

# Accenture

## Fourth Quarter Fiscal 2024 Financial Results

### Conference Call Transcript

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#### **CORPORATE PARTICIPANTS**

**Katie O'Connor** – *Managing Director, Head of Investor Relations*

**Julie Sweet** – *Chair and Chief Executive Officer*

**KC McClure** – *Chief Financial Officer*

**Angie Park** – *Incoming Chief Financial Officer*

## **Katie O’Conor**

Thank you, operator, and thanks, everyone, for joining us today on our Fourth Quarter and Full Fiscal 2024 Earnings Announcement. As the operator just mentioned, I'm Katie O'Conor, Managing Director, Head of Investor Relations. On today's call you will hear from Julie Sweet, our chair and Chief Executive Officer; KC McClure, our current Chief Financial Officer; and Angie Park, our incoming 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 the fourth quarter and full fiscal year. Julie will then provide a brief update on our market positioning, before Angie provides our business outlook for the first quarter and full fiscal year 2025. 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 as 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, Katie, and everyone joining. And thank you to our 774,000 people around the world who have worked every day to be at the center of our clients' business and deliver 360° value for all our stakeholders.

Our performance this year clearly demonstrates the resilience and agility of our business model, the power of our scale and reinvention in action. FY 2024 was marked by a challenging market environment, and we have rapidly shifted to where our clients are buying – large reinventions that utilize the scale of Accenture's expertise and ecosystem relationships - and we have yet again put reinvention into action at Accenture with our significant investment and early leadership in what we believe will be the most transformative technology of the next decade, GenAI.

As a result, over the last four quarters, we have successfully positioned Accenture for strong growth in FY 2025. When market conditions improve, we will be well-positioned to capitalize on them. In FY 2024, we continued to deliver on our enduring shareholder value proposition to grow faster than the market and take share, deliver earnings growth and margin expansion, while investing at-scale with strong free cash flow, disciplined capital allocation and significant cash return to shareholders.

Turning to our results and the foundation for growth we have built for FY 2025. With our client's prioritizing large-scale transformations, we doubled down on our strategy to be the reinvention partner of our clients. Our success is reflected in our full fiscal year bookings of \$81 billion, representing 14% growth in local currency, including 33 clients with quarterly bookings greater than \$100 million in the fourth quarter, bringing the total of such bookings to 125 for the year, 19 more than last year.

We are proud to now have 310 Diamond clients, our largest client relationships, an increase of 10 from last year, expanding our base of deep client relationships and the vantage point we have on the market.

We delivered revenues of \$65 billion for the year, representing 2% growth in local currency, while continuing to take market share on a rolling four quarter basis, against our basket of our closest global publicly traded competitors, which is how we calculate market share. We expanded adjusted operating margin by 10 basis points and delivered adjusted EPS growth of 2% while continuing to significantly invest in our business and our people, with \$6.6 billion in strategic acquisitions, \$1.2 billion in R&D, and \$1.1 billion in learning and development.

We generated free cash flow of \$8.6 billion, allowing us to return \$7.8 billion of cash to shareholders. We completed the business optimization actions we announced in March 2023 to reduce structural costs. For the full fiscal year, we had \$3 billion in new GenAI bookings, including \$1 billion in Q4 and for the full fiscal year, we had nearly \$900 million in revenue. The magnitude of this achievement is seen in the comparison to FY 2023 where we had approximately \$300 million in sales and roughly \$100 million in revenue from GenAI. This was an area where our clients continued to buy small deals and we focused on accelerating our growth here.

We have continued to steadily increase our data and AI workforce reaching approximately 57,000 practitioners against our goal of 80,000 by the end of FY 2026. We invested in our people to continue to develop their marketable skills and to help us reinvent our services using GenAI. Our people had approximately 44 million training hours this year, representing an increase of 10% predominantly due to GenAI training.

In addition to being a talent creator through our investment in learning, our talent strategy to succeed over the next decade is to have the best access to talent and to unlock the potential of our talent through, among other actions, ensuring our people feel they are net better off for working at Accenture across four dimensions: marketable skills, working for a purpose, well-being - financial, mental and physical - and relationships where our

people feel they belong and can thrive. In addition, our leadership in the market requires that we lead in innovation which in turn requires access to broad pools of talent that provide the variety of perspectives, observations and insights, which are essential to continuously innovate.

These strategies depend on us fostering a diverse and inclusive workplace, and our superior execution of these strategies is demonstrated by our global recognition for the third year with the number one spot on the FTSE global Diversity and Inclusion Index, an objective measurement of over 15,000 organizations, and our recent achievement of having 50/50 gender equality in our Advanced Technology Centers in India, which have over 220,000 people.

Our long-term growth depends on thriving communities, and we continue to successfully create value in the communities where we operate, such as our work helping address the United Kingdom's digital inclusion gap, partnering with Tech She Can on a new program - Regenerative AI - that aims to empower people and socioeconomically disadvantaged communities across the country to build their digital skills.

Finally, I want to acknowledge how proud we are to have earned the number two spot on Time's World's Best Companies list and the top spot on the World's Best Management Consulting Firms list by Forbes.

Over to you, KC.

## **KC McClure**

Thank you, Julie, and thanks to all of you for joining us on today's call. We're very pleased with our results in the fourth quarter which were aligned to our expectations, and reflect improvement across all dimensions of our business. We continue to invest for long-term market leadership while delivering significant value for our shareholders. So let me begin by summarizing a few highlights for the quarter.

Revenue grew 5% in local currency, driven by mid-single digit growth or higher in 7 of our 13 industries, including Public Service, Industrial, Software & Platforms, Health, High-Tech, Energy and Life Sciences. We had growth in all three markets, all three services, as well as return to growth in Consulting type of work for the first time in six quarters. Organic revenue improved as well, to slightly positive growth. And we continue to take market share.

Adjusted operating margin was 15%, an increase of 10 basis points over Q4 last year. We continue to drive margin expansion while making significant investments in our business and our people. We delivered adjusted EPS of \$2.79 which represents 3% growth compared to adjusted EPS last year. And finally, we delivered free cash flow of \$3.2 billion, and returned \$1.4 billion to shareholders through repurchases and dividends.

With those high-level comments, let me turn to some of the details. New bookings were \$20.1 billion for the quarter, representing 21% growth in US dollars and 24% growth in local currency, with an overall book-to-bill of 1.2. Consulting bookings were \$8.6 billion, with a book-to-bill of 1.0. Managed Services were \$11.6 billion with a book-to-bill of 1.4.

Turning now to revenues. Revenues for the quarter were \$16.4 billion, above the midpoint of our guided range, reflecting a 3% increase in US dollars and 5% in local currency. Consulting revenues for the quarter were \$8.3 billion, up 1% in US dollars and 3% in local currency. Managed Services revenue were \$8.1 billion, up 5% in US dollars and 7% in local currency. Taking a closer look at our service dimensions. Technology Services and Strategy & Consulting both grew mid-single digits and operations grew low-single digits.

Turning to our geographic markets. In North America, revenue grew 6% in local currency, driven by growth in Public Service and Industrial. In EMEA, revenue grew 2% in local currency, led by growth in Public Service and Life Sciences, partially offset by a decline in Banking & Capital Markets. Revenue growth was driven by Italy and the United Kingdom partially offset by a decline in France.

In Growth Markets, revenue grew 9% in local currency, led by growth in Banking & Capital Markets, Software & Platforms and Industrial. Revenue growth was driven by Argentina and Japan.

Moving down the income statement. Gross margin for quarter was 32.5% compared with 32.4% for the same period last year. Sales and Marketing expense for quarter was 10.7% compared with 10.8% for the fourth quarter last year. General and Administrative expenses were 6.8% compared to 6.7% for the same quarter last year.

Before I continue, I want to note that results in Q4 of FY 2024 and FY 2023 include costs associated with business optimization actions, which impacted operating margin and EPS. The following comparisons exclude these impacts and reflect adjusted results.

Adjusted operating income was \$2.5 billion in the fourth quarter, reflecting a 15% adjusted operating margin, up 10 basis points compared with Q4 last year. Our adjusted effective tax rate for the quarter was 26.2% compared with an adjusted effective tax rate of 27.4% for the fourth quarter last year.

Adjusted diluted earnings per share were \$2.79 compared with adjusted EPS of \$2.71 in the fourth quarter last year. Days services outstanding were 46 days compared to 43 days last quarter and 42 days in the fourth quarter of last year. Free cash flow for the quarter was \$3.2 billion, resulting from cash generated by operating activity of \$3.4 billion, net of property and equipment additions of \$214 million. Our cash balance at August 31 was \$5 billion compared with \$9 billion at August 31 last year.

With regards to our ongoing objective to return cash to shareholders. In the fourth quarter, we repurchased or redeemed 2.1 million shares for \$628

million at an average price of \$303.07 per share. Also in August, we paid our fourth quarterly cash dividend of \$1.29 per share, for a total of \$808 million. And our Board of Directors declared a quarterly cash dividend of \$1.48 per share, to be paid on November 15, a 15% increase over last year, and approved \$4 billion of additional share repurchase authority.

Now I'd like to take a moment to summarize the year. Our fiscal 2024 results illustrate the diversity and durability of our business as well as our ability to continue to manage our business with rigor and discipline. We delivered record bookings of \$81.2 billion, reflecting 13% growth in US dollars and 14% growth in local currency, with a record 125 quarterly client bookings over \$100 million, which positions us well as we begin FY 2025.

Revenue of \$64.9 billion for the year reflects growth of 2% in local currency. Before I continue, I want to note that results for the full fiscal year of 2024 and fiscal year 2023 include costs associated with business optimization actions and fiscal 2023 results also reflect a gain on our investment in Duck Creek Technologies, which impacted operating margin our tax rate and EPS. The following comparisons exclude these impacts and reflect adjusted results.

Adjusted operating margin of 15.5%, a 10 basis point expansion over FY 2023. Adjusted earnings per share were \$11.95 reflecting 2% growth over adjusted FY 2023 EPS. Free cash flow of \$8.6 billion reflected a very strong free cash flow to net income ratio of 1.2, and with regards to our ongoing objective to return cash to shareholders, we returned \$7.8 billion of cash to shareholders while investing approximately \$6.6 billion across 46 acquisitions.

In closing, we feel good about how we managed our business while navigating a challenging macro environment in FY 2024 and we remain committed to delivering on our enduring shareholder value proposition while creating 360° value for all our stakeholders.

And now back to you, Julie.

### **Julie Sweet**

Thank you, KC. Our FY 2024 growth was driven by our clients seeking to reinvent using tech, data, AI and new ways of working. Reinvention requires a strong digital core. In FY 2025, a significant driver of our growth will continue to be helping our clients with digital transformation including building out their digital core and then using it to drive productivity and growth. We see the advent of GenAI and its tremendous potential acting as a catalyst for reinvention.

Our clients turn to us for our unique combination of services across Strategy, Consulting, Song, Industry X, Technology and Operations. Our strategists and deep industry, functional, customer and technology consultants work hand in hand with our clients and across services to shape and deliver these reinventions.

Our investments in our advanced platforms, our assets and solutions, our process expertise, the insights from our scale and diversification and our ability to both design and build the solutions combined with our Managed Services are key differentiators for us.

At the same time, we see AI as the new digital. Like digital, AI is both the technology and a new way of working, and the full value will only come from strategies built on both productivity and growth. And it will be used in every part of the enterprise. We believe the introduction of GenAI signifies a transformative era that is set to drive growth for us and our clients over the next decade, much like digital technology has in the last decade, and continues to do so.

As part of that, we expect that the work to prepare enterprise data, which is the fuel for AI, will be an increasing part of our growth. To accomplish reinvention and take advantage of AI, businesses need to focus on talent. Their ability to access the best people at the right time, place and cost, the ability to be a talent creator to keep their people market-relevant and their ability to unlock the potential of their talent, is critical. We see talent as a top C-suite agenda item.

Today, our Managed Services are an important part of our clients' long-term talent strategy. Our ability to harness AI is helping them close talent gaps and our strong expertise across talent, change, HR and organizations differentiates all our services. Our launch of LearnVantage which provides comprehensive technology learning and training services - helps our client reskill and upskill their people so they can be a talent creator.

Let me give you a few examples of the types of reinventions we are doing. In Financial Services, banking and insurance are on their reinvention journey while retirement services, a \$15 billion global addressable market growing at about 6%, has lagged behind. We have invested to grow our capabilities and talent to capture this next wave of growth. We are working with TIAA, the largest US provider of lifetime income to accelerate the transformation of the company's retirement record keeping capabilities and operations, leveraging the power of AI, automation and the cloud, we are helping the company implement new technologies, making record keeping processes more efficient over time and easier for their customers.

Through this strategic partnership we are supporting parts of TIAA's record keeping operations, including back-end processes and technology. For example, retirement plan sponsors will experience faster plan changes and participants will find it easier to initiate account openings and investment selections. Together, we are making retirement planning more accessible, efficient and personalized for individuals and clients, helping TIAA meet its mission of a more secure retirement for more Americans.

Today, we work with 75% of the world's largest communication services providers. With our strong industry and technology expertise, we are modernizing a global Telcom's core IT operations to drive growth. Through a Managed Services program we are consolidating IT vendors, increasing productivity by an estimated 60% and reducing costs by half. We are also

infusing our GenAI tools to enhance the software development lifecycle and automate manual tasks such as resolving technical issues with customer orders, invoices or service availability. Now this will free up employees to focus on strategic growth initiatives and improve the overall customer experience.

We are also implementing new ways of working and then will train and upskill the team to use the new GenAI tools more effectively, helping to create more profitable outcomes for the company. These changes will create a stronger management framework and prepare the company for expansion into new markets.

Security continues to be one of the fastest growing parts of our business, reaching \$9 billion in revenue this year, representing 23% growth. We are partnering with the Kuwait Government Central Agency for Information Technology to revolutionize the security posture of its public services and national critical infrastructure. We are implementing and managing a scalable platform powered by GenAI, enabling the agency to act on evolving cyber threats up to 60% quicker than with traditional technologies including detection response and containment models.

In the past, security analysts manually researched threats with limited information before handing the incident to the impacted government entity, losing valuable time as the attack progressed. But now using a new platform when analysts open a potential incident they can quickly drill down into details about the users, systems under attack, type of attack and more, with just one click.

Thanks to GenAI's ability to process significant amounts of data and automatically elaborate context, as a threat is detected, we are supporting our experts in making faster decisions with confidence as we progressively onboard over 60 government entities, and while we also develop local talent. This strategic collaboration underscores our commitment to safeguarding Kuwait's digital assets and empowering the nation's journey towards enhanced cybersecurity resilience.

A key area for companies to seek reinvention is in marketing, where the potential to use tech, data and creativity to drive growth drives tangible outcomes for the enterprise. We are very proud to be working with HP, an American multinational information technology company, in a new global partnership to develop the right data sets, technology and creative for their B2B powerhouse business and brand, that fulfills their goal to move away from the traditional agency model to true marketing capability transformation to significantly improve the impact, efficacy and efficiency of their marketing investment with the ability to drive tangible business results.

In every industry there is a challenge or opportunity that GenAI can now uniquely solve. Our deep understanding of both the industry and the technology positions us to be the best at creating real value from GenAI with our clients. For example, in insurance, companies can't typically process 100% of their coverage submissions. This creates a bottleneck for



revenue growth. The ability to leverage GenAI to read 100% of submissions allows insurance companies to better assess risk as well as quote and write more policies and do it all more quickly and cost effectively.

Utilizing a new set of solutions we created, we're working with QBE Insurance Group, a multinational insurance company headquartered in Sydney, to scale industry-leading AI-powered underwriting solutions replicated across multiple lines of business, to help the company to make faster and more accurate business decisions. A series of board, executive-level and all-employee learning sessions were conducted to help drive the design and build the solutions that analyze new business submissions for completeness, appetite check and risk evaluation insights. They can now process 100% of submissions received from brokers, greatly accelerating market response time.

After nine months in market, these solutions are winning multiple industry innovation awards and early results indicate an increase in both quote to bind rate and premium. This collaboration will enable QBE insurance group to identify and select risks more effectively, improve broker and customer experience and support growth.

We are collaborating with a major integrated downstream energy provider to drive significant improvements in safety, sustainability and operational performance, with three new GenAI-powered solutions. We aim to continue to improve safety by using proactive insights from GenAI to inform planners of potential incidents instead of reactively waiting for specific warning signs to appear. This means 90% faster data access, reducing planning time from hours to minutes per task.

Another solution will help detect methane leaks in real time and prioritize their resolutions. We also helped build a smart solution for operators and process engineers to drive custom insights to optimize refinery performance and reduce downtime. The energy provider is on a path to set a new industry standard for innovation in refinery operations.

One of the most powerful, impactful uses of GenAI today across industry is in consumer experience transformation. We are working with Mondelēz International, a world leader in snacking with well-known brands like Oreo, Velveeta and Cadbury to transform their marketing organization with GenAI to help drive consumer behavior. As part of this program, we're standing up a refreshed operating model with the primary focus in upscaling their employees in GenAI technologies.

We are also helping enable a new capability to scale content creation and generate personalized text, images and videos across markets. This means exceptional creative can be developed in hours, not weeks, allowing content to be catered to consumers quickly as demands change. The strong digital core we established also allows the company to collect and process real-time data, using GenAI to create new, contextualized insights that can be easily accessed, shared and used by decision-makers across the company. This work will increase the effectiveness and efficiency of messaging to create more impactful experiences.

Now let's turn to our acquisitions. Over the last decade, we have built a finely tuned acquisition capability, becoming known in the market as a good home with approximately 75%, on average, of our acquisitions sole sourced. While our ability to identify and evaluate our acquisitions is critical, it is our ability to integrate them successfully that has made our acquisition capability so formidable.

As we look forward, we are excited about the opportunity to better serve our clients and differentiate in the market through the acquisitions we've made this last fiscal year. As a reminder, we do acquisitions ultimately to drive our organic growth. Our global footprint, deep client relationships across industries, as well as strong ecosystem gives us a unique perspective on growth opportunities. We use acquisitions to scale quickly in growth areas, to build new skills in adjacent markets and to deepen our technology, industry and functional expertise.

Over the years, acquisitions have built major areas of growth, like what we call "Song" today and our Security practice. Here are a few examples of where we are investing new to lead in the next waves of growth. Starting with Capital Projects, an over \$440 billion addressable global market growing approximately 5%. In FY 2022 globally, we had approximately \$300 million in Capital Projects revenue. We entered the US market in FY 2023 with the acquisition of Anser Advisory. Since the beginning of FY 2024, we expanded our reach into Canada with Comtech in Q1, and this Q4, we acquired Boslan in EMEA. We recognized over \$800 million in revenue on Capital Projects this fiscal year 2024.

Health is an industry still early in digitization where we see significant opportunity over the next decade. It is a \$70 billion addressable global market growing approximately 6%. This year, we added Cognosante in the US, creating a new federal health portfolio in our Federal Service business. We also acquired Nautilus Consulting in the UK, a digital consultancy specializing in electronic patient records, and we announced our intent to acquire Consus Health, a healthcare consultancy in Germany that offers services ranging from medical strategy and patient management to procurement and logistics, infrastructure management and construction planning services.

And in Europe, Public Service, an industry that is early in digitization with significant investment allocated for transformation, our acquisitions are accelerating our growth and setting us up to take share, in a \$46 billion market that is growing approximately 5%. We acquired Arns, in Luxembourg, a technology services provider supporting the public sector transformation across Europe. In Italy, we acquired Intellera Consulting, one of Italy's main professional services providers operating in the public administration and healthcare sectors, and Customer Management IT and SirfinPA, jointly owned consultancies supporting the public sector and specializing in justice and public safety.

Now, it gives me great pleasure to hand over to Angie Park who will become our new CFO on December 1 who will take us through our guidance for FY 2025.

Angie...

### **Angie Park**

Thanks, Julie. Now let me turn to our business outlook. For the first quarter of fiscal 2025, we expect revenues to be in the range of \$16.85 billion to \$17.45 billion. This assumes the impact of FX will be approximately positive 1.5% compared to the first quarter of fiscal 2024 and reflects an estimated 2% to 6% growth in local currency.

For the full fiscal 2025, based upon how the rates have been trending over the last few weeks, we currently assume the impact of FX on our results in US dollars will be approximately positive 1.5% compared to fiscal 2024. For the full fiscal 2025 we expect our revenue to be in the range of 3% to 6% growth in local currency over fiscal 2024, which includes an inorganic contribution of a bit more than 3%, and we expect to invest about \$3 billion in acquisitions this fiscal year.

For operating margin, we expect fiscal year 2025 to be 15.6% to 15.8%, a 10 to 30 basis point expansion over adjusted fiscal 2024 results. We expect our annual effective tax rate to be in the range of 22.5% to 24.5%. This compares to an adjusted effective tax rate of 23.6% in fiscal 2024.

We expect our full year diluted earnings per share for fiscal 2025 to be in the range of \$12.55 to \$12.91 or 5% to 8% growth over adjusted fiscal 2024 results. For the full fiscal 2025, we expect operating cash flow to be in the range of \$9.4 billion to \$10.1 billion, property and equipment additions to be approximately \$600 million, and free cash flow to be in the range of \$8.8 billion to \$9.5 billion. Our free cash flow guidance reflects a free cash flow to net income ratio of 1.1 to 1.2.

We expect to return at least \$8.3 billion through dividends and share repurchases as we remain committed to returning a substantial portion of cash to our shareholders. Finally, as part of our routine review of our capital structure, we expect to tap the long-term debt market in the near-term to increase our liquidity for general corporate purposes as we look to optimize our capital structure and reduce our cost of capital. We expect to raise a modest amount of debt.

In connection with that, there would be no change to our capital allocation strategy which includes how we look at and use V&A, or our strong credit rating and our net leverage will remain low. We have incorporated the potential for long-term debt into our guidance, including the interest expense.

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

Katie...

## **Katie O'Connor**

Thanks, Angie. We will now take your questions. 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 instructions]**

## **QUESTIONS AND ANSWERS**

### **Tien-tsin Huang, JPMorgan**

Thank you so much. Really strong bookings. I wanted to think about how that translates into revenue visibility if you don't mind. I know Accenture doesn't normally talk about ACV, but can you maybe comment on the current relationship between ACV and TCV and how that's evolving? It seems really important to us as we think about revenue and visibility. Duration looks like it's up, but you also have a lot of large deals converting as well, so can you comment on that?

### **Angie Park**

Hi, Tien-tsin. Good morning. It's Angie, so let me cover guidance, because maybe it will help to paint a picture of how we're thinking about the full fiscal year. I think it's really important. Let's start with how we ended Q4. If you think about the 5% growth that we posted in the fourth quarter, what we highlighted was that we did have slight growth in organic which is important as we exit the year. And as you just talked about over the last few quarters we've really pivoted our business to what our clients are buying, which are the large transformation deals, and what that does is it positions us better than compared to the same time last year on the revenue that we've already sold.

From an inorganic contribution, I do want to highlight that overall we expect a bit over 3% for the year which would imply, with our guidance of 3% to 6%, that on the bottom end of the range, organic is flat and then at the top end of the range we're growing 3% in organic growth.

And then if you peel it back and look at the revenue growth that we see it is broad-based and we saw that coming out of Q4. We see it across markets, and across all of our industry groups, and then when you look at it by type of work as well, what we see right now is that both Consulting and Managed Services, we see low-to mid-single digit growth rates for the year. And just stepping back with the color and how we're looking at our guidance, we're

very pleased with how we have set ourselves up and positioned ourselves for fiscal 2025.

**Julie Sweet**

Tien-tsin, what that means is we're not commenting specifically on ACV and TCV, because as you said that isn't...but the way to think about the confidence level going into the year, right, is that we told you that we had a strategy to have more megas. We've shared with you that we had 19 more of these bookings than last year, \$100 million or more, so you can see there's a big quantum. So as you think about going into the year we've got a bigger base of revenue coming from these larger deals coming online, than we did going into fiscal year 2024 and so that's really how we're trying to help you all think about it, is by being clear about that strategy and how the quantum of that and that's how we then think about the year, so hopefully that gives you some more insights together with the view on the guidance.

**Tien-tsin Huang, JPMorgan**

It does, and it's very reasonable as well, just to say that out loud. Just on the acquisition side, Julie, I think I asked it last quarter so I'll ask again. I know you've been very busy. I like the examples that you gave around the productivity you are getting from some of the deals and the examples you gave again but how about just overall appetite this year. Are you still seeing good opportunities? Could we see a step down or a pause in the short term? Anything else to add?

**Julie Sweet**

Yes, so what I would say is as Angie just said, our inorganic plan for the year, like in terms of as you think about revenue guidance, we're going into the year with nearly 3%, and we think we'll, right now, the plan for us is a little bit above 3% is what we're seeing for fiscal year 2025 and that reflects an expected plan right now of about \$3 billion of deployed capital, so a step-down from last year and probably more back-end loaded, as we look at our pipeline. Now obviously, we always have the ability to flex up or down. We only tie it to the opportunities in the market but that's how we're seeing this year as we think about our investments.

**Tien-tsin Huang, JPMorgan**

Perfect. Thank you. Well done. Thanks.

**Antonio Jaramillo, Morgan Stanley**

Great. Thanks for taking our question, guys. This is Antonio on for James. I wanted to actually dig into the Technology segment. I know cloud is a big component of this. Could you talk through how clients' spend on these cloud

migration projects has been trending over the last 90 days and how we should think about cloud growth going into fiscal year 2025? And then I have a follow up after.

### **Julie Sweet**

Hi, Antonio. I'm not going to think about it the last 90 days, just think about sort of where we've been and where we think we're going. Right? So in cloud, you still have a lot of migration that's happening but on more of the high-performance compute application, so things like mainframe, and you also still have some clients who are very, very early in their cloud journey, and one of the things I talked about in the script, for example, was like retirement services. That's an entire segment where they're very, very early in the cloud journey, and so at the same time, you've got companies that are very early just starting their cloud journey. You have those who are farther along who are now getting to the harder applications like mainframe.

And then we still have a lot of modernization because what happened in the pandemic is people who were trying to get to the cloud to get the infrastructure savings have not yet done the modernization and that modernization of course feeds into all of the things we do, right, brings the industry and the functional expertise and so as we look going into FY 2025 we continue to see those strengths so we expect the cloud is going to continue to be a significant driver of growth but on all of those dimensions. Right? And the high-performance compute as well requires very deep industry knowledge. Like doing mainframe in the context of Health is very different than the context of Banking. So hopefully that helps you.

### **Antonio Jaramillo, Morgan Stanley**

Got it. No, that's helpful. And then I wanted to ask, on the organic headcount. It actually looks like that ticked up quite a bit. Could you comment on your hiring strategy and what geographies you're sort of looking to shape that.

### **Angie Park**

Why don't I start and Julie can add any additional comments as well. So as you can see, I mean, I want to start with how we're exiting the year. We saw slight organic growth in Q4, and we see that momentum into FY 2025. You will have also seen that we added about 24,000 people this year, in Q4, which is reflective of the momentum that we see in the business and as always, looking ahead, we will always hire for the skills and the demand that we see.

Just more broadly, I would just remind us that as you think about us as a business, our core competency is managing supply and demand, and you

see that through our utilization rates which continue to be in the 92% range.

**Julie Sweet**

And we're hiring from our talent strategy. Right? We are hiring primarily in India, so a lot of that hiring is technology in India, and of course also, addresses a refreshing our pyramid at this time so you've got kind of the new college graduates coming in, so there's really no change in our talent strategy. We hire all over the world, and in technology, which is a big driver of the growth that we're seeing now, and going into FY 2025, that is a lot of hiring in India.

**Jason Kupferberg, Bank of America**

Good morning, guys. Thanks. Wanted to pick-up on the commentary about the Consulting outlook for fiscal 2025. You said up low-to mid-single digits. I think that's very consistent with the exit rate of 3% coming out of fiscal 2024, so does that imply that you are not building much of a discretionary spending recovery into this initial FY 2025 guide?

**Angie Park**

Hey Jason, good morning. How are you? Let me just give you a little bit of color on that as you think about the types of work and the question that you just asked. If you think about our range overall, so we're at 3% to 6% for the full year, and what this assumes is at the top end, we see more of the same, right, in terms of the discretionary spending environment, while at the bottom end it allows for further deterioration in the discretionary spend environment over what we experienced in FY 2024.

**Jason Kupferberg, Bank of America**

Okay. That's very helpful. And then maybe one for Julie. I just wanted to get your broad take on the macro backdrop. I mean, I guess what are decision-makers telling you right now versus three months ago, what are they waiting to see to open the discretionary budget a little bit more?

**Julie Sweet**

Well, the environment is really more of the same and that environment has been kind of a cautious environment. Right now they are going in the budget season, so as always, we'll really see in January and February but there hasn't been much of a change. The macro is kind of the same. Obviously there's some events going to come up in the fall that people are thinking about, but there's not like a big tone change, and I think because if you look at the macroeconomic environment, FY 2025 is going to click down in the US, maybe a little bit better in Europe, but overall not a lot of improvement.

So we're not hearing, I'm not hearing from CEOs and I'm talking to them almost every day, some big like "hey now we're ready to go spend more in discretionary spending", so it's really just more of the same and by the way, one of the changes that we made this last fiscal year 2024 was normally, we do for a decade, our big promotion period was in December, and then a small one in June, and so in fiscal year 2024, we switched these. Right? We said we have a lot more visibility in our business in January or February because that's where budgets are set, so we did that this past year, and had a really big promotion, a very nice promotion, I would say not really big, but a very nice promotion in this past June.

We've now permanently shifted that promotion cycle, so we will do our big promotion cycle in June, and our smaller one in December, to better match when our clients are setting their budgets and we have better visibility, and that's what we're seeing again. The justification for that is clear that we'll really know IT spending and spending on our services in the budgets in January and February.

### **Jason Kupferberg, Bank of America**

Thanks for all the color.

### **Keith Bachman, BMO**

Hi. Good morning. Thank you very much. I wanted to revisit on M&A if I could, and just get some clarification. In FY 2024, you spent as you noted \$6.6 billion which was up about 160% year-over-year and if we sort of do the math on what your normalized multiples are to revenue, it looks like you're starting the year of FY 2025 with three points of M&A help, and so I just want to understand. Is that the right way to think about it? And then, Julie, you'd indicated that you plan to spend \$3 billion more in M&A this year and it will be as you said back-end weighted, but I'm just struggling why M&A, if that \$3 billion number is even second half weighted, why M&A isn't 4% or more for the year.

### **Angie Park**

Keith, let me just start with peeling back our inorganic contribution a bit. As we look at the deals that we closed in 2024, it's nearly 3% contribution. Right? And so with the back-end loaded approach in our capital deployed, we do see a bit over 3 and that's just the math.

### **Julie Sweet**

It's just timing right? It's not quite 3% going in because a lot of this closed at the end of Q4, right, and so it's just timing. And that's the way we see our pipeline developing because we have a view of what, we think we're going to spend in Q1 and Q2 and how that rolls in.



**Keith Bachman, BMO**

Okay. Let me transition to the bookings then. As you think about FY 2025, and I know you don't guide to bookings. It's more of an output but any puts and takes that you want us to think about in terms of the book-to-bill ratio in FY 2025 that might be higher or lower? Any kind of cadence there and if you don't mind, was there any M&A help in the August quarter bookings as well or signings, excuse me?

**Angie Park**

Why don't I start. In terms of the way to think about our bookings, we were super pleased with the \$81 billion of bookings that we had for the year, which was 14% growth, which included the 125 quarterly client bookings over \$100 million, and so I think that that, we were super-pleased with, and you saw that in our book-to-bill and our growth rates in Managed Services which is driven by our large transformation deals. For us, over time, over four trailing quarters, we're always looking for our Consulting book-to-bill to be 1.0 or better and for our Managed Services to be 1.2 or better and nothing has changed there.

**Julie Sweet**

And there was nothing in M&A about our bookings in Q4.

**Keith Bachman, BMO**

Okay. Many thanks.

**Bryan Keane, Deutsche Bank**

Good morning. Julie, just want to ask about GenAI. I think bookings were up almost about \$300 million in the third quarter sequentially, up about \$100 million this quarter. Anything about the cadence there of GenAI and follow through there that you can help us understand?

**Julie Sweet**

Sure. So, yes, so we ended with \$3 billion bookings for the year, and we'd expect in FY 2025 another healthy increase. There is clear demand. We're starting to see more of our clients move from proofs of concept to sort of larger implementations which is important. So the size of those bookings is clicking up and also, we're continuing to see kind of at least every other one has got data pull through and even that's kind of moving up, so kind of going into the year, we'd expect another healthy increase in our bookings and our revenue from that and also, that data will continue to kind of be a bigger and bigger part of that building out of the digital core, because one of the biggest limitations on using GenAI today and why it's going to take a

while it needs data, and our clients have a lot of work to do on data which is of course a big opportunity for us.

**Bryan Keane, Deutsche Bank**

Got it. Got it. And then just a clarification on the guide. I know the fourth quarter organic growth was positive and we're talking about fiscal year 2025 revenue guide of 3% to 6% on a constant currency basis and if you back out the acquisitions I think you guys said on the low end we're talking about flat organic growth, that would be a slight step-down from the fourth quarter, which would be a little surprising given some of the momentum that you guys are seeing in bookings and in headcount growth, so just wanted to make sure I understood what that low end might imply and why would there necessarily be a step down from where the fourth quarter kind of ended? Thank you.

**Julie Sweet**

Yeah, no, the way we're thinking about it, right, we're going into the year with momentum. We executed on the strategy around the bigger deals so we have a stronger base of revenue. We've got the acquisitions, and so on the bottom end of the range, what we would see, like the most likely reason to be there, is if there was a deterioration in the discretionary spend environment, so we're trying to just kind of give some flexibility. We're not seeing that. We saw more of the same this quarter and so as we kind of go into the year, at the top end of the range, it's the current environment going forward, and at the bottom of the range, if you were to ask me today, what does that mostly accommodate is if there was a deterioration in spending, so because of the way we've positioned ourselves.

**Bryan Keane, Deutsche Bank**

Great. Thank you.

**Dan Dolev, Mizuho**

Hi, thanks for taking my question, great results and great guidance here. Two questions on GenAI. Are you seeing more of your conversations being less replacement and reallocations and purely incremental on GenAI and then I have a follow up.

**Julie Sweet**

Well, I think it starts with we're not seeing a change in what our clients are spending on IT. But what we are seeing is a continued trend of trying to save money on IT to free up the spending on areas of GenAI, so on the one hand, right now, we haven't seen a change in overall spending. We'll see what the budgets come in January/February, but we're not expecting a big change, but what we also are seeing is that, as they're saving money, they

want to invest it in things like GenAI and data. So that's really the dynamic that's going on, and save to invest, but we haven't seen signs of an overall change.

**Dan Dolev, Mizuho**

Got it. And then a quick follow up on margin. Can you maybe touch on the GenAI services margin, how it's been versus your traditional business? I think that would be really helpful for investors, thank you.

**Julie Sweet**

Do you mean our GenAI margin and sort of is that different from when we're doing GenAI versus other technologies?

**Dan Dolev, Mizuho**

Correct. GenAI services versus your traditional.

**Julie Sweet**

Look, GenAI is still a small part of our business and I wouldn't really think about it as having a particularly different margin profile at this time, and as you probably heard in my script that a lot of times we're starting to embed GenAI in our larger deals so we're not really thinking about it as sort of a separate way so I wouldn't think about it too differently than our usual business.

**Dan Dolev, Mizuho**

Got it. Thank – well, great momentum. Thank you.

**Jim Schneider, Goldman Sachs**

Good morning. Thanks for taking my question. Very helpful commentary on the client outlook on limited discretionary spend, but can you maybe help us understand or unpack when you talk to them, what are they looking for to release discretionary spend? Is it more macro factors, whether that would be rates, election or regulatory, or is it more micro factors tied to their IT budgets, and if it's the latter, what are the things they're looking for in terms of getting increased clarity on those priorities going into 2025?

**Julie Sweet**

Sure. It's a good question, and it's really, overall, there's a sense of the macro, because if you look at a lot of our clients are global. If you look at the macroeconomic, there isn't a big change. There's kind of going into next year, like the US which is a big market, looks like it's going to be down a little bit, Europe's up a little bit but still not great, and so kind of you start

with they're not seeing a big change in the macro, but then you really have to look at it industry-by-industry because each industry has factors.

So for example, in the energy industry, they are super focused on how much investment they have to do in the shift in climate change and renewables so there's a big appetite for major investment, there's no catalyst that says, oh, I've got a ton of big investments. If you look at consumer goods where a lot of the consumer goods companies are not able to get pricing. They've got to get up volume which means they've got to drive down their – improve their efficiency and their manufacturing costs and that takes big investments, because manufacturing, our latest research says like two-thirds of the journey in digitization is still to come and so those are big investments so I can kind of take you through industry-by-industry.

The reality is, and it's obviously good growth for us, is the digitization journey is still very early in many, many industries. Like public service is another great example so they've got big transformations going and at the end of the day if you're a big enterprise, like the deals that are smaller, they do not move the needle and when you've got big investments, that's where they're focused because they see now the potential of things like GenAI and everyone's like we've got to get going. That's really what's driving it so that's why we're not having a bunch of discussions about, I can't wait to unlock that spending. Our discussions are entirely on, help us move faster with our bigger transformations. That's really what we're focused on.

**Jim Schneider, Goldman Sachs**

That's very helpful. Thanks and maybe as a follow on you referenced several verticals there. Can you maybe as you prospectively look into fiscal 2025 call out maybe one or two verticals where you expect the most improvement and maybe one or two where you see potential risk of deterioration? Thank you.

**Angie Park**

Hey, Jim. Nice to talk to you. I think that as we look across FY 2025 in our overall guide of 3% to 6%, we see broad-based growth across, really broad-based across all of our industries as well as all of our services and markets.

**Jim Schneider, Goldman Sachs**

Okay. Thank you.

**Katie O'Connor**

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

## **Operator**

Thank you. That will come from Bryan Bergin with TD Cowen.

## **Bryan Bergin, TD Cowen**

Hi. Good morning. Thank you. On GenAI can you give us a sense of the size some of these largest individual programs have reached and then, as it relates to internal productivity progress, maybe comment on any of the service lines where you are seeing the earliest impacts as it relates to productivity or any metrics that you can share in more advanced programs.

## **Julie Sweet**

Sure. I don't want to start giving tons of data on this but you went from deals that were in GenAI that were on average kind of sub-\$1million, that you've now got some that are above \$10 million, so that's still the smaller end, because you're sort of moving into production and scale, but you're starting to see these things move from POCs to larger bookings, and then with respect to internal productivity, and our guidance of course takes into account what we're seeing. As I've been talking about, is it is the first area that we anticipate. Remember we're trying to embrace GenAI fastest because we think it's a big differentiator with our clients and so in our Managed Services is where we're seeing the most because that's where we have platforms so you all remember we used to talk about myWizard and now we talk about Gen Wizard but what we're seeing is that the technology and the productivity is like similar ways before.

So if you go back to 2015/2016 when we first introduced myWizard, so it's not really different than the kinds of productivity that we've been experiencing and here, of course there's an added wrinkle in that GenAI, in order for us to use it with our clients, they have to allow us to use it and they have to prioritize and they have a lot of other areas where they want to use GenAI that's not necessarily in their technology productivity, where already many of our clients are using our platforms or using AI, et cetera.

So there's a lot of factors that kind of go into the pace of how quickly we can use it, even if we're ready to use it now in many places, so hopefully that's helpful, because it is a little bit different in that sense, because our client have to prioritize where they want to use GenAI too.

## **Bryan Bergin, TD Cowen**

Okay. That's helpful. Thank you. And then I appreciate your commentary on the capital return and the balance sheet, and understanding this is overall been a tougher environment, while M&A outlay has been on the upper end, but just curious how we should be thinking about the potential magnitude of leverage in the model going forward. Just any guardrails we should consider.

## **Angie Park**

Yeah, a couple things that I would say around that. We indicated that it's going to be modest, we'll maintain our strong credit ratings and net leverage will be low, and so included in our guidance that we provided to you, we have also allowed for the potential for the interest expense and, in our overall guidance, which is in addition to the variability that we may see in operating margin throughout the year.

## **Bryan Bergin, TD Cowen**

Okay. Thank you.

## **CONCLUSION**

### **Julie Sweet**

Great. Well, thank you, everyone, for joining us. Before I wrap up, I want to thank KC who's been an amazing partner and friend these last five years. They've been quite some five years as we all know, just a few things in the environment that we've gotten to together work with, and so I'm really excited for KC and her next chapter.

And, KC, would you like to say a few words?

### **KC McClure**

I would. Thanks, Julie. I just want to offer my sincere thanks to the investor and analyst community for the decade-plus of counsel and support. It's really meant a lot to me. It's really been appreciated. Thanks a lot, and best wishes to all of you.

### **Julie Sweet**

So I want to thank everyone for joining us and thank all of our people for what you do every day, allowing us to create 360° value and giving us a lot of confidence in our success in FY 2025.

And thanks again, KC, and welcome, Angie, to your new role and we'll see you all in the next quarter.

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