Accenture

Fourth Quarter Fiscal 2025 Financial Results

Conference Call Transcript

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CORPORATE PARTICIPANTS

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Alexia Quadrani

Thank you, operator, and thanks, everyone, for joining us today on our fourth quarter and full year fiscal 2025 earnings announcement. As the operator just mentioned, I'm Alexia Quadrani, Executive Director and Head of Investor Relations.

On today's call, you will hear from Julie Sweet, our Chair and Chief Executive Officer; and Angie Park, our Chief Financial Officer.

We hope you've had an opportunity to review the news release we issued a short-time ago. And we also have an earnings presentation, which will be made available on our website after the call. Let me quickly outline the agenda for today's call.

Julie will begin with an overview of our results. Angie will take you through the financial details, including the income statement and balance sheet, along with some key operational metrics for the fourth quarter and fiscal year. Julie will then provide a brief update on the market positioning before Angie provides our business outlook for the first quarter and full year fiscal 2026. We will then take your questions before Julie provides a wrap-up at the end-of-the call.

Some of the matters we'll discuss on this call, including our business outlook, are forward-looking and as such are subject to known and unknown risks and uncertainties, including, but not limited to, those factors set forth in today's news release and discussed in our annual report on Form 10-K and quarterly reports on Form 10-Q and other SEC filings. These risks and uncertainties could cause actual results to differ materially from those expressed in this call.

During our call today, we will reference certain non-GAAP financial measures, which we believe provide useful information for investors. We include reconciliations from non-GAAP financial measures where appropriate, to GAAP in our news release or in the Investor Relations section on 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 Julie.

Julie Sweet

Thank you, Alexia, and everyone joining this morning,

And thank you to our more than 779,000 Reinventors around the world for your extraordinary work and commitment to our clients.

In fiscal year 2025, we delivered a strong year financially. We significantly elevated our competitive positioning and we took our next big steps to position us for growth in the age of AI.

We grew 7% last year, which is adding $5 billion in revenue with over $80 billion in bookings. And we did so against a macroeconomic backdrop that did not improve over FY24. And of that 7% growth, the majority was organic and the growth was broad-based across markets, industries and types of work.

We also delivered strong earnings per share growth and generated strong free cash flow, both above our guidance on an adjusted basis and we returned a significant amount of cash to shareholders, an increase of 7% over FY24.

And, we took share at more than 5X our investable basket.

How did we do it?

We built on the rapid shift in our business we made by the end of FY24 to address the challenging market conditions. We then took action to fully capitalize on the competitive advantages we have built over a long period of time to deliver these results. These advantages include our ecosystem partnerships, our breadth of capabilities, our deep and trusted client relationships, our track-record of investing in new skills and rotating our business with successive technology revolutions and of course, our ability to invest. Our strategy for more than a decade has been to be the number-one partner for the tech ecosystem and it's serving us well. Technology is front and center for every client, and in FY25, we continued to be the number-one partner for all of our top 10 ecosystem partners by revenue. 60% of our revenue is from work that we do with these partners, which grew 9%, outpacing our overall revenue growth in FY25. These partners are the world's largest technology companies by revenue and they're seeking deeper and deeper partnerships with us as they look for help to turn their technology into business outcomes and scale the adoption of AI.

We continue to be the reinvention partner of choice for our clients. Our deep and long standing relationships mean we know our clients and their industries inside out. Our global footprint and breadth of capability means we can serve more of our clients' needs for large-scale transformations than any other player in the industry. We added 37 clients with quarterly bookings greater than $100 million in Q4 alone, bringing us to a record of 129 such bookings for the year and we finished the year with 305 diamond clients, our largest relationships.

Our early and decisive decision in FY23 to invest significantly to become the leader in Gen AI with a $3 billion multi-year investment is clearly paying-off as we capture this new area of spend for our clients. In FY25, we tripled our revenue over FY24 from Gen AI and increasingly agentic AI to $2.7 billion. And we nearly doubled our Gen AI bookings to $5.9 billion. And as a reminder, these numbers only reflect revenue and bookings specifically related to advanced AI, which is Gen AI, agentic AI and physical AI and do not include data, classical AI or AI used in delivery of our services. We're now going to use the term advanced AI as it encompasses the latest developments that are starting to gain traction.

In addition to all we're doing around advanced AI, for over a decade, we have made disciplined inorganic investments to expand our market and fuel organic growth. For example, our capital projects business, which was initially built through several acquisitions around the world, is now a $1.2 billion business for us, and in FY25, it grew 49% year-on-year, largely organically.

While delivering these results, we also took the next big steps in our reinvention for the age of AI.

We are reinventing what we sell, how we deliver, how we partner and how we operate Accenture. In short, on-the-ground, advanced AI is becoming a part of everything we do.

Let's review our reinvention to date.

By definition, every new wave of technology has a time where you have to train and retool. Accenture's core competency is to do that at scale. Our clients cannot possibly build all of the expertise they need on their own, they need us to go first and fast. In FY23, we had 40,000 AI and data professionals with roughly 30 people working on a handful of Gen AI projects with negligible revenue. Today, we have 77,000 AI and data professionals. We've worked on more than 6,000 advanced AI projects just this year, and we delivered meaningful revenue in FY25. We're also in the process of equipping all of our reinventors with the latest AI skills. Over 550,000 of our reinventors are already trained in the fundamentals of Gen AI. We've already significantly embedded advanced AI into key platforms like GenWizard, so that we are now delivering differently for our clients. And we've reinvented our corporate functions to create additional investment capacity among other benefits and will now increasingly use advanced AI in the next chapter.

In FY25, we focused our new actions on the ecosystem, our talent strategy and our growth model. We expanded our partnerships beyond the top 10 in AI and data and created new ones with companies that are becoming critical to many of our clients who also want to work with us to help them scale their relationships and our revenue is growing in double-digits with many of these partners.

In FY26, we expect to increase our headcount overall across our three markets, including in the US and Europe, reflecting the demand we see in our business. In addition to continuing to hire world-class talent, in FY25, we developed and are implementing a refreshed robust three-pronged talent strategy to rotate our workforce. We are investing in upskilling our reinventors, which is our primary strategy. We are exiting on a compressed timeline, people where reskilling, based on our experience, is not a viable path for the skills we need. And, we're continuously identifying areas of how we operate Accenture to drive more efficiencies, including through AI in order to create more investment capacity.

Finally, our growth model. On September 1, we launched reinvention services, which brings all of Accenture's capabilities into a single unit. Nearly 80% of our large deals are multi-service. The model as we fully roll it out will make it faster and simpler to sell and deliver everything Accenture offers and to rotate our offerings to embed more AI and data and equip our people.

In summary, I am pleased with our strong results in FY25 and our positioning for FY26 and beyond.

Over to you, Angie.

Angie Park

Thank you, Julie, and thanks to all of you for joining us on today's call.

We were very pleased with our results in the fourth quarter, which were at the top of our guided range and completed another strong year for Accenture. Our results reflect our relentless focus to consistently deliver on our shareholder value proposition while investing for long-term market leadership and reinforce our role as a trusted reinvention partner for our clients and a leader in AI.

Now, let me summarize a few highlights for the quarter.

Revenues grew 4.5% in local currency. Excluding the 1.5% impact from our federal business, our revenues grew 6% in Q4, and we continue to take significant market-share at more than 5x, reflecting the relevance of our services and the strength of our diversified portfolio and execution.

As a reminder, we assess market growth against our investable basket, which is roughly two-dozen of our closest global public competitors, which represents about a third of our addressable market. We use a consistent methodology to compare our financial results to theirs adjusted to exclude the impact of significant acquisitions through the date of their last publicly available results on a rolling four quarter basis.

Adjusted operating margin was 15.1%, an increase of 10 basis points compared to adjusted Q4 results last year. We continue to drive margin expansion while making significant investments in our business and our people.

We delivered adjusted EPS in the quarter of $3.03, which represents 9% growth compared to adjusted EPS last year.

And finally, we delivered free cash flow of $3.8 billion and returned $1.4 billion to shareholders through repurchases and dividends this quarter.

Before I move on to the details of the quarter, I want to spend a moment on the six- month business optimization program we initiated in Q4, for which we recorded a charge of $615 million and expect to record an additional approximately $250 million in Q1, for a total of approximately $865 million over the period. The business optimization program has two parts. One related to rapid talent rotation that Julie mentioned, which reflects severance associated with headcount reductions that we are making in a compressed timeline, and second, related to the divestiture of two acquisitions that are no longer aligned with our strategic priorities. These actions will result in cost-savings, which will be reinvested in our people and our business.

In FY26, we expect to increase our headcount overall across all three markets, including in the US and in Europe, reflecting the demand we see in our business.

Now, let me turn to some of the details.

New bookings were $21.3 billion for the quarter, representing 6% growth in US dollars and 3% growth in local currency, which is on top of the 24% growth in Q4 of last year. Overall book-to-bill was 1.2.
Consulting bookings were $8.9 billion with a book-to-bill of 1.0.
Managed services bookings were $12.4 billion with a book-to-bill of 1.4.

Turning now to revenues.

Revenues for the quarter were $17.6 billion at the top of our guided range, reflecting a 7% increase in US dollars and 4.5% in local currency.

Consulting revenues for the quarter were $8.8 billion, up 6% in US dollars and 3% in local currency.

Managed services revenues were $8.8 billion, up 8% in US dollars and 6% in local currency, driven by high single-digit growth in technology managed services, which includes application managed services and infrastructure managed services and mid-single-digit growth in operations.

Turning to our geographic markets.

In the Americas, revenue grew 5% in local currency, led by growth in banking and capital markets, industrials and software and platforms, partially offset by a decline in public service. Revenue growth was driven by the United States. Excluding the 3% impact from our federal business, Americas grew 8% in local currency in the quarter.

In EMEA, we delivered 3% growth in local currency, led by growth in insurance, life sciences, utilities and consumer goods, retail and travel services, partially offset by a decline in public service. Revenue growth was driven by the United Kingdom and Spain, partially offset by a decline in Italy.

In Asia Pacific, revenues grew 6% in local currency, driven by growth in banking and capital markets, public service and utilities, partially offset by a decline in energy. Revenue growth was led by Japan and Australia.

Moving down to income statement.

Gross margin for the quarter was 31.9% compared with 32.5% for the same period last year.

Sales and marketing expense for the quarter was 10.2% compared with 10.7% for the fourth quarter last year.

General and administrative expense was 6.6% compared to 6.8% for the same quarter last year.

Before I continue, I want to note that results in Q4 FY25 and Q4 FY24 include costs associated with business optimization actions, which impacted operating margin, tax-rate and EPS. The following comparisons exclude these impacts and reflect adjusted results.

Adjusted operating income was $2.7 billion in the fourth quarter, reflecting a 15.1% adjusted operating margin, up 10 basis points compared with adjusted results in Q4 last year.

Our adjusted effective tax-rate for the quarter was 27.9% compared with an adjusted effective tax-rate of 26.2% for the fourth quarter last year.

Adjusted diluted earnings per share were $3.03 compared with adjusted EPS of $2.79 in the fourth quarter last year, reflecting 9% growth.

Days services outstanding were 47 days compared to 47 days last quarter and 46 days in the fourth quarter of last year.

Free cash flow for the quarter was $3.8 billion, resulting from cash generated by operating activities of $3.9 billion, net of property and equipment additions of $108 million. Our cash balance at August 31 was $11.5 billion compared with $5 billion at August 31 last year. With regard to our ongoing objective to return cash to shareholders. In the fourth quarter, we repurchased or redeemed 1.6 million shares for $474 million at an average price of $295.45 per share. Also in August, we paid our fourth quarterly cash dividend of $1.48 per share for a total of $922 million.

Now I'd like to take a moment to summarize the year as we successfully executed our business to deliver or exceed all aspects of our original guidance that we provided last September on an adjusted basis.

We delivered bookings of $80.6 billion with a record 129 quarterly client bookings over $100 million and a book-to-bill of 1.2.

Revenue of $69.7 billion for the year reflects growth of 7% in local currency with nearly $5 billion in incremental revenue added this year. Our federal business was a 20 basis-point headwind to our overall growth for the year.

Consulting revenues were $35.1 billion, up 6% in US dollars and 5% in local currency.

Managed services revenues were $34.6 billion, up 9% in both US dollars and in local currency, driven by 10% growth in technology managed services and 6% growth in operations.

The following comparisons exclude the impacts of business optimization actions I noted earlier and reflect adjusted results.

Adjusted operating margin of 15.6% was a 10 basis point expansion over our adjusted FY24 results.

Adjusted earnings per share were $12.93 reflecting 8% growth over adjusted FY24 EPS.

Free cash flow of $10.9 billion was up 26% year-over-year, reflecting a very strong free cash flow to net income ratio of 1.4.

And with regards to our ongoing objective to return cash to shareholders, we returned $8.3 billion of cash to shareholders while investing approximately $1.5 billion across 23 acquisitions.

In closing, we feel good about how we managed our business while navigating the macro-environment in '25. And now, we are laser focused on executing and delivering fiscal '26.

Back to you, Julie.

Julie Sweet

Thank you, Angie.

Today, we work across every major market with more than 9,000 clients, including the world's largest companies, three quarters of the Fortune Global 100 and 500. And as we look at-the-market, we have not seen any meaningful change, positive or negative in the overall market. We are focused on delivering results regardless of the market conditions by being the most relevant to our clients, and relevance today requires leadership in AI.

We're working with companies early in their journey to use AI, which want our help to get them AI ready and to leverage our assets and platforms to accelerate their ability to deploy AI. As well as to help them do what they can now to use AI even when they're not fully ready across the enterprise. We also are working with companies far along their journey to be AI-ready and wanting to be the first to change the game with AI, even as its potential is still emerging. The technology itself is new and rapidly changing. So across companies, they need help in understanding the tech landscape.

This is where we are in age of AI. It is very early innings, however you look at it, which means there is massive opportunity ahead for our clients, our ecosystem partners and us.

It is well recognized that advanced AI has taken the mindshare of CEOs, the C-suite and boards faster than any technology development we've seen in the past two decades. At the same time, as reported widely, value realization has been underwhelming for many and enterprise adoption at scale is slow other than with digital natives. This is why our clients are turning to us.

We know that the gap between mind share and faster actual adoption is because the enterprise reinvention required to truly unlock the value of advanced AI is hard and has significant costs. There is a huge difference between how we're all using AI in our individual lives that is incredibly easy and what it takes to use it in an enterprise.

The opportunity for AI is at the intersection of business strategy and tech and org readiness. For most companies, the biggest gap between mind share and adoption is tech and org readiness.

We're still in the thick of cloud, ERP and security modernization. Data preparedness is nascent and many companies grapple with fragmented processes and siloed organizations. Generations of leaders need new skills to understand how AI should inform their business strategy. The workforce needs new skills to use AI and new talent strategies and related competencies must be developed.

Helping clients with all of this work is what is driving our growth and our pipeline of large-scale transformations continues to grow. We're also starting to see early signals of an inflection point with more clients looking for true enterprise-wide plans and activation and seeking out our successful experience with scaling in enterprises and at Accenture.

Two years into this AI journey, we also are seeing a pattern in how AI can expand our opportunities with our clients. As some companies are making progress in creating AI readiness, it leads to even more work. Long standing partnerships are deepening and the demand for transformation is accelerating.

For example, take a major financial services client we've worked with for over a decade. Their reinvention began with digital operations and cloud modernization. Now they've asked us to modernize their data estate, the foundation for scaling AI across the enterprise, from the contact center and marketing to finance and the trading floor. As we begin to implement AI into many facets of their business, our relationship continues to grow as we retire legacy systems, transform core functions, like HR and risk, and build AI centric capabilities to keep them ahead of shifting customer expectations. This has meaningfully expanded the amount of work we do for this client. And in fact, over the past five years, the value of our contract has more than doubled.

We're seeing more stories like this across our portfolio, where AI is extending across the enterprise and adjacent work is following. Our contracts are expanding and our client relationships are compounding, creating a powerful, sustainable growth engine for Accenture.

Building the digital core remains our biggest growth driver. Only now, our clients understand that Accenture is bringing even more capabilities because we understand how the digital core will enable them to use advanced AI. And advanced AI is now a new catalyst for doing the large-scale transformations of the digital core in the first place.

Taking an industry lens, let's look at banking. In banking, investment in digital core modernization remains strong with cloud adoption accelerating as AI demand grows. Here's what it looks like in practice, and I'm particularly proud of this work because the scale is frankly breathtaking and we were trusted by this client with mission critical work.

The Bank of England's real-time gross settlement service, which lies at the heart of most electronic payments in the UK was rebuilt on a modern digital core using private cloud and end-to-end automation. This upgrade improved security, reliability, speed and scale. The system now offers faster onboarding and secure APIs, giving more financial institutions safe access. It processes about $1 trillion in transactions every day and in its first five months up to today has handled 22.5 million transactions worth $110 trillion. For people, that means big payments, like buying a home, go through quickly and safely. This modernization strengthens a national platform, reducing risk and creating a trusted foundation for innovation. Now the system is ready for what's next, even the potential for the market adopting AI driven payment services.

Now, let's take a horizontal lens across industries with security.

Security is essential to a digital core, which is reflected in our 16% growth for the year. We're seeing increased demand for advanced cyber protection and more integrated intelligent security solutions that can fully harness AI's potential and keep pace with emerging threats.

To further strengthen our position, in the past quarter, we agreed to acquire CyberCX, our largest cyber security acquisition to date, which helps us in geographic expansion, bringing approximately 1,400 specialists in APAC and also bringing AI powered security platforms, which are applicable globally. We also acquired IAMConcepts, a Canadian identity security specialist serving critical infrastructure, expanding the depth and regional reach of our managed security and identity capabilities that underpin secure AI adoption.

Now let's look-through the lens of our unique industry functional process and talent and org capabilities. These, coupled with our technology expertise, are making a difference to our clients. And these next two examples also demonstrate the pattern we're seeing in expanding our relationships due to advanced AI.

Ecolab, a global sustainability leader, has been a client for 15 years. Three years ago, we partnered with Ecolab to lay the foundation for their growth transformation, One Ecolab, bringing the company together as one team to better serve customers, drive cross-sell and upsell and improve operational efficiency. A year into that journey, we started working with Ecolab and its leadership to accelerate value with AI. Instead of executing one-off use cases, we redesigned the entire lead to cash process, the steps from generating a lead to collecting payment using nine scaled agentic AI agents. These agents clean core data, resolve billing errors and automatically match customer payments to the right billing invoices. In cash application alone, work that used to be 100% manual is now about 60% automated, reducing errors and speeding up processes. By using AI to streamline operations, Ecolab is on a path to deliver an estimated 5% to 7% sales growth and 20% operating income margin without increasing costs at the same pace. Big-picture, it supports the company's mission to deliver water, hygiene and infection prevention solutions to more customers worldwide.

We're partnering with a leading energy company, which has been a client for nearly two decades to reinvent field operations with cloud, data and Gen AI. The challenge was scale, safety, cost and sustainability, running thousands of wells with fragmented data and a leaner field workforce. We unified data from more than 25 legacy systems into a single cloud-based digital core. On top of that, we built AI powered scaled digital twins that monitor, optimize and control the field in real-time using our Accenture Industrial Intelligence Suite solution. That live view speeds decisions and improve safety, often without sending a technician on-site, while emissions are continuously monitored for compliance. This solution is expected to reduce lost production by up to 2% to 4%, increased productivity by up to 28% and decreased costs by up to 22%. Field exposure and unplanned visits are also reduced and emissions are expected to be lower. People can now focus on higher-value work and the business can respond faster to a changing energy landscape.

Our scaled examples set the North star. Here's an example of how our clients are starting to work with us for broader AI adoption across multiple areas to enable their business strategies.

We've partnered with UOB, a leading bank in ASEAN for nearly two decades on various initiatives, including multi-country application services rollouts to omnichannel enhancement. Today, we're helping them scale Gen AI and use agentic AI to transform customer experience and core operations. Using our AI refinery platform, we're supporting them empowering high-value use cases in customer engagement, risk management and workforce enablement. This transformation enables faster, more personalized service, strengthens decision making with predictive insights, accelerates response times and enhances operational resilience. Together, we're positioning UOB to lead and create sustainable impact in the financial services industry.

Now, an important part of our growth strategy is to be relevant to the core of our clients' industries, such as digital manufacturing, and to be relevant to their growth agenda. Industry X grew 10% and Song grew 8% in FY25. Both follow a similar pattern of needing a strong digital core and reinvention. The digitization of digital manufacturing and engineering and the use of AI and data to reinvent customer experience is still in the early days. We're seeing strong demand across both areas and continue to invest both organically and inorganically. For example, we recently acquired Momentum ABM in the UK and Superdigital in the US, extending our edge in B2B and social and influencer marketing.

Over to you, Angie.

Angie Park

Thanks, Julie.

Now let me turn to our business outlook.

For the first quarter of fiscal '26, we expect revenues to be in the range of $18.1 billion to $18.75 billion. This assumes the impact of FX will be approximately positive 1% compared to the first quarter of fiscal '25. Our Q1 guidance reflects an estimated 1% to 5% growth, including about a 1.5% impact from our federal business with AFS contracting mid-teens.

For the full fiscal year '26, based upon how the rates have been trending over the last few weeks, we currently assume the impact of FX on our results in US dollars will be approximately positive 2% compared to fiscal '25.

For the full fiscal '26, we expect revenue to be in the range of 2% to 5% growth in local currency over fiscal '25, including an estimated 1% to 1.5% impact from our federal business. Excluding the impact of federal, our revenue is expected to be an estimated 3% to 6%.

This year, we expect an inorganic contribution of about 1.5% and we expect to invest about $3 billion in acquisitions this fiscal year.

For adjusted operating margin, we expect fiscal year '26 to be 15.7% to 15.9%, a 10 to 30 basis point expansion over adjusted fiscal '25 results.

We expect our annual adjusted effective tax-rate to be in the range of 23.5% to 25.5%. This compares to an adjusted effective tax-rate of 23.6% in fiscal '25.

We expect our full year adjusted diluted earnings per share for fiscal '26 to be in the range of $13.52 to $13.90 or 5% to 8% growth over adjusted fiscal '25 results.

For the full fiscal '26, we expect operating cash flow to be in the range of $10.8 billion to $11.5 billion, property and equipment additions to be approximately $1 billion, and free cash flow to be in the range of $9.8 billion to $10.5 billion. Our free cash flow guidance reflects a very strong free cash flow to net income ratio of 1.2.

We expect to return at least $9.3 billion through dividends and share repurchases, an increase of $1 billion or 12% from fiscal '25. Our Board of Directors declared a quarterly cash dividend of $1.63 per share to be paid on November 14, a 10% increase over last year and approved $5 billion of additional share repurchase authority. We remain committed to returning a substantial portion of our cash generated to shareholders.

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

Alexia?

Alexia Quadrani

Thanks, Angie.

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.

Operator, would you please provide instructions for those on the call?

QUESTIONS AND ANSWERS

Tien-Tsin Huang, JPMorgan

Hi, thanks. Good presentation here. I wanted to -- my first question I'll ask on visibility on revenue growth, if that's okay. Just love to hear your thoughts on visibility compared to the last couple of years given the backlog, which is quite big with large deals, you have the pipeline, of course, and then what you're seeing on discretionary spending given the economic backdrop as you see it?

Angie Park

Great. Hi, Tien-Tsin. Good morning. Let me start with that. As we look at FY26, we feel really good about our positioning. And so as you said, you saw our strong bookings of $80.6 billion in FY25 that positions us for FY26. We can see our backlog from the large deals. And if you look at our pipeline and looking at our pipeline, it's solid overall and we see strong demand for our large transformation deals.

From a discretionary perspective, what we've assumed is at the top-end of the range, there's no change in discretionary spend, while at the bottom of the range, it allows for deterioration. And by the way, as you think about our guidance of 2% to 5% excluding AFS, we're at 3% to 6% for the year.

Tien-Tsin Huang, JPMorgan

Thanks for that, Angie. Just maybe, Julie, I like your AI remarks. Can you -- want to dig in a little bit more, if you don't mind. Just give us your latest thoughts on AI driven productivity and those gains and how they might unfold. I get that question quite a bit from investors. Do you see potential deflationary effects and how might that impact Accenture services both positively and negatively? Thanks.

Julie Sweet

Great. Thanks, Tien-Tsin. So we don't see AI as deflationary. We do see and are seeing it as expansionary similar to every tech evolution we've been through. The move from an analog to digital, from on-prem to cloud and SaaS, and is many of you who have been with us over the course of the years have known, in every successive tech evolution, we've become stronger.

And so if you look at AI, we see the same thing. Yes, AI absolutely boosts efficiency in areas like coding or operations, but those savings don't disappear. They're being reinvested into new priorities. The list of what our clients want to do with technology is truly virtually unlimited. And so when we can save them money by delivering our services with advanced AI, that frees up their budget to do the next things on their list and that's what they're doing. They're always going to those next priorities and we're best-positioned then to help them.

That is how we delivered our 7% growth last year. I mean, two years in, we're seeing the pattern for how that journey to advanced AI is expanding our business. And by the way, I will add that one of the most consistent things that I'm telling CEOs today is that their AI strategy has to focus on both growth and productivity.

And almost every CEO that I've talked to says they pivoted way too far toward productivity and not enough to growth, which of course, we are helping them with, with things like Song. And we give that advice really from our own experience in how we have successfully grown through every tech evolution, embracing the productivity on one-side and then capturing the opportunity it creates on the other side by helping our clients.

Tien-Tsin Huang, JPMorgan

Great. Thank you.

David Koning, Baird

Yeah. Hey guys, great job and great to see Gen AI bookings reaccelerate. A question, I guess, a little like Tien-Tsin's question, just wanted to ask about the balance between Gen AI and managed services. You do a ton of managed services work, you get to know client operations really well. You can probably go in and recommend Gen AI work and gain a lot of share there, but then maybe display some managed services. And how does that really balance between consulting and managed services over-time and does the net of it all push revenue and margins higher?

Julie Sweet

Sure. Well, first, let me just kind of ground you on how we're thinking about consulting and managed services in FY26, just so we all have like, kind of, the facts of how we're thinking about in FY26. And then I'll give you some more color on how we see those things actually work in the market.

So, Angie, do you want to just ground them in FY26.

Angie Park

Hi, David. Good morning. So overall, for our guidance for FY26, both consulting and managed services are balanced. We see both of them in the low-to mid-single-digit range. So that's the context.

Julie Sweet

And then as -- and how it actually works out on-the-ground, right, is that as you think about enterprise-wide strategies, a lot of times what we're talking to our clients about is where do you invest and build proprietary capabilities, where do you want to buy capabilities and where are you best situated to go faster because you're partnering and buying them through a managed service like Accenture.

And so what we're seeing a lot of is, for example, companies that are really behind, they're not as far along in their tech journey, they need managed services because they simply can't go fast enough. It's not just a cost play, they want the cost takeout, but they want to use everything we've invested in our platforms to get them to the advanced AI.

Similarly, in the core operations, things like digital manufacturing, supply-chain, we're developing more-and-more managed services there in order to allow them to go faster. And so we see this, kind of, continuing to develop as we have over the last several years where managed services have become very strategic, they're not just a cost play.

And of course, the more we can save the money in the way that we deliver, right? So using advanced AI, that allows them to then reinvest into the business. And so very similar patterns, managed services really for the last five or six years has become a very important part to the strategy of companies and how to use advanced technology, now it's advanced AI, faster.

David Koning, Baird

Great. No, that's super helpful. And then maybe just a quick follow-up. DOGE, are you expecting about a similar Q4 headwind through the first Q3 quarters of this year and then anniversary it in Q4 and then kind of going forward, maybe not having much impact at all? Is that kind of how you're modelling it?

Angie Park

That's exactly right. We expect it to anniversary at the end of Q3.

David Koning, Baird

Awesome. Thanks, guys. Nice job.

Julie Sweet

Thanks.

James Faucette, Morgan Stanley

Thank you very much. I appreciate all the incremental color and detail here from everybody. Wanted to ask, we see at least in the forecast a little bit of increase in CapEx, et cetera. Wondering if you can give us a little bit of detail where that investment is going and how we should expect that to play-out further.

Angie Park

Sure. So, hi, Jim. On our CapEx, we expect about $1 billion this year, which is about $400 billion –$400 million more than FY25 and this is really about us expanding our real estate and leasehold improvements in certain geographies, certain major markets for us.

Julie Sweet

Because we're bringing more people back to the office.

James Faucette, Morgan Stanley

Yeah. Kind of what I suspected.
And then the second thing was just -- you mentioned and we saw the reacceleration in Gen AI and bookings, et cetera. How is the pricing of those projects evolving? And has the velocity of projects transitioning from proof-of-concept to production changed at all?

Angie Park

Yeah. Let me just start on the pricing for our Gen AI projects and the pure Gen AI that we were -- or advanced AI that we've been talking about, we do see pricing that is accretive overall to average.

Julie Sweet

Yeah. And in terms of acceleration, in terms of kind of moving from proof-of-concept to production, right, we're seeing more-and-more now move into production because -- we're helping them with the proof-of-concept and then we're helping them scale. But you also are just continuously seeing companies that weren't as fast out-of-the block now starting proof-of-concept. So, it really is a cycle that many companies are going to go through.

So, and you've got leaders who are way ahead. We've got other companies that are just getting started. And what I would say is, rather than a reacceleration or deceleration, these things are going to be like everything. They're going to be lumpy, right? In terms of it. So, but what we really look at is the overall trend of how much growth that we are getting and our share of this new spend.

Jamie Friedman, Susquehanna

Hi, good morning. I too appreciate your prepared remarks, really thought-provoking. I wanted to ask, Julie, about the way you're defining advanced AI. And I think if the transcript is right, you say Gen AI, agentic AI and physical AI. I'm actually asking about why you're saying you won't -- you're not including data because we've sort of been trained that data is foundational. So why is the data component not in the definition of advanced AI?

Julie Sweet

Because what we're trying to help share with you is how we're taking spend in a new market. And by the way, data is absolutely critical. In fact, one out of every two projects in Gen AI, agentic AI, physical AI now has significant data pull-through. So our data business is on fire, right? Like this is an absolutely critical area. Companies are just getting started. It's nascent in many places. It's part of the digital core that we're building. It's just that to date, we've wanted to share with all of you transparently the really new areas.

So data is part of the digital core that's growing. We've shared with you that 60% of our revenue is from the ecosystem partners, that's including the data. And look, going-forward, now that advanced AI is in fact in all of the work as it's either actual work or we're getting ready for the work, we'll think about how to share that. But just to date, since this started for all of us like really from negligible revenue, we wanted to share how we've been on specifically accelerating in the new area of spend.

Jamie Friedman, Susquehanna

Got it. Thank you. And then, going further, when you say that every new wave of technology has a time where you have to train and retool Accenture, and your core competence is to do that at-scale. So I'm just wondering relative to prior technology, and you alluded to some of this in prior architectures, but how do you think about that requirement, which you have tremendous mindshare add, which is to do technology at-scale. How do you think about this relative to some of the previous technological evolutions. Thank you.

Julie Sweet

It's going faster. I mean, there is so much demand and the technology is moving faster. So the more advanced skills and the new types of skills is coming faster. And that's why we're being very decisive, right? Upfront, we said we've got to start training everyone in the new skills. We're now saying we've got to move faster to that. And also remember that when we went into this, we'd already trained about 500,000 of our people on classical AI because going back to FY19, we said the next decade would be about tech, cloud, data and AI.

So we start with a very strong base and this is definitely moving faster than prior technology evolutions in terms of how fast the demand is coming and the importance of us really winning the talent rotation.

Jamie Friedman, Susquehanna

Perfect. Thank you both.

Bryan Bergin, TD Cowen

Hey, good morning and thanks for the added detail on the slides here. My first question on Gen AI impact. Can you speak about client behavior in seeking to use Gen AI and solutions more themselves? You mentioned the efficiencies from the tech in areas like software developments. I'm curious if you're seeing more clients seeking to then benefit to do that more themselves versus with third-parties. And also curious if you've seen clients that thought they could do it themselves 6, 12 months ago and then realize they do need help and they return to you.

Julie Sweet

Yes. And in fact, especially early-on, because Gen AI seems so simple, right? And then the reality is, it's not the technology that is the biggest barrier. It is actually being able to get the mindset reorganized around how best to use it, the ability to do the change management, the process reinvention. And if you think about your average company, their core competencies inside are not things like end-to-end process reinvention, right? You're hard-pressed to find a CEO that doesn't say, "I feel like my organization is too siloed", "I feel like we don't have the right way of managing our data". And so we've had lots of clients who have started things on their own and then come to us, who've got good proof-of-concept that their team was able to do, but then just can't scale it. I mean, I'm doing right now like just in the next few weeks, I'm personally leading a few different workshops with the entire C-suites of companies where the focus is: share with us how do we actually scale it and what can we really do now. Because as we're a couple of years into this, like we have a number of solutions, which we're now doing repeatably within industries and across industries and our clients are looking for us to share that success so that they can start -- stop just having their own team saying, "well, I have this idea, this idea" and saying "how can we actually get scale now?"

Bryan Bergin, TD Cowen

Okay. Thank you. That's helpful. And then a follow-up on the business optimization plan. Can you talk about, maybe assumed savings you expect to achieve from this optimization plan and how it may help you evolve your operations? I'm specifically curious if you see that kind of combined with Gen AI adoption internally, allowing you to operate at a sustainably higher utilization as that did tick-up this quarter.

Angie Park

Yeah. Hi, Bryan. I think that for overall, we expect savings of over $1 billion from our business optimization program, which we expect that we will reinvest in our business and in our people because it's so important for our future growth. And so we expect to reinvest that while still delivering modest margin expansion.

Julie Sweet

Yeah. And then in terms of like kind of the connection, just making sure like this particular -- like these moves are primarily due to our talent strategy. And then the other piece was an exit of a couple of non-strategic acquisitions. But, on the talent strategy, it's more around -- our number-one strategy is upskilling, given the skills we need, and we've had a lot of experience in upskilling, we're trying to, in a very compressed timeline, where we don't have a viable path for skilling, sort of exiting people so we can get more of the skills in we need. That's really not related to kind of the utilization piece in terms of like it ticking up to 93%. We think it will stay in the zone, right of in the low-90s and that it will fluctuate a little bit.

But, to your point around sort of what can we do long-term, we are continuously looking at, as the technology matures, our new structure around reinvention services, we'll look to see are there ways that we can use the technology to deliver our services and operate Accenture in its core better. And that's one of the reasons why we have the new reinvention services to like really simplify how we're operating because that makes it much easier to start to use this AI. And so more to come as we fully roll-out that model and identify new opportunities.

Darrin Peller, Wolfe Research

Hey guys, thanks. It's good to hear from what it sounds like the pace of procurement change has calmed down a bit from the government side such that you can forecast those. I guess, number one, is just to verify, that's right and you feel more confident around forecasting on it. But then there's a lot of policy changes. Just wanted to touch on a couple and ask you your thoughts lately.

Number one, now that we have a little more clarity on tariffs, do you see more capital investment, especially in areas like products. Number two, maybe you could just comment on H1B changes or potential changes. What are your thoughts around either wages or the pace of hiring of H1Bs going-forward and how it may or may not impact the business?

And then just a quick one on healthcare and the Big Beautiful Bill, if there is any impact you're seeing there? Thanks, guys.

Julie Sweet

Great. Well, thanks. So just quickly on federal, we do see procurement is now starting to pick-up, although it's still slower than it has been in the past. The demand in federal is very much around modernization, consolidation, efficiency. Tech is at the center, so lots of demand around ERP and platforms. Our position with the ecosystem is really key here and our strategy to expand those partnerships is also important. We're really pleased with our new partnership with Palantir, which is really playing a critical role in federal.

So we feel good about where we are in federal and our relevance to the administration's agenda and that's what we're really focused on, is being relevant to our clients. So that's federal.

On capital investment, I would say it's still a little early, right? I mean, obviously, you've seen the improvement and with the cut in interest rates. We're a global company. So there's a lot of stuff going on around the world.

And so I think it's just a little bit too early to call yet whether how much this is going to open up on the capital investment. Of course, we're growing very significantly in taking advantage of the investments that are already happening, as you saw in our capital projects business.

On H1B visas, for us, this is really a non-issue because we only have about 5% of our people in the US on H1B visas and, therefore, really specialized experience and skills for our clients. So not something that is really a big impact on Accenture.

And then, whether it's healthcare or a lot of the different policy changes, remember, our business thrives by helping our clients navigate change, right? So what we're seeing is that every time there's big policy changes, and this has been true for decades, right? That's why in our business, we have industry expertise, we have the functional expertise. And so when you have new compliance rules, et cetera, like that usually drives more business for us. And so, at this point, we see an opportunity to really stay close to our clients and help them navigate and take advantage and comply with new policy changes. And that's true in healthcare and it's really true across-the-board.

Alexia Quadrani

Thank you. Operator, we have time for one more question and then Julie will wrap-up the call.

Jim Schneider, Goldman Sachs

Good morning. Thanks for taking my question. Julie, I wonder if I can follow-on on your comment that you expect headcount to grow during the course of the fiscal year across all regions. Can you maybe kind of frame for us the magnitude of that and the timing for it, given the context of some of the other business optimization actions you're seeing, where would you expect headcount growth to land exiting the year perhaps?

Angie Park

I'll take that. Hey, Jim, good morning. What I would tell you is, look, we expect it to grow across all markets. We don't have a specific number that we're giving you, but based upon the demand that we see, we expect our headcount to grow.

Jim Schneider, Goldman Sachs

Great. And then as a follow-up on that, if you could sort of maybe talk about the net impact of AI you're using internally to optimize your own work, your own business. Utilization, I think you mentioned earlier, 93%, that's basically hitting a new record. But, when would we expect that to see that either reflected in even higher utilization or potentially gross margins, even though we know you don't manage directly to that?

Julie Sweet

Yeah. Remember, right now our utilization is really a reflection of the kind of momentum in demand that we're seeing. You saw the bookings, right, and so our utilization, we would expect to continue to move around in the low-90s. So we don't have a structural change in utilization due to AI. We are already embedding AI, particularly in our big platforms like GenWizard to drive efficiencies and that's reflected in both our bookings and in our guide for the year.

And we're going to continue to be the leader because that is what works, right? As you lead yourself, we're able to take that to our clients, we're able to show them how we're doing it and then help them do it in their business. So that's kind of how it's developing.

CONCLUSION

Julie Sweet

Terrific. Thanks again everyone for joining. In closing, I just want to thank all of our shareholders for your continued trust and support. We are working every day to earn your trust and a huge thank you to all of our Reinventors because you are why we are able to deliver these results.

Thanks again.

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