



FY27 Investor Day

Session Transcript: Leadership Q&A

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CORPORATE PARTICIPANTS

Julie Sweet – Chair and Chief Executive Officer

Angie Park – Chief Financial Officer

Manish Sharma – Chief Strategy and Reinvention Services Officer

John Walsh – CEO for the Americas

Maura Macchi – CEO for EMEA

Alexia Quadrani

Good afternoon. Well, we're excited for 30 minutes of questions and answers here. As Angie just told you who's on stage, but it's Julie, Mauro, Manish, John, Angie and I'm Alexia Quadrani, the Head of Investor Relations. So, I'm going to call on you guys, just raise your hand. Please wait for the mic to come over to you. And then, if you don't mind just stating your name and your firm, that would just be helpful to us.

Julie Sweet

And our other leaders are also in the room. So, if you do have a question for someone else who is on a panel, please, just let us know. And they've got a mic and they'll be able to answer as well.

Tien-tsin Huang – JP Morgan

Good day. Thank you for hosting. My question... It's Tien-tsin Huang from JP Morgan. I'm just thinking, what's giving you all the confidence to go ahead and issue this to your outlook? That is a little uncharacteristic of Accenture, but it does speak to the confidence in the business. What are the building blocks, do you think, to ultimately get to that acceleration in '29?

And I've gotten some questions around just absorbing the AI efficiencies. That's a pretty common question in the sector. But can you maybe just give us a mental model of how that might play into the outlook and how you see it? Thanks.

Julie Sweet

Sure. Why don't I take that? Alexia. So, I also got the same question.

We wouldn't have given this guidance probably a year ago. And the reason for that is that we've been building this foundation. As part of building the foundation. We've been doing more and more work with our clients. And so our confidence comes really from three things.

First, we are the leader in implementing AI. And over the last few years, we've started to see our clients be able to take them from pilot to production. And we have a much better view of both what that takes, and what that pace is going to be. And that's why we have such a clear view of how we're going to grow. And that visibility has come from both doing the projects, but also that we've been doing them long enough that we have enough examples to feel confident about how we're seeing that develop.

The second is that we've also been testing our view of how we absorb efficiencies. And so we've been absorbing them in our business from day one. And so we have more confidence in what that's looking for, looking like. We see two places that we're absorbing efficiencies in how we deliver as well as [in] software. The software we implement has more and more AI. It does impact the amount of our efficiencies.

At the same time, I just take you back to the beginning. Our strategy is to put more AI into all of our delivery. And so we have to work through some of our existing contracts. But the way that we will win is by helping our clients have more efficiencies that they can reinvest for the enormous agenda they have ahead of them. Remember, we said that only 5% of organizations have the enterprise AI stack that would even allow them to have AI be repeatable. There's a lot of investment that has to happen. And so we build relationships by using the latest technologies, delivering efficiencies, and being the partner that has the breadth and the talent to be able to help them achieve their ambitions.

And in addition to that, we have been very quietly going after the new markets that we've seen. And the network that we've built, which is now 6% of Accenture, also gives us a lot of confidence as we see our long term growth.

And so we have a clear strategy around how to grow the core. We have a lot of visibility into what our clients need, and we've now built a network that we can scale that also gives us confidence. And so those are the building blocks that really allow us to feel comfortable laying out an ambition for the next three years.

Jaime Friedman – Susquehanna

Thank you. It's Jamie Friedman at Susquehanna. Great day today. So, thanks for the additional disclosures. The detail, the thought process. This may be somewhat mundane, but I had an investor relations related question. When I look at the KPIs that you've had over the years: you had the strategic priorities and you had that for many years, and then you reduced that disclosure, prior to that under Pierre. The Old and the New was pretty straightforward. You're introducing the revenue per headcount. I appreciate that. But how do we measure how you're doing on the 6[%] and the 94[%] going forward?

Angie Park

I think that we laid out today how we see the next few years. And so we'll, the measures that I gave you relative to the metrics that we're going to be looking at, it will include, of course, how we are on our way to doubling that over the next three years. So that's our ambition.

Julie Sweet

We'd expect that to be an annual disclosure, because as you can imagine, these things are going to fluctuate up and down over a quarter. And so, you should anchor it on our annual guidance.

Stefan Slowinski – BNP Paribas Exane

Thank you. Stefan Slowinski from BNP Paribas. Thank you so much for doing this today. Really helpful and clearly see the opportunity that's ahead of you, working with your customers implement AI. Just wondering around the free cash flow implications of

that. When we think about a move towards outcome-based pricing and the investment in the networks business, is there any change in your free cash flow conversion?

I see the 2029 outlook has, I think 1.1 for the net income to the free cash flow. That's below the 1.2 to 1.3 you've guided for this year. So just wondering if that's just a cautious kind of look a couple of years out or if there's anything changing in the business model that will impact the free cash flow conversion. Thank you.

Angie Park

Hey. Hi, Stefan. So for us, we think that a 1.1 free cash flow to net income is quite excellent. Like, we know what '27 looks like. The level of investments, etc. that we make will fluctuate depending on what we see and where we believe we need to invest. But at a minimum, we look to deliver at least 1.1. And so nothing to read into that of like, "oh, is something changing here?" It's more about we believe 1.1 is super strong, and that's what we're, that's our ambition. And we'll see how things flow from there.

Bryan Keane – Citi

Hi, it's Bryan Keane at Citi. Thanks for doing this. Great day. Just want to ask about the AI efficiencies. I guess the fear in investors' minds is that as AI advancement continues, those efficiencies will get greater. So, how do you get comfortable that you're not going to have to give further efficiencies?

And then, kind of attached to that, is thinking about competitive nature of the business. I guess another worry is that competitors will come with AI-led to price more aggressively than maybe Accenture has to try to win some business. So they're kind of related. But how do you think about those two things?

Julie Sweet

Sure. Why don't we first hear from Manish and he can give you a little color about what actually happens on the ground. And then I'll have one of our market CEOs talk a little bit as well.

Manish Sharma

So I think this, you know, the stuff around efficiencies has been a topic for discussion for probably more than three decades. Because when we did offshoring, we did RPA and some of the other waves that we had, we always had this question coming up. And I will say that there are two things on this. One is that every time something gets with lower cost, with faster, the demand always increases. You know, it comes back to a very old and a boring paradox, which is the Jevons Paradox, which was there but it has been proven and we kind of typically disregard that piece. But I've always seen, like as I said, I've lived through these three waves and I've always seen the demand kind of goes up. That's point one.

Second point is typically what happens is if the clients have 100 units of work, in 2001,

they were giving us 5 units of work out of what they had. In 2010, they were giving us 20 parts. In 2021 they were giving us 25. And now we are seeing they are giving us increased amount of work because it has become cheaper, and with lower costs. So that's kind of the second point.

The third point, I think, which we are seeing is just the emergence of the new services. Which is kind of super exciting. We did not have AI managed services, we did not have data managed services, we did not have—you heard today—the OT managed services, we did not have any of this. So, you are seeing new kind of services emerging in the AI era, which we were not even looking at earlier.

We talked about the growth arenas earlier. But look at agentic commerce. Nobody talked about agentic commerce on this front. So that's kind of just the third point.

The last point I'll just say is, as AI has come—I know we all love AI and the deployment of AI—any organization, before they deploy AI, the debt that they have, we talk about tech debt, which is the digital core in the enterprise AI stack. The process debt is much larger than even the tech debt, which it is very uncool and nobody wants to focus on that. Then you have got the data debt because you got to get the data organized. And that is why the data managed services and the architecture. And then you have got the operating model and access to talent.

These five things are, you know, they continue to kind of ensure that there is so much of work to be done post, post which you can deploy AI actually. So that's kind of just a bit of those four points.

Julie Sweet

So that was a very complete answer. So I won't have John and Mauro add to it. I will add one thing, however, which is you did ask about the AI, the AI-led and that is actually what we're doing today. You heard every one of the clients talk about how we're using AI and embedding it, and Manish talked about Reinvention.AI, which is our proprietary platform that we're using to help lead, because a lot of the reason why in managed services, for example, clients are turning to us, is they don't want to build the platform that has the agents and all of that. And so we are already selling with an AI first lens. And you have to do that to compete now.

Jason Kupferberg – Wells Fargo

That is me Jason Kupferberg from Wells Fargo. Thank you for everything today. I just had a two-part question about the '28 and '29 outlook. I mean, if we think about this current fiscal year, we're expecting about 2 to 2.5 points from M&A. Is that the right proxy to think about for the next couple of years?

And then just if you can hone in on fiscal '29. A little bit more, the acceleration you're obviously pointing to assuming that that's organic, what's driving that? What's the most likely scenario for that acceleration? Thanks.

Julie Sweet

You know, we've historically been in sort of the 2%-ish form for inorganic. And that's like a good sort of model to kind of go forward. Obviously, it flexes up and down depending on opportunities, but that's a good model, kind of going forward.

And then when you think about the building blocks of the step up. Maybe I'll have Mauro just give a little color as to how he sees that happening in his market.

Mauro Macchi

Well, first of all, it's linked a bit to the points that Manish was covering. We are really early in the cycle. I mean, we spent every week at clients and we really understand where are those clients in the cycle. And if I talk about Europe and you saw the numbers globally in Europe, we are even much earlier in the cloud journey, for example. Many clients—I'm not talking about global clients, but national champions—are still discussing how to approach the journey to cloud and cloud is a big enabler of AI.

So what I'm saying is that, as Manish was saying, there is a lot of work to do to prepare and transition into real capturing value from AI. And the point of which I was going to make on the tech debt, the data debt, the process debt is very visible. So clients really need to navigate in this moment and they need to navigate and understand how to make choices. And one point that I see very valuable is they learn more and more how to deal with the ecosystem partner. They need to play and make the right alliances, like partnership with the ecosystem partner. I think they find always in Accenture the preferred partner—at least I can say in Europe—to help them find the right balance across the different ecosystem partners, to try to have certainty of the future steps. Because many CEOs tell me, “I want to have certainty of future cost.” And today, we need to make choices. We need to decide who to partner with and how fast you can afford to this transition. Because then maybe we didn't discuss a lot about change management. Change an organization takes time. And it's not a magic button of putting AI and then everything works perfectly. So, our job is really to navigate together with them in their transformation journey.

Julie Sweet

And then the other building block is the network. It's 6% today, but has the potential to be 12% in FY29. And it's growing double-digit. So you can start to see how that becomes a much more material contributor by FY29 and helping us achieve our ambition.

Kevin McVeigh – UBS

Thank you. Kevin McVeigh, UBS. Really helpful day for sure. As you think about the business mix, consulting relative to managed services, as clients start to scale their AI adoption, does that make stay constant? And, with the efficiencies clients have on the managed services side, do they redeploy that more into the consulting or more on the managed services?

Julie Sweet

I'll sort of keep this short. I mean, for about a decade we've been approximately 50/50. And much of our managed services also now includes consulting type of work. And then the consulting type of work leads to managed services. So, we don't see right now some big change happening. And you can see that even in our guidance for '27, where both are growing about the same. So, we don't see some big catalyst right now for a big mix shift.

James Faucette – Morgan Stanley

Thank you very much for everything today. James Faucette from Morgan Stanley. I wanted to ask about ventures and acquisitions. I feel like this is probably an underappreciated component of the strategy and how you're able to stay on technology cycles. I'm just wondering, how do you think about sustaining the growth rates of these businesses as you acquire them? How should we think about how that evolves over time and then how that contributes to the expected acceleration? Especially as we're seeing an uptick in acquisitions right now, how important of a driver in the expected acceleration is that? Thanks.

Julie Sweet

I'll have Manish comment. But one of the things is to reground everyone in is that the acquisitions are both in our core business and in the network. And in all cases, the belief and the way that we look at the business cases are that they have to grow more because they're part of our family. So that's kind of like our mental model in terms of, as you think about, maintaining and actually accelerating growth.

Manish, why don't you give a little bit of color?

Manish Sharma

As you have seen plenty of acquisitions, I think they are all in terms of where we believe there is a massive opportunity for growth. But if you look each one by one, the reason why we turbocharge all our acquisitions is the availability of our client account lead network, the deep, trusted relationships of being like a complete, trusted advisor, the biggest orchestration engine on this planet—which John and Mauro spoke about. Because that access is why everybody and all the ecosystem partners and all the acquisitions, that is the biggest strength of Accenture, massive strength. Can we just imagine at 4,000 clients? I've got people who are sitting there, walking the corridors, talking to the client every single day, and understanding what the key challenges are and deploying the available. That is what they are all doing. And that is why we feel very confident to what Julie just said about rotating the business, as we move, because the 6%, they will come, they will get access to the world's biggest distribution channel. And then we just have explosion of growth around that.

Rod Bourgeois – DeepDive

Rod Bourgeois here with DeepDive. Manish, I've got a question for you about managed services. Given your background, particularly in that area. When you IPOed your managed services business, I think was 17% of revenues, it's now 50%, and it's on a very large base. And all of the concerns about AI floating around impacting stocks. But it's growing 7%. So can you give us some color on where the growth is coming from and how much of that is in newer areas of managed services that we may not have grown up understanding in from a historical perspective? Thanks.

Manish Sharma

Thanks, Rod. I think this is the question which keeps on coming, "Managed services, what is going to happen?" You know, hair on fire on that managed services. And as you rightly, thanks for pointing that out that we have grown this in a massive way. We are growing this in a consistent way over the years. I think there are two parts to this and, which I said earlier, one is every time something gets at lower cost, it just the demand increases. And this is where I always give the example, "Automation will destroy all jobs in humankind." We think it is a new term that has come now. It was first created in 1851 during the Industrial Revolution. That is the beauty of this. And people kind of think about this. But so that is point one.

So explosion because it is becoming much more cheaper. AI is able to get, I think give us, it has given us more higher-value added work to be done in the managed services. In fact, part of the reason you are seeing the revenue per headcount increasing is because we are doing the higher-end work which the clients are now trusting us with. That is point one. And the second one, which is big, is all the new managed services. And they are like just at a great scale that they are increasing now, but that will become even bigger part of our service, which is the whether AI managed or the data managed services. And I keep on coming and saying AI is beautiful, but let us first do the data cleanup and the process cleanup and the digital core cleanup.

Mauro Macchi

And I would add that at least I've seen visible with the AI, the business cases of our clients have significantly improved compared to three, four years ago. So the business case for the client on the value that they can capture is much bigger. So now they're much more ready. Because maybe the business case was so short 4 or 5 years ago. Now the business case is probably sometimes even double. So, there is more openness to do managed services from many clients.

Phani Kanumuri – HSBC

Thank you. This is Phani from HSBC. I want to extend on the previous question that was asked. So the managed services was supposed to be the area where you would see a lot more pressure, but you said it was growing at 7%. But your total overall group revenue was at 5%. So which is the area that you are seeing more pressure on? Because the other subsegments that you had mentioned were all growth areas.

The second question that I had was on your delivery model, considering that more and

more delivery is going to fix or outcome-based, how do you see this evolving into your outlook? Thank you.

Julie Sweet

Great. By the way, it was actually 7% in Q4 and 6% for the year. So a little bit less of a gap. What I would say and maybe, John, you can comment a little bit on this in terms of kind of where we see the squeezing of the legacy, while kind of a rotation to the New, because, of course, Americas is half our market and you can comment a bit on the delivery model.

John Walsh

So I think this is a little bit of a question that we've been talking about with managed services overall. And, so we do see managed services continue to grow. But at the same time there's different parts of managed services that are in there. There are some legacy managed services that we have in there that are under more pricing pressure. But by being able to squeeze those, it's creating an opportunity for us to sell into some of those other areas that had not been outsourced previously. And so, it's the balance between those things where we're driving the incremental growth.

I mean, as a company over time, like we've succeeded by leaning into innovations in the industry, just like the offshore that Julie talked about at the very beginning, or innovations in technology, which has created value, speed, value for any of our clients. And that was true with offshoring, that was true with cloud, that was true with SaaS, and it's true with AI. And so with each one of these things, like we're kind of leaning into it. Even in cases where it is reducing the total revenue that we would get in that contract, the savings that we create gets reinvested somewhere else.

We're in a great position to help them figure out where they can apply that savings in order to create more growth or more differentiation elsewhere. So it's kind of this revolving circle as we go around. The legacy parts of the business that are getting squeezed, create savings that gets reinvested into the parts of the business that are trying to grow. When we help them save, then we also are helping them grow or differentiate in another area. So, like how it works for the client and how it works for us, these are relationships we've had as we've talked about in cases for decades. Like we sort of know both sides of this equation and are working with them on this transition, like partnering.

Julie Sweet

And that's why our delivery model is all about. We want to use as much AI as we can in all types of work because that's called putting the client's needs first. And then positioning to be able to do more. And our strategy, what's so important about it, is we have been building the expertise to be relevant to all these other buyers for, in some cases, decades. And those budgets are the ones that are now starting to expand in addition to the tech budget because of the opportunity. And that's why we're so well-positioned and the breadth of our business really matters. If we were a much more

narrow company in absorbing AI efficiencies, that would be a challenge. But we really have a broad base of business. That's super exciting.

Darrin Peller – Wolfe Research

Hey, thanks guys. It's Darrin Peller from Wolfe Research. Let me just start quickly with Angie and then a very quick one for Julie as well. But it's really focused on margins.

If you could just help us in the context of the environment we're in around some, more, more interesting dynamics around pricing. How do you think through the building blocks for the conviction on the 10 to 30bps, especially all the way out a few years?

And then maybe just quickly. Julie, when we think about the areas of your business that the new data infrastructure and the core being advanced opens up for you, that maybe you couldn't sell as much of 3 years ago. What are a few of the areas—and I'm thinking about Song or areas like that—that maybe can accelerate now given the infrastructure of your customers today?

Angie Park

So let me start with. I'll start with the margin expansion and how we're thinking about it, because I do know there's been a lot of conversations around pricing throughout the day. There's the four levers that I went through earlier today.

Pricing is absolutely one of those factors, which is the margin on the work that we sell. We work hard. Our goal is for it to be maintained or improving. And so that's the first. The second piece is how do we deliver our services. Julie, like everyone up here, has talked about how we're leaned in in terms of how we deliver our services to our clients to be more productive and how we're delivering that. Second, big lever. Third is how we run Accenture. Pretty significant, and you guys have seen that in our DNA, for example, in terms of the efficiencies that we're building in all three of those things, along with our talent and supply management. It's all of those are in play that allow us while absorbing, by the way, while absorbing significant investments. And you saw our investments in our materials that we sent and still throwing off 10 to 30 basis points. And so it's a formulaic piece that we think through, but those levers are in play for us to deliver the 10 to 30.

Julie Sweet

And we're four years in now. So, obviously things can change. But our confidence comes from we've been operating in this environment of more competitive intensity. We've been operating in the environment of giving more productivity. We've been taking out costs in our corporate functions and reinvesting it. So, again, I would have said we wouldn't give this 3-year guidance 1 or 2 years ago, but we are now 4 years into this big transformation. And so we have more confidence in how this develops.

And then the other question was?

Darrin Peller – Wolfe Research

So the offerings you have that can accelerate given the infrastructure of your customers today.

Julie Sweet

Yeah, I think that probably the biggest kind of new area is the enterprise AI stack. You heard Manish talk about where an FY23, that we had four deals that were 50 million or more that were mostly AI and data as opposed to other deals. And last year we had fifty. Now, we want a lot more than that. But that's where we're starting to see companies that have built enough of the digital core, and they're willing to spend the money. Because you don't get immediate ROI when you're building out the enterprise AI stack. And that's part of the challenge in terms of adoption, is you really do need that full stack and data is absolutely critical. But I would say that in building out the digital core, one of the things that we talked about earlier, is that there are so many areas of the digital core that are actually new areas.

So the mainframe is one of them. I mean, IBM's Z product is only a couple of years old now, and so now it has the ability to embed the AI to make different choices about what goes to the cloud, what makes sense to stay there. That's a big growth area that isn't about like something brand new, but the tech is there and they absolutely want to use AI, and it's very important to be able to use more AI that you modernize it. And so it's very important that the depth of our understanding of each of these aspects means that we're capturing new growth in each of the components. It's not all about, but again, you have to, it takes time. You have to have investment. Our clients the spending environment's not changing. And so, you know, some of that just got to be worked through.

David Paige – RBC

Thank you. David Paige from RBC. I was curious if you could talk about some of the emerging growth opportunities, maybe in the mid-market or in emerging markets, how should we think about that over the next 2 to 3 years? Thank you.

Julie Sweet

Sure. Do you want to start, John? The mid-market is one of your favorite topics, along with Mauro.

John Walsh

I'll start. So mid-market, just to be clear, there's the mid-market, which is an area that historically, Accenture, while we do work in the mid-market, isn't something that we've targeted in the way that we're intentionally targeting now.

So these are companies between, say, \$300 million to \$3 billion in size. And so we're going to market with our ecosystem partners, with packaged solutions and a team that's been custom-built in order to serve that sector of the market. For us, that's like,

I look at it in Americas, like whitespace upside for us. And I think we will be able to grow there because we have a strong brand, we have super strong ecosystem relationships. And we obviously have a scale delivery capability on and offshore that we can do this. So that's upside.

Then there's the emerging large segment, which again, like we've always worked in emerging large. This is kind of like the \$3.5 billion to \$7 billion-size companies. We are intentionally targeting like the highest performing companies in that sector. And we have a lot to bring to the table for them as well. We have very senior executives that have been working with the biggest companies in every one of these industry stacks, like we're making some of those folks available to directly serve companies in that sector so that we can bring that 20 years of expertise, knowledge, network, understanding the industries, in addition to kind of the rest of Accenture's capabilities that we do for the biggest companies in the world today. And so, as I look at both of those—and Manish and I have been working on this for the better part of the last three years—like we've seen these segments really grow. We're being more public about it now with all of you, but we have a lot of upside potential that we're looking at as we continue to lean in here.

Maggie Nolan – William Blair

Thank you. And thanks for your time today. This is Maggie Nolan with William Blair. I'm curious on the guidance. What would happen or what would you expect to be the driver behind an increase in fiscal '28 from mid-single digit to fiscal '29, in high single digit, and your confidence in being able to reach the high end of that in '29?

Julie Sweet

So the big drivers are that both the core and the network are going to grow. So we expect the network, our ambition is to double it by '29 and to have the core continue to grow in the mid-single digits. And we feel that if we can achieve that with what we expect to start to happen in '29, in terms of opportunities and where we expect AI to scale, that's when we feel like we can have this step up. And where are we going to be in the range, in that step up? We'll update you closer to then, but we feel like we're being very realistic about the opportunities, the realities that we need to work through over the next couple of years and where we think that the opportunity to scale both the network and grow the core is. So, thank you.

Well, I'm sorry, I would love to spend more time, but I know it's been a long day. So I just want to thank all of you on behalf of the entire management team and our board. You've invested a lot of time with us and we appreciate it. Hopefully, you are walking away with a deeper understanding of how we've become a business reinvention and technology company, and why we have so much conviction in our growth and our shareholder value creation ahead. So thank you for your time and your trust and we'll see you at earnings. Thank you.