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ACN – ACCENTURE'S Q2 FISCAL 2012 EARNINGS CONFERENCE CALL

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to Accenture's second quarter fiscal 2012 earnings call. At this time, all lines are in a listen-only mode. Later we will conduct a question and answer session. As a reminder, today's conference is being recorded. I'd now like to turn the conference over to Managing Director of Investor Relations, KC McClure. Please go ahead.

KC McClure - ***Accenture - Managing Director, Investor Relations***

Thank you, Ryan. And thanks, everyone, for joining us today on our second quarter fiscal 2012 earnings announcement. As Ryan just mentioned, I'm KC McClure, Managing Director of Investor Relations. With me today are Pierre Nanterme, our Chief Executive Officer, and Pamela Craig, our Chief Financial Officer. We hope you've had an opportunity to review the news release we issued a short time ago.

Let me quickly outline the agenda for today's call. Pierre will begin with an overview of our results. Pam will take you through the financial details, including the income statement and balance sheet, along with some key operational metrics for the second quarter. Pierre will then provide a brief update on market positioning and progress against our growth strategy. Pam will then provide our business outlook for the third quarter and full fiscal year 2012. And then we will take your questions, before Pierre provides a wrap up at the end of the call.

As a reminder, when we discuss revenues during today's call, we're talking about revenues before reimbursements, or net revenues. Some of the matters we'll discuss on this call are forward-looking, including the business outlook. You should keep in mind that these forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements and that such statements are not a guarantee of our future performance.

Such risks and uncertainties include, but are not limited to, general economic conditions and those factors set forth in today's news release and discussed under the Risk Factors sections of our annual report on Form 10-K and quarterly reports on Form 10-Q and other SEC filings.

During our call today, we will reference certain non-GAAP financial measures which we believe provide useful information for investors. We include reconciliations of those measures, where appropriate, to GAAP in our news release or on the Investor Relations section of our website at Accenture.com. As always, Accenture assumes no obligation to update the information presented on this conference call.

Now let me turn the call over to Pierre.

Pierre Nanterme - ***Accenture – Chief Executive Officer***

Thank you, KC, and thanks, everyone, for joining us today.

Our excellent results for the second quarter, including strong top- and bottom-line growth, demonstrate that our strategy continues to resonate with our clients, and that we are running our business with rigor and discipline. Here are a few highlights:

- We generated new bookings of nearly $8 billion.
- Revenues were $6.8 billion, up 13% in local currency, with all five operating groups and all three geographic regions delivering double-digit local currency growth.
- We delivered very strong earnings per share of $0.97, for an increase of 29%.
- Operating income was $889 million, an increase of 15% over last year.
- And we continue to have a very strong balance sheet, ending the quarter with a cash balance of $5.6 billion.
- In addition, I'm very pleased that we just announced a semi-annual cash dividend of $0.675 per share, which brings the total dividend payments for the year to $1.35 per share.
- And, given our very strong results for the first half of fiscal year 2012, we are raising our outlook for revenue growth and EPS for the full year.

Now, let me hand it over to Pam, who will review the numbers in greater details. Pam, over to you.

Pam Craig - ***Accenture – Chief Financial Officer***

Thank you, Pierre, and thanks to all of you for listening today. I am pleased to share more about Accenture's excellent second-quarter financial results for our fiscal '12. New bookings were again strong, just shy of $8 billion. Revenue came in at the top end of the range we guided to last quarter, and EPS for Q2 were very strong. Revenue growth was broad-based across our operating groups and geographic regions, with outsourcing growth higher than consulting for most of those dimensions. Our performance through the first half of the year and into calendar 2012 positions us well to achieve our targets for the full fiscal year.

Now let's get to the numbers. Unless I state otherwise, all figures are US GAAP except the items that are not part of the financial statements, or that are calculations. New bookings for the quarter were $7.94 billion, and reflect a negative 1% foreign exchange impact compared with new bookings in the second quarter last year. Consulting bookings were $4.05 billion and outsourcing bookings were $3.89 billion. Let me give you some color on new bookings in the quarter.

In management consulting, we continued to see strong bookings, reflecting ongoing client demand for projects that deliver near-term and structural cost take-out, especially in the supply chain. We saw increased demand from clients seeking to drive new revenue through improved sales and marketing effectiveness, and demand also continued for services on large-scale business transformation programs. Turning to technology consulting, our bookings reflected demand for network transformation, data center consolidation and IT rationalization for both driving cost savings and pushing up the business value from IT.

Systems integration bookings continued to reflect client demand to update and implement enterprise-wide ERP systems. We see growing demand for cloud, which is leading to requests for application re-platforming and for Software as a Service solutions from the leading SaaS technology providers. We are also seeing more demand to leverage data management and analytics, mobility, social and digital technologies. We are expanding our capabilities to meet these growing demands.

Turning to outsourcing, in technology outsourcing we see increasing demand across all geographies, including continued strength in Europe, as clients continue to reduce and make variable their IT operating costs so they can channel more IT investments toward the adoption of emerging technologies. We also see healthy demand to help clients transform and manage their networks and infrastructure operations, as well as virtualize and consolidate their data centers to lower operating costs.

BPO bookings in Q2 showed particular strength in the Americas. They reflected good demand both for our horizontal offerings, especially finance and accounting and marketing, and for our industry-specific ones, notably Accenture Credit Services and in Health through Care Management Services. Finally, we had bookings of over $100 million at five clients.

Turning now to revenues… net revenues for the second quarter were $6.8 billion, an increase of 12% in US dollars and 13% in local currency from the same period last year. As we expected, these revenues reflect a foreign exchange impact of negative 1% compared with Q2 last year. These revenues were at the top end of our guided range of $6.5 billion to $6.8 billion, driven by strong growth in outsourcing.

Consulting revenues were $3.8 billion, an increase of 8% in both US dollars and local currency. Consulting revenue growth was strong in the Americas, very strong in Asia Pacific, and slight in EMEA. Outsourcing revenues were $3 billion, an increase of 19% in US dollars and 20% in local currency, and were very strong in each of the three geographic regions.

Now let me give you some highlights of revenue growth in our operating groups. Communications, Media & Technology revenues increased 17% in local currency, with growth that was strong across the CMT industries and geographically. Outsourcing growth was very strong, driven by communications clients' continued focus on improving their operations, and also by an increase, part of which is short-term, related to a contract in Europe.

CMT had modest consulting revenue growth overall. The growth was strong in the Americas and Asia Pacific, reflecting our clients' continued focus on improving operational effectiveness and customer service, and on launching new products and services.

The Products operating group, our largest, had local-currency revenue growth of 16%, driven by strong, broad-based growth across most of the Products industries around the world. Outsourcing revenue was very strong driven by notably higher technology outsourcing work versus last year. Led by our Retail industry, consulting revenue growth was also strong overall, with the exception of some parts of consulting in EMEA.

Resources revenues grew 12% in local currency, with strong growth in our energy and natural resources industries around the world, including some of our priority emerging markets. Strong growth in outsourcing reflected demand for flexible, cost-effective sourcing to meet increased demand in ongoing operations. Consulting growth continued to be driven by programs supporting global operating models and a focus on driving short-term efficiencies.

In Financial Services, revenues grew 10% in local currency, reflecting very strong growth in outsourcing across the FS industries. This growth reflects clients' focus on cost take-out and operational effectiveness, and we expect this to remain an even stronger imperative across these industries globally. We did see modest consulting growth overall in Financial Services. This was driven by strong growth in insurance, slight growth in banking led by Asia Pacific, and partially offset by a decline in capital markets.

Health & Public Service revenues also increased 10% in local currency, reflecting very significant growth in health again this quarter, led by consulting in North America and Asia Pacific. This reflects a strong focus on our health offerings, which Pierre will give you more color on shortly. Our repositioning of our public service business continues to go well. The PS business grew modestly this quarter, including strong growth in Asia Pacific, and was led by demand for our offerings in human services. In summary, our bookings and revenue results reflect continuing strong and more focused demand across the industries we serve.

Moving down the income statement, gross margin was 31.1%, down from 31.7% in Q2 last year, a 60 basis-point decrease, Reflecting lower contract profitability in two operating groups, Financial Services and Health & Public Service, partially offset by higher contract profitability in the other three, Products, CMT and Resources.

Sales and marketing costs were $772 million, or 11.4% of net revenues, compared with $710 million or 11.7% of net revenues for the second quarter last year, a 30 basis-point decrease in these costs in relation to revenue. Selling costs were down more than that, which has created some room to invest more in our offerings.

General and administrative costs were $454 million or 6.7% of net revenues, compared with $435 million or 7.2% of net revenues for the second quarter last year, a 50 basis-point decrease in these costs in relation to revenue.

Operating income for the quarter increased 15% to $889 million, resulting in a 13.08% operating margin, compared with $772 million, or a 12.74% operating margin for the same period last year, a 34 basis-point expansion year-over-year in the quarter. We were pleased with these results this quarter, as we continue to be focused on managing the business to deliver operating income and modest operating margin expansion in conjunction with revenue growth.

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Now, on operating income and margin for the operating groups… First on Products, we are pleased with the trajectory of improved Products profitability. Second, on Resources, the very strong operating margin results this quarter were driven by more efficient selling costs and improved contract profitability, and also reflected a minor one-time upward adjustment. Third, the drop in operating margin in Financial Services reflected impacts from costs related to recent acquisitions, delivery inefficiencies on a few contracts, and higher selling costs in relation to revenue.

Our effective tax rate for the quarter was 20.5% compared with 26.9% in the second quarter last year. This lower rate in the quarter was due to higher benefits related to final determinations of tax liabilities for prior years, partially offset by increases in tax reserves. Net income was $714 million for the second quarter, compared with $566 million for the same quarter last year, an increase of 26%. Diluted earnings per share were $0.97 compared with $0.75 in the second quarter last year, an increase of 29%. This $0.22 increase reflects $0.11 from higher revenue and operating results, $0.08 from a lower effective income tax rate, $0.02 from a lower share count, and $0.01 from higher non-operating income. Free cash flow for the quarter was $772 million rounded, resulting from cash generated by operating activities of $858 million, net of property and equipment additions of $85 million.

Turning to some other key operational metrics, we ended the quarter with global headcount of more than 246,000 people, and we now have more than 151,000 people in our Global Delivery Network. In Q2, our utilization was 87%, flat with Q1. Attrition, which excludes involuntary terminations, was 12%, also flat with Q1 and down from 14% in Q2 last fiscal year. We continue to expect to hire more than 60,000 people around the world this year.

Turning to DSOs, our days' services outstanding were 29 days, down from 32 days last quarter, as well as Q2 last year. Across all of these operational dimensions, utilization, attrition, DSOs, our business is performing very well.

Finally, I'll comment on our cash and our ongoing objective to return cash to shareholders through share repurchases and dividends. Our total cash balance at February 29 was $5.6 billion and compares to $5.7 billion at the end of August. In the second quarter, we repurchased or redeemed approximately 8.6 million shares for $465 million at an average price of $54.03 per share. Year-to-date, we've purchased 13.9 million shares for $750 million. At February 29, we had $5.5 billion of share repurchase authority remaining.

Yesterday, our Board of Directors declared our semi-annual cash dividend in the amount of $0.675 per share. This dividend will be paid on May 15, 2012. This is in line with the semi-annual dividend of $0.675 we paid in November, and represents a $0.225 or 50% increase over the dividend we paid in May of last year.

Lastly, we were extremely pleased to learn that Accenture was one of six companies added last Friday to the S&P 100 Index. In summary, our financial results were strong from the top line through the bottom line in the first half of fiscal '12. Our results demonstrate that we are tuned in to the needs of our clients, that we have skills and offerings for services that are in demand, and that we are executing with rigor and discipline to meet our financial targets.

Now, let me turn the call back to Pierre to give you his thoughts on how we are executing on our growth strategy.

Pierre Nanterme - ***Accenture – Chief Executive Officer***

Thank you, Pam. Our strong results again this quarter demonstrate that our growth strategy is well-aligned with the needs of our clients, and that we are leveraging marketplace opportunities to drive growth and gain market share across all the key dimensions of our business.

Of course, we are watching macroeconomic trends very closely. And, despite the slowdown in the forecast for global economic growth, especially in Europe, there are some positive developments, such as early signs of improvement in the US economy, as well as progress to stabilize the Eurozone sovereign debt situation.

In my recent conversations with the CEOs of our clients, it is clear that the marketplace forces driving the need for large-scale transformation are still here, and in this context, our growth strategy continues to be extremely relevant to our clients.

Talking about clients, over the last six months, we have increased the number of Diamond clients, which are our largest client relationships, across all five operating groups. We continue to operate at the heart of our clients' businesses, and to increase not only the number of clients we serve but also the kinds of services we are providing to them.

Operational efficiency continues to be a key area of focus for our clients, and is driving significant demand for our services. Let me give you two examples.

- We are helping one of the world's leading insurance companies reduce costs through the implementation of a large multi-year network transformation program, which includes a cloud-based Voice-over-IP solution. Our services span 25 countries and include infrastructure expense management, service delivery and security services.

- In health, which is one of our priority industries, we are using our Care Management BPO services to help one of the largest US health insurers manage the review and authorization of medical services for patients. We are using analytics to help this client drive down the cost of care management and improve the quality of services provided to patients.

Technology innovation is another key lever our clients are using to capture new growth opportunities and improve the customer experience.

- Through Accenture Mobility Services, we are helping one of the world's leading car manufacturers leverage machine-to-machine computing to integrate in-vehicle and mobility technologies. This solution gives drivers access to navigation and other connected services on a pay-per-use basis, generating new revenue opportunities for the manufacturer.

- We are working with the governments of Australia and Singapore to implement health information exchanges, which are designed to improve the cost, quality, and access to healthcare for citizens. Health information exchanges provide medical professionals with access to real-time information that can be used to make more informed decisions and provide better services to patients.

- And, through Accenture Analytics & Marketing Services, we helped a US-based retailer deliver more than $300 million of incremental annual revenue by using predictive analytics to reallocate marketing spend to high-impact channels.

As you know, geographic expansion is a key element of our growth strategy, and we are taking steps to significantly increase our leadership presence in Asia Pacific.

- David Thomlinson, a member of our global management committee who leads our geographic strategy and operations, has relocated to Shanghai to work with our local leadership to accelerate the execution of our growth strategy in Asia, particularly China.

- In addition, last month, we opened a new Accenture Technology Lab in Beijing. One of the key areas of focus for the Beijing lab is how to apply smart-grid technologies to help address China's growing energy demands, which is a critical priority for China.

And of course, we remain focused on our own operational efficiency. It is all about continuing to run Accenture's business with rigor and discipline in order to increase the competitiveness of everything we do and maximize our return to shareholders.

With that, let me turn the call back to Pam, who will provide our business outlook for the third quarter and the full fiscal year.

Pam Craig - ***Accenture – Chief Financial Officer***

Thank you, Pierre.

As we head into the second half of our fiscal '12, we are positioned very well. We are pleased with how we have navigated the macro environment, which, as Pierre mentioned, continues to have significant challenges, as well as some brighter spots. We continue to be very focused on overall profitable growth in our broad-based global business, and on building market share in the markets we are focused on. I'll now provide our outlook for the next quarter's revenue and an update to our annual outlook for the full fiscal year.

So, here is how we see it shaping up. For the third quarter, we expect revenues to be in the range of $7.05 billion to $7.25 billion, which assumes a foreign exchange impact of negative 3% for the quarter. For the full fiscal year, we continue to assume a foreign exchange impact of negative 1%. This reflects the rates we've experienced over the past couple weeks, which have remained consistent with the assumption we provided last quarter.

Turning to revenues... based on the strong delivery in our year-to-date results of almost 14% growth in local currency, and how we see the year as a whole, we now expect our fiscal year 2012 revenue to be in the range of 10% to 12% growth in local currency. We expect continued strong growth in outsourcing and continued moderation in consulting growth. We continue to expect bookings to fall within our annual new bookings range of $28 billion to $31 billion for the fiscal year, although we now expect to be in the top half of that range. We continue to expect operating margin to be in the range of 13.7% to 13.9%, a 10 to 30 basis-point expansion over last fiscal year. You should expect some fluctuations quarter to quarter, as we have seen in the past.

Although the effective tax rate for Q2 and year-to-date was lower, we continue to expect our annual effective tax rate to be in the range of 27% to 28% for fiscal '12, and for the tax rate for Q3 and Q4 to be above the annual range. We now expect earnings per share for the full fiscal year to be in the range of $3.82 to $3.90, up $0.06, primarily reflecting our updated assumption for revenue growth. Finally, we now expect operating cash flow to be in the range of $3.65 billion to $3.95 billion, with property and equipment additions of $450 million, and free cash flow in the range of $3.2 billion to $3.5 billion.

We remain committed to return a substantial portion of the cash we generate to shareholders. In fiscal '12 we continue to expect to return at least $3 billion through dividends and share repurchases. And to reduce the weighted average diluted shares outstanding by about 2%. We're very pleased with how our people have delivered for our clients and for Accenture in this time of continued uncertainty in the global economy, throughout the first half of our fiscal year. We are working hard to continue to drive profitable growth as we help our clients drive critical value in their businesses, while at the same time driving value in ours and for our shareholders.

Now, Pierre and I are ready to take your questions.

KC McClure *- Accenture - Managing Director, Investor Relations*

Thanks, Pam. I would ask that you each keep your questions limited to one question and one follow-up to allow as many participants as possible to ask questions. Ryan, would you provide instructions for those on the call, please?

QUESTION AND ANSWER

Operator

(Operator Instructions) Tien-Tsin Huang with JPMorgan.

Tien-Tsin Huang *- JPMorgan Securities - Analyst*

Great results, especially on the outsourcing side. I'll ask something on the outsourcing front. You mentioned last quarter to us that you're not seeing a shift from consulting to outsourcing, and that outsourcing is not growing at the expense of consulting. Is that still the case? I'm just trying to get a better sense of how long this interplay between the two might persist, if you follow my question, Pam and Pierre?

Pam Craig *- Accenture – Chief Financial Officer*

Yes. I think you just do the math, right? Outsourcing is marginally a little bit greater proportion of our business right now. And we see that particularly happening in Financial Services and Communications, Media & Technology. It's been a trend and we expect it to continue to be a trend.

Tien-Tsin Huang *- JPMorgan Securities - Analyst*

Right, okay. That makes sense. And just on the outsourcing growth, as my follow-up, is it pretty broad-based or driven by certain large deals? And how would you characterize the risk profile, I would ask, on the outsourcing side versus maybe two or three years ago? Thanks.

Pam Craig *- Accenture - Chief Financial Officer*

It's quite broad-based. We see strong outsourcing growth virtually around the world and pretty much across the operating groups. So this is clearly very good growth. I think in terms of the risk profile, I'll just comment a little bit. On our capital committee, it is something that we take very seriously in all these deals. And I think it's fair to say we're getting better and better at it. I do not see an increase in the risk profile of our outsourcing work.

Pierre Nanterme *- Accenture - Chief Executive Officer*

Yes, just to add a word on this, definitely outsourcing is a very relevant response to the clients' challenges in their improving operational efficiency and their overall performance. And this is true across the patch for all our industries. That's why you can see that kind of acceleration of the demand in outsourcing across-the-board.

Tien-Tsin Huang - ***JPMorgan Securities - Analyst***

Good stuff. Thanks a lot.

Operator

Rod Bourgeois with Bernstein.

Rod Bourgeois - ***Sanford C. Bernstein & Co. - Analyst***

First question on demand, and then a quick question on the margin front. On the demand front, Pam, you mentioned in your guidance commentary that your outlook assumes moderation in consulting. Is that moderation in the year-over-year growth rate as comparisons get tougher? Or is that moderation in the actual demand environment and seeing some incremental softening there? Can you clarify whether that's a year-over-year growth rate commentary or a demand trend commentary?

Pam Craig - ***Accenture - Chief Financial Officer***

It's a year-over-year growth rate commentary. We are expecting that the consulting year-over-year growth rate will be more in the mid single-digits range next quarter. So it is very much that. We continue to see very good demand, as you can see in the bookings, being over $4 billion. And the demand environment continues to be robust in most parts of the world.

Rod Bourgeois - ***Sanford C. Bernstein & Co. - Analyst***

Okay, great. That's very helpful. And then on the margin front, I want to focus on the Financial Services vertical there. There's two parts to my question here. Are you seeing any meaningful pricing issues contributing to the margin decline in Financial Services? And did you have any write-offs on troubled contracts during the quarter that caused the meaningful drop in the Financial Services margin?

Pam Craig - ***Accenture - Chief Financial Officer***

I would say, Rod, that it is more due to the things that I mentioned a few minutes ago, in the sense that we did have a couple of nice-sized acquisitions that came online. And so we planned to have some impact from those. We also did have higher selling costs in Financial Services. And I think that's in large part due to… there is significant transformation going on in that industry, as you know. And so some of that was planned. And we did have, lastly, some delivery inefficiencies which would probably go into the category of we need to work on that a bit more. That also contributed. But the first two were more of a planned nature.

Rod Bourgeois - ***Sanford C. Bernstein & Co. - Analyst***

Does that mean looking forward that the margin should recover after you get past the acquisition cost? And then some up-front selling costs on some transformational work?

Pam Craig - ***Accenture - Chief Financial Officer***

We do expect that the Financial Services profitability will tick back up.

Pierre Nanterme - ***Accenture - Chief Executive Officer***

I'm jumping on this, Rod, because I'm historically Mr. FS. So I still have some personal stake on this. And indeed, as you know, and as we communicated, banking, insurance and health are industries where we decided to invest because we see the potential on those industries. So it's not a surprise that you can see the impact of our investments in some of the margin. And so far we are very pleased with the results of those investments in terms of the acquisitions we made and we announced recently with Duck Creek and with Zenta to form Accenture Credit Services. And, of course, the other data point is we are pleased to announce that this quarter in Q2, Financial Services bookings were $2.1 billion, the highest bookings ever in Financial Services' history.

Rod Bourgeois - ***Sanford C. Bernstein & Co. - Analyst***

Excellent. Thank you, guys.

Operator

Julio Quinteros, Goldman Sachs.

Julio Quinteros - ***Goldman Sachs - Analyst***

Just to pick up on Rod's question there, but maybe from a different perspective, on the contribution, because you are calling out the acquired impact to the margins, is there a way to think about how much it's actually helping on the revenue growth side, as well?

Pam Craig - ***Accenture - Chief Financial Officer***

It did have a good contribution to the revenue growth in Financial Services. I'm not going to give you the exact number but it was meaningful to that growth.

Julio Quinteros - ***Goldman Sachs - Analyst***

Okay, got it. And then just a quick follow-up. When we look at the results, hard to argue with 13% to 14% first half growth, and mid-teens trailing 12-month bookings at this point in time. But when you look at the implied growth into the back half of the year at the mid-point of the range, it looks like you guys are implying 8.5%. Just given where the growth is right now, especially the bookings as strong as they are, why would you expect to decelerate in the back half of the year?

Pam Craig - ***Accenture - Chief Financial Officer***

It's just more how it's shaping up. And when you think about it, it's more like a 7% to 10%, which is I think how we saw the business when we started the year, and then consulting was running hotter. And now we see it coming back closer to that level, which is a very good level. So the moderation is primarily in consulting and outsourcing continues to be strong.

Julio Quinteros - ***Goldman Sachs - Analyst***

Great. Thanks guys, good luck.

Operator

Bryan Keane, Deutsche Bank.

Bryan Keane - ***Deutsche Bank - Analyst***

I just wanted to drill down on the consulting business, maybe the outlook by region. It sounded like Americas and Asia might have been accelerating but maybe a little bit of a decel in Europe is expected. Maybe you can just break it down further. Thanks.

Pam Craig - ***Accenture - Chief Financial Officer***

I'm not going to break it down in terms of numbers but I think your characterization is fair. Although we expect moderation to be in the Americas and Asia Pacific, as well, as we go forward. But Europe is the one that's lowest in terms of a growth rate right now.

Bryan Keane - ***Deutsche Bank - Analyst***

Did Europe deteriorate during the quarter or it's just happening to plan? And then just lastly, on headcount growth, I noticed sequentially headcount growth didn't grow as much but you've kept your guidance for at least 60,000 heads for gross hires. So just curious on is there a timing issue for headcount with this quarter and we should expect it to pick up in the next two? Thanks.

Pam Craig - ***Accenture - Chief Financial Officer***

The first question, the headcount, that's the question I've got here, there's nothing unusual going on with headcount, Bryan. As you know, we manage supply and demand around the world and that's really all that's going on. So the utilization was at 87%. I think we're being tight and rigorous about that, as we always are, and there's nothing unusual there.

Pierre Nanterme - ***Accenture - Chief Executive Officer***

And from a consulting standpoint, I'm going to jump on that one. I don't think there is anything in Q2 that was not expected or took us by surprise from a consulting standpoint. I think Pam mentioned in prior quarters that, indeed, if you're looking at the whole macroeconomic environment, it's public knowledge that Europe is more softer from an economic standpoint compared to the rest of the world. We are watching carefully what's happening, especially in the financial services sector in some parts of Europe. It's not the same story if you're looking at the different countries in Europe. And so what's happening there is more happening as planned and I don't think there is anything that was unexpected.

Pam Craig - ***Accenture - Chief Financial Officer***

Right. And just what's interesting, though, is that the outsourcing demand is quite strong in Europe. So, as you can imagine, we're responding to that.

Bryan Keane - ***Deutsche Bank - Analyst***

Great results. Thanks so much.

Operator

Nate Rozof, Morgan Stanley.

Nate Rozof - ***Morgan Stanley - Analyst***

Congratulations on the strong results here. My first question for you is related to the pipeline. I think after two very strong bookings quarters, last quarter, Pam, you made the comment that there was going to be some work that needed to be done in terms of replenishing the pipeline. And now here we are again with another strong bookings quarter. So I wanted to get your sense on have you been able to replenish the pipeline. And what was the velocity of deals moving through the pipeline relative to maybe a quarter ago.

Pam Craig - ***Accenture - Chief Financial Officer***

Yes, it's a great question, and as you can imagine something we are very focused on. And I think we have made some good progress in building the pipeline. We do have some more work to do. And again, with the strong bookings, it was, I think, overall very good. One thing I'll just mention, because sometimes this relates a little bit to visibility, and I've given you this in the past, is that when we look at revenue under contract, we do have 13% more than we did at this time last year, both for the next two quarters of the fiscal year but also for the next four quarters. So I think that shows you that's building, as well.

Nate Rozof - ***Morgan Stanley - Analyst***

Okay, that's terrific. That's good to hear about the visibility. Can you provide any insight in terms of just breaking down the bookings number a little bit more, in terms of new wins in that strong bookings number versus renewals? Or any change relative to what's normal at this time of the year?

Pam Craig - ***Accenture - Chief Financial Officer***

I don't think there's anything major to point out there, Nate. I think one of the things that we were, of course, looking at last quarter was how the calendar year turn was going to go. And we haven't seen anything notably change that much in terms of clients' budgets and all of that. So I don't think there's really anything big to point out with respect to that.

Nate Rozof - ***Morgan Stanley - Analyst***

Thank you.

Operator

Darren Peller, Barclays.

Darrin Peller - ***Barclays Capital - Analyst***

Pierre, I think you mentioned earlier that in Europe you were seeing more outsourcing, and I think that's well-received, especially just given the historical trends there. So do you think now clients continue to focus on cost take-out? Those historical barriers around cultural factors and labor laws and language are actually really becoming less of a hurdle and you're actually seeing it hit the numbers now, first of all?

Pierre Nanterme - ***Accenture - Chief Executive Officer***

Yes, if you look at the demand, clearly, operational efficiency is extremely important for all of the reasons we know. And again, we feel we are extremely well positioned to provide the right answer to that particular agenda. From a consulting standpoint, from an outsourcing standpoint, we have I think all of the tools, techniques and offerings to tackle that agenda. But at the same time, we see a growing demand for more innovation and using more the technology innovation to drive either more efficiency, but, as well, more the revenue agenda of our clients. And what's interesting to see in the marketplace is these two activities -- and it's not a surprise -- are picking up at the same time. And clients are investing to be more efficient, as well as they are investing to capture more growth opportunities. And we are very pleased, if you will, with those two engines for growth.

Darrin Peller - ***Barclays Capital - Analyst***

Okay, thank you. And just one follow-up to that. Is it market share also? Are you seeing your win rates increase?

Pam Craig - ***Accenture - Chief Financial Officer***

Our win rates have been up, as I think back over the last year. And I don't think we saw a significant change this quarter in that.

Darrin Peller - ***Barclays Capital - Analyst***

Okay. But it's been pretty stable, Pam?

Pam Craig - ***Accenture - Chief Financial Officer***

Yes.

Darrin Peller - ***Barclays Capital - Analyst***

Okay, great. Thanks guys.

Operator

Jason Kupferberg, Jefferies.

Jason Kupferberg - ***Jefferies & Co. - Analyst***

I just wanted to ask a question regarding SG&A. You guys have done such a great job over a long period of time there managing the SG&A cost base. And I wanted to get an idea of how much more upside, if you will, remains there to the extent you see opportunity for further cost take-out. What specific areas that might be in. And part of the reason I ask the question is, the gross margins continue to go down year-over-year. I think it's been about six straight quarters. But obviously you manage the business to operating margins and you've been hitting your goals there. But the SG&A piece of the equation obviously becomes even more important if the gross margins continue to slide. So any color you can give us there would be great.

Pam Craig - ***Accenture - Chief Financial Officer***

Yes, I think you're right. Philosophically, we are looking to manage SG&A to grow slower than revenue. And so that's part of our culture, that we're really careful with our costs and really manage all that, manage our cost structure with a lot of rigor and discipline. And so I was pleased to see the improvement in the selling costs. You do know that when we invest in the business that's typically on the sales and marketing line, as well. That's where we have our offerings and our initiatives, so we want to make sure we can do some things there, as well, and look to do as much as we can. But all within this overall framework of, in the end, delivering modest margin expansion.

Pierre Nanterme - ***Accenture - Chief Executive Officer***

I'm going to jump on this one because it's a kind of mindset, if you will. And you've been hearing me and Pam using a lot "rigor and discipline," which is coming back and coming back. But if we are mentioning that so often, it's because we mean it. And at the end of the day, rigor and discipline is what you need as a mindset for proper execution. And I think in our organization, there is a relentless focus on improving productivity and efficiency in everything we do. And there is no reason that will not apply to SG&A as to the rest of our business.

Jason Kupferberg - ***Jefferies & Co. - Analyst***

Okay. And let me just ask a follow-up on your latest thoughts regarding non-linear growth opportunities at Accenture. You guys now have about 250,000 employees. Are there some goals you can share with us just in terms of size for your non-linear businesses, such as on the Accenture software side or BPO or other types of IP-based solutions you have in your portfolio? I know you had talked a bit about this at past analyst meetings and I wanted to see if there was any update there you could share.

Pierre Nanterme - ***Accenture - Chief Executive Officer***

At a high level, we are a people-based organization. We will grow our headcount and we love that. We love our people, we love growing this, we're used to that. We know how to hire, train, develop, deploy. And that's part of something we will do and we will continue to do.

That being said, it is part of our plan to bring more IP in our system, if you will, to be more differentiated. We will continue to be a people-based business and grow that way. From an IP standpoint indeed, we are pleased with the progress we are making either by leveraging the good technologies from our alliance partners, and we are doing that every day to bring our unique industry expertise, or by making some focused investments and strategic investments. I mentioned a few. We are doing it in each and every industry. So we will continue to be more IP-based and to grow indeed that part of our business, as well. But the people-based part where we manage, important.

Jason Kupferberg - ***Jefferies & Co. - Analyst***

Very good. Thank you, guys.

Operator

Ashwin Shirvaikar with Citigroup.

Ashwin Shirvaikar - ***Citigroup - Analyst***

Excellent quarter here, especially the bookings in a tough selling environment. My question is related to the bookings. In the next few quarters you'll have, obviously, fairly significant ramps related to the contracts that you're signing. You also have a lot of increased headcount coming up, given the relatively flattish headcount this quarter. Are there margin or cash implications in the back half of the year or even slightly beyond that as we look at those ramps?

Pam Craig - ***Accenture - Chief Financial Officer***

What do you mean by margin or cash implications?

Ashwin Shirvaikar - ***Citigroup - Analyst***

Because you're obviously ramping large contracts, there is an initial cost involved. Does it have a negative implication for your gross margins?

Pam Craig - ***Accenture - Chief Financial Officer***

There's this giant portfolio of thousands of contracts. We always have some in the early stages. And that's part of what each operating group manages as they look to deliver each year. So there's nothing unusual there, Ashwin.

Ashwin Shirvaikar - ***Citigroup - Analyst***

Okay, so nothing out of the ordinary? Okay. The second question is on Nokia. It's client-specific, and let me take a shot at it even though I know you historically don't answer client-specific questions. You're making buyout offers to rebadged employees. Is that too early in the process? Is it consistent with your expectations? How is the project going? We know how Symbian is doing in the market, so a little bit concerned there.

Pam Craig - ***Accenture - Chief Financial Officer***

As you expected, I think, when you asked the question, we're not going to comment specifically on a client contract.

Ashwin Shirvaikar - ***Citigroup - Analyst***

Okay, I just thought I'd take a shot. Thanks.

Operator

Arvind Ramnani with UBS.

Arvind Ramnani - ***UBS - Analyst***

Congrats on a great quarter. Just a couple of quick questions. You continue to see strength in some of your end markets that are having pressures, specifically Financial Services in Europe. So do you feel the ongoing pressure that your clients are seeing will continue to drive business your way? Or do you think at some point it will catch up with your overall revenue growth?

Pam Craig - ***Accenture - Chief Financial Officer***

I think the thing that we see is continued robust demand for outsourcing in Financial Services. And we don't see that letting up.

Arvind Ramnani - ***UBS - Analyst***

Great. You also interpreted your gross margin pressure to contract profitability. Can you expand on that? Is that driven due to higher contractor costs or pressure on bill rates for the contract work?

Pam Craig - ***Accenture - Chief Financial Officer***

I think, as I mentioned, it's in Financial Services and in Health & Public Service. And in those cases where there's things that we wished we would do better is what we refer to as delivery inefficiencies. And that's more where it takes more cost to deliver something than we thought it would.

Arvind Ramnani - ***UBS - Analyst***

Great, thanks. And just one other quick one. Are you still planning on having an Analyst Day in April or is that moved to the fall?

Pam Craig - ***Accenture - Chief Financial Officer***

We are not planning to have it in April. And we at this point are looking to do it in the fall. Stay tuned. We'll have an update on that.

Arvind Ramnani - ***UBS - Analyst***

Okay, great. Thank you.

Pierre Nanterme - ***Accenture - Chief Executive Officer***

Which is just reflecting the cycle of our business, so that's why it's moving to the fall.

Pam Craig - ***Accenture - Chief Financial Officer***

We think it's better from the standpoint of our fiscal year.

Arvind Ramnani - ***UBS - Analyst***

Great. Would that mean you'll provide guidance only when you have the Analyst Day, for the following fiscal year?

Pam Craig - ***Accenture - Chief Financial Officer***

Stay tuned on that.

Arvind Ramnani - ***UBS - Analyst***

Okay, great. Thank you.

KC McClure - ***Accenture - Managing Director IR***

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

Operator

Joseph Foresi with Janney.

Joseph Foresi - ***Janney Montgomery Scott - Analyst***

I'm going to try and squeeze two, even though it's the last one. But any changes in the spending patterns by clients? Are wallets opening up a little bit here as there's been some macro stability? And what could cause those wallets to shut down?

Pierre Nanterme - ***Accenture - Chief Executive Officer***

As we said, we are looking carefully at the macroeconomic environment. We are talking to our clients every day. We were looking at the analyst reports this morning. Every day I'm reading all the reports from the economy, coming from all around the world. And we are not seeing any significant changes in the current client environment. And we do not see much within that, why things would change. At least things we know.

Joseph Foresi - ***Janney Montgomery Scott - Analyst***

Okay. And then lastly I just want to go back to the first question because it looks like outsourcing is outpacing consulting. Is there any linkage at all to the business cycle? Are we just entering a part of the cycle where maybe consulting moderates and outsourcing picks up? Or have you been converting those consulting engagements into outsourcing? I'm just trying to get a final feel for that.

Pam Craig - ***Accenture - Chief Financial Officer***

Yes, I think there is somewhat what I would call catalyst effect of some of the consulting going into outsourcing. But we haven't really quantified that. But there's a lot of activity under what we've termed framework agreements in outsourcing. And I think that, as we mentioned in the comments, this relentless focus on cost take-out and getting more operationally efficient, it just really lends itself to doing that kind of work, and really helping clients get more fit. And of course with what's going on with technology, that's really supporting that, too, because there's opportunities through these new technologies to make some of these IT costs more variable. And that's, of course, very attractive to clients.

Joseph Foresi - ***Janney Montgomery Scott - Analyst***

Thank you.

Pierre Nanterme - ***Accenture - Chief Executive Officer***

And again, I've seen a lot of your questions concerning consulting and outsourcing, and they are all very valid. Again, just a reminder that we've been booking in the range of $4 billion these last four quarters in consulting. So we like to make sure everybody gets it on the call, that we're pleased with where we are with outsourcing, with consulting. And we are extremely pleased with where we are in outsourcing.

Okay, I think it's time to wrap up the call. Thanks again for joining us today. As you heard, we are very pleased with our strong results in the second quarter and the first half of the fiscal year. We are confident that we will continue to deliver profitable growth and we are remaining focused on accelerating the execution of our growth strategy.

We believe we are well-positioned to seize the opportunities we see in the marketplace and have raised our business outlook for revenue growth and EPS for the full year. And of course, our strong performance would not be possible without the incredibly talented team of Accenture women and men around the world. I would also like to thank our investors for your continued support. And we look forward to speaking with you again next quarter.

In the meantime, if you have any questions, feel free to call KC to make arrangements for follow-up. Thank you for participating, and all the best.

Operator

Okay, ladies and gentlemen. Today's conference was recorded for replay. If you wish to listen to that replay you may dial 1-800-475-6701 and enter the access code 235944. International participants may dial 320-365-3844 with the same access code 235944. It will be available after 7:00 Eastern tonight through June 27, 2012.

That does conclude our conference for today. I want to thank you for your participation and for using AT&T executive teleconference. You may now disconnect.