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Conference Call Transcript

ACN - Q2 2009 Accenture Earnings Conference Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to Accenture's second-quarter fiscal 2009 earnings conference call. At this time, all participants are in a listen-only mode. You will have an opportunity to ask questions after the presentation. (Operator Instructions). As a reminder, this call is being recorded. I would now like to turn the conference over to our host, the Managing Director of Investor Relations, Mr. Richard Clark. Please go ahead.

Richard Clark – Accenture - Managing Director, Investor Relations

Thank you, operator, and thanks, everyone, for joining us today on our second-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 have 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 third quarter and full fiscal year 2009. Bill will close the presentation before we take questions.

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As a reminder, when we discuss revenues during today's call, we are talking about revenues before reimbursements, or net revenues. Some of the matters we will 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 disclosed 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 website, 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. Let me start by stating the obvious. I think you would all agree that the economic environment around the world has become even more complex and uncertain over the past few months. We are going to discuss our results today in that context. We want to share with you what we are seeing, how we are acting... and reacting... in the face of it.

With that backdrop, Accenture's second quarter was a solid one. We grew revenues in local currency, expanded operating margin, and gained market share. Given the global economic environment, its impact on business in general, and its devastating impact on some of our clients, we performed well. We have done this by getting and staying closer than ever to our clients — helping them adapt to very challenging circumstances — and by quickly aligning Accenture to the new business realities. We remain confident in our business. Our intense focus and discipline in managing Accenture enabled us to execute well and to deliver solid profitability and strong cash flow. While our revenue growth has slowed, we gained profitable market share, which we believe is a true indicator of our success.

Here are a few highlights from the quarter. Revenues were \$5.3 billion, an increase of 3% in local currency. This was slightly below our guided range, but we believe very respectable given the dramatic changes in the market and challenges for business that began in January. We grew operating income 6% and expanded operating margin by 150 basis points, reflecting the close management of our operations and a keen focus on costs. We delivered solid earnings per share of \$0.63. We delivered new bookings of nearly \$6 billion, also a good result. And finally, we maintained our extremely strong financial position. We continue to generate significant amounts of cash, and we have a very strong balance sheet with no debt.

We have moved quickly, as we told you we would, with targeted actions to adjust to and get ahead of the rapidly changing market and the changing needs of our buyers. At the same time, we continue to invest in our business to reinforce our strong competitive position. In this environment, we have benefited from our flexible and diverse business model. We have been able to quickly respond to client needs for immediate cost savings through operational improvements and for swift and efficient functional restructuring across the industries we serve. We are also seeing many new opportunities in the marketplace to grow our business with both new and existing clients. We are pursuing those opportunities vigorously.

Change is a challenge for any organization. While we don't know when the economic climate will improve, we are confident that we are doing the right things to weather the storm and to position ourselves for accelerated profitable growth as conditions do improve. With that, let me turn the call over to Pam, who will provide some more detail on the numbers.

Pamela Craig – Accenture - Chief Financial Officer

Thank you, Bill, and thanks to all of you for listening today. We had overall solid results in the second quarter of fiscal 2009. Despite the challenging macro environment, we continue to manage the business we have and to drive growth where we can. We demonstrated our commitment to drive strong margin, cash flow and earnings across the enterprise.

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 GAAP, except the items that are not part of the financial statements or that are calculations.

Net revenues for the second quarter were \$5.27 billion, a decrease of 6% in US dollars and an increase of 3% in local currency over the same period last year. Q2 revenues were below our guided range of \$5.45 billion to \$5.65 billion. These revenues also reflect a foreign exchange impact of negative 9%.

Consulting revenues were \$3.03 billion, a decrease of 10% in US dollars and 1% in local currency. Outsourcing revenues were \$2.24 billion, a decrease of 1% in US dollars and an increase of 9% in local currency. While our outsourcing revenues were in line with our expectations, we did see an overall 1% local currency decline in consulting revenues for the quarter. We saw the softening in consulting starting in January, primarily

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driven by systems integration work in three of our operating groups. There has been a noticeable change in the demand environment as clients grapple with how a macro environment full of continuing economic challenges impacts their priorities. Steve will provide more detail on revenues shortly.

Moving down the income statement...

Gross margin was 30.8%, compared with 29.5% for the same period last year, reflecting a 130-basis-point improvement. We drove continued gross margin expansion this quarter with improvements in contract profitability that were very strong in outsourcing and reflected good execution in consulting as well.

SG&A costs for the second quarter were \$958 million, or 18.2% of revenues, compared with \$1 billion, or 18% of revenues, for the second quarter last year. Sales and marketing costs increased 30 basis points, which were offset by a decrease in general and administrative costs of 10 basis points compared to Q2 last year. And, also included in operating income, we received a net benefit of \$13 million resulting from a reduction in our reorganization liabilities which were established at the time of our incorporation. The impact of this line item compared to last year's second quarter was a 40-basis-point lift.

Operating income for the quarter increased 6%, to \$677 million, reflecting a 12.9% operating margin. This compares with \$638 million, or 11.4% operating margin, in the second quarter last year. The year-over-year expansion in operating margin was 150 basis points. We continue to be focused — and our people really deserve the credit for this — on executing our work well and managing our costs in this highly uncertain time.

Our second-quarter effective tax rate was 28.1%, compared to 17.8% for the same period last year. The second quarter in fiscal 2008 included some final determinations and the effect of R&D credits outside the US, which reduced the rate in that quarter. This quarter's rate of 28.1%, which also included some final determinations, was slightly below our guided annual range of 29% to 31%.

Income before minority interest for the quarter was \$502 million, compared with \$534 million for the second quarter last year, a decrease of 6% in US dollars. Diluted earnings per share were \$0.63, a decrease of \$0.01, or 1%, from diluted EPS of \$0.64 in the second quarter last year. Here is how that breaks down. We delivered an increase of \$0.12, or 19% growth, from strong operating performance, including \$0.09 from revenue and operating income growth in local currency, and \$0.03 from a lower share count. Additionally, we had a benefit of \$0.01 from a release of reorganization liabilities and \$0.01 from lower non-operating items. All of this totals to \$0.14.

This was offset by \$0.09 from a higher effective income tax rate this quarter, which I previously mentioned, and \$0.06 from the unfavorable FX impact in our Q2 operating results compared to last year. The tax rate change and the impact of foreign exchange created a \$0.15 drag on EPS, for a net decrease of \$0.01. I am pleased with our strong earnings performance given last year's unusually low tax rate and the significant FX headwinds this year.

Now, let's turn to some key parts of our cash flow and balance sheet.

Free cash flow for the quarter was \$578 million, resulting from cash from operating activity of \$631 million, net of property and equipment additions of \$53 million.

Turning to DSOs, our days services outstanding were 33 days, down from 36 days in the first quarter and 37 days at the end of last fiscal year. We continue to manage DSOs at a level that is exceptional and industry-leading, especially in this environment.

Our total cash balance at February 28th was \$2.98 billion, compared with \$3.60 billion at August 31st. This reflects a \$383 million reduction due to foreign exchange translation on the cash balances we hold around the world.

Our balance sheet metrics remain strong. For the second quarter, our return on invested capital was 79%, our return on equity was 80%, 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. During the quarter, we repurchased or redeemed 11 million shares for \$357 million, primarily from founders. The average price of shares repurchased or redeemed in the quarter was \$32.45 a share. At February 28th, we had \$1.5 billion of share repurchase authority remaining.

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 77%, which excludes all outstanding founder shares.

Overall, we delivered strong profitability and cash flow, while navigating through uncertain and challenging times. Now, Steve will give you some more detail on our operations.

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Steve Rohleder - Accenture – Chief Operating Officer

Thanks, Pam. Hello everyone, and thank you for joining us today. Our second-quarter results demonstrate that we are proactively managing our business. Let me start with a few observations about the current environment and its impact on our revenues. Clearly, the global marketplace has shifted dramatically over the past few months. Beginning in January, we saw heightened marketplace uncertainty, which led to a systemic pause in certain segments of the market. This resulted in three factors affecting our consulting business. First, clients have started deferring decisions about new work, which has resulted in a slowdown in converting our pipeline to revenue in the quarter. Second, the small extensions and additions that normally come through each quarter did not come through at the rate we have seen historically. In fact, some clients are still operating without approved annual budgets. And third, in some cases, clients have asked us to work with them on reducing the run rate on existing consulting projects.

In this environment, companies are rethinking their priorities, looking at projects that will provide an immediate return on investment, deferring large, new, transformational IT projects, and turning to outsourcing to lower their cost structures. These shifting priorities are affecting each of our growth platforms in different ways. So, before I discuss the results of our operating groups, I'm going to provide some context about the effects on our growth platforms.

In Management Consulting, clients are focused on sustained cost reduction and operational improvement. We are seeing an increase in CEO-sponsored efforts in areas such as customer retention, supply chain optimization, and M&A integration. We continue to invest in this part of our business, especially in solutions designed to help clients tackle these imperatives.

In Systems Integration & Technology, we are experiencing changes in demand patterns, especially in Systems Integration, where we are seeing a reduction in large-scale, custom projects. There is continuing demand for SAP and Oracle-based services, and we have a number of targeted investments, including new alliances and industry solutions.

Of course, our Global Delivery Network continues to be a competitive differentiator. We have more than 50 delivery centers across five continents and ended the quarter with 80,000 people in our network.

Technology Consulting continues to grow, with increased demand for services related to IT infrastructure cost reduction, compliance, data security, and data privacy.

In Outsourcing, demand for application outsourcing remains strong as clients are seeking opportunities for near-term cost reductions. We are also seeing demand in BPO, particularly in Finance & Accounting and Procurement. This demand, coupled with the increased activity we are seeing in the pipeline, clearly supports our view that there is an acceleration in outsourcing opportunities. Our focus is on accelerating the conversion of the opportunities in our pipeline to bookings and revenue.

Now that I have provided some context for the overall market and its effect on our growth platforms, let me take you through some of the highlights for the operating groups.

In Communications & High Tech, revenues declined 3% in local currency, largely reflecting a decrease in Communications industry work in the Americas and EMEA. We saw strong growth in Asia Pacific across all industry groups in both consulting and outsourcing.

In Financial Services, revenues dropped 5% in local currency, primarily due to a decline in banking in EMEA. Given the challenges our Financial Services clients are facing, we saw some impact in the quarter due to industry consolidation, and some clients are delaying decisions about starting new work, especially in consulting.

Revenues in our Products operating group increased 5% in local currency. On an industry level, we saw relative strength in Consumer Goods & Services and in our Pharmaceutical practice, while Retail and Automotive faced challenges related to the economy's impact on clients in those sectors.

Public Service grew revenues 12% in local currency, driven by our business in North America. Clients in state and local governments in the US are seeking help with cost containment through shared services, IT consolidation, and process improvement.

Resources achieved 14% local-currency growth, with strong growth in Natural Resources across all geographic regions, and in Utilities in EMEA. Clients in Chemicals, Natural Resources and Energy are under pressure to cut costs and minimize debt, which is creating demand for outsourcing.

Looking at the quarter from a geographic perspective...

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In the Americas, revenues declined 1% in US dollars but grew 4% in local currency. Local-currency growth in Brazil and the United States was partially offset by a decline in Canada.

In EMEA, revenues decreased 13% in US dollars and grew 1% in local currency. We saw strong local currency growth in Germany, the Netherlands and Denmark and declines in Spain, Ireland, France and Switzerland.

In Asia Pacific, revenues grew 10% in US dollars and 13% in local currency, reflecting continued expansion in Japan, Singapore and Australia.

Finally, let me turn to a few operational items. Bookings for the quarter were \$5.98 billion. This included consulting bookings of \$3.14 billion and outsourcing bookings of \$2.84 billion. Seven of our top 10 outsourcing bookings in the quarter were with existing clients, demonstrating the importance and strength of our deep client relationships.

In terms of demand, our pipeline in consulting is holding steady, despite the three factors affecting our consulting business I mentioned at the outset. In outsourcing, market activity is as high as we've seen the last six quarters, and our pipeline has expanded.

Turning to people management, managing supply and demand of our resources continues to be a top priority. As I have said many times, we have our hands on the operating levers of our business — including utilization, attrition and recruiting — giving us the flexibility to adjust quickly to changing conditions. We kept our utilization at 83% in Q2, and attrition dropped to 9%. We ended the quarter with global headcount of 181,000 people, and we continue to ensure that we have the right number of people and the right mix of skills in each of our markets.

In closing, we were challenged at the top line but had strong bottom-line results in a very difficult economic environment. We have an ongoing scenario-planning process, and we continue to refine our scenarios and aggressively manage our business to be responsive to the market and to our clients needs. We remain focused on maximizing operational excellence and balancing profitable growth with investments for the future.

With that, let me turn the call 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. Despite the very dynamic macro environment, we will continue to do so.

For the third quarter, we expect revenues to be in the range of \$5.1 billion to \$5.3 billion, which assumes a foreign currency drag of approximately 12%. As you all are well aware, currency movements continue to be quite volatile. This range reflects the March assumed rate of approximately negative 14% and our latest assumption for currency movement for the quarter, given that the US dollar is currently weakening.

Now, turning to the full fiscal year. Before I get into it, let me first state again how we are thinking about the impact of foreign exchange on our fiscal-year results. When I spoke last quarter about the impact FX would have on our fiscal 2009 outlook, we assumed a negative 8% to negative 10% headwind for the year, based on exchange rates experienced during the month of December. At this time, we have reset our annual outlook given the actual first-half results and our new assumption based on exchange rates experienced during the month of March so far. So, we therefore now assume the FX impact for the remaining two quarters of FY'09 to be negative 12%. This would result in a negative 9% drag for the full fiscal year, which has been factored into our annual outlook for bookings, earnings per share and cash flow.

Let me turn first to revenue. Although we have 6% local currency revenue growth year-to-date, and our bookings have come through reasonably well, the widespread global economic downturn is creating a general caution right now that is impacting our revenue growth. Based on what we see now, we are updating our fiscal year 2009 revenue growth outlook to zero to positive 4% in local currency.

Let me next cover our operating margin. We continue to expect operating margin this fiscal year to be in a range of 13.4% to 13.7%.

Taking into account the updated revenue growth outlook, we now expect:

- new bookings to be in the range of \$23 billion to \$25 billion;
- EPS to be in a range of \$2.60 to \$2.67; and
- operating cash flow to be in the range of \$2.57 billion to \$2.77 billion; property and equipment additions to be \$315 million; and free cash flow to be in the range of \$2.25 billion to \$2.45 billion.

Finally, we continue to expect our annual effective tax rate to be in the range of 29% to 31%.

Our second-quarter and year-to-date results reflect those of a well-managed business in an environment that continues to be constantly changing. Our clients are dealing with challenges they have never seen before, and we continue to be well positioned to help them successfully take on

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some of those challenges. Although the market conditions have impacted our projections for revenue growth, we are a global, durable business that generates strong earnings and cash flow. 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. Our second-quarter results reflect our focus on operating discipline and rigorous execution. Despite very tough economic conditions worldwide, we grew revenues in local currency, increased operating income, and achieved a significant expansion in operating margin. We delivered solid EPS of \$0.63. We generated strong cash flow, and our balance sheet remains rock solid. We continue to win new clients, expand relationships with existing clients, and gain market share. We remain committed to investing in our business and taking steps to put more distance between ourselves and our competitors. And we believe we are successfully navigating the economic downturn, and that this will position us well as conditions improve. Let's go ahead and open it up for your questions.

Richard Clark – Accenture - Managing Director, Investor Relations

Thanks, Bill. Now we will go to your questions. Operator, will you provide instructions for those on the call?

QUESTION AND ANSWER

Operator

I will be glad to. (Operator Instructions). One moment for the first question. It is from Tien-Tsin Huang. Please go ahead.

Tien-Tsin Huang – JPMorgan - Analyst

Hi. Can you hear me?

Pamela Craig – Accenture - Chief Financial Officer

Yes, Tien-Tsin. Hello.

Tien-Tsin Huang – JPMorgan - Analyst

I have a bunch of questions, but I guess I'll start with the impact that pricing might be having on revenues and bookings as well. Didn't hear a lot about pricing. It sounds like conversion of the pipeline and bookings is having some influence on organic growth, but just curious if pricing is also having any impact as well?

Steve Rohleder – Accenture - Chief Operating Officer

Tien-Tsin, this is Steve. I would answer your question by going around the world here because it's different in different parts of our business obviously. In Asia Pacific, we are holding our own from a pricing standpoint. We are hitting the targets that we have set at the beginning of the fiscal year. It is more challenging in North America, specifically in some of the commodity parts of the service stack, in SI. And EMEA, it is very competitive right now. And, I think there we're probably undergoing more pricing pressure than any other part of our business.

Tien-Tsin Huang – JPMorgan - Analyst

Any way to quantify some of the impact, at a high level?

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Steve Rohleder – Accenture - Chief Operating Officer

Quantify in terms of what?

Tien-Tsin Huang – JPMorgan - Analyst

In terms of just revenue impact, which is percentage change from what you had been seeing?

Steve Rohleder – Accenture - Chief Operating Officer

No, not from a revenue standpoint, Tien-Tsin. But from a profitability standpoint, I would tell you that we are actually slightly ahead of the contract controllable income targets we set, which obviously pricing impacts. So slightly ahead through Q2.

Tien-Tsin Huang – JPMorgan - Analyst

I'll just sneak in one more quick one. GDN headcount, sounds like it was down. What is driving that? I guess the overall is down as well?

Steve Rohleder – Accenture - Chief Operating Officer

We have had some personnel actions in parts of the GDN and spread out across most of the nodes of the network. But, it basically mirrors what we're seeing in terms of the demand for offshore services.

Tien-Tsin Huang – JPMorgan - Analyst

Thank you. I will jump back in the queue.

Steve Rohleder – Accenture - Chief Operating Officer

Okay.

Operator

Thank you, our next question is from Jason Kupferberg with UBS. Please go ahead.

Jason Kupferberg – UBS Securities - Analyst

Thanks, and good afternoon. The year is half over now. You guys still have a four-point range here, in your revenue growth outlook for the year. So I wanted to get a sense from a visibility standpoint -- has the decline been more in terms of the pace of contract ramps? Or, is it on the potential for new wins? Or, is this more reflective of project cancellations that you are seeing? Because on a year-to-date basis the bookings, as was pointed out, have held up reasonably well. Maybe if you can parse out where the visibility has declined, resulting in a still fairly wide range with two quarters left? That would be helpful.

Bill Green – Accenture - Chairman & CEO

This is Bill. We talked about this at length the last few days. At the end of the day, our visibility isn't any different than it's been. But, our predictability, right, is not as good as it used to be. I think this thing that Steve mentioned in his remarks, about three things that impacted the operations. The difference between December and January was profound. People came back to work after the holiday in January, and things just slowed down. Because if you'd look at what happened from mid-December through the beginning of January as it relates to the economy, it was very profound, and there was a whole lot going on. As people came back to work, people just took a pause. And the pause, that had been what we described last time was deer in the headlights -- became an institutional thing as everybody sat there uncertain about what direction the economy was going to go in.

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One of the comments Steve made is in some of our clients -- they don't even have their '09 budgets finalized yet. If you think about that, really what we're trying to account for here is that -- the plain uncertainty. The work hasn't gone anywhere. There is a lot of things to do. There are some people that have laundry lists of things they have to get at. People are just very uncertain out there. It was really a January, February, phenomenon, and it is uncertain sitting here right now to know how that is going to thaw and play out. That's really the reason for the range that we put in there, just because the client environment is just so unpredictable on a global and on an industry-by-industry basis, and we don't want to be surprised again.

Jason Kupferberg – UBS Securities - Analyst

So just interpreting that, does that mean that since March -- since March started, the financial markets, obviously, have acted a bit better in recent weeks. Arguably, some macroeconomic data points have been less bad, if you will. Sounds like that hasn't translated into any pick-up in decision-making or spending at all?

Bill Green – Accenture - Chairman & CEO

Frankly, if you sit back from it, every industry is different as people look at the effects and whether they're leaders or laggards and how it works. And all the little signals that we see that may be positive, people haven't taken them to the bank yet. So I think that's the reason that we are cautious, but let me let Pam add in a little bit to your original question.

Pamela Craig – Accenture - Chief Financial Officer

I'll just add, Jason, the contracted revenue that we have, i.e., in our backlog, vis-a-vis our outlook -- that's very comparable to what we had in the past. The pipeline is also good. It's this predictability word really refers to the part that is not yet contracted, and that's the part that's different now based on the historical patterns we had, due to this pause that is still in effect.

Jason Kupferberg – UBS Securities - Analyst

O.k. Just one last question on the balance sheet. Obviously historically, you have been pretty averse to any acquisitions of size. And there is no debt here, and you already do a fair amount of buybacks, and we are obviously in an ultra-low interest rate environment as well. Is it reasonable to believe that the Board might consider a dividend increase this summer that might be more sizable than what we've seen in the past as another avenue to try and enhance shareholder returns here?

Pamela Craig – Accenture - Chief Financial Officer

We'll be talking to the Board as we always do. As you know, we have been granting an annual dividend, and so we will be doing that in the spring and the summer with the Board. And, stay tuned.

Jason Kupferberg – UBS Securities - Analyst

Okay. We will do that, thank you.

Operator

The next question is from Rod Bourgeois with Bernstein. Please go ahead.

Rod Bourgeois – Bernstein - Analyst

Hey, guys. Bill, my main question is, what was the real surprise here? Last quarter, the revenue guidance range was dropped by three points. And, I think the impression that most investors had was that the low end of that range was buffered at some level because of risks related to the macro environment. Clearly, things have gotten worse since the last time you guys gave guidance. But, I think a lot of people were under the impression that that was somewhat accounted for. And so, clearly, there was a surprise. Was it cancellations that were the big surprise? Or was it just delays on starting new things? Can you pinpoint what the main surprise was relative to what you had in your last forecast?

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Bill Green – Accenture - Chairman & CEO

I guess I would break it up this way, and then if I don't fill in all the holes, Steve can fill in some of them. I think if you go back, and I would tell you just to be perfectly blunt about it, I was shocked at the difference between January and December. December was a very good month, frankly. The difference between December and January -- and if you talk to companies across industries, you will find this out by talking to everybody -- was profound. And in our space, one of the things that this whole notion of small extensions and add-ons, they just normally come through, \$300 million, \$400 million, \$500 million a quarter. They just are a natural byproduct of the work that we do. As we crossed over the line into the new year, just those natural things that come every quarter, consistently -- and which are in some ways below the radar; it just happens -- those things just stopped. If you think about the fact that people -- some people haven't finalized their '09 budget, you could understand why those things just stopped.

We did have some impact on cancellations. Our cancellations were really related to industry consolidations in one industry. And that's self-evident. You guys know the industry. You guys know who the clients are, and some of the clients that we had last year don't exist anymore. And so the only cancellations we had were really focused on those, but they weren't an insignificant amount, if you stand back and look at it. I think the other thing that we look at is, people are looking for help. This whole notion of can you help me reduce the run rate on this project so I can stretch and see how my year is going to turn out, became the '09 phenomenon. And all that stuff just happened as people's mental models said we get '08 behind us, and as soon as people got into '09, I think they said we don't see '09 being much better, and in fact it may be worse. And that was the light switch, if you will, that happened in January, and those were the pieces. The other thing is the pipeline had been a little fickle, not in terms of its quality but in terms of speed to decision. As we crossed into '09, everyone decided -- you don't get any points for initiating a new project in the middle of challenging economic times. So there has been slowdown in converting pipeline to revenue, particularly in the consulting type of work, which is the stuff that converts within a month from pipeline to revenue. So those are the things that happened that, frankly, were a surprise to me.

Rod Bourgeois – Bernstein - Analyst

Alright. I guess the question to follow along with that. Your quarter ended in February. A lot of other companies are ending in March. Clearly, January and February had a lot of issues. A lot of your clients were laying people off and so on. Have things started to improve a bit in terms of the decision speed and so on in the month of March, or is it really too early to make a call on that?

Bill Green – Accenture - Chairman & CEO

I think it's a little early. I think what has happened in March is people are getting their minds around how they're going to play the hand for '09. Because there have been personnel actions in most large companies. And so people are recasting their '09 operating plans, their budget and where they think the year is going to come out. They are re-examining the priorities of their initiatives in the work. Some of this demand, some of this drive and activity around outsourcing has come out of -- what are the actions they're going to take to get their economic house in order for '09? So I think what we see in March is really -- okay, like now we have a sense for the hand we're going to need to play. Let's figure out how we are going to operate our business. And we're in there side by side with these folks trying to help them work through that. But that's sort of how we see March. And I think we will see in April and May if the things break loose in a more meaningful way or not.

Rod Bourgeois – Bernstein - Analyst

One final thing, just to end on a note. Switching to cash flow. Given the magnitude of the downward revision to your revenue outlook, it's interesting that your free cash flow outlook is still in that \$2.4 billion range. Why the confidence in the cash flow range when the revenue outlook is changing a lot more? Are you doing something with DSOs, or other working capital items to be able to bolster the free cash flow in this kind of an environment?

Bill Green – Accenture - Chairman & CEO

I will let Pam give you the cash flow stuff. Let me just give you this context. We mentioned last quarter and frankly, we have for six quarters -- that we had done scenario planning around our business as it related to the uncertainty of the economic environment. Certainly, we had quarters there where we hadn't seen any effect at it. But those scenarios have been in place and underway. We've been executing against them. Those scenarios are designed to preserve the economic results of the Company on behalf of the shareholders. And so, what you see in EPS, and what you see in cash flow, is about those things having been undertaken and underway. And so, when we stand back from it, we look at our business, and we say, how are we going to solve for the best economic outcome that delivers the results, the best results we can today, and continues to

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position us for strength as the market improves. And, that's how we get to those results. Under the hood, there are a dozen things that we have been doing to make sure we preserve the best economic results possible. But Pam, I'll let you fill in on the cash flow.

Pamela Craig – Accenture - Chief Financial Officer

Rod, we did actually bring the cash flow outlook down. We had it last quarter at \$2.4 billion to \$2.6 billion. We brought it down to \$2.25 [billion] to \$2.45 billion. It does reflect slightly lower CapEx. And if you apply that 9% currency drag for the year it represents a zero to 8% growth in local currency. So, I think it's pretty in line with revenues with a little upside.

Rod Bourgeois – Bernstein - Analyst

I guess the reason I'm asking that is in this environment where clients are scared to make decisions, they often ask for working capital help to get deals started, and competitors tend to get lured into that. It sounds like you guys are basically saying you are going to hold the line on working capital discipline, and that's not going to be a problem for you over the next few quarters in trying to sign deals?

Pamela Craig – Accenture - Chief Financial Officer

That number reflects a slight -- a little bit of an uptick in our DSOs. It is at 33 now, and so we do have factored in there that it could creep up a bit. To your question, we are continuing a pretty rigorous capital committee process and considering risks very carefully, and we don't expect a big change in that because that would not be good business generally speaking.

Rod Bourgeois – Bernstein - Analyst

Alright. Thanks.

Operator

The next question is from Tim Fox with Deutsche Bank. Please go ahead.

Tim Fox – Deutsche Bank - Analyst

Thank you, good afternoon. First question is for Pam, around the consulting bookings and outsourcing bookings outlook for the year. Are you still expecting your mix to be in the 60-40 area? Or given the slight weakness in consulting and outperformance in outsourcing, are we probably going to see that shift a bit throughout the year?

Pamela Craig – Accenture - Chief Financial Officer

Well, it may shift temporarily, I guess, based on the way things are going right now. But, we don't expect this to be something that would necessarily continue, and the book-to-bills in the quarter were within our expected range about 1 for consulting and 1.3 for outsourcing. There is this phenomenon going on right now. But nonetheless, we don't expect it to be a permanent change.

Tim Fox – Deutsche Bank - Analyst

Okay. And for Steve, you mentioned in the Systems Integration bucket, there were some weaknesses around the large-scale custom work. I was wondering if you could give a little bit more color as to exactly what the nature of that work is. Is it any particular vertical or geographic region? What is going to hopefully thaw that particular side of the business going forward?

Steve Rohleder – Accenture - COO

To answer the last part first, if you had to narrow it down to the largest contributors to that, it would be the US and the UK. It would be Financial Services, CHT and Products. All three hit about equally, frankly, with the dip in SI work. You didn't ask about the ERP stuff, but let me throw that on the pile. When I talked about the three items impacting the Systems Integration or Consulting business, basically this descope or reduction in the run rate has happened on some of our ERP things, too, specifically, in the SAP area. So clients are less prone now to tackle a

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global SAP five-year program. They are breaking it into smaller chunks, and they're looking at what they have got on the table now and seeing how they can either descope a little bit of it temporarily or bring their people in to reduce some of the cost. All of that is in the mix impacting SI.

Tim Fox – Deutsche Bank - Analyst

Okay. Just lastly on the UK and the Financial Services business there. When do you expect, if you can say at this point in time, when you will see some stabilization around that vertical in that region given some of the efforts you have put in there over the past couple of quarters.

Steve Rohleder – Accenture - Chief Operating Officer

Obviously, some of that will depend on how the market in the business comes back in Financial Services in that area. We have got a program in place. We have had it now in place for roughly a quarter and a half. Last quarter, I alluded to the fact that this was going to be a multi-quarter journey to reconnect to our clients, to reinvest in our business, and grow the footprint that we have in the UK. It's on track. I like the progress we're making, but it is heavy lifting, and we are going to continue to focus on it. We saw some progress this quarter, Tim. We got some specific outcomes and metrics tied to progress quarter-by-quarter. But it is going to be a longer journey.

Tim Fox – Deutsche Bank - Analyst

Okay. Thank you.

Steve Rohleder – Accenture - Chief Operating Officer

You bet.

Operator

The next question is from Mr. George Price with Stifel Nicolaus. Please go ahead.

George Price – Stifel Nicolaus - Analyst

Hi. Thanks very much for taking my questions. First thing, just Financial Services the only one to see margins go below 10%. So, pretty significant dropoff. What was going on there? Was that purely the impact of some of the cancellations that you referenced in terms of M&A? Were there any project execution issues? Is there any impact coming from the political environment and TARP and outsourcing? Can you maybe give a little color there?

Steve Rohleder – Accenture - Chief Operating Officer

I mean, you could imagine the industry still is incredibly volatile. That said, I would tell you that the real challenge was around the revenue hole that was created through the consolidation of the industry. That was the largest chunk of that drop. So, when your revenues drop, your corresponding profitability drops. We also have invested a little bit more aggressively in sales in the quarter. And we did have -- a few, not a lot, but a few delivery inefficiencies that all together impacted that number.

George Price – Stifel Nicolaus - Analyst

Just following up on that. So you mentioned M&A. In the past, M&A has been actually a source of demand for your services, not only on the business consulting side but on the SI side. Is that no longer the case? Is that changing, and why?

Steve Rohleder – Accenture – Chief Operating Officer

As it related to Financial Services, we have 17 projects underway in the M&A space right now. So, was that your question, George? Around that specific vertical?

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George Price – Stifel Nicolaus - Analyst

Unless I'm mishearing you -- misunderstanding you -- you are saying M&A is something that contributed to a revenue hole. As I understand it, M&A, broadly at least, has been an area where you have seen more -- you have gotten more demand for your services. So I'm -- ?

Bill Green – Accenture - Chairman & CEO

Let me give you a little color on that. You have one cancellation of a long-term contract. That thing is bigger than 15 front-end merger integration projects. It's just -- so when you just look at total revenue, right, that's the impact the thing has. The thing that impacted us in the quarter was some of these big consolidations and some stuff going away that was of size. Long-term revenue stream relationships at companies that don't exist anymore. The counter to that is we do have all these post-merger integration planning things and initiatives out there. Those things will turn in from envision and architect how to bring the companies together, to designing and building how they're going to operate together, to a series of long-term revenue relationships and a bunch of new clients. Right now, the industry is in just a dramatic transition from where it was, to where it is. And the question for us is, can you jump over that -- over that canyon? So, what's happening is there is some stuff that's winding down because of the consolidation, and there's a bunch of things that are picking up, but it's at the very front-end, and it will take time before -- six months before that's meaningful design and build work and 12 months or more before it's meaningful, long-term revenue relationships for the next five years. That's kind of what we're in the middle of in Financial Services. The merger integration opportunities are like gold. They are absolutely primo assignments. But, we are suffering from historic consolidation of legacy companies and legacy relationships that hit us this quarter.

George Price – Stifel Nicolaus - Analyst

Okay, fair enough. Just wanted to shift to outsourcing demand. I think have we certainly picked up from a lot of different places, and you have supported that, that demand to cut cost is definitely picked up. People are looking for outsourcing. Is the decision -- is it intuitive to say that the decisionmaking here is better than overall, and are there certain areas in particular, certain types of outsourcing areas in particular, that are moving where the decisionmaking is moving the quickest?

Bill Green – Accenture - Chairman & CEO

The faster you can deliver them savings, the faster they will make decisions. Straight up. In consulting, if you have '09 projects that deliver '09 benefits, you are good to go, right? Put on the -- strap on the tool belt and jump in. In outsourcing, people are looking at the things that are going to get, not long-term journeys, right? Nobody wants to go on a journey. What people want to do is to get something that shows up in their economics this year. So the things that certain BPO areas, like Finance & Performance Management, where you can really take 20% to 30%, 40% out of the cost, pretty short order, there's a lot of activity around that, as well as the ability to lift AO kind of work. So those things -- there is a lot of buzz around because people can do the math and see that they get near-term benefits, and they can build it into their economic models.

George Price – Stifel Nicolaus - Analyst

If I can ask one more, around outsourcing. You mentioned that there is some activity, particularly on the government side in US state and local. Just curious as to what you are seeing moving around there. Is it mainly in areas that are supported by stimulus spending, or any thoughts there? Thanks.

Steve Rohleder – Accenture - Chief Operating Officer

No, I don't think the stimulus money is going to flow down to the states for another six to 12 months. They have got to sort their socks and figure out where it's going to be spent. But, the interest at the state and local level, George, is really around shared services, and an environment where a lot of state agencies have operated in silos and are under incredible budgetary pressure. They have now started to look at how we share services and cut costs immediately to make the next budgetary cycle. So that's driving a lot of it. There's also some IT infrastructure consolidation that's happening to drive down costs. Both of those are probably the primary areas.

George Price – Stifel Nicolaus - Analyst

Great, thanks very much.

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Operator

The next question is from Bryan Keane with Credit Suisse. Please go ahead.

Bryan Keane – Credit Suisse - Analyst

Hi. Sounds like Systems Integration work fell off a cliff, but Management Consulting held up pretty well. Is that right, and why do you think -- or do you think -- that Management Consulting will continue to hold up?

Bill Green – Accenture - Chairman & CEO

I think if you stand back, Management Consulting held in there. I think people always think it's the most fragile, but in many ways, it's not. It depends on what it is you're doing. We have these things we talked about the last few quarters, and Steve mentioned in his remarks, about C-Suite initiatives and the imperatives to make change happen. These things are around -- how do you keep your customers when everyone is going at them? How do you optimize the supply chain, and how do you drive better performance out of the core part of the business? And so those things, although the nature of the projects is small, and they will ultimately lead to longer-term projects around the structure and operating model, that's where the demand comes from. But it's all about business case, proposition that makes sense, and an economic outcome that's going to improve the company.

Systems Integration is just people keep turning the crank and keep doing more things, and doing more enhancements and extending certain things. It's a much easier thing to dial back the speed on. That is what happened in Systems Integration. The story is very different in the two places. Consulting, as long as you're relevant and you're on the mark in terms of something that is zeroing right in, there is plenty of activity and plenty of people looking for help. You just have got to have a great value proposition.

Bryan Keane – Credit Suisse - Analyst

Does the guidance take into consideration any weakness in the Management Consulting business, or to expect it to hold the line?

Bill Green – Accenture - Chairman & CEO

I guess I would say that there is a thousand moving parts in the consulting business. I think it's about -- how do you make it hold the line? You make it hold the line by being very proactive, by being grateful for the long-term relationships you have, and how to bring new products and services to the clients you already have. And how do you get out there and make sure you're focusing on the things that are on the top of mind for the C-level executives, and that is all around costs and customers, for the most part. That's where we focus. We think if we do that, that we have evidence that we can. It's hard work. I will be perfectly honest about it, because people would prefer not to spend money, but they will spend money if they have a value proposition that pays back within their life expectancy, hopefully '09.

Bryan Keane – Credit Suisse - Analyst

Okay, and just looking at the Consulting line, the revenues overall. With 9% constant currency last quarter, 1% this quarter. Looking at the third quarter guidance, it almost looks like it's going to be down double digits negative in the third quarter. I guess, is there any way to help us with a magnitude of how far Consulting can go in the wrong direction?

Bill Green – Accenture - Chairman & CEO

The magnitude with how far it will go in the wrong direction. Yes, let me just pull -- .

Bryan Keane – Credit Suisse - Analyst

One of the problems is visibility, and you are talking about visibility and predictability. One of the things that people are struggling with is there is now there seems like -- and I know people are going to say there is no visibility in the Consulting business, so how do you have any idea? How do you even guide in the Consulting, and you even have guided correctly for this?

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Pamela Craig – Accenture – Chief Financial Officer

What we've done with the Consulting, if it is high single to low double negative next quarter, is what we are expecting at this point. And, we do have some visibility based on bookings and pipeline etcetera, so we have tried to tell you what is our best look at this at this moment.

Bryan Keane – Credit Suisse - Analyst

Okay. Last question, Pam, on the operating margin guidance. Looks like you guys are still expecting the expansion of 50 to 80 basis points. Can you talk about some of the levers you are doing, and in particular, are you cutting down on comp and bonuses in order to hit those targets?

Pamela Craig – Accenture - Chief Financial Officer

We started out the year with strong operating margin, as you know. And if you look on a year-to-date basis, we are about 110 basis points ahead of last year. We are expecting some moderation in that as we go forward, but still have good expansion, which is really about managing the business we have because a lot of the things that we put in place this year we've been planning to deliver, particularly in the contract profitability. There is very little impact in comp. When it comes to annual bonus, as you know, we don't discuss it. But as you also know, from the standpoint of -- it's very aligned with shareholder interest because when we deliver well against plan, we accrue it. And if we are less well against plan, then we don't accrue as much.

Steve Rohleder – Accenture - Chief Operating Officer

Bryan, let me just give you a little bit more context to build on what Pam said about the levers there. We did start, and we talked about it last quarter, a journey on reducing our cost to serve. When Pam talked about contract profitability, that really impacts it. We go contract by contract looking at how we can reduce the payroll cost and the overall cost of the contract to improve profitability quarter by quarter.

We also have a number of actions underway in the G&A area that we will continue the rest of the year. In the procurement area, we have gone back to all of our top suppliers. We have got almost a 20% reduction in our internal contractor cost as a result of that. We have been putting in collaboration technology over the last 12 months, and we've seen about a 16% decrease in our travel cost. We continue to move our corporate functions to lower-cost locations, and we've got specific targets that we have set there. We saw about 120-basis-point improvement there. So there are specific actions, to build on what Pam said, that we have got underway and we are going to continue to press.

Bryan Keane – Credit Suisse - Analyst

It sounds like you are committed to that operating margin. The question would be, if things got even worse than what you are guiding to today -- is there still levers that you can use to keep the margins where they are at?

Pamela Craig – Accenture - Chief Financial Officer

Yes.

Bryan Keane – Credit Suisse - Analyst

Perfect, thanks very much.

Operator

Our next question is from Julio Quinteros with Goldman Sachs. Please go ahead.

Julio Quinteros – Goldman Sachs - Analyst

Hey, guys. Just to maybe step back a little bit, and I wanted to ask Bill this question directly -- about, how is the model holding up looking at last cycle versus this cycle? More outsourcing, more offshore, the whole global delivery network, and everything that you have done to reposition

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yourselves. How do you think you guys are holding up as you guys go through this part of the cycle at this point? Just your sense on what you are seeing so far, and how things are holding up here?

Bill Green – Accenture - Chairman & CEO

I think we are holding up exceptionally well. We have gone deep into the cycle without getting a ding. It's not just by doing the same old thing. We've been working hard to do that. If you stand back and look, we have gone deep into the cycle without the thing impacting us. What has happened in the last several months has just been profound. So, we have a series of impacts. We are lucky to have the outsourcing capability we have. We have got seasoning, maturity, team. We can put propositions on the table. We have got been-there, done-that experience. We connect our client prospects in the US through video to our teams in India and Manila and all that. They can touch it, and feel it, and see it. We didn't have any of that stuff before.

The Global Delivery Network continues to be an incredible weapon. I would tell you that our consulting skills, our offerings, are much sharper than they were. And frankly, we're better warriors, in terms of the nature of the environment we are operating in. That said, this is nothing like the last downturn, and it's simply not because this affects every single -- if you trace this how it impacts every industry in every company, whereas the last one, we had industries that were just totally unscathed by it. So it's very different in that sense. I would tell you that a lot of the things that we've done in the last five years are serving us very well right now, and they have. I think the other thing that we look at is, as this thing comes roaring back, because what I said is, this work doesn't go anywhere. This is stuff that people have to do. As a result, it's just about having the right propositions, and us recognizing, to an earlier question, we're not going to be a bank, and, we don't need to be one. What we need to be is exceptionally good at what we do and have propositions that we put in front of the clients. And we still, in the environment we were in, sold \$6 billion worth of stuff. If you just step back from it and say, there is a lot of people in our industry and certainly in other industries that would have only sold \$3 billion worth of stuff.

So we think we're doing a pretty good job in this environment. We think the bookings number is good. It could have been better. We are going to continue to try to drive it better. But at the end of the day, a lot of stuff is working. But what we've been through in the last several months is just something, frankly, that we have never seen before. And the question to us is simple. It is how quickly do you realign with the realities of the market? That's the stuff we do every single day around here.

Julio Quinteros – Goldman Sachs - Analyst

Got it. That's great. Maybe if I can pin Pam back on the question Bryan was just asking about -- what was left on the -- assuming you see the downside scenario of your new numbers here into fiscal '09. What specifically could you do, would you have to do to hold that margin target, even if it's at the low end of that 13.4% or so.

Pamela Craig – Accenture - Chief Financial Officer

It's all the levers that Steve talked about. There is nothing tricky in there, right. It's just managing the business. But we went through them yesterday in preparing for this call, and I'm confident that we have them.

Julio Quinteros – Goldman Sachs - Analyst

Just any examples? Just to put some context on that? Is it utilization? Is it recruiting? Is it all of the above? Just trying to get a sense on where you would have the most effect on the business.

Pamela Craig – Accenture - Chief Financial Officer

Those are right. Those are absolutely, all the time, things we are looking at in terms of managing supply and demand. Those are all things we are doing and expect to continue to do.

Julio Quinteros – Goldman Sachs - Analyst

Okay. And then, as we look at the July timeframe, and we wrote about this a couple of days ago and a question came up already about the dividend as well... The thought process for how much cash you are going to need. Every year, you are generating \$2 billion plus, even in this environment. You have a lot of cash on the balance sheet. Why not take a much stronger position on that going forward to get the kind of return

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that I think investors are looking for here, with something closer to a 5% range, or something along those lines? That's equivalent to about \$1.2 billion or so in spending for you.

Pamela Craig – Accenture - Chief Financial Officer

Well, Julio, thank you for your opinion on that. We will be talking to the Board about that, as I said. It is notable that July '08 -- or July '09, I'm sorry -- is our eight-year anniversary of being a public Company, and all of the founders will have unrestricted shares at that point. So, we expect to consider this issue very carefully.

Julio Quinteros – Goldman Sachs - Analyst

Okay, and just lastly on the connection between the bookings at trailing 12 months and the revenues. Just to make sure, I know that we all kind of get caught up on reported versus constant currency and all that stuff. But as the revenues flow through, and maybe Steve, if you could just chime in on this one, when you guys have trailing 12 months bookings or you have an actual bookings announcement that you have for the quarter, the part that could actually get turned off, delayed, pushed out versus the stuff that is actually contracted and will come on, is there a sense on how much of that would be in and out of a quarter, or if we think about it over the course of a year?

Steve Rohleder – Accenture - Chief Operating Officer

We've looked at it, and we've looked at it from both an outsourcing and consulting standpoint, because I wanted to see, Julio, if there was a trend out there. And what we've seen is a slight increase in the amount of revenue that's getting pushed out into the out years. I think that it's still early days on that, and I wouldn't characterize that as a systemic thing. But it is something we're watching because, to your point, it has some impact in the current quarter revenues and impacts our guidance as well. But, we saw a slight movement to the right, and by that I mean in the next fiscal year and beyond, in terms of both consulting and outsourcing bookings as we put them in. But nothing widespread yet.

Julio Quinteros – Goldman Sachs - Analyst

Okay. Great. Thanks a lot. Congratulations, good luck.

Richard Clark – Accenture - Managing Director, Investor Relations

Operator, we have time for one more.

Operator

And that question will be from [Ira Sawyer] with Wachovia. Please go ahead.

Ira Sawyer – Wachovia - Analyst

Great, thanks. Pam, did you have any further additions to your bad debt reserve?

Pamela Craig – Accenture - Chief Financial Officer

Very immaterial amount. Nothing significant at all. Otherwise, I would have told you about it. There's really been no change in the thing, this quarter.

Ira Sawyer – Wachovia - Analyst

Bill, I saw you were at the Business Roundtable event where the President spoke. And I was just wondering if you gained any insight into the Administration's position on offshoring, and what that could mean for the industry and the sector. Especially since you keep hearing of anti-offshoring rhetoric coming from Congress these days?

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Bill Green – Accenture - Chairman & CEO

Well, there's plenty of rhetoric on just about every dimension. These guys don't like me..don't like you guys to let me talk politics here. So, maybe I will just admit to that straight up. I think there is a tough climate out there, right, for business. You know it, right. We know it. It's a tough place to be. Everyone in every business is trying to sort through. If you're in health care, you're trying to sort through what do you think is going to happen there. If you are in infrastructure products and services, if you're making heavy equipment, you're trying to sort that through. You are trying to figure out the stimulus thing. The whole deal. I think at the end of the day, rational thinking is going to prevail. Globalization is here to stay. We might have some protectionist instincts, and countries around the world might do that as they wrestle with the climate. But, globalization is here to stay. People sourcing different services -- products or services -- from around the world is here to stay in the biggest companies and every country in the world. And I think at the end of the day, it's going to be about -- how do you get the country's productivity back? And how do we make sure companies here can compete on the global stage? And I think once we get done through the rhetoric and the showmanship and all the fun down there, people are going to get back to what really matters. Which is, a healthy country is because of healthy companies. I think business needs to represent itself in terms of its role in the economy, and we need to do that with a great deal of pride and make sure people don't lose sight of the thousands and thousands of businesses out there that give people good jobs and make this economy go. Many of them are clients of Accenture, and so we work closely with them to make sure we can do everything we can do to influence the economy getting back on its feet. It's just as easy as that.

Ira Sawyer – Wachovia - Analyst

Have you seen any delays or changes to where companies are looking to offshore their work due to the rhetoric?

Bill Green – Accenture - Chairman & CEO

No, there is more activity around outsourcing. And outsourcing, whether that involves leveraging offshore or not, there is more activity around sourcing things you used to do inside, outside, regardless of the rhetoric, because people have to solve for competitiveness. People have to solve for economic results. And there are proven ways to do that, and leveraging capabilities from offshore happens to be one of them, and I haven't seen anyone, not one company, look the other way from that, over this period of time.

Ira Sawyer – Wachovia - Analyst

Great. Thanks.

Bill Green – Accenture - Chairman & CEO

Let me just wrap it up then, with a couple of things in closing. We had a very respectable quarter. I feel very strongly about that. I was pleased with our bookings. I was pleased with the profits we drove. I'm pleased with the cash we put there, and we do that in a very volatile economic environment. And we do that because we run a tight ship. It's just plain and simple. At the same time, we also focus and never lose sight of our long-term leadership and growth. Because we know that the actions we take today are going to make a difference to make today happen, but they're also going to make us a lot better in making tomorrow happen. We have updated our business outlook to reflect our very best insights. Then, we tune our business for driving profitable results today, and also build a strengthened platform for the market recovery.

We are grateful to have great client relationships, outstanding people, a powerful brand, and confidence in our business. We're staying close to our clients, working harder than ever to generate ideas and solutions that help them address the challenges they face. And while we do that, we are managing our business with discipline and with diligence. In a word, managing it for high performance.

Thank you very much for joining us on the call today. We appreciate your continued support, and we look forward to talking with you again in June.

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Operator

Ladies and gentlemen, this conference will be available for replay today after 7:00 p.m. Eastern time through April 9th at midnight. You may access the AT&T teleconference replay system at any time by dialing 1-800-475-6701 and entering the access code of 990690. International participants can dial 320-365-3844. Those numbers again are 1-800-475-6701 and 320-365-3844, access code 990690. That does conclude our conference for today. Thank you for your participation, and for using the AT&T executive teleconference. You may now disconnect.

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