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Conference Call Transcript

ACN - Accenture Q2 Fiscal 2010 Earnings Conference Call

Event Date/Time: Mar 25, 2010 / 04:30 p.m. EDT



Mar 25, 2010 / 08:30PM GMT, ACN - Q2 2010 Accenture Earnings Conference Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Accenture's second-quarter fiscal 2010 earnings call. At this time, all lines are in a listen-only mode. (Operator Instructions) As a reminder this conference is being recorded. I will now turn the conference over to Richard Clark, managing director of Investor Relations. Please go ahead sir.

Richard Clark - Accenture - Managing Director, Investor Relations

Thank you, operator. Thanks everyone for joining us today on our second-quarter fiscal 2010 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, and Pamela Craig, our Chief Financial 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, along with some key operational metrics. Bill will then provide some insights on what



we're seeing in the market and how we are positioning our business for the upturn and future growth. Pam will then provide our business outlook for the third quarter and full fiscal year 2010, and then we will take your questions.

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 in this call today are forward-looking, and you should keep in mind 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, we will reference certain non-GAAP financial measures, which we believe provide useful information for investors. We include reconciliations of those measures to GAAP in our news release or on the Investor Relations section of our website at www.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're very pleased with our results in Q2. We delivered a solid quarter, driving our business with discipline while positioning it for growth. And importantly, we are beginning to see positive signs and increasing demand for many of our services.

Here are some highlights from the quarter. We generated revenues of \$5.2 billion, within our expected range of \$5.1 billion to \$5.3 billion. Operating margin was 12.6%. We delivered earnings per share of \$0.60. We achieved very strong new bookings of \$6.5 billion, with consulting and outsourcing each exceeding \$3 billion. We generated \$616 million in free cash flow, and we continue to have an exceptionally strong balance sheet, with a cash balance of more than \$4 billion.

In short, a very good performance. In addition, we just announced a dividend of 37½ cents, which is our first semi-annual dividend and part of our ongoing commitment to return cash to shareholders.

While there are still uncertainties and challenges in the global environment, we're seeing signs of positive momentum in the market, as our clients are once again looking to the future. We're very well positioned to benefit accordingly with a return to positive growth. We're staying close to our clients, helping them with their most important initiatives. We have enhanced our offerings for today's demands, and we are recruiting high-quality talent aggressively to ensure that we have the breadth and depth of capabilities to capitalize on future growth opportunities. With that, I will turn the call over to Pam, who will provide some more detail on the numbers.

Pam Craig - Accenture - CFO

Thank you, Bill, and thanks to all of you for listening today. I am pleased to tell you more about our second-quarter results. Before I get into these results in detail, let me provide some perspective on how our business is trending right now. First, we were pleased with the trajectory of new bookings. Consulting bookings came in at a strong level, similar to Q1, and total bookings were up 19% in local currency over Q1. Second, net revenues on a year-over-year basis are now just about through the cycle of negative year-over-year comparisons. Our consulting business continued to strengthen during the second quarter and reflected sequential growth on a per-net-workday basis compared with the prior quarter. We believe that the outsourcing revenue comparison reflects the bottom of the impact of last year's terminations and that outsourcing revenues will turn up next quarter. Lastly, we continued our strong cash flow delivery through the quarter.

Now let's get to the numbers. Unless I state otherwise, all figures are US GAAP, except the items that are not part of the financial statements or that are calculations.

New bookings for the quarter were \$6.52 billion and reflect a positive 6% foreign-exchange impact compared with new bookings in the second quarter last year. Consulting bookings were \$3.39 billion and outsourcing bookings were \$3.13 billion. This level of bookings was the highest in three quarters. On bookings, good steady demand for our services in our consulting business continued. In management consulting, our bookings were broad-based and strong around the world and across four of the five operating groups. Demand continues primarily in strategic sourcing and customer relationship management, in addition to risk management and post-merger integration.

While cost takeout remains a priority, we did see an uptick in demand for projects focused on strategies for revenue growth.



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In technology consulting, bookings were driven by continued demand for projects in infrastructure consolidation and virtualization, security and IT governance. This quarter was our strongest yet for bookings within technology consulting.

In systems integration, our bookings reflect client interest in services for custom application development, as well as for ERP add-ons and extensions, with an increasing level of work with emerging technologies. We continue to work with our clients seeking cost relief to shift more of the mix of resources to our Global Delivery Network to deliver more value for money. This results in work volume growing faster than revenue, a trend we expect to continue over the medium term.

Turning to outsourcing, our solid bookings were driven by technology outsourcing, as our clients continue to seek improved costs and service levels. Included in these bookings were five contracts in excess of \$100 million each.

So in summary, we delivered a strong bookings quarter across the dimensions of our business for both consulting and outsourcing, and even after recording \$6.5 billion in new bookings, our pipeline grew in Q2.

Now turning to revenue. Net revenues for the second quarter were \$5.18 billion, a decrease of 2% in US dollars and 8% in local currency from the same period last year. These revenues reflected a foreign-exchange impact of positive 6% compared with Q2 last year. These net revenues were solidly in our guided range of \$5.1 billion to \$5.3 billion, a range that had assumed a higher foreign-exchange lift of 7%. Consulting revenues were \$2.93 billion, a decrease of 3% in US dollars and 9% in local currency. Outsourcing revenues were \$2.24 billion, flat in US dollars and a decrease of 6% in local currency. The year-over-year consulting revenue decline continued in Communications & High Tech, Products and Resources, but moderated when compared to Q1 and, in fact, turned positive on a sequential revenue-per-net-workday basis.

Health & Public Service operating group results reflect a significant decline in consulting revenues due to delivery inefficiencies on a contract in Public Service, which negatively impacted both revenues and operating margin for the quarter. The results also reflect the growing uncertainty and challenges in the public sector around the world, and we expect this to continue for some time.

The momentum we saw in Financial Services during Q1 continued to build into the second quarter, in that consulting revenue grew 6% year over year in local currency. This was driven primarily by demand for finance and performance management services, post-merger integration, and risk and regulatory work.

Turning now to outsourcing, revenues declined 6% in local currency due largely to the terminations and restructurings we experienced in FY'09. We continue to expect to be impacted by these terminations until they anniversary in the second half of fiscal 2010. Otherwise, outsourcing revenues have begun to trend positive while at the same time continue to reflect patterns we have mentioned in recent quarters, as clients are focused on driving down costs through the use of lower-cost resources and closely managing scope on new and existing projects.

Moving down the income statement, gross margin was 32.7%, up from 30.8% in Q2 last year, a 190-basis-point increase. The majority of the year-over-year increase can be attributed to the implementation of the new sales effectiveness model I mentioned after Q1. Sales and marketing costs were \$623 million, or 12.0% of net revenues, compared with \$519 million, or 9.9% of net revenues, for the second quarter last year. This increase in sales costs was primarily due to the implementation of our sales-effectiveness model I just mentioned and our efforts to grow our pipeline.

General and administrative costs were \$413 million, or 8.0% of net revenues, compared with \$439 million, or 8.3% of net revenues, for the second quarter last year. We continue to work our G&A costs down as a percent of net revenue. These results primarily reflect savings due to our consolidation of office space.

Operating income for the quarter decreased 4%, to \$651 million, resulting in a 12.6% operating margin. This compares with a 12.9% operating margin in Q2 last year, which included a 30-basis-point benefit from a reduction in our reorganization liabilities in that quarter.

Our effective tax rate for the quarter was 27.8%, compared with 28.1% in the second quarter last year. This quarter included some final determinations, resulting in a rate in the quarter below our guided annual range of 30% to 32%.

Net income was \$462 million for the second quarter, compared with \$502 million for the same quarter last year, a decrease of 8%.

Diluted earnings per share were \$0.60, a decrease of \$0.03 compared with \$0.63 in the second quarter last year. This difference reflects a \$0.05 decrease from lower revenue and operating results in local currency, a \$0.01 decrease from reorganization benefits that were included in last



year's operating income, and a \$0.03 decrease from lower nonoperating income, offset by a \$0.02 increase from a lower share count and a \$0.04 increase from favorable foreign-exchange rates.

Now let's turn to some key parts of our cash flow and balance sheet. Free cash flow for the quarter was \$616 million, resulting from cash generated by operating activities of \$660 million, net of property and equipment additions of \$44 million. This strong cash flow reflects the continued great performance in managing our DSOs. Turning to DSOs, our days services outstanding were 30 days, down from 32 days in the first quarter and up from 28 days at the end of last fiscal year. Our total cash balance at February 28th was \$4.1 billion, versus \$4.5 billion at the end of August.

Turning to some key operational metrics, we ended the quarter with global headcount of more than 181,000 people, and we now have more than 88,000 people in our global delivery network. In Q2 our utilization was 88%, in line with Q1 but still higher than our targeted level. Attrition, which excludes involuntary terminations, was 15%, up from 12% in Q1 and 9% in Q2 last year. Lastly, we now plan to hire more than 50,000 people around the world this year.

Before I turn things back to Bill, I'll comment on our ongoing objective to return cash to shareholders through share repurchases and dividends. In the second quarter we repurchased or redeemed approximately 10 million shares for \$434 million at an average price of \$41.89 per share, including approximately 2 million shares repurchased in the open market. At February 28th, we had \$4.1 billion of share repurchase authority remaining.

Earlier today we announced that our Board of Directors has declared our first semi-annual cash dividend in the amount of 37½ cents per share. This dividend will be paid on May 14th. This is in line with our Board's decision to move to semi-annual dividends beginning in fiscal 2010, as indicated on the Q4 earnings call. At the time I noted that it was our intent to announce the Board's declaration of the first semi-annual dividend when we announced Q2 earnings and to assume that the first semi-annual dividend would be roughly equal to half of the previous year's annual dividend of 75 cents per share. The Board's decision today is right in line with that. You should think of this first semi-annual dividend as a bridge to our new semi-annual dividend program. Looking ahead it is the Board's intent to establish an annual dividend target once final fiscal-year results are known in the early fall. The Board would then declare, and we would announce at our Q4 earnings call, a semi-annual dividend that will be sized at half of this annual dividend target. The following spring when Q2 earnings are announced, we would follow with the Board's declaration of the second part.

In summary, our Q2 results reflect the hard work and focus that our people collectively demonstrated in working with our clients to meet their needs in what has been a challenging time for everyone. Demand for our services is broadening and strengthening, and we find Accenture well positioned for profitable growth in the future. Now let me turn the call back to Bill for some comments about how we are positioned for that future.

Bill Green - Accenture - Chairman & CEO

Thank you, Pam. Before Pam takes you through our outlook for Q3 and the full year, I just wanted to take a moment to give you my view on where we are and how we're positioned for the future. The economic environment with all we've gone through has, of course, been extremely challenging, but it's also been an excellent opportunity for leading companies to demonstrate their management "chops" and, more importantly, to sharpen their ability to compete, win and grow in the future. Over the past year we have done just that. We laid out a new human capital strategy, we refreshed our business strategy, and we invested to gain more breadth and depth in everything we do. In short, we positioned ourselves for the future, this future.

Looking at our track record thus far as a public company, on every measure it is something we're extremely proud of, but I believe our time for the next level of market leadership is squarely in front of us. When I look over the past 12 months, I see a time not of recovery, but of renewal. We are incredibly excited as we look to the future. Taking stock of where we are, let me share a few observations.

- Our people — 181,000 and counting of the best people on the planet in terms of skills and experience, and we continue to invest hundreds of millions of dollars a year in training them.
- Our clients — 96 of the *Fortune* Global 100, three-quarters of the *Fortune* Global 500, and closing in on 100 Diamond clients, with relationships based on trust, confidence and delivery.
- Our brand — one of the top 50 brands in the world and synonymous with high performance and business outcomes.



- Our global footprint — providing global clients with consistent service anywhere in the world they operate, in more than 120 countries, and building leadership positions in the markets of the future.
- Our delivery model — which ranges from high touch and locally responsive to the global efficiency and industrialization of our Global Delivery Network, supported by an incredible ability to leverage worldwide learning, knowledge and assets.
- Our breadth and depth of service — few, if any, can work with clients from envisioning solutions to designing and building them, to operating them on behalf of our clients, all with unparalleled depth by function, industry and technology.
- Our 4,500 senior executives — deep experience, with their personal skin in the game tied to our results; and
- Our commitment to shareholders — a durable company, pristine balance sheet, a shareholder focus and, on a daily basis, running our company as a high-performance business.

We have great confidence in our position. It is one of leadership. It's one of success.

Our 2010 results are on track with our expectations. We expect to end the year on a trajectory that shows us back to altitude in driving our business. As we look forward, we feel very good. As the market for our types of services moves up, we outperform. Look at the track record and the history. We are, of course, focused on delivering 2010, but we'll share some of the facts supporting what I've just covered at our Investor & Analyst conference on April 8th.

Now Pam will provide our business outlook for the third quarter and the rest of the year.

Pam Craig - Accenture - Chief Financial Officer

Thank you, Bill. 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. As I mentioned in the last two quarters, we knew that the first half of fiscal 2010 would be a challenging year on year, given the 6% local currency revenue growth in the first half of fiscal 2009. With the first half of fiscal 2010 now behind us, we believe we have turned the corner, but remain cautious about the pace of the upturn given continued economic uncertainty around the world.

For the third quarter, we expect revenues to be in the range of \$5.5 billion to \$5.7 billion, which assumes a foreign-exchange uplift of approximately 5% for the quarter. This range reflects the rates over the past two weeks.

Turning to the full fiscal year, we are assuming a foreign-exchange impact of positive 3% for the full fiscal year, which has trended down from the positive 5% assumption we provided last quarter. For revenue, we see improving demand for our services and good future business taking shape. Based on our year-to-date results and the outlook just provided for Q3, we now expect our fiscal year 2010 revenue to be at the low end of our guided range of a 3% decline to a 1% increase in local currency.

We continue to expect new bookings for the fiscal year to land in the range of \$23 billion to \$26 billion, even with the additional 2% foreign exchange headwind.

We continue to expect operating margin to be 13.4%. You should expect some fluctuations quarter to quarter, as we've seen in the past. We continue to expect our annual effective tax rate to be in the range of 30% to 32%.

We are updating our outlook for earnings per share only to reflect the new foreign-exchange assumption. We now, therefore, expect EPS for the full fiscal year to be in a range of \$2.61 to \$2.69, a decrease of \$0.06.

Finally, we continue to expect operating cash flow to be in the range of \$2.4 billion to \$2.6 billion, property and equipment additions to be \$290 million, and free cash flow to be in the range of \$2.1 billion to \$2.3 billion.

In closing, we see an improving demand environment. Demand patterns have changed a lot. We have responded, and our business is poised for growth. We remain fully focused on revenue growth, earnings and the generation of strong cash flow, with the objective of returning a substantial portion of that cash to shareholders. We look forward to sharing more with you at our Investor & Analyst day in two weeks. Richard, let's take some questions.



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Richard Clark - Accenture - Managing Director, Investor Relations

Thanks, Pam. Operator, would you provide instructions for those on the call?

QUESTION AND ANSWER

Operator

(Operator Instructions) Our first question comes from Adam Frisch with Morgan Stanley.

Adam Frisch - Morgan Stanley

Hi, good afternoon. How are you? Just wanted to ask a couple of questions here. Obviously the quarter was okay. It was pretty decent considering everything that was going on, but this story is really about looking forward and what's going to happen in the next several quarters. So maybe I was wondering, because bookings, you've had two consecutive good ones and on the consulting side, how do you see -- you already gave revenue guidance, but looking maybe out a little bit further, talk about the lag between the bookings rebound and the revenue rebound and ultimately when margins could pick up a little bit as well.

Pam Craig - Accenture - Chief Financial Officer

Okay, Adam, I'll start here. As you know well, there is a lag in the sense of getting people on board and getting them going, trained and going, but nonetheless we have seen good a sequential progression, in consulting in particular, and so consulting was actually up on a per workday basis 4% in Q2. So I think it's already starting to kick in, and we are expecting that will continue over this year, that we will see something similar in the next two quarters in terms of some acceleration. Sorry. What was the second part of your question?

Adam Frisch - Morgan Stanley

When do you think margins would pick up? How long will it take until you let a little bit out there?

Pam Craig - Accenture - CFO

You'll never give up. Neither will I. We have guided to 13.4% for this year. We are sticking to that. That's with the investments we're making in the business in terms of the training and the hiring, the investments in our offerings. And I think that given that when we originally put together our revenue plan and we provided that original guidance of negative 3 to positive 1 [percent], we did expect that we'd be higher in that, and I think the fact that we have maintained our margins well and expect to continue to do so is a good statement. So that's where we are with margins. Like you, I'll never give up, but that's where we are for this year.

Adam Frisch - Morgan Stanley

Okay, cool. And then if I could just ask one of Bill. Obviously the pick-up in turnover at this stage of the cycle could actually be viewed as a positive data point in the sense that people do have places to go, other firms are hiring, because there is more demand out there. So maybe, Bill, if you could just talk about the current trends and the relationship between turnover and hiring, wages and pricing, and how the four of those things are kind of jiving together at this point.

Bill Green - Accenture - Chairman & CEO

Well, I guess, Adam, first, there's nothing good about turnover in my book, but it is a fact of life in this business, and our people are very attractive to our clients, and some of them choose to move along. I think us hiring 50,000 people says a lot about how we see the outlook and what we see going on out there, and I think leading companies are starting to look to the future and companies are starting to invest in their businesses again, and we see it in the pipeline and I think we see it in the momentum we see in the business. We've responded with hiring as we



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have, and a lot of the relationships that we tend very carefully through challenging times are going to start serving us very well. All that is going to create more opportunities for people in this profession and particularly Accenture-pedigreed people, but we feel really good about what we've been seeing in the last quarter, and we hope to be able to bring in some real talent in this market and combine it with the incredible folks that we have and drive the revenues and profits from that.

Adam Frisch - Morgan Stanley

Is the uptick in hiring because of the increase in turnover, or were you going to increase the number anyway from I think it was 42,000 on the last call? Were you going to increase it anyway in response to plans?

Bill Green - Accenture - Chairman & CEO

No. I think it was 45[,000] on the last call. We're comfortable with 50[,000] now. We've brought over 20,000 people on board already this year, and attracting and bringing on board and training and deploying talent is one of the core competencies of the firm. Frankly, the hiring is just in response to the demand we see and the pipelines we have in front of us.

Adam Frisch - Morgan Stanley

Great. Thanks, guys. Good to be back with you, thanks.

Pam Craig - Accenture - Chief Financial Officer

Thank you, Adam.

Operator

We'll go next to George Price with Stifel Nicolaus.

George Price - Stifel Nicolaus

Hi. Thanks very much for taking a couple questions. Wanted to start off just with the GDN shift, when does that start to anniversary, Pam? That is, the moderation of revenue with the GDN shift.

Pam Craig - Accenture - Chief Financial Officer

It's been going on for some time. I would say that we're further along in the outsourcing than we are in system integration. We do see more interest in the system integration area from our clients in being willing to doing more work remotely, which is good. So we do expect that will continue for some more time, say medium term.

Bill Green - Accenture - Chairman & CEO

Yes. I think we've looked hard at that and we manage that, but in reflection we've done that for five years.

So I think there was a bump of acceleration this year. Whether that bump continues, flattens out, who knows. But I think it's something that we manage and just bringing the whole thing together in terms of the operating margin we deliver and our revenue profile. So we're going to keep watching it closely and frankly get more efficient and better at how we manage it.

George Price - Stifel Nicolaus

Okay. Just to clarify, is medium term, Pam, you think it's just going to be something that is going to be there, more or less, at least the next year or two?



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Pam Craig - Accenture - Chief Financial Officer

Yes.

George Price - Stifel Nicolaus

Okay, okay. Second question is on -- good bookings, by the way.

Pam Craig - Accenture - Chief Financial Officer

Thank you.

George Price - Stifel Nicolaus

Wanted to just kind of follow up on something. You had talked about how there was a higher mix of revenue in some of the past bookings numbers, even though they looked pretty good, that there was a higher amount of revenue out beyond fiscal 2011, and I was wondering if that trend, if that had changed at all.

Bill Green - Accenture - Chairman & CEO

No. In fact, if you look -- we looked really hard at that, and the quality of the bookings this quarter were exceptional in terms of, if you combine the nature of the consulting stuff plus if you look at the outsourcing stuff in the shorter duration, a lot of it is more near-term revenue than our profile has been, frankly, historically. I know exactly what you're asking. We looked real hard at that as well in terms of how quickly the bookings convert to revenue.

George Price - Stifel Nicolaus

Okay, all right. So that's actually reversed a little bit. I guess the last question, then, wanted to ask is on pricing. I've heard that pricing and the competitive environment is still, can be kind of aggressive out there, giving resources away or discounting resources. Where do you stand on pricing, particularly on the consulting side, and how are you addressing the competitive dynamics out there?

Pam Craig - Accenture - Chief Financial Officer

Well, in the high-value consulting — management consulting, technology consulting — the pricing is really very stable, and we did take a hard look at that as we were looking at the quarter. I mean, in the system integration business, as we just talked about with the shift offshore, that means lower costs and therefore lower prices, and the key there I think is to be very proactive about how we're managing that, as Bill mentioned, and to maintain margins.

George Price - Stifel Nicolaus

Great. Thanks very much.

Operator

Our next question is Karl Keirstead from Kaufman Brothers.

Karl Keirstead - Kaufman Brothers

Hi. Thank you for taking my question. At the risk of belaboring the point, if I could just go back to bookings. I just want to make sure we all understand, because bookings seem to be coming in fairly strong for the February quarter and yet you lowered the top line to — the guidance — to the low end of your range. So I just want to understand if it's not a bookings conversion issue, what was it that incited you to tilt to the low end of the top-line constant currency guidance? Thanks.



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Pam Craig - Accenture - Chief Financial Officer

Hi, Karl. I don't think it really is a difference from last quarter. Last quarter I saw it tilting there and really see it coming out at about the same place at this point above the bottom, but tilted toward the lower end.

Karl Keirstead - Kaufman Brothers

Okay. And if I could ask a quick follow-up. On the outsourcing business, that hasn't rebounded or held up as well as I think some might think, and I think you touched on the issue around some of the contract runoff and terminations anniversary in the second half, so things should get better. But perhaps you could touch on a little bit of the offshore apps outsourcing. I think that's a pretty good component to Accenture's outsourcing revenue stream. A number of firms — the Indian vendors, IBM — are seemingly posting good numbers there. We're not yet seeing it in Accenture's outsourcing business. Is that because it's being masked by some of the pressures from fiscal '09? Maybe a little color there would be helpful.

Bill Green - Accenture - Chairman & CEO

Yes. We did have to get that last year sort of terminations and restructurings behind us, which we've done. We get great momentum in the apps outsourcing business. I think it was interesting, apps outsourcing you got to look also, what we look at is the quality of the business, not just the meat moving, if you will, of the business. And frankly, we feel good about the deals that we have. They're good deals that work with our economics. They average up our portfolio, and frankly see good momentum in that space. It was interesting; I think everyone thought outsourcing would be more robust in the last 12 months, but I think it was a very unique thing, and that was people weren't making any decisions, and I think people are just starting to make those decisions now, and we expect that the application side of the outsourcing's going to continue to get momentum.

Karl Keirstead - Kaufman Brothers

Okay. Thank you both for the color.

Operator

We have Rod Bourgeois with Bernstein.

Rod Bourgeois - Sanford Bernstein

Just want to talk a little bit about how the demand environment has changed since the last time you spoke to us three months ago. It looks like on the positive side, excluding the impact of currency, at least the moving currency in the last three months, your revenues for the February quarter were at the very top end of your range. You're taking your headcount hiring plan up about 5,000 people, which is at least 10%, and in the bookings, particularly being short-cycle deals, that also seems fairly positive. Yet the guidance is at the low end of the range, which is probably what you guys were signaling three months ago. So I see a handful of positives and I see guidance kind of at the low end of the range, which is probably a fairly unchanged outlook. Are you seeing an obstacle that's still holding you back or that might be something that could offset some of the recent positives, or are you kind of just kind of keeping the bar low? How do we gauge that?

Pam Craig - Accenture - Chief Financial Officer

I think it's fair to say, Rod, at least for me sort of being the conservative one on the phone here, I do still have some caution about pace and that is reflected in there and — because you're right; the February bookings, when you took into account — sorry, revenue — when you took into account foreign exchange, it was near the top end of the range, and I think our people still have a little caution in there. There is still uncertainty out there. It is moderating I would say, but it's still out there. So I think that is in the mix, but we looked at this six ways to Sunday and we really tried to just call it as we see it in terms of where we believe we'll come out this year.



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Rod Bourgeois - Sanford Bernstein

Are the deal sizes and the pipelines starting to get larger, and at the same time are you seeing some of the short-term or the smaller deals lead into a healthy flow of follow-on work as an encouraging sign of some of the momentum that might be building?

Bill Green - Accenture - Chairman & CEO

Yes. I think that's true. As we mentioned, people were taking more bite-sized pieces, and once they do that and are successfully delivered, they expand that. So some of it comes from that. I think the deal size is modestly larger, but what it isn't are those big deals or those big transformational things that we might have known from a few years back. But frankly this is better business, it's nearer-term business and it's stuff you can get started on and get delivered and then expand as you go.

Pam Craig - Accenture - Chief Financial Officer

One of the things we did see this quarter, Rod, is that transformation as a concept is not gone, and we do see that it is being arranged in smaller chunks, and we did see sort of an uptick in transformational components of the strategy work that returned in management consulting, and those management consulting, technology consulting, that higher-value consulting area, the average contract sizes were up a bit this quarter. Outsourcing more steady.

Rod Bourgeois - Sanford Bernstein

That's good to hear. And then in the outsourcing pipeline and the win rate, it sounds like the pipeline is building. Can you gauge the pace of the build in the outsourcing pipeline. And then, has the win rate improved, Bill, to your liking on the outsourcing front?

Bill Green - Accenture - Chairman & CEO

It will never be at my liking. I won't let [Mike] Salvino off the hook. What's important in the outsourcing pipeline is the economics of the deals. There's billions of dollars of profitless deals out there; I mean billions. And there's billions of dollars of single-digit economic deals, and so the key thing is the ones you get. We're just delighted with the profitability and the execution capability of our outsourcing stuff and we've been trying to make sure we average up our portfolio and not just fill it up. So I think that's a distinction that we make that we're grateful that we have a chance to make some of those choices.

Pam Craig - Accenture - Chief Financial Officer

One notable thing about the outsourcing pipeline is the infrastructure outsourcing — which is part of technology outsourcing, of course — that part of our pipeline is up the most. It's up quite significantly.

Rod Bourgeois - Sanford Bernstein

And are volumes on the outsourcing deals starting to turn and become a little more positive? You saw downward scoping last year. Are the volumes on existing deals starting to get better?

Bill Green - Accenture - Chairman & CEO

I guess I would -- it's marginal, really. There's still a lot of small beachhead, foot-in-the-water-up-to-the-knee kind of deals as opposed to sort of the big, take all. There's also deals where people are splitting the work between two suppliers, and so all those things have some impact on the dynamics of the size.

Rod Bourgeois - Sanford Bernstein

Thank you.



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Bill Green - Accenture - Chairman & CEO

Thanks.

Pam Craig - Accenture - Chief Financial Officer

Thanks, Rod.

Operator

You have a question from Bryan Keane with Credit Suisse.

Bryan Keane - Credit Suisse

Hi. Good afternoon.

Pam Craig - Accenture - Chief Financial Officer

Hi, Bryan.

Bryan Keane - Credit Suisse

I guess just backing into the constant currency revenue guidance for 3Q '10. I'm getting positive 2% to 6% constant currency. Is my math correct? And then a little help on if outsourcing or consulting will be stronger than the other or about the same?

Pam Craig - Accenture - Chief Financial Officer

Positive 2% to 6% in Q3 as you just calculated, that's right, and the consulting will be -- we believe will be higher than the outsourcing in that mix. So consulting more low to high, positive single digits, and outsourcing more flat to mid positive single digits.

Bryan Keane - Credit Suisse

Okay. And then how about the fourth quarter? Will it be about the same in constant currency if we back into it, or should it be a little stronger than 3Q?

Pam Craig - Accenture - Chief Financial Officer

Stronger.

Bryan Keane - Credit Suisse

Stronger.

Pam Craig - Accenture - Chief Financial Officer

Yes, more like mid-positive single to low double.

Bryan Keane - Credit Suisse

Okay. Great. And then just last question for me. We get the question a lot just about operating margins. I guess instead of asking when will it take, I guess what will be the keys to get back to an environment where we can see the operating leverage going to the bottom line? Thanks a lot.



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Pam Craig - Accenture - Chief Financial Officer

Last year, as you know, we brought 50 basis points in after you took out the restructuring charge and, of course, that's the level that we said we'd maintain this year and I think from where I sit, I just want them to be sustainable, right. I want what we deliver there to be something that we can sustain and deliver and build from over time. And this is a time of renewal and rebuilding of our business. We do need to invest in our business. There is still uncertainty out there in some of these dynamics, and so we just thought this was a responsible level to do for this year. Now in term of next year, we'll update you in September, when we do our guidance for next year. It's obviously always a mix, right? Because we know it's important, but we're just trying to balance everything and really just get to all the levers that we have for operating margin and continue to push on them and see what we can do.

Bryan Keane - Credit Suisse

It's good seeing the momentum change to the positive, so congratulations on that.

Bill Green - Accenture - Chairman & CEO

Thank you.

Pam Craig - Accenture - Chief Financial Officer

Thank you, Bryan.

Operator

We'll go next to Julio Quinteros with Goldman Sachs.

Pam Craig - Accenture - Chief Financial Officer

Julio, hi.

Julio Quinteros - Goldman Sachs

Hi, Pam, hi Bill.

Pam Craig - Accenture - Chief Financial Officer

You going to ask me about the dividend?

Julio Quinteros - Goldman Sachs

No. I'm happy it's there. It's not as high as I wanted to see it, but it's moving in the right direction. A couple of quick things. So you sort of playing through the numbers. I think the plus two to plus six is exactly where we were coming out for the constant currency, and then it sounds like you're pretty clear in terms of where you think. So the trajectory has definitely gone from negative first half to a positive first second half, but it seems like some of the parts are kind of moving in the wrong direction. Asia-Pacific definitely took -- looks like it took a turn for the worse while Europe looks like it improved. But I guess if you were to look at the last two quarters of this year and take into account some of the cautiousness you still want to factor in, are you more worried about Europe or are you more worried about Asia-Pacific at this point?

Bill Green - Accenture - Chairman & CEO

I'm not worried about Asia-Pacific. It's still a little bit of a frontier out there and frankly, two or three deals can really swing the thing one way or another. If you look at the pipelines and the activity, we made some leadership changes this year. We get some great new people in place, and so



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I'm not worried about that at all. Just on the geographies, what matters a lot is North America, and I'm delighted with some of the momentum we're seeing in North America.

The other thing we have to do is we got to get people in the door, right? If you look at our utilization, you look at the demand, one of the things we're very focused on is making sure we have a great opportunity in this market to get some real talent, and we have to get them in the door and get them underway. That's a big part of this, and so we've dialed up the recruiting machine a lot and our training engines and things like that, but we have to just make sure we get them through and deployed and that's an important element.

In Europe I think there's a mixed bag. If you just go through the countries. We're not worried about it, but we're cautious because they're cautious and there's a lot of uncertainty over there and frankly, when I look at Europe, it's more on a client-by-client consideration than it is on a country-by-country consideration, and that's kind of how we're managing the business over there.

Pam Craig - Accenture - Chief Financial Officer

Just one other comment on Asia-Pac, Julio. It lagged sort of going into the decline. It was maybe the country's you'd expect, Japan, Australia, but we do expect that they will pop up faster, and there is good growth in the more emerging kind of countries in Asia-Pacific.

Julio Quinteros - Goldman Sachs

Okay. And then just lastly, because there's been a lot of controversy around this target of negative three to plus one. What would have to go wrong from here in order for you to come in below the negative three? Is it a geographic thing, or is there an operating group of sorts that could actually result in you missing the negative three to plus one guidance at this point?

Bill Green - Accenture - Chairman & CEO

They don't let me answer that question. So, Pam, I'll let you answer.

Pam Craig - Accenture - Chief Financial Officer

Okay. Well, needless to say, Julio, it's always a little easier halfway through than when you start, just in terms of visibility, and the visibility has improved a little, and just certainly in terms of near-term visibility it's better than it's been. So we are more confident about it and again, the pipeline's up, the bookings are up. So the pieces that we look at to project that are indicating that we ought to be — and we are — confident about the range.

Bill Green - Accenture - Chairman & CEO

Julio, I think we're just trying to be thoughtful, right? We get surprised a year ago. We don't want to be back to that. As Pam mentioned in her comments, there's still a lot of uncertainty out there around the world. But if you just sort of triangulate the hiring and the pipelines and all that stuff, we believe we're on the right trajectory. We just happen to live in a world where it seems like anything can happen, so we're just trying to be thoughtful about it.

Julio Quinteros - Goldman Sachs

I'm ready to go hog wild with the numbers, but we're not there yet with your hog heaven comment. All right. Thanks.

Pam Craig - Accenture - Chief Financial Officer

Thanks, Julio.

Operator

We have a question from Jason Kupferberg with UBS.



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Jason Kupferberg - UBS

Hi, thanks. Good afternoon.

Pam Craig - Accenture - Chief Financial Officer

Hi, Jason.

Jason Kupferberg - UBS

I had a question on utilization to start and 88% obviously running pretty high, was kind of surprising you guys were able to keep it flat quarter over quarter despite the fewer workdays over the holiday season. So can you talk about some of the drivers there, because I think in the past you suggested those levels really aren't sustainable, but has anything changed in your thinking there?

Bill Green - Accenture - Chairman & CEO

No. It's too hot in my opinion. The people we've brought in, and we have brought in over 20,000 people so far this year, we've put them to work, and the utilization continues there. As Pam mentioned, our plan is 50,000 across the year. We expect we'll get all them busy and hopefully that will give us some room on the bench, if you will, to have a little -- a few points off of that mark just as we do more training and investments and things like that in our talent. But it's just something we're balancing, but the business continues to charge away, and we're bringing in people as fast as we can in order to make sure we're getting the highest-quality talent, and so far we haven't caught up with the utilization yet.

Jason Kupferberg - UBS

Just a follow-up on that, if utilization rate was perhaps a little bit of an upside surprise in the quarter, were there any margin factors that went against you more than you had anticipated, because the margins overall, at least relative to what we were expecting, were a little bit lighter?

Pam Craig - Accenture - Chief Financial Officer

Well, I mentioned that one delivery inefficiency we had, so that was one thing that went against the margin. And the 88%, we knew it was going to take a little bit of time for that to come down. It doesn't just instantly come down. So we were actually expecting it at that level.

Jason Kupferberg - UBS

Okay. And then have you taken a look at, just coming back to the attrition question, the reasons that people are leaving? Obviously the economy is somewhat better than it was a year ago, but the attrition's up from 9[%] to 15[%], maybe a little more than people would have expected. Is there anything concerning as you analyze the reasons why people are leaving, whether it's competitors or the clients or they're going back to graduate school, any changes that are discernible or noteworthy there?

Bill Green - Accenture - Chairman & CEO

Well, we live -- nine is a fluke. We always used to say we wanted it in the 12% to 15% range if you look back over the last six or seven years. That was kind of the range. We're a little surprised it's a few points up in that range. But it is a market where talent is at a premium. There's just no question. And frankly the Accenture pedigree, our clients fall in love with some of our folks, and people want a different lifestyle and all that. So it's something that we're used to dealing with. We have incredible insights on all this, and I think we probably had a time last year where people didn't move that might have moved, and so I think there's probably a little catch up going on in there.

Pam Craig - Accenture - Chief Financial Officer

Yes. That's what I was just going to mention, is that it's not unusual when things turn up to have it pop a little.



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Jason Kupferberg - UBS

Okay. And if I can just sneak in one last one. I think last year in the IT services industry one of the key themes was vendor consolidation, and you seemed to benefit to some extent from that as well as maybe a couple of other competitors. But are you seeing that trend continue at a similar pace so far in 2010, or do you think that most of that flurry of vendor consolidation is kind of behind us now that the economy has stabilized somewhat?

Bill Green - Accenture - Chairman & CEO

Well, I think we still see it, but it's not as -- it became very compact in terms of timeframe last year, and now it's sort of back to where it always was. And so it's just -- there is still a lot of that going on, but it's not sort of the feverish level almost that it was last year.

Jason Kupferberg - UBS

Okay. Thanks.

Pam Craig - Accenture - Chief Financial Officer

Thank you, Jason.

Operator

We'll go next to Joseph Foresi with Janney Montgomery Scott.

Joseph Foresi - Janney Montgomery Scott

Hello. Just wanted to ask, where specifically have you seen the uptick in consulting, and maybe you could talk about what has changed maybe in the last couple weeks?

Bill Green - Accenture - Chairman & CEO

Well, actually the weeks is a fair question. When we close the quarter for just doing the state of the business call, as we do every two weeks, which we did on Monday morning. We just feel great about the consulting business, because what's happened is we've moved from an environment where we were doing a lot of work focused on operational improvements and cost efficiencies, and now people are starting to raise their sights and look at growth, revenue enhancement, customer service, sort of next-generation marketing — a lot of things to work on the revenue line as opposed to working on the costs. And so some of that's even new supply chain things, front-end CRM, look sees and strategies, different ways to market, channel strategies, and so what's come back is sort of people have raised their sights and said growth is going to come back. We have opportunities in the market. The market is coming back and it doesn't look exactly like the one that we left, and we need to refresh and renew how we do some things, and so it's very straightforward stuff around supply chain and customer service and things like that. And then, of course, we continue to benefit from the merger-integration things that we do in a lot of places, and the technology consulting business is doing gangbusters as people try to sort out where they are infrastructure-wise, where they are as it relates to ultimately moving to the cloud, and where they are as it relates to security, and so that element of consulting on the technology side is a big thing as well.

Joseph Foresi - Janney Montgomery Scott

Have you completed sort of the budgeting process with most of your clients at this point for 2010?

Pam Craig - Accenture - Chief Financial Officer

Probably.



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Bill Green - Accenture - Chairman & CEO

Yes. I guess I'd say everybody went into the year with a plan, and I think the clients, by and large, were cautious about their spend profile, as they saw how their own business came to be. And I don't know if the healthcare thing will send any of them back in the United States, but there's still some uncertainty out there. But I think by and large people have selected the things they're going to make investments in and have started, or are just beginning to start making the investments in those, and I think some of what you see in our consulting business is exactly the result of that.

Joseph Foresi - Janney Montgomery Scott

And just one last question. I think maybe you could just talk about what you're seeing this year as you go to that process versus what you saw last year. I think a lot of what we're hearing is that maybe the budgets are a little bit more fixed and that might lead to some upside in spending going forward, and maybe you could just talk about sort of the comparison in the two years.

Bill Green - Accenture - Chairman & CEO

Well, I guess the only way I'd compare it is this. Last year if you hadn't already started spending it, you weren't going to start spending it. And what we have now I think is a budget that people are operating to, but also companies aren't afraid to initiate things that aren't in the budget. And very often some of the strategic programs and some of the front-end consulting work, which will ultimately involve IT expense and other expenses, aren't in the budget where people are initiating those projects, and last year none of those things got initiated. If it wasn't in the budget and you hadn't started spending money on it, for the most part people didn't initiate anything. And so we've seen a lot of initiation in the last quarter, and if you just look at the nature of the pipeline and the conversations around the world right now, it's a lot of things around initiation of new initiatives.

Pam Craig - Accenture - Chief Financial Officer

That's currently happening in the higher-value consulting really across the whole commercial client base around the world and also interestingly in system integration. There's very good demand for custom, as I mentioned, ERP and SAP as well. So even though the SI projects maybe are a little smaller now, there's a lot of them, and we're responding to that.

Joseph Foresi - Janney Montgomery Scott

Okay. Thank you.

Operator

We'll to Tien-Tsin Huang with JPMorgan.

Pam Craig - Accenture - Chief Financial Officer

Hi, Tien-Tsin.

Tien-Tsin Huang - JPMorgan

Hi, Pam. Thanks. Just a few quick follow ups. Just on the SG&A. It's at 20% now. Do you expect to stay at this rate for a little bit and when can we get back to the old 18% level that we've seen?

Pam Craig - Accenture - Chief Financial Officer

Yes. I was glad to see the G&A coming down because, of course, that's the one you most want to continue to try to manage down. I think in the sales and marketing side we've put some emphasis on selling and spending money there, investing money there, and at least at this point we're going to keep doing that.



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Tien-Tsin Huang - JPMorgan

Okay. That's consistent with what we have. The other question I had was just, EPS was pretty much in line with what we have, although the penny difference was really in the Other expense line, about \$14 million below the line. What's driving the volatility there? Is it the hedge, Pam?

Pam Craig - Accenture - Chief Financial Officer

Yes. It's foreign exchange, clearly. Basically last year we had foreign-exchange gains. This year we had foreign-exchange losses, and it's driving the swing there this year.

Tien-Tsin Huang - JPMorgan

Any suggestions on what it could look like in the back half of the year, that other --

Pam Craig - Accenture - Chief Financial Officer

That's a good question because foreign exchange is a difficult thing to predict.

Tien-Tsin Huang - JPMorgan

Sure, sure. Given the implied guidance that you've set up around.

Pam Craig - Accenture - Chief Financial Officer

Yes. We decided not to change that really, just in terms of what we had had. We thought about it, because it did swing a little negatively this quarter, but we decided not to.

Tien-Tsin Huang - JPMorgan

Okay. Just two more quick ones. Will you be giving us your fiscal '11 outlook or a hint of that in your third-quarter earnings? I know you've done that in the distant past but not recently.

Pam Craig - Accenture - Chief Financial Officer

At this point no plans to do that Tien-Tsin.

Tien-Tsin Huang - JPMorgan

Okay. Last one sort of more of a high level question for Bill. I get a lot of questions about cloud and virtualization. So what's the latest thinking around that and implications for Accenture. Sorry, I'm sick, if you can hear me.

Bill Green - Accenture - Chairman & CEO

No, I can. I've got the same disease. No. We feel great about -- you go through the hype phases on a lot of this stuff, but this cloud stuff is real. The seriousness of which the providers are looking at it, the seriousness of which the clients are looking at it, the virtualization as a science, if you will, let alone the technology, and the total cost of ownership profiles are real, and I think you see some leading companies — obviously the VMware-EMC connection, you see what Microsoft is doing — we have lots of engagements underway, but as I always say, it's not like you put your stuff in the pickup and drive it to the cloud. This is complex stuff. There's a lot of work to do to get it repositioned in that environment, but we've got dozens and dozens of early-stage things going on, and I think that as the technology get better and as the cost profiles get understood and as a few pioneers get out there, this thing is going to be a bona fide technology wave, and we're excited about how we're positioned really with all the providers as it relates to that.



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Tien-Tsin Huang - JPMorgan

Okay. So it sounds like its additive. Will you talk more about it at the Analyst day?

Bill Green - Accenture - Chairman & CEO

Yes. Actually we are. Kevin [Campbell] will be in, Don Rippert, our Chief Technology Officer, those guys have been immersed in it and they'll be there analyst day to give you some color on that.

Tien-Tsin Huang - JPMorgan

Very good. Thanks. See you then.

Pam Craig - Accenture - Chief Financial Officer

Great. Thank you, Tien-Tsin.

Operator

We have Tim Fox with Deutsche Bank.

Tim Fox - Deutsche Bank

Hi. Thank you. Just one quick question. You mentioned, Pam, the Health & Public Service line was seeing some uncertainty. Could you give a little bit more color around that commentary, and it's been a strong sector for you over the past 18 months or so. What's driving some of the uncertainty you're seeing in that line?

Pam Craig - Accenture - Chief Financial Officer

Well, buying patterns have changed, due to growing uncertainty and challenges in the public sector around the world, and so we do expect that to continue sort of as we work through it. Now there is continued demand for health and human services type work, and also in our Health segment, it's different; we're expecting sequential growth to start. But in the public sector there's definitely just been a change, given all that's happening with these kinds of organizations around the world.

Bill Green - Accenture - Chairman & CEO

Yes. I think it's no secret that the public finances everywhere you look. One day after the next there's challenges at the state and local level. There's challenges in the reimbursement of federal of the state and local things. Obviously looking through Europe you see some huge challenges in public finances over there. And so I think we think the environment's going to be a tad cautious as people are trying to decide do they have the funding for some of the bigger initiatives, not the garden-variety stuff, but the bigger and more important things.

On the other side, the Health business, the activity levels picked up, the pipelines have picked up, and the question there everyone asks — and I might as well answer it just in case — is what is the impact of the recent legislation, and regardless of what you think of the legislation, the impact on the health insurance exchanges, helping attract members into the individual markets, working to improve the Medicare advantage, business improvement stuff that will need to be done in there, and just frankly, the insurer cost improvement work I think is going to be significant. And those companies have already turned their sights to living in what for them I guess is their new normal.

Tim Fox - Deutsche Bank

Thank you. That's I all have.



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Richard Clark - Accenture - Managing Director, Investor Relations

Operator, we have time for one more question.

Operator

Thank you. That will come from Reik Read with Robert Baird & Company.

Reik Read - Robert Baird & Company

Thank you. Good afternoon. Just to follow up on the health side; the profitability there was low, I think that probably has to do, Pam, with the inefficiency of the delivery you were talking about. Is that something that you get fixed in short order, or do some of these weaknesses cause that to persist?

Pam Craig - Accenture - Chief Financial Officer

Yes. The type of contract that is, it's a consulting contract. So it's a matter of going in, re-estimating, which we've done, and then you take the full brunt of it in the quarter.

Reik Read - Robert Baird & Company

Okay. So that should rebound in the next couple of quarters?

Bill Green - Accenture - Chairman & CEO

Yes. That should rebound from that and then what we're just -- we were just trying to be cautious on is given the state of public finances -- it's not the sales cycles; it's the contracting process -- of getting people to say yes and no that they have the funding for some of the big things that are out there -- has been a little challenged in the last three to four months for obvious reasons. We read it in the paper every day.

Reik Read - Robert Baird & Company

Okay, great, thanks. And then just one other question. On the tech consulting side, you guys have talked about these record bookings and you talked about virtualization, consolidation, things like that, driving that. Is that -- is the growth that you're seeing there a function of those specific areas growing further, or are you starting to add more with what you were talking about before, Bill, the architecture strategic stuff like cloud?

Bill Green - Accenture - Chairman & CEO

In that area, in technology consulting, it's more companies initiating projects to evaluate their technology infrastructure and do consolidation and experiment with virtualization in some area of it, right? So that's just sort of core consulting things, people trying to get a more efficient, better value for money, IT environment. Those early-stage things, which is more rationalization, will lead to hopefully a series of cloud services that last three to five years as you move someone's application to a private cloud for the most part is a lot of what we're looking at. And creating -- companies creating their own private cloud is just a big deal right now.

Reik Read - Robert Baird & Company

But I guess I hear what you're saying is that more companies are still focused on that area to drive costs out and a little bit is more on the strategic side.

Bill Green - Accenture - Chairman & CEO

I think it's like people getting their minds around this, right? So they're getting started and they're starting by evaluating what they have, and they're looking at the near-term improvements, right, the short-term, quick-hit things. Virtualization is something that many companies could be



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taking more advantage of than they are, and so we're helping a lot of them with that. From that work, we'll lead people to a strategy that says, what does my go-forward platform environment look like, and then that comes with having the haul all the applications with you, which is a bigger bite and obviously something that you have to go to the big table to get money.

Reik Read - Robert Baird & Company

Great. Thank you. Have a great day.

Bill Green - Accenture - Chairman & CEO

Okay, thanks. Let me just say a couple of things in closing, if I might. I am incredibly pleased with our performance in the second quarter. Just as important, I'm excited about the signs of positive momentum we're seeing in the market and in our business.

I do want to thank the more than 181,000 men and women of Accenture whose hard work and dedication is what enables us to deliver value, both to our clients and our shareholders alike.

I appreciate all of you joining the call. We appreciate your continued support and very much look forward to talking with many of you in person at our Investor & Analyst conference and, of course, we'll speak again in June with our Q3 earnings call. All the best, thank you.

Pam Craig - Accenture - Chief Financial Officer

Thank you.

Operator

Thank you and ladies and gentlemen this conference will be available for replay after 7 p.m. today through midnight Thursday, June 24th. You may access the AT&T executive playback center at any time by dialing 1-800-475-6701 and entering the access code 148470. International callers dial 320-365-3844 using the same access code 148470. 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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