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ACN – ACCENTURE'S Q3 FISCAL 2012 EARNINGS
CONFERENCE CALL

EVENT DATE/TIME: JUNE 28, 2012: 4:30 P.M. EDT/ 8:30 P.M.
GMT



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PRESENTATION

Operator

Ladies and gentlemen, good afternoon. Thank you for standing by, and welcome to Accenture's third quarter fiscal 2012 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) 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 third quarter fiscal 2012 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 third quarter. Pierre will then provide a brief update on market positioning and progress against our growth strategy. Pam will then provide our business outlook for the fourth quarter and full fiscal year 2012. And then we will 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 reimbursements, or net revenues. Some of the matters we'll 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 third quarter, which demonstrate that our strategy and the diversity of our business continue to differentiate Accenture in the marketplace, and enable us to drive profitable growth. Here are a few highlights:

- We delivered new bookings of \$7.3 billion, bringing us to \$23 billion for the first three quarters of the year.
- Revenues were \$7.2 billion, up 9% in local currency, with growth across all five operating groups and all three geographic regions, and outstanding revenue growth in outsourcing.
- We delivered earnings per share of \$1.03, an increase of 11%.
- We increased operating income 12% to \$1.1 billion, and expanded operating margin to 14.8%.
- We continue to have a very strong balance sheet, ending the quarter with a cash balance of \$5.6 billion.
- And we returned more than \$1.1 billion in cash to shareholders through share repurchases and the payment of our semi-annual cash dividend.

Given how we see our business shaping up for the year, we are confirming our outlook for revenue growth of 10% to 12% for the year.

Now, let me hand over to Pam, who will review the numbers in greater detail. Pam, over to you.

Pam Craig - Accenture - Chief Financial Officer

Thank you, Pierre, and thanks to all of you for listening today. I am pleased to give you some details on Accenture's fiscal year 2012 third quarter financial results. We delivered solid bookings, tracking to our full-year outlook, and revenues right at the midpoint of the Q3 range we provided in March. Revenue growth was driven by continued strength in outsourcing and demand that spans our global operating groups for our diverse mix of service offerings. We also delivered overall margin expansion and continued to drive strong cash flow. We achieved double-digit EPS growth for the quarter, reflecting the profitable growth in our business, and we continue to have a strong balance sheet.

Now, let's get to the numbers. 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 \$7.29 billion, and reflect a negative 4% foreign exchange impact compared with new bookings in the third quarter last year. Consulting bookings were \$4.05 billion, and outsourcing bookings were \$3.24 billion. As a reminder, our outsourcing bookings, in particular, can be lumpy from quarter to quarter.

Let me give you some details, first in consulting. In management consulting, bookings moderated this quarter, down a bit from our first quarter high. Notably, however, bookings reflected greater client demand for more transformational projects in finance and risk, operations, and customer relationship management, all areas that can immediately impact our clients' performance. This demand resulted in larger projects of longer duration, and increased focus on business case outcomes. Technology consulting bookings were back up this quarter to a record level, and reflected continued demand for network transformation, data center consolidation, and IT strategy and transformation services for both driving cost savings and increasing the business value of IT spend. Systems integration bookings, steady overall and showing real strength in the Americas, continued to reflect client demand to implement, modernize, and advance enterprise-wide ERP systems. Demand continues to grow for cloud solutions for application re-platforming and also for new Software-as-a-Service solutions from both the established technology players, as well as from newer SaaS providers.

Turning to outsourcing, our bookings in technology outsourcing reflect continued strength in demand across our operating groups, and geographically across the Americas, Asia Pacific, and parts of Europe. We continue to work closely with many, many clients around the world, enabling them to reduce IT operating costs, to turn fixed costs into variable costs, and to improve their IT effectiveness as they continue to work to transform their operations to become more competitive. BPO bookings in Q3 reflect continued demand for both our cross-industry offerings, especially finance and accounting, and for our industry-specific solutions, notably Accenture Credit Services in Financial Services. We are pleased with our BPO business, which is building momentum and share in key markets, particularly in the Americas. Finally, we had bookings of over \$100 million at eight clients. One last point on outsourcing... I am pleased with the continued expansion in our outsourcing pipeline, particularly with the increase in larger opportunities.



Turning now to revenues. Net revenues for the third quarter were \$7.15 billion, an increase of 6% in U.S. dollars and 9% in local currency over the same period last year. As we had expected, these revenues reflect a foreign-exchange impact of negative 3% compared with Q3 last year. These revenues were at the midpoint of our guided range of \$7.05 billion to \$7.25 billion.

Consulting revenues were \$3.97 billion in the third quarter, consistent with last fiscal year in U.S. dollars, and up 3% in local currency. Very strong local-currency growth in Asia-Pacific, and single-digit growth in the Americas was offset by a modest decline in EMEA. Business case-driven projects continued to grow and contribute to our consulting revenues. What we see less of right now is very small project work, which means that bookings overall did not convert to revenues as quickly as we had seen in recent quarters.

Outsourcing revenues were \$3.19 billion, an increase of 16% in U.S. dollars, and 19% in local currency. Outsourcing revenues reached record high levels this quarter, and were broad-based across the different dimensions of our business where we are building market share. All five operating groups posted strong double-digit revenue growth in outsourcing, as did the three geographic regions, and the majority of our industry groups as well.

I'll take you through some details by operating group... Health & Public Service revenues increased 13% in local currency, reflecting very significant growth in Health again this quarter, led by consulting across all geographic regions. Our Health offerings are resonating in the market, including Connected Health and Health Administration. Our strategy to reposition our Public Service business is yielding results. Solid growth this quarter reflected outsourcing work in different parts of the world to enable governments to save costs and increase effectiveness, particularly in defense and human services.

The Products operating group, our largest, had local-currency revenue growth of 11%, driven by strong growth in outsourcing globally, and led by our technology offerings, notably in the Retail and Life Sciences industries. Consulting revenue growth was very strong in the Americas and Asia Pacific. Though we had a slight decline in EMEA consulting overall, we saw our ERP and Sales and Marketing offerings in Retail and Industrial Equipment posting growth there. We are also pleased that we continue to see the deepening of our client relationships across our global portfolio.

Communications, Media & Technology revenues increased 8% in local currency. Significant outsourcing growth was driven by our clients' continued focus on improving their operations, including a short-term increase related to a contract for a client in Europe. CMT's consulting revenue declined. This was most pronounced in EMEA, as certain clients in some markets are more cautious and are reducing or deferring investment in consulting projects. In CMT overall, we continue to see more longer-term application support and business process outsourcing engagements, and fewer large systems integration projects. We expect this to continue, and are focused on meeting our clients' evolving needs, particularly in Europe and in Communications globally.

Financial Services revenues also increased 8% in local currency. Outsourcing revenues reflected very significant growth, driven by strong demand across our industry groups in the Americas and Asia Pacific. This strong growth was driven by our Credit Services and IT infrastructure offerings. Consulting revenues fell slightly overall, reflecting a decline in EMEA and flatness in the Americas, as the market uncertainty in the Banking and Capital Markets industries continues. This was offset by strong consulting growth in Insurance across all geographic regions, as demand was driven by a focus on IT infrastructure projects. And in addition, Banking in Asia Pacific reflected significant consulting growth, also driven by our IT infrastructure offerings.

Finally, Resources revenues also grew 8% in local currency, with significant growth in our Energy industry around the world, along with moderate growth overall in Natural Resources and Chemicals, and a modest year-on-year decline in our Utilities industry. Strong growth in outsourcing reflected demand for flexible, cost-effective sourcing to meet increased demand in ongoing operations. Consulting growth moderated, and continued to be driven by programs supporting global operating models and a focus on driving short-term efficiencies.

In summary, this broad-based revenue growth reflects continuing strength in outsourcing, with demand across many of the industries we serve, and strong growth in key countries in the Americas and Asia Pacific, as well as in a number of our priority emerging markets, including China and South Africa.

Moving down the income statement... Gross margin was 33.1%, compared with 34.4% for the same period last year, a 130-basis-point decrease. Considering the cost base we manage, nearly 80% of our costs and most of our payroll costs are part of cost of services to yield our gross margin. The largest part of that is costs charged directly to contracts, and contract profitability was up slightly for Accenture overall. Of the remainder, payroll costs that were higher in this year's third quarter gross margin included pre-contract costs, holiday time, and some impact from other investments we made in offerings and acquisitions.

Sales and Marketing expense was \$854 million, or 11.9% of net revenues, compared with \$832 million, or 12.4% of net revenues, for the third quarter last year, a 50-basis-point decrease in these costs in relation to revenue. We had lower payroll costs in relation to revenue here, as more went into cost of services activities, as I just mentioned. General and Administrative expense was \$455 million, or 6.4% of net revenues, compared with \$527 million, or 7.8% of net revenues, for the third quarter last year, a 140-basis-point reduction in G&A expense, due primarily to the \$75 million provision for litigation matters that was recorded in Q3 last year, which accounts for 110 basis points. The remaining 30 basis points was a result of our continued focus on driving efficiencies in our cost base as we grow our business.



Operating income was \$1.06 billion, reflecting a 14.8% operating margin. This compares with \$949 million, or 14.1% operating margin, in the third quarter last year, an increase of 70 basis points. Year to date, our operating margin is up 40 basis points, which reflects our management of overall payroll, our investment decisions, and other operating costs for the size of our business, with the objective of achieving modest operating margin expansion this fiscal year.

In terms of operating groups, Financial Services operating income decreased year over year and operating margins fell, due primarily to higher pre-contract costs, as well as costs related to recent acquisitions. However, the trajectory in Financial Services is back on a positive track. Additionally, the repositioning of our Health & Public Service business is yielding improvements in operating margin, and Products continues on a positive trajectory as well.

Our effective tax rate for the quarter was 28.5%, compared to 27% for the third quarter last year. The higher rate in the third quarter this year was primarily due to a net increase in reserves and changes in the geographic mix of income, partially offset by higher benefits related to final determinations of tax liabilities for prior years. Net income was \$763 million for the third quarter, compared with \$699 million for the same quarter last year, an increase of 9%. Diluted earnings per share were \$1.03, compared with \$0.93 in the third quarter last year, an increase of 11%. This \$0.10 increase is made up of \$0.10 from higher revenue and operating results, \$0.02 from the lower share count, offset by a \$0.02 decrease from a higher effective tax rate.

Free cash flow for the quarter was \$1.13 billion rounded, resulting from cash generated by operating activities of \$1.22 billion, net of property and equipment additions of \$90 million. Speaking of cash, our total cash balance at May 31 was \$5.6 billion, and compares with \$5.7 billion at the end of August. Turning to DSOs, our days services outstanding were 30 days, up from 29 days last quarter, and down from 32 in Q3 last fiscal year. Turning to some other key operational metrics, we ended the quarter with global headcount of more than 249,000 people, and we now have more than 154,000 people in our global delivery network. In Q3, our utilization was 87%, flat with Q2. Attrition, which excludes involuntary terminations, was 13%, up compared with 12% in Q2, and down from 15% in Q3 last fiscal year. Lastly, we continue to expect to hire at least 60,000 people around the world this year.

Before I turn things back to Pierre, I will comment on our ongoing objective to return cash to shareholders through share repurchases and dividends. On May 15, 2012, we made our second semi-annual dividend payment for fiscal '12 in the amount of \$0.675 per share, bringing total dividend payments for the fiscal year to \$951 million. Also in the third quarter, we repurchased or redeemed approximately 10.7 million shares for \$653 million, at an average price of \$60.97 per share, and year-to-date we've purchased 24.7 million shares for approximately \$1.4 billion and \$56.90 per share. We are on track to deliver at least a 2% reduction in weighted average diluted shares outstanding this fiscal year. At May 31, we had approximately \$4.8 billion of share repurchase authority remaining.

To sum up, our Q3 results reflect Accenture people's relentless focus on being relevant to our clients and bringing value to their business needs in this dynamic environment. We are focused both on executing well on the business we have and on driving the business we will have in the future. Now, let me turn the call back to Pierre, who will give you an update on some transformational work we are doing with clients. Then I will finish up with our business outlook.

Pierre Nanterme - Accenture - Chief Executive Officer

Thank you, Pam. As you've just heard, our results demonstrate that our services and offerings remain very relevant to our clients, and we are fully mobilized to continue to drive profitable growth. Let me start by sharing our view on the macroeconomic environment. We continue to monitor global economic conditions very closely. We have seen renewed challenges around the sovereign debt issue in Europe, as well as confirmation of a slowdown in the forecast for global economic growth. In this context, our highly diverse portfolio of business serves us very well, as we are leveraging new capabilities and technologies to bring innovative solutions to clients across many different industries and geographic markets. At the same time, we are accelerating the execution of our strategy to seize new opportunities in the marketplace.

Overall, we see strong demand for our services, as our clients, the leaders in their industries, continue to see the need to transform their businesses to address the challenges of globalization, consolidation, regulation, and technology innovation. Here are a few examples of how we are leveraging the full depth and breadth of our capabilities to help clients drive transformation and achieve very tangible results.

We are helping the U.S. Army streamline business processes to create a single source for financial, property, cost management, and performance data at more than 200 locations worldwide. This is one of the largest ERP systems in the world, processing more than 1 million transactions a day, and supporting a \$140 billion general fund. With access to high-quality, real-time data, our client can make more informed decisions to better leverage resources and plan for the future.

We are helping a large Europe-based retailer go green and go mobile. We implemented a new supply chain designed to encourage recycling and ultimately reduce costs for the client, cutting their environmental footprint by as much as 50%. And we are helping them build a global mobile platform that will enable their customers to shop and quickly pay for purchases using their mobile devices.



Many of our clients are seeking technology innovation to develop new capabilities, and this is driving demand for our services. We are working with a global healthcare company to transform its digital marketing capabilities by migrating more than 1,500 websites for nearly 100 different brands across 65 countries to a single, cloud-based platform. The new integrated platform will enable the company to reduce costs significantly, and connect directly with physicians and healthcare providers around the world.

We are helping a leading global consumer goods company build and manage digital marketing campaigns to support more than 100 brands globally through new channels, including the web and mobile devices. We now produce and deliver these campaigns in more than 20 languages across 60 countries, and are using analytics to measure their effectiveness.

We continue to drive geographic expansion, focusing on a number of growth markets, both mature under-penetrated markets, as well as our 10 priority emerging markets. Our business in the United States is performing very well. We are continuing to gain market share, and are investing to expand the range of innovative services and capabilities we provide to clients. Earlier this fiscal year, we acquired Zenta and formed Accenture Credit Services to help mortgage lenders originate and service loans more efficiently. Accenture Credit Services is now serving more than 75 institutions, including four of the five largest U.S. banks, making Accenture one of the top three third-party mortgage processing providers in the U.S.

In our priority emerging markets, we are particularly pleased with our performance in China, where we are helping clients transform to compete more effectively. We are working with a major Chinese utility to develop a new smart grid strategy to build an eco-friendly smart grid to provide more than one billion people with reliable, clean and cost-efficient electricity.

At the same time that we are working with clients to transform their businesses and improve operation, our global leadership team continues to run Accenture with a relentless focus on cost efficiency and operational excellence to deliver against our commitments. With that, let me turn the call back to Pam, who will provide our business outlook for the fourth quarter and the full fiscal year. Over to you, Pam.

Pam Craig - Accenture - Chief Financial Officer

Thank you, Pierre. This business outlook for fiscal year 2012 includes fourth quarter revenues and our last quarterly view on the year. As we head into the last quarter of our fiscal 2012, we feel the volatility and economic uncertainty around the world, and we expect it to continue. Although the demand environment is uneven in spots, particularly in consulting, there are many areas of strength, particularly in outsourcing. With that in mind, let me share how that factors into our view of Q4 and the full fiscal year.

For the fourth quarter, we expect revenues to be in the range of \$6.6 billion to \$6.85 billion, which assumes a foreign exchange impact of negative 7% for the quarter. We saw a significant deterioration of FX rates beginning in late May, which had a substantial effect on our Q4 FX assumption, as well as an impact for the full year. Taking that into account, for the full fiscal year, we have updated our prior assumption of negative 1%, and now assume a foreign-exchange impact of negative 2%. Based on our year-to-date results of 12% revenue growth in local currency and the outlook just provided for Q4, we continue to expect our fiscal '12 revenue to be in the range of 10% to 12% growth in local currency, and not lower than 10.4%. Consistent with what we shared last quarter, we expect strong growth in outsourcing to continue, and consulting revenue to moderate a little further.

We continue to expect bookings to fall within our new bookings range of \$28 billion to \$31 billion for the fiscal year, and we expect to be toward the upper end of that range, even with the updated foreign exchange impact. We continue to expect operating margin to be in the range of 13.7% to 13.9%, a 10 to 30 basis-point expansion over last fiscal year. We continue to expect our annual effective tax rate to be in the range of 27% to 28% for fiscal '12. This means that for Q4, we expect the tax rate to be above the annual range.

We now expect earnings per share for the full fiscal year to be in the range of \$3.80 to \$3.84. We have narrowed our EPS range from an \$0.08 range to a \$0.04 range for the last quarter of the fiscal year. We have also lowered EPS overall by \$0.04 to reflect our updated assumption for the impact of foreign exchange on our revenues for the year. Finally, we now expect operating cash flow to be in the range of \$3.55 billion to \$3.85 billion, with property and equipment additions of \$350 million, and as a result, free cash flow to continue to be in the range we provided last quarter of \$3.2 billion to \$3.5 billion. We remain committed to return a substantial portion of the cash we generate to shareholders. In fiscal '12, we expect to return at least \$3 billion through dividends and share repurchases, and to reduce the weighted average diluted shares outstanding by at least 2%.

Next quarter, we will provide our business outlook for fiscal '13. We see good opportunities shaping up across our operating groups in most markets around the world, and our goal continues to be to grow ahead of the market and build market share. We will provide more detail when we announce our fourth-quarter results and provide fiscal year '13 guidance in three months' time. As we close out fiscal year '12, we are focused on driving profitable revenue growth, continuing our market share gains, maintaining a strong balance sheet, and as always, generating significant free cash flow. KC, let's take some questions.



KC McClure - Accenture - Managing Director IR

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

QUESTION AND ANSWER

Operator

(Operator Instructions) Our first question today comes from the line of Darrin Peller representing Barclays. Please go ahead.

Darrin Peller - Barclays Capital - Analyst

Thanks for taking my question. Nice job on the quarter, guys. Can you comment a bit more specifically on what you're actually seeing in Europe around specific growth rates of consulting and outsourcing? I know you mentioned that consulting was down, but I think outsourcing is obviously doing extremely well. And then would you also be able to provide some insight into whether you expect any different types of impact from Europe, or financials, or perhaps other macroeconomically sensitive spots on your fiscal '13 outlook at some point? I know it's a little early on the '13 outlook at this point. Thanks.

Pierre Nanterme - Accenture - Chief Executive Officer

Yes, I guess I will take the question on Europe. We continue to remain positive with the situation in Europe. Indeed, what we've seen is some moderation of our growth in consulting, but as you've noticed, very strong and positive growth in outsourcing. The second point is when you look at Europe, you need to look at that part of the world country by country. On a year-to-date basis, we've been growing in most of our countries, if not all the countries in Europe, and indeed, in Q3, we are still growing in many of those markets, including Finland, The Netherlands, Belgium, Ireland, modest growth even in Spain, Germany. And I'm almost embarrassed to mention that there is one country showing a decline in Q3, and that country is France. Obviously, this is a place where I will need to show more leadership. Pam, do you want to expand on this?

Pam Craig - Accenture - Chief Financial Officer

Sure. So I think in my comments, I tried to highlight that there is one spot in Europe where we are a little more focused, and that's in Communications, Media & Technology consulting. I think there are, as Pierre mentioned, there are other areas. I mean, outsourcing is strong overall in Europe, and consulting has some patches like this. Financial Services, I would say, is holding its own, despite the market there in banking, et cetera. But those are the patches where we're watching and looking to see how we continue to evolve to serve our clients there.

Darrin Peller - Barclays Capital - Analyst

Okay.

Pam Craig - Accenture - Chief Financial Officer

Does that get at it, Darren? I'm --

Darrin Peller - Barclays Capital - Analyst

I think it does help. Really, what I'm looking for is just behavioral practices by clients in Europe. Is there anything different about the way that you're winning bookings, whether it's sales cycle, or pricing, or anything else in the practices of European client base or even financial services? But it sounds like it's pretty broadly unique per vertical and per country.



Pam Craig - Accenture - Chief Financial Officer

Yes. I mean, I think that we have a long tradition of local leadership there with many great companies that are our clients, and those companies are focused on being as competitive as they can be, given the constraints of their environment, both locally and in many cases, globally. So I think that we are well-positioned to help them save money, become more efficient, and grow their businesses.

Darrin Peller - Barclays Capital - Analyst

Okay. That's helpful. Thanks, Pam. Thanks, Pierre.

Pam Craig - Accenture - Chief Financial Officer

Great. Thanks, Darrin.

Operator

Our next question comes from the line of Tien-Tsin Huang with JPMorgan. Please go ahead.

Tien-Tsin Huang - JPMorgan Securities - Analyst

Thanks so much. Good results here. I guess I wanted to ask, your tone obviously was pretty clear, and the results were good, especially relative to your offshore peers, where we've seen a lot more variability. I guess my question is, there, what do you think is driving that variability versus what you're reporting? Is it as simple as your diverse business mix, or is there a structural shift going on in tech services that maybe we can talk about? If you follow my question.

Pierre Nanterme - Accenture - Chief Executive Officer

Yes, I mean, to answer your question, and we truly believe here, because we have been shaping that strategy, that we are executing the right strategy and problem-solving with clients. I mean, for a long, long time now, we've been focusing on these large leaders, local or global. And it's happened in the current environment, the leaders, they continue to invest because they have to transform. I mean, that's probably what that means. And the trends we are talking about are extraordinarily deep and profound, what we are calling the globalization, the consolidation, the regulation, and all of those technology innovations are putting some significant pressure on those companies to continue transforming, and especially, probably, in some industries such as banking, I know, personally, very well, where you are creating a new normal environment, or even communications where the market is transforming rapidly, it's creating an environment where those companies, they have to transform their operations. And using the capabilities we are providing at scale, and mainly on the global footprint, either in the outsourcing, which is extremely high-growth or in the consulting, especially when it comes to what I would call the new, around the new technology, around the cloud, mobile. I mean, you probably heard me talking a lot around cloud-based mobile analytics, because all of those new technologies are providing good business cases and good returns for the companies. That's the environment, and the fact that we articulated our strategy around the giants, or the leaders, sorry -- industry differentiation, new technology, geographic expansion, and all of these with maximum rigor and discipline in running Accenture, is paying off.

Tien-Tsin Huang - JPMorgan Securities - Analyst

Yes, yes. That's good. So I guess as my follow-up, I'll ask just, I get the deferring fiscal '13 guidance. That makes a lot of sense. I'm actually glad you're doing that. But just to clarify, your fourth-quarter implied guidance on revenue growth, it looks like, I think, 6% to 9% in constant currency. I know the comps are obviously going to get tougher, so based on math, and just this exit rate in the fourth quarter, should we assume something a bit south of 6% to 9%, or the fourth quarter run rate to be a starting point to think about fiscal '13? Just trying to think about high level comps and exit rates and things like that, anything you can clarify there? Thanks.

Pam Craig - Accenture - Chief Financial Officer



Yes, I think your math's roughly right on the fourth quarter, Tien-Tsin. And just to give you more details on that, we continue to see similar strength in outsourcing of mid to high teens. And I think in consulting, it could be as much as this quarter to a modest decline, just in terms of the range we see there. And I think as we shape up next year, we believe that we will see growth in consulting, and we also believe that outsourcing will continue to be healthy.

Tien-Tsin Huang - *JPMorgan Securities - Analyst*

Okay. Very good. Appreciate it, guys.

Operator

Our next question comes from the line of Rod Bourgeois representing Sanford Bernstein.

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

Okay, great. So I think you guys know, I think it's very prudent not to give formal guidance at this point for fiscal '13, but let me ask a few more questions about some of the key forward-looking trends, just to help out on that front. So, again, in Europe, your local-currency revenue growth is now at 4%. The question I have about Europe, clearly, there's a lot of indication in Europe that interest in outsourcing is on the rise, or at least has been on the rise in the last year. Is there enough outsourcing pipeline activity in Europe to offset the weakness in the consulting market overall, such that you can hold your European growth to a positive rate, even though you're at 4% right now?

Pierre Nanterme - *Accenture - Chief Executive Officer*

Yes. I will comment overall on the outsourcing, and I think Pam will provide some comments around the pipeline. Outsourcing in Europe, we are pretty positive in outsourcing in Europe for the following reasons. As you know, outsourcing heats you up, so to speak, through the UK and the Nordic countries for all sort of reasons. And what we've seen recently, and the last quarters, it is indeed outsourcing now, there is a greater acceptance, if you will, in more of the continental Europe countries. And this is driving a new source for growth in our outsourcing business, and so that dynamic now is starting, and is creating a bigger market for outsourcing in Europe.

Pam Craig - *Accenture - Chief Financial Officer*

We do see our pipeline up in outsourcing in Europe. So I think that supports that thesis, Rod. I mean, to your point, I think we expect to continue to hold our own with the strength there, and then work to evolve on the consulting business, which is definitely holding up in some industries in Europe, and then in other areas we need to evolve it.

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

Okay. Then in terms of a follow-up, to carry that discussion to the margin front, you're clearly going to have better growth in outsourcing over the next year than in consulting. Should investors be at all worried about your ability to drive incremental margin expansion over the next year in light of the fact that outsourcing growth is clearly outpacing consulting growth?

Pam Craig - *Accenture - Chief Financial Officer*

No. We don't believe so. The difference between the consulting and the outsourcing business is we do see more at the contract profitability line in consulting. But then when you consider the rest of the costs that go into our cost base, we are prepared to -- and as you know, we've seen this happen over the course of our history, where proportionally the demand is greater in one than the other, and I am confident we'll be able to manage the cost base to continue to drive for modest margin expansion.

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

All right. Pam, just to close here, a clarification on something you said earlier. I think you implied that your growth in the August quarter, the growth gap between consulting and outsourcing, should be similar in the August quarter as it was in the May quarter. If that's accurate, would you expect a similar gap between outsourcing and consulting growth to continue in fiscal '13, based on the trends that you're seeing right now, or would that gap potentially widen in fiscal '13, or should it stay about the same?

Pam Craig - Accenture - Chief Financial Officer

Rod, you were the one who said that you were glad that I was not giving guidance for fiscal '13, so I'm not going to do it.

Rod Bourgeois - Sanford C. Bernstein & Company, Inc. - Analyst

I was just asking about the gap between the two segments rather than actual numbers, but I understand the reason to defer on that.

Pam Craig - Accenture - Chief Financial Officer

Great, thanks.

Pierre Nanterme - Accenture - Chief Executive Officer

Thank you.

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

Thanks.

Operator

Next we'll go to the line of Bryan Keane with Deutsche Bank. Please go ahead.

Bryan Keane - Deutsche Bank - Analyst

Hi, guys. I guess, Pam, you stated for consulting, moderate growth to maybe a moderate decline in constant currency in the fourth quarter. But I guess in answer to another question, you said you thought it would be positive in fiscal year '13. How do we know that it is bottoming out, and how do you have any sense -- I guess maybe looking at the pipeline, you know that things are likely not to get a lot worse?

Pam Craig - Accenture - Chief Financial Officer

I think the way the pipeline is shaping up, and the way we see the business shaping up going forward is that we believe we're going to hold our own there. Bryan, I'm not going to lay out the quarter-by-quarter thing, but we just believe that we will have growth overall next year in consulting.

Bryan Keane - Deutsche Bank - Analyst

Okay. Just for modeling purposes, if FX stayed the exact same, or if the rates stayed the same, how many points of FX headwind should we be thinking about for fiscal year '13?

Pam Craig - Accenture - Chief Financial Officer



We haven't flowed all of that out yet, and so we'll be prepared to give you our assumption next quarter.

Bryan Keane - Deutsche Bank - Analyst

Okay. Yes, okay. All right. Thanks so much.

Operator

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

Julio Quinteros - Goldman Sachs - Analyst

Okay, great. Real quickly, on the EPS ranges for the fourth quarter, just to make sure I think we've done the math right here, is it implied around \$0.80 to \$0.84 on the high end and the low end of the ranges for the EPS for the fiscal fourth quarter?

Pam Craig - Accenture - Chief Financial Officer

We gave you the year, so we can hopefully calculate it.

Julio Quinteros - Goldman Sachs - Analyst

I think that's what we're kind of backing into. I just want to make sure I understand that all of that is just the currency adjustment, that there isn't anything else in there. The constant currency revenue growth looks okay, so I'm just maybe trying to back into what else it could be that would have a huge hit.

Pam Craig - Accenture - Chief Financial Officer

Yes, it's \$0.84 to \$0.88, and we took into account the new currency assumption for the year.

Julio Quinteros - Goldman Sachs - Analyst

Okay. And what would be the implied margin, then? Did you guys give that?

Pam Craig - Accenture - Chief Financial Officer

For the fourth quarter?

Julio Quinteros - Goldman Sachs - Analyst

Fourth quarter, yes.

Pam Craig - Accenture - Chief Financial Officer

We gave it for the year, which is --

Julio Quinteros - Goldman Sachs - Analyst



Okay. Got it. And if we look at the comments, or the comments that you just made about consulting being up, if you look at the last two quarters, and now I think this is the first quarter where your consulting head-count is actually down for the first time. How do you help us map back to the expectation that consulting could be up next year when your head-count in consulting is actually beginning to come down?

Pam Craig - Accenture - Chief Financial Officer

Well, I don't know how you know what our consulting head-count is, because we gave you total head-count, and then also the Global Delivery Network --

Julio Quinteros - Goldman Sachs - Analyst

It's in your statement that you sent out, the update briefing book. It has headcount numbers in it. And there's a consulting line in there for headcount by workforce.

Pam Craig - Accenture - Chief Financial Officer

So here's what I do know, that our head-count is up 3,000 people, including in our Global Delivery Network. In fact, on a net basis, that's where it all is. And those people work on consulting work, too.

Julio Quinteros - Goldman Sachs - Analyst

Okay. All right, great. Thanks.

Operator

Our next question comes from the line of Joseph Foresi with Janney Montgomery Scott. Please go ahead.

Joseph Foresi - Janney Montgomery Scott - Analyst

I wanted to go back to something that you said in your prepared comments, Pam. You talked about a slowdown in bookings conversion. I wonder if you could just expand on that. Is that a hesitancy on the clients' part? Have you seen any change in decisions? Is that coming from one particular geography?

Pam Craig - Accenture - Chief Financial Officer

Yes, we don't see a delay in decisions. We do see some changes in demand patterns. So for example, in management consulting, we saw less of the very small projects, and the same in systems integration, and that's concentrated in Europe. Less of the really small stuff, and so we did see that some of that bigger stuff that's coming through in management consulting has been converting to revenue a little slower on an overall basis.

Joseph Foresi - Janney Montgomery Scott - Analyst

Okay, and then just taking a look, a quick snapshot of Europe, what are the chances of -- let me just ask it two different ways. Any changes in the sizes of the contracts over there, and the pricing, and have you seen any signs of contagion across the continent? Any chance of that slipping into North America as of the last time you checked on the business?

Pam Craig - Accenture - Chief Financial Officer

Yes, let me let Pierre go first.

Pierre Nanterme - Accenture - Chief Executive Officer



I think overall, to answer on the pricing, and to mention Europe before we answer on the broader basis. Pricing remains stable. The environment is competitive, but the pricing is remaining stable, so no sign on this. Now, so far, we have no sign of contagion, if you will, if you look at our results in Q3, America has been growing double digits, and as I mentioned, we are very pleased with the situation in the United States, and we have a strong double-digit in APAC in our business. So no sign of contagion at that point in time.

Joseph Foresi - Janney Montgomery Scott - Analyst

Okay. I might sneak one last one in.

Pam Craig - Accenture - Chief Financial Officer

Sure.

Joseph Foresi - Janney Montgomery Scott - Analyst

Any change in sentiment in North America?

Pam Craig - Accenture - Chief Financial Officer

We don't see a change in sentiment in terms of our demand patterns in North America.

Joseph Foresi - Janney Montgomery Scott - Analyst

Okay. Thanks.

Operator

Next, we'll go--

Pierre Nanterme - Accenture - Chief Executive Officer

Just to elaborate a second on this, but what we know is all of those companies, and especially the large U.S. corporations, have been working extremely hard these last three or four years to streamline their operation, to build a very strong cash position, and to put that in the situation to invest in further effectiveness. So our clients in the U.S. are strong companies with strong cash positions.

Joseph Foresi - Janney Montgomery Scott - Analyst

Thank you.

Pam Craig - Accenture - Chief Financial Officer

Just one other point on the pricing is that we do see a continuation of work moving to our Global Delivery Network. And so on the margin, that puts a little bit of pressure on the top line, but that's not pricing per se, it does allow us to very effectively offer good cost savings opportunities to our clients.

Joseph Foresi - Janney Montgomery Scott - Analyst



Thank you.

Operator

Next, we'll go to the line of David Grossman representing Stifel Nicolaus. Your line is open.

David Grossman - Stifel Nicolaus - Analyst

Thanks very much. If I look back over time, the business remained remarkably stable in 2009, despite some pretty significant economic and FX headwinds. Is there anything materially different about the business model today that we should consider that would impact the resiliency of the model plus or minus if the economic situation deteriorates any further?

Pam Craig - Accenture - Chief Financial Officer

Like what? What are you thinking? I mean --

David Grossman - Stifel Nicolaus - Analyst

Well, you held revenue, I think, was down a couple hundred basis points, and you were able to hold earnings flat despite some pretty significant headwinds, both in terms of the industry, the economy, and currency. I'm just wondering, is there anything different about the model that would impact the resiliency, or is the model as resilient today, if not more so, than it was a couple years ago?

Pam Craig - Accenture - Chief Financial Officer

I guess my reaction is that we're more resilient in the sense that we're bigger, more diverse. We have certainly, I think, worked really hard in terms of our positioning with our clients. The clients are in better shape. And so I think there's a lot that's different about today's environment, and so I would just offer that.

Pierre Nanterme - Accenture - Chief Executive Officer

I think you're absolutely right, Pam. First, the crisis is different. I mean, what happened in '08 is the business stopped, and the business stopped because the money flows stopped. That was the situation. Our clients are absolutely not in the same situation as '08 to '09. There is no liquidity crunch, and we know that all the central banks are working extraordinarily hard to provide liquidity to the financial system, so there is not a kind of hard stop, because there is no blood in the company bodies, so to speak. Now, what we are doing with our strategy is working extraordinarily hard to continue making the business as diverse as possible, and having multiple growth engines, from an industry standpoint, from a business standpoint, from an offering standpoint, and from a geographic standpoint. So that's part one of our strategy, diversification around the professional services business, together with running our business as a tight ship. So we are prepared to be extraordinarily flexible in the way we are running our operations to face whatever might happen in the market, and we are doing that consistently, quarter after quarter.

David Grossman - Stifel Nicolaus - Analyst

Thanks. And just as a quick follow-up, Pam, I think you gave a metric last quarter, if I'm remembering right about contracted revenue over the next couple of quarters. Do you happen to have an update for that number?

Pam Craig - Accenture - Chief Financial Officer

Yes, it's very similar. Right now, we have 13% more revenue under contract over the next four quarters versus this time last year, and that is driven by strength in outsourcing. So this is, I think, good visibility, but of course the rest has to fill in, as it always does.

David Grossman - Stifel Nicolaus - Analyst



Sure, great. Thank you very much.

Pam Craig - Accenture - Chief Financial Officer

Thank you, Dave.

Operator

We have a question from Keith Bachmann representing the Bank of Montreal. Please go ahead.

Keith Bachman - BMO Capital Markets - Analyst

Hi. My first question relates to bookings. Over the last three quarters on the constant currency annual basis, bookings growth has gone from 20% to 15% to 6%, I think. Q4 is a very tough compare, so I'm not sure the growth rate will be meaningful. So my question is, Pam, what's the right way to think about the bookings growth rate as we get into, exit Q4 and get into '13? Is it mid-single digits, is it high-single digits? Any color you can give us on what's sustainable?

Pam Craig - Accenture - Chief Financial Officer

Yes, I mean I think that consulting and outsourcing bookings are a little different. Outsourcing tends to be more lumpy. And we do look at the book-to-bills. I think that was very important, and they will always be very important. The thing that I find interesting about this Q4 is that we already have three large contracts in this Q4. So I think we're off to a good start in that sense, and as always, I guess the book-to-bill is the most important thing.

Keith Bachman - BMO Capital Markets - Analyst

Okay. Well, I guess I'll go to my second question, then. Financial Services continues to generate a lot of concerns surrounding what's the growth rate there. The actual constant currency growth rate was 8%, was actually pretty good, I think. When you think about the dynamics, particularly with the large money center banks in UK and Europe, is that a sustainable number here, as you look out, or do you think the growth rate there will decline, and you'll have to offset it in other areas?

Pierre Nanterme - Accenture - Chief Executive Officer

I will not comment on the growth rate, but I will comment on the industry.

Pam Craig - Accenture - Chief Financial Officer

Right.

Pierre Nanterme - Accenture - Chief Executive Officer

And why indeed you've seen this 8% this quarter, and good growth even compared to some of our competitors. Again, what we've seen, it's an industry-specific thing -- we are growing very well in the insurance across the patch, both in consulting and outsourcing. So let's focus, maybe, around banking, and all of those banks are under big pressure, and mainly in Europe, being compliant with the Basel III new regulation.

Keith Bachman - BMO Capital Markets - Analyst

Right.



Pierre Nanterme - Accenture - Chief Executive Officer

So that's something you can't escape. Basel III is coming, and the banks will have to comply, both from a regulatory standpoint, and from an operational standpoint, to what Basel III is all about. And of course the first impact is around -- to reshape their operations to change the breakeven, which means that they need to rethink their operating model in a way which is extremely profound, and that's why you've seen that outsourcing in Europe, in financial services is so vibrant. It is because there is an imperative for those institutions to comply with the new normal of the Basel III, and they have to do it.

Pam Craig - Accenture - Chief Financial Officer

Yes, I agree. We're positive on the opportunities and the pipeline we see in financial services, including in Europe, and it's because of these trends, and how much in a big way these trends hit the financial services industry.

Keith Bachman - BMO Capital Markets - Analyst

Okay. Thank you.

Operator

Your next question is from the line of Edward Caso with Wells Fargo. Your line is open.

Edward Caso - Wells Fargo Securities - Analyst

Good afternoon. Thanks for taking my question. I was curious about the pharmaceutical industry, if you could talk about the opportunity there. Are you seeing an increased pace, a decreased pace, maybe what kind of work you're doing there, and if possible, size it as a percent of revenue.

Pam Craig - Accenture - Chief Financial Officer

Well, Ed, as you know, I won't size it as a percent of revenue, but I will tell you that we call it Life Sciences, and I actually mentioned it a little bit in my comments. And we did see good growth in that industry overall globally, and we see, many good opportunities shaping up there.

Pierre Nanterme - Accenture - Chief Executive Officer

Well, yes, I'm personally very excited with the prospects offered by that industry. As you know, in this pharma world, there is something called the patent cliff, which is, I don't know if it compares with the Basel III, but it's a very deep -- it's going to create a deep impact on those organizations, and they will have to significantly rethink what it is they want to do, what kind of business they want to be in, how are they going to move to the generic compared to the other parts of their business, and so forth. So what I feel is these pharmas should and could offer good opportunities for transformation, given what's happening with the patent cliff kind of event.

Edward Caso - Wells Fargo Securities - Analyst

Great. Thank you. My other question is on the reduction in the capital expenditures assumption for this year, and I realize there's probably some rounding going on here. But normally, you have a step-up in CapEx spend in the fourth quarter. It looks like it will be very modest this year. Is this -- are you just pushing some sort of building rollouts forward, or can you give a little color on what it is that you are pulling back on?

Pam Craig - Accenture - Chief Financial Officer

Well, sometimes the guys kind of overestimate a little bit. So I would say that it's just a little prudence in spending, and then there is some foreign exchange impact there, as well.



Edward Caso - Wells Fargo Securities - Analyst

Thank you.

Pam Craig - Accenture - Chief Financial Officer

Thanks, Ed.

KC McClure - Accenture - Managing Director IR

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

Operator

Thank you. Our final question today will come from the line of Ashwin Shirvaikar representing CitiBank. Please go ahead.

Ashwin Shirvaikar - Citigroup - Analyst

Hi, thanks. I guess the first question is about bookings. Are you observing any change in decision-making speed or process there? In other words, what I'm trying to get at is, when it comes to outsourcing, are you required to take on employees or assets any more than in the past? Or when it comes to consulting, the durations of contract bookings shrinking or continuing to shrink, any changes?

Pam Craig - Accenture - Chief Financial Officer

Yes, I mean, we do see, as would be natural, right, that there are evolutions in demand patterns. And I think it's fair to say in this environment, clients are careful, right. They are dotting the I's and crossing the T's, they're trying to make sure business cases are good, which I think is all very positive. We are not taking assets on in outsourcing, and again, I think there we haven't seen any -- I forget what the phrase is. The aging, we don't see that going up in terms of what's in our pipeline, how long things are in there. We continue to see good win rates, and that stuff is cycling through the pipeline. That really hasn't changed.

Pierre Nanterme - Accenture - Chief Executive Officer

Yes, I don't believe we could identify any kind of across-the-board pattern on this. You need to look at the situation almost client by client, and based on their environment, we can have even some clients making decisions extremely rapidly, because they feel that they need to move at speed and at scale to transform. And we have some big transactions, we've been moving quite quickly, and you have other transactions, in the context with some clients, because of a very contingent situation, where they are thoughtful, and they would take a little bit more time to make that decision. So it's really a client-by-client situation more than a kind of across-the-board pattern.

Ashwin Shirvaikar - Citigroup - Analyst

Okay, and on outsourcing demand, is that more leaning toward applications outsourcing, where margins can actually be quite high? Or is it more towards BPO and infrastructure type work where you have that initial spend that you have to do?

Pam Craig - Accenture - Chief Financial Officer

Well, applications outsourcing continues to be very strong for us. Clearly, a sweet spot of ours. And we do the others as well, and growth has been up in both. And I think in BPO, we're continuing to really evolve that business to become much more value-added, and we are building share there.



Ashwin Shirvaikar - Citigroup - Analyst

More platform-based BPO. That's good.

Pam Craig - Accenture - Chief Financial Officer

Yes.

Ashwin Shirvaikar - Citigroup - Analyst

Great. Thank you, guys.

Pam Craig - Accenture - Chief Financial Officer

Thanks, Ashwin.

Pierre Nanterme - Accenture - Chief Executive Officer

Thanks, again, to all of you for joining us today. We believe that our results in Q3 and year to date demonstrate that we are executing the right strategy, a strategy that resonates with our clients. Our highly diversified portfolio of business continues to position us well to drive profitable growth in the current economic environment, and I can assure you that the 249,000 women and men of Accenture are focused on delivering results for our clients, as well for our shareholders. We look forward to speaking with you again next quarter, and also, we look forward to seeing many of you in person at our investor and analyst day in New York in October, when our leadership team will provide you an update on our business strategy to further differentiate Accenture in the marketplace. In the meantime, if you have any questions, please feel free to call KC to make arrangements for follow-up. All the best.

Operator

Ladies and gentlemen, this conference will be available for replay after 7.00 p.m. this evening and running through September 27 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 248732. International participants may dial 320-365-3844. Those numbers, again, are 800-475-6701. International participants, dial 320-365-3844. Please enter the access code of 248732. That does conclude our conference for today. We thank you for your participation and for using the AT&T executive teleconference. You may now disconnect.

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