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ACN – ACCENTURE'S Q4 FISCAL 2012 EARNINGS
CONFERENCE CALL

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to Accenture's fourth-quarter fiscal 2012 earnings conference call. At this time, all phone lines are in a listen-only mode. Later, we will conduct a question-and-answer session.

(Operator Instructions)

As a reminder, today's conference call is being recorded. And with that 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, Doug, and thanks everyone for joining us today on our fourth-quarter and full-year fiscal 2012 earnings announcement. As Doug 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 both the fourth quarter and the full year. Pierre will then provide a brief update on our market positioning. Pam will then provide our business outlook for the first quarter and full fiscal year 2013 and then we'll 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 reimbursement or net revenues. Some of the matters we'll discuss in 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 section of our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q and other SEC filings.



Accenture's Q4 FY '12 Earnings Conference Call - Sept. 27, 2012: 4:30 p.m. EDT (9:30 p.m. GMT)

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. Let me turn the call over to Pierre.

Pierre Nanterme - Accenture – Chief Executive Officer

Thank you, KC, and thanks everyone for joining us today. We are very pleased with our financial results for the fourth quarter and full fiscal year, which enabled us to meet or exceed our annual business outlook for all of our key metrics. Our strong performance demonstrates that our growth strategy continues to differentiate us in the marketplace, and that we are running our business with a focus on delivering value to shareholders.

Pam will provide details on the fourth quarter and the full fiscal year in a moment. Here are a few highlights for the year:

- We delivered record new bookings of \$32.2 billion.
- Revenue growth was strong and broad-based across our business, with an 11% increase in local currency to \$27.9 billion, also a record.
- Earnings per share were a record \$3.84, up 13% and at the top of our guided range.
- We expanded operating margin 30 basis points to 13.9%, also at the top of our guided range.
- We generated exceptionally strong free cash flow of \$3.9 billion and continue to have a very strong balance sheet, ending the year with a cash balance of \$6.6 billion.
- We continue to return cash to shareholders with more than \$3 billion in share repurchases and dividend payments during the year
- And we just announced a semi-annual cash dividend of \$0.81 per share, which is a 20% increase over our prior dividends.

Clearly, we continue to execute extremely well across all dimensions of our business and I want to take this opportunity to recognize the contribution of the leadership team of Accenture, which is totally committed to our clients and to our success.

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

Pamela Craig - Accenture – Chief Financial Officer

Thank you, Pierre, and thanks to all of you for listening today. I am pleased to give you some detail on Accenture's fiscal year 2012 fourth-quarter and full-year financial results. We finished the year strong across key dimensions. We had record bookings in Consulting and Outsourcing and a quarterly total for the first time of over \$9 billion. Our free cash flow as we crossed year-end was outstanding, and most notably, we were able to meet or beat all of the elements in our original annual business outlook provided a year ago.

Now let's get to the numbers for the quarter and the fiscal year. Unless I state otherwise, all figures are U.S. GAAP except the items that are not part of the financial statements or that are calculations. New bookings for the quarter were a record \$9.2 billion and that level of bookings also notably reflected a negative 9% foreign exchange impact compared with new bookings in the fourth quarter last year. Consulting bookings were \$4.3 billion and Outsourcing bookings were \$4.9 billion, both individual records. As Pierre mentioned, new bookings for the full fiscal year also hit an all-time high of \$32.2 billion, \$1.2 billion above the upper end of the range we signaled in June. These bookings reflected a foreign exchange impact of negative 3% compared with new bookings for fiscal '11. Consulting bookings for fiscal '12 were \$16.6 billion and Outsourcing bookings were \$15.6 billion.

Let me give you some details on bookings in the fourth quarter, first in Consulting. In Management Consulting, bookings were strong this quarter, particularly in the Americas and some parts of Europe. They continued to include a greater proportion of larger projects of longer duration with a focus on business outcomes. The strongest growth in bookings was for sales transformation and for finance and enterprise performance work. Technology Consulting bookings reflected demand for network transformation, data center consolidation, desktop transformation, and IT strategy, all to drive cost savings and increase the business value of IT spend. We see more significant opportunities to capture here ... and this is being focused on by our technology leaders.

Systems Integration bookings were the highest for as long as we've been tracking them. Our bookings continue to reflect client demand to implement and modernize both ERP and industry-specific systems, which is also creating platforms for advanced analytics work, driving more business value. We also see clients evaluating their legacy application portfolios, which is leading to growing demand to build and integrate Software as a Service, or SaaS, and other cloud solutions. And our clients' demand for mobile, digital, and web solutions across multiple types of devices is becoming more and more pervasive. Emerging technology trends are gaining momentum.

Turning to Outsourcing, Technology Outsourcing bookings continue to be very strong and broad-based across our operating groups and geographically across the Americas, Asia-Pacific, and parts of Europe and Africa. We continue to work closely with many, many clients around the world, not only to help them capture immediate cost savings but to turn fixed costs into variable costs and to improve their IT effectiveness as they continue to work to transform their operations to become more competitive. BPO bookings were very strong, a quarterly record, driven by our cross-industry offerings, especially finance and accounting. Bookings were broad-based across most of our commercial industries. Strong demand for our services was most pronounced in the Americas, including in the U.S., where we have our industry-specific solution in Credit Services. Our BPO business built momentum all year long in fiscal '12, with strong bookings driving increases in market share each quarter, and the business is well-positioned going into FY '13, as well. Finally on bookings, we had bookings of over \$100 million at 11 clients, with all five operating groups represented.

Turning now to revenues. Net revenues for the fourth quarter were \$6.84 billion, an increase of 2% in U.S. dollars and 9% in local currency over the same period last year. As we had expected, these revenues reflected a foreign exchange impact of negative 7% compared with Q4 last year. These revenues were at the upper end of our guided range of \$6.6 billion to \$6.85 billion, and reflected growth in local currency in all five of our operating groups in the fourth quarter.

Consulting revenues were \$3.74 billion in the fourth quarter, down 4% in U.S. dollars and up 2% in local currency. We had strong local currency growth in Asia-Pacific, single-digit local currency growth in the Americas, and were just under flat in local currency in EMEA.

Outsourcing revenues were \$3.1 billion, an increase of 10% in U.S. dollars and 18% in local currency. We saw strong double-digit growth in local currency in all three geographic regions and across the majority of our industry groups.

Net revenues for the full fiscal year were \$27.9 billion, an increase of 9% in U.S. dollars and 11% in local currency. Consulting revenues for the full year were \$15.6 billion, an increase of 4% in U.S. dollars and 6% in local currency, and Outsourcing revenues were \$12.3 billion, an increase of 16% in U.S. dollars and 19% in local currency. I'm pleased with the net revenue results delivered in fiscal '12 and how we continue to rise to the challenge of meeting our clients' evolving needs.

I'll take you through some Q4 details by operating group. Financial Services revenues increased 16% in local currency. Outsourcing revenues reflected very significant growth in the Americas and Asia-Pacific across all three industries -- Banking, Insurance, and Capital Markets. Consulting revenues, which reflected strong growth in Insurance, grew modestly, as the gains outweighed declines in Banking in the Americas and EMEA. In Banking, transformation needs continue to evolve as the key driver of future demand. Consulting revenues also included the recognition of revenues related to higher than normal pre-contract costs incurred in Q3, as I mentioned last quarter.

Health and Public Service revenues increased 10% in local currency reflecting very significant growth in Health again this quarter, with strength in both Consulting and Outsourcing and across geographies. Our investments in Health are paying off. Our Health offerings are resonating in the market. Public Service had modest growth again this quarter, reflecting good demand for our offerings in some parts of Asia-Pacific and globally in Consulting for human services. Growing our Public Service business is still challenged in other parts of the world as we continue to reposition this business for the future.

The Products operating group, our largest, had local currency revenue growth of 8%, driven by very strong growth in Outsourcing globally, in both our Technology and BPO offerings. From an industry perspective, growth was driven by Retail, Life Sciences, and Industrial Equipment in all regions. Both the Americas and Asia-Pacific grew double-digits. EMEA grew modestly as strong Outsourcing growth was offset by a modest Consulting decline again this quarter.

Resources revenues grew 7% in local currency with growth across all industries led by Energy and Natural Resources. Strong growth in Outsourcing reflected demand for flexible, cost-effective sourcing to meet increased demand in ongoing operations. Consulting growth moderated but continued to reflect solid global demand for operating model programs and a focus on driving short-term efficiencies. In Utilities, we are building momentum with our Smart Grid offerings to support our clients in advancing their energy efficiency programs.

Communications, Media & Technology revenues increased 4% in local currency. Very strong Outsourcing growth was driven by our clients' continued focus on improving the efficiency of their operations. Outsourcing growth included a short-term increase related to a contract with a client in Europe, which will ramp down throughout FY '13. CMT's Consulting revenue declined in all three regions. This was most pronounced in EMEA and in Communications globally, where certain Communications clients continue to move away from building core IT system capability for traditional markets and to move toward more value-added services. In emerging markets and in High Tech globally, there is renewed system integration activity to build core capability on new platforms.

Moving down the income statement... Gross margin in Q4 was 32.9% compared with 33.1% for the same period last year, a 20-basis-point decrease. Gross margin for the full year was 32.3% compared with 32.9% in fiscal '11, a decrease of 60 basis points. Higher contract profitability was more than offset by investments in offerings and acquisitions. Sales and Marketing expense for the quarter was \$839 million, or 12.3% of net revenues, compared with \$821 million, also 12.3% of net revenues, for the fourth quarter last year. And Sales and Marketing costs for the full year were \$3.3 billion, or 11.9% of net revenues, compared with \$3.1 billion, or 12.1% of net revenues in fiscal '11, a decrease of 20 basis points.

General and Administrative expense was \$469 million, or 6.9% of net revenues, compared with \$472 million, or 7.1% of net revenues for the fourth quarter last year, a 20-basis-point decrease. G&A costs for the full year were \$1.8 billion, or 6.5% of net revenues, compared with \$1.8 billion, or 7.1% of net revenues in fiscal '11, a decrease of 60 basis points year-on-year.

Operating income was \$940 million in the fourth quarter, reflecting a 13.8% operating margin. This compares with \$923 million, also 13.8% operating margin, in the fourth quarter last year. Full-year operating income of \$3.9 billion reflected a 13.9% operating margin, compared with \$3.5 billion, or a 13.6% operating margin, for fiscal '11, a 30-basis-point year-over-year expansion. In continuing to manage our business to modest margin expansions, we executed well to drive profitable growth, to invest in our business including in gross margin, and to manage our cost structure in a disciplined way, i.e., to grow it at a rate less than revenue. This is what we set out to do and we delivered.

In terms of operating groups, Health and Public Service operating income decreased year-over-year in Q4 and operating margin fell, due primarily to delivery inefficiencies on a few contracts, some write-offs in our Public Service business in U.S. Federal, and investments in Health initiatives. For the full year, I am pleased to again note that Products posted strong year-over-year operating income and operating margin gains, and also that Resources delivered very strong operating income and margin all year long. Our effective tax rate for the quarter was 32.8% compared with 27% for the fourth quarter last year. The higher rate in the fourth quarter this year was due to increased reserves and a change in the geographic mix of income. The year-to-date effective tax rate was 27.6%, in line with our annual guided range of 27% to 28%.

Net income was \$636 million for the fourth quarter, compared with \$683 million for the same quarter last year, a decrease of 7% and the decrease was driven by the higher tax rate. For the full year, net income was \$2.8 billion, compared with \$2.6 billion in fiscal '11, also a record this year and an increase of 11%. Diluted earnings per share were \$0.88 compared with \$0.91 in the fourth quarter last year. The \$0.03 decrease is made up of a \$0.03 increase from higher revenue and operating results, including the unfavorable impact of foreign exchange this quarter, a \$0.03 increase from the lower share count, which was more than offset by an \$0.08 decrease from a higher effective tax rate and a \$0.01 decrease from lower non-operating income. For the full fiscal year, diluted earnings per share were \$3.84 compared with \$3.39 in fiscal '11, an increase of 13% and at the top end of our guided range of \$3.80 to \$3.84. The \$0.45 increase is made up of \$0.40 from higher revenue and operating income including the impact of foreign exchange, \$0.08 from a lower share count, offset by \$0.02 from a higher effective income tax rate and \$0.01 from lower non-operating income.

Turning to DSOs, our days services outstanding were 27 days, down from 30 days both from last quarter and from Q4 last fiscal year. This was unusually low and did include an uptick in client prepayments. Free cash flow for the quarter was \$1.6 billion rounded, resulting from cash generated by operating activities of \$1.7 billion, net of property and equipment additions of \$115 million. For the full fiscal year, free cash flow of \$3.9 billion rounded was about \$400 million above the top end of our previously guided range. This significantly higher level reflected better than expected DSOs, as I just mentioned, and also reflected the operating results in the quarter. Cash from operating activities was \$4.26 billion and property and equipment additions were \$372 million.

Moving to our level of cash, our cash balance at August 31 reflected this strong cash flow and was \$6.6 billion. It compares with \$5.7 billion at August 31 last year.

Moving to some other key operational metrics, we hired more than 60,000 people in fiscal '12 and ended the year with a global headcount of about 257,000 people. Our global delivery network grew from 141,000 people at the beginning of the fiscal year to 162,000 people at the end. In Q4, our utilization was 87%, consistent with Q3. Attrition, which excludes involuntary terminations, was 12%, down compared with 13% in Q3 and down from 14% in Q4 last fiscal year.

Before I turn things back to Pierre, I will provide an update on how we performed in FY '12 on our ongoing objective to return cash to shareholders through share repurchases and dividends. In the fourth quarter, we repurchased or redeemed approximately 12 million shares for \$696 million at an average price of \$58.18 per share. For the full year, we repurchased or redeemed 36.6 million shares for \$2.1 billion at an average price of \$57.32 per share. In fiscal '12, we delivered on our commitment of returning cash to shareholders. The total was \$3.05 billion, reflecting \$2.1 billion in share repurchases and \$951 million in dividend payments we made during the fiscal year. Our weighted average diluted shares came down 2.1% over the fiscal year. Earlier today, we announced that our Board of Directors declared a semi-annual cash dividend of \$0.81 per share. This dividend will be paid on November 15 and represents a \$0.135 per share, or 20%, increase over the previous semi-annual dividend we declared in March.

To sum up, we delivered all year. We executed our strategy, stayed close to our clients, and were mindful of our costs. All of this allowed us to respond well to the stronger demand for Outsourcing and moderated demand for Consulting that evolved during the year. I'm very proud of Accenture people and their extraordinary ability to drive our business in a way that serves both our clients and our shareholders so well. So let me turn the call back to Pierre to give you a brief update on some exciting things going on in our business and then I'll finish up with our initial business outlook for fiscal year '13.

Pierre Nanterme - Accenture - Chief Executive Officer

Thank you, Pam. As our very strong results for fiscal year '12 demonstrate, we are executing our growth strategy in a focused and disciplined way, providing differentiated services that create tangible and measurable value for our clients.

Although the global economic and geopolitical environment remains volatile and uncertain, the diversity of our business continues to serve us very well. We are working with clients across 40 industries and more than 120 countries, providing a full range of market-leading services. We have an unmatched depth and breadth of industry skills, with 153,000 people in our operating groups and growth platforms aligned with specific industries.

As demonstrated by our record new bookings, we are seeing strong demand for services. Our clients continue to invest in transforming their operations to address the challenges presented by the long-term trends of globalization, regulation, rationalization, and technology innovation. To help our clients address these challenges, we combine our unique capabilities across management consulting, technology, and business process outsourcing to provide highly differentiated, industry-based, end-to-end services. Let me bring this to life with some recent wins in the marketplace:

We are helping Oi, one of Brazil's leading communications providers, drive greater operational efficiency and transform its business. In addition to managing their billing and collections, finance and accounting, HR and supply chain functions, we are also leveraging analytics to target further process improvements to lower costs and improve quality across their business.

We are working with BP, the global energy company, to consolidate and run its finance and accounting function across Europe and North America. We are standardizing reporting and metrics, and using advanced analytics to drive greater insights into the business, with a goal of improving business controls, strengthening risk management, and reducing operating costs.

And at the same time, we continue to invest in building our industry expertise. I'm pleased to report that just this week, we completed the acquisition of Octagon Research Solutions, a provider of clinical and regulatory information management systems. The acquisition significantly expands the range of services we provide to pharmaceutical clients, enhancing our ability to help them achieve more efficient global regulatory submissions and enabling them to get medicines to market faster and at a lower cost.

I'm also pleased with the progress we've made in fiscal year '12 in the fast-growing areas of cloud, analytics, and mobility, where we are now operating at scale in response to increased demand from our clients. In cloud, through a five-year contract valued at more than \$280 million, we are helping a major global client completely transform its sales, customer service, and delivery functions worldwide. The new cloud-based solution is part of the client's efforts to increase revenue and customer satisfaction while also reducing operating cost.

In mobility, we are helping a leading company in the energy industry develop and roll out advanced mobile applications for its global workforce of more than 25,000 employees. The program will enable staff in remote locations to use mobile devices to access customer information in real time, significantly increasing efficiency and improving customer service.

As you know, geographic expansion is another key dimension of our strategy. We continue to invest in growth markets, both mature underpenetrated markets as well as our priority emerging markets. In fiscal year '12, we made good progress in our 10 priority emerging markets, increasing revenues 16% in local currency. We are particularly pleased with the growth in China, South Africa, Brazil, and India, where we are executing very well and gaining market share. I would also like to highlight our excellent results in the United States, which continues to be our largest market and delivered strong revenue growth of 13% for the year.

And of course, we continue to run Accenture as a high performance business, with a relentless focus on value, cost management, and productivity to further improve our own efficiency and competitiveness and deliver on our commitments to shareholders.

With that, I will turn it back to Pam who will provide our business outlook for fiscal year '13. Over to you.



Pamela Craig - *Accenture - Chief Financial Officer*

Thank you, Pierre. I'd like to first share with you some thoughts on how our business is shaping up for fiscal year '13. We see very good opportunities in most markets around the world, and our Q4 bookings and healthy pipeline confirm this and position us well as we move forward. At the same time, we remain very vigilant about understanding the impact of the evolving global macroeconomic environment. We will continue to be focused on managing our global business tightly.

For fiscal '13 we expect growth rates in Outsourcing to continue to be higher than in Consulting, based on the book of business we have and the opportunities we see. While our Consulting bookings have been solid in recent quarters, we anticipate they will continue to convert to revenues at a slower rate going forward, as they did in the latter part of fiscal year '12. Our outlook components and our intent to update you quarterly remain the same for fiscal '13. We will continue to provide a quarterly outlook for revenue, so that you have a basis for understanding our quarterly phasing expectations during the year.

So for the first quarter of fiscal year '13, we expect revenues to be in the range of \$7.1 billion to \$7.35 billion. This assumes a foreign exchange impact of negative 3% compared to the first quarter in fiscal '12. Our revenue outlook in Q1 reflects growth in four of our five operating groups and a slight decline in revenue for Communications, Media & Technology. We do anticipate that CMT will return to growth later in the fiscal year based on recent bookings and how new business is shaping up.

Let me turn to our assumption for foreign exchange for the full fiscal year. Based upon how the rates have been trending over the last couple of weeks, we currently assume the impact of foreign exchange on our results in U.S. dollars to be negative 1% for fiscal '13 compared to fiscal '12. This assumes the weakening dollar we've seen over the last few weeks. If the dollar were to return to the levels of a month ago, the FX annual headwind could be more like negative 2%. We will update the annual foreign exchange assumption each quarter.

For the full fiscal year '13, we expect Accenture's net revenue to grow in a range of 5% to 8% in local currency over fiscal '12. For the full fiscal year '13, we are targeting new bookings to be in the range of \$31 billion to \$34 billion. As you know, our bookings can be lumpy from quarter to quarter. In fiscal year '13, we expect operating margin to be in a range of 14.0% to 14.1%, a 10- to 20-basis-point expansion. We will continue to balance profitability with making investments to position our business for the future. You should expect some fluctuations quarter to quarter, as we've seen in the past. We expect our annual effective tax rate to be in the range of 26% to 27%. In determining next year's expected rate, we have evaluated our projected geographic mix of income, our reserves, and some future final determinations. For earnings per share, we expect full-year diluted EPS for fiscal '13 to be in the range of \$4.22 to \$4.30, or 10% to 12% growth.

Now let's turn last but not at all least to cash flow. As you know, we had very strong cash flow at the end of fiscal '12, which reflected an unusually low level of DSOs, 27 days at the end of Q4. We have reflected a more normal level of DSOs in our forecast for fiscal '13, i.e., a few more days. We have also decided to provide a substantial discretionary contribution, \$500 million, to our U.S.-based defined benefit pension plan during the first half of fiscal '13. So taking these things into account, for the full fiscal year, we expect operating cash flow to be in the range of \$3.2 billion to \$3.5 billion, property and equipment additions to be \$420 million, and free cash flow to be in the range of \$2.8 billion to \$3.1 billion.

To give you just a little more on our thinking about capital allocation, we are on course to continue our strategy this fiscal year to both invest in our business to grow as well as to return a substantial portion of our cash to shareholders. I will share more with you on this topic at our Investor and Analyst Day in two weeks. So in conclusion, we're staying focused on what matters most, driving value for our clients and for our shareholders. We look forward to having some of our business leaders around the world share more details at our Investor and Analyst Day. So KC, let's take some 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. Doug, would you provide instructions for those on the call please?

QUESTION AND ANSWER

Operator

Certainly.

(Operator Instructions)



Tien-Tsin Huang, JP Morgan.

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

Great bookings here. So I want to ask or better understand how the bookings will convert to revenue. Pam, I know you mentioned that there's some slower conversion there. Can you just help us better appreciate that, how we can track that? And then more importantly, just reconcile your bookings guidance with your revenue guidance, any change again in book-to-bill or any other metric that we should consider?

Pamela Craig - *Accenture - Chief Financial Officer*

Well, first of all in the book-to-bills, we were sure pleased with those in Q4, 1.1 in Consulting, probably about 1.6 in Outsourcing.

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

Right.

Pamela Craig - *Accenture - Chief Financial Officer*

So one of the things I mentioned that in Consulting we do see what's being booked to be larger, longer duration things and those do convert to revenue, just as a basket, slower, because there's less of the littler, faster-converting stuff in the mix, so we do expect that trend to continue.

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

Right, so if I think about -- so the correlation between bookings growth and revenue growth, is it fair to say that it's going to break down a little bit next year because it sounds like it's getting a little bit more complex, I guess?

Pamela Craig - *Accenture - Chief Financial Officer*

Yes, bookings are lumpy, right? And I think that we did have a number of large things. I mentioned we had 11 clients where we had bookings of over \$100 million. So some of those are big things over a longer time period, and so I think it's hard to correlate it exactly, just in terms of then trying to link that to a revenue growth rate in the first quarter.

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

Okay, fair enough. Maybe just a quick follow-up, just in terms of contract profitability and cost containment, no surprises on the margin guidance, but I'm curious, contract profitability has been a big help here. Is there still room to go on that front or are there going to be some different levers to pull for margin expansion in fiscal '13? Thanks.

Pamela Craig - *Accenture - Chief Financial Officer*

Well we'll never give up on contract profitability and, particularly, pricing and then how we continue to manage our costs and look at the whole value equation for clients, so that is -- definitely continues to be a push for us, but at the same time, in terms of managing our business to operating margin we're going to be looking for those efficiencies in SG&A to continue.

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

Okay, great. Thanks for that.

Operator

Darrin Peller, Barclays.

Darrin Peller - Barclays Capital - Analyst

Thanks. Just on a high level first, maybe for Pierre. Your growth rates overall are clearly above industry average and clearly above your peers. Can you just give us some specific color on some of these 11 large contracts you've won in the sense of what was the driver of you winning that? Your market share gains are noticeable at this point and maybe some specific examples of what, in an RFP, you showed that others did not, and is that sustainable? And then maybe just a follow-up on the similar question to the -- specifically to the Financial Services vertical given the growth how strong it was there? Thanks.

Pierre Nanterme - Accenture - Chief Executive Officer

Yes, sure. Thanks a lot, Darrin. Regarding what's differentiating us in the marketplace and this is reflected in the two illustrations I mentioned previously with Oi and BP. First is our constant focus on large global companies. Second is indeed what we see from a transformation standpoint in the marketplace, and to drive transformation for such large clients you need to combine multiple capabilities, if you will, and this is what we do with those two illustrations from MC, Technology, BPO, AO, and on top of that we're bringing things such as the cloud or such as advanced analytics. So I think we have a unique positioning so far, which is resonating very well with the clients and differentiating us in the marketplace of combining capabilities, operating at scale, working for those very large global organizations, and really focusing on bringing an outcome.

FS is a good illustration of what's going on. FS, as you know Financial Services, and especially banking in Financial Services, but it's true for insurance, are industries facing significant transformation from a regulatory standpoint, of course this relates to the Basel III, but as well from an operational standpoint and again, we are very pleased with what we're doing especially from an Outsourcing standpoint where Outsourcing bookings as well as revenue growth were very good, and it's reflecting again our positioning in supporting those large organizations in some major transformations, so that's what's explaining our current differentiation.

Darrin Peller - Barclays Capital - Analyst

And financials, just to be clear, so regulatory drivers is a major variable as well as just overall cost optimization and transformation? Is there any other major drivers we should just keep in mind for that segment just given how strong it's been?

Pamela Craig - Accenture - Chief Financial Officer

Those are the major ones and particularly in banking -- frankly, insurance has been strong for us for a number of quarters now. There's just one other thing I'd like to just point out, because these were really strong results in Financial Services, is they did include just a couple of things from a compare perspective I should point out. First of all, we talked last quarter a little bit about pre-contract costs and of course, these were costs that were in the quarter and then the revenues came through in this quarter, so that had maybe only just about a two-point impact on Financial Services. We also made two fairly sizable acquisitions in the beginning of last year and those have done really well. I mentioned the Credit Services business, which has really come on strong this year.

Darrin Peller - Barclays Capital - Analyst

Thanks guys, nice job, guys. Thanks.

Pamela Craig - Accenture - Chief Financial Officer

Thank you, Darrin.

Operator

Rod Bourgeois, Bernstein.

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

Hello guys, so I'll just say wow in response to your bookings results, and I have a question on the bookings front as well. After the blowout bookings in the August quarter are you now somewhat needing to replenish your sales pipeline and should we expect bookings growth to potentially be artificially low in the November quarter after all of the strong bookings that you posted in the August quarter?

Pamela Craig - Accenture - Chief Financial Officer

Well, Rod, first of all I don't know about the word artificially. There's always lumpiness to our bookings. That said, what I was pleased about is that the pipeline is still up quite nicely. It's only really in the very big deals -- we also look at the very big deal pipeline -- where we do, indeed, need to do some replenishment but that would be pretty normal and natural at this point after that quarter of bookings. We even had a couple, frankly, that came in early, right? We expected them in Q1, they came in Q4, which was fantastic, and so there is a little bit of that. And so yes, the bookings in Q1 will be lower but I wouldn't say -- I wouldn't use the artificially word.

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

All right. But you did have some deals that were somewhat pulled forward faster than normally would occur at this time of the year?

Pamela Craig - Accenture - Chief Financial Officer

Yes. One or two, not like it's some big thing.

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

Okay. And then Pam, can you give us an update on your contracted revenue growth and then as we look at the growth outlook for Consulting versus Outsourcing, are you confident that Consulting year-over-year growth in constant currency can remain positive for each quarter in the next year?

Pamela Craig - Accenture - Chief Financial Officer

I am confident that it will be positive for the first quarter and for the year. And that's, I think, how it will come out. The first quarter at this point, I see low positive single-digits, it could be as low as flattish, but we do see positive and for the year, low to mid single-digits positive.

In terms of our visibility, we do see as we look forward over the next four quarters, that contracted revenue is up 9% over last year. Interestingly, beyond that, contracted revenue is up 13% more than the prior year as we looked at that, so that just points at this longer duration thing that's going on with some of the bookings. But the 9% gives us confidence with the 5% to 8% revenue -- projected revenue growth.

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

All right. Wonderful, thank you.

Pamela Craig - Accenture - Chief Financial Officer

Thank you, Rod.

Pierre Nanterme - *Accenture - Chief Executive Officer*

Thanks a lot, Rod, and I had the same reaction like you, I said wow when I saw the nine in front of our bookings in Q4.

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

How do you say wow in French there, Pierre?

Pierre Nanterme - *Accenture - Chief Executive Officer*

Wow. Pretty global.

Pamela Craig - *Accenture - Chief Financial Officer*

It's a global word.

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

Thank you.

Operator

Julio Quinteros, Goldman Sachs.

Julio Quinteros - *Goldman Sachs - Analyst*

Great. Hello guys. Real quickly, just in terms of the headcount build as you think about fiscal 2013, just maybe if you can reconcile, the headcount build for the end of the year seems a little bit slower, at least versus what we were looking for and I'm trying to reconcile that against obviously the record bookings and the record finish to the year here, so just help us think through what is in the pace of the headcount adds relative to the pace of bookings at this point in terms of a little bit -- what looks like a little bit of a slower number there?

Pamela Craig - *Accenture - Chief Financial Officer*

I didn't necessarily see it as slower. As you look through the quarters of the year, we added 7,000 in the fourth quarter to our billable headcount and that was more than any other quarter in the year, so we're doing what we're always doing, right? Which is balancing supply and demand. We also have had good results with attrition and that has meant that we haven't had to hire as many people.

Julio Quinteros - *Goldman Sachs - Analyst*

That makes sense. And then what about for fiscal '13, what's the gross expectation for adds?

Pamela Craig - *Accenture - Chief Financial Officer*

Probably a little bit less than this year but again, with the lower attrition that's the main driver of that, and then just again how we see the business shaping up.

Julio Quinteros - *Goldman Sachs - Analyst*

Got it.

Pierre Nanterme - *Accenture - Chief Executive Officer*

And we're pleased with that if I would add. If we have lower attrition it means that we will have less cost for recruiting people.

Pamela Craig - *Accenture - Chief Financial Officer*

You set, Julio?

Julio Quinteros - *Goldman Sachs - Analyst*

Yes, thank you.

Pamela Craig - *Accenture - Chief Financial Officer*

Thank you.

Operator

Moshe Katri, Cowen and Company.

Moshe Katri - *Cowen and Company - Analyst*

Two things. Just not to beat a dead horse, you were talking about bookings -- Pam, do you think that the booking numbers are a function of improving demand, strong competitive wins, maybe better execution from Accenture? And then you mentioned pricing briefly. Is that an important lever for you guys in order for you to continue to this very mild expansion of EBIT margins on an annual basis and maybe you can talk about how you can continue to get that leverage from pricing?

Pamela Craig - *Accenture - Chief Financial Officer*

Yes, just one thing I'll point out and then I'm going to let Pierre weigh in as well. One of the things that I think is interesting is that our sole-source wins have been averaging about 60% over the last few quarters and that's up from the 50% that we've been quoting in the past so I think that our ability to drive really valuable propositions for clients to their specific business needs and shape those things, I think that that has certainly helped us. But Pierre, why don't I let you give a little more here?

Pierre Nanterme - *Accenture - Chief Executive Officer*

Yes, that's exactly right. Those bookings that you see are extremely important for us. It reflects how we differentiate in the marketplace, we are winning against the competition, whether what we're selling is resonating with our clients and I think this is where we are. And of course it's giving us the confidence moving forward as we are entering in fiscal year '13. So what we see is our current positioning is strong in the marketplace, with this combination of persistence focused on these large and global clients and bringing this combination of industry expertise together with technology leadership and then end-to-end services to deliver tangible and measurable values and today, this is what the market is expecting from a company like us. And I am indeed extremely pleased with the bookings as the best proof-point of our positioning.

Moshe Katri - Cowen and Company - Analyst

Okay. Great, and then on pricing, any color there?

Pamela Craig - Accenture - Chief Financial Officer

Yes, pricing, interestingly, remains pretty stable in a competitive environment and we're always going to be pushing on it where we can.

Moshe Katri - Cowen and Company - Analyst

And there are any specific areas where you think that you do have some of that leverage to bring it higher?

Pamela Craig - Accenture - Chief Financial Officer

I think again, right, where you take a value focus and that's really strong, that's where it makes the most sense because then you're able to really generate the value for the client as well as for us, so that's the focus we try to take with it.

Moshe Katri - Cowen and Company - Analyst

All right. Thanks guys.

Operator

Bryan Keane, Deutsche Bank

Bryan Keane - Deutsche Bank - Analyst

Just wanted to ask about the Health and Public Service margin. I know it was lower, but it sounded like it was mostly one-time in nature, the write-downs, so we shouldn't expect that going forward, is that right, Pam?

Pamela Craig - Accenture - Chief Financial Officer

Yes. It did include some one-time things. We did -- the delivery inefficiencies on a few contracts and some write-offs we had, so that unit, the Public Service piece generally does trend a little lower anyway, but this quarter was impacted by those things.

Bryan Keane - Deutsche Bank - Analyst

Okay, and then just following up on the headcount, net headcount was up about 9%, year over year. If you hire about the same or a little less in gross adds, lower than the 60,000 you hired this year, then that's going to moderate from the 9% for fiscal year '13. I guess the concern would be then what does that say about the fiscal year '14 growth rate, if that headcount growth is going to slow, just maybe you could talk a little bit about that because maybe there's a break there between revenue and headcount that needs to be understood?

Pamela Craig - Accenture - Chief Financial Officer

I don't think it really says much at all about FY '14 growth rates at this point. It's really based on where we need people, attrition, and how the business is shaping up for '13. That's really it at this point.



Bryan Keane - Deutsche Bank - Analyst

Okay, all right. Thanks so much.

Pierre Nanterme - Accenture - Chief Executive Officer

No reason to be concerned. Managing headcount is probably, I guess there are many things we're doing that's right in Accenture, but there is something we're doing very well, which is managing supply/demand productivity. We have a long experience of doing this, and indeed it is all a combination of the productivity you expect, the supply/demand country-by-country, your pricing, and you put all of this in our algorithm if you will and we believe that we are targeting the right headcount growth we need to deliver to our clients.

Bryan Keane - Deutsche Bank - Analyst

No. That's great to know because a lot of people will look at that as a leading indicator of future growth so if it does moderate doesn't sound like you are losing any confidence in the out-year number. Thanks so much.

Pierre Nanterme - Accenture - Chief Executive Officer

Not at all.

Pamela Craig - Accenture - Chief Financial Officer

Thanks, Bryan.

Operator

George Price, BB&T Capital Markets.

George Price - BB&T Capital Markets - Analyst

Nice job. Pam, the fiscal 1Q revenue guidance, if I'm looking at the math right, suggests constant currency revenue growth more like in the 3% to 7%-ish range, which is a little bit below the annual range. In light of the macro uncertainty that's out there, particularly in Europe, how should we think about that in relation to the full-year guidance? Is this the slower ramp of bookings? Is it the compares? Are there any other factors or assumptions, maybe, you could talk through?

Pamela Craig - Accenture - Chief Financial Officer

Yes, I think it's both of those and just how the Consulting will continue to ramp up and bleed through during the year.

George Price - BB&T Capital Markets - Analyst

Okay. And I know that you talked about returning capital to shareholders. We'll get more at the Analyst Day. I don't know if you can maybe say any more at this point, perhaps qualitatively relative to fiscal '12?

Pamela Craig - Accenture - Chief Financial Officer

What do you mean by qualitatively?

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George Price - *BB&T Capital Markets* - Analyst

Just do you anticipate returning more to shareholders in '13 than '12?

Pamela Craig - *Accenture* - Chief Financial Officer

Well, I will give you more details on it but I think you could expect it to be more and be consistent.

George Price - *BB&T Capital Markets* - Analyst

Okay, and would Accenture ever consider leveraging the balance sheet at all, doing maybe a more sizeable share repurchase or special dividend, anything like that? I know that certainly has not been the thinking of the company thus far but we've certainly, with the debt markets the way they are, I've certainly seen more of that, just curious of your thoughts on that? Thank you.

Pamela Craig - *Accenture* - Chief Financial Officer

Yes, I'm personally not a big fan of that, because we will always look for ways to put our capital to work. It will be part of our program, of course. We've raised the dividend 20%, which you've heard about today. We expect we will do approximately a 2% reduction in the shares outstanding. I mentioned that we're doing the discretionary payment for the benefit plan. And of course, we have an acquisition pipeline, so these are the things that we think are driving growth in our business and value to shareholders and we're focused on those.

George Price - *BB&T Capital Markets* - Analyst

Okay, very good, thank you.

Pamela Craig - *Accenture* - Chief Financial Officer

You bet.

Operator

David Grossman, Stifel Nicolaus.

David Grossman - *Stifel Nicolaus* - Analyst

Thanks very much. Pam, I'm wondering if I could just quickly follow-up on the bookings conversion question. That's something that you guys have been pretty consistently talking about all year and I was just curious, do you view that as something, as a cyclical outcome or is this something that perhaps reflects something more secular?

Pamela Craig - *Accenture* - Chief Financial Officer

I think it reflects some shifting demand patterns in consulting, which ultimately I think are good in the sense of these larger, more durable, more value-driven kinds of consulting bookings and I think it bodes well for the medium term. So I think that's most of it, I don't know whether that's cyclical or secular or what but that is a demand pattern that we do see and that we view as very, very positive for us.



David Grossman - Stifel Nicolaus - Analyst

And is that something that's pretty consistent through each of the verticals?

Pamela Craig - Accenture - Chief Financial Officer

It's different in some ways through the verticals and also around the world. It does depend on -- and sometimes, client by client, just depending on what their needs are, how much transformation they need to do, and then in other places, in some of the emerging markets it's all about building scale for the first time, so it really does differ but it's a theme that we do see really moving through the business at this time.

David Grossman - Stifel Nicolaus - Analyst

Thank you for that. And then just one question. Typically in the 10-K you disclose the annual spend on R&D. Do you happen to have that number for this year yet?

Pamela Craig - Accenture - Chief Financial Officer

We do not.

David Grossman - Stifel Nicolaus - Analyst

Okay, thank you.

Operator

Edward Caso, Wells Fargo Securities.

Edward Caso - Wells Fargo Securities - Analyst

Good evening. Go Orioles and Ravens by the way. Just want to get that in.

Pamela Craig - Accenture - Chief Financial Officer

Mr. Baltimore.

Edward Caso - Wells Fargo Securities - Analyst

Yes, anyway, we've been picking up some static and noise that several countries are becoming more protectionist in nature, so to buy local. India being one of them. I was wondering if that was becoming an issue for you. It seems like I've seen more local companies winning large awards lately and less wins for Accenture and IBM.

Pierre Nanterme - Accenture - Chief Executive Officer

We are extraordinarily local. We are French in France; we are American in the US. So we have quite a unique combination of being global by nature, how we are leveraging the scale of Accenture in terms of balance sheet, in terms of brand, in terms of finance, in terms of capabilities. When it comes to delivering to our clients, we are extraordinarily local, serving clients in more than 120 countries around the world. In the countries where we operate we have local leaders, are totally rooted in their business community, very close to our clients, and that's the way we've been operating for a long time, and I think this is indeed pretty, probably unique to our organization, this combination. As you know, we do not have any headquarters, physically, we are all operating in our different countries. I'm operating from Paris when I'm in Paris. Here we are in New York. So that would be my answer. Now do I really see a trend that clients will turn to more local providers? I don't really see

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that and definitely not for our clients, the global companies. Maybe that's something that might happen in other market segments but if you take the market segment of the G2000, those companies are global by nature, and they are turning to global providers who could deliver local countries.

Edward Caso - Wells Fargo Securities - Analyst

Great.

Pamela Craig - Accenture - Chief Financial Officer

And notably, our revenues in India were up quite nicely, as I believe Pierre pointed out.

Edward Caso - Wells Fargo Securities - Analyst

Great. My other question is around the real new tech spending, investing and cutting-edge stuff, outside of retail, which really needs to do that, are you seeing -- what sort of pace are you seeing relative to say a year ago as far as the commitment to reach out with some of these new technologies or are the transformation deals you're doing more traditional Accenture work?

Pierre Nanterme - Accenture - Chief Executive Officer

What's interesting is first, those new technologies -- combining the mobile, cloud, analytic, social -- are growing even faster probably than we expected and we are very pleased with that. That's why I was extremely pleased to report our progress we are making in those new technologies, and the fact that now we are operating at scale. The second point which I found very telling is if you take what you're calling more traditional deals -- now all those deals and whatever they are, BPO or big AO, we'll have a part of those deals in the form of analytics and this is exactly the two illustrations that I've mentioned with both Oi and BP, you have different components of the traditional solution if you will, together with elements such as advanced analytics, to drive more rapidly to more tangible results and more value. So this is this combination, which is now very interesting, and the fact that we can provide what you are calling traditional services, together with infusing those new technologies in those deals is again I think differentiating us from the competition.

Edward Caso - Wells Fargo Securities - Analyst

Great, thank you.

Pamela Craig - Accenture - Chief Financial Officer

Thanks, Ed.

Operator

Sara Gubins, Bank of America.

Sara Gubins - BofA Merrill Lynch - Analyst

Within Europe, I'm hoping you can talk about what's incorporated into the outlook for 2013 for Outsourcing versus Consulting and also if you could just break down trends that you're seeing within Europe by country? Thank you.

Pamela Craig - Accenture - Chief Financial Officer

Yes, so we won't give you that breakdown in the outlook, but let me let Pierre give you some color on Europe at least.



Pierre Nanterme - *Accenture - Chief Executive Officer*

Yes, I'm now the specialist, ultimate specialist on Europe, as much as anyone could understand what's happening in Europe. But first, we are growing in Europe. You see our results in Q4, but as well in all the years. The other thing that I'm really pleased with, if you take our Q4, we've been growing in most of the large countries in Europe, I'm thinking about the UK, Germany, France, Italy, Spain -- so when you look at this, we in Accenture are growing in those countries. From a trend standpoint, very pleased with our performance in terms of Outsourcing. As you know, most of the European companies are facing large restructurings and outsourcing is a good way for them to drive that transformation. Of course, we are watching more carefully what's happening from a Consulting standpoint, but overall, I'm pleased with where we are in Europe, especially considering the challenges facing that part of the world.

Sara Gubins - *BofA Merrill Lynch - Analyst*

Are there any markets that are dragging in particular, that you'd highlight?

Pamela Craig - *Accenture - Chief Financial Officer*

Interestingly, not really. The ones that showed declines are really small countries.

Sara Gubins - *BofA Merrill Lynch - Analyst*

Okay, thanks very much.

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

Doug, we have time for one more question. Then Pierre will wrap up the call.

Operator

Joseph Foresi, Janney Montgomery Scott.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

Hi. Just one question, two parts. First, on the decision-making side, any change at the small consulting contract level? And then I have just one more.

Pamela Craig - *Accenture - Chief Financial Officer*

Yes, as I mentioned, Joe, we do see a little less of that kind of stuff, so maybe some of those are getting deferred in different parts of the world, and it does differ by part of the world. For example, we see more of that in Europe. And shoot for the second.

Joseph Foresi - *Janney Montgomery Scott - Analyst*

And you haven't seen any change in that or any changes because of the election or anything like that?

Pamela Craig - *Accenture - Chief Financial Officer*

In the U.S., not really, no.



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Joseph Foresi - Janney Montgomery Scott - Analyst

Okay, and then the last one for me, you talked about CMT turning around in the second half of next year. Maybe you could just talk about what causes that turnaround? Thanks.

Pamela Craig - Accenture - Chief Financial Officer

Well again, we did see -- as I mentioned we had declines in Consulting in CMT, and there's a lot of transformation going on in traditional communications companies and so we're working closely with them and that's leading to a lot of Outsourcing work. Based on some of the work that's been booked, CMT did have record bookings in Q4, and just the business shaping up, we do see it coming back. We see some interesting systems integration work coming back, particularly as it relates to some of these tech trends. And so this is how we see it, that CMT will return to growth during fiscal '13.

Joseph Foresi - Janney Montgomery Scott - Analyst

Okay, thank you.

Pamela Craig - Accenture - Chief Financial Officer

Thanks, Joe.

Pierre Nanterme - Accenture - Chief Executive Officer

Thanks again for joining us on today's call. As we enter fiscal year '13, I feel confident in the ability of Accenture to continue to drive profitable growth and deliver our business outlook for the year. Our long and enduring relationships with the world's leading companies, together with our global scale and highly diversified portfolio of business, position us very well to win in the marketplace and continue to gain market share.

And of course, key to our success are the skills and capabilities of the 257,000 Accenture men and women around the world who are focused on running our business with rigor and discipline, and I want to thank each and every one of them for delivering great business outcomes for our clients every day.

Finally, I would like to thank you, our investors, for your continued support and confidence in Accenture. We look forward to talking with you again next quarter, and also to seeing many of you in person at our Investor and Analyst Conference in New York on October 11.

In the meantime, if you have any questions, feel free to call KC. All the best. Talk to you soon.

Pamela Craig - Accenture - Chief Financial Officer

Thank you.

Operator

And ladies and gentlemen, today's conference call is being made available for replay starting this evening at 7pm in the Eastern Time zone. It will run until Wednesday, December 19, 2012. You can access our service by dialing 1-800-475-6701 or outside of the US at 320-365-3844 and in either case enter the access code of 256202. That does then conclude our conference call for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.



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