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ACN – ACCENTURE'S Q1 FISCAL 2013 EARNINGS
CONFERENCE CALL

DEC. 19, 2012 – 4:30 P.M. EST / 9:30 P.M. GMT



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PRESENTATION

Operator

Ladies and gentlemen, good afternoon. Thank you for standing by, and welcome to Accenture's first-quarter fiscal 2013 earnings conference call. At this time, all lines are in a listen-only mode. Later, there will be an opportunity for your questions.

(Operator Instructions)

As a reminder, today's conference is being recorded. I would now like to turn the conference over to our host, Managing Director of Investor Relations, Ms. KC McClure. Please go ahead.

KC McClure - Accenture - Managing Director, Investor Relations

Thank you, Tom, and thanks, everyone, for joining us today on our first-quarter fiscal 2013 earnings announcement. As Tom just mentioned, I'm KC McClure, Managing Director of Investor Relations. With me today are Pierre Nanterme, our 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. Pierre 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 for the first quarter. Pierre will then provide a brief update on our market positioning. Pam will then provide our business outlook for the second quarter and full fiscal year 2013, and then we'll take your questions before Pierre provides a wrap-up at the end of the call.

As a reminder, when we discuss revenues during today's call, we're talking about revenues before reimbursement, or net revenues. Some of the matters we will discuss on this call are forward-looking, including the business outlook. 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 and that such statements are not a guarantee of our future performance. 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 quarterly reports on Form 10-Q, and other SEC filings.

During our call today, we will reference certain non-GAAP financial measures, which we believe provide useful information for investors. We include reconciliations of those measures, where appropriate, to GAAP in our news release or 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 Pierre.



Pierre Nanterme - Accenture - Chief Executive Officer

Thank you, KC, and thanks, everyone for joining us today. We are pleased with our results for the first quarter, which were in line with our expectations and demonstrate that we continue to deliver value to our clients and to run our business with discipline. This is enabling us to drive profitable growth despite the continued volatile economic environment. Here are a few highlights:

- We delivered solid new bookings of \$7.5 billion.
- Revenues were \$7.2 billion, up 5% in local currency. We were particularly pleased with our double-digit revenue growth in Outsourcing, up 13%.
- Earnings per share were \$1.06, up 10%.
- We expanded operating margin more than 60 basis points, to 14.5%.
- We continue to have a very strong balance sheet, ending the quarter with a cash balance of \$5.7 billion.
- And we continued to return cash to shareholders through share repurchases and payment of a semiannual cash dividend of \$0.81 per share, a 20% increase over our prior dividend.

So we are off to a good start in fiscal year '13 and are raising our outlook for both EPS and operating margin for the full year. Now let me hand over to Pam, who will review the numbers in greater detail. Pam, over to you.

Pamela Craig - Accenture - Chief Financial Officer

Thank you, Pierre. Happy holidays, and thank you all for joining us today.

I am pleased to tell you more about Accenture's fiscal '13 first-quarter financial results, which as Pierre just mentioned, are starting us off well for the year. Overall, our growth in revenues was driven by double-digit growth both in Outsourcing and geographically in the Americas. We also achieved double-digit growth in our earnings per share as we continued to drive our business with a strong focus on profitable growth.

Now let's get to the numbers for the first quarter. Unless I state otherwise, all figures are U.S. GAAP, except the items that are not part of the financial statements or that are calculations. New bookings for the quarter were \$7.5 billion and reflected a negative 2% foreign-exchange impact compared with the new bookings in the first quarter last year. This was what we expected after Q4 bookings of \$9.2 billion, and we have replenished our opportunity pipeline to be well-positioned for bookings in future quarters.

Consulting bookings were \$4.2 billion, and Outsourcing bookings were \$3.3 billion. Let me give you some bookings detail, starting with Consulting. In Management Consulting, bookings were lower this quarter, particularly in Europe and Asia-Pacific, but were up in the United States. Business demand continues to be strongest in operations, customer relationship management, and talent and organization.

Technology Consulting bookings were up and reflected continued strong demand from our clients looking to capture greater business value from IT. We saw a number of transformational projects this quarter in workplace enablement, desktop transformation, and data center consolidation, as well as projects in infrastructure consulting, IT strategy, and security.

Systems integration bookings are holding their own from a book-to-bill perspective and reflect continued demand to modernize and upgrade core ERP, as well as more demand for industry-specific systems across the major platforms. Emerging technologies continue to gain momentum, as we are helping clients integrate Software-as-a-Service/cloud, mobility, and digital interactive solutions.

Turning to Outsourcing, our bookings in Technology Outsourcing were down a bit after our strong fourth-quarter bookings, yet reflect good demand across our operating groups and geographically across the Americas, Asia-Pacific, and parts of Europe and Africa. Our clients are seeking immediate cost savings and reliable performance, in addition to flexibility and talent at scale to meet their dynamic IT needs ... from legacy to emerging ... and to help them transform their operations to drive more competitive levels of IT and business performance.



BPO bookings in Q1 were lumpy compared to the record level of Q4. They reflect continued demand for our cross-industry offerings, especially finance and accounting, as well as procurement, and for our industry-specific solutions in Resources, Products, and Financial Services. Finally, we had bookings of over \$100 million at seven clients, with all five operating groups represented.

Turning now to revenues, net revenues for the first quarter were \$7.22 billion, an increase of 2% in US dollars and 5% in local currency over the same period last year. Pretty close to the outlook of negative 3% FX we provided last quarter, these revenues reflected a foreign-exchange impact of negative 3.4% compared with Q1 last year and were in the middle of our guided range of \$7.1 billion to \$7.35 billion.

Consulting revenues were \$3.96 billion, down 3% in US dollars and flat in local currency. We had single-digit local currency growth in the Americas and Asia-Pacific and were down modestly in local currency in EMEA.

We are experiencing changes in Consulting demand patterns, and we see variability across our broad footprint by geography, industry, and type of Consulting work. We continue to see an increase in large transformation Consulting projects, which are converting to revenue at a slower pace. In addition, we've seen a near-term decline in small- and medium-size Consulting projects, particularly in EMEA. These patterns, net-net, have resulted in flat Consulting revenue growth this quarter, and we expect this to continue through next quarter.

Outsourcing revenues were \$3.26 billion, an increase of 9% in US dollars and 13% in local currency. We saw strong double-digit growth in local currency in the Americas and Asia-Pacific and single-digit growth in local currency in EMEA.

Now let me give you some highlights of our revenue growth in the operating groups. Health and Public Service revenues increased 13% in local currency, reflecting very strong growth in Health again this quarter, with strength in both Consulting and Outsourcing and across the three geographic regions. Our investments in Health continue to pay off in market take-up. We had good demand in Public Service this quarter, driven by very significant growth in Asia-Pacific and growth in the Americas. Key drivers were our Human Services and Operations and Management offerings.

Financial Services revenues increased 9% in local currency. Outsourcing revenues reflected significant growth, driven primarily in the Americas across all industry groups, particularly in Credit Services, where we made an acquisition last year, and in Insurance. Consulting revenues grew slightly, driven by Capital Markets and Insurance, and this growth was partially offset by a slight Consulting decline in Banking.

The Products operating group had local-currency revenue growth of 5%, driven by very strong growth in Outsourcing globally in both Technology and BPO. From an industry perspective, overall revenue growth was led by Retail and Life Sciences in all regions. Revenue in Consumer Goods declined, as we are going through a cycle of near completion on large-scale ERP work at a few large clients. The Americas grew double digits, with EMEA and APAC flat year-over-year, as strong Outsourcing growth was offset by a decline in Consulting for those two regions.

Resources revenues grew 3% in local currency, with Outsourcing growth, particularly in Energy, reflecting client demand to reduce ongoing support costs while increasing flexibility to meet operational priorities. In Consulting, revenue was flat, as growth in Chemicals, driven by ERP work, was offset by declines in Utilities and Natural Resources. Some clients, primarily in Utilities and Natural Resources, have lowered their spend, a trend we expect to continue in the near term.

Communications, Media & Technology revenues decreased 1% in local currency. Outsourcing continued to grow, driven by our clients' focus on improving the efficiency of operations. CMT's Consulting revenue declined in all three regions. This was most pronounced in EMEA and in Communications globally, where the trend of certain clients deferring investments in core capabilities for traditional markets continued. There was significant Consulting growth in High Tech in the Americas, as clients increased their focus on building and improving systems for managing customer relationships. In emerging markets, there is renewed Systems Integration activity to build core capabilities on new platforms.

In summary, the revenue we delivered in Q1 was right in line with our expectations overall, a very good result.

Moving down the income statement, gross margin was 32.8% compared with 31.8% for the same period last year, a 100-basis-point increase. This result reflected improved contract profitability, primarily in Outsourcing, and net lower non-contract costs.

Sales and marketing expense for the quarter was \$868 million, or 12% of net revenues, compared with \$837 million, or 11.8% of net revenues, for the first quarter last year. This quarter's results reflected higher business development costs to replenish our sales pipeline after our record Q4 bookings.

General and administrative expense was \$449 million, or 6.2% of net revenues, compared with \$433 million, or 6.1% of net revenues, for the first quarter last year, a 10-basis-point increase.



Operating income was \$1.05 billion in the first quarter, reflecting a 14.5% operating margin. This compares with \$981 million, or 13.9% operating margin, in the first quarter last year, a year-over-year expansion of more than 60 basis points ... 66 basis points to be precise. This quarter, we were particularly pleased with our contract profitability, as I just mentioned, and also with our management of costs overall.

Our effective tax rate for the quarter was 26.8%, compared with 28.3% for the first quarter last year, as this year's Q1 rate included higher benefits related to final determinations of prior-year tax liabilities.

Net income was \$766 million for the first quarter, compared with \$712 million for the same quarter last year, an increase of 8%.

Diluted earnings per share were \$1.06, compared with \$0.96 in the first quarter last year. The \$0.10 increase is made up of a \$0.07 increase from higher revenue and operating results, a \$0.02 increase from a lower effective tax rate, and a \$0.02 increase from a lower share count, partially offset by a \$0.01 decrease from lower non-operating income.

Turning to DSOs, our days' services outstanding were 32 days, up from the low of 27 days last quarter, and consistent with Q1 last fiscal year.

Free cash flow for the quarter was negative \$195 million rounded, resulting from cash used by operating activities of \$109 million, plus property and equipment additions of \$87 million. Both operating cash flow and free cash flow this quarter included the expected discretionary cash contribution of \$500 million made to our U.S. defined benefit pension plan, which had a net impact on free cash flow in the quarter of \$350 million after tax.

Moving to our level of cash, our cash balance at November 30 was \$5.7 billion. It compares with \$6.6 billion at August 31 last year. We funded the pension payment just mentioned and the semi-annual dividend, as well as some acquisitions in the quarter.

Moving to some other key operational metrics, we ended the quarter with a global headcount of about 259,000 people, and we now have approximately 167,000 people in our Global Delivery Network. In Q1, our utilization was 88%, up from 87% in Q4. Attrition, which excludes involuntary terminations, was 11%, compared with 12% both in Q4 and in Q1 last fiscal year.

Lastly, we expect that at least 50,000 people will join our company in fiscal '13. Attrition is down at this point, and overall hiring reflects the continued balancing of supply and demand as our business builds.

Before I turn things back to Pierre, I'll comment on our ongoing objective to return cash to shareholders through share repurchases and dividends. In the first quarter, we repurchased or redeemed approximately 3 million shares for \$221 million at an average price of \$66.74 per share. At November 30, we had approximately \$4 billion of share repurchase authority remaining.

Also, in November, we paid a semi-annual cash dividend of \$0.81 per share, for a total of \$560 million. This represented a \$0.135, or 20%, increase over the dividend we paid in May.

With Q1 behind us, we've entered Q2 with solid results and strong profitability. We are pleased with our ability to deliver consistent results in what continues to be a challenging economic environment for our clients around the world. Now let me turn the call back to Pierre to give you an update on some exciting things going on in our business, and then I'll finish up with our business outlook.

Pierre Nanterme - Accenture - Chief Executive Officer

Thank you, Pam. Our Q1 results reflect the continued focused execution of our growth strategy, which, as we shared with you at our Investor & Analyst Conference in October, is all about differentiation and competitiveness.

And at a time when the macroeconomic environment is still quite volatile, we are particularly pleased with our continued ability to drive profitable growth. Our focus on operating margin expansion reflects our commitment to running the business with discipline to enhance our competitiveness. And over the years we have developed and nurtured this mindset across the company.

At the same time, we remain focused on generating growth, winning the right business for Accenture, and leveraging the latest industry and technology trends to provide differentiated services that create tangible business outcomes for clients.

In particular, we continue to make excellent progress with our strategic initiatives in fast-growing areas such as analytics, mobility and digital marketing.



Increasingly, chief marketing officers are becoming key buyers of our services, and we are making strategic investments in digital marketing to enhance Accenture Interactive to better serve them. In Q1, we expanded our digital marketing capabilities with the acquisition of avVenta Worldwide, a provider of digital production services. Accenture Interactive now includes an end-to-end solution that enables CMOs to manage content from its initial creation all the way through to distribution.

Accenture Interactive was key to a recent win at a leading consumer goods client, where we are helping transform the shopping experience for customers with a new e-commerce platform that will integrate online and offline channels across 41 countries.

And we are combining our capabilities in digital, analytics, and mobility to help Verizon Wireless launch a new strategic initiative called Precision Marketing Insights, which is designed to deliver targeted business intelligence to retailers and other enterprises that want to expand the reach and precision of their marketing efforts.

Our clients continue to turn to Accenture for technology expertise, including the capabilities we have built on the Microsoft platform. We are helping a global financial institution migrate more than 300,000 Microsoft desktops, modernizing its IT infrastructure and reducing its application portfolio to increase efficiency. We will deliver this project with Avanade, our majority-owned joint venture with Microsoft, using proprietary assets to reduce migration time and costs.

Avanade is important to our strategy of playing a leading role in the technology ecosystem, and we continue to invest in the company. The recently announced acquisition of Azaleos Corporation will enhance Avanade's capability to provide remotely managed services for Microsoft Exchange, SharePoint, and Lync.

Our clients continue to invest to transform their businesses, and we are bringing together the best of Accenture for them, combining our industry expertise with our management consulting, technology and business process outsourcing capabilities.

We are working with a leading European telecommunications client on one of the world's largest ERP implementations, creating a global shared services organization to standardize business processes, with the goal of eventually delivering 80% of transactions through mobile devices.

We are helping global Spanish bank BBVA with a landmark technology system upgrade in the U.S. Combining our Core Banking Services with our Alnova software, we are helping implement the new system across more than 700 branches in seven states.

And just this morning, we announced that we have extended our BPO agreement with Unilever to provide HR services for more than 130,000 employees across 100 countries.

Geographic expansion remains a key focus for us, and we continue to invest in priority emerging markets, as well as mature underpenetrated markets. In our priority emerging markets, revenues in Q1 continued to grow at a faster rate than Accenture overall. Our business in China, one of our key priority emerging markets, is performing very well, and we're off to a good start with double-digit growth in Q1.

I was in China three weeks ago, where I had the opportunity to open the new Accenture Innovation Center for Financial Services in Beijing. This center, combined with our new technology lab, which is also in Beijing, gives us a great environment to engage with clients to explore industry and technology innovation.

And our business in the Americas is also off to a good start with 10% revenue growth in Q1, led by the United States and Brazil.

In summary, I remain confident that in this fast-changing environment, we are executing the right strategy, a strategy that is clearly aligned with the transformation needs of our clients. We continue to see strong demand for our services, and our highly diverse portfolio of business, combined with our industry expertise and broad technology abilities, positions us very well to seize the opportunities we see in the marketplace.

With that, I will turn it back to Pam, who will provide our business outlook for Q2 and the full fiscal year.

Pamela Craig - Accenture - Chief Financial Officer

Thank you, Pierre. Now, let me give you our update on how our fiscal year '13 is shaping up. We continue to expect the growth rate in Outsourcing to be higher than in Consulting this year, with Consulting ramping up in the second half. As you and we expect of us, we remain focused and disciplined about driving our business for profitable growth.

So let's start with our outlook for the next quarter's revenue and then go through the elements of our annual outlook. For the second quarter of fiscal '13, we expect revenues to be in the range of \$6.9 billion to \$7.15 billion. This assumes a foreign-exchange impact of negative 1%, compared to the second quarter in fiscal '12.



Turning to the full fiscal year, our assumption for foreign exchange is unchanged. Based upon how the rates have been trending over the last couple of weeks, we assume the impact of foreign exchange on our results in U.S. dollars to continue to be negative 1% for fiscal '13 compared to fiscal '12. We will update you on our assumption for the full-year foreign-exchange impact each quarter.

First, revenue. For the full fiscal year, we continue to expect Accenture's net revenue to grow in a range of 5% to 8% in local currency over fiscal '12. Although we expect to be close to the bottom of the range for the first half of the fiscal year, we also expect that year-over-year growth will pick up in the second half, based on the revenue we have contracted and the strength of our opportunity pipeline.

New bookings we continue to target to be in the range of \$31 billion to \$34 billion for the full fiscal year '13. As you know, our bookings can be lumpy from quarter to quarter, and we do expect our bookings in Q2 to be higher than they were in Q1.

We now expect operating margin to be in a range of 14.1% to 14.2% for fiscal '13. This is a 10-basis-point increase from our outlook of last quarter and a 20- to 30-basis-point expansion over fiscal '12. We are proactively balancing profitability with making necessary investments to position our business for the future. 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 26% to 27%. As I mentioned in Q4, this tax rate range reflects some final determinations, and there may be more that materialize during the year.

For earnings per share, we are raising our outlook and now expect full-year diluted EPS for fiscal '13 to be in the range of \$4.24 to \$4.32, or 10% to 12%-plus growth. The change primarily reflects our expected additional operating margin expansion.

Now, let's turn to cash flow. For the full fiscal year, we continue to expect operating cash flow to be in the range of \$3.2 billion to \$3.5 billion, property and equipment additions to be \$420 million, and free cash flow to be in the range of \$2.8 billion to \$3.1 billion.

We remain committed to return a substantial portion of the cash we generate to shareholders. In fiscal '13, we continue to target a return of at least \$3.3 billion through dividends and share repurchases.

I continue to be very proud of our Accenture leaders and all of our people around the globe, as they are working very hard to conduct and drive our business in a way that delivers value to our clients, to our company and to our shareholders.

With that, let's open it up so that we can take your questions. KC?

KC McClure - Accenture - Managing Director, Investor Relations

Thanks, Pam. I would ask that you each keep to one question and a follow-up to allow as many participants as possible to ask a question. Tom, would you provide instructions for those on the call, please?

QUESTION AND ANSWER

Operator

Yes, thank you.

(Operator Instructions)

Rod Bourgeois, Bernstein.



Rod Bourgeois - Sanford C. Bernstein & Co. - Analyst

Hi, great. A couple questions on the revenue growth front. Is there a common theme on what's causing the added demand weakness on small- and medium-size Consulting deals? And are you seeing any signs that those trends might change when calendar '13 budgets are finalized? Either change for the better, or even maybe on the risk side, they could change for the worse. I'm wondering what you're reading in the budget finalization process and how you're incorporating that into your guidance, given that it seems the challenge has been on the small Consulting deals that sometimes I think are more difficult to predict.

Pamela Craig - Accenture - Chief Financial Officer

Rod, I think first of all, it is more in EMEA that we see it, and not in all patches. You're right, it is the harder stuff to predict in a way, because it comes in and typically converts to revenue during the quarter or fairly quickly. So we don't see it getting worse. We do see this trending up through the year, and we do see a good pipeline for small- and medium-size Consulting projects, as well as the larger, longer, more transformational ones.

Rod Bourgeois - Sanford C. Bernstein & Co. - Analyst

Okay. It sounds like you have some confidence based on what you're seeing in the pipeline and in the revenues you already have under contract, that you have some confidence that your constant-currency year-over-year revenue growth will accelerate in the second half of the year. Can you just comment on what some of the main underlying factors are that give you that confidence? Which areas of the business are going to drive the re-acceleration? That would be helpful if you can give some more specifics on that.

Pierre Nanterme - Accenture - Chief Executive Officer

Yes, Rod, this is Pierre here. Indeed, we are confident that in the other part of the year, our revenue will ramp up. And what's making us confident, a couple of things. First, rebuilding the pipeline. We continue to build the pipeline, both in Consulting and Outsourcing. And second, we have the contracted revenue creating the visibility for us and making us confident that in the second part of the year we will have the expected growth, as we are confirming here. Some of the highlights, if you will, we continue to see strong demand in all the new technologies, and I mentioned digital marketing, cloud, Software-as-a-Service, mobility. So all those new technologies continue to drive strong demand. Of course, we continue to see very healthy demand in orders related to Outsourcing and BPO. And as well, from an industry standpoint, we had pretty good news in Q1 regarding our HPS and Financial Services verticals. So we have facts making us confident that indeed we should deliver against what we've planned.

Rod Bourgeois - Sanford C. Bernstein & Co. - Analyst

All right. One final clarification there. The revenue growth in constant currency being at 5%, I think that's a little bit disappointing on the Street. People were expecting that you'd be more in the middle of that range in the first half of the year. Is the softness in revenue growth in the first half more a function of your large deals ramping slower than you might have expected? Or is it more a function of the small Consulting deals just not coming in at a fast enough clip to allow you to be higher in that revenue growth guidance range?

Pamela Craig - Accenture - Chief Financial Officer

Rod, it's primarily the former, but there is some impact of the latter too, as I mentioned in my comments. By the way, when we put together our plan last summer, this is exactly what we expected in terms of the first half, is that it would be lower – with higher growth in the second half.

Rod Bourgeois - Sanford C. Bernstein & Co. - Analyst

Got it. All right. Thank you guys.



Operator

Tien-Tsin Huang, JPMorgan.

Tien-Tsin Huang - JPMorgan Securities - Analyst

Great, thanks so much. I wanted to ask first about Asia. It looked like it slowed a little bit relative to the other regions. Anything unusual there to call out? How did it perform versus plan, specifically, in Asia?

Pierre Nanterme - Accenture - Chief Executive Officer

Again, we're pleased with where we are in Asia, with our growth of 8%.

Pamela Craig - Accenture - Chief Financial Officer

Yes.

Pierre Nanterme - Accenture - Chief Executive Officer

If you look at where we are, we have some good results in some very important countries for us. I'm thinking about China. I'm thinking about India as well. So we continue to make some good steps in Asia. And again, we are where we want to be.

Tien-Tsin Huang - JPMorgan Securities - Analyst

Okay.

Pamela Craig - Accenture - Chief Financial Officer

Asia-Pac is now 15% of our business, and as you know, we've had very strong growth over the last couple years. Frankly, in looking at this, we still had good, high single-digit growth in the anchor markets, Japan, Australia, Singapore, and as Pierre just mentioned, very strong growth in China and India. So overall, we were pleased with these results, even though this growth has moderated from the very high levels of the last couple years.

Tien-Tsin Huang - JPMorgan Securities - Analyst

No, it was good growth. Just surprised to see it coming in a little below the Americas is all. That's helpful to hear. As my follow-up, Pam, on the buybacks, I guess that's also running a little bit below trend. Anything to read into on the buybacks, or is that just a function of timing with the pension contribution?

Pamela Craig - Accenture - Chief Financial Officer

It's early in the year. Three months ago, we did see more uncertainty in the broader market. As we sit here today, we're committed to return the \$3.3 billion and to ramp up the repurchases in the latter part of the year.

Tien-Tsin Huang - JPMorgan Securities - Analyst

Got it. Okay. Thank you so much.



Operator

Katy Huberty, Morgan Stanley.

Katy Huberty - Morgan Stanley - Analyst

Yes, thanks. A follow-up on the Consulting business. You talked about weakness in Europe. Did you see weakness in the U.S. around the fiscal cliff uncertainty that would maybe start to get pushed through, assuming we get a resolution here in the near future?

Pierre Nanterme - Accenture - Chief Executive Officer

I will give that to Pam, specialist of the U.S.

Pamela Craig - Accenture - Chief Financial Officer

Yes, we'll let you do France, Pierre. In the U.S., we haven't seen a lot of impact from the fiscal cliff. We've assumed, Katy, that the executive and legislative branches of our government will reach an agreement, and our guidance was based on the assumption that positive growth will continue in the United States.

Katy Huberty - Morgan Stanley - Analyst

Okay. As a follow-up, Pam, I think you've talked about, in recent quarters, a sole-source win rate in the 60% range, which is above the historical average. Clearly, a sign that you can continue to take share, but when you compare your guidance of 5% to 8% growth, it's only slightly ahead of the 5% growth rate for the market. Is that just conservatism, or do you have less confidence in the market growth or your ability to take share this fiscal year?

Pamela Craig - Accenture - Chief Financial Officer

Sometimes it's how the timing works, and I think that this pattern in Consulting that we've seen of these bigger, longer deals that are converting to revenue slower, that timing is impacting our growth rate, particularly in the first half of this fiscal year.

Katy Huberty - Morgan Stanley - Analyst

Okay. And the sole-source win rate is still up in the 60% range?

Pamela Craig - Accenture - Chief Financial Officer

Yes, it is.

Katy Huberty - Morgan Stanley - Analyst

Okay. All right. Thank you very much.

Pamela Craig - Accenture - Chief Financial Officer

Thank you.



Pierre Nanterme - Accenture - Chief Executive Officer

And we believe that with 5% to 8% we will indeed gain market share.

Operator

Ashwin Shirvaikar, Citi.

Ashwin Shirvaikar - Citigroup - Analyst

Thank you. My first question is on the pipeline. You talked about replenishing the pipeline. Can you comment on how that effort is progressing and the types of contracts that you're seeing in the pipeline nowadays, and how different is it relative to, say, 12 months ago?

Pamela Craig - Accenture - Chief Financial Officer

Ashwin, one of the things we're very focused on was rebuilding the pipeline for the largest deals that we do. We call them megas. And indeed that part of our pipeline was up significantly in Q1 because we had a very large bookings quarter in Q4. So that's one bit of color I can give you. Otherwise, our pipeline is up, because we did indeed put focus on that in the first quarter to get us well positioned for the rest of the year.

Ashwin Shirvaikar - Citigroup - Analyst

Okay. With regards to revenues, you guys did say in the past, obviously, that 1Q and 2Q would be weaker with the second-half pick-up, so that's kind of expected as before. But relative to 2Q, is there anything different that you're looking at now, given all the uncertainty -- I would call it incremental uncertainty in Europe, as well as fiscal-cliff-related uncertainty here? Any kind of -- should we be writing off December and January, and it's sort of a one-month quarter, that kind of weakness?

Pierre Nanterme - Accenture - Chief Executive Officer

To comment on this, clearly we've not seen any change in the marketplace relative to the elements you're mentioning. As you might imagine, we're watching carefully what's happening, but we're not seeing in December any changing pattern regarding our clients. As we said, we are particularly pleased with our performance in the Americas, including the performance in the U.S. for Q1. Regarding Q2, we are providing our direction, and we have no reason to change our view on Q2 at this stage.

Pamela Craig - Accenture - Chief Financial Officer

Go ahead, Ashwin.

Ashwin Shirvaikar - Citigroup - Analyst

No, that's all the questions I had. Thank you.

Operator

Bryan Keane, Deutsche Bank.



Bryan Keane - Deutsche Bank - Analyst

Just want to ask about EMEA. It was up 10% constant currency in 1Q '12 and 2Q '12, then it dropped to 4% in 3Q, and then back up to 8% in 4Q. So I thought we were kind of out of the woods, but now we're flat in the first quarter '13. So is that just the volatility in the market? Is that all Consulting? Looking to make sure I understand what exactly is happening in that region.

Pierre Nanterme - Accenture - Chief Executive Officer

I will start with EMEA, because I'm a native there. Indeed, we are flat. But as always, as you know, it's covering multiple countries. First, we are overall pleased with part of the performance, and Outsourcing continued to do very well in that part of the world. If you look from a country standpoint, we're doing very well in countries such as Germany, for instance. We are flat to positive in many important countries for us, such as the UK, such as Italy, such as Spain. Again, you need to look, at least from a portfolio management standpoint, we are where we expected to be. And I think we have always been very clear in the prior quarters about the direction and how the Q1 would shape up in EMEA, but we continue to see some positive trends there and opportunities.

Bryan Keane - Deutsche Bank - Analyst

Okay. That's helpful. A couple quick ones. On Consulting, obviously, it was flat in constant currency. Should we expect it to be around flat again, or could that turn negative this quarter?

Pamela Craig - Accenture - Chief Financial Officer

I believe, Bryan, it will be flattish again. A little up, a little down, but I think it will be a similar pattern to the first quarter in the second, and then pick up into positive digits in the second half.

Bryan Keane - Deutsche Bank - Analyst

Okay. Last quick one. Headcount growth, I think you said would be around -- or over 50,000. That's a little bit below I think the 60,000 that you mentioned last quarter. Just want to see if that's correct? Secondly, contracted revenue for the next four quarters was 9% last quarter. Just looking for an update. Thanks so much.

Pamela Craig - Accenture - Chief Financial Officer

Okay. First of all, you're right. We said now we're going to hire at least 50,000 people, and I think that reflects a few things. One is that attrition is down. Second, you'll see that we have had a nice increase in the Global Delivery Network. We're carefully, as I think you'd expect of us, managing supply and demand around the world and getting positioned for the business building in the latter part of the year. We hired a number of people, a lot of people in Q4, and so it was down a little bit in this quarter. Regarding your second question, we're up -- we have about 8% more under contract over the remainder of the year versus this time last year.

Bryan Keane - Deutsche Bank - Analyst

Super. Thanks for the color.

Pamela Craig - Accenture - Chief Financial Officer

Pretty close in both Consulting and Outsourcing.

Bryan Keane - Deutsche Bank - Analyst

Okay. Great. Thanks.



Operator

Julio Quinteros, Goldman Sachs.

Julio Quinteros - Goldman Sachs - Analyst

Hi, guys. Thinking about the bottom-up build of the model a little bit, as I think we always do, I still have the appetite here for some numbers. On the utilization front, and thinking about pricing, and really the levers, right? Of course you guys have already communicated and conveyed the confidence that you have in getting to the numbers and the targets. But thinking through more of the mechanics of the model, if headcount has already been reduced a little bit in terms of the gross heads planned for you guys, obviously attrition is helping some there, but if pricing doesn't come through, or if utilization is already running kind of high, what will drive that acceleration into the back half of the year? Some of it I guess could be some of the acquisition benefits. Some of it could be the more non-linear components. Just trying to get my arms around how best to think about the drivers that could help in the back half of the year.

Pamela Craig - Accenture - Chief Financial Officer

I think the utilization is up a little bit, and that reflects that the Global Delivery Network is a slightly larger proportion. I think on the people side, we're getting the people where we need them, and that part is what we need to do. I'm confident that we're going to do that. It's really just to match that up with the Consulting growth as it materializes. I think the main levers we have, and we had some really good progress on this this quarter, where we are, I think, doing better than ever in terms of cost management and that kind of rigor and discipline about making sure we have that everywhere, on contracts, on the non-contracts, and then pushing for pricing where we can. Where the business cases are best, we can. We will never give up on that, and that's always a part of what we do. Prices overall were relatively stable this quarter.

Julio Quinteros - Goldman Sachs - Analyst

Okay. On the nonlinear idea, or some way to think about software or platform-based businesses, that as a percentage of your revenue, is there any color that you guys can share in terms of how big that could be at this point as a percentage of revenue?

Pierre Nanterme - Accenture - Chief Executive Officer

I would characterize that as being mostly stable. We continue to make investments in solutions and software on a very targeted and specific basis. Recall the two recent acquisitions we made, one in the Microsoft technology and the other one around digital marketing. Again, it's the same spirit so far. It's to invest in very niche and specific software to provide differentiated solutions. That what we do, and that's what we will continue to do. Of course, through our BPO and some of those activities, there is a less linear correlation between the people and the business, but overall, there is no change with our current strategy.

Julio Quinteros - Goldman Sachs - Analyst

Okay. Great. Thanks, guys. Happy holidays.

Operator

Jason Kupferberg, Jefferies.

Jason Kupferberg - Jefferies & Co. - Analyst

Thanks, guys. Happy holidays. I wanted to ask a follow-up question on Consulting. I think you guys were pretty clear the first half will be flat in terms of revenue growth and then move into positive territory in the second half. But just to probe that a little bit further, I think last quarter, you had said for full year fiscal '13, low to mid-single digits is the constant currency range you were expecting. Sounds like that's still doable, but I just wanted to test that a little bit. Is the lower end more likely,



where it looks like it'll be through the first half of the year? I know you're going to have some easier comparisons certainly helping later on in the year, but I wanted to make sure we have our expectations calibrated properly, if in fact the lower end now looks more likely.

Pamela Craig - Accenture - Chief Financial Officer

I certainly agree with part of what you said, Jason, which is that for the first half, flattish, and for the full year, low to mid-single digits. That means that we're going to come up into the mid-single digits positive, maybe a little higher in the second half of the year in Consulting.

Jason Kupferberg - Jefferies & Co. - Analyst

Okay. Okay. What I'm just getting at is, is the higher end of the range still realistic when you think about the low to mid-single digits for the full year?

Pamela Craig - Accenture - Chief Financial Officer

This is for Consulting or the 5% to 8% overall?

Jason Kupferberg - Jefferies & Co. - Analyst

No, Consulting only.

Pamela Craig - Accenture - Chief Financial Officer

Yes, based on our pipeline -- in Consulting we have stuff to convert. Right? So execution is up to us. But yes, we see that.

Jason Kupferberg - Jefferies & Co. - Analyst

Okay. Okay. Understood. To switch gears a little bit, we've been hearing and reading a bit more about some of the Big Four accounting firms substantially increasing their non-audit businesses in areas like consulting. I know that's been going on the past few years, and they're probably going to be encountering some conflict of interest questions around that. But are you seeing or experiencing any more competition from those types of firms out in the marketplace? Clearly, you guys are gaining share overall on a global basis across the competitive landscape, but any uptick in competitiveness from this group in particular?

Pierre Nanterme - Accenture - Chief Executive Officer

They're clearly part of our competition. As you know, we're competing against everybody. In all the different segments of our business, from Management Consulting to Technology to AO. That's the nature of our business. And believe me, when we have more competition, it's just pushing us to do better. So we love that.

Jason Kupferberg - Jefferies & Co. - Analyst

Okay. All right. Great, thanks.

Pierre Nanterme - Accenture - Chief Executive Officer

We try to continue raising our game, to compete, to win, and to gain market share.

Jason Kupferberg - Jefferies & Co. - Analyst

Okay. Thank you.



Operator

George Price, BB&T Capital Markets.

George Price - BB&T Capital Markets - Analyst

Hi. Good afternoon, everybody. Thanks for taking my questions. I want to just follow up on a couple of the questions that have been asked regarding Consulting growth and how that's going to trend. I know you just addressed it with Bryan and then with Jason, but is the expectation based on Consulting work that's contracted, or is that mainly pipeline? You alluded to pipeline, but I wanted to make sure that was more the case.

Pamela Craig - Accenture - Chief Financial Officer

It's both. It's what's contracted, as well as pipeline. And remember, we have that effect of the larger, longer Consulting deals that are bleeding in at a slower pace, so that's going to start to really take in the second part of the year.

Pierre Nanterme - Accenture - Chief Executive Officer

Again, keep in mind, that if you're looking at the last few quarters, our Consulting bookings remain very strong, including in Q1, about the \$4 billion mark. The point is exactly as Pam mentioned, the nature of the Consulting demand, which has changed to more longer-term and less shorter-term. So there is a kind of conversion rate from booking to revenues, which is different. But this is our expectation, that indeed those very strong bookings we had in these last quarters will convert in revenues in the second part of the year.

Pamela Craig - Accenture - Chief Financial Officer

I was just going to add that the book-to-bill for Consulting, which I'm sure you've already calculated, is 1.1 in the first quarter.

George Price - BB&T Capital Markets - Analyst

Right. Right. Okay. Has Consulting growth bottomed in Europe, do you think?

Pamela Craig - Accenture - Chief Financial Officer

I think we're turning the corner there overall. Of course, not every operating group or every industry or every country is alike. There's some variability for sure. But we are really starting to turn the corner in my view. Of course, we look at sequential and how that's doing, and we see that happening overall, obviously, in order to predict the growth rates in the second half of the year.

George Price - BB&T Capital Markets - Analyst

Okay. It sounds like second quarter's going to be the bottom overall, and that's consistent, you think, with Europe. Is that fair?

Pamela Craig - Accenture - Chief Financial Officer

I do. We do see EMEA picking up in the latter part of the year in Consulting.



George Price - BB&T Capital Markets - Analyst

Okay. Last question, you talked about SI bookings last quarter, they were obviously a record, and this quarter, I think you mentioned that they were holding their own. Were they -- maybe a little subtle change there in tone? Were they up actually year-over-year? And could you talk a little bit more about what you observed in terms of changes in bookings for SI?

Pamela Craig - Accenture - Chief Financial Officer

Yes, I actually meant to communicate that as a positive in terms of SI bookings, because despite -- we continue to have some shifts to the Global Delivery Network, and despite a few of these other patterns, and in terms of the rest of the shorter-term stuff, that actually the book-to-bill in Systems Integration was very good. It was in Management Consulting where it was off a little.

George Price - BB&T Capital Markets - Analyst

Okay. But SI was up?

Pamela Craig - Accenture - Chief Financial Officer

Was up?

George Price - BB&T Capital Markets - Analyst

Up year-over-year. I'm sorry.

Pamela Craig - Accenture - Chief Financial Officer

We'll check that. I just want to make sure I'm accurate before I answer.

George Price - BB&T Capital Markets - Analyst

Okay. All right. Great. Thank you.

Operator

Darrin Peller, Barclays.

Darrin Peller - Barclays Capital - Analyst

Thanks. To follow up, you mentioned strength in some of the larger albeit slower Consulting projects, but some weaker trends in smaller-size deals, I think, in terms of the Consulting side. In other words, your 2013 growth doesn't have as much benefit from these smaller, more nimble deals. How big of a contributor would that normally be in terms of growth contribution? In other words, how much are we missing from the smaller-size deals?

Pamela Craig - Accenture - Chief Financial Officer

I actually don't have that to provide to you, exactly, but we do see -- I personally think the fact that we have a greater proportion of this longer, larger, in my view, stickier Consulting work, that's ultimately better for our business. So again, this trend, the way it bleeds through, is important -- it does impact the growth rate in a given



quarter, and certainly this quarter and next we see that. But nonetheless, I think in general, it's a positive trend... Back to the other question, Systems Integration bookings are up 3% in local currency.

Pierre Nanterme - Accenture - Chief Executive Officer

I would comment on this and it's a very positive trend. Again, if you look at the Consulting bookings, just to confirm, \$4.2 billion, and a book-to-bill which is over 1. We are building, and backlog isn't the right terminology, but I'm an old-fashioned guy. We're building contracted revenues moving forward. Indeed, the fact that we are contracting on longer-term Consulting will make, over time, our business more resilient with more visibility over time. Now, it's happening that for a typical quarter, it's creating the effect you see. But it's making us confident that over time, and in the second part of the year, those contracted revenues will generate Consulting growth.

Pamela Craig - Accenture - Chief Financial Officer

Right.

Darrin Peller - Barclays Capital - Analyst

Right. I think that's fair. It's definitely a good trend. I think we're just trying to understand how much of a call option there is to the upside when this kind of business does return and more nimble, probably cyclical, projects come back with a little more strength. But I hear you. I think long-term business, obviously, is beneficial. Just a quick follow-up, if you don't mind, on the pricing side. We've heard from some of the larger Indian-based outsourcing firms that pricing's come down a bit, in a bid for them, or at least some of them, to gain back some of the market share. Are you seeing that anywhere?

Pierre Nanterme - Accenture - Chief Executive Officer

From a pricing standpoint, I think we will call the pricing stable, with as always some pockets of improvement, but stable overall.

Pamela Craig - Accenture - Chief Financial Officer

Right.

Darrin Peller - Barclays Capital - Analyst

Great. All right, guys. Thank you.

KC McClure - Accenture - Managing Director, Investor Relations

Tom, we have time for one more question, then Pierre will wrap up the call.

Operator

Okay, thank you. Joseph Foresi, Janney Montgomery.

Joseph Foresi - Janney Montgomery Scott - Analyst

My first question was, you talked about going forward that the bookings were going to pick up next quarter. How should we think about that in relation to the current decision-making and business trends? Is that an indication that's continuing and the momentum's actually picking up heading into the new year?



Pamela Craig - Accenture - Chief Financial Officer

I think it's a little bit more about us, going from the high bookings in Q4 to this quarter and how we've been building our pipeline and how we see the stuff converting over the course of this quarter. We're actually already off to a decent start. So I think a lot of it is, or at least a portion of it, is related to us. Then in terms of the environment, we commented we did not see really anything specific that's leading us to think that there's any kind of pause going on right now in terms of the kind of work that we're signing up.

Joseph Foresi - Janney Montgomery Scott - Analyst

Okay. My second and last question, you talked about Consulting projects and more large deals coming in and less small deals. So I guess there's probably two parts to this question. First, why would people be more willing to commit to the large deals than the small deals? And is that based on geography? Also, based on the fact that this is going to be back-end loaded this year, I'm wondering what would potentially derail that? Would that take a shift in the macro for that to change at all?

Pamela Craig - Accenture - Chief Financial Officer

I think the reason the complexion of the projects is different is because these longer, larger ones are more critical. Perhaps these other things are things that just aren't as critical, some of the smaller stuff. If you look at what's happening with the big banks, for example, that's the case, the kinds of things they need to do are different than they were in the past based on the transformation that's going on in the industry. And that's true with the big telecom companies as well. So I think a lot of it is that.

Pierre Nanterme - Accenture - Chief Executive Officer

Yes, I think that's exactly right. What we see, and this is what's making us confident despite the volatile and uncertain environment we see, is that the transformational business is still there, because all the giants, the big companies and global leaders we are serving, they need to comply with new regulations. They need to be more global. They need to rationalize, and they need to do all of this at scale. This is what I think was reflected in a couple of the illustrations I made earlier. Look at what we just contracted today -- we announced today, not contracted -- with Unilever. It's just a good illustration of what's happening. So our positioning on the transformational business, high-end, large-scale programs, is resonating with our clients and is aligned with their needs. We continue to see that type of demand in the marketplace. That's why we are remaining confident.

Joseph Foresi - Janney Montgomery Scott - Analyst

Okay. Happy holidays.

Pierre Nanterme - Accenture - Chief Executive Officer

Okay. Thanks again, everybody, for joining us on today's call. With the first quarter behind us, again, we remain confident in our ability to continue to drive profitable growth, with a sharp focus on providing highly differentiated services to our clients and improving our competitiveness in the marketplace.

As I travel around the world, I can see the opportunities in front of us, and I can tell you that the men and women of Accenture are fully mobilized and focused on delivering value for our clients and for Accenture every day.

I want to take this opportunity to wish all of you, our investors and analysts, but as well our Accenture people who are listening to the call, a very happy holiday season and all the best for the New Year.

We look forward to talking with you again next quarter. In the meantime, if you have any questions, please feel free to call KC. All the best, and happy holidays.



Operator

Ladies and gentlemen, this conference will be available for replay after 7 PM this evening and running through March 28, 2013 at midnight. You may access the AT&T executive playback service at any time by dialing 1-800-475-6701 and entering the access code of 271680. International participants may dial 320-365-3844. Those numbers again are 800-475-6701. International participants, dial 1-320-365-3844. Please enter the access code of 271680. And that does conclude our conference for today. We thank you for your participation and using the AT&T Executive TeleConference service. You may now disconnect.

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