

Accenture

3rd Quarter Fiscal 2021 Conference Call

Conference Call Transcript

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CORPORATE PARTICIPANTS

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Julie Sweet – *Chief Executive Officer*

KC McClure – *Chief Financial Officer*

PRESENTATION

Angie Park

Thank you, operator, and thanks everyone for joining us today on our third-quarter fiscal 2021 earnings announcement. As the operator just mentioned, I'm Angie Park, Managing Director, Head of Investor Relations.

On today's call you will hear from Julie Sweet, our Chief Executive Officer, and KC McClure, our Chief Financial Officer.

We hope you had an opportunity to review the news release we issued a short time ago. Let me quickly outline the agenda for today's call. Julie will begin with an overview of our results... KC will take you through the financial details, including the income statement and balance sheet, along with some key operational metrics for the third quarter. Julie will then provide a brief update on our market positioning before KC provides our business outlook for the fourth quarter and full fiscal year 2021. 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 of non-GAAP financial measures, where appropriate, to GAAP in our news release or in 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 Julie.

Julie Sweet

Thank you, Angie, and thank you everyone for joining us.

We had another outstanding quarter, reflecting our laser focus on creating 360-degree client value and the importance of our scale, experience, industry knowledge and trust to the world's leading companies and governments as they continue to digitally transform their enterprises.

We had a record 20 clients with bookings over \$100 million, and a total of \$15.4 billion in bookings. We delivered 16% revenue growth in local currency, 3% above the top of our guided range, with outstanding profitability and free cash flow. We estimate that we continue to take significant market share.

Our growth was broad-based across geographic markets and industries, with 11 out of 13 industries growing double-digits this quarter, and reflects our ability to bring together our unmatched breadth of services – from Strategy & Consulting, to Interactive, Technology and

Operations – to create the solutions which achieve the value at speed that makes a difference to our clients.

We continue to meet our clients' strong demand, adding a net 32,000 talented people this quarter alone. We offer an employee value proposition that allows us to attract top talent, develop our people with world-class training and provide them with vibrant career paths. We are pleased with our record 117,000 promotions year-to-date, including almost 1,200 promotions to managing director.

And while delivering these results, we have raised the bar again in terms of investments... we now expect to invest about \$4 billion in strategic acquisitions this fiscal year with 39 acquisitions closed or announced year-to-date. This includes announcing this quarter two acquisitions with purchase prices over \$1 billion each, the acquisition by Accenture Federal Services of Novetta in the U.S., an advanced analytics company, which we expect to close in August, and of umlaut, a world-class engineering services company headquartered in Germany, which we expect to close in Q1. These 39 acquisitions are well-balanced, with 10 in North America, 17 in Europe, and 12 in Growth Markets.

Our level of investment demonstrates as well how scale, experience, and trust matters – scale, in terms of our financial capacity, experience in terms of our track record of the successful integration of approximately 200 companies since 2013, and the trust we have earned in the market, that attracts leading companies to want to join the Accenture family. We invest in acquisitions to scale in areas where we see a big market opportunity, to add skills and new capabilities, and to further deepen our industry and functional expertise... all to drive continued innovation and the next waves of growth.

Finally, because we believe strongly in our commitment to shared success with our communities, we recently announced that we would donate \$100 for every one of our then 540,000 employees, or \$54 million, to urgently address the needs of our communities due to the pandemic, including \$25 million for India.

KC, over to you.

KC McClure

Thank you, Julie, and thanks to all of you for taking the time to join us on today's call. As you heard in Julie's comments, we are extremely pleased with our results in the third quarter, which continue to reflect very strong momentum across all dimensions of our business. Based on the strength of our third-quarter results – and the confidence we have in our fourth quarter to continue to extend our market leadership position – we are increasing our full-year outlook, which I will cover in more detail later in the call.

Before I get into the details, let me summarize the major headlines of our third-quarter results, which reflect continued superior execution against our three financial imperatives:

- Revenue increased nearly \$2.3 billion, reflecting growth of 16% in local currency. Results were approximately \$300 million above the top end of our guided range, driven by broad-based overperformance across the business, with double-digit growth in all three markets, four of five industry groups, and in Technology Services and Operations. As we expected, both Strategy & Consulting and the Resources industry group returned to growth. These results demonstrate the power of our business model and our unique

ability to seamlessly integrate our services at scale. We estimate that our growth continues to significantly outpace the market.

- Operating margin was 16%, an increase of 40 basis points for the quarter. Importantly, we no longer have the margin expansion tailwind from lower travel as we anniversaried the benefit of the compare this quarter. We continue to absorb significant investments in our people and our business as we are always focused on positioning our business for the future. And, we delivered very strong EPS of \$2.40, up 26% over fiscal '20.
- Finally, we delivered strong free cash flow of \$2.2 billion in the quarter and \$6.2 billion year-to-date while also continuing all elements of our capital allocation program, including returning roughly \$1.4 billion to shareholders this quarter via dividends and share repurchases. We have made investments of \$1.5 billion in acquisitions through Q3, and we now expect to invest about \$4 billion in acquisitions this fiscal year, which does not include the umlaut acquisition, which we anticipate to close in FY22.

I want to take a moment to highlight that as you can see from our results and guidance this year, we were able to step up our acquisition spend and continue to expand operating margin... and while I won't comment on the specifics of FY22 until September, based on our current line of sight, you should think of next year's inorganic contribution in the range of 4%, and we expect modest margin expansion as we continue to run our business with rigor and discipline.

With that, let me turn to some of the details, starting with new bookings.

New bookings were \$15.4 billion for the quarter, with a very strong book-to-bill of 1.2.

- Consulting bookings were \$8.0 billion, with a book-to-bill of 1.1.
- Outsourcing bookings were \$7.4 billion, with a book-to-bill of 1.2.

We were very pleased with our new bookings, which represent 39% growth in USD and reflect a record 20 clients with bookings over \$100 million. Each service dimension – Strategy & Consulting, Technology Services and Operations – delivered double-digit bookings growth in local currency.

Turning now to revenues...

Revenues for the quarter were \$13.3 billion... a 21% increase in USD and a 16% increase in local currency.

- Consulting revenues for the quarter were \$7.3 billion – up 21% in USD and 16% in local currency.
- Outsourcing revenues were \$6.0 billion – up 20% in USD and up 16% in local currency.

Taking a closer look at our service dimensions... Operations grew very strong double-digits, Technology Services grew strong double-digits, and Strategy & Consulting grew high single-digits.

Turning to our geographic markets...

- In North America, revenue growth was 18% in local currency driven by double-digit growth in Public Service, Software & Platforms and Consumer Goods, Retail & Travel Services.
- In Europe, revenues grew 14% in local currency. We saw double-digit growth in Consumer Goods, Retail & Travel Services and Industrial, and high single-digit growth in Banking & Capital Markets. Looking closer at the countries, Europe was driven by double-digit growth in the UK, Italy, and Germany.
- In Growth Markets, we delivered 15% revenue growth in local currency led by double-digit growth in Consumer Goods, Retail & Travel Services, Banking & Capital Markets and Public Service. From a country perspective, Growth Markets was led by double-digit growth in Japan and Brazil.

Moving down the income statement...

Gross margin for the quarter was 33.2%, compared with 32.1% for the same period last year.

Sales and marketing expense for the quarter was 10.6%, compared with 10.2% for the third quarter last year.

General and administrative expense was 6.6% compared to 6.3% for the same quarter last year.

Operating income was \$2.1 billion in the third quarter, reflecting a 16.0% operating margin, up 40 basis points compared with Q3 last year.

Our effective tax rate for the quarter was 25.0%, compared with an effective tax rate of 25.5% for the third quarter last year.

Diluted earnings per share were \$2.40, compared to EPS of \$1.90 in the third quarter last year.

Days Services Outstanding were 36 days, compared to 34 days last quarter and 41 days in the third quarter of last year.

Free cash flow for the quarter was \$2.2 billion, resulting from cash generated by operating activities of \$2.4 billion, net of property and equipment additions of \$158 million.

Our cash balance at May 31st was \$10.0 billion, compared with \$8.4 billion at August 31st.

With regards to our ongoing objective to return cash to shareholders...

In the third quarter, we repurchased or redeemed 3.0 million shares for \$835 million, at an average price of \$276.98 per share. As of May 31st, we had approximately \$4.2 billion of share repurchase authority remaining.

Also, in May, we paid a quarterly cash dividend of \$0.88 per share, for a total of \$559 million. This represents a 10% increase over last year. And, our Board of Directors declared a quarterly cash dividend of \$0.88 per share to be paid on August 13th, also a 10% increase over last year.

So, in summary, we are extremely pleased with our results to date and are now focused on Q4 and closing out a very strong year.

Now let me turn it back to Julie.

Julie Sweet

Thanks KC. I will start with the environment. The dynamics in the market we are seeing are not only a recovery from the lower spending pattern at the onset of the pandemic but a more sustained growth in demand as companies race to modernize and accelerate their digital initiatives with compressed transformation. Pre-COVID, our research showed a digital achievement gap with leaders growing 2 times faster than laggards ... and we estimate that gap has now widened to 5 times with leaders stepping up their investment in technology and innovation and leap-froggers taking accelerated steps to catch up. Cloud is an even more critical enabler as companies are increasing their focus on enterprise-wide transformations and rapidly moving to digital and cloud-powered models.

These needs of our clients are driving strong momentum in our business, with an acceleration of continued strong double-digit growth across Applied Intelligence, Cloud, Industry X, Intelligent Operations, and Security, with Interactive and Intelligent Platform Services returning to strong double-digit growth this quarter. These strategic priorities are multiservice and are powered by our unparalleled technology ecosystem relationships.

Let me share some color to bring this demand to life.

I want to particularly highlight Cloud, which continues to have very strong double-digit growth rates, as well as the subset of Accenture Cloud First where growth was even stronger and has exceeded our expectations when we formed Cloud First last September. With our Cloud First services, we are helping agencies served by Consip, Italy's National Procurement Agency, to deliver on Italy's National Recovery and Resilience Plan. We are developing and running industry-specific, cloud-based platforms to standardize and improve their efficiency and speed, reducing the time to launch new contracts – and ultimately, providing much improved services for Italy's citizens.

We are using our Intelligent Platform Services to help DuPont, a company with a rich history of business reinvention, reimagine its financial structure to coordinate operations across its large geographic footprint. After going through a strategic and deliberate restructuring through M&A, we will now help DuPont implement a central finance processing suite that will help them to consolidate their multiple financial systems and chart of accounts into one and close the books faster. This will provide a real-time view of results for all of the business units ... all in the cloud ... giving DuPont more agility, speed and certainty in a complex and volatile market.

We are helping Jaguar Land Rover transform its global marketing model to deliver a more personalized customer experience with creativity and technology at its core. We were selected for our technology capabilities, data-led performance and experience-led approach. We will use the strength of the experience, creative and digital capabilities of Interactive, and the marketing delivery capabilities of Operations, with our SynOps platform, which we already use as part of Jaguar Land Rover's warranty operations. SynOps will deliver AI-powered insights and highly automated production around the world.

Security is top of mind for our clients as the threat landscape expands. Our very strong double-digit growth is driven by the breadth and depth of our services, from advisory to cyber-defense to managed security. For example, facing ever-increasing cyber threats and continued financial pressures as a result of COVID-19, Accenture is helping a UKI bank by bringing together the full breadth of these capabilities to provide innovative solutions to support the bank's future security strategy.

Across many of these examples are our Applied Intelligence services. We were excited this quarter to announce Accenture Federal Services' agreement to acquire Novetta – an advanced analytics company serving U.S. Federal organizations that is demonstrating what's possible with analytics, machine learning, cyber, and cloud engineering. This will augment our already strong capabilities and scale in these critical areas ... providing even more diversification across our Federal business, specifically in the national security space which is seeing substantial growth.

I want to give a special recognition to our colleagues serving the public sector around the world throughout the pandemic – your 7 consecutive quarters of double-digit growth reflect your absolute commitment to the important missions of governments serving their citizens.

Turning now to Industry X, our digital engineering and manufacturing services.

We believe that product development, design engineering, manufacturing, and the supply chain make up the next big digital transformation frontier. The impact of COVID-19 is accelerating the need to transform these core operations. And, for nearly a decade we have been investing to build the unique capabilities and ecosystem partnerships to combine the power of data and digital with traditional engineering services.

We are very pleased with the announcement of our agreement to acquire umlaut, which will add more than 4,200 industry-leading engineers and consultants across 17 countries, and expand our capabilities across a range of industries, including automotive, aerospace & defense, telecommunications, energy and utilities.

Some recent examples of our Industry X services include helping a German telecom company continuously develop and enhance their internet television service by utilizing embedded engineering in their set-top boxes and managing new features on the platform, helping a large media conglomerate accelerate their primary revenue streams in digital products and advertising with our product and platform engineering expertise to design, build, test and deploy new products, services and features, and working with a global automotive OEM to execute online remote software updates for their in-car computer systems to allow seamless deployment of new software versions.

We are also working with an American multinational manufacturer of confectionery, pet food, and other food products to deploy a digital twin platform to optimize production in its manufacturing facilities, improve margins and reduce waste; we're working with a large electric company in Japan to help bring their power plants into the future by digitizing their operations and standards across each department; and with a large oil and gas company to build their internal digital capability to substantially reduce time-to-market for new digital solutions that extend to its customers while supporting the company's key safety and sustainability goals through the use of a digital factory.

Taking a step back, the examples I have provided today all required deep industry knowledge and innovation. Our breadth and depth across industries enables us to tailor industry solutions while bringing cross-industry expertise as we help our clients facing industry convergence and by using the lessons of other industries.

We were proud this quarter that Fast Company recognized us for our innovation across multiple initiatives in its World Changing Ideas Awards. Our cross-industry expertise is one of the powerful sources of our ability to innovate.

For example, using our deep banking industry and technical expertise, we rapidly developed for a commercial bank which was not a traditional small business administration lender, a program under the U.S. Paycheck Protection Program that allowed them to make loans to thousands of small businesses struggling with the impacts of the pandemic. We then pivoted to apply this approach to stand up Facebook's Small Business Grants Program for Black-Owned Businesses, enabling the distribution of 10,000 grants to Black-owned businesses in the U.S. This grants program is an important part of Facebook's overall commitment to invest \$200 million in building programs and tools for Black-owned businesses.

And finally, let me turn to our incredible people.

Their health and safety remain our top priority. We are supporting our people by facilitating vaccinations, including standing up clinics in many of our offices, such as in India, where already 50,000 of our people, their families and contractors have been vaccinated.

We have been focused on taking the lessons as an almost 100% remote workforce during the pandemic to a new way of working – moving from a remote or hybrid model to an omni-connected experience. People will work in the office, from home, and at client sites and it is likely many of our clients will be doing the same – so our approach focuses on the experience of connecting to continue to serve our clients in a differentiated way and create an environment that our people feel a sense of belonging.

The rich diversity and ingenuity of our people – from our board of directors to our new hires – helps us deliver 360-degree value for the benefit of all. We now have more than 250,000 women representing approximately 46% of our workforce. As you may recall, shortly after the murder of George Floyd in the U.S., on this call I shared with you our commitment to take three actions in the U.S. – setting external goals to increase representation, training our people and making a bigger impact in our communities. One year later, I am pleased to report that we not only took each action but have made measurable progress, including increasing our representation, having 95% of our U.S. people complete our new anti-racism training and making substantial new investments in our communities. You can find a full progress update on our web site because we believe transparency and accountability are hallmarks of good governance and essential to building trust.

As we see the rise or continuation of all kinds of hate crimes against diverse communities, including violence against Asians, the LGBTI community, Anti-Semitism and Islamophobia, I want to reaffirm my and Accenture's unwavering commitment to equality and justice for all and zero tolerance for racism, bigotry and hate of any kind.

KC, back to you.

KC McClure

Thanks Julie.

Let me now turn to our business outlook...

For the fourth quarter of fiscal '21, we expect revenues to be in the range of \$13.1 to \$13.5 billion. This assumes the impact of FX will be positive 4% compared to the fourth quarter of fiscal '20 and reflects an estimated 17% to 21% growth in local currency.

For the full fiscal year '21...

Based upon how the rates have been trending over the last few weeks, we now expect the impact of FX on our results in USD will be approximately positive 3.5% compared to fiscal '20.

For the full fiscal '21, we now expect our revenue to be in the range of 10% to 11% growth in local currency over fiscal '20, including approximately negative 1% from a decline in revenues from reimbursable travel, based on a 2% reduction the first half of the year, and no material impact in the second half of the year.

Importantly, organic revenue is the driver of the increase to our updated guidance, as we still expect the inorganic contribution to remain at about 2.5% for the full year.

For operating margin, we now expect fiscal year '21 to be 15.1%, a 40 basis-point expansion over fiscal '20 results.

We now expect our annual adjusted effective tax rate to be in the range of 23% to 24%. This compares to an adjusted effective tax rate of 23.9% in fiscal '20.

For earnings per share, we now expect full-year diluted EPS for fiscal '21 to be in the range of \$9.07 to \$9.16. We now expect adjusted full-year diluted EPS to be in the range of \$8.71 to \$8.80, or 17% to 18% growth over adjusted fiscal '20 results.

For the full fiscal '21, we now expect operating cash flow to be in the range of \$8.65 to \$9.15 billion, property and equipment additions to be approximately \$650 million, and free cash flow to be in the range of \$8.0 to \$8.5 billion. Our free cash flow guidance reflects a very strong free cash flow to net income ratio of 1.4 to 1.5.

Finally, we continue to expect to return at least \$5.8 billion through dividends and share repurchases as we remain committed to returning a substantial portion of our cash to our shareholders.

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

Angie...

QUESTIONS AND ANSWERS

Angie Park

Thanks, KC.

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 provide instructions for those on the call?

Operator

Thank you. Ladies and gentlemen, if you wish to ask a question, please press 1, then 0 on your telephone keypad. You may withdraw your question at any time by repeating the 1, 0 command. If you're using a speaker phone, please pick up the handset before pressing the numbers.

One moment for your first question and that comes from the line of Lisa Ellis with MoffettNathanson, please go ahead.

Lisa Ellis

Good morning and thank you, great results here. A couple questions. One is a little more tactical, one more strategic. The first one, in bookings, KC, can you just remind us, one, how acquisitions are or are not reflected in bookings? And then, on a related note, is the composition of your bookings changing at all? I'm just specifically thinking about these big 100 million plus transformation programs, are you seeing a notable change in duration or anything like that? Just trying to understand the bookings number a little bit and then I'll follow up. Thank you.

KC McClure

Great. Thanks, Lisa. So let me just decompose bookings a little bit. So, we were very pleased with our bookings this quarter, \$15.4 billion and, again, that grew 39% in U.S. dollars, really strong book-to-bill of 1.2. And when you look at it, there was very strong bookings in both Consulting and Outsourcing, as well as all three geographic markets. And if you look at specifically our V&A, which also was represented across all of those dimensions, there'll be a slight impact in our bookings based on the backlog that we bring in from these acquisitions, but it's not overall significant.

But let me just peel it back in terms of, when you look underneath that 15.4, I'd say there's really kind of three things I'd point out. First was that there was really a good mix of all categories of our sales. As Julie mentioned, we had a record 20 clients of over 100 million of sales and that, as you know, positions us really well for the future. But if you go all the way down through the categories, all the way through our smaller deals, they represented very well and that can help us with revenue in the current quarter.

The second thing that I would point out is our bookings were very broad-based across all of our services and that includes Strategy & Consulting. And the third thing, we said it was aligned to our strategic priorities, as we pointed out, driven by Cloud, Industry X and Security, for example.

So, with those points, I would hand it back to you to ask a second question or if there's any other color that you want.

Lisa Ellis

Terrific, thank you. The second one, maybe, Julie, this is for you. I just wanted somebody to comment on acquisitions. This is, obviously, you've up-ticked acquisitions, made a couple of bigger ones than Accenture has historically done. Can you just talk about, is this just kind of opportunistic or has something kind of shifted in terms of your willingness to do larger acquisitions or specific market opportunities you're going after? Thank you.

Julie Sweet

Sure, Lisa. So, we've always said we have the capacity to do larger acquisitions, but we're very disciplined about what we will acquire. And so, these were opportunities that were very aligned to our strategic priorities. So, Novetta being both investment in public sector, but primarily all about advanced analytics, machine learning, cyber and cloud engineering, and also, importantly, diversification for our Federal business because they are in the national intelligence space. And umlaut is in engineering, which was just an opportunity as a company that we know very well, that really is giving us an opportunity to accelerate our scale in Industry X. And we've seen the digitization of manufacturing and engineering be a major priority post-COVID.

Now, we've been investing for nearly a decade in this space. We predicted this would happen, as you can see by the number, the amount of work that we're already doing. And this was a great opportunity for a company that we know well. And our strategy continues to be – we're going to make acquisitions to scale, and big market opportunities, to add new skills and opportunities. As you know, we built a lot of Interactive through acquisitions, for example, those were new skills and capabilities. And then, to deepen industry and functional knowledge.

And so, this is a continuation of that and I think the advantage we have is our financial capacity to make investments and to increase our investment for the benefit of our clients and all of our stakeholders when we see the right opportunities and we're going to continue to have that discipline around making strategic acquisitions.

Lisa Ellis

Terrific. Thank you.

Operator

Thank you. Our next question comes from the line of Ashwin Shirvaikar with Citi, please go ahead.

Ashwin Shirvaikar

Thanks, and great quarter. Congratulations on that from me as well. The question I had is about the momentum that you are seeing in the business and it seems to have actually accelerated from what you were seeing in the past quarters. And I wanted to ask you with regards to whether this changes how you think about managing the business in the interim in order to continue to deliver what you're seeing from a demand perspective, particularly as you see attrition go up and so on, and that's an across the board statement, not just an Accenture statement. So, any thoughts with regards to how you're thinking of delivery?

KC McClure

Yes, Ashwin, I'll take this and maybe I'll frame up a few things for you and then hand it over to Julie as well.

So, let me just maybe frame up how we're thinking about, you mentioned the demand, and overall our business, and think about the quarter and our year-to-date from a financial perspective. And these results are really exceptional when you think about it in the context of our historical performance. I'll start there. I mean, clearly, we're benefitting from an easier compare and a strong market demand, and we see that continuing.

But even with that, bookings at 44 billion, growing 25% year-to-date, and that's off a base of record sales through Q3 of last year. And then, you couple that with 54 clients with bookings

over 100 million through Q3, which is more in the first 9 months of this year than the whole of last year, FY20 and FY19. And I mention that as you talk about things, and different ways we may need to manage differently, just to talk about the scale in our bookings.

And if you look at the scale of revenue, we grew a record 2.3 billion in revenue this quarter year-over-year. And you think about our industries, where we're clearly the leader with the breadth and depth of industries. We did 11 of the 13 growing double-digits. And as I mentioned before in our guidance, the increase in our full-year outlook is driven by organic revenue, given that the inorganic contribution is staying pretty much the same.

And then you end that all with profitability with 40 basis points expansion this quarter. We had very strong profitability and we're no longer benefitting from a travel tailwind. And we continue to invest at scale in our business and our people.

So, with that, let me hand it over to Julie to round out some of the questions you had on demand and attrition.

Julie Sweet

Yeah, so, that's a great question around managing our business. And so, I want to just take you all back to right before the pandemic. I remember back then, and on March 1st, we put in a new growth model we called the Next Gen Growth Model. And that was designed for helping us manage our business as we saw the scale increasing. And that change in growth model was focused on being able to have more of our leaders closer to our clients. We changed the P&L, as you recall, to the geographic. And so, we've already put in place a model that is designed to allow us to continue to scale. And so, this for us was anticipated and it's exciting to see how we are very uniquely positioned as our clients' needs have accelerated because that's what's driving the demand. The needs of our clients have accelerated post-COVID to do compressed transformation. And we have the right operating model in place.

As we think about attrition, it's ticked up to pre-COVID levels in a hot market, although not the highest we've ever seen. And so, as you said, it's an industry phenomenon and we're comfortable. I mean our core competency is about managing our supply and demand, but more importantly, our core competency is being a great company to work for. And as you saw with our numbers this quarter, we hired net 32,000 incredible people and that is just a testimony to our ability to attract great talent, as well as continue to train our people. We've trained over 100,000 people since the pandemic started, pivoting to the areas of our clients' needs.

So, we feel good about it. And, of course, this is what you expect from us. So, we'll continuously improve.

Ashwin Shirvaikar

Thanks for that, all good points and I agree. My next question is with regards to, and ordinarily I don't focus on a particular acquisition, but this umlaut just seems to be – I have to ask, is this the first of many as you expand into a much bigger engineering services-type presence? That is a relatively massive end-market, so just strategically how are you thinking of this?

Julie Sweet

Well, big picture, we believe that the digital engineering and manufacturing space is the next frontier for our clients. There's been a lot and there's still a lot to do with respect to the front office and the back office, for lack of a better term. But our clients are building a digital core, they're transforming operations and they're trying to find new waves of growth. But the areas that have been not as digitized over the last several years as companies have pivoted have been in core operations, manufacturing and supply chain.

Now we predicted this, just as we predicted, back in 2013, that some day everybody would be a digital business. And so, we've been investing. We've already made, I don't know, 7, 8, 9 acquisitions over the last several years to build these capabilities. And you saw that with all the examples that we did in the script. And so, this is about rapidly scaling with some of the best engineers in the world, because we see the market opportunity, but most importantly, the need from our clients. And so, you should expect that we'll continue to build these both organically and inorganically, but obviously, this is a great add in terms of scale for us.

Ashwin Shirvaikar

Thank you. Congratulations.

Operator

Thank you. Our next question comes from the line of Jason Kupferberg with Bank of America, please go ahead.

Jason Kupferberg

Thanks, guys. Good morning. I'm wondering if you can estimate for us perhaps how much the acceleration in all this enterprise, digital transformation, has enhanced your structural organic revenue growth profile relative to pre-pandemic levels, because it certainly sounds like this trend continues to have legs?

Julie Sweet

Yeah, I think the way to think about it is that we're taking market share and we're really well-positioned to capture the growth that's available because of the needs of our clients. And so, you're obviously seeing that uptick in organic growth, and we think this will be sustained demand. I think it's too early and we're not going to kind of back into sort of giving sort of a view of FY22, but what we would say is, we do believe that what you're seeing right now in demand isn't just like a recovery because spending decreased. But actually, sustained demand and that we are incredibly well-positioned to capture that because clients are looking for outcomes and the breadth of our services – they're turning to us because we can give them solutions, not just individual services. They want the innovation that we're bringing, the things like our SynOps platform. They are very appreciative and focused on the fact that we care about the 360-degree value, so that we're helping improve their own skills, as well as achieving their goals.

And finally, and I think something that is really critical right now and why we are so well-positioned is they see us as a company that creates value and leads with values. And so, trust really matters when you are doing major transformation. And I'll give you one example. We've had over 80 clients in the last 12 months just come and sit down with us to learn more about our supplier diversity program because it really matters to them and they see us as a leader.

These are the things that make us an incredibly attractive and trusted partner. And so, we think that this is really an enduring differentiation at a time when there's going to be sustained demand for compressed transformation.

Jason Kupferberg

Okay, understood. Just a quick two-part follow-up here. Your thoughts on Q4 book-to-bill and what were the areas of the business that surprised you most in terms of revenue this quarter, because obviously the overall upside was quite significant? Thank you.

KC McClure

Yes, Jason, just in terms of how we think about the fourth quarter. So, obviously, we've had 44 billion of bookings year-to-date. And even with that, we still have a strong pipeline and we feel good about our position for Q4 as it relates to bookings. And in terms of what did better, as I mentioned earlier, it really was broad-based, every part of our business did a bit better.

Jason Kupferberg

Okay. Thanks for the comment.

Operator

Thank you. Our next question comes from the line of Rod Bourgeois with DeepDive, please go ahead.

Rod Bourgeois

Hey, guys. Hey, I just wanted to ask about the margin outlook given the increased acquisition contribution that you'll be digesting in fiscal '22. I'd just like to ask about the margin levers that you'll be able to pull in order to still achieve overall operating margin expansion. And also, I guess besides digesting this added acquisition content, are you also needing to spend more on people costs given the war for talent that's out there? So, a question about margin levers and also, the investments in people. Thanks.

KC McClure

Thanks, Rod. So, maybe I'll start with the second one first. So, yeah, in terms of, for the people side of it, obviously, there's a lot of demand in the market. We're in a hot market right now and historically, we've seen wages increase and that varies by skills and geographies, and that's happening now. But we see that, Rod, flowing through our results already to date and through our guidance. So, it's really up to us to manage our business with rigor and discipline as we always do. You know us well. You know, managing our pyramid, increasing use of automation and just overall delivery efficiency.

So that's the first part on wages as it relates to operating margin. And just coming back to the same point on V&A, so let me just give you a little bit more color on V&A, coupled with what I talked about a little bit earlier. And now, of course, I'm not going to give any specific guidance for FY22 until September. But we do expect to have a higher level of inorganic contribution next year, probably around something closer to 4%. And that's really due to the fact that we're deploying about \$4 billion in FY21, a large portion of that's closer to the later part of the year. And we expect to benefit from more of that revenue in FY22.

We also expect at this time to deploy somewhere around \$4 billion in FY22, that's including umlaut, which we expect to close next year, early in the year. And, of course, as Julie said, we've always said we have the ability to do more, but that's our line of sight today. And it's up to

us to manage all the levers that we have at our disposal to continue within the parameters of clients and our overhead and structural costs to make sure that we continue to drive modest margin expansion while investing at scale in our business and our people.

Rod Bourgeois

Great. And then, just a quick follow-up on the revenue progression that's happening. Clearly, this is a big industry recovery, some of that's cyclical, some of it's secular and you have certain COVID-impacted verticals that are coming back online. I guess as we head into the next fiscal year, on the other side, are there any revenue contributions that will taper as the COVID crisis ends? Is there any sort of lumpy work that might taper off as you head into the next fiscal year amidst all of the other momentum that's happening in the business?

Julie Sweet

There's nothing material. I mean think about the public sector, for example. We did a lot of COVID surge work, but now, you've got the fiscal stimulus that's around the world and you see the digitization of the public sector. Like we gave the example of Consip in Italy. So, there's nothing material that we think will be difficult to manage because you're seeing really – when you see that in the results kind of across industries, there's this need to digitize. So, nothing material that we think to mention.

Rod Bourgeois

Thank you.

Operator

Thank you. Our next question comes from the line of Bryan Bergin with Cowen, please go ahead.

Bryan Bergin

Good morning, thank you. I'm curious, over the last two to three quarters, have you seen a notable change in clients' appetite for pricing increases as broader transformation demand has ramped up?

KC McClure

So let me talk to you a little bit about what we're seeing in terms of pricing overall. So just importantly, as a reminder, when we talk about pricing, we define it as the contract profitability or margin on the work that we sell, Bryan. And as always, the environment remains competitive, and in many areas of our business, we did see pricing was lower and that's really based on a combination of the fact that the market's competitive and disciplined investments that we're making. And so, all of that is baked into our operating margin guidance for the year.

Bryan Bergin

Okay. And then, one on Accenture Operations. I'm curious if you're seeing any change in the size and scope of engagements that clients are outsourcing. Can you just comment on some of the strength or the drivers of the continued strength that you've shown in that business?

Julie Sweet

It's a great question, it's not so much about the size, it's really about the intent. I mean what you're seeing is clients really saying, in a world where I've got to digitize the entire enterprise, where do I want to focus my own resources and leadership, and where can I leverage Accenture and their investments? And this is where we really got ahead of the market, where

we developed SynOps. And what we're providing them is both cost efficiencies, but really outcomes of actual insights that come from being able to digitize. And then, you add on top of that where we have more clients thinking about having us take over – we have a strong pipeline – and taking over more people because we have such a great employee value proposition. And so, when we think about the future of work, we're seeing more of our clients really see it as a combination of their own employees, automation or bots and then partners like Accenture that really integrate with their own employees. And we're just the leader here.

And so, it's more about the trends of the need to digitize, that is what you're seeing reflected, you know, digitize at speed.

Bryan Bergin

Thank you.

Operator

Thank you. Our next question comes from the line of Bryan Keane with Deutsche Bank, please go ahead.

Bryan Keane

Hi, guys. Congrats on the results. I want to ask about Strategy & Consulting. It had been a laggard, but saw that it moved positively into high single-digits. Just a little bit on the outlook there, do you continue to see that maybe reach some of the demand you're seeing in some of your other industry groups?

KC McClure

Hey, Bryan, thanks for the question. You're right, we were very pleased with the acceleration to high single-digits in the quarter in Strategy & Consulting, which is what we expected. In terms of how we look at just Consulting overall type of work, go forward, we see it being strong double-digit for the fourth quarter. In the second half of the year, that would mean we'd wound up really kind of in a strong double-digit growth perspective.

Julie Sweet

And, Bryan, as a reminder, because I remind you all, every single quarter, clients aren't focused on is it Strategy & Consulting or Technology or Operations, they are looking for outcomes. And what makes us so unique is that all of these things, whether it's cloud or intelligent operations or marketing transformation, bring together our services and with more confidence and certainty. And that's really how we think about it.

Bryan Keane

Got it. And then, just as a follow-up, the increase in M&A. Just curious on how you guys are thinking about capital allocation, in particular, the dividends and the share repurchase, does that change at all with a little more M&A?

KC McClure

Obviously, we'll give you specifics in September, Bryan, for next year. But, overall, our capital allocation framework really remains intact.

Julie Sweet

I mean you should all just think about this as, we're going to deliver on our commitments and we are investing to drive the next waves of growth and we are taking advantage of our ability to do so in this market.

Bryan Keane

Great. Thanks so much.

Angie Park

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

Operator

Thank you. And that question will come from Tien-tsin Huang with JP Morgan, please go ahead.

Tien-tsin Huang

Thanks so much. Amazing results. Sorry, if this was already asked, I had to jump off earlier. Just on the record number of deals over 100 million, I'm just curious how the pipeline is for such deals going forward. Is there an opportunity to replenish? What do you see out there in terms of large deal potential from here?

KC McClure

Yeah, Tien-tsin, we still have a strong pipeline overall and that includes in the large deal category.

Tien-tsin Huang

Okay, good. And then just on the four-point inorganic contribution, I heard that for next year. How about on the margin impact there? I think, KC, you mentioned that there will be a little bit impact on the margin, you'll still be able to expand. Just wanted to make sure I heard that correctly. Thanks.

KC McClure

So, what I did say is that we do expect inorganic contribution next year of about 4%, and our line of sight now is about 4 billion in capital spend next year, '22. But we expect modest margin expansion to continue in '22.

Tien-tsin Huang

Okay, very good. Appreciate that, guys. Well done.

Julie Sweet

Thank you. Great, Tien-tsin. Okay, in closing, we really appreciate everyone joining us today. We believe that we are unique because of both what we do and how we do it. And we're a company that as I've shared before, creates value and leads with values.

I want to thank all of our people and our leaders for what you're doing every day.

And finally, I want to thank all of our shareholders for your continued trust and support. We will make sure to earn it every day.

Be well.