & CEO

Yes, let me start and then -- this is Bill, and then I'll have Pam draft in. We've done a lot of sort of analysis and analytics behind all this. I think as Pam said in her comments, you know the 9% in the first quarter was something that just made us want to be thoughtful and cautious. That said, if you stand back and look at it, we are driving our business and our operating groups are driving the business to our original range that we said. We continue to see a lot of activity in the marketplace although different activity and you know, we've been in a very interesting quarter for us because it's, you know, we call it internally sort of the deer in the headlights quarter, where as the economy started to impact, more and more companies people took a pause. And now we are seeing that sort of break free, but we just thought in terms of being prudent and thoughtful that we would make that adjustment, but we continue to drive our business to actually our original range.

Pamela Craig - Accenture - Chief Financial Officer

Yes, I will just add a little bit there -- just -- I know you asked about the 6%. As you saw, the first quarter came in at 9%. I would say that from what I thought it would be that it was just a little bit short, less than 1% short of what I was expecting. And so given that 9%, given the continued uncertainty about the environment, the 6[%] really reflects that, right, that there's just a little bit more uncertainty in the medium term even though our visibility now, just like it was last quarter, is very comparable to what it was last year in terms of the forward look on our business.

Tien-tsin Huang - JP Morgan - Analyst

Okay, good; seems prudent. Just a couple quick housekeeping ones. Your new bookings forecast... how much of that was influenced by foreign currencies or anything unusual that we might want to expect in the February-quarter bookings, given the recent volatility?

Pamela Craig - Accenture - Chief Financial Officer

Well, the foreign-currency drag in the bookings in the first quarter was about 4% versus last year. If that's your question.

Tien-tsin Huang - JP Morgan - Analyst

Right. And then also prospectively for this new outlook, I'm assuming that's also reflecting a similar currency impact as you called out on the revenue line.

Pamela Craig - Accenture - Chief Financial Officer

Yes, the foreign currency -- you know, our bookings in terms of local currency over the 24-27 [billion] and if you do the 8-10[%] on that, and factor in the first quarter, it's roughly flat to 11%.

Tien-tsin Huang - JP Morgan - Analyst

Okay. Got it. Last one for me. Just again, is there anything unusual we should consider in the February-quarter bookings, based on what you've seen so far? Thank you.

Pamela Craig - Accenture - Chief Financial Officer

No, I mean we've seen good activity in December, but we don't really comment about the next quarter until we get to February.

Tien-tsin Huang - JP Morgan - Analyst

Got it. Thanks.

Operator

Okay, and our next question comes from Jason Kupferberg, UBS. Please go ahead.

Jason Kupferberg - UBS - Analyst

Hello guys, good afternoon.

Pamela Craig - Accenture - Chief Financial Officer

Hi, Jason, congratulations.

Jason Kupferberg - UBS - Analyst

Oh, thank you very much. I wanted to do ask a question kind of following up on Tien-tsin's question. I know you guys tend to do a lot of rigorous bottom up, from shaping your outlook by vertical, by geography, et cetera, and so the softening of the constant-currency outlook; can you attribute it to any one geography or vertical or service line more than others? Any color there?

Steve Rohleder - Accenture - Chief Operating Officer

No. Jason, this is Steve. No, I wouldn't say we'd attribute to it any single vertical or line of business that we have. As Pam said, once we looked at the entire portfolio of businesses we felt like it was prudent to adjust. You know that said, we're seeing... the one area that I'm excited about and you didn't ask about bookings and outsourcing, but I'll tell you anyway... I see a lot of activity in outsourcing and I think we're going to continue to push there. But there's not one single — to answer your question directly — there's not one single area.

Bill Green - Accenture - Chairman & CEO

Let me just draft in on that because we spent a lot of time on this and you know, frankly, when you stand back and look at it... For instance one of the things I am most excited about right now is our Financial Services business. Now, if you stand back and look at it you say that it was relatively flat, but the nature of the work we're doing is at the heart and sole of the winning companies, and this entire industry is in the middle of a transformation, or I guess at the beginning of a transformation. And so the thing that gets us excited is there's lots of activity out there, but we're going through a transition from the things that we used to do to the things that companies need to be done now. And so we see all this activity, and as Pam said, our visibility is the same. It's just the marketplace that you're looking at continues to jump around a lot. But on balance, you know, we feel very good about the business in terms of what we did this quarter and in terms of looking ahead, and as I said at the beginning, we continue to drive it to our original range in terms of the plans that we put out there and the goals we set for our team.

Jason Kupferberg - UBS - Analyst

Okay. And maybe just a follow-up for the team. Bill, I think you made a comment about you had that deer-in-headlights feeling among a lot of your clients here in Q1 and there was a pause in decision-making, and then I think you said something to the effect of kind of breaking free out of that. Can you put some more color around that? Is that more since the month of December began, or is some of that year-end driven — clients thinking about doing stuff before '09 kicks off, or you know, anything that has incrementally made you feel more comfortable since the analyst meeting perhaps?

Bill Green - Accenture - Chairman & CEO

No, its not '09 related and it's very specific to an individual company because you know, if you track this thing for six months, there was a time when the other guys had the disease and your company didn't, and then all of a sudden as this thing crept into retail and certain consumer products and other spaces, people said, woe, this downturn is a lot more serious than we thought it was going to be. So, then people sit there and they ask themselves, how is this going to affect us, are we doing the right things, and should we change course. And so what that causes is people to rethink the mix of work, they rethink delaying some things, but they also rethink accelerating some things that they'd had on slow boil, if you will, that they now need to focus on. And I think Steve mentioned the outsourcing velocity and the activity out there is just one example of this period of time where everyone probably just sat back and said how is this thing going to affect me, and what are the things that I need to be doing for my company in order to do the right thing as leadership. And so that's been the thing, and I would tell you it's sort of a company-by-company process that everyone has been going through.

Jason Kupferberg - UBS - Analyst

And just last question on the margins, I'm obviously encouraged to see the outlook there increasing. Can you talk a little more specifically about some of the levers you're pulling at the gross margin and the SG&A line, the visibility on those levers, and is the stronger dollar helping out the margins a little bit?

Steve Rohleder - Accenture - Chief Operating Officer

Yes, Jason, let me talk about SG&A and just give you some sense there. You know, back in August we actually started putting some of these initiatives in place to clamp down on spending, specifically that impact our G&A results, and so we've got those in place through Q1, we're going to continue those things. That's one lever. We're continuing to push utilization, that's another lever. And frankly, in this quarter we saw positive impact in terms of our contract profitability and execution on our contracts. So, we are going -- again focus on continuing that trend; those are the three big levers right there.

Pamela Craig - Accenture - Chief Financial Officer

Just to build a little bit more on the contract side, which is where we saw the strong lift in gross margin, is that we did a very strong job absorbing salary increases this year. And also we have a program to improve our outsourcing profitability, and that is really kicking in. So, I just wanted to do note those things as well.

Jason Kupferberg - UBS - Analyst

Very helpful. Thanks, guys.

Operator

Okay. And our next question comes from George Price, Stifel Nicolaus. Please go ahead.

George Price - Stifel Nicolaus - Analyst

Hello, thanks very much. First of all, congratulations on some very good results in a very tough environment. I wanted to do follow up on a couple of things. First, Pam, just on the operating margin side, you just mentioned gross margin benefit from a particular contract. Was that... was there anything one-time in that or is that something sustainable, I guess that we can see going forward?

Pamela Craig - Accenture - Chief Financial Officer

No, I mean, when I said contract I meant contract margins across the tens of thousands that we have, right? I mean it's really an across-the-board thing, and the outsourcing contract profitability is really across the whole portfolio, which is quite large. So, there really isn't anything there accept that, I mean, I think you've maybe heard me in the past say I'll never give up on margins, and I think we have a culture here to really drive that overtime. So, there's nothing unique or to be called out in these results.

George Price - Stifel Nicolaus - Analyst

Okay, and just on the -- since you touched on the margin philosophy...At the analyst day you definitely took a stance about we're not going to manage margins too much to offset the currency, because you don't want to manage the business to currency, right? Is there...but we are seeing margins move up. Does that put anything at risk in terms of investment, any shifting around your services in this shifting environment, now that we are pushing margin higher?

Pamela Craig - Accenture - Chief Financial Officer

Well, I think there's a natural belt-tightening that occurs in this environment. I'm sure you see it in your own company, right? I mean that's just natural, and we're obviously being very careful that we still make the kinds of investments that we need to make to position the business for the future. And so that balance is very important. But the program to improve, for example, the outsourcing margins, that's been in place for some time and it's really starting to kick in and yield.

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George Price - Stifel Nicolaus - Analyst

Okay. And one more thing on the cash balance. Can you give us a sense of maybe where the, how your cash is disbursed, given the [\$]300 million FX impact, and just so we can maybe have a sense of what to expect going forward on how the cash balance is going to move around?

Pamela Craig - Accenture - Chief Financial Officer

Well, yes, as you might imagine, right, we have a business that's roughly a third in the US. We have quite a large Euro business, right? Probably almost as big as the US. The British pound. Our Yen business is not huge, but we have operations all over the world and we have cash where we need it.

George Price - Stifel Nicolaus - Analyst

I mean is it roughly comparable with revenue?

Pamela Craig - Accenture - Chief Financial Officer

Where we hold the cash?

George Price - Stifel Nicolaus - Analyst

Yes.

Pamela Craig - Accenture - Chief Financial Officer

It would probably be -- well, I mean, certainly for the big ones, yes, I mean there's other places where we (inaudible).

George Price - Stifel Nicolaus - Analyst

Okay, last question just. Steve, you mentioned the UK, you have a plan in place. Obviously there's a lot of -- you know, the UK's in a lot of macro turmoil, probably worse than most places, even here. But you mentioned that it will take the rest of fiscal '09 to implement. How much worse does the UK get from here, what's your sense of how you move through fiscal '09 and how you perform in the UK? And what is your plan I guess a little bit more detail?

Steve Rohleder - Accenture - Chief Operating Officer

Yes, the plan is really a two-prong approach. First of all, to make sure that we can at least tactically and we did and we have balanced supply and demand in the current situation. In parallel to that what we're doing is we've got focused programs in place across all five of our operating units to drive demand generation. And as Bill kind of mentioned, we have to shift our focus from what has been in demand in the past to what is relevant to the current environment, and we're in the process right now of going after targeted clients, expanding our relationship at our existing clients, and basically generating demand. That's just going to take sometime.

Bill Green - Accenture - Chairman & CEO

Yes, this is Bill. I would just add, first of all, we don't expect the UK to get worse. But it's a big piece of our business. There's thousands of people there, lots of client relationships, and so there's a lot of moving parts. And I think broadly, just to the other questions, we said last quarter and we said a year ago this time that we had our hands on the levers and we were going to work hard to make sure that we defended our economic results, and I think you see the effect of that right now. So, we've been on top of the UK for some time, and that's going to yield in an important way, and I think the other things you see in terms of our results are just a matter of taking advantage of some of those levers to make sure we delivered respectable results. And that's what I think we've done here.

George Price - Stifel Nicolaus - Analyst

Thanks for taking the time.

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Steve Rohleder - Accenture - Chief Operating Officer

Thanks George.

Pamela Craig - Accenture - Chief Financial Officer

Thank you George.

Operator

Okay, and our next question comes from Rod Bourgeois, Bernstein.

Rod Bourgeois - Bernstein - Analyst

Hey, there, so you're lowering the local currency revenue growth guidance by 2 to 3 points; probably widely expected on that front. I've been trying to break down the changes in the growth outlooks into adjustments for issues that are currently already known, and also adjustments for unknowable issues that might very well occur going forward, and since you've got three quarters left in the year it's probably worth accounting for the unknowable here. So, I'm wondering if you can break your 2 to 3 points of changed guidance into factors that are known, versus maybe a bucket of factors that are unknowables, where you are maybe adding a little bit of buffer for the unknowable. Can you break it into those two categories for us?

Bill Green - Accenture - Chairman & CEO

We're pointing at each other because we've been having some fun with this in the last couple of days. And I have people that bet their badges on different amounts of things. I mean, I think if you stand back and look at it, to be in the low end or worse, we were trying to say like what would have to happen. And we were using words like natural disaster. And so just to be perfectly honest about it, there's a lot of our business that we can see and that we're operating and then we have a lot of confidence in our ability to use the levers. It's just that every week, and I think everyone knows this, there's a new surprise, and given an environment where every week there's a new surprise, we just thought we ought to have a little room down at that end because it just continues to get more baffling as you go. And so, we kind of have driving the business, and then we have this thing that's just plain uncertainties that I couldn't list, and those are the things that would steer us to the low end of the range.

Rod Bourgeois - Bernstein - Analyst

Alright, so that's the answer I was looking for. So, what that says is that there is buffer for events like natural disasters and things that are completely unknowable?

Pamela Craig - Accenture - Chief Financial Officer

There is some in there.

Bill Green - Accenture - Chairman & CEO

Yes, there is -- exactly right.

Rod Bourgeois - Bernstein - Analyst

Okay, and is it -- so is there -- there's probably maybe half of the downward guidance is related to the unknowable factors?

Bill Green - Accenture - Chairman & CEO

I don't do that.

Rod Bourgeois - Bernstein - Analyst

Okay. Alright. I'll take what I've got so far, which is helpful; the natural disaster comment definitely helps. Another specific question, in order to help us gauge demand, consulting bookings once again pretty respectable number for the environment. Can you comment on what's happened to contract duration in the consulting bookings that you just put up for us? Has duration changed one way or the other in any meaningful way?

Steve Rohleder - Accenture - Chief Operating Officer

No, Rod -- this is Steve, no it hasn't, just to answer your question directly. I mean, we have seen a bit of a shift to shorter durations on the outsourcing side, but nothing in consulting that's noteworthy.

Rod Bourgeois - Bernstein - Analyst

Okay. Alright. Great. And then I guess the question that is pretty important here to help people understand how you are putting these bookings up. There's clearly been a lot of decision delays out there, and it seems from your results that maybe your competitors are dealing with that more than you are. Can you talk to how are you able to navigate this environment where a lot of clients that are even looking at deals that have a high ROI on them are still unable to make the decision to move forward? You seem to have weathered that fairly well and are seemingly expecting to continue to weather that well. So, how are you weathering that so well? If you can give color to help people understand that, that would be helpful.

Bill Green - Accenture - Chairman & CEO

Yes, let me start -- this is Bill, and then Steve can draft in with some things I miss because you know, we look hard at this all the time. I mean the first thing is, you know, I mean I've been to a lot of clients the last few weeks, and if you've got something that will deliver benefits in '09, it's game on; you're going to get a chance to do it. And there's a lot of things -- and you know if you look at Steve's comments about operational cost improvements and some of the outsourcing propositions and other things that have '09 benefit, and if things have '09 benefit, I mean, you get a chance to do that. So, we look very specifically, and we have an agenda we call C-Suite themes, which are what are the things that people that have the C in their titles are thinking about in terms of the doing the right thing for their business. And we've fundamentally shifted the offerings and the conversations and the things that we're doing to bring to the table. I think that is one. The second thing is the whole notion of what is the proposition about. And value is an interesting thing. A modest ROI isn't going to put you over the goal line in this environment. It has to be a powerful and impactful and a sustainable one. And we've had clients with many-hundred-million-dollar jobs that have leadership changes because of operating challenges and they've stayed the course and moved ahead with propositions we've had on the table for three or four months because they generated real value for the long-term. And as the client stands back and looks at its two- and three-year economic profile, they recognize that it takes a lot of work to get the benefits in place, and if you can and you can sustain them, it makes the math work. And so the fact that we can operate higher up the food chain in terms of C-Suite themes, in terms of things that focus on near-term results, has served us very well, and we have had a wholesale transformation of our go-to-market agenda, because at the end of the day we're solving to be relevant. And relevant today isn't some large global thing with a four- or five-year payback. It's an impactful thing that delivers results that they can point at in '09, and that's how we've mobilized the team.

Steve Rohleder - Accenture - Chief Operating Officer

And Rod, just to add -- give you some context to add to what Bill said -- over 70% of our bookings this quarter came from our Foundation and Diamond clients, those relationships that Bill alluded to. Almost 50% of our bookings were sole-source. So, you know, you have evidence that basically the relationships and the value propositions that we are putting on the table are sustaining the growth. I mean the clients are telling us they need industrial strength, they need our breadth and they need someone that they can count on, and we've got the relationships to bring those value propositions forward, and the numbers show it.

Pamela Craig - Accenture - Chief Financial Officer

Rod, I would just add one thing as it relates to outsourcing. As you know the quarter was a little funny in terms of how late Thanksgiving fell. And so we did have a couple of, a few actually, outsourcing deals that pushed into this quarter, and all of the major ones have already signed. So, I think we say outsourcing is lumpy, but that was something I was focused on just as an indicator.

Rod Bourgeois - Bernstein - Analyst

Great. And one final question on the pricing front. There's a lot of different ways to define pricing but let me just ask: Is pricing a factor that you think will help, hurt or keep your margins kind of neutral, to fiscal '09?

Steve Rohleder - Accenture - Chief Operating Officer

I would say that it will be neutral at least...From where I sit today — and I'll snap the line today — it will be neutral. As Pam pointed out in her comments, we were able to recoup the salary increases, and we'll continue to drive savings from a labor standpoint throughout the year. That gives us pricing power. Do we have pricing pressure? Absolutely. Are our clients interested in price adjustments? Absolutely. But we're also coming with different value propositions that allow to us expand our footprint and deliver more value to those same clients, Rod, so I would, at least today, just characterize it as neutral.

Rod Bourgeois - Bernstein - Analyst

Thank you, guys.

Operator

And our next question comes from Julio Quinteros, Goldman Sachs. Please go ahead.

Julio Quinteros - Goldman Sachs - Analyst

Great, thanks. Can you go back to the 2001, 2002 timeframe, when we did see growth slow all the way down to zero, and compare that to the environment going into this recession this time around? Obviously, it feels a little bit more protracted and could be worse, et cetera. But, how is the business different today, I guess, Bill or Steve, if you guys could kind of just start on what is different about the business so that we understand, the sustainability of the growth targets that you guys are talking about now.

Bill Green - Accenture - Chairman & CEO

Yes, Julio, let me start. I think you know, we've been trying to articulate the last year or two how different the business is from five, six years ago when we went through that. And the things we go through we continue to believe deeply. One is the richness of the long-term relationships. The fact that we serve the clients in consulting and technology building and in outsourcing. The fact that we've sort of -- you know, work higher up the food chain, the global coverage, the nature of the work we do in terms of the value propositions and how we've woven ourselves into the fabric of the companies.

If you stand back and just look at outsourcing, the deep industry skills and all those things, we're just in a dramatically better position and different position than we were then. Now, we set out to get in that position. And I think the statistics that Steve described about additional work sold to current clients and sole-source work speaks to that. I mean, we had a more-fragile business back then than we do now. It's a lot more durable and industrial, and I think that's what serves us well.

Julio Quinteros - Goldman Sachs - Analyst

Got it. And then from the cost side if maybe if Pam -- if you could talk a little bit about this, I know you've kind of given some of the targets as far as the margins are concerned, but with utilization and headcount plans, you know, things along those lines, can you just kind of walk us through what you're looking at from the cost side as you think about the new margin targets into fiscal year 2009, the expansion that you're talking about. So if pricing is essentially net neutral to down, where are the other levers for the margin expense going to come from?

Pamela Craig - Accenture - Chief Financial Officer

Well, I mean the supply and demand, which is Steve's department, is very much at the heart of making sure we deliver there. And we're all over it. You saw the utilization and we've said that low to mid 80s is where we like it to be. So, we are doing that, and as you know there's many levers that go into managing that very well. I think on the other things, we're just driving contract profitability, and the thousands of people that run our contracts around the world, they have the levers available to them in terms of the mix of resources, types, levels, sourcing, all that jazz

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that goes into that, that's very important, and they're all focused on driving that. And then of course there's the non-labor things, what we do with travel, and what we do with all of the discretionary non-labor things, those costs and how we manage them; it just all goes into the mix.

Julio Quinteros - Goldman Sachs - Analyst

And finally, just two quick things. What are the headcount plans then for the rest of fiscal '09? It looks like quarter-to-quarter it was relatively flat, but you guys had a huge fourth quarter last fiscal year. What are you guys thinking about for headcount plans going forward, and I guess I'll just (inaudible) on this one?

Steve Rohleder - Accenture - Chief Operating Officer

Yes, I mean, I think Julio, you know, there's a lot of factors that go into answering that question and they change and on any given day. You saw our attrition was down significantly, right, from 17% down to 13%. So, that obviously impacts how many people we have to bring in. That said, usually the fall is when we assimilate most of the people that we've made offers to and hired, we've been able to do that. We are going to continue to drive attrition -- excuse me, continue to drive utilization, as Pam said, and frankly get these people busy. One other thing that I would point to that is impacting headcount is our industrialization agenda for both SI&T and outsourcing. And the reason that's important is because that drives lower labor costs and non-labor costs on our contracts. It obviously impacts our GDN, it will help our GDN grow, but you'll have puts and calls all over the world in different markets. So, to try to throw out one projection today would be wrong tomorrow given the movement in attrition and what we're seeing in terms of our industrialization agenda.

Julio Quinteros - Goldman Sachs - Analyst

Got it. No, it's really helpful. One last thing, just on the offshore front, and in the last couple of quarters -- the last couple of years -- has gotten a lot of attention. How relevant is offshore into this, or pure labor arbitrage is -- how relevant is it into this downturn at this point? Because a lot of the things that you guys talked about on the other side didn't really have a labor arbitrage component to them; it sounded like it was a very different conversation in terms of what clients are expecting. So, how are you thinking about that part of it, especially as it relates to your GDN efforts?

Steve Rohleder - Accenture - Chief Operating Officer

No, it's very relevant, because clients that were not interested in outsourcing now are all of a sudden interested in having that conversation. They want to have it, they want to have it fast, and they want to implement results that are going to impact this fiscal year, this fiscal quarter. So, obviously one of the tools that we have in the tool box is to bring the GDN and our offshore capabilities to the table and make that part of the equation, so it's extremely relevant.

Julio Quinteros - Goldman Sachs - Analyst

Got it, great. Thank you.

Operator

And our next question comes from Moshe Katri, Cowen & Company. Please go ahead.

Moshe Katri - Cowen & Company - Analyst

Okay, thanks. In your guidance for constant-currency growth, Pam, can you kind of help us understand what sort of embedded growth assumptions do you have for outsourcing versus consulting? And then also, I think Bill was indicating that the bid and proposal pipeline and outsourcing, I think Steve actually indicated that, was pretty active. Can we get some more details on that? Thanks.

Pamela Craig - Accenture - Chief Financial Officer

Well, Moshe, just in terms of your first question, I mean we've told you that we expect our revenues to be roughly comparable in terms of what they've been in terms of what they've been in the recent past, consulting to outsourcing, so that's probably your best guideline for that answer.

Steve Rohleder - Accenture - Chief Operating Officer

And on the second part of your question, Moshe. The conversations on this dramatic cost reduction are happening across every one of our operating groups. The conversations are around back-office consolidation, and that impacts finance and accounting, procurement, HR, even industry-specific BPO. So, we're having these conversations, again, with clients who are interested in having dramatic cost-savings impact on their operations as quickly as they can. And it really spans all of the service lines that we have in outsourcing.

Bill Green - Accenture - Chairman & CEO

I would just add Moshe, if I could. As I mentioned, it's been an interesting time this last quarter. But if we stand back from it, there's a lot of folks here -- and I think if you talk to the outsourcing advising crowd, you'll find that there's been a period of indecision, and now it's starting to break loose. People are going to look for a constant stable of providers. They're going to look for people that they have confidence in. They're not going to experiment with it. And we think the activity in the outsourcing space is just going to pick up in a dramatic, dramatic way. And what will be important to us is to make sure that you understand the opportunities that are good, economic, profitable opportunities for Accenture. I think there will be plenty to do. I think the opportunity, the challenge, is going to be making sure you pick the business that delivers profit and builds strength and long-term relationships, and that's what we're very focused on.

Moshe Katri - Cowen & Company - Analyst

So, based on the pipeline that you're seeing on the outsourcing side, obviously going back to the '02, '03 timeframe, where consulting was down, I don't know -- 5%, 6% a year -- and then we've seen a huge pick up in outsourcing, I think it was up about 40% a year, obviously 40% is a pretty big number, but based on what you're seeing in your pipeline, should we see a dramatic pick-up in outsourcing for the next year or two, given the environment and given the relevance of your services?

Bill Green - Accenture - Chairman & CEO

I think what we're going to see is what is a huge unqualified pipeline move to a very qualified pipeline of solid deals that we believe people are going to do. I think the thing that's different about that time is if you remember that time, there were like three or four marquis deals that the whole world stood around and looked at to see if they were going to be yes or no, and it was very binary. And if you look at the pipeline now, it has some very big deals in it, but it has a lot of small and mid-size deals, so the sort of durability of it is a lot better. And frankly these aren't the things where you are betting the whole thing on closing one deal. There's just a ton of things that can break your way every month, and so we feel dramatically better about the outsourcing pipeline in the activity that we see today than we did back then, where there were three or four big things and then a few cats and dogs, and you had to sort of play to win the big ones. I mean right now there's just a lot more better -- you know, better business out there for Accenture in my opinion.

Moshe Katri - Cowen & Company - Analyst

Great, congratulations.

Pamela Craig - Accenture - Chief Financial Officer

Thanks, Moshe.

Operator

And our next question comes from Tim Fox, Deutsche Bank. Please go ahead.

Tim Fox - Deutsche Bank - Analyst

Hello, thank you, good afternoon. First question is related to Moshe's last question around outsourcing. We've been hearing there's been some fairly competitive pricing going on, at some point getting pretty egregious. Just wondering what's your stance right now on the competitive environment around outsourcing in particular, and do you think there's enough business out there of high enough quality and margin where you're not going to see a need to sort of go down-market on pricing to sustain that growth?

Bill Green - Accenture - Chairman & CEO

Yes, I guess I would have two things, one is -- and we talked about this today. We haven't seen, or at least we haven't been participating in, deals that have had irrational bids. So, that's the first thing that we always look at, right, do you just get out there and people are giving the stuff away, right? Because anybody can give the work away. We haven't seen a lot of that. We've seen very thoughtful things. But we do believe -- we do believe -- that there's going to be a lot of high-quality work that's coming our way, and Accenture kind of outsourcing business, if you will. And I think we are blessed by having two things. One is that we've shed a lot of the gum on your shoe, right? Our portfolio of business and the profitability of our outsourcing portfolio improves almost by the quarter. There's some companies out there that have some real issues that you sort of drag around on your back. We don't have those right now, so I think that's the first thing. And the second thing is, we've spent more time focused on operational excellence and the ability to make money at this stuff than we have piling on new sales the last 24 months, and so now, as the sales are coming in there, we have the ability to have the predictable quality output that makes money, and the whole industrialization agenda, the things that Karl-Heinz [Floether] and Kevin [Campbell] have talked about are just essential, and I think it's payback time in terms of good economic returns for that business for our company.

Tim Fox - Deutsche Bank - Analyst

Okay. Great. That's helpful and if I may -- just a question about two verticals. The products group, you know, an amalgamation of many different verticals, was quite strong in fiscal '08, I believe it was 17% local-currency growth, but it was 9% this past quarter. If you peel back the cover a little bit on Products, is there anything in there that gives you some concern around growth, any particular verticals that you may see soften more than others, and that have any impact on your thinking about the lower guidance?

Steve Rohleder - Accenture - Chief Operating Officer

Tim, this is Steve. You know the two I point out are two that you'd probably guess yourself — Retail and Automotive, right, have been challenged. That said, I think the growth was respectable this time because it was offset by good growth in Health & Life Sciences and Consumer Goods & Services and Transportation & Travel Services. So, our leadership kind of runs this as a portfolio. There's always going to be some industries that are down and some industries that are up, but the two that I mention at the two you'd probably guess were a little soft this quarter any way.

Tim Fox - Deutsche Bank - Analyst

Okay, and just lastly if I may, obviously Resources — on the commodity side, things have been in turmoil. You put up another very strong quarter for Resources. Is there any concern there that there may be some softening as those industries start to feel the impact of what's going on globally?

Steve Rohleder - Accenture - Chief Operating Officer

I think we're going to see a shift. You know, we've seen strong consulting growth in Resources for awhile. The guys that lead that organization for us would tell you that the conversations in the last six weeks have shifted over to outsourcing in an incredibly quick way. So, I think the demand is still going to be there. We have to obviously go out and shape and capture it but the conversations have shifted from consulting more to outsourcing.

Tim Fox - Deutsche Bank - Analyst

Great. Thank you. Congratulations on the quarter.

Steve Rohleder - Accenture - Chief Operating Officer

Thanks.

Pamela Craig - Accenture - Chief Financial Officer

Thank you.

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Operator

And our next question comes from Bryan Keane, Credit Suisse. Please go ahead.

Bryan Keane - Credit Suisse - Analyst

Hello, I'm at the end of the call so I'll try to keep it to 25 questions for you guys.

Steve Rohleder - Accenture - Chief Operating Officer

Thanks, Bryan. We wouldn't expect anything else, Bryan.

Bryan Keane - Credit Suisse - Analyst

Steve, any outsourcing, deferrals or cancellations, and I guess that question could be for consulting deferrals or cancellations?

Steve Rohleder - Accenture - Chief Operating Officer

Nothing that would point to a trend.

Bryan Keane - Credit Suisse - Analyst

Okay and then when you guys talk about the uncertainty as kind of the reason why you've taken the range down, I would think that the bookings have been strong enough that you have pretty good visibility for the next couple of quarters, so would it have be cancellations or deferrals that would cause that uncertainty?

Bill Green - Accenture - Chairman & CEO

Well, the uncertainty stuff is just -- I mean, you can almost hardly describe it, right? But there is just like a surprise a week going on out there in different industries and for different companies, and so you just say to yourself -- just every day you just take the paper and look through it and you will just say, whoa, right? And that's what we're saying, right? We're just standing back from this thing and saying, you know, geez. That said we have some of those -- some of those companies in there are companies where we're launching new work that's going to help them in a dramatic way. But the uncertainty stuff is just hard to put your finger on. It just continues to surprise you, and sooner or later you say I'm sure there is something out there that I'm not thinking of. And but I just -- I couldn't tell you what the (inaudible).

Bryan Keane - Credit Suisse - Analyst

Okay. And, Bill, when you talk about decisions starting to loosen up or people starting to make some decisions, I assume you're talking about outsourcing, but is that true with consulting as well?

Bill Green - Accenture - Chairman & CEO

Well, I guess I was describing it more in the outsourcing context, but absolutely it is with consulting, except the consulting decisions -- a lot of the sort of the new work is early-stage, right? Like if you look at a lot of the things that are going on in Financial Services, it's envision and architect kind of work. Right, it's sort of a new platform for this, a new capability to do that, a new way of how we're going to take these two banks and merge them together and have them operate as one. So, in that sense there is some breakthrough. It just doesn't have the size and the scale of the outsourcing work.

Bryan Keane - Credit Suisse - Analyst

Okay. And then just finally two questions for Pam. I guess operating margins are expected to be higher for the year than your guidance just last quarter. And I guess it just sounds like you're pulling levers because the FX pressure has been higher. Is that fair to say, or is there something specific that surprised you in the last three months?

Pamela Craig - Accenture - Chief Financial Officer

No, it's not just the FX, I mean for sure. I mean, I think that at the root of it, it wasn't like the drag was so great this quarter, and we delivered very strong operating margins. So, I think the way -- just the way we're delivering is -- there's just been a steady improvement. And part of it is you want to make sure that that's going to be sustained, and we analyze this quite a bit to make sure that we believe that we will sustain that, or we expect we will over the balance of the year, to lead to the expansion.

Bryan Keane - Credit Suisse - Analyst

Okay. And then just the other one was on interest income. I know that was -- where I think it was about, what is it, \$0.04 or so lower, does that -- should we still expect interest income to be a lot lower going forward given where rates have gone?

Pamela Craig - Accenture - Chief Financial Officer

Yes, I mean that \$0.04 was the total of non-operating stuff. And actually the interest income was about a penny. But, yes, I mean, I'm not about to go out and introduce a lot more risk to try to get some interest income someplace. I mean there's just not a lot to get.

Bryan Keane - Credit Suisse - Analyst

Most of the interest income is derived from international?

Pamela Craig - Accenture - Chief Financial Officer

No. I mean, we put most of our cash in treasuries. I mean there's -- I would say it's mostly not international.

Bryan Keane - Credit Suisse - Analyst

Okay, alright, great, congratulations and thanks a lot.

Steve Rohleder - Accenture - Chief Operating Officer

Thanks, Bryan.

Richard Clark - Accenture - Managing Director, Investor Relations

Operator, we have time for one more question.

Operator

Great, and that question would be from David Grossman, Thomas Weisel. Please go ahead.

David Grossman - Thomas Weisel - Analyst

Thanks very much. Just very quickly, I know there's been a lot of questions about the margins. You took them up 400 basis points. Pam, should we look at this as a new plateau going forward, or really something that reflects strong cost controls in a very difficult period?

Pamela Craig - Accenture - Chief Financial Officer

I would say that it's mostly the former. I mean to think that we are really trying to improve the margins in this business and sustain it, and I think we've been on that trajectory. This is probably a little bit of a steeper up-lift that we're signaling right now than we have in the past, but nonetheless I think if you look at our results, what we've done with SG&A over the years and this focus on contract profitability, I mean this is what we're looking to do.

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David Grossman - Thomas Weisel - Analyst

And just one other question is on currency. I think on your last call — and I may have misunderstood it — you said a 1% change in currency impacts EPS by a penny. I guess a), did I understand that correctly, and is that still a good assumption?

Pamela Craig - Accenture - Chief Financial Officer

Well, I mean I think that it's not just currency, but when you kind of take into account everything else that's happening with that kind of a move with currency, then that's about what it would, what it would be. But I wouldn't take that too literally. I was just trying to give you a feel.

David Grossman - Thomas Weisel - Analyst

Okay, and just finally, what is the measurement date, if you will, for the currency rates that you're using in your guidance? Is that the current spot rates, or was that a rate at the end of the quarter or an average quarter-to-date?

Pamela Craig - Accenture - Chief Financial Officer

Well, what I mentioned for December was actually a rate that we used that did get set at the beginning of the month. The 11%. And then what we did for the remaining guidance was to say, well, gee, how have currencies moved during December? And then try to factor in how that looks. If we then factor that into our results for the remaining three quarters and compare them to last year, that's the drag that we would see.

David Grossman - Thomas Weisel - Analyst

Okay. Very good. Thank you very much.

Bill Green - Accenture - Chairman & CEO

Well, let me just say a couple of things in closing if I can. First of all, we've started fiscal 2009 with another strong quarter, especially in light of what's happening in the global economy. We are very positive about our business and remain committed to protecting our profitability, strengthening our global franchise, and further differentiating Accenture from the competition. The durability and diversity of our business serves us well. We have a unique business model and we continue to operate it with tremendous discipline and flexibility.

Particularly in these challenging times we are dedicated to staying close and relevant to our clients and remain keenly focused on helping them achieve high performance. And just as important, we remain committed to high performance on our own business so that we can continue to deliver exceptional value to our shareholders.

In closing, I once again would like to thank the 187,000 men and women of Accenture, without whom none of this would be possible.

Thank you very much for joining us on the call today. We appreciate your continued support and we wish all of you a happy holiday season and all the best for the new year.

Operator

And, ladies and gentlemen, this conference will be available for replay after 7 p.m. through midnight January 2, 2009. You may access the teleconference replay system at any time by dialing 1(800) 475-6701, and entering the access code 970592. International participants dial (320) 365-3844. Those numbers again are 1 (800) 475-6701 and (320) 365- 3844, access code 970592. That does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.

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