

Accenture

Fourth Quarter Fiscal 2026 Financial Results

Conference Call Transcript

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CORPORATE PARTICIPANTS

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Alexia Quadrani

Thank you, operator, and thanks everyone for joining us today on our fourth quarter and full-year fiscal 2026 earnings call. As the operator just mentioned, I'm Alexia Quadrani, Executive Director, Head of Investor Relations.

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

We hope you've had an opportunity to review both the earnings release and the accompanying presentation issued prior to this call.

Let me outline the agenda for today.

Julie will begin with an overview of our Q4 results and step back to look at fiscal 2026 overall, before following with a brief update on our market positioning. Angie will then take you through the detailed financial numbers, including the income statement and balance sheet, along with key operational metrics for the fourth quarter and full fiscal year, before providing our business outlook for the first quarter and full-year fiscal 2027. We will then open the line for your questions before Julie closes with a wrap-up.

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 earnings 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 earnings 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, Alexia, and everyone joining us this morning. And thank you to our more than 814,000 Reinventors around the world for your extraordinary work and commitment to our clients.

Before Angie takes you through the detailed numbers and our FY27 outlook, I will start with Q4 and then step back to look at fiscal 2026 overall.

Starting with Q4

Revenue was \$18.7 billion, growing 7% in local currency, above the top end of our guided range. Growth was broad-based across markets, industries, and both types of work. And we once again took significant market share. Revenue from work with our top 10 ecosystem partners continued to outpace our overall growth.

We've had \$22.2 billion of bookings in Q4 reflecting the relevance of Accenture to our clients and demonstrated again our strong competitive position. I was particularly pleased with our 37 clients with bookings greater than \$100 million.

Our focus on being relevant where clients are spending helped us capture this strong level of bookings, even though the overall demand environment, including discretionary spending, did not meaningfully change.

We also delivered strong margin expansion, EPS growth and free cash flow, while continuing to invest in our business and our people.

In Q4, we deployed \$1.9 billion in acquisitions. Approximately \$3 billion of capital related to the Cyber OT acquisitions, including Dragos, shifted into September due to regulatory timing, and we are pleased those transactions have now closed.

In Q4 we continued to use our strong balance sheet and acquisition experience as competitive advantages to accelerate our strategy and ultimately fuel organic growth. As a reminder, we use acquisitions to scale in high growth areas, deepen our industry and functional capabilities and expand into new growth areas, which increasingly include businesses with non-FTE commercial models.

In Q4, we closed Ookla, a global leader in network intelligence, competitive benchmarking, and customer experience analytics, which is an expansion into a new growth area with a non-FTE commercial model. Ookla also deepens our industry skills in the core value chain of the comms and tech industries.

We also closed Whalar, a leading creator and social agency recognized for its creative excellence and ability to deliver measurable business outcomes. Whalar is part of our focus on expanding our functional skills within our Song business in a high growth area.

To help accelerate our strategy to expand in the Mid-Market, we closed COMWARE, an end-to-end technology services provider with deep SAP, CRM and manufacturing expertise serving Japan's mid-market. We also announced our agreement to acquire McCoy, a trusted Dutch SAP transformation partner for mid-market companies.

Finally, we announced an agreement to acquire Industries eXcellence Group, which deepens our Engineering skills, as part of our Supply Chain & Engineering business.

Turning to demand in Q4

Large scale reinventions, including many driven by AI, drove strong demand in Q4. These spanned transforming functions and building out digital cores.

Our clients also are focused on AI and believe AI will help them achieve more than previously possible across the enterprise. But clients remain at very different stages of readiness.

Much of our growth today comes from continuing to build their digital core, data foundations and the enterprise AI stack they need to use AI at scale. And many are just starting their AI journey. Nearly 100 additional clients initiated their first advanced AI work with us this quarter, bringing the fiscal 2026 total to more than 400.

Because we are investing in our platforms and new solutions, we are able to embed advanced AI earlier into large-scale reinventions. Our proprietary assets and platforms, ecosystem relationships and our ability to deliver the work through Consulting, Managed Services or a combination of both allows us to meet clients where they are and help them move at pace.

Our Managed Services-led work also includes significant consulting and AI expertise, as many clients use this work both to reinvent and to get greater certainty around outcomes, including cost savings.

Against this backdrop, two things stand out.

First, our largest client relationships continue to expand as clients take on broader, more strategic transformations.

FedEx is a great example of how our largest client relationships grow over time. We began by moving part of its applications to the cloud.

As more deliveries shifted to homes, FedEx launched One FedEx to create a more connected, flexible and efficient operation. Delivering on that vision requires coordinating the technology, data and processes that keep the business running, all while FedEx moves millions of packages every day.

Today, we're helping build the digital core behind One FedEx while supporting its investment in its people through enterprise-wide AI fluency programs. Together, this work is helping FedEx make supply chains smarter and embed AI more deeply into the way work gets done.

Our partnership has continued to deepen as FedEx has expanded our role with additional managed services and modernization work designed to streamline operations, enhance customer service, and support future growth.

That is how our relationships grow: each success creates the opportunity for the next.

The second stand out is how our AI demand is broadening because of both the depth and breadth of our expertise in the various functions of an enterprise across industry, process, operating model, data, technology and AI.

We continue to see AI being embedded in the broader transformations our clients are undertaking.

bp, one of the world's largest energy and convenience businesses, operates across more than 150 markets with over 10 million customer touchpoints every day. To turn that scale into a growth advantage, Accenture Song is helping bp build a global marketing engine that combines data, AI, and marketing expertise—deepening customer intelligence to move from insight to action faster.

bp's marketing teams operated with hundreds of regional processes, making it harder to scale campaigns consistently across markets. We replaced that complexity with a single, scalable model and the gains compound—bp is now producing two and a half times more content with 23% less effort. That benefit is also realized in customer reach—for example customer engagement activity has grown three-fold in the last 12 months alone.

By intelligently optimizing across offer, channel, and customer moment, bp has been able to put its marketing budget in the right place at the right time—helping support measurable business results. Over the past year, active loyalty customers grew 12%, and loyalty transactions rose 7%. This is what it looks like when marketing becomes a true commercial driver.

We also continue to see green shoots of enterprise-wide AI transformations where our clients have been investing in strong digital cores. PPC is one of the leading early examples.

Over the past several years, we've helped PPC Group, Greece's largest electricity utility, strengthen its digital core and build the foundations to drive continuous reinvention. Today, we're helping PPC put AI at the center of its next phase of growth as it transforms from a traditional utility into a powertech company -- using AI to reinvent and expand into new businesses and markets. AI will be infused across the enterprise from power generation and customer experience to renewables and corporate functions, bringing together larger volumes of data to get work done faster. For example, in energy management, AI will help to cut analysis time in half, helping traders make faster pricing and hedging decisions. At the same time, AI will help deliver more seamless digital experiences to millions of customers, increasing customer lifetime value and driving top-line growth. PPC Group is not inserting AI into its existing processes, it is re-inventing them. As the group expands beyond its

traditional utility business, it is rebuilding how work gets done around clear outcomes with people in the lead and agents on task — measuring the value of every change and reskilling its workforce in parallel.

We are also seeing clients continue to move deeper into functions, particularly in areas such as customer experience, supply chain and finance, as they redesign end-to-end processes and ways of working around AI. In customer experience, we are using conversational AI, including voice and chat agents, to handle live interactions, resolve inquiries faster and provide a more personalized experience, helping organizations drive customer satisfaction and retention.

In supply chain, we are using advanced AI to improve demand forecasting across complex distribution networks, enabling more accurate forecasts and faster, more automated decisions, which can optimize costs and improve margins.

And in finance, we are building AI reasoning agents that allow CFOs and finance teams to ask questions in plain English and analyze detailed profit-and-loss data — helping finance leaders get ahead of trends, make faster, better-informed decisions, and free their teams to focus on the work that drives business results.

And increasingly, we are seeing AI move into the core value chain of industries.

For a leading pharmaceutical company, we're using Faculty's Frontier platform to improve a critical part of developing a new medicine, clinical-trial planning. The platform simulates different trial scenarios, helping teams decide where to run studies, which sites to use, and how to respond when patient enrollment falls behind.

In an initial application, the platform reduced the time needed to create and analyze trial scenarios from 10 days to 10 minutes, improved patient enrollment forecast accuracy by 60%, and identified study designs that could shorten trial timelines by up to three months.

In an industry where each day of delay can mean up to \$1 million in lost revenue, faster planning can help therapies reach patients sooner and improve the return on R&D investment. It is a strong example of how we combine our technology with deep life sciences industry expertise to turn faster, better decisions into meaningful business value.

You can see in these examples the breadth of demand, which we expect to continue, and the breadth and depth of our expertise—today we have covered logistics, energy, and pharma and they span from enterprise functions like finance, to growth functions like marketing to the core value chain like clinical trials to the digital core.

Turning to our full fiscal year,

We had another strong year—delivering profitable growth, taking significant market share, returning record cash to shareholders, and investing at scale in our business

to strengthen our near- and long-term growth. We did so in a very dynamic macro environment, which we expect to continue.

For the full year, we delivered revenue of \$74 billion, growing approximately 5% in local currency and adding approximately \$4.5 billion of revenue over FY25. We delivered these results while absorbing an approximately 1 percentage point impact from our Federal business, which sunset at the end of Q3.

We had bookings of more than \$84 billion, up 5% in U.S. dollars and 3% in local currency. This included 141 quarterly client bookings greater than \$100 million, 12 more than last year. These bookings are a proxy for the effectiveness of our reinvention strategy and position us well for future transformations as AI scales. We also ended the year with 317 Diamond clients, our largest relationships.

We also delivered strong adjusted earnings per share growth and free cash flow, and we returned a significant amount of cash to shareholders – 38% more than in fiscal 2025.

At the same time, we invested at scale in our business with \$4.9 billion in strategic acquisitions, \$1 billion in R&D and \$1 billion in learning and development as we continue to upskill and reskill our people for the AI era. In fiscal 2026, our people completed 46 million hours of training. And we now have nearly 110,000 AI and data professionals, exceeding our three-year goal to double our AI and data workforce from 40,000 to 80,000 by the end of fiscal 2026.

As we look forward, we are confident in our future. We continue to believe the opportunities related to AI are greater than the impact of AI-related efficiencies on our business, and we expect that to continue as AI enables enterprises to do much more.

At the same time, AI is making both our own delivery and the technologies we implement more efficient. Consistent with prior technology waves, we see this in two areas: the additional productivity we achieve in delivering our services, which creates greater value for our clients; and faster, more efficient implementations as our ecosystem partners embed more AI capabilities into their platforms.

Our strategy is to lean into these efficiencies precisely because they create value for our clients, while continuing to invest and rotate our capabilities to capture the larger growth opportunities AI creates. That is why we continue to view AI as a tailwind for Accenture.

As we look at the AI opportunity, our strong ecosystem position is one of the reasons we are so confident.

Our top 10 ecosystem partners represented more than 60% of our revenue in fiscal 2026, and revenue from that work grew 6%, outpacing Accenture overall. For our eight emerging AI and data partners, bookings more than tripled and revenue more than doubled compared with fiscal 2025.

The tech ecosystem is incredibly dynamic with near daily change related to AI.

This means our clients have more choices but they also have more decisions to make. And they turn to us to help them make these decisions, to help them bring these technologies together and turn them into business outcomes.

To give you a flavor of this dynamic environment, data and AI are now core to all of our partners, both our largest partners and our emerging Data & AI partners. Our top ecosystem partners—the hyperscalers and the SAAS players—are all introducing new AI features and functionality at speed. The model landscape also continues to evolve with frontier, specialized, smaller and open weight models. We are the number one partner of the top three frontier companies and now we offer full lifecycle services for open weight models. Over the last 12 months, the AI ecosystem has become much more interconnected. Clients can now access frontier models directly, through hyperscalers and increasingly through the SaaS applications they already use. At the same time, SaaS providers are rapidly embedding AI and agentic capabilities into their applications and workflows. Additionally, private and sovereign AI are increasingly important to our clients, and we are at the heart of creating these solutions.

This is why our strong network of ecosystem partnerships is so important to our growth. Reflecting how the landscape has evolved over the past year, we will now report our top 10 ecosystem partners and emerging AI and data partners together as one group. We have also added Dell, an important partner in private AI. Beginning in FY27, we will provide this update annually.

Over to you, Angie.

Angie Park

Thank you, Julie, and thanks to all of you for taking the time to join us on today's call.

Our performance reflects the strength of our fundamentals. We remain focused on delivering results that create value for our clients, our people, and our shareholders, while continuing to invest for market leadership. Revenue, operating margin, EPS, and free cash flow were all very strong — and for the full year, we achieved or exceeded all aspects of our original guidance while returning a record level of cash to shareholders.

Let me turn to some of the details of the quarter.

New Bookings were \$22.2 billion for the quarter, a 4% increase in U.S. dollars and 5% in local currency, with an overall book-to-bill of 1.2.

Consulting bookings were \$9.4 billion, with a book-to-bill of 1.0.

Managed Services bookings were a record \$12.8 billion, after our previous record in Q4 last year, with a book-to-bill of 1.4. Managed Services bookings can be lumpy, which is why we focus on the trailing four-quarter book-to-bill, which was 1.2.

Fixed price work, which includes outcome based, is now over 65% of bookings and continues to grow.

Turning now to revenues...

Revenues for the quarter were \$18.7 billion, a 6% increase in U.S. dollars and 7% in local currency.

Consulting revenues for the quarter were \$9.3 billion --- up 6% in U.S. dollars and 7% in local currency.

Managed Services revenues were \$9.4 billion --- up 7% in both U.S. dollars and in local currency, driven by high-single-digit growth in Technology Managed Services, which includes Application Managed Services and Infrastructure Managed Services, as well as high-single-digit growth in Operations.

Turning to our geographic markets...

In the Americas, revenues grew 7% in local currency. Growth was led by High Tech, Software & Platforms, Utilities, and Banking & Capital Markets. Revenue growth was driven by the United States.

In EMEA, we delivered 7% growth in local currency, led by growth in Public Service, Banking & Capital Markets and Software & Platforms. Revenue growth was driven by the United Kingdom and Italy.

In Asia Pacific, revenue grew 7% in local currency driven by growth in Public Service, Insurance, and Communications & Media. Revenue growth was driven by Japan, Australia and Singapore.

Moving down the income statement...

Gross Margin for the quarter was 32.0%, compared to 31.9% for the fourth quarter last year.

Sales and Marketing expense for the quarter was 9.7%, compared with 10.2% for the fourth quarter last year.

General and Administrative expense was 7.0%, compared to 6.6% for the same quarter last year.

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

Operating Income was \$2.9 billion in the fourth quarter, reflecting a 15.3% operating margin, a 20 basis point increase from adjusted operating margin in Q4 last year.

Our Effective Tax Rate for the quarter was 27.3%, compared with an adjusted effective tax rate of 27.9% for the fourth quarter last year.

Diluted Earnings per Share grew 9% to \$3.29, compared with adjusted diluted EPS of \$3.03 in the fourth quarter last year.

Days Services Outstanding were 50 days, compared to 48 days last quarter and 47 days in the fourth quarter of last year.

Free Cash Flow for the quarter was \$2.8 billion, resulting from cash generated by operating activities of \$3.1 billion, net of property and equipment additions of \$250 million.

Our cash balance at August 31st was \$12.8 billion, reflecting our \$5 billion debt offering in Q4, compared with \$11.5 billion at August 31st last year.

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

In the fourth quarter, we repurchased 17.6 million shares for \$2.3 billion, at an average price of \$131.89 per share.

Also, in August, we paid a quarterly cash dividend of \$1.63 per share, for a total of almost \$1 billion. This represented a 10% increase over last year.

Now I'd like to take a moment to summarize the year.

We delivered bookings of \$84.5 billion with a record 141 quarterly client bookings over \$100 million and a book-to-bill of 1.1. These results position us well for near-term growth, and the large deals, in particular, for long-term growth— with work that layers in over multiple years and positions us to help our clients with the next wave of reinventions.

Full year revenue was \$74.2 billion, with growth of 5% in local currency, reflecting approximately 3% organic growth. We delivered these results while absorbing an approximately 1 percentage point impact from our Federal business.

Looking first at type of work:

Consulting revenues were \$36.9 billion, up 5% in U.S. dollars and 3% in local currency.

Managed services revenues were \$37.3 billion, up 8% in U.S. dollars and 6% in local currency, driven by mid-single-digit growth in Technology Managed Services and high-single-digit growth in Operations.

Before I continue down the income statement, as a reminder, the following comparisons exclude the impacts of business optimization actions I noted earlier and reflect adjusted results.

Adjusted operating margin of 15.8% was a 20 basis point expansion over our adjusted FY25 results. Importantly, we delivered this expansion while significantly investing at scale across acquisitions, learning and development, and R&D.

Adjusted earnings per share were \$13.97 reflecting 8% growth over adjusted FY25 EPS.

Free cash flow of \$11.6 billion was up 7% year-over-year, reflecting a very strong free cash flow to net income ratio of 1.4.

And with regards to our ongoing objective to return cash to shareholders — we returned a record \$11.5 billion in fiscal '26, a 38% increase over the prior year, including the \$2 billion of additional share repurchases we executed in the fourth quarter. At the same time, we deployed \$4.9 billion of capital across 17 acquisitions.

Now let me turn to our business outlook...

For the first quarter of fiscal '27, we expect Revenues to be in the range of \$18.95 to \$19.60 billion. This assumes the impact of FX will be about negative 1% compared to the first quarter of fiscal 26 and reflects an estimated 2% to 6% growth in local currency.

Moving to full fiscal year 27...

Based upon how the rates have been trending over the last few weeks, we assume the impact of FX on our results in U.S. dollars will be about flat compared to fiscal 26.

For the full fiscal 27, we expect our revenue to be in the range of 3% to 6% growth in local currency over fiscal '26.

This year, we expect an inorganic contribution of 2% to 2.5%.

For operating margin, we expect fiscal year 27 to be 15.9% to 16.1%, a 10 to 30 basis point expansion over adjusted fiscal '26 results. We do expect to see variability in the quarters on our way to 10 to 30 basis points of expansion for the year.

We expect our annual effective tax rate to be in the range of 24.5% to 26.5%. This compares to an adjusted effective tax rate of 24.9% in fiscal 26.

We expect our full-year diluted earnings per share for fiscal '27 to be in the range of \$14.39 to \$14.81, or 3% to 6% growth over adjusted fiscal '26 results.

For the full fiscal '27, we expect operating cash flow to be in the range of \$11.9 to \$12.7 billion, property and equipment additions to be approximately \$900 million, and free cash flow to be in the range of \$11.0 to \$11.8 billion. Our free cash flow guidance reflects a very strong free cash flow to net income ratio of 1.2 to 1.3.

With respect to capital allocation, we will use our strong free cash flow to both invest in the business for the near and long term and return significant cash to shareholders. We will invest both organically and inorganically. Our organic investments include R&D, learning and talent development. With respect to our inorganic investments, as Julie mentioned, we just closed in September the Cyber OT acquisitions which was about \$3 billion of capital that shifted from Q4 of FY26 into Q1 of FY27 due to regulatory timing.

Looking ahead, we currently expect to deploy another approximately \$5 billion in acquisitions in fiscal '27, based on the opportunities we see today to accelerate our growth strategy.

We're planning for this level of investment because we currently see a number of opportunities that will position us for higher organic growth over the long term. And if you look at our history, when we've seen opportunities like this, we've acted on them — and that discipline has served us well. The final amount will depend on the right opportunities and timing.

On shareholder returns, we expect to return at least \$9.5 billion— representing approximately 75% of operating cash flow — through a combination of dividends, growing 5% per share, and \$5.5 billion in share repurchases which exceed issuances. Given this year's commitment and the elevated level of repurchases we executed last year, we expect to reduce our weighted average share count by approximately 3% in FY27.

Our Board of Directors declared a quarterly cash dividend of \$1.71 per share to be paid on November 13th. We now have approximately \$7 billion of share repurchase authority remaining.

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

Alexia

Alexia Quadrani

Thanks, Angie.

We ask that each participant keep to one question and a follow-up to allow as many participants as possible.

Operator, you may now provide instructions to those on the line.

QUESTIONS AND ANSWERS

Tien-Tsin Huang, JPMorgan

Thank you. Hi, Julie, Angie, and Alexia. Really strong results. I want to get a little bit more detail on maybe what drove the upside in the quarter and any surprises across the three months as you saw the quarter play out, and how does that result inform the outlook here in fiscal '27? I heard that the demand environment was steady. So just curious how you're thinking about the quarter, and how it landed, and how it drives the outlook?

Julie Sweet

Great. Thanks, Tien-tsin. Yeah look, we had a great quarter, and it really demonstrates the growth strategy that we've been executing and the fundamentals of our business. And so when you think about 7% growth in every market and consulting type of work, managed services and positive growth in every industry, the big growth drivers for the quarter were our large-scale reinventions, the ecosystem and data and AI because it's now embedded across like all of our work, and you saw that with how the ecosystem for the year was greater than our average and where with the emerging data and AI players, we doubled our revenue and tripled our bookings.

Now, as you look at the quarter, the Middle East, the direct impact of the Middle East continued to be a headwind and in fact, worsened in Q4, but we did see the indirect impacts on discretionary spend for product and resources stabilize. And when you think about the over delivery above the 5% at the top of our guided range, it was a number of factors. So we saw an uptick in small deals. We were able to mobilize faster for some of the new contracts. Our acquisitions, some of our acquisitions and our federal business overdelivered, and we allowed our people to carry over PTO, which meant we had people for the demand.

So we're really very pleased that this quarter really demonstrates the strong fundamentals in our business.

Angie Park

Tien-Tsin, I would just add no one factor was material in the outperformance.

Tien-Tsin Huang, JPMorgan

Okay. Good. No, it's nice to see it's broad-based. Just my quick follow-up then, just I heard the \$5 billion that you plan to deploy on acquisitions in '27, but you also bought a lot of stock in the fourth quarter. I heard the deferral by the month on some of the OT deals.

But just curious, Julie, here your appetite for doing acquisitions in '27, do you have good line of sight here on the spend and the areas of focus? Is this more opportunistic or again, do you have good line-of-sight into it? Thank you.

Julie Sweet

Yeah. Thanks. We do have a good line-of-sight. And just as a reminder, right, we generate very strong free cash flow, and we use that to invest in our business and return a significant amount of cash to shareholders. We just did this last year, right. We're going to do it again. And it's part of our growth strategy, when we see significant opportunities in the market through acquisitions to either grow in really high-growth areas like data and AI and to expand into new areas like we've done with data centers, we've done with data and OT security, we go after them because that's how you position for long-term growth.

And we have a good line-of-sight to good acquisitions, which is why we plan \$5 billion additional investment. And of course, at the end of the day, it will depend on the opportunities come in as we expect and the timing. But we are positioning for long-term growth when we invest in the business.

Tien-Tsin Huang, JPMorgan

All right. Well done. See you at Investor Day, right, in a couple of weeks.

Julie Sweet

Yeah. Thanks.

Darrin Peller, Wolfe Research

Hey guys, thanks. Nice results, and thanks for the clarification on the quarter itself. Maybe just go a little further into the guide now just because there -- it does imply an organic deceleration. So maybe just help us understand what you saw this quarter that you want to build in a little more conservatism around in the year ahead. If you could also just touch on the variability in the guide, what factors would lead to the low end versus the midpoint or the high end, that'd be great.

Angie Park

Hey, Darrin. Nice to talk to you. Let me just start with, I think that relative to whether it's Q1, I think it's important to have the framing of how we're seeing FY27 play out. And look, as Julie mentioned, our fundamentals are really strong when you look at it across our bookings, our revenue, our profit, our free cash flow. But let me tell you what we see for '27. So we just posted \$85 billion in bookings, and that included 141 clients with quarterly bookings over \$100 million.

We see backlog. We see the big deals from those large deals layering in. Our pipeline is solid, and we see continued demand for those large deals. And then as it relates to the macro overall, we expect that dynamic to continue. But with respect to discretionary spend at the top end of the range, we have allowed for a stable to slightly improving discretionary spend environment, while at the bottom, we allow for deterioration. And so what I just covered with you for FY27, same holds true for Q1.

Darrin Peller, Wolfe Research

Okay. All right. That's really helpful. Thanks, guys. Maybe just touch for a moment on pricing in the competitive landscape today. Are you seeing any competitors price more aggressively to win contracts, especially larger deals in the context of some of the changes happening around obviously becoming more agentic and just in general terms?

Julie Sweet

Yeah, Darrin, look, we continue to operate in a highly competitive environment. And when you think about pricing in '26, it was overall stable. And at the same time, in Q4, we saw lower pricing in many areas of our business. And so, as we look to FY27, our guidance, including our 10 basis point to 30 basis point margin expansion assumes that we're going to have continued intense competition and sort of our current expectations are baked in.

Darrin Peller, Wolfe Research

Got it. Thanks guys.

Bryan Keane, Citi

Hey guys, congrats on these definitely solid results here. I guess one thing I was thinking about, Julie, is just a delivery model. We're kind of pushing for this non-FTE kind of commercial model. And just trying to reconcile that with the growth in headcount that was up 5%. To be honest with you, I thought with agentic we'd be probably decreasing headcount. So just trying to reconcile those two factors going forward.

Julie Sweet

Sure. So a couple of things, right, we're experiencing a lot of demand in new areas, right? So we're both upskilling and hiring in data and AI. And at the same time -- and you saw that we increased revenue per person this year. So you are seeing an increase in revenue per person, which is what you would expect in part due to AI, but we're also in growth mode.

So when we look at next year, we expect to hire in every market, but it will be below what we've been hiring this year. But very importantly, we still expect to hire more entry-level, because we are very focused on really changing sort of what our entry-level workers do, what our reinventors do and -- and so that we expect to also continue. So, it came in this year as expected, pleased with higher revenue per person. And next year -- we do expect to hire, but it will be at a lower rate in part due to AI.

Bryan Keane, Citi

Great. That's helpful. And then just as a follow-up, just thinking about the Managed Services bookings in particular, that was a source of softness in the third quarter. It sounded like a couple of deals in particular were pushed, and then it was a source of strength this quarter. So just wondering timing did any of those deals come actually into the fourth quarter or just trying to figure out how to model out the Managed Service bookings since it's -- I know you guys say it's lumpy, but it's tough to get a handle on where it's going. Thanks.

Julie Sweet

Sure, Bryan, and you went to the right place, right? Our Managed Services, remember, we have more -- our strategy are these large-scale deals, and those are lumpy. And so that's what we explained in Q3, and you saw in Q4, they went up. They went up in Q4, not because of the deals that got pushed, which will come through we expect sometime in FY27, but because of like the deals that we were seeing come through in Q4 came through. And so that is just the nature of our business as we continue to have large-scale transformations drive our business. It's always been lumpy. You've covered us for a long time. It's going to continue to be lumpy, which is why we don't guide to bookings. We really focus on revenue. And so focusing on the 3% to 6% and understanding the fundamentals of our business is how we drive our business.

Angie Park

Yeah. And I would just add, Darrin, as you think about the 3% to 6% for Consulting and Managed Services, they'll both be in the range, the overall range of the guide

that we gave. And when you look at it by market, by industry, by type of work, we do see broad-based and balanced growth in '27.

Bryan Keane, Citi

Great. Thanks so much.

Jason Kupferberg, Wells Fargo

Good morning, guys. I just wanted to come back on the point you were making around the Middle East headwind. I think you said it worsened a little bit on the direct side, but it was in line on the indirect side. So I wanted to get a sense of what is assumed in the F27 guidance with respect to the Middle East, because presumably you will start to lap that during the third quarter.

Angie Park

Yeah. Hi, there, good morning. So the Middle East, let me just remind you, it's about \$1 billion and--it's roughly about \$1 billion on an annualized basis. Julie talked about what we experienced in Q4. We do expect that to continue, and we baked that in. Overall, the top-end of the range doesn't assume any growth, and the bottom of the range assumes -- allows for deterioration.

Jason Kupferberg, Wells Fargo

Okay. Understood. Thank you on that. And then I wanted to come back to the point you were making in terms of one of the sources of upside in Q4 itself. You talked about faster-than-expected mobilization. Just looking at utilization rates, it looked like they were steady quarter-over-quarter and year-over-year. So I was just wondering if you could elaborate a little bit on those mobilization efforts that were a contributor to the strength there in Q4? Thanks.

Julie Sweet

Yeah, mobilization just means that we get the new contracts started sooner. So it doesn't affect the utilization. It's actually just having the people and getting them started on new contracts faster. So it's not about having the same people work harder.

Keith Bachman, BMO Capital Markets

Many thanks. I wanted to ask two questions, if I could. Julie, could you comment on the competitive environment with -- excuse me, companies like Palantir and their FDE model, but they're not the only ones. There's others trying to emulate that model, and even the software companies are trying to deploy more FDE engineers. And I just wanted to hear your comments on how that may be influencing the competitive

dynamics, it seems like Accenture and others are sort of with Palantir, but how should we think about the competitive -- excuse me, and then I have a follow-up.

Alexia Quadrani

I'm sorry, can you repeat that? Because you kind of came in and out.

Keith Bachman, BMO Capital Markets

Yes, I will. Thank you, Julie, as you think about the competitive environment, I just wanted to see if you could comment on Palantir in the role of FDEs and how that's influencing the market. It's not just Palantir, also the software companies are deploying more forward deployed engineers. And how is that influencing the competitive dynamics with Accenture and others?

Julie Sweet

Yeah. It's a great opportunity. As you know, we have a business group with Palantir, and the FDE model is a growth opportunity for us because we can scale FDEs, and we're doing that with Palantir and with many of our other partners and we've made those announcements publicly. And keep in mind that FDEs are used a lot with the sort of new pioneering things and then it becomes something -- it's a repeatable offering. And so what Accenture can do with all of these partners, right, is we can help them have more FDEs because we're training and delivering more FDEs as part of our partnerships.

And then as we create those new solutions, we have then the scale to go repeat them and take them to multiple clients. And this is why you see so many of our partners... it's why we are the number-one partner for these emerging AI and data and our top ecosystem because we have both delivery models.

Keith Bachman, BMO Capital Markets

Okay. Okay, perfect. And my follow-up relates to renewals. And I wanted to hear if you could speak to the economics, the renewals, and how that's changed or any changes that might be occurring? And what I'm really trying to understand is with AI, there has been some deflationary forces. And when you think about the guidance associated with FY27, how are you thinking about the impact of AI on sort of like-for-like renewals and the amount of deflation that you're baking into those due to AI.

Angie Park

Hi, let me start, Keith. I think that as you step back and you think about the productivity, that's always been a part of what we do. That's what we provide to

clients. That's why they come to us. And so as we look at the impact overall, it's really been steady, right?

Keith Bachman, BMO Capital Markets

Okay.

Angie Park

So the pace, duration, all of those things remain steady. But what's important for us is we're there with our clients. And while we are helping them, we're also expanding our work with them.

Julie Sweet

Yeah. So we are definitely giving more productivity due to AI. And like overall though, the impact has been steady. So -- and we're offsetting as we have in the past with new kinds of work, more scope, et cetera. So absolutely giving more AI efficiencies and more than offsetting that as a whole.

Keith Bachman, BMO Capital Markets

Okay. So the FY27 assumes sort of steady efficiency gains. Okay, perfect. Thank you.

Angie Park

Yes.

Jim Schneider, Goldman Sachs

Good morning. Thanks for taking my question. I was wondering if you could maybe talk a little bit about some of the AI model safety work you've disclosed, in particular, your partnership with Anthropic. If you could scope anything about that in terms of size, magnitude, duration and whether in light of the recent White House activities around AI safety, whether you've seen inbound inquiries from any other frontier labs or other potential customers around this kind of work.

Julie Sweet

Thanks for the question. Well, first of all our acquisition of Faculty earlier this year was driven in part because they have deep safety experience already. And so -- and that was us anticipating both the growth of safety as part of serving the frontier labs, but also even bigger, right? Safety is a big component of what all of the enterprises have to do.

And so when you think about our growth drivers today in AI and data, a lot of that growth is us building out that enterprise AI technology platform and embedding safety. So safety is a big part of why companies turn to us both on the enterprise side.

And as you saw, Anthropic selected us for our AI expertise, our security expertise, our AI safety expertise. And that relationship is non-exclusive. And in fact, it's important that we continue to actually work with multiple labs, which is what our expectation is. And of course, we're not going to comment specifically on any particular contract, but we are investing \$1 billion over the next five years to build out that safety business, including a safety lab and the team.

Jim Schneider, Goldman Sachs

Thank you. And then as a follow-up. If you think about -- and I realize you don't guide for, if you think about your gross margin profile, you turned in some gross margin expansion for the full fiscal year '26, which is the first time I think in a couple of years. As you think about the 10 bps to 30 bps of expansion for fiscal '27, how much of a component of that is gross margins? Can you expand gross margins? And can you maybe talk about some of the levers to get there, whether that be fixed-price contracts, pricing utilization or anything else that would kind of drive the gross margin side of the equation? Thank you.

Angie Park

Hey, Jim, good morning. And as it relates to gross margins, so within gross margins, we were really pleased with the 10 basis points expansion for the quarter and for the year, which were certainly a part of our overall expansion of 20 basis points in op margin for the year as well. And when you think about gross margin, we're always focused on the different levers being pricing, contract profitability, efficiencies and how we deliver our services. But importantly, our investments are predominantly embedded in gross margin. So if you think about our acquisitions that we did this year, \$4.9 billion. If you think about our talent and our learning that we do, our R&D, all of that, the majority of that hits gross margin.

So what you don't see is that our contract profitability, which expanded this year, which we were really pleased with, absorbs the massive investments that we make year in and year out. And so the best way to look at us is the guidance that we give for op margin, which is 10 basis points to 30 basis points for the year.

Jim Schneider, Goldman Sachs

Thank you.

Bryan Bergin, TD Cowen

Hi, good morning. Thank you. I wanted to ask about kind of, broader enterprise IT and hoping you can talk about what you're seeing in overall IT budgets and what your guide is implying about clients' 2027 technology spend. And specifically, I'm curious what you're seeing in how AI costs and all the considerations around tokenomics are unfolding. Are clients getting a better handle whereby services spend can kind of improve or not necessarily see kind of budget reprioritization as you move forward?

Julie Sweet

Thanks, Bryan. So we're assuming right now kind of more of the same. So in terms of overall budgets and obviously, the budget cycles for most of our clients who are calendar year end is only starting now. So we'll kind of know more in January and February. But we're assuming right now kind of more of the same. And you are seeing token costs go down. You have all probably been tracking even just in the last few weeks, there's been new models, that a big part of them, the new models has been the lower token costs. And of course, we're helping a lot of our clients work on their tokenomics.

And what we've seen so far is that even with the increase in spending on AI, which is kind of as a net new category, we obviously just posted 5% growth. So the way we think about the dynamic is the more that tokens go down over the next couple of years, the more it's going to enable companies to use AI in more places and at-scale. And to use AI, they need to change their processes, reinvent their work, build out that AI stack in order to really do it. And all of that is what clients are turning to us. And so the more change there is, the more they turn to us. So we see that dynamic as the token cost going down, and that's going to help generate longer-term demand.

Bryan Bergin, TD Cowen

Okay, very good. And then my follow-up is on the federal business. So can you just comment on how the government demand -- US government demand evolved through the September fiscal year-end, and aside from lapping the headwind that you faced last year, the partial headwind, can you just comment are you expecting a recovery of growth and how it may perform relative to commercial?

Julie Sweet

Yeah. So, as I mentioned, one of the many factors that helped us overdeliver in Q4 was over delivery by our federal business. No individual factor was material, but that was one of the factors. As we look at '27, we expect that federal will be a significant contributor. Too early to talk about sort of exactly whether it's above or at the same commercial, but very, very -- we consider it to be very possible -- positive. And you've seen some of our big wins that were just announced like the data platform at the Department of War. So we're very relevant to the agenda of the federal

government right now and super pleased with how those things -- the federal is shaping up.

Alexia Quadrani

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

David Koning, Baird

Yeah. Hey guys, thank you. And when I looked at Consulting versus Managed Services growth, revenue growth, I think this is the first quarter in about 18 quarters or so that Consulting grew as fast as Managed Services. And you also said you're guiding to 3% to 6% for both segments, which is encouraging for Consulting. I guess I'm wondering, is there anything about the business where you either have more insight into the year now or maybe more recurring revenue that's kind of allowing it to grow as fast as Managed Services?

Julie Sweet

One of the things that we're seeing is, David, is that in our Managed Services business, our clients are really using Managed Services to transform as well as get certainty around business outcomes. And so we're seeing a lot of consulting even in our Managed Services deals in addition to the big kind of reinventions, whether it's like moving to the cloud or doing an ERP or transforming functions. And that's why it all comes from our strategy that we want to help our clients really transform the way they work.

So you need operating model, you need change management, you need process, and that is what makes us, of course, so unique is that we deliver that both in a Consulting projects as well as in Managed Services. And so that's where we're seeing kind of that strength is -- it's really across our business now.

David Koning, Baird

Got you. Thanks. And just as a follow-up, acquisition spend relative to revenue contribution is a little higher. So the cost of acquisitions seem a little higher. Is that related to revenue -- like faster revenue growth over the next few years from the acquisitions themselves? So we might not see it in this year in terms of the 2%, 2.5% contribution. But are the underlying acquisition that you're making growing faster than maybe some of the acquisitions you've made in the past?

Julie Sweet

The answer is, yes. And so our spend -- our acquisition spend is putting us into new areas like data centers, our data center acquisition DLB is growing very high single

digits, right? And so I'm sorry, very high double digits. Angie is like double-digit, what are you talking about? So, and remember, like what we always are thinking about, right, is how do we scale in the areas that are growing now that if we scale inorganically, it's going to drive more organic growth because we can do it faster, but we also use them to expand into these areas that start small and then grow.

So think about what we did with Song, what we've done with supply chain and engineering, what we've done with cloud over time. And so those acquisitions really speak to the long-term growth, and they're all intended to fuel organic growth. So you're not going to see them as big a contribution maybe in the first couple of years, but as we scale, it sets us up for that long-term growth.

David Koning, Baird

Great. Thank you.

Julie Sweet

Thank you, David.

So in closing, I want to thank our shareholders for your continued trust and support and all of our reinventors around the world for everything you're doing every day for our clients, our partners and our communities. We will share more about our growth strategy and the opportunities ahead, and also provide time to spend with our senior executives at our upcoming Investor Day. So I hope that we can see you in New York on October 14th, and thank you for joining us today.

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