

Accenture

4th Quarter Fiscal 2021 Conference Call

Conference Call Transcript

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CORPORATE PARTICIPANTS

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PRESENTATION

Angie Park

Thank you, operator, and thanks everyone for joining us today on our fourth-quarter and full 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 Chair and Chief Executive Officer, and KC McClure, our Chief Financial Officer.

We hope you've had an opportunity to review the news release we issued a short time ago. Let me quickly outline the agenda for today's call. 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 both the fourth quarter and full fiscal year. Julie will then provide a brief update on our market positioning before KC provides our business outlook for the first quarter and full fiscal year 2022. 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](https://www.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 everyone for joining us.

Before diving into our results, thank you to our 624,000 incredibly talented people around the world, including over 8,500 managing directors. This past fiscal year, your hard work and dedication to creating value that matters for our clients was unwavering despite the ongoing, and sometimes quite extreme challenges of COVID. We have had a truly extraordinary year—as reflected in our outstanding financial results and in the 360-degree value we delivered beyond our financials—from the over 120,000 promotions and over 31 million training hours, an increase of 43%, for our people... to increasing our workforce by approximately 118,000 people, creating significant employment opportunities in our communities... to achieving 46% women on our way to our goal of gender parity by 2025... to our top 3 ranking in the Refinitiv Global Diversity and Inclusion Index for the fourth consecutive year... to the number one position with our largest ecosystem partners... to the exciting accomplishment of 50% renewable energy now powering our offices and centers globally... to the donation of \$54 million in COVID-surge relief.

In December, we will publish our first-ever annual 360-degree value report to more fully describe the FY21 value we created in all directions, and will report against three additional key ESG frameworks—SASB, TCFD and WEF IBC.

We believe that the trust we have from our clients and partners, our continuous innovation and our ability to consistently attract the best people, including the 56,000 net new hires this past quarter, are directly linked to our commitment to measuring our success by how well we create this 360-degree value for all our stakeholders—clients, people, partners, shareholders and communities—and on our culture of Shared Success.

Here are some key financial highlights of the year which position us strongly as we begin FY22.

- FY21 demonstrated our leadership in helping our clients achieve compressed transformation, with 72 clients with bookings greater than \$100 million—compared to 53 last year—and 229 Diamond clients, our largest client relationships, compared to 216 last year.
- With a 20% increase in bookings to \$59 billion, we have strong momentum across all dimensions of our business—across geographic markets, industries, and services.
- Reaching revenues of \$50.5 billion—a significant milestone—representing 11% growth, we added \$6.2 billion in revenue this year, gaining significant market share, with 40 basis points of operating margin expansion, demonstrating yet again our ability to grow profitably and at scale.
- We achieved this profitable growth, while investing at a higher level than ever before:
 - With \$4.2 billion in acquisitions;
 - \$1.1 billion in R&D in assets, platforms and industry solutions, including growing our portfolio of patents and pending patents to more than 8,200; and
 - Total training investment of \$900 million.
- And according to BrandZ, our brand value increased 56% to over \$64 billion, ranking us number 27 on the prestigious BrandZ's Top 100 Most Valuable Global Brands list.

Finally, I want to highlight cloud and our ability to move with agility to serve our clients' needs and capture momentum in the market. At the beginning of FY21, after investing in cloud for a decade, we saw that the pandemic would dramatically accelerate our clients' move to the cloud. More than technology, the move to the cloud would be about the adoption of a new operating system for the future enterprise—a dynamic continuum of capabilities from public to edge to everything in between, opening up radically new ways for companies to work, compete, and drive value. Just over one year ago, we created Accenture Cloud First to capitalize on this momentum, bringing together all of our capabilities from migration, to cloud-native development, data, AI, industry, talent and change. Accenture Cloud First was the biggest driver of our overall Cloud business growth from \$12 billion to \$18 billion, a 44% increase.

KC...over to you.

KC McClure

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 completes an outstanding year for Accenture and reflects broad-based momentum across all dimensions of our business. Once again, our results reflect our relentless focus to deliver across our three key imperatives for driving superior stakeholder value.

So, let me begin by summarizing a few of the highlights of the quarter.

- Revenue growth of 21% in local currency, at the top end of our guided range, reflects double-digit growth across all markets, all industry groups, and all services. We also continued to extend our leadership position at an accelerated pace, with growth significantly above the market.
- Operating margin was 14.6%, an increase of 30 basis points for the quarter, resulting in 40 basis points of expansion for the full year. We delivered this expansion while investing significantly in our business and in our people to position us for long-term market leadership. We delivered very strong EPS of \$2.20, which represents 29% growth compared to adjusted EPS last year.
- And, finally, we delivered free cash flow of \$2.2 billion, which was driven by continued strong growth in profitability.

Now, let me turn to some of the details.

New bookings were \$15.0 billion for the quarter, with a book-to-bill of 1.1.

- Consulting bookings were \$8.0 billion, with a book-to-bill of 1.1.
- Outsourcing bookings of \$7.1 billion, with a book-to-bill of 1.2.

We were very pleased with our new bookings, which represent 7% growth in USD with 18 clients with bookings over \$100 million.

We were also pleased with the strength of bookings across all services, with a book-to-bill of 1.0 in Strategy & Consulting, 1.2 in Technology Services, and 1.1 in Operations.

Turning now to revenues...

Revenues for the quarter were \$13.4 billion, a 24% increase in USD and 21% in local currency, slightly above our FX-adjusted range, as the FX tailwind was 3%, compared to the 4% estimated last quarter.

- Consulting revenues for the quarter were \$7.3 billion—up 29% in USD and 25% in local currency.
- Outsourcing revenues were \$6.1 billion—up 19% in USD and 16% in local currency.

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

Turning to our geographic markets...

- In North America, revenue growth was 22% in local currency driven by double-digit growth in Consumer Goods, Retail & Travel Services, Software & Platforms, and Public Service.
- In Europe, revenues grew 18% in local currency, led by double-digit growth in Consumer Goods, Retail & Travel Services, Industrial, and Banking & Capital Markets. Looking closer at the countries, Europe was driven by double-digit growth in the UK, Germany, France, and Italy.
- In Growth Markets, we delivered 21% revenue growth in local currency driven by double-digit growth in Consumer Goods, Retail & Travel Services, Banking & Capital Markets and High Tech. From a country perspective, Growth Markets was led by double-digit growth in Japan, Australia and Brazil.

Moving down the income statement...

Gross margin for the quarter was 33.3%, compared with 31.8% for the same period last year.

Sales and marketing expense for the quarter was 11.3%, compared with 10.6% for the fourth quarter last year.

General and administrative expense was 7.4% compared to 6.8% for the same quarter last year.

Operating income was \$2.0 billion in the fourth quarter, reflecting a 14.6% operating margin, up 30 basis points compared with Q4 last year.

As a reminder, in Q4 last year, we recorded an investment gain that impacted our tax rate and increased EPS by \$0.29 for the quarter. The following comparisons exclude this impact and reflect adjusted results.

Our effective tax rate for the quarter was 25.0%, compared with an adjusted effective tax rate of 28.4% for the fourth quarter last year.

Diluted earnings per share were \$2.20, compared with adjusted EPS of \$1.70 in the fourth quarter last year.

Days Services Outstanding were 38 days, compared to 36 days last quarter and 35 days in the fourth 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 \$236 million.

Our cash balance at August 31st was \$8.2 billion, compared with \$8.4 billion at August 31st last year.

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

In the fourth quarter, we repurchased or redeemed 3.0 million shares for \$915 million, at an average price of \$305.61 per share.

Also, in August, we paid our fourth quarterly cash dividend of \$0.88 per share, for a total of \$558 million. And, our Board of Directors declared a quarterly cash dividend of \$0.97 per share to be paid on November 15th, a 10% increase over last year, and approved \$3.0 billion of additional share repurchase authority.

Now, I would like to take a moment to summarize our outstanding year. We are extremely pleased with the performance of our business in FY21—greatly exceeding all aspects of our original outlook that we provided last September.

- We delivered \$59 billion in new bookings, a 20% increase in USD over last year, which positions us well as we begin FY22.
- Revenues increased a record \$6.2 billion, hitting the \$50 billion mark, reflecting growth of 11% in local currency for the full year. This result, which is more than double the revenue growth we anticipated at the beginning of the year, showcases our agility and ability to quickly scale to deliver value and outcomes for our clients.
- Operating margin of 15.1% reflected a 40 basis-point expansion over FY20, above the top end of our original guided range, even after making continued significant investments in our business and our people.
- Adjusted earnings per share was \$8.80—reflecting 18% growth over adjusted FY20 EPS and was well above our revenue growth. As a reminder we adjusted earnings in both years to exclude gains on an investment.
- Free cash flow of \$8.4 billion was significantly above our original guided range, reflecting a free cash flow to net income ratio of 1.5 driven by strong profitability.
- And, finally, we significantly exceeded our original guidance for capital allocation by returning \$5.9 billion of cash to shareholders while investing roughly \$4.2 billion across 46 acquisitions to acquire critical skills and capabilities in strategic, high-growth areas of the market.

So again, FY21 was a truly outstanding year. Momentum continues into FY22, and we are laser-focused on capturing the market opportunities, coupled with the disciplined execution that you and we expect of us.

Now let me turn it back to Julie.

Julie Sweet

Thanks KC. Turning to the demand environment. Compressed transformation, underpinned by cloud and digital, continues to drive strong double-digit growth across our business—including for Applied Intelligence, Cloud, Industry X, Intelligent Operations, Interactive, Intelligent Platform Services, Security and transformational change management. Technology is the single biggest driver of change in companies today, and the depth, breadth and scale of our technology capabilities across our services is unmatched.

We see the demand environment shaping up for FY22 to be more of the same. While digital leaders seeking to widen their competitive advantage and companies seeking to leapfrog their cloud and digital transformations are driving momentum in our business, the vast majority of companies are early in their transformation. And whether digital leader, leapfrogger, laggard or in between, all face multi-year journeys ahead of them... because the re-platforming in the cloud and use of new technologies across the enterprise is a once-in-a-digital-era profound transformation. Simultaneously, we have ongoing exponential technology change that is accelerating and will create new opportunities, disruptions, and change for our clients. In addition, growth in parts of our business are, by their very nature, continuously evolving. For example, Interactive, now a \$12.5 billion business growing 15%, continues to set a new standard for customer experience, connection, sales and marketing at the intersection of data, creativity and technology, and is tied to the ever-changing needs and preferences of B2C and B2B customers. Similarly, Security, now a \$4.4 billion business growing 29%, is driven by needs related to an ever-expanding digital threat landscape, and, with our managed services, is providing much-needed protection and talent to our clients.

Our clients value the depth and breadth of our services for the entire enterprise—across Strategy and Consulting, Interactive, Technology and Operations—and industry and functional expertise across 13 industries—plus the ability to deliver tangible outcomes as well as our strong track record of investing ahead of our clients to anticipate their needs and drive our next waves of growth, such as our early moves in digital, cloud and security. There remain entire parts of the enterprise for which digitization and the move to the cloud has only just begun. In particular, both the things companies make, and the way they make things, are being dramatically changed by technology, and that is the focus of our Industry X business, which we believe is the next big digital frontier—in fact, a 2021 Gartner Survey of boards of directors indicates that 93% expect that the number one business priority that will see transformational improvement from digital technology is manufacturing, distribution, and supply chain. We have invested for nearly a decade in Industry X and are now at approximately \$5 billion in revenue, growing 36%. We look forward to welcoming the 4,200 industry-leading engineers and consultants of umlaut when the acquisition closes in October.

Similarly, Sustainability is a critical area for which technology is still evolving—we believe that every business must be a sustainable business—and yet, companies are at very early stages of figuring out how to make this shift. Last year, building on years of investment and experience, we launched our sustainability services under our new Chief Responsibility Officer and Global Sustainability Services Lead. We have continued to accelerate our focus in this expanding and changing market and are proud of the work we are doing with leading partners like Mastercard—as we enhance its ability to track and analyze the carbon emissions of their suppliers—and help decarbonize the UK energy system with clients such as National Grid.

We do see a shift in the nature of the demand for our managed services across IT, Security and Operations, with these services emerging as one of our most strategic differentiators. As companies simultaneously seek greater resilience, face a war for talent, the need to rapidly digitize, and cost pressures, strategic managed services are increasingly a C-suite priority... with Accenture as a trusted partner of choice, and increasingly integrated as part of their talent strategy. Table stakes for managed services are efficiency, resilience and reliability. We further differentiate in our managed services because they are uniquely informed by our strong Strategy and Consulting capabilities and deep industry and functional expertise, benefit from our strong level of investment for digital platforms like SynOps and myWizard, and the seamless

integration with our ecosystem partners, as well as due to the incredible pool of talented people our clients can access quickly when partnering with us.

For example, we are partnering with Olympus, a leading manufacturer of optical and digital precision technology, to help them drive their transformation to become a global medical technology company. As part of this partnership, we have acquired their Japanese IT subsidiary company, which we will transform to deliver significant IT cost savings to Olympus as well as upskill their people—combining their knowledge with our talent and technology to lead Olympus's digital transformation.

Now I will give some more color on the demand we are seeing—all of these examples bring together the diverse capabilities across Accenture to create tangible value.

We are a leader in cloud because we are able to serve our clients across the cloud continuum... and create business value.

We are partnering with Kubota, a Japanese multinational company, providing solutions leveraging a diverse range of products, technologies, and services, in the fields of food, water, and the environment, to accelerate Kubota's digital transformation by creating solutions that will enhance the productivity and safety of food, promote circularity of water resources and waste, and improve urban and living environments. We will help create innovative sustainability solutions and a platform applying leading-edge digital technologies including AI and IoT. Diverse data held across the group will be centralized for easy maintenance and use. We're also modernizing, replacing, or migrating legacy applications to the cloud and strengthening their global computer security incident response team.

We are partnering with Jabil, a U.S.-based global manufacturing services company, to further enhance their IT infrastructure capabilities, to provide the infrastructure managed services for digital workplace, network, cloud and data center support.

We're helping Fennia, a Finnish insurer offering casualty, motor, and health and accident services, to implement a cloud-based policy administration system to improve customer service, using data and automation to make sales, claims, payments, and policy management processes more user-friendly. This will allow the company to quickly respond to changing market and customer demands—and meet its goal of providing the best customer experience in the industry.

Compressed transformation is occurring across industries.

We are partnering with Unilever, one of the world's largest consumer goods companies, in their digital transformation. Together, we are setting a new industry standard by reinventing technology delivery with cutting-edge automation, delivering cloud migration at scale—the largest ERP migration to the cloud in the industry, and shifting to technology solutions that support their growth strategy.

With McCormick, a global leader in flavor in the food industry, where we are partnering on a strategic transformation program, encompassing finance, supply chain, logistics, and plant maintenance. The new cloud-based platform and innovative data-driven approach will help standardize processes, increase efficiencies and support their goal of doubling in size quickly.

We're helping a European financial institution build the bank of the future and helping them become a next-level innovator—one that is leveraging technology and sustainability to transform multiple parts of their business, drive hyper-personalized customer experiences, and create new lines of business—like wealth management and insurance—which is expected to triple digital sales by 2023 and improve their already-stellar cost-to-income ratio. At the same time, we're helping them to deliver on their ESG initiatives, including inclusive financing, green software and carbon-free data centers.

At Accenture we are enabling new experiences, growth, and cost transformation across the enterprise and across industries—and a key enabler to these innovative, scaled services is the power of our Operations capabilities.

We are helping Open Fiber, an Italian telecommunications company, design and orchestrate construction of an ultra-broadband network which will deliver fiber to 20 million households across Italy. Digitization and automation will help the construction site to proceed faster and more efficiently.

With Interactive, we are helping MediaMarktSaturn Retail Group, Europe's leading consumer electronics retailer, transform their digital content capabilities with a state-of-the-art marketing operation. Automation and data insights enabled by SynOps will help deliver more engaging and personalized content while driving millions in savings.

Our industry expertise continues to be a core competitive advantage, allowing us to bring deep industry and cross-industry knowledge enterprise-wide for our clients. I want to recognize, in particular, our Software & Platforms industry, which is an approximately \$4 billion business. In Q4, this group celebrated 20 consecutive quarters of double-digit growth, serving as a leading partner to our clients in this hyper-growth industry.

KC, back to you...

KC McClure

Thanks, Julie.

Now let me now turn to our business outlook...

For the first quarter of fiscal '22, we expect revenues to be in the range of \$13.90 - \$14.35 billion. This assumes the impact of FX will be about positive 0.5% compared to the first quarter of fiscal '21 and reflects an estimated 18% to 22% growth in local currency.

For the full fiscal year '22...

Based upon how the rates have been trending over the last few weeks, we currently assume the impact of FX on our results in USD will be approximately negative 0.5% compared to fiscal '21.

For the full fiscal '22, we expect our revenue to be in the range of 12% to 15% growth in local currency over fiscal '21, which includes an inorganic contribution of about 5%, as we continue to expect to invest about \$4 billion in acquisitions.

For operating margin, we expect fiscal year '22 to be 15.2% to 15.4%, a 10 to 30 basis-point expansion over fiscal '21 results.

We expect our annual effective tax rate to be in the range of 23.0% to 25.0%. This compares to an adjusted effective tax rate of 23.1% in fiscal '21.

For earnings per share, we expect full-year diluted EPS for fiscal '22 to be in the range of \$9.90 to \$10.18, or 13% to 16% growth over adjusted fiscal '21 results.

For the full fiscal '22, we expect operating cash flow to be in the range of \$8.2 to \$8.7 billion, property and equipment additions to be approximately \$700 million, and free cash flow to be in the range of \$7.5 to \$8.0 billion. Our free cash flow guidance reflects a very strong free cash flow to net income ratio of 1.1 to 1.2.

Finally, we expect to return at least \$6.3 billion through dividends and share repurchases as we remain committed to returning a substantial portion of 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 please provide instructions for those on the call?

Operator

Of course. And once again, if you wish to ask a question, please press 1 and then 0 on your telephone keypad. You may withdraw your question at any time by repeating the 1 and 0 command. And, today, let's see, our first question comes from the line of Keith Bachman of Bank of Montreal, please go ahead.

Keith Bachman

Hi, many thanks for letting me, the opportunity to ask a question. I had two, if I could. Outstanding set of results and guidance, first of all. I wanted to ask about the cash flow, if I could, guidance. And even at the high end of the range, the cash flow margin would be a pretty significant step down from fiscal '20 and fiscal '21. So I just wondered, are there any puts and takes within the cash flow guidance that we should be aware of as we're doing our model? Thank you. And I have a quick follow-up to that.

KC McClure

Sure. Great. Thanks, it's nice to hear from you, Keith. Yeah, so our free cash flow of \$7.5 to \$8 billion, it reflects a very strong free cash flow to net income ratio of 1.1 to 1.2. And so, we're really pleased with that. And it does have slightly higher capex expense of \$700 million. So that's one slight difference over '21.

We did have exceptionally strong free cash flow in fiscal year '21 at 1.5 free cash flow to net income ratio. And that is just exceptional performance. It's not unusual for us to have free cash flow guidance at the beginning of the year that is a decrease over what we've done in the previous years.

And then lastly, we do allow for a slight uptick in DSO in our guidance for next year, which would still be very industry-leading DSO performance.

Keith Bachman

Okay, excellent, excellent. And then, Julie, this is for you, I think you mentioned this year you did 46 M&A deals and you mentioned in the guidance comments that there's quite a bit of M&A, I think 4 billion in M&A contemplated for this coming fiscal year. How do you think about the integration risk? Accenture has, I would argue, a very special culture and you're bringing in a lot of new people over the course of the last 12 months and in the forward next 12 months. How do you think about the risk of assimilation of these deals and how do you manage this process? You have a very good track record over the last 10 years, but there is a lot of M&A on the table that you're bringing in the company. I was just wondering if you could speak to how you think about the risk associated with that to make sure the business keeps moving forward?

Julie Sweet

Sure. So, great question and thanks, Keith. So, first of all, as you indicated, we've got a really strong track record. So this step up in acquisitions comes based on years of experience, including and fine-tuning integration. So that's number one.

Secondly, our acquisitions happen globally and as I've talked about this year, they're pretty evenly balanced. And why is that important? When we switched to our model last year of a geographic-focused model from a P&L perspective, one of the reasons is to allow us, as well, to be super close to our people. And most of these acquisitions are not global. Some are, like at umlaut, but like for example, Novetta in the Federal business, very local. And the vast majority are in one or two markets.

And so, the integration, it's not like you have this enormous company that's trying to integrate lots of people all over the globe at the same time. We have senior leaders accountable for the acquisitions. And so, we really get the right balance and we have our own... and, for example, when we look at this, we look at market by market, how many acquisitions are we doing in this market, so how does that enable us to make sure that we can spend the time.

So this is a finely tuned approach for integration. And, of course, we bring on people, in the acquisition or not, all the time and so, our focus on culture is just part of who we are.

Keith Bachman

Okay, excellent. Thank you, Julie.

Operator

And our next question comes from the line of Lisa Ellis with MoffetNathanson, please go ahead.

Lisa Ellis

Good morning. Thanks for taking my question. Thinking about the \$50 billion revenue milestone, which is pretty amazing. Julie, as you're mapping out the path to 60 billion over the next few years, can you talk about where you see the major sources of incremental revenue looking out from here forward? Thank you.

Julie Sweet

Great. Well, thanks, Lisa, nice to talk to you. So, first of all, and I talked a little bit about it that's in the script. We are still very early in the transformation of companies in building just their

digital core. So, for example, if you look at something like SAP, their stats that they point out, you sort of have less than 20% of companies who've actually both bought and begun implementing S/4HANA. And we see the move to the cloud, you've got sort of maybe today roughly 25% to 30% of workload.

So there's a lot of work, which is a multi-year journey, in actually building the digital core. And then, at the same time, transforming the ways they work. So we've got multi-year ahead. And even when you look at who's doing compressed transformation, you have this core of leaders and leapfroggers, but the vast majority of companies are not yet engaged in compressed transformation.

So just from a multi-year outlook on the fundamentals of replatforming and moving to a true digital-enabled enterprise is still in early stages. And then, you add on top of that, there are all whole parts of the enterprise where even the technologies are really new. And so, Industry X is a great example of that. We see that as the next digital frontier and we're still very, very early. And so, that will be kind of its own wave as we look forward.

And then, areas like sustainability. Again, technology is early, every industry has to find its way on sustainability. And so, as we think about our own growth strategy, it starts with what our clients need. So we continue to diversify the parts of the enterprise that we're serving and that's what our clients need and that enables next waves of growth for us. And we continue to innovate and anticipate, like in sustainability, what our clients need. And so, when you kind of take this, you see both from serving the enterprise, the maturity of that and then, you add on top of that that there are areas that are evergreen, like Interactive. It's all about clients, the growth agenda is always going to change, manufacturing will be the same. Security grows as the digital landscape grows.

So, hopefully that gives you a flavor of how we're thinking about both our next waves of growth and just the resiliency of the diversity of what we do.

Lisa Ellis

Yes, terrific. My follow-up was actually on managed services, which you called out in the prepared remarks. Not really used to thinking about Accenture doing managed services. Can you just elaborate a bit on that? Is this primarily actually infrastructure-related managed services, or apps, or just maybe a little bit more detail on what exactly you're doing and Accenture's differentiation there?

Julie Sweet

Just think about we have Consulting and Outsourcing, right? So managed services is just another term for outsourcing. And so, if you think about our Operations business, which is now about \$8 billion. So all the managed services we provide, everything from finance and accounting, to industry-specific, like we called out in the script, the stuff we're doing in telecom. We're doing things in insurance, both health and P&C. So we have industry-specific, we have marketing services, so there's that. Then, of course, there's our powerful IT services, we've been doing outsourcing for years. The term application outsourcing is an industry term.

And then, we have our managed services in Security, and we bought Symantec last year. And so, this is a core part, when you think about our revenue, between Consulting and Outsourcing. And the point that's happening now is that we've always done this, but what we're seeing is—you know, I just had a call with a CEO the other day, who's like, he started the call with like,

Julie, I'm really have a hard time hiring people in digital and how are you seeing companies help? And we talked about how by strategically outsourcing like in security, in marketing, you can access the digital talent and it becomes part of their own talent strategy to address the war for talent, while at the same time digitizing faster.

You know, I have another client who said, look, you had 50 things that my IT department was about to build in order for us to automate and transform, and I get it through your SynOps platform. The same is true on the IT and infrastructure side. And, of course, infrastructure managed services in the cloud, growing area as well from the move to the cloud.

So I think the shift we were calling out, Lisa, though is just how strategic this is at a time of compressed transformation because it's meeting the needs of the war on talent and the need to digitize and the need to move fast at the same time.

Lisa Ellis

Great. Thank you. Thanks a lot and congrats.

Julie Sweet

Thank you.

Operator

And our next question comes from the line of Bryan Bergin with Cowen, please go ahead.

Bryan Bergin

Hi, good morning, thank you. I have a question on bookings. Can you talk about the dynamic in 4Q? It looks like Outsourcing did tick down for the first time in a while year over year, just anything to call out there? And then just generally, how do you see the pipeline developing as you think about fiscal '22 bookings levels?

KC McClure

Thanks, Bryan. So there's nothing really to point out in terms of Q4 bookings with Outsourcing, they can just be a little bit lumpy. But it was very strong performance. Let me just maybe talk a little bit about overall bookings as we head into '22.

You know, we do feel really good about the momentum in our business. And as Julie went through, we had 72 clients with bookings over 100 million this year. And you can see that then helping us as we head into FY22, Bryan, with the 18% to 22% that we have in Q1. And you also see that in our 12% to 15% revenue range that we have for fiscal '22.

And I think it's important to also note that it does include about 5% inorganic contribution, but at the top end of our revenue range, again, driven by bookings, it's going to represent about 10% organic growth at the upper end. And while we do benefit from an easier compare in the first half, it does continue to imply strong organic growth in the second half.

And if you look at, why is that? When you peel back bookings, again, pleased with the \$15 billion that we had in Q4, strong book-to-bill of 1.1. It is 60 billion for the whole year with double-digit growth in Consulting. And I think it's important to also note that in Consulting bookings, we had \$8 billion for the last three quarters, which is terrific. And Outsourcing, which for the entire year, had a very strong book-to-bill of 1.2 in all three markets and services.

And when you peel it back, there's really three things, again, peeling back bookings for you, there's three things that I would also note. One is that, yes, we did have a lot of larger bookings that help us, position us well for the future throughout FY22. But we had a nice mix all the way through to the smaller deals, which benefit near-term revenue.

The second thing is that the bookings were very broad-based across all of our services, and that includes Strategy & Consulting, which is really good as well.

And lastly, they are aligned with, as Julie talked quite a bit about, our strategy priorities, Cloud, Industry X and Security, for example.

Bryan Bergin

Thank you. On attrition, can you just give us a sense of what you're anticipating for attrition levels factored into '22, and any added measures you're taking to try and drive that 19% down?

KC McClure

Yeah, so let me just maybe talk a little bit about the numbers and Julie can give some other color here. But our unmanaged attrition of 19%, was really, for the fourth quarter was in the zone that we expected, and at 14% for the year. And we've been at 19% before. It's obviously a very hot market right now, but when you peel it back, it continues to be more in the lower part of the pyramid and it's largely concentrated in India where we really don't have any issues in hiring.

Julie Sweet

Yeah, and I think that's important because you look at a headline number and then, you have to kind of understand where is the attrition. And at the same time, as you might imagine, we're always very focused on making sure that we're attractive. So we're very pleased that our executive retention is going very well. I think we are very much focused on our employee value proposition. And when you think about the actions we've taken, like a record number of 120,000 promotions, the training that we're providing people that's really valued. And then, frankly, things like the way that we have approached vaccines. So we've now vaccinated 85,000 of our people and their families directly in addition to what we're supporting through, like in the U.S., through our carriers.

And as I talked a little bit about in the script, what we find is people really care about the fact that they are working for a company that focuses on financials and all of the other what we call 360-degree value. So what we're doing in sustainability, being a leader, that we're going to be carbon neutral by 2025, really matters.

And so, we continue to look at how can we help our people be net better off, to succeed personally and professionally and be proud of a company that not only creates value, but leads with value.

Bryan Bergin

Thank you.

Operator

And our next question comes from the line of James Faucette with Morgan Stanley, please go ahead.

James Faucette

Thanks very much. I wanted to ask a couple of quick questions that are follow-ups on the hiring, your pace of hiring and net has been quite stunning, at least over the last couple of quarters. Can you talk about, a little more detail in terms of how you're finding the hiring environment, particularly for newer skill sets? And I guess, do you think you need to kind of sustain the recent pace of hiring going forward? And I guess my second question, I'll just throw it in at the same time, is back to V&A. You talked about the kind of inorganic contribution and integration, but is this, kind of the recent pace that we've seen, is this also something that you expect to need to sustain and want to sustain on a go-forward basis, whether in terms of number of deals or amount that you're spending, etc.? Thanks a lot.

KC McClure

Thanks. I will cover the headcount. I would just first start with, in this market, with the war for talent, we're very pleased with the 56,000 net additional people that we hired in Q4. And we see strong momentum really continuing in FY22 and you see that again in our growth rates for the first quarter. We're off to a strong start at 18% to 22% in Q1. And a full year, at the top end, at 15%. And we were able to accelerate some of our hiring and we plan to continue to do so in Quarter 1, in order to have the talented people that we need to match demand in the market. And so, that's to your first question on hiring.

To your second question on V&A. While I won't guide longer term into the amount of spend that we're going to do past '22 in V&A, it remains an important part of our strategy on a go-forward basis.

Julie Sweet

Yeah, and I think it's just, to remember, taking a step back on two things. One is, on the people side, we made a deliberate decision to accelerate hiring this quarter and next quarter, which given, as you said, the environment and our ability to attract people, we think makes sense. So that we're not worried about being constrained with respect to people, and we're able to do that. And I think that's a huge differentiator for us.

And secondly, we made a decision last year and we've made a decision this year in V&A to really invest and take advantage of our ability to invest to serve our clients. And when I go to clients, one of the things that we talk about is, and clients really value, is that when they're partnering with us, they're partnering not just for the capabilities we have today, but because we have a track record of investing year in and year out and creating and anticipating their needs. And we point to the kinds of acquisitions, like an umlaut, like a Novetta, like Infinity Works in cloud, and that we're doing it in markets all around the world to benefit them. And so, we believe this is really setting us up, last year and this year, for those next waves of growth and it's truly differentiating in the eyes of our clients.

Operator

And our next question comes from the line of Ashwin Shirvaikar from Citi, please go ahead.

Ashwin Shirvaikar

Thank you. Hi, Julie, KC, Angie. Congratulations on the results and outlook. My first question is, it seems clear we're in a very exciting time here for IT services. I've had this view for some time now that the acceleration of demand that you're seeing is sustainable for several years. And I don't mean to imply that getting revenue growth is easy, but if you have to worry less about revenue growth, given the investments you already made, do you have the opportunity to

change your financial model, accelerate it, get higher gross margins, better G&A leverage? Thoughts on moving to a more non-linear model with solutions, maybe especially important given that you're at 620,000 people?

KC McClure

Yeah, I'll start with that. I think, Ashwin, our financial model really remains the same in terms of the three key imperatives that you hear us go through each year, which is grow faster than the market, take share, modest margin expansion while investing at scale in our business and our people. So on that last part, maybe I'll just talk about op margin. So we are very proud of the 10 to 30 that we have this year. That does imply, obviously, that we will continue to get efficiencies in how we run our business, both in terms of how we deliver to our clients, as well as within the SG&A and how we run our own organization.

Julie Sweet

Yeah, maybe just add a couple of points. I'm glad you acknowledge that revenue growth is not easy, so thank you for that. But just taking a step back, just to make sure, because I think over the last decade, you've seen a real shift in the professional services industry. The nature of the exponential technology change and the need to help clients move faster and do so more efficiently has meant that you need to be able to invest significantly.

So as we think about moving forward, like the investments we've done to build SynOps, and to continue to evolve it, to build industry solutions, as you mentioned, require us to continuously innovate, invest and you saw that in our IP patent portfolio. And so, what I would say is, it's not that you sort of say here's the revenue, and then, can you just fundamentally shift—because there is significant cost. Having all aspects of our business grow like this is not simply because there's demand, it's the solutions we're bringing them.

And as I've talked about in prior earnings calls, it isn't linear today even because we've automated so much of what we do when you look at something like our Operations business, you look at myWizard, and we continue to do so. And that's really part of the business now. And so, I think it's important to kind of understand what's helping drive the demand for our services. The way we're gaining market share is not simply because there's a lot of demand in the market, but the solutions we're bringing. And this is our big differentiator because we can go all the way from Strategy to Operations.

All of the examples we're giving involve multiple aspects of our services and you can't just build that overnight either. So the fact that we're becoming integrated in talent strategy and our outsourcing, and our what we call managed services, is about being trusted and the fact that we could deliver during the pandemic and be a trusted partner puts us in a very different place than others who might be trying to build these capabilities.

Ashwin Shirvaikar

Got it. thank you for that. And then, the other question is, over the last 18 months, your revenue growth has absorbed the negative impact of less T&E. Is that coming back? Do you have updated thoughts on back to office, and what's the assumption for that in your outlook?

Julie Sweet

So, I'll let KC answer specifically, but I will say that if any of us can actually predict how we're going to go to the office then I'd like to meet that person. It is good to say, it's been a humbling experience. How many times have we all gotten ready to go back? And I don't know about you,

but like five different things that were going to be in person in the next two months have just come back to Zoom, or Teams. So, it's been an interesting time, the new normal.

But, KC, why don't you take us through just the assumptions we're using?

KC McClure

Yeah, so, Ashwin, I'll first start with revenue. Our revenue guidance, the 12% to 15%, it does not include any specific uptick from reimbursable travel. And if that assumption changes, we will reflect that in our updated guidance. And as Julie said, just in terms of increases to travel assumed in our overall P&L for '22, it is difficult to predict, but we do have an increase built in, particularly in the back half of the year, for some travel costs.

Ashwin Shirvaikar

Got it. Thank you for that.

Operator

And our next question comes from the line of Jason Kupferberg with Bank of America, please go ahead.

Jason Kupferberg

Thanks, guys. Good morning. I wanted to start just with a visibility question. The reason I ask is obviously your constant currency revenue growth here in Q4 was quite robust, but wasn't really above the top end of your guidance, whereas in recent quarters, you had been handily exceeding the top end of your expectations. So I'm just wondering is it simply because your visibility has improved, so you've gotten more comfortable, you don't necessarily need to put extra cushion into the guidance, or did some bookings not ramp as fast as expected in the quarter? And then, just a related question for fiscal '22, as you set the initial outlook for this year, any change in approach versus this time last year, again, perhaps because your visibility has improved? Thanks.

KC McClure

Yes, I will answer both questions in really the same way, which is for the fourth quarter, we were slightly above our FX-adjusted guided range, but we always try to aim to be in the top quadrant, top part of our guided range. And really, just this year, it's been a story of an unprecedented ramp. So we're really pleased that we were able to kind of nail down where we thought we would end out the quarter.

And I would say the same thing really for '22, it's not any change in visibility, it's not any change in the way we're doing things. We always call it as we see it. These are our best estimates and with the 12 to 15, all points are a possibility, that's why they're in the range. But we continue like we always do to aim for the top quadrant and top part of our range. No change.

Jason Kupferberg

Okay, good to know. And just a follow-up, what are your expectations for book-to-bill in Consulting and overall for the first quarter and for the full fiscal year, and then, just what you're thinking about for Consulting versus Outsourcing revenue growth this year? Thanks, guys, congrats.

KC McClure

Yeah, thank you. Yeah, so we feel good about our pipeline as we head into the fiscal year. I will just comment on Q1 bookings. We do feel really good about where we are. Historically, we do see some seasonality in Q1 and large deals can make things lumpy, but we feel really good about our positioning for the first quarter.

In terms of revenue growth, I'll just say that for Quarter 1, we see Consulting continuing at strong double-digits and Outsourcing in the double-digits range.

Jason Kupferberg

And the full year?

KC McClure

Yeah, and for the full year, Consulting should continue to be strong double-digits and Outsourcing, depending on where we land in the range, will be high single to low double-digits.

Jason Kupferberg

Thank you.

Angie Park

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

Operator

Of course, and that last question comes from the line of Tien-tsin Huang with JP Morgan, please go ahead.

Tien-tsin Huang

Thank you so much, really impressive growth at scale here. I wanted to ask about Industry X. It was 5 billion in revenue, so it was up 36%, I wrote down. So I think Julie said it's the next frontier here. Does this have the potential to be as big as cloud? I'm just trying to think about the sizing of Industry X, recognizing it's early, but also its importance.

Julie Sweet

We're not really sizing that today. I mean as you think about cloud, cloud is the entire enterprise. So it's hard to sort of—what we say is this will be, I mean we're already at 5 billion and we consider it the next digital frontier and it's super early. Some technologies have just really been coming online in the last year or two that are cloud-based. And when you look at like what we're doing, for example, like Vivienne Westwood, one of the largest independent global fashion companies, we're doing a new PLM solution for them. We're doing so for Alstom, the global leader in transportation. We're doing the same in a power company.

So the range of what we're doing, I mean, is both broad-based in terms of industry. And so, we do think of this as really a big growth driver for the future, but not sizing it today.

Tien-tsin Huang

Okay, no worries. Just thought it was interesting because the scope of it can be quite large. Just my quick follow-up, I know you fielded a lot of questions about acquisitions already. Digital assets are being valued pretty highly here across the board. It looks like you're still applying a reasonable revenue multiple, with your inorganic contributions. Have you seen any changes on

the valuation side? I know you're still a destination for many companies, but just curious if valuations have changed in any way in your thinking?

Julie Sweet

KC, do you want to answer that?

KC McClure

I think, Tien-tsin, clearly, valuations—we participate in the overall market and you've seen what valuations have done in the overall market. But I would just say that we have pretty high hurdle rates in terms of what we expect from our business cases, and we track that very closely, as you would expect of us. And we're very pleased with our ongoing performance of our portfolio against the hurdle rates that we put forth in those business cases.

Tein-tsin Huang

Yeah, well, it's impressive. Thank you both.

Julie Sweet

Thank you.

Well, now it's time to wrap up. In closing, I want to thank all of our people and our managing directors for what you all do every day.

Our people, actions and results in FY21 have put us in a terrific position as we go into FY22, to create even more value ahead. And I know I and the entire leadership team are super excited and confident about what's to come.

And I'll simply end by thanking all of our shareholders for your continued trust and support.

Be well everyone. Thanks.