Accenture
Investor & Analyst Conference

October 8, 2013

New York

KC McClure
Managing Director, Investor Relations

I'm KC McClure, Managing Director of Investor Relations, and it's my pleasure to welcome you here this morning.

The theme of our conference today is Capturing New Waves of Growth. We have an excellent program lined up for you this morning and I'm pleased to say that we have some of our top leaders here to take you through it.

Let me remind you that some of the matters we will discuss in today's conference constitute forward-looking statements related to Accenture's operations and results. We wish to caution investors not to place undue reliance on such forward-looking statements. Any statements other than statements of historical fact may be forward-looking statements. These forward-looking statements are subject to both known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the presentations and 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 our risk factors section of our annual report on Form 10-K and quarterly reports on Form 10-Q and other documents filed with or furnished to the Securities and Exchange Commission.

As always, Accenture assumes no obligation to update any statements made in these presentations or to conform such statements to actual results or changes in Accenture's assumptions and expectations.

I would also like to remind you that we will not be providing you with an update for or making comments related to our first quarter of fiscal 2014. So, once again, thank you for joining us today, and it is now my pleasure to introduce our Chairman and CEO, Pierre Nanterme.

Pierre Nanterme
Chairman and CEO

Good morning. It's always a pleasure for us to have this opportunity to talk to you directly, to have the dialogue so we can share how we execute our strategy, how we plan to gain market share to differentiate Accenture, and to continue to win in the marketplace.

The theme today is Capturing New Waves of Growth. I guess it's quite self-explanatory, and you will see why we selected that theme today. It's all about growth, and especially when times are exciting, turbulent, challenging, uncertain, capturing new waves of growth is definitely the name of the game.

I'm extremely pleased, as well, to be joined by many of our leaders here belonging to our Global Management Committee, but, as well, you will see this morning many leaders from all around the world who are executing our strategy, leading the charge, if you will, on the ground every day.

I'm extremely pleased, as well, delighted to have some of our Board members today joining us. I can see Marge Magner, Gilles Pelisson and Bill Kimsey. Thanks a lot for being with us today, we do really appreciate a lot our Board members being with us, who are always challenging us the right way, but, as well, you're bringing tremendous support to Accenture, and thanks for being with us today.

Let me start by setting the context, especially about the environment we are operating in, and I'm sure you all know what's going on. We're all watching what's happening all around the world every minute of every day, and needless to say we are living in an interesting world. No doubt that the current environment is exciting, is interesting, and is creating some interesting challenges from multiple angles.

Let me start with the macroeconomic environment. What we see, we're like all of you, we still see volatility and uncertainty in many geographic markets. You remember only one year ago in this place, the big questions were around Europe and the sovereign debt issue. Now Europe seems to be, at least at best, stabilizing and even showing some early signs of improvement. By early signs of improvement, probably moving from a kind of slight recession to a slight growth. And today, there are questions more around the emerging markets where we are seeing more volatility. You have all seen what's been happening with the currency challenges, I mean, the commodity prices, so in that way the nervousness has changed from a geographic standpoint. And we are in the U.S. today. While the United States is demonstrating resilience over the last couple of years with, frankly, good momentum, we are, as you might imagine, obviously monitoring the U.S. government shutdown and potential debt ceiling issues.

At the same time, many of our clients are operating in industries which are still undergoing significant transition. I'm thinking about banking, healthcare, retail, telecommunications, utilities, consumer goods and others. And they are all facing the familiar trends we've talked a lot about, of globalization, regulation, rationalization, and technology innovation, as well as the challenges from new market entrants.

And as you know very well, even our industry, IT services, is undergoing quite a fundamental transition, as well, with the rise of social, mobile, analytics, cloud, what we will call later the SMAC, and this new environment is creating, as well, new opportunities.

And we also are seeing a shift in our clients' expectations. They're even more results-oriented, and they are expecting clear and measurable outcomes, and you will see moving forward how we are addressing this new imperative for our clients.

So a lot is happening, in terms of the macroeconomic environment, the challenges our clients are facing and the challenges in our own industry.

So now, let me tell you what we are doing. At Accenture, we have a relentless focus on executing our growth strategy, and we are very pleased to be building from a position of strength. First and foremost, we benefit from the diversity of our business. Let me elaborate a little bit. We have expertise in more than 40 industries, we serve clients in more than 120 countries, and we have capabilities from management consulting to technology to outsourcing. I truly believe it is the diversity of our business that is making us more resilient than anyone else in the marketplace.

In addition, we have very strong client relationships, long and enduring relationships with the world's leading companies, most of them part of the G2000. We operate at the heart of their businesses, helping address their most complex strategic and critical issues. And we are pleased to have today 129 Diamond Clients, which, as you know very well, are our largest client relationships.

We are known, as well, for the depth of our industry knowledge, including unique, compelling and very practical insights and research. Today, more than 170,000 Accenture people have certified industry skills or are aligned with a specific industry. We are the world's largest technology-independent provider of professional services. And with that, comes relationships with the largest and most established technology providers – I'm thinking about SAP, Oracle and, of course, Microsoft – and with newer partners, such as SalesForce.com and Workday and many others.

We have a unique Global Delivery Network. The scale and scope of our delivery capabilities, with 182,000 people, truly set us apart.

We have a broad global footprint with 47% of our revenues in the Americas, 39% in EMEA, and 14% in Asia Pacific, and so we are on one side able to support our clients as they expand geographically, as well as capture opportunities created as new leaders emerge in different markets around the world.

And finally, and, of course, very important, our financial strength. Our strong profitability and cash flow, together with our cash balance of over $5 billion, enable us to invest significantly in the business, while delivering strong returns to shareholders. All of this is what is differentiating

Accenture in the marketplace, and will continue to provide a strong foundation for our future growth.

Talking about growth, although we were pleased with our financial results for fiscal year '13, it has become clear over the past four or five quarters that the market for our services has been in a cycle of lower growth. That said, we are proud that we have continued to gain market share in that environment. But for us, that is not enough.

As you know at Accenture, we are passionate about growth, I would say it is in our DNA. That is why our focus today is on capturing new waves of growth. And for Accenture, marketplace changes and transitions are creating growth opportunities as our clients seek to transform their businesses. The examples you will hear this morning are a direct result of how we identified market opportunities and invested to build highly differentiated services to capture new waves of growth. And this morning, we will bring this to life across a number of dimensions.

First is what I would call capturing growth at the core of our clients' operations. This is all about supporting the large-scale transformation agendas of our clients, where we continue to see strong demand for our services. In fiscal year '13, we had a record 44 clients with bookings of over $100 million each. This is probably a very good illustration of what we mean by transformation at the heart of our clients' businesses.

Our clients continue to seek ways to drive more productivity and more effectiveness in their operations. And you will hear directly from Marty, Bhaskar and Manish about the investments we are making in these areas to strengthen our competitiveness.

Second, we are capturing growth through innovative business services, and we'll come back to this, of course. This is all about combining our industry-relevant capabilities across management consulting, technology and business process outsourcing to provide highly differentiated, end-to-end business services for our clients. And I believe and we believe that only Accenture can do this today. We bring the industry expertise and the assets to provide a unique combination of capabilities delivered more and more as a service. Again, we'll come back to that later.

With business services, we are expanding our relevance across the broader value chain of our clients, from what I would say the more traditional IT and enterprise part of the value chain to the front office and to field operations. You will hear more about our business services from Richard, Anne and Mark during this morning.

Third, of course, we are capturing new waves of growth in digital. Several years ago, we identified the potential of digital, especially in areas like digital marketing, mobility, analytics and cloud, and we invested quite ahead of the curve. And today, we are very pleased with where we are. Most of these areas are each generating more than a billion dollars in revenues and growing at double-digit rates. Again, you will hear directly from Brian, Paul and Narendra about how the investments we are making in digital are delivering innovations to our clients and fueling our growth.

And finally, we are capturing growth in our mature and emerging markets. Although we do not have a session, a specific session, today on our geographic agenda, this remains a critical dimension of our growth strategy. And let me start, of course, with the United States, our largest market at $11 billion in revenues.

Over the last three years, our business in the United States has grown at a compound annual growth rate of 13%, one three, and we have gained market share. We intend to continue to invest and capture growth in the United States moving forward. This country shows momentum with a stronger economy, at least relative to the rest of the world, but, more important, a stronger appetite for innovation, and especially when it comes to digital. Now, again, as I said before, we're watching carefully what's happening almost as we speak.

Moving on to Europe, and, again, as a European, I always feel, you know, it's not a privilege but at least my obligation to share my perspective about this part of the world, and I'm joining the club with Gilles Pelisson now, so at least we are two Europeans and two French to share our perspective here on what's happening in Europe. We are holding our own in Europe, as we said during the quarterly report we delivered, and we are doing particularly well from an outsourcing standpoint. Last quarter we had positive momentum in several important countries, including Germany, France, Italy and the Netherlands, but it's probably still too early to call it a trend.

Looking beyond the U.S. and Europe, we continue to be very focused on growing our business in Asia Pacific and in our priority emerging markets. Our priority emerging markets are growing faster than Accenture overall. That said, in fiscal year '13, Brazil, which is an important market for us belonging to the 10 priority emerging markets, didn't deliver the kind of growth we were expecting, and we are working on it. Yet, at the same time, we were particularly pleased to have continued strong double-digit revenue growth in fiscal year '13 in China, India, Mexico and the Middle East.

So to wrap up with my introduction, I believe we are executing exactly the right strategy and making the right investments for the future. And as we enter fiscal year '14, I am confident in our ability to continue to drive profitable growth, and we are committed to delivering value to both our clients and, of course, to our shareholders.

I really hope you will find today's session interesting and informative. And, of course, in addition to the speakers I've already mentioned, you will hear later this morning from David Rowland, our CFO. And this morning and this year again, we have left time for your questions and an opportunity to have a real dialogue. We know it is very important for us to have the opportunity to address directly the management of Accenture.

So with that, let me invite Shawn Collinson to join me on stage. Shawn.

Investing in Our Future

Pierre Nanterme
Chairman and CEO

Shawn has the responsibility for setting our investment priorities – both from an industry standpoint and an organic and inorganic standpoint – and he will tell you more about the investments we are making. His role is to be the team captain of our strategy, and he's going to share with you where we put our priorities, how we have been investing and how we see our growth strategy moving forward. Shawn, over to you.

Shawn Collinson
Chief Strategy Officer

Okay, thank you very much, Pierre. Good morning everyone. As Pierre has shared, we have an imperative for growth – the G word. We're extraordinarily focused, those members of the management team here, doing all we can to gain market share in today's business and to realize the full potential of the way the world is changing in terms of new waves of growth.

Amongst the various roles I have in growth and strategy, I provide oversight and direction to investments across Accenture and, indeed, that's my title this morning: Investing for growth. I'm going to cover three things and try and keep it simple. I'm going to share something about our philosophy and how we look at investment in the context of Accenture. I'm going to talk about where we're investing in broad terms. And, I'm going to try and bring it to life a little bit with some examples of our strategy in action – in terms of what we're investing in and to give some sense of why we think those things are important and the yield they're giving us.

So how do we look at investments in Accenture? I guess like any company, we've got three broad choices of how we can invest to grow: We can choose to use our P&L and invest organically in our business to build things ourselves. We can, as we do have very extensive and deep relationships in the alliance ecosystem, both in the tech world and the industrial world. And, we partner, where the sum of the parts is greater than the individual companies. And, of course, we can use capital in our balance sheet to acquire capability where that is the best path to growth.

I think Accenture is probably one of the outstanding growth stories of the last decade or so. Back in 2001, we were a little over $11 billion in revenue and 75,000 employees. Closing our financial year in August, we're now approaching $29 billion in revenue and 275,000 employees.

Let's characterize that growth, if you like, as the build out of an industry-leading Global Delivery Network capability – all organically – and the diversification of our business into outsourcing, application infrastructure and business process outsourcing – again all organically.

So as we look at our strategy and we see how we can continue to grow our company and differentiate ourselves through our services in the market, we have to have a very clear view of the right path to growth and each element of it. And it's true to say that the cornerstone has been and will remain organic growth, building it ourselves and strategic partnering in the ecosystem. But what you might have noticed, and I read your notes, is that we have raised our game a little bit around these acquisitions and I'm going to bring some color to that by way of examples – how they fit into our overall investment philosophy and what we're trying to do.

Now don't get me wrong: This isn't a pivot to some new strategy, but this is a turning up of the volume, on something that we've been doing, and it's having some very positive impacts on our business.

So where are we investing? On this stage, roughly about this spot, I think, last year, I talked about Ambition 2020, which is a vision for market leadership. It's a strategic exercise, a rolling strategy, and it talks about how we are to differentiate ourselves in the market, to differentiate from the competition, to grow faster than the market – critical for us in terms of not just revenue growth, but in terms of market share and market position. It inspires our people and it has provided an overarching framework for the things we're doing.

Now within the context of that strategy, our investment approach is to invest, unsurprisingly in high-growth areas. So we're very biased towards high-growth areas, because that's one of the ways – other than gaining share – that we achieve our ambition of growing better than market.

So if I look at what investment means in a services company like Accenture, it means a whole variety of different things. It means talent. It means clients. It means brand. It means offerings, assets, relationships, and so forth, that are lifted into three big buckets: Industry, technology and geographic markets.

Pierre sort of hinted at this, but through our strategic process – the way we look at our clients and the markets they're in – we have pinpointed a set of industries which we think are going through transformation, change, disruption of a very dramatic type. And, by being relevant to that change in terms of helping our clients transform and be high performers in their context, we will grow. And, so, we have called out industries which are important to us: Banking and insurance, communications, life sciences and health, retail and consumer, and energy and utilities. There are other industries, of course, which are important, but these have got some pretty significant transformation and disruption effects.

I've talked about the importance of industry differentiation in this room before and what's new and different in our approach is, again – Pierre touched on it – our approach to business services. So this is taking our industry differentiation to a new level. The concept here is not a concept: It's real, but it's about an end-to-end management consulting, technology, business process outsourcing capability, addressing particular market and client needs, so that we can provide our services to deliver outcomes as a service. Now there are a lot of words in there, but I'm going to bring it to life by way of some examples for you. But if you think about this whole shift in the market towards more of a service approach, business services becomes a very important part of Accenture's strategy for how we're going to differentiate and drive more growth.

Technology is a second big area where we're prioritizing and biasing our investments. You'll hear from Marty and friends later about the things we're doing to further drive competitiveness and differentiation in our core. But above and beyond that, we have over-invested, and we started it probably three or four years ago now, in a set of things which would be called digital. You know, digital has emerged in the last year as a sort of description for everything, and many people are talking to it. For us, interactive, analytics, mobility, cloud are a set of initiatives in that digital sphere where we've been investing heavily because those things are growing at double-digit growth. We're growing faster than market, we believe, which means we're gaining share and we're becoming relevant to a very important new market opportunity for our clients.

And the third big investment bias is towards geographic expansion, particularly around those high-growth emerging markets – for obvious reasons. These markets are an important part of the world's broad development, but also, as Pierre highlighted, we're interested in selected mature markets where the conditions are exceptionally favorable for driving growth and gaining share. North America is a good example of that. And, indeed, when I look at our acquisitions, many of those are actually North American or U.S. companies because of the technology bias that Pierre hinted at.

So, using that lens, which is a very simple lens, of where we've been investing, let me give some illustrations of our strategy in action – of what we've been investing in, and I'll start with a story which is hot off the press from last week. I'm looking at Mike Salvino: Procurian – what is it and where does it fit in?

So through our acquisition of Procurian, Accenture has acquired a company which is a leading business process management and solutions company in the procurement space, and we're using it to power up what we already have as an organic growth story – our sourcing and procurement business service. So as I said, a business service is focused on particular client and market needs. Here, if you really simplify it, it's about increasing the efficiency and effectiveness of client spend. And an important part of the differentiation to be able to do that is that you know what that spend is and its industry context, and that's where Procurian fits in. You know, we started an acquisition to power up our growth in 2010 with Ariba. And, Procurian adds more capability in this domain, particularly around industry spend categories, complementing those we already had in new areas – a global footprint of talent and a platform – and that allows us to drive even more differentiation in our sourcing and procurement business services.

Although it's in its early days, if I look at the market sentiment and, probably more important, the client sentiment of this announcement, it is very positive. We think it's a game-changer in this particular area of our business. It sort of pivots the competitive landscape very favorably in our way, and it's about execution from here on in.

My second example is how we are driving growth in a new area fueled by acquisition, as an engine to catalyze organic growth. And the example I'm choosing is Accenture Credit Services. Again, nearly two and a half years or so ago, through a strategic exercise, we identified credit in North America banking as a market space in which there was an opportunity for us. And our best path to growth was to accelerate that through the acquisition of a BPO platform, which we did in November 2011 with Zenta. More recently, you have seen two further investments: An announcement of a majority share with Vivere Brasil and the acquisition of Mortgage Cadence here, which gives us a loan origination platform.

Now, you'll hear more from Richard Lumb immediately after me about our overall strategy here. The reason I'm illustrating this story is that it shows you what we're doing with our strategy in action: A priority industry – banking, a business service providing outcomes as a service asset that is backed both in terms of platform – BPO and software, and market entry into an adjacent market, in this case, Brazil. In Brazil, we see the same sort of credit market opportunity and a path to growth by strategically partnering with the leading bank in that country, which will help us accelerate our relevance in time to market. So that's a great example of how investment catalyzes at a faster rate than we would have done ourselves.

My third example is an organic story, and this is health. Health is an industry which we all know has got significant challenges in terms of cost versus citizen expectations of service, and technology has a big role to play in how that equation can be settled. You've heard from Steve Rohleder and you'll hear from Mark Knickrehm this morning from Singapore about our approach to health and what we'll be doing to drive our health business services. But the point for us in terms of an investment approach is that we choose to do something different. We took a multi-year sustained super-normal level of investment to accelerate our relevance. We set a goal of doubling our market share, and we've exceeded that by taking on particular markets, offerings and capabilities. So, it's an organic growth story, which has outperformed, I suppose, even our expectations.

But even more recently – in September – you might have seen the acquisition of ASM Research, which actually takes us into another adjacent space: military health and particularly being relevant, if you like, at the Federal level – so, an inorganic story.

My last two are probably pegged to the title on the screen here, the New Waves of Growth, and I'm going to talk to what we've been doing in marketing and manufacturing operations with a particular focus around digital. So in looking at our strategy for being relevant to a chief marketing officer and the capability which we have built in Accenture Interactive, we pinpointed how we can grow better than market and differentiate ourselves versus the competition. We saw a need for selective acquisitions to get where we wanted to be faster in three key spaces in the last 12 months. One of those was in digital design, so we acquired Fjord, a design agency for consulting, an acquisition we made this year. Another was in eCommerce web development, digital technology, and we acquired Acquity in June this year. And a third was in digital content management and distribution with BPO capability, and we acquired avVenta at this time last year. So, consulting, technology, outsourcing – pairing up, if you like, what we have built ourselves organically and taking this to a new level. You'll hear more from Brian, and I won't steal any more of his thunder, but we believe that creates a global capability, which is highly relevant to the CMO's needs.

And my last example of strategy in action is to show you the 'what' in what I would call the industrial Internet. So we're now talking about that part of the value chain which is not the front office around the consumer and customer, but making things and moving through the supply chain. And I guess with the advent of a smart device connected by ubiquitous communication everywhere, it affords the opportunity to optimize assets for greater efficiency and reduce energy costs in manufacturing. And our path to growth here, recognizing who we are and where the market is, has been to partner strategically in several ways. So you will have seen that we announced a joint venture with GE, General Electric, and we created a company called Taleris. This is focused on the aerospace industry and it provides a proposition, if you like, a market proposition around optimization of management regimes for airframes using the power of analytics.

And the last example, in the time I have here, would be to talk about what we're doing in another priority industry – utilities – where we have partnered, in this case, with a client in China, creating a JV with China's State Grid for being relevant to the smart meter market opportunity in that country, and we're doing more partnering to be relevant to the smart grid opportunity in the future.

So, hopefully, what you've seen from my remarks is that we are investing for growth. We've got a number of ways in which we look at how we're investing. We're investing in our core business. We're investing in the new business. We're investing in adjacent business and we have a very deliberate and thoughtful process about what the best path for us to get there is. We have raised our game a little on inorganic investment. But for us, that inorganic investment is to accelerate our core growth engine which is our organic one and that's the way we drive the growth that you're looking for in the market.

So, back to you, Pierre.

Pierre Nanterme
Chairman and CEO

Thank you, Shawn. We are very well-served having Shawn leading our strategy for us.

Industry Business Services and Accenture Interactive

Pierre Nanterme
Chairman and CEO

So now we will continue to bring all of this to life for you and I will ask Richard Lumb and Brian Whipple to join me here on stage. So we're going to shift gears and bring to life what it is we are doing and what we really mean by business services, as well as developing in other areas of the value chain for clients. So we will start with Richard. Richard Lumb is leading our operating group for Financial Services and probably, you may know, that Financial Services has always been very close to my heart.

Richard succeeded me three years ago and the fact of the matter I must recognize, being humble, that he did a much better job than me in leading Financial Services these last three years. You know our results in terms of growth but, as well, very important, Richard has been a pioneer for all of us in setting the scene for business services and it's probably more in capital markets, in banking, as well as in insurance where we've been developing most of that concept. So over to you, Richard, to bring that to life for our friends this morning.

Richard Lumb
Group Chief Executive — Financial Services

Okay, thanks, Pierre. So good morning, everybody. We identified banking and insurance as two of our priority industries for investment several years ago. Of course, since then these industries have been undergoing significant transformation post-financial crisis. And you all know that profits and return on equity are way below pre-crisis norms and because of this, there's much restructuring going on. I mean banks are reducing their balance sheets, they're exiting capital-intensive products, they're restructuring their portfolios, all of which is to get back to higher levels of profit.

And while this is going on, of course, there's even more cost in the industry through financial regulation. It's huge and it's growing. Goldman Sachs estimates that the industry is spending $25 billion a year this year and it will increase to $75 billion a year by 2017. So two pressures, if you like, on the industry. So because of this, this is creating the need for radical and strategic cost reduction in banking and insurance and this is creating many business transformation opportunities for us.

So how are we responding? Well, during this crisis, we've actually been investing in our Financial Services business and our goal is to serve an even greater portion of our clients' value chains. Today, we're providing our Financial Services clients with innovative end-to-end services across management consulting, technology and business process outsourcing where we deliver a managed outcome for our clients and we call this our business services.

And this is a cost and a service proposition and it's very different than our traditional business because we're providing integrated services from single processing centers to multiple clients. We're using our own software platform to do this and we're partnering with software providers and we are delivering a managed service where we're pricing by the outcome or the transaction rather than pricing by the man-hour.

So let me bring this to life with three examples. And my first example is in banking and, as Shawn said, in 2011 we created Accenture Credit Services through the acquisition of Zenta here in the United States. And today we're the top provider of back-office mortgage-processing BPO in the U.S. marketplace. We're running operations for more than 100 lenders and services, including four of the top five mortgage lenders, and we're doing this from our Global Delivery Centers here in the U.S., and also in the Philippines and India. And our differentiation in this market space is quite simple. Through our software and service centers, we can process mortgages better, cheaper and faster than the banks can and we help the banks shift their cost base from fixed to variable as we price by the transaction.

Now, after two years, I have to say I'm really pleased with the progress we've made because for each of the last two years, we've enjoyed high double-digit organic revenue growth with Accenture Credit Services. And we've just acquired Mortgage Cadence. Mortgage Cadence is a software platform and document management services provider, and this should help us bring more efficiency to the industry and more differentiation to our service. And as Shawn said, we've just signed recently, this joint venture agreement with BTG Pactual in Brazil, Brazil's leading investment bank, to provide mortgage processing services into this rapidly growing marketplace. So that's Accenture Credit Services.

My second example is in our capital markets business, where this year we launched Accenture Post-Trade Processing. This is in partnership with Broadridge, one of the industry's leading software providers, and we're providing post-trade clearing settlement for bonds and equities to investment banks in Europe and in Asia. And, again, I'm pleased that this month we're going live with our first client, which is Societe Generale, with operations in Paris, London and Bangalore, and we have many other clients in the pipeline for this service. And, again, the offering's unique. It's clearly differentiated. We can process equities and bonds some 30% below our clients' current cost base. We can save them tens of millions of dollars a year in reduced regulatory costs by mutualizing these across the industry. We shift their cost basis from fixed to variable, again pricing by the transaction. So that's actually Post-Trade Processing. It's new and I'm confident that we'll get good traction in the industry.

So my third example, third and final, is in insurance and you all know that we've been growing our insurance business both organically and inorganically over the last few years. We acquired Duck Creek and our goal is to have market-leading software for the life insurance and the property and casualty industries.

You know, when you look at what we're doing with the software today, with our claims software, we process 40% of all claim transactions in property and casualty in the United States. In Italy, we process 30% of the country's life insurance policies with our software. And with our software in France, we're the leading provider by far for group life policy BPO services. And all of this has helped us enjoy double-digit revenue growth with strong margins in our insurance industry for each of the last three years.

So with these capabilities, I'm very confident that we can launch insurance business services powered by Accenture software, powered by Accenture Cloud Services, to provide new services into this industry where our proposition will be, again, to variabilize our clients' cost base, probably to take out 20 to 30% of the cost of each claims and policy transaction, and to help them get products to market more quickly, launch new products to market more quickly through the functionality that we've got in these modern software platforms. So that's Accenture Insurance Services.

So in summary, what I'd say is that we've been making substantial investments in our Financial Services business in the last few years to help our clients restructure their cost base. And as a result of this, I believe we're growing faster than the market and through the focus that we have, the innovation and our end-to-end business services strategy, we are capturing market share.

Thank you. Back to you, Pierre.

Pierre Nanterme
Chairman and CEO

Thank you, Richard, a great illustration of, indeed, how we've been able to pick up the new waves of growth. I'm very pleased to introduce Brian. I think, Brian, it's the first time you are joining us here on stage And we're going to share with you, indeed, a new part of Accenture, maybe a part you don't know that well. I mean, Accenture is very famous for what we do in IT, in the enterprise part of companies, but, indeed, as Shawn mentioned, a few years ago we identified the front office, marketing and the CMO as a part of the value chain of our clients we should expand, that could create good opportunities for growth.

At the time, that was quite a new space, and so the question for us was, we need a leader to lead in that new environment, as we believed we didn't have that leader inside Accenture. So we looked at the market – it was about more having a digital marketing agency kind of background. And I'm very pleased that we attracted, found Brian Whipple directly from a digital marketing agency. So Brian is a little bit different compared to all of us, but now is part of the family. Very pleased that, Brian, today you dressed like a proper consultant and not like a creative genius from a digital marketing agency. But, more important, under the leadership of Brian, this business has been growing significantly, is a unique opportunity for us to expand beyond our traditional value chain for our clients, and create a growth story for Accenture. So Brian, over to you.

Brian Whipple
Managing Director — Accenture Interactive

Thank you, Pierre, and good morning. It's been very fun for me to lead Accenture Interactive for Accenture and have the support of the broader firm.

First of all, as Pierre said, many of you may not be familiar with it, some of you may be, but what is Accenture Interactive? And we are essentially the part of Accenture that serves the chief marketing officer. Obviously that role intersects with the CEO and CIO, etc., but we principally serve the chief marketing officer. And specifically, we focus on the client's customer experience across many different digital platforms. Think the web, obviously, think things like kiosks, think digital points of sale, and the like. We do not create advertising for clients. We do not create advertising. Instead, we help transform marketing processes for clients so that advertising, and commerce more broadly, can become more efficient and effective for our clients.

What does this mean? This often means completely redesigning the entire customer experience across all these different touch points, online and offline, and, in general, enabling very complicated technologies around social, mobile commerce and the like.

Our expected industries? Well, any place where a brand lives through digital channels we have a significant presence. So insurance and banking for sure, consumer packaged goods, retail, telecommunications, life sciences – that's where we have significant presence. Through our growth over the last several years, we are now in a terrific market position.

The CMO is a new buyer for Accenture, and at this point in the CMO's landscape, they are a major player, they control significant spend, quite significant in the case of major multinationals. This is big business with large budgets. What used to be a CMO, or in pre-CMO days, a VP of advertising, just controlling a large media budget is now media spend, plus technology, plus eCommerce, plus social, plus integration of all of the above. So these are very important clients for Accenture

What is the CMO facing these days? Well, this is no longer about web pages and the Internet, it is about multichannel, it's about tying what happens through this thing called the Internet, with everything that happens outside of that, digital and otherwise. It's about having common customer IDs and being able to understand and relate to customers across all the different touch points, enabled by digital technologies. It is a very messy and difficult and challenging landscape for the CMO. The myriad of social data providers, for example, is quite extensive. The industry is fragmented, same with mobile commerce technologies and the like. There are many different eCommerce platforms. It is a messy landscape for the CMO to navigate and, hence, they need business partners to do so.

Richard discussed the notion of business services and gave very concrete examples of them in the financial services world. The market has long looked to Accenture for leadership in the areas of the industrialization and globalization of business processes. And simply, we are now doing that in the marketing arena. AI is basically taking the core strengths of Accenture and applying them to a related space that is also powered by technology.

We are fortunate now to be in one of these right place, right time situations. We have a clear strategy of differentiation, and I can give you the four points of how we are clearly well differentiated.

First of all, I've talked about the revisioning of a customer's experience with the client. We have the skills to revision that entire customer experience on the front end, and we have the technology skills to bring that customer experience to life, not one or the other, but both. That's an important point.

Secondly, we do not lead with technology. We lead with defining what the customer experience should be and remain in a technology-agnostic position, allowing us to be flexible and work with the myriad of vendors in this space. And this space changes very quickly, so we do not lead with technology, that's the second thing.

Thirdly and most important, we are one global brand. AI has operations basically across the footprint of Accenture, so obviously big in North America and Europe, Asia Pacific, Latin America. We are one global brand but with leverage. We have substantial resources onshore, near shore and offshore, now fully dedicated to the marketing space.

And lastly, we're end-to-end. We design things, we build things, and we run and manage things for clients. Marketing also has joined the bandwagon of clients wanting things off of their balance sheets and wanting a partner to help them with that. So we are in that space, as well, in marketing.

Shawn mentioned several acquisitions, and obviously Accenture Interactive has been very much in the middle of that. FY13, he mentioned three of them, I won't repeat too much, but a year ago we bought avVenta, which is a digital production capability, squarely about helping clients manage their digital content more effectively and efficiently. They've got a near shore center in Costa Rica that we partner with BPO, in that regard. We acquired Fjord in the spring. They are a service design consultancy, very much, right in the middle of the strike zone of what I'm talking about. When I say service design, don't think phone reps and customer service, don't think web page design. Think about a holistic revisioning of a client's interaction with his customers.

And lastly, in the summer, we acquired Acquity, the Acquity Group, which is pretty much the leading North American-based eCommerce and content management integrator. So any time, the leading technologies in that space are things like Hybris and ATG and Adobe CQ5. I won't go into all that, but this space is very hot right now. Acquity was the leading player and they're now part of Accenture Interactive, as well.

These acquisitions are basically the engines for our future organic growth as we continue to expand these capabilities across different industries and across different geographies. We do this at many of Accenture's marquee clients. Two of them that you would know… BMW, so, many of you may drive BMWs. In the near future, any time you are interacting with BMW across any digital channel, whether it be something the sales person is helping you with at the store, or researching a car on the web, all that stuff behind the scenes will be powered by the partnership that we have with them. It is very much of a design, build, total global, web platform build for BMW, very much an example we've talked about.

Nestle, Nespresso, extremely big brand in Europe, a very large, complicated multichannel eCommerce build in 41 different countries, rolling that out in 41 different countries in many different languages, etc.

So what it comes down to is this: A client asks the virtual marketplace to raise their hand and says, I have a commerce technology build, multichannel, and it needs to be tied into all of my old-school legacy systems. Oh, and by the way, I need you to integrate all of these social, these new social data platforms and data feeds into that, too, so I can have market intelligence. That's something that happens a lot right now.

And in today's marketplace, you know, there are a number of hands that go up saying, "You know, we can do that." And then the client layers on, "Well, you know, actually, we're going to need to roll that out in 25 different countries over the next 18 months," and then some of those hands go down. And then they say, "Oh, and by the way, we need that localized in about 12 different languages, including Chinese, by the way." And a few more hands go down. And then they say, "Oh, and you know what? I really don't want these assets on my books so I would like you to run this as a managed service." So our strategy is to be the hand remaining up, and that's served us well to date.

So this whole opportunity is very much of a C-suite play right now. It is no longer talking to VPs of advertising and the like. We've had very strong double-digit growth since inception, and we have great momentum right now. Back to you, Pierre.

Pierre Nanterme
Chairman and CEO

Thank you Brian. I mean, great story, and thanks a lot, Richard and Brian, for bringing to life what we do in both Financial Services and Accenture Interactive.

Technology Differentiation and Innovation

Pierre Nanterme
Chairman and CEO

Now, we're going to shift gears again and ask for Marty to join me here on stage. I'm very pleased to welcome Marty Cole. Marty is leading Technology – what we're calling our Technology Growth Platform. So he's our Technology group chief executive, and I know – and you know and we know, Marty – that there is high demand from the analysts for our next panel. Starting with coffee this morning, there were many questions around technology – about the trends, about what we do, how this market is evolving and what kind of big shifts we're seeing. So we all expect to hear from you on what's next, what's happening in the technology landscape and more important, how well you believe that we at Accenture are positioned and differentiated. Do we have the right talent and the right alliance network and partners to continue leading in this environment? I'm sure there are going to be questions after this panel, so we've set aside some time so you can directly address the group. So, Marty.

Marty Cole
Group Chief Executive — Technology

Thank you. I was asked quite a few questions during the breakfast this morning and I said, "Please save all the tech questions for Pierre." Our strategy focuses on helping our clients go digital, go global and improve their IT operations and performance. It's all about high performance delivered.

We're proud of the market-leading position we've achieved, with our leadership recognized across the industry. Gartner has recently rated us as the leader in their Magic Quadrant for Applications for both SAP and Oracle. And, IDC has ranked us as a leader for SAP, Oracle, analytics, IT consulting, mobility, cloud and systems integration.

In a recent report, one of the leading analysts said about Accenture, and I'll quote here: "The clear leader due to scale, geographic reach, delivery centers, industry depth and very high client reference scores." And that really matters to us – what our clients have to say.

As Pierre referenced this morning, we're the number one partner integrator for Salesforce, SAP, Oracle, Microsoft, Cisco and all of the leading hardware providers, but we're not resting. We're building on our success, we're investing for today and investing for tomorrow and extending our alliance relationships. And recently, we announced a significant partnership with SAP around HANA and also one with Oracle Engineered Systems – getting into the next generation of their platforms. We're also making investments in young companies and new technologies and doing acquisitions to extend our capabilities.

Today, Paul Daugherty, our chief technology officer, will join me to share his thoughts on how we are expanding our leading position in both digital and cloud. And Bhaskar Ghosh will also join us to talk about how we are driving increased technology productivity and performance. He will share how we're evolving and extending our leadership position in technology, productivity and operations, differentiating on intelligence. Many of you may not know Bhaskar, but he is certainly one of our superstars. He leads our Technology Global Delivery team and has responsibility for more than 50 centers around the globe in 120 countries.

We will also talk about how we will advance innovation with the next wave of technologies and extend our ecosystem relationships to elevate our position as a leader. Paul and Bhaskar, please come up and join me and let's talk about how we're going to execute our strategy and really move from great to greater than.

So we're going to have a little bit of a dialogue here. I have some questions for Paul and Bhaskar. Paul, let me begin with you. Let's begin talking about what we're seeing and doing around digital. We've already heard some references to digital this morning. We put out our Technology Vision 2013 and we talked about every business becoming a digital business. What's happening with digital?

Paul Daugherty
Chief Technology Officer

We've heard a lot about digital already today and digital really has taken the business world by storm in the past year. Fortunately, we've been investing for several years to capture the growth that we've seen coming from digital. We heard from Pierre and Shawn and Brian earlier about Accenture Interactive, cloud, mobility and analytics and the great growth, the great results we've seen in those businesses. These are the foundations of digital business; that's where digital business is happening, and we've established a leadership position and seen very high growth in those markets and at scale, delivering billions of dollars of revenue for us in very high-growth markets.

Now, as we look at digital, the real opportunity for us is around digital transformation, helping our clients transform to get to this new world. We do that by helping our clients digitize their processes to drive more efficiency and also to digitalize their strategies and their business models, so they can take advantage of new growth opportunities that are enabled in the digital marketplace.

So what does that mean? Let me bring it to life through a client example. We're working with one of the largest retailers in the United Kingdom on a very large five-year digital transformation to create a new consumer digital experience for over 100 million consumers and customers that they have. This transformation will happen across everything from the mobile phone to the online channel, into the physical stores – transforming the front end of the experience with seamless multichannel integration so consumers get a seamless experience whether they're on the phone or in the store, across digital and physical channels. We're also digitizing things like the supply chain and the commercial business model so that consumers really get the end-to-end digital services delivered in that real digital experience that the company is looking for.

It's also powerful when you look at the results that the retailer can achieve – that we're going to increase customer effectiveness and reduce cost, driving both growth and profitability as they move to this new digital business model. But if you look at that and think about the power of that for Accenture, it's the way we can bring that all together for a customer, for our clients. We can take an Accenture business service, in this case, Accenture Seamless Retail, and put that together with our digital capability, Accenture Interactive, analytics and mobility, mix in our industry depth and the differentiation of our industry services, combined with our Global Delivery Network and really deliver. We really are the only firm that can deliver end-to-end digital transformation at scale and the digital business outcome that the client is looking for.

Marty Cole
Group Chief Executive — Technology

And that's a powerful example. That one was around the consumer side. There are other opportunities that we're working on. Can you talk a little bit about where else we see digital?

Paul Daugherty
Chief Technology Officer

That's a good question. Digital goes way beyond the consumer, and Shawn hit on this a little bit earlier, but as we talk to our clients, we see digital opportunities in every part of the business and in every industry. And, in fact, the digital opportunities may be greater in other parts of the business when you look beyond the consumer. So let me give you an example from the operations side of the business.

We have a relationship and a partnership that we formed with GE for the industrial Internet that Shawn mentioned briefly. With GE, we're working together on technology that combines things like cloud-based services and intelligent analytics to take vast amounts of industrial machine data and equipment data, combine all that data into unique insights that we can drive to change the performance and improve the efficiency in major industries. And the size of the prize is huge when you look at this part of the digital opportunity. If you take an industry like energy, just a 1% improvement in capex in energy can drive a $90 billion opportunity. Again, just a 1% improvement in fuel efficiency in the commercial aviation industry can generate savings of $30 billion, so there's a big opportunity created.

Let me give you an example of how we then work at those opportunities and create growth for Accenture around those kinds of opportunities in those industries. We talked a little bit about Taleris, which is a business we've created with GE, a joint venture, in the commercial aviation business. And with Taleris, we're focused on collecting all the information from an aircraft's operation – the sensors and the equipment – tip to tail across an airplane – and bring all that information together using the cloud, big data and analytics to diagnose and predict aircraft maintenance issues before they occur, so that preventative action can be taken. The business case around this is huge. We can create a big new revenue stream and a big growth opportunity around a digital business that didn't exist before. This is a great example of digitalization coming to life, creating a digital process, using digital technology to create a new business that didn't exist before, using intelligent aircraft operations, delivering great value to the industry, helping the industry operate more efficiently and creating a great business for Accenture.

When you look across those examples, delivery is a key part of how we enable digital transformation for clients. And, the delivery, innovation and industrialization that we have in the Global Delivery Network are really essential to delivering the digital transformation for our client.

So, Bhaskar, why don't you tell us a little bit about what you see happening with digital transformation coming from your perspective in delivering in the GDN?

Bhaskar Ghosh
Senior Managing Director – Technology Global Delivery

Sure, Paul. I'm talking about an example from AstraZeneca, and for this client, we run an end-to-end digital marketing process from our Life Sciences industry solution factory in India. We get engaged with the client from the time the new brand or product is conceived through content creation, launch of the product, regulatory approval and ongoing management. We provide end-to-end support – whatever our client needs from our industry solution factory.

This type of managed service requires a very high level of industry knowledge and technical specialization across various platforms. In this case, the platform that provides the support is also developed by us and uses Accenture's IP. So this service will bring together our capabilities and IP across management consulting, business process outsourcing, application services, infrastructure services and digital capabilities, and drives value and outcomes for our clients.

Marty Cole
Group Chief Executive — Technology

Thank you. Thanks, Bhaskar and Paul. Paul, last year, one of the hot topics we talked a lot about was cloud and SaaS. We described it certainly as one of our strategic growth initiatives, where it remains today. Lots of people have asked about the impact of SaaS on our business. Is it more of an opportunity or more of a threat? We characterize it certainly as an opportunity. As we sit here today, one year later, is the pace of change as we expected? And, how have the cost savings and efficiencies translated into an opportunity for Accenture?

Paul Daugherty
Chief Technology Officer

Great question, Marty. We've had a great year in our SaaS business, our Software as a Service business. We built on our leadership position and have seen great growth across the business. Just to give you a couple of data points, we've doubled the number of wins in Software as a Service and we've increased our headcount over 70% to 3,500 people who work in Software as a Service. So we've seen great growth. I'm also very pleased that we've expanded the business significantly. We've extended our number one position with Salesforce.com, really the leader in Software as a Service, and we've also established leading positions with many others – like Workday, SAP Success Factors, Oracle's On Demand Technology, Microsoft's Online Technology and others. So we've seen the broadening of the SaaS opportunity as well.

Now, Marty, just to take on your question directly, we see SaaS as much more of an opportunity than a threat. Fundamentally, in the SaaS world, our clients need the same services as in the traditional on-premise world. Now there are some efficiencies in the SaaS model. Some things are a bit easier to do, so we see somewhat lower workday effort and lower cost to deliver the projects. We view this as a positive catalyst for the business because we can deliver faster, better and cheaper for our clients and unlock more demand overall as the trend continues.

Now last year I talked about that gap, that efficiency with Software as a Service, and I reported that we saw roughly a 25 to 35% gap in efficiency between the traditional on-premise model and Software as a Service. And we also talked about the fact that we believe that that gap would narrow as SaaS matured and grew, and we continuously look at that analysis and we stay very close to it. And I am pleased to be able to report today that the change that we anticipated has happened even faster than we projected.

Over the past year, our average project size has increased as the market's matured, and that gap has narrowed from 25 to 35%, to 15 to 25%. So you see more of a convergence in project size between the on-premise world and the SaaS world. So what is that telling us and what does that tell all of us?

Basically as SaaS matures, what we see happening is our clients are undertaking more robust business transformations on top of the Software as a Service technology. As they do that, they need more differentiated industry and technology services from Accenture to drive the new business outcomes that they're looking to drive from the more ambitious transformations that they're undertaking.

The other point I'd like to address, Marty, thinking about your question, is just a comment on the SaaS business overall, to put it in perspective. SaaS is growing rapidly, as I just talked about. It's growing into more of a leadership position, but it's still a modest share of the overall enterprise market, overall applications market, in the Global 2000. Last year, I reported numbers that talked about SaaS being roughly 4%of enterprise application workloads and we talked about it maybe growing to 12% by 2015 and 20 to 25% by the year 2020. Those trends haven't changed and we've seen reinforcement so that looks like about the right progression.

So the message out of that is that SaaS will continue to grow rapidly. The cloud is growing rapidly and is becoming a very big part of our business, but the traditional technology will support a majority of what our clients do for the foreseeable future. And it's not just about keeping the lights on for older technology. Our clients need to transform for digital business and other new opportunities, change their business and change and adapt the older technologies, the traditional technologies, as well as the new. That's why we strongly believe, and our clients strongly believe, in a hybrid cloud future combining private and public capabilities into a hybrid cloud to support their business. And we believe Accenture is very well positioned for that future because we have the leadership position both in the traditional technologies and in the new technologies that come together into that hybrid world.

Marty Cole
Group Chief Executive — Technology

Good. Let me shift for a second and turn to Bhaskar and talk about how we're evolving our business. Over the last 10 years, and those of you who have been watching us for a while know that we've talked a lot about our industrialization agenda and certainly the creation of our Global Delivery Network and global sourcing, which have enabled our clients to go global and achieve significant cost savings. Today, in the macroeconomic environment, with the new technologies, clients expect even more. They are asking how we are evolving our business and how we are bringing intelligence into IT delivery. So, Bhaskar, what does that mean?

Bhaskar Ghosh
Senior Managing Director – Technology Global Delivery

Simply, Marty, we use intelligence in IT to drive 30% productivity improvement in application services. So at Accenture, we have developed a suite of intelligent tools that we use in our application and infrastructure services work. Analytics is in the core of our intelligent tools. It radically improves productivity by reducing the effect of improving the throughput or eliminating the work altogether with a high level of automation. Intelligent tools also help us to significantly reuse our industry knowledge and industry-driven assets.

Marty Cole
Group Chief Executive — Technology

Okay, at the high level, I got that. I think the group probably will say, okay, what does that really mean? So what are these intelligent tools and how do they enable us to better compete and drive higher productivity and particularly – I know there are lot of questions out there about the competitive space in ERP and where that's going – so, how do these tools enable us? Maybe describe one level down, one click down?

Bhaskar Ghosh
Senior Managing Director – Technology Global Delivery

Intelligent tools primarily drive three things: speed, quality and productivity. So I'll give you three examples to explain how exactly it works.

First, I'll talk about our Accenture Insight for Enterprise Systems. This is one of the intelligent tools we use extensively in the ERP space. It drives 50%-plus throughput during the transition and reduces the cost by 30% for the transition for one of our Products clients in Europe.

The second example I'll give is analytics. We are extensively using analytics in application maintenance work. It helps us to predict a client's future requirement of work, and we have reduced incident volume for supply chain management for one of our consumer products clients by 44%. Again, for a pharmaceutical client, we have improved throughput by 85% with use of analytics.

The third thing that I will talk about is our differentiation through industry assets and capabilities. We feel our industry assets are a big differentiator. We have the Accenture Advance Enterprise Solution, which is a comprehensive set of industry-specific ERP solutions. And, we have codified Accenture industry knowledge and years of experience into a set of standard processes, practices, methods, tools and technologies and packaged that for rapid deployment. This suite allows Accenture to price the solution and implement it faster, cheaper, with a high quality and a high level of productivity.

So, Marty, I'll give one more example from testing which is related to ERP – and beyond ERP – for other technologies. We have developed Accenture Intelligent tools for testing, which helps us to drive 40% productivity improvements in our engagements with the reuse of assets and high level of automation.

So, overall, intelligence in IT is significantly helping us to improve competitiveness and create differentiation.

Marty Cole
Group Chief Executive — Technology

Yes, and I think the other part is being more competitive. Being differentiated also opens up new markets, and what Bhaskar describes, certainly with regard to testing, is a new area – an offering that we're providing in the marketplace to be a testing provider, and it's paying great dividends. I was going to ask you a question about GDN, but I'll give you a break here and we'll move on to another topic because I think the group knows quite a bit about the strength of our GDN and we referenced it early this morning. If there are any questions during the Q&A, we can certainly talk more about it with Bhaskar as our leader of our Global Delivery. Let me shift to digital and we heard Pierre reference SMAC in our discussion this morning. And we saw Brian, certainly one of our digital leaders around Accenture Interactive. We see digital – the latest major wave to hit IT – as an opportunity. It's an opportunity to transform our clients, every business being a digital business. Paul is our CTO and the leader of Accenture's Technology Strategy Innovation Group. What can you tell the group about how we're innovating in this marketplace – really the innovation agenda?

Paul Daugherty
Chief Technology Officer

Well, the way I think about it is innovation is really at the core of who we are, of who Accenture is as a company, and it's really the essence of the Accenture Way of how we operate in our culture. And as technology cycles increase, we talk about digital, we talk about SMAC, the industrial Internet – lots of things changing very fast. The way we innovate is very important, but innovation isn't just my job or just any one person's job or any one organization's job at

Accenture. Innovation is part of a lot of what we do and something that permeates a lot of our organization. So I'm going to give you three examples that highlight the way that we innovate our response to everything that's happening.

The first example I'll give you is Accenture Technology Labs. And with Accenture Technology Labs, we do pioneering research and development in new technologies that we believe can be game-changing. There are lots of examples that we're working on, but one that I'll single out is work we're doing with Google Glass, the intelligent glass technology, which I don't have on because they don't support prescriptions yet. We're working on it. What we did with Google Glass is not just playing around with it, but we're pioneering a new business application. We believe we've built the first business application on Google Glass, which is an application to allow service technicians who need both hands to have hands-free access to information and capabilities. That has led to a lot of enthusiasm and excitement among our clients, including Philips, where we just announced a proof of concept that we've built with them to take Google Glass and combine it with their Intellivue Medical Monitoring Equipment to get patient vital care data onto Google Glass. That will allow a surgeon performing a critical procedure to stay focused on the patient and the procedure and get the vital clinical information on the patient displayed using Google Glass, potentially using this technology in a game-changing way to transform patient care in the health and medical industry. This is an example of our Labs' pioneering R&D that can be game-changing.

A second way that we innovate is working with the front edge of the ecosystem – the leading, smaller companies driving a lot of disruption in the ecosystem. We started working with many of the current leaders many years ago. We were working with Salesforce.com for over a decade and worked with Workday before its initial launch many, many years ago, and we're up for the next generation of disruptors and innovators. We know the interrupters, we know the start-ups, we know the venture capitalists and we're in with a big presence in the key technology hubs like Silicon Valley, Bangalore, Beijing and many others around the world.

And a very recent example of innovation coming out of that part of our business is a strategic relationship we formed with Apigee, a leader in the emerging, very fast-growing area of cloud-based integration as a service. We formed a strategic relationship, we built a practice and we're now deploying Apigee technology. We are by far the leader in deploying Apigee technology to the enterprise market, including many of our Diamond clients who are undertaking significant programs with a very exciting, disruptive new technology.

And then a third way we go beyond the small disruptors: We work with our leading partners, our core technology partners like Microsoft, Oracle and SAP, on the front edge of their innovation to make sure we're driving growth and driving our business around where they're innovating.

A recent example is our announcement of a new initiative with SAP to deliver industry solutions powered by their new HANA technology in a very unique way. And what's unique about it is that Accenture will be the single point of contact. There will be a single contract for the software and services with Accenture, and we'll bundle that all together to deliver the services in a unique and innovative way to the customer. So it's unique, innovative, differentiated technology around HANA – new solutions, packaged with an innovative commercial model, so we can accelerate the take-up of our clients with this new technology and accelerate Accenture's growth at the front edge of SAP's growth, in this case, as they transform their technology and their company.

Marty Cole
Group Chief Executive — Technology

Okay, the one last area I'll just mention is our work around cloud. We've talked about SaaS specifically, and we certainly have the cloud strategic growth initiative. This past year has been very good for us: Our cloud revenues have grown double-digit to over $1.5 billion. We continue to strengthen our position, as I mentioned earlier. IDC has ranked us a leader, as well as Forrester and Everest Group. We continue to invest in cloud, we talked earlier in 2013 about a multi-year investment of over $400 million and we continue to build out our Accenture cloud platform. It's very consistent with what Paul described as this hybrid requirement. Our clients – big clients, the Global 2000 – use public clouds; we use private clouds, and we need to integrate those and we see the opportunity for the hybrid, which is what is being addressed by our Accenture cloud platform assets.

Thank you, Bhaskar. Thank you, Paul. Hopefully we've been able to give you a sense about the strength of our business, our differentiation and our strategy, which is all about growing through innovation and capability. As we described, digital is an opportunity. We believe we're making the right investments. We will continue to make investments to provide the opportunity to grow the business. At the same time, we're excited about the shift that's moving from industrialization to this intelligent IT that Bhaskar was describing where we can enhance IT productivity and performance.

We think about both digital and intelligent IT as opportunities to position us to win in the marketplace, to differentiate, and we're leading with emerging technologies. So as we look at this, this is a great time to be in the tech sector.

Pierre, over to you.

Pierre Nanterme
Chairman and CEO

Yes, thank you, Marty, Paul, Bhaskar.

Technology Q&A

Pierre Nanterme
Chairman and CEO

So we decided to take some time here to answer your questions. We will have another opportunity, as well, to have a Q&A with David later on, so no frustration here, we will have time to come back to your questions. So we have one here. Yes, number one and then number two.

David Ridley-Lane
Bank of America Merrill Lynch

Thank you for sharing the data on how the gap is narrowing for implementations on SaaS, but could you also talk about perhaps a decline in the maintenance revenue related around SaaS once it's installed? I mean, a lot of SaaS providers talk about the ability to configure rather than customize, and that leading to a lower total cost of ownership over time? Thanks.

Paul Daugherty
Chief Technology Officer

It's early days in the SaaS application market, but we do see a vibrant and strong market around the outsourcing application maintenance for SaaS, as well, and many of our deals with clients move from the deployment to the maintenance in many cases, up front client, we sell a lot of deals, you know, end-to-end to clients in that manner. One way to think about it is that with – take SAP as an example, in the SAP AO market, we weren't changing the guts of SAP, we were maintaining configurations of SAP, we're maintaining integrations around SAP, we're maintaining reports around SAP, maintaining interfaces around SAP, and that's essentially what the SAP application management and application outsourcing practice and business is. And it's much the same in the Software as a Service world. So just like we didn't change the guts of SAP, we configured it, we don't change the guts of the SaaS products, we configure them. And then there is the same need to maintain the unique reports, the unique integrations, the unique interfaces, the unique customization, so we see much the same opportunity and much the same demand from our clients. And the SaaS providers don't provide that service – they'll release new software but they don't provide the application management services around those other capabilities. So we see, it's early days because the market's still growing, but we see the same types of services being in demand. We have many contracts with our clients in that area, and they look like much the same services.

Pierre Nanterme
Chairman and CEO

We have another question here.

Katy Huberty
Morgan Stanley & Co.

Thanks, Katy Huberty with Morgan Stanley. Somebody mentioned that there's 3,500 employees now in the SaaS organization. Can you compare that to the traditional Oracle, Microsoft, SAP, how many consultants do you have around the legacy applications, and can you just talk broadly, has that increased, decreased or stayed the same over the last year?

Marty Cole
Group Chief Executive — Technology

Yes, Paul was the one that referenced 3,500 around SaaS applications. We don't – we have an SAP and Oracle practice which we described, but it's covering the full suite of SAP and Oracle products. We don't differentiate as to whether they're legacy or new technologies. You know, some are working in, like in the case of Oracle, there's a whole suite of products that we work on. I would say that as we look at our SAP and Oracle headcount in total, it hasn't changed much over the years. You know, there's still growth that occurs there, but it's a slower growth rate than we've seen, and so now there's new growth occurring in the SaaS application area. But, you know, one of the areas, you know, SAP, and we made reference to it because it's very important, is around HANA. Lots of growth there and Oracle with the engineered systems. And then it varies, as well, by industry and geography. You know, in North America, in the public sector, Oracle is doing extremely well as are we with Oracle, lots of custom solutions around their products there.

Pierre Nanterme
Chairman and CEO

Thank you. Thanks, Marty. We have another question here and on the left.

Jamie Friedman
Susquehanna Financial Group

Thanks, it's Jay Friedman at Susquehanna. So I had two – I don't know if Brian's available to answer questions, but he articulated eloquently the role – the accelerated role of the CMO. I was just wondering if he could proportionalize that relative to your other constituents like the CTOs at your customers, so CMO budgets versus technology budgets? And I had a separate one, just a follow up to Katy's question. You know, Marty, if you proportionalize your – you mentioned that the workloads are 4% SaaS, you mentioned that your revenue, and we appreciate the incremental disclosure, is 1-1/2 on 29 billion, that's about 5%, but your headcount's more like 1% on SaaS. So why do you have more revenue than you have headcount? So one on SaaS and one on CMO. Thank you.

Marty Cole
Group Chief Executive — Technology

Yeah, I'll take the SaaS question. I won't fully answer it, I'll just give you – when we talk about cloud, which was the number 1.5, that includes more than SaaS. Okay, so you think about all the components that are in cloud and I mentioned the Accenture cloud platform which was really around the Platform as a Service capability. We have Software as a Service, and we also do infrastructure transformation work, which around virtualization could be a private cloud. So there's more in there than – you can't compare the 3,500 to the 1.5, those are related but not one and the same. Maybe Brian can talk about –

Pierre Nanterme
Chairman and CEO

So Brian, could you tell us how you engage with the CMO and how you see the investment being made between the IT and the marketing department?

Brian Whipple
Managing Director — Accenture Interactive

Yeah, I'm happy to. You know, essentially, regarding the CMO, it depends on the industry, so in the major industries such as things like automotive, banking, retail where digital advertising plays a major role, the CMO has very significant spend, and there really is not some clear delineation between that and the CIO spend. Where do you put something like all the technology and related integration for an eCommerce system? Is that a CMO, is that a CIO? So at a minimum, on an influence model, that is very substantial. I will tell you that Gartner just came out with a report that said that organizations, top organizations now are spending between 2% and 3% of their total revenues on digital marketing alone. So for large multinationals, these are substantial numbers.

Pierre Nanterme
Chairman and CEO

Thanks, thanks, Brian. Yeah, number one.

Joe Foresi
Janney Montgomery Scott

Hi, Joe Foresi from Janney. Couple questions for you, just to close out the cloud SAP question. Can you frame for us the differences between the two projects? In other words, I'm looking for a decision cycle, the size of the project, margin profile, if you can share it. And are these dollars being reallocated from SAP and ERP to SaaS, or are they new dollars? So if you could give us, you know, some idea of how they compare in size, margin, decision cycle, and then are they reallocated dollars or if they're new dollars?

Marty Cole
Group Chief Executive — Technology

Hey, Paul, start, and I could add to it.

Paul Daugherty
Chief Technology Officer

Yeah, I commented earlier, the average project size in our SaaS business is increasing, as I said, and if you compare across all the businesses, it's not out of the ballpark, not too different than our average project size across the other practices. The difference that we're seeing over the years is the number of larger transformational projects that our clients do on the newer technology, and that's what's increasing. So the bigger programs on Software as a Service are increasing, and that pattern's been under way for a while in SAP, so large clients doing global implementations and transformations driven by SAP or Oracle eBusiness or what have you, and that trend really just started a couple of years ago in Software as a Service. So the big transformations are catching up, but the average day in, day out project sizes aren't that different between the two.

Marty Cole
Group Chief Executive — Technology

Yeah, I would add a couple things. One is, at this point in the marketplace, we don't see it as a substitution. So if you think about Query ERP and what might be in a Query ERP system, which historically has been the bread and butter of an SAP and Oracle, it's certainly financials, HR, but also supply chain, manufacturing systems, distribution systems, things that tend to be at the mission of a particular business. Where we're seeing the SaaS activity today is certainly HR and financials, certainly around customer service, the CRM capabilities, but it tends to be somewhat around the business, but on the periphery, then integrated with still the ERP. And so there hasn't been a substitution, and what the industry analysts would suggest is it's going to be a while before a SaaS, certainly something that sits in a public cloud, is going to be able to replace the crown jewels of a Global 2000 company. So we're doing the rework, we're still maintaining, in some cases, extending the traditional ERP systems. And our view is there's, at this point, we're in a cycle where clients, because of the macro environment and the introduction of new technology, have sort of taken an opportunity to reflect on where the investments need to go, when they need to go there, and so it's a period of slower growth as opposed to a secular trend.

Pierre Nanterme
Chairman and CEO

Thank you, Marty. We had a question on the left and then we will move here. Number one.

Raj Das
Millenium Partners

Raj Das from Millennium. Recently, Salesforce has announced a partnership with both Workday and with Oracle in trying to increase the integration between those platforms at the back end. A, do you think that accelerates adoption of Salesforce automation within the enterprise? And B, how does that impact your business? Does it make your life easier or does that take away from the work hours that you assign on those projects?

Pierre Nanterme
Chairman and CEO

Paul, do you want to take that one around this announcement we've seen, as we're watching carefully what's happening in the overall ecosystem?

Paul Daugherty
Chief Technology Officer

Yeah. I think, you know, if you look at the broader trend, what you've seen with the introduction of SaaS and what happens with any wave of technology like this is you move to – we have a best-of-breed mentality for a little while rather than a kind of wall-to-wall mentality that CIOs sometimes have where they want to buy everything from one vendor. So what we've seen over the last few years is more clients moving to, you know, they buy the best solution because across the different sectors that Marty mentioned earlier, across CRM versus HR versus supply chain, there's different solutions moving faster in some of the different areas. So that's one thing I'd say, is that our clients are more willing to buy best-of-breed solutions that fit their business needs than they were, say, three or five years ago. And what Salesforce and Workday and the others are trying to do is get ahead of the demand from clients that's coming, which is more integration across the solutions. So the integration between Salesforce and Oracle HR, on the one hand, and Salesforce and Workday on the other hand, is trying to get ahead of that curve that's coming, whether it be more demand for consolidation or integrated solutions from customers, again, as they look beyond best-of-breed for more integrated solutions. So we think this is, from our perspective, a good thing if it makes it easier for clients to integrate the capability and deploy the combined set of solutions, that again helps us package the right set of services and deliver the solutions for the client. So those are early announcements with a lot of the technology still to follow around how they integrate and how that works, but, overall, we believe that's a positive thing for our customers and a positive thing for us.

Pierre Nanterme
Chairman and CEO

We have a question here and then over there. Yes.

Steve Milunovich
UBS Securities

Steve Milunovich, UBS. Along with SaaS, there's a trend toward engineered systems or a converged architecture like an Exadata box, everything in a single box. Does that reduce the opportunity for you to do systems integration work, versus your old days of having to cobble together an EMC storage array with a database, with a server and so forth? And Paul, I also wondered if you could talk a little bit about your opportunity in cloud brokering, is that a significant opportunity?

Marty Cole
Group Chief Executive — Technology

I'll take the first one, Paul can answer the second one. I think when you look at the vertical stack, whether it's from Oracle and certainly SAP with HANA, even IBM, some look at those, to date we've seen that as a greater opportunity. There's significant integration still required to make those functional pieces work with the technology, and also with the integration to legacy components. So, the introduction, it's a new technology, it's faster, it's intended to be more efficient in production, that's now providing us with more opportunity to do integration work to get it stood up. And so it's actually been very good for us, which is why I made reference earlier to the work we're doing with SAP HANA and Oracle engineered systems, as to be sort of the integrator of choice to do the integration with it. In fact, it is required.

Steve Milunovich
UBS Securities

Yeah, Marty how about the brokering question?

Pierre Nanterme
Chairman and CEO

Yes, maybe you can elaborate on the Accenture cloud platform, is there still an opportunity to highlight what we've been doing there?

Paul Daugherty
Chief Technology Officer

Sure, yeah. Marty mentioned briefly the Accenture cloud platform. We've been investing in that for a couple of years and launched it formally earlier in FY13, and that Accenture cloud platform is our strategic positioning in the market for cloud-based brokering and orchestration. So what this basically means is that clients can come to Accenture through the Accenture cloud platform service and in a simplified easy fashion, get access to the private cloud capability that they need, the public cloud capability, and the hybrid cloud capability through one set of services from Accenture, through one set of tools, through one commercial structure. We've been a leader and an early mover in that market, we've had that capability out there for a while, and the reaction from the market and our customers has been very strong, so we're pleased with how that business is moving.

Pierre Nanterme
Chairman and CEO

I think we have time for another one. And, again, we'll have another session at the back end of this.

George Mihalos
Credit Suisse Securities

Thank you for squeezing me in. George Mihalos, Credit Suisse. Just had two questions, if I may, for Brian again. Brian, can you just roughly size for us the size of the Accenture Interactive business right now? And then secondly, you mentioned not focusing on creative. Do you see that changing down the road? And is partnering with – are creative agencies a potential referral source for you?

Brian Whipple
Managing Director — Accenture Interactive

So regarding the first one, I think Pierre mentioned a number of new growth areas for the firm that are all, you know, approaching a billion dollars in size, so I'll leave that there.

Pierre Nanterme
Chairman and CEO

So no difference, I'll take that one, indeed, it's a business which is tracking, trending, like all our digital to the billion-dollar mark. You can take that, as well, for AI.

Brian Whipple
Managing Director — Accenture Interactive

So in that space, we're clearly a substantial player. In terms of our relationship with the agency and/or the agency holding companies I think is the crux of part two. They are our partners, and we partner across the globe with agencies inside the WPP network, inside Havas, inside Publicis, inside Omnicon, and inside Interpublic, and any agency of size, for the most part, is inside one of those five networks. So they're our partners. We do not produce creative, as you correctly said, but we help make that more successful for them, and so far that has worked out quite well.

Pierre Nanterme
Chairman and CEO

Yeah, I think our core business is around industrialization, which we are doing well, and it's true for marketing and this is where we're expending in, as well, in the operations, the field operations as mentioned by Paul, I think you mentioned Taleris and General Electric. We want to remain at the intersection of the technology and the business, but really be an enabler, through technology, of business performance. So here, the agency, their role is to create advertising. We are not in that space, but when advertising has been created, then this is where we are coming into play, if you will, by making the creative advertising more effective over the net, driving more results, driving more heat and so forth. So this is – it's all about Accenture as a kind of productivity, effectiveness, business result accelerator, this is the positioning of Accenture, if you will.

So, thanks for the good questions. Thank you for the panel. It seems that every year you're the panel that everybody's waiting for, so thanks to Paul and Bhaskar, as well, our new superstar, as you said, Marty, but no question Bhaskar, you're just leading 170,000 people, so, you know…

Across our Different Dimensions

Pierre Nanterme
Chairman and CEO

Accenture is a formidable global organization and global company. We have people all around the world. Three years ago, we established this routine of "bringing the world" to New York and giving you the opportunity to hear directly from our leaders on the ground in the markets where they operate. They will share with you the pulse of the environment.

To start, we will move first to Shanghai, and we have Anne O'Riordan who leads our Life Sciences industry. Life Sciences is one of our fast-growing industries. There is a big transformation happening in the pharma world, and Life Science is in the midst of massive transition and massive transformation. Again, the big question for us and the big question for Anne was what should do to capture the opportunities in Life Sciences, where should we play in the Life Sciences value chain and where should we invest to bring value to this industry under transformation? Over to you, Anne.

Anne O'Riordan
Managing Director — Global Life Sciences

Wonderful. Thanks, Pierre, and hello everybody. I'm joining you today from China. This is the fastest-growing pharmaceutical market in the world and I've been based here as the global Life Sciences lead for Accenture.

So as Pierre referenced, and as most of you know, the pharma industry is facing a new set of challenges and this is in the post-blockbuster or post-patent cliff era. And time to market for their new and innovative products is really critical to their success going forward.

So Accenture identified this area of need and we developed a new business service called Accelerated Research and Development Services, which allows us to work with them to really change the game in service provision in R&D.

We have invested more than $200 million in the build-out of this business service anchored by the acquisition we made last year of Octagon, which was a leading provider of clinical and regulatory services and software.

Now we have a unique capability which increases speed to market, reduces cost by as much as 30% and really eliminates the functional redundancy that was endemic in the siloed operations of the past and having this capability has made a big difference to our business.

We have experienced double-digit growth in revenue and in sales and with our clients, we're able to work in a very innovative, collaborative and transformative manner to break through many of what were really the perceived barriers of the past.

The commitment to change from our clients is very clear and the availability of collaborative cloud-based technologies is really creating an unprecedented opportunity to make this change happen.

So let me give you a couple of examples. We have worked with Pfizer to develop a revolutionary data exchange platform, which accelerates the clinical development process. So this cloud-based platform provides unprecedented access to clinical trial data, which is aggregated from various internal and external sources. And providing that ability to collect, analyze, and visualize that data across studies and programs internally and externally enables significantly more efficient and effective clinical trial execution and really paves the way for a very new way of working for pharma companies.

Through an agreement with Pfizer, Accenture actually retains the intellectual property ownership of the platform and is bringing this capability to market for all pharma companies.

I'll give you another example with another top-10 global pharma company. We've applied mobile technology to strengthen patient safety and regulatory compliance by implementing a new system to capture side effects in real time for marketed products. So this new capability replaces existing phone and paper-based processes and enables patients, healthcare workers and sales staff to report side effects via a mobile device, the web, directly onto the company's drug safety system.

In combination, we're leveraging Accenture's global capabilities across our Life Sciences Centers of Excellence to process these cases in half the time that was traditionally involved.

Finally, another example, we're helping a major regulatory body become a center of excellence for healthcare regulatory technologies by supporting its core systems and enabling it to more efficiently and cost-effectively serve patients, the pharmaceutical companies and healthcare professionals.

So in closing, I am truly thrilled at the momentum we've built in this past year with Accelerated R&D Services. As I've said, we have achieved double-digit growth, we've expanded our relationships with the most famous brands in the world and together with these brands, we are making a significant difference in improving outcomes for patients globally. So I look forward to continued and significant growth in the coming year.

So back to you, Pierre.

Pierre Nanterme
Chairman and CEO

Thanks a lot, Anne. I mean, you're quite confident and it's good to hear you directly from Shanghai and to feature the fact that we're moving our leaders where the market is as well. I'm very pleased as well because China is doing very well at Accenture. It's one of our 10 priority emerging markets and I was very pleased to have the combination of Life Sciences and Shanghai.

Next we are going to Singapore with Mark Knickrehm. Mark has always been the partner in crime of Anne as she's leading Life Sciences and Mark is leading our industry in Health and, of course, you can see the great connections between Health and Life Science. I know you can imagine Mark is working a lot with Anne – both industries are doing very well. Last year, you heard directly from Steve Rohleder, who's leading our Health & Public Service operating group, about the progress we are making with Health. Mark Knickrehm is based in Singapore, but is leading our Health industry globally and, again, we're all very keen, Mark, to hear directly from you about what's happening in this health environment and especially what we do with Health Management Solutions. So over to you, Mark.

Mark Knickrehm
Senior Managing Director — Global Health

Thank you, Pierre. This morning, I'd like to start by giving you a marketplace perspective, share how we're capitalizing on the opportunity in healthcare and close with some specifics on one of our business services that we call Health Management.

Let me start by saying that we're facing an extraordinary opportunity at Accenture. Over the last three years, we've experienced tremendous growth in our health business. Our revenue has grown an average of 20% per year, four times the market growth rate, and we've gone from 9,000 to almost 16,000 professionals working in healthcare. Our business is at $1.5 billion in annual revenue and we expect the momentum to continue.

We see this growth as being tied to a decade-long change in the nature of healthcare as the industry moves from a fragmented, paper-based organization structure to large, electronic information-based organizations, truly becoming a service industry. This is not a trend. It's the future.

Several key socioeconomic factors have come together to create this explosive environment and opportunity for growth. First, healthcare costs in developed economies, which range from 12% of GDP to nearly 18% of GDP in the United States, are growing at 2 to 3 times the rate of inflation. Second, the U.S. will continue to lead the way. In the U.S., Federal costs alone will increase by over $1 trillion in the next five years. And third, we expect the average IT spend of our clients to go from just over 1% of operating expenses five years ago to between 4 and 5% of operating expenses in the future, in line with the IT spend of other service industries. Truly, IT is moving to the heart of healthcare.

Let me now move to how we at Accenture are investing and mobilizing to capitalize on this opportunity and to help our clients.

The capabilities that we built as an organization over decades – consulting, technology and outsourcing – have become incredibly important to our healthcare clients. The root of the challenge lies in labor productivity – not reducing labor costs or the number of workers, as that in fact must increase in healthcare – but rather making that labor force, which accounts for over two-thirds of healthcare costs, become more productive through things like more use of nurses, better leverage for physicians and self-care for diagnoses, supported by technology. This will become the norm for many healthcare needs that we have today.

This is why countries are continuing to invest in health IT and supporting policies that encourage the deployment and use of IT even in budget-challenged times. In the U.S., the new regulations have provided Accenture the opportunity to be the systems integrator for multiple state health insurance exchanges, including Covered California, the largest of the state-run health insurance exchanges, which is projected to help 500,000 to 700,000 Californians access affordable healthcare. On October 1st of this year, the first day of open enrollment, the exchange's website successfully handled high consumer demand with more than 5 million page views.

One of the areas we've invested in significantly is a business service we call Health Management Services. In this business service, we play a direct role in identifying patient care needs and coordinating that care for patients. We've invested over $20 million in the last three years to develop a Health Management platform that allows us to significantly reduce the cost associated with high-cost, complex healthcare, typically experienced by chronically ill older patients. The top 4% of these patients typically consume over 35% of the total healthcare costs.

A key to lowering these costs and managing the cost for these patients is being able to predict who is likely to need the most treatment or move into that top 4% and then take action to manage the illness without high-cost care, typically hospital care.

We're helping our clients to analyze clinical data to predict, one year in advance, these chronic patients who need intervention and treat them at home, rather than waiting for them to come to the hospital. Our role is then to coordinate which physicians and nurses visit and treat the patient and ensure that all of their conditions are managed to agreed-upon protocols.

One client we're working with in this area dramatically reduced the hospitalization rates in the chronically ill population and reduced the costs for that patient group by 65% and the overall costs for all of their patients by 10% in one year, 10% of everything that they were spending to take care of their entire population. It's just that kind of impact that's needed in health and in which our clients are investing.

As Pierre mentioned, I'm delighted to be joining you from Singapore where we've been doing some truly amazing things with the Ministry of Health. Over the last several years, we've worked to build a national system enabling a single unified health record for each Singaporean, enabling a patient's record to be accessed by clinicians through one common access point. And we're now operating this national electronic health record system for the entire country and integrating data from all clinical settings.

This is a key step in the path to continuously improving healthcare systems driven by the power of data insights, predictive analytics and one day soon, fueled by genetic information.

In summary, our unique combination of consulting, technology and business process outsourcing, along with our deep industry expertise, are fueling our growth in health. With IT clearly moving to the heart of healthcare, Accenture is well positioned to help our clients with a major challenge and simultaneously build a large, profitable and successful Accenture scaled business.

Back to you, Pierre.

Pierre Nanterme
Chairman and CEO

Thanks a lot, Mark, and again a great illustration of what we can do when we have great leaders like Mark taking leadership.

Now we're moving from Singapore to India, to Gurgaon, probably more well-known under the name of Delhi, at least for me. We have Manish Sharma, who is our senior managing director for Business Process Outsourcing. BPO is a very important business for us because it's resonating with the needs of our clients, it's clearly providing high-quality service, it's clearly operating at the heart of our clients' businesses and we are very pleased with the BPO results we have had these last years. And, indeed, Manish is running for us all the delivery for BPO. So we are extremely pleased to have you share with us all the great things you're doing. Over to you, Manish.

Manish Sharma
Senior Managing Director — Business Process Outsourcing

Thanks, Pierre. I'm delighted to join you from Delhi today to talk about BPO. I lead delivery for our BPO organization around the world and we have a significant part of our operations here in India. In fact, BPO is a real growth story for Accenture and it's a core part of our business services strategy.

We have had a great year. We have invested in the business and BPO is approaching a $3 billion part of Accenture with significant market presence, double-digit growth and top-three market share. And as you have heard last year, we have a clear strategy for keeping that momentum going.

So let me share with you why we think our BPO business is really resonating with the market.

We provide a full range of end-to-end BPO services for our clients either around a specific business function, such as finance, procurement or marketing, or around the particular industry segment, such as health or banking.

In BPO, what's really differentiating for Accenture is that we combine analytics, with industry skills and technology to deliver tangible business outcomes as a service for our clients. And we do that at scale through our Global Delivery Network. That's where my personal focus is. My role in BPO is about driving business outcomes for our clients, while also investing in the business and our people to drive efficiency, innovation and build industry expertise.

Let me take you through some very specific examples of the kind of work we are right now doing.

First in analytics, every day in BPO we handle a huge amount of data on behalf of our clients. We apply analytics to the data and use it to deliver actionable insights around a client's business performance. These are opportunities to create value for our clients.

For example, in our finance and accounting BPO business, we are helping clients improve their cash flow. In the accounts receivable process, we are using predictive analytics to help identify customers who are likely to have payment disputes, so we can proactively change the collection strategy. For one high-tech client, we helped reduce disputes by more than 15% with a cash impact of $50 million.

And for some of our Life Sciences clients, we are helping reduce clinical trial costs and improve the speed to market for new drugs by using analytics to support rapid decision-making on trial performance and reduce lead times in the R&D process.

Second, we are investing in the use of technology in BPO. We are now able to offer our clients mobile solutions for learning and procurement. We are even delivering clinical trial performance and analytics that I mentioned in a mobile format, so that our Life Sciences clients can view the results in real time on a chosen mobile device.

In our marketing BPO business, we're using social media and machine learning tools that analyze large volumes of text on review sites and online forums to deliver customer insights that help our clients proactively respond to customer concerns and manage their brand reputation.

And, of course, we also invest in the use of technology in our delivery centers, such as the use of robotics to drive data-entry automation and reduce our own cost to serve.

Finally, BPO is above everything a talent business, so we continue to invest in bringing industry expertise and skills to differentiate us in the marketplace. More than 86% of our BPO people are aligned with an industry and we actively recruit professionals with specific industry skills, such as nurses for our health business or telecom engineers for our network business.

For example, we helped one global telecom client improve network service delivery and customer satisfaction by understanding underlying trends in the customer feedback. Using our industry skills, we built training materials and created lab environments to improve the network engineers' skills, reduce delivery issues and increase customer satisfaction.

So to wrap up, we are using analytics, technology and our industry expertise to drive our differentiation in BPO. We have great momentum and we're growing and I am confident that we will continue to be a very strong contributor to Accenture's growth story.

Back to you, Pierre.

Pierre Nanterme
Chairman and CEO

Thanks, Manish. I mean if you need a definition of passion, you call Manish and certainly you can see the passion. Thanks for that, Manish, I mean we're all very grateful for what you're doing in BPO. And you heard as well from Bhaskar, from the Global Delivery Network, now from Manish here, who's doing the same work for BPO. At the end of the day, the formula is more or less the same. In order to be differentiated and to be more competitive, we want in our delivery network to be more industry-rich, more asset-rich, to have more talent and skills and at the end of the day, more productivity and more automation. If you will, this is what we're calling our intelligent delivery. We want to bring more intelligence in everything we do at the delivery level and this is creating innovation for clients. So I think it's a very good illustration of what we do.

Finally, let's get back to the U.S., not far from New York and we are on the line with Narendra Mulani. He's in Boston and I think it's a good way of closing this go around the world and part of the discussion we had before the break, because he's going to talk about analytics. I'm sure that you captured that nugget from all of our discussions, whether we talk about digital, about business services, about BPO, about Bhaskar in the delivery, of course with Paul around every business is a digital business, data and analytics are at the heart of everything we do and it's going to be even more true moving forward. So you might imagine that Accenture Analytics is absolutely paramount to the success of Accenture and I'm very pleased that we have Narendra in Boston to share with you our latest developments with Accenture Analytics. So over to you, Narendra.

Narendra Mulani
Senior Managing Director — Accenture Analytics

Thank you. Thank you, Pierre, and good morning to everybody. I'm pleased to be connected with you from Boston today, which is the hub of our business analytics alliance with MIT. I'll come back to that in a couple of minutes here. I'm responsible for our analytics business end-to-end and, clearly, I partner with many of our colleagues that you've seen here. I'm happy to have the opportunity to talk to you a little bit about this fast-growing part of our business, but first, let me take a minute or so to set the market scene for you.

This market is big and it continues to grow with the advent of the digital world. Our industry analysts tell us the market today is about $40 billion and it's growing at 15% a year. Accenture Analytics is very well positioned to take advantage of this market demand. In fact, we're seeing double-digit growth today and we now have a practice in excess of $2 billion for the last fiscal year.

I'm pleased to share with you some points about how we at Accenture Analytics are differentiating ourselves.

First, we take an issue-led, outcome-focused and industry-rich approach to addressing our client's needs. As you've heard from each of my co-presenters, our view of analytics is uniquely tied to industry. We have built industry-specific solutions and capabilities across all our major industries that we serve and our scope of services now ensures that our clients get value at speed and sustain that value over time.

Second, we differentiate with both scale and talent. We have a strong network now of more than 16,000 analytics professionals across industry, consulting, outsourcing and technology. Our extensive capabilities range from accessing and reporting on data to advanced mathematical modeling. I'm especially proud of the fact that we have data scientists now across the globe in India, Western Europe and Singapore, to give you an example, and we connect what we do in these locations back into our Accenture industry business services and we also make it available to our clients through our BPO Managed Services that Manish leads.

Third, we have a unique ecosystem of leading and emerging technology alliances, Paul mentioned that, with our largest partners including SAP and Oracle today, we're leveraging their technologies such as HANA and Exalytics In-Memory to build innovative, scalable industry business services.

We are also forming some unique academic alliances to keep us at the forefront of innovation. The first and foremost is our alliance with MIT, where I am today. We're helping our clients use advanced analytics to solve their stickiest problems and big data and decision sciences.

So, finally, let me share with you a couple of powerful examples of how analytics has worked in action for our clients. One of our retail clients came to us for help in using analytics to increase share of wallet with their customers. We teamed up with them to optimize their marketing mix and improve their ability to measure marketing effectiveness, campaign by campaign, store by store. By applying advanced analytics, we created solutions that made recommendations and changes to specific campaigns and individual promotions.

To date, that solution has delivered more than a $300 million return on the company's investment and we expect that return to reach $500 million over the next two years. So, based in part on these kinds of results, the client is now adopting analytics as one of their top three initiatives at the CEO level and we're helping them scale the use of analytics to every major business function across their business.

In another example, this one with a major bank card provider, we're helping them capture and organize the immense amount of data they've collected on their customers. We're helping them generate insights from their data that target the right offers to each customer. And by transforming the information infrastructure to a big data platform, we're modeling card usage outcomes so that the client can act on insights in near real time. It also provides reduced infrastructure costs and improved customer service levels.

So, in closing, Accenture Analytics has built a powerful, differentiated, and I believe, scalable model that will allow us to capture the growth in the market.

Back to you, Pierre.

Pierre Nanterme
Chairman and CEO

Thanks, Narendra, and again, a very powerful illustration of why analytics are so important and how we at Accenture are uniquely positioned in that space.

Financial Presentation

KC McClure
Managing Director, Investor Relations

Let me welcome everybody that has joined us in the webcast, as well as those of you back from a brief break. I'm KC McClure, Managing Director of Investor Relations. For those of you who have joined us today via the webcast, you will be able to find the remarks from the earlier part of the session posted to the Investor Relations section of our website. We expect to have those posted over the next couple of days.

I would like to remind you that some of the matters we will discuss in today's conference constitute forward-looking statements related to Accenture's operations and results. We wish to caution investors not to place undue reliance on any such forward-looking statements. Any statements other than statements of historical fact may be forward-looking statements. 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 in the presentations and 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 under the Risk Factors sections of our annual report on Form 10-K and quarterly reports on Form 10-Q and other documents filed with or furnished to the Securities and Exchange Commission.

As always, Accenture assumes no obligation to update any statements made in these presentations or to conform such statements to actual results or changes in Accenture's assumptions and expectations.

I'd also like to remind you that we will not be providing you with an update for or making comments related to our first quarter of fiscal '14. With that, let me turn it over to our CFO, David Rowland.

David Rowland
Chief Financial Officer

Thank you, KC. Well, let me start by saying how excited I am to have the opportunity to speak with you this morning. Of course, I've known many of you in my previous role and for those of you that I haven't known, I've had the opportunity to meet quite a few of you over the last four or five months as I've been traveling around transitioning into the CFO role. But certainly there's nothing like the opportunity to talk to you all at once and to have the opportunity to answer your questions in a live forum.

You know, I hear our leaders talk about our growth strategy quite often, but I have to say that no matter how many times I hear it, I'm struck by the level of focus, clarity and distinctiveness reflected in our strategy and the degree to which we're truly unique in the breadth and diversity of what we do. But as distinctive and compelling as our strategy is, as CFO, I know that it's only meaningful if it ultimately translates into strong financial results and an attractive value proposition for our shareholders.

So this morning, I want to anchor back to the business outlook that I provided on our earnings call just two weeks ago, to provide some additional color around our rationale and to talk more broadly about what we're focused on to drive shareholder value in a way that we think is truly differentiated. And then following my comments, Pierre will join me on the stage, or on my stage perhaps, for some Q&A where we'll do our best to answer your questions. So let me start by just briefly summarizing the key elements of our business outlook.

Starting with bookings, our range of $32 to $35 billion aligns with our revenue guidance, as you would expect, with an overall book–to-bill of 1.1 to 1.2, which is very similar to what we delivered in '13. We expect to see a continued strong contribution from large mega deals as we drive the transformation and business services agenda that you heard about this morning.

Regarding revenues, we see a range of 2 to 6% growth in local currency, with a midpoint of that range being essentially identical to the 4.2% growth that we delivered in '13. We see continued stronger contribution for outsourcing growth, with consulting growth being roughly flattish to modestly stronger than the 1% growth we delivered in '13. We're targeting continued expansion in our operating margin of 10 to 30 basis points and, importantly, expect to continue to drive more significant improvements in our underlying cost structure, so that we can fund the investment program that Shawn alluded to earlier this morning, while still delivering our margin expansion.

Our EPS range of $4.42 to $4.54 reflects 5 to 8% growth in U.S. dollars, higher than our revenue growth and includes an FX drag of about 1%, as well as a higher tax rate in '14, compared to the unusually low tax rate that we had in '13. And we see cash flow in the range of $3.2 to $3.5 billion, which allows for the possibility of some increase in DSOs, but still reflects very strong cash flow in absolute terms.

Finally, I've had several people ask me about my philosophy on providing guidance and let me just say again that our philosophy on setting guidance has not changed at all. We're not trying to be overly conservative or overly aggressive. We're simply trying to be balanced and, as always, call it as we see it.

Since I've been CFO, I've been asked several times about our three key financial goals and specifically whether or not they continue to represent our ambition. The answer is yes, but consistent with what you've seen in past years, it doesn't mean that we'll meet all objectives each and every year. For '14 specifically, our guidance is clearly aligned with the first and third objectives, growing faster than the market and maintaining a strong balance sheet and cash flow, while returning a substantial amount of our cash to our shareholders via buybacks and dividend.

Regarding the second objective, double-digit EPS growth, this is a year where our outlook is below double-digit growth, but still reflects EPS growth higher than revenue growth. Again, this year, we face a headwind with both FX and tax rate and our revenue growth range is a little lower than in past years based on how we see the market growth. And all of that puts us below double-digit growth, but just below double-digit growth on the upper end of the range.

But in a market with higher growth rates than we've seen in '13 and expect to see in '14, and with less of a headwind on FX and tax rate, we certainly think it's possible to deliver double digit-growth in years in the future.

So these goals, which have been consistent since we've been a public company, continue to guide us going forward and we'll work hard to achieve them over time.

So let's talk a little bit more about how we see the market in '14 and how that shapes our revenue range of 2 to 6%. It goes without saying that this is the element of our guidance that has certainly been the focal point of most of the discussions we've had around earnings.

Let me start by saying, as Pierre said this morning, that we are a growth-oriented company and everything you heard today clearly illustrates that point. I can assure you that our management team focuses 24/7 on what we need to do to drive profitable growth, it's in our DNA and it's embedded in our culture. As we said on the call, the reality is that market growth as we measure it has slowed in '13 as compared to the previous two years and you can see that on the left-hand side of the slide. Again, we're talking about market growth using our analytical framework for how we track the addressable market, which we refer to as the basket, where we take roughly 35 to 40 competitors that we have carefully selected out of this large fragmented market, which represents about 40% of the market, and we track the growth of Accenture relative to that basket or what we refer to as our addressable market.

Importantly, you can also see on the left-hand side of this chart, on '13, we continued our trend of growing faster than the market. In fact, 1.7 times the market, while gaining share in many areas of our business. In terms of the operating groups, to reiterate what we said on the earnings call, H&PS and Financial Services continue to be very well positioned for growth above the Accenture average in '14, but will start a little slower in quarter one with growth building throughout the year. Products will continue to deliver very consistent and solid performance and then we have CMT and Resources, which continue to stabilize and are positioned to deliver overall positive growth for the year.

So to summarize, we think 2 to 6% is the right range for the market as we see it, but I can assure you that we're working every minute of every day to land as high in that range as we possibly can. And in any event, we're focused on two important objectives during this period of lower market growth.

First, as we've said many times, to grow faster than the market and take share. And second, as we've also said, to invest for growth so that we're positioned to accelerate ahead of the competition on the upturn. And if we can do those two things, we can be confident that we're positioning the business in the best possible way for the long term. But, again, we know that all of this is really only relevant if it translates into a strong track record of creating shareholder value. And I think on this front it's fair to say that we have delivered.

As we've matured as a public company, our shareholder value model has evolved from one that was initially solely dependent on share appreciation for the first five years or so, to one that has become increasingly balanced with both share appreciation and dividend return contributing to our value proposition, and that's exactly where we want to be and how we see our model playing out going forward. Revenue growth above market will continue to be a major contributor to our EPS growth, combined with continued modest margin expansion, proactively managing the efficiency of our tax structure and continuing our efforts to reduce the share count over time. And, of course, dividends will continue to be an important part of returning cash to shareholders.

I think the track record speaks for itself. We've delivered a total shareholder return CAGR of 15% since becoming a public company, which is about three times the average return for the S&P 500 over that same period.

And to further illustrate the point, our strong shareholder return performance has been even more evident in the most recent three years. You can see that in the trailing three fiscal years, our total shareholder return CAGR is 28%, well above both our competitor group and the S&P 500 over that same three-year period. And while we all know that historical performance does not guarantee future performance, this clearly illustrates that we understand how to drive value for our shareholders by leveraging our strong position in the marketplace and managing our business and our assets in a manner that is shareholder-focused and drives strong returns.

An important element of our business model, and truly a distinguishing characteristic of Accenture, is our ability to generate strong cash flows. There are many elements of our business culture that have survived and thrived as we've moved from a private partnership to a public company, but perhaps one of the most important is our strong owner/operator culture and our understanding of the importance of cash. This culture is the key ingredient that has allowed us to manage our DSOs at industry-leading levels, which has been a key contributor to our strong cash flow.

We've generated roughly $28 billion of free cash flow since IPO and throughout that period, we've generated cash flow in excess of our net income. Of course, there are a number of factors that impact the relationship between cash flow and net income in any particular fiscal year, but structurally, we continue to drive a business with very strong cash flows.

Most importantly, we know how to put our cash to work in a way that creates value for our shareholders while still investing in the business. As we've discussed before, all of this is underpinned by a very strong capital allocation model which continues to guide our decisions on how we allocate our capital. The fundamental tenet of the model is that we allocate capital as required to support growth in our business and then return surplus capital to our shareholders through both dividends and buybacks.

On the shareholder return front, I announced on our earnings call that we would return a minimum of $3.7 billion to shareholders in fiscal '14 and as part of that, we announced a 15% increase in our first dividend to be paid out this year. We continue to think in terms of roughly a 2-to-1 ratio of repurchases to dividend and we believe this ratio gives us the right level of flexibility as we move forward.

I think you would agree that overall our statements and what we're targeting in '14 reflect a continuation of our past track record, where we've returned 93% of our free cash flow to shareholders since we've been a public company. And while it's not on this slide, just to round out our capital allocation model, we continue to target roughly 10% of our operating cash flow to capital expenditures with roughly 15% to acquisitions. And, of course, with our cash position, we can ramp up our acquisition capital, as we did in '13, should the need arise. So overall, we continue to have a very flexible, sustainable capital allocation model underpinned by strong cash flows and a relatively capital-light business.

So to briefly summarize, there are really four points that I wanted to reinforce and I want you to take away from my comments. First, our three financial goals continue to be very relevant and reflect how we are trying to drive the business going forward, but recognize that we will go through varying cycles of growth just as we have in the past. And as it relates to our '14 guidance, it's in the context of how we see market growth playing out in our fiscal '14. Second, we continue to raise our game investing for growth. We're balancing driving near-term results while investing in our business at even higher levels to position us in the best possible way for the long term. Third, we have a balanced model for driving shareholder return and a track record for delivering industry-leading results. Fourth, we know how to generate cash and we know what to do with it.

There's no doubt we have to work hard to continue our track record of strong results. We don't take anything for granted and certainly nothing is given to us in the market, but I feel really good about our business, our strategy, our leadership team, our level of focus and how we're positioned for the future.

So with that, let me invite Pierre to join me on the stage and we'll take some of your questions.

Question & Answer Session

Pierre Nanterme
Chairman and CEO

So, thanks a lot, David. I mean, you've been crystal-clear. Okay, let's get started from front to back.

David Togut
Evercore Partners

Thank you, David Togut with Evercore Partners. David, you alluded to some long-term cost savings initiatives in your remarks. Two questions. First is, is there more headroom to expand margins beyond the 10 to 30 basis points you're targeting for fiscal '14?

David Rowland
Chief Financial Officer

You know, the answer is that we could do a lot of things to expand margins further if we were just solving for producing results in a current quarter or a current year. What we're trying to do is to strike the right balance between having a sustainable level of margin expansion that supports the three overriding financial goals that we have, while still giving us the capacity to invest in our business, to position ourselves for the long term. And so what we've always been about is finding the balance between investing in the business and then driving that modest margin expansion in a sustainable way over time. If we just wanted to turn up the dials and drive higher margin and solve for a quarter or solve for a year, we could always do that, but that's not in the best long-term interest.

David Togut
Evercore Partners

Just as a quick follow-up. What was the backlog, the contracted backlog for Accenture as of August 31st, and how much was backlog up year over year?

David Rowland
Chief Financial Officer

That question did not get asked on the big call, so I'm glad you asked it here because several people asked it in subsequent discussions, and we had not commented, but I think, Julie, now in this forum, I can say anything that I want to say, right? So, the contracted revenues over the next 12-month period were up about 7% year over year, so above the upper end of our revenue growth range. I will say that we started providing this contracted revenue growth, I don't know, several years ago, and on one hand, we're happy to provide it; on the other hand, I do think that there's probably been some confusion coming from that, because that is just one element of the revenue growth equation. We obviously, on top of that, it's how does that backlog actually convert to revenue, and then also the issue of the work that we sell, and then the characteristics of that work and the pace and time in which it converts to revenue. And so it's a multi-part equation of which that is one element. But the answer is 7%.

Pierre Nanterme
Chairman and CEO

Thank you. Let's take the first row, we'll move up. We have time, we have time.

Steve Milunovich
UBS Securities

I have a quick question. Steve Milunovich from UBS. Your capital structure arguably is sub-optimal, you have no debt, which is a great position to be in, but is there a point at which you would, in addition to your investment, take your capital return to another level and perhaps use debt to repurchase stock, or are you keeping the powder dry because of potentially larger M&A?

David Rowland
Chief Financial Officer

We, as you would expect, you would certainly expect of Accenture, we look at our capital structure real-time, and at least once a year we go through and look at our capacity for debt and the logic of using or not using debt with the Finance Committee of our Board. So we look at that, we assess it, we evaluate it, and we do it in a very thoughtful way. The reality is that if you look at what our track record is, we have returned a significant amount of cash to our shareholders through buybacks and dividends, and we've done that using the strong cash flow that we have in our business. And as we see it right now, as long as our cash flow supports what we need to do to return cash to shareholders at very healthy levels, while still allowing us to invest in our business, we're investing at even higher levels, then we think we've got the right strategy. You know, the thing about Accenture is that we have a strong overall financial position, and we have a lot of levers that if we ever need them, you know, we could play those things out over time. But we do look at it very thoughtfully. It's something that we do spend some time thinking about. Thank you.

Keith Bachman
BMO Capital Markets

Hi, Keith Bachman from Bank of Montreal. I want to dive in a little bit to the M&A strategy again. First a clarification. It looks like two deals that you've just recently done, Procurian and Acquity, are about 100 basis points alone, and yet you did four or five deals at the end of the year, and you've guided this year for M&A to be about 100 basis points. But either those four or five other smaller companies contribute very little to no revenue, or it's more than 100 basis points of revenue that you're going to get in FY '14. I was hoping you could just clarify with the deal that you did last week, was that in the 100 basis points guidance, or was that on top of it? And then if we branch out longer term, follow to Steve's question, it looks like the growth, you're continuing to forecast the growth of the market to be a little slower. Would M&A form a more important part of your longer-term growth? In other words, could investors think about M&A contributing more than 100 basis points, one to two points, as we look out over the next couple years? Thank you.

David Rowland
Chief Financial Officer

Maybe I'll give a couple of comments – would you like to start first?

Pierre Nanterme
Chairman and CEO

Yes, I can help – maybe I'll throw in the second part of your question and will let David discuss how things are factored in the guidance. But, I mean, first, to make sure we're all on the same page, our growth strategy is organic. We grow organic at Accenture. And there is no change with that. Second is, how we're using our capital to accelerate, if you will, the execution of our strategy and through the execution of our strategy, we're going to capture more growth. This is the way – we're not going to grow inorganic at Accenture. So what we do is, as mentioned by the team, Shawn and the others, we are trying to find new spaces for growth. This is what we highlighted this morning, and then we are using our capital in a very targeted way to identify where there is outside some capabilities, companies, that could help us in accelerating the access to a new market. This is what we did with – in digital marketing with avVenta, Fjord, Acquity, to name a few. So that's what we do. And so far, this is our mental model. We do not have, at all, the objective to grow inorganic, but to continue using acquisitions in a way to execute our strategy, and that's going to be to grow organic on top of the inorganic. This is our mental model, and I think it was very well said by Brian. In Accenture, we don't grow inorganic, we made those acquisitions, and then we grow significantly on an organic standpoint. You want to answer the first part?

David Rowland
Chief Financial Officer

Yes, I would just say, I guess, very straight, that we just provided guidance a week ago. We don't update guidance during the quarter based on any individual transaction. I mean, if you look at Procurian in the context of our overall business, it's big in terms of the type of acquisitions we do, but it's not that big in the context of our overall revenue stream. You know, the other thing I would tell you is that – so to be clear, about 1% of revenue is what we said, which is plus or minus. The other thing is that we get the question asked a lot, but really without probably defining it so that we know what we're talking to each other about. And so let me just put it out there right now. When we look at inorganic growth, first of all, as Pierre said, we do inorganic as a means to fuel organic growth. You know, things that we buy, Procurian would be a great, great example, almost from day one, are embedded in the core of our business. So when we measure inorganic growth, we look at acquisitions that we've done over a trailing four-quarter, kind of a rolling, trailing four-quarter period, and that's how we think about inorganic. We think of it as inorganic the first year, post-transaction, and then after that, it's just, you know, part of our business. And so with that methodology for how we talk about inorganic, our guidance around about 1% is the same.

Pierre Nanterme
Chairman and CEO

Yes, that's good to reflect the way, how we are looking at this, and then after one year, it's part of the core.

Rod Bourgeois
Sanford C. Bernstein & Co.

Rod Bourgeois here with Sanford Bernstein. A two-part question about growth, maybe the first part of it is for Pierre and the second part for – you can arm-wrestle over who answers the second part. If global GDP growth were to accelerate, call it a couple of hundred basis points, do you feel like Accenture is positioned to return its revenue growth in constant currency back to the upper single digits? That's the first part of the question. Can you get back to upper single-digit growth if the world's economy gets better? And then the second part, in the last year, your fiscal '13 revenue growth was below your original forecast for the year. Was more aggressive competition part of what hurt the growth during the year, or was it all due to cyclical factors in certain parts of the world?

Pierre Nanterme
Chairman and CEO

Yes, okay, I will let you, David, maybe answer the second one, what happened last year and whether it was cyclical or other factors. I mean, our life would be easier with a stronger economy, period. I mean, that's what that is. So, indeed, you have, I'm not talking about Accenture but hopefully about the industry, you have a kind of direct correlation between the industrial growth, the GDP growth, the IT market, and, at the end of the day, what we do. So, yes, as we speak, we are in a cycle of lower economic growth. I mean, 2.3 in '13, 2.2, 2.3, and in '14, I don't believe that the economists are planning anything which is going to be much better than this. So we are in this cycle of low economic growth, and, indeed, you're starting to see how it's reflected in the basket, what we call in the basket, and you see the move to a lower, as well, growth. So that's why at the end of the day we are fighting, if you will, in that environment and our objective is to continue to gain share at the core of our business, but, at the same time – and this is what we wanted to illustrate this morning – we are investing for the future to build stronger positions in new territories and new waves of growth. Should the environment be better, we believe that, indeed, we would benefit from that effect.

David Rowland
Chief Financial Officer

You know, on the second one, so I think the question is, to what extent did higher, increased competition impact our revenue growth in '13? And I would say that the competitive landscape, as we talked about on the quarterly calls, didn't change, it continued to be highly competitive.

And that was not a driver of our revenue results in ’13. You know, the challenge that we had in ’13 is that we had these few concentrated areas of weakness. If you look at our five operating groups, which I think is always the best way, really, to look at our business, and if you take the three that grew above the Accenture average, Financial Services, H&PS and Products, those three operating groups in total, and these are numbers you could calculate as well, grew 8%, at the upper end of the original range that we guided to. What we didn’t expect was that CMT and Resources would have negative growth for the year. And you may remember that in the case of those two operating groups, we had called out in the fourth quarter of the previous year the fact that they both had large contracts that were winding down. One we have referred to, the large communications client in Europe, and in the case of Resources, we had referred to a couple of large-scale programs winding down in ’12 we thought would be replaced and were not replaced at the level that they expected, we expected. So it was – which has nothing to do, by the way, with anything that is secular in nature. That doesn’t have anything to do with cloud, doesn’t have anything to do with SaaS – that is, you know, two operating groups, and within those operating groups, a couple of industries where we had some concentrated, more challenging characteristics. From a geographic standpoint, Brazil, Southern Europe and Japan. So we had a year like I don’t remember seeing where we had, you know, a little bit more extreme, in terms of significant chunks of our business doing very, very well, but a few concentrated areas of weakness that netted out to the number of 4.2% for the year, which was still faster than the market, it was just lower than our original guidance.

Ashwin Shirvaikar
Citi Investment Research

Ashwin Shirvaikar from Citi. And thank you for today’s presentations. Also a two-part question on growth. I guess the first one is on M&A. And, you know, we’ve written about your acquisition strategy, we kind of like it. The one part that you did not address today was with regard to the valuation metrics in your mind for what you pay for these acquisitions. For example, Procurian, you could kind of say 2 1/2 to 3 times revenues. Is that sort of how you look at it? And the second one, David, in your presentation, the multiple of your growth to basket growth has decelerated over time, and what is the cause for that in your mind?

Pierre Nanterme
Chairman and CEO

If all of you have two questions, I mean, it’s going to take a little bit longer, but I understand the new trick around the two questions. I mean, from an M&A standpoint, I am talking with some of our Board members who are part of our Finance Committee, and they are looking at this, as you might imagine, with maximum rigor and discipline. We are very thoughtful to make sure that we are going after the right opportunities and we are paying exactly the right price. Now our philosophy is to go after quality acquisitions, so the point for us is not to pay cheap to have something poor. It’s to pay the right price to have a quality acquisition we’re going to build on, because as you heard, for us, it’s going to be the nucleus, if you will, for future organic growth. So we are really looking for quality acquisitions. Now from a multiple standpoint, as you know very well, it really depends on the kind of acquisition you’re making. If you’re more on a pure people-based acquisition, then you're going to be sometimes one times the revenue, or even less if it's a pure people acquisition. Then if you're going to 100% software, then you might get to, who knows what, you know, it depends on the transaction, and the multiple might be 5, 6, 7, I mean 10 sometimes. Or you're in the hybrid, an organization which is more a mix of people, I mean, what we've been doing with the BPO, and you're getting to the valuation. So first we're looking at that extremely carefully with the best advisors, if you will, making sure we're looking at the other transactions. Then, we are extremely disciplined regarding the business case, and, again, I'm looking to our Board members, they're not making our life easy, but are very fair in questioning us to make sure that we have a robust business case. Of course, we'll not share with you the kind of metrics we are using and the hurdle rates we're putting there, but believe us, they are very strict to understand where we're putting our threshold. So we are extraordinarily disciplined, including the look-back we're making to the acquisitions. The multiple is just a factor of which segment, people, hybrid, or pure software – that's what it is.

David Rowland
Chief Financial Officer

Now on your second question, you're exactly right in your conclusion, and if you think about it, it's pretty intuitive, so our experience has been historically that during periods of lower market growth, our multiple to the market is not as great as it is during more robust periods where the multiple is greater. And intuitively, as you would think about it, the reason is that when the market is not growing as much, you've got more people fighting for a smaller pie, and our ability to grow faster than the market, while we have done it, is a little bit less than what it is in more robust markets. That's been our historical pattern.

Pierre Nanterme
Chairman and CEO

I think one here and then we will move from right to left which is what we used to do in France, as well.

Wayne Jervis
Jervis Alternative Asset Management Co.

Hi, a quick one and then a little bit more. You have an ambitious goal to distribute, or you strictly distribute 93% of cash flow, free cash flow to shareholders. What percentage of free cash flow is generated domestically to support that strategy, especially since it seems like you're guiding – you're going to be distributing more than 100% of your cash flow this coming year? And then a little bit more detail on the M&A. Should we look at the M&A that you do after guidance is released to be additive to the constant currency guidance, or should we be thinking that is reducing the organic, you know, implicit organic growth rate? And then might it be better to guide in an organic constant currency growth rate as opposed to just a constant currency growth rate to make these questions not as frequent or annoying? And then finally, you talk about –

Pierre Nanterme
Chairman and CEO

I'm counting four now...

Wayne Jervis
Jervis Alternative Asset Management Co.

The guidance of inorganic seems to be 12 months. Is that really the right timeframe given that the written-off revenue and backlog is contracted usually longer than 12 months? So might you want to extend the timeframe when that revenue gets rebooked?

Pierre Nanterme
Chairman and CEO

Maybe long questions, but short answers.

David Rowland
Chief Financial Officer

I'll just pick off what I remember. The first thing is, is that we're not getting overly specific. We allow for some level of speculative or future acquisitions when we structure our guidance, so I guess I'll leave that one there. In terms of, you know, we're not going to guide by organic and inorganic. You know, truthfully, a lot of companies don't even provide the revenue guidance that we provide, much less that level of detail, but that's not a path we're going to go down. I don't know if there are any others that you want to –

Pierre Nanterme
Chairman and CEO

No, again, I see a lot of interest around – and I like that – around how we're using inorganic, you know, in order to accelerate our differentiation and our growth. And, again, it's a positive for us, that to the question of are we indeed stepping up a little bit compared to what we used to do in the past, to use acquisitions as a kind of strategic approach to access unique capabilities? The answer is yes. Now we've always been very clear that we want to deploy around 15% of our operating cash flow every year around acquisitions. This is what we did these last couple of years, a little bit less, and this year we did a little bit more, but we're still there, it's still the same strategy. And, again, the acquisitions we are making are all part of the core – in the BPO, they are part of the core. So that's the philosophy we have, and we continue to grow organic on top of this inorganic thing. So, yes, we are stepping up. No, we are not changing our philosophy, or suddenly we're going to grow inorganic where it's going to have a material impact on our annual growth. It's not a change of that philosophy, we're just stepping up.

David Rowland
Chief Financial Officer

I mean, I appreciate the question, but we're not going to talk about sources of cash flow by geographic markets either. I mean, we have a very well thought-out, very robust cash management program. Scott Ahlstrom, our Treasurer, is here somewhere, but again, that's a level of granularity that we won't comment on.

Pierre Nanterme
Chairman and CEO

Let's move to – who's got questions? Raise your hands, here.

Katy Huberty
Morgan Stanley

You won't be surprised that I have a question on M&A, just as it relates to margins. What's your philosophy in terms of when you would expect a recent acquisition to become accretive, and assuming it's not day one, what are you doing this year to offset the fact that a point or two of the four points of growth is coming from acquisitions that might be dilutive, and still grow earnings and margins faster than revenue?

David Rowland
Chief Financial Officer

Yes, I mean, the period to margin accretion varies from deal to deal, as you would imagine. We don't have a definitive expectation that it gets there by a certain month. We just look at that as one of many considerations when we're looking at the financial metrics of a deal. In terms of what we're doing to absorb any dilutive effect of deals this year, it's all in the mix. When we talk about investments – one of the buckets of investments we talk about, that we include – would be the dilutive effect of early-stage acquisitions, if you will. And so this headroom that we're creating in our P&L, when we talk about doing that to cover investments, it includes that dilutive effect. And so the things that we focus on in creating efficiency in our P&L are the things that, frankly, you've heard us talk about in the past. I mean, we are constantly working on ways to improve our delivery efficiency and improve our contract margins. We have an ongoing focus on our channel cost, our selling cost efficiency. We have an ongoing focus on our corporate functions, so our finance, HR, etc. We have a continued focus on the efficiency of our footprint, of office space and geographic services around the world. We're looking at how do we evolve our training delivery to the next stage of evolution that will be more effective, you know, more impactful, but also has some cost efficiency. We look at things like travel – we're a very virtual organization, we embrace virtual technology extensively. You know, you see some illustration of that even here So we have a lot of things in our cost structure that we continue to push on to drive this cost efficiency, and we do that to do things, including absorbing our acquisitions.

Pierre Nanterme
Chairman and CEO

I mean, it's very clear because, again, I see why you're asking the questions, and they are very valid, that you've seen the kind of evolution in the way we've been deploying our capital. But, again, no change. With that level of acquisitions, we will not come back on our operating margin expansion. We already said we're going to drive modest margin expansion, return cash to shareholders, it's been very clear. We do not believe that that level of acquisitions is changing anything in our ability to drive modest margin expansion, and we believe that we have the opportunity at Accenture, every year, to drive more efficiency to absorb this. As a routine, you heard Bhaskar, driving efficiency through intelligent IT in the GDN, you heard Manish, what he's doing with the BPO. All of us – Jo Deblaere, our COO, together with David and myself, how we're driving more efficiency in our operations every day, so we believe we can absorb that level of acquisitions without creating any dilution.

Ashish Sabadra
Deutsche Bank

Hi, this is Ashish Sabadra from Deutsche Bank. Quick question around technology transition and does it dictate any potential pockets of weakness. So the growth initiatives are growing high double digits, they are approaching a billion dollars or higher, but maybe the legacy businesses, like the SAP and Oracle, may have slowed down a bit, some of it cyclicality. But does that technology transition accentuate in some sense the macro weakness that you're seeing, and if it does, then how long do you expect that pocket of weakness to last before these growth initiatives become big enough to offset any weakness in the legacy businesses?

Pierre Nanterme
Chairman and CEO

This is excellent, this is what we're managing. We are managing first, I would say, a cycle of lower growth, is what we've seen with the basket and so forth. So here our response is, of course, we will never give up when we see a cycle of lower growth. The point is, we are increasing our – the response is to be more competitive to win more of what's out there. And this is exactly what, again, Bhaskar is doing by making our Global Delivery Network more productive, this is what he said. So we can win more on the traditional, if you will, IT, including the ERP, on what's out there. And then, indeed, the second factor, if you will, we are facing, is the technology transition. Here the name of the game is to invest to make sure we are capturing these waves. That was one of the topics of this morning, and this is exactly what we do with Accenture Analytics, Accenture Interactive, Accenture Cloud, Accenture Mobility, plus the business services we're launching. So we're fighting on the core to improve our win rates and we know what's out there. And we're pleased to see that our pipeline is building up, right, David, which is a sign that further there's still business out there, and second, our ability to win what's going on and then building on the new. So it's an "and" strategy, if you will.

Now when the cycle of lower growth will get back to a cycle of stronger growth, you know, I feel that every year we believe that things are getting a little bit more stable. As I mentioned, all Europe now is less in distress with the sovereign debt, the U.S. has been doing well, and the emerging markets were strong. And suddenly, the things are a little bit shifting: Europe is okay, emerging markets are more questionable here and there, and the U.S., you know better than me what's going to happen in the coming days with the government shutdown and the debt ceiling, so you probably have more of a response than me, if you can read the mind of your government. Sooner the better, would be my answer, the sooner the better.

Keith Bachman
BMO Capital Markets

You made some comments on the market growth, so market growth 2 1/2%. Let's say Accenture grows 3% to 4% over the next couple of years. How does your net headcount change with that as the backdrop? How does the net headcount change as you look out over the next couple of years? And then what's the distribution of that headcount? In other words, established markets versus your Global Delivery Network, does that change under those parameters?

Pierre Nanterme
Chairman and CEO

Maybe on the mix, I mean, we have, over the years for all sorts of good reasons, the mix is shifting with the GDN. So the GDN is representing a higher proportion of the total headcount. But I would not qualify that as anything like a significant shift or an accelerated shift, not at all. It's just clearly evolutionary. I mean, this is what we see. Marty, if you're looking on your patch, we are adding more in the GDN, but we continue to hire in the mature markets as well as the emerging markets. So I think it's a kind of, I would characterize it as a slow evolution. Now from the GDN to the mature, or to the more mature markets, I would say. It's a kind of normal evolution based on the evolving parts of our business. When you have a little bit of more AO and BPO, which is the case these last couple of years, you know, it's a little bit accelerating the GDN, but there is nothing as a major shift.

We're getting to the bitter end, the final five minutes, so if there's – the final question because I'm trying to figure out my profound closing.

Peter Christiansen
UBS Securities

In the past, some of your competitors have taken advantage of downturns, whether they be in certain verticals or regions or globally, and they've used that as an opportunity to take a risk to foster market share growth later. Are you taking any of those types of risks now in your go-to-market philosophy and see a longer-term opportunity there?

Pierre Nanterme
Chairman and CEO

I mean, yes and no, and probably more no than yes. I mean, we will never do anything stupid for the sake of taking share, never, ever. And historically when we looked at what's happened in the market, if you're doing a wrong transaction just for the sake of growing, at the end of the day it's going to be a wrong transaction and it's going to impact your financials. So we are not prepared to do anything in that category just for the sake of growing. Now, are we taking the opportunity of this slower cycle to accelerate our investments to capture the new waves of growth? Certainly, yes. And we believe that, indeed, today, we have the financial strength, we have the capital, we have no debt, we have the cash, and we have the insight to, indeed, take the opportunities of this market to accelerate our development. So this is where we put a yes. No, when it comes to are we prepared to take a bad deal for the sake of growth, never. Now, are we prepared to use our capital where we are in a position of strength with a view of competitors who might be more, for some, cash constrained, to make the right acquisitions, to make the right investments? This is exactly what we do in that context. Again, I couldn't be more pleased with the acquisition of Procurian because it's putting us in the lead in that category, and, as a consequence, it's putting our competitors a little bit more on their, I would say, back on their heels, and it's another illustration because some will not have the capital to deploy to make these acquisitions. So, yes, we're using our financial strength to accelerate and make those plans.

All right, I guess we are getting to the end of this morning, so…

Closing

Pierre Nanterme
Chairman and CEO

Thank you very much. Again, thanks a lot for joining us, thanks a lot for participating, and thanks a lot for the questions. Again, we see the Investor and Analyst Day as a dialogue more than anything else. It's the opportunity once a year for our leaders to share with you where we are. I hope you appreciate the fact that we are as transparent and direct as possible, and we have just a genuine dialogue with you.

I guess it's extremely important, especially at times of change. We've seen that, you know, the macro, clients have new expectations, our industry as well is in the midst of transformation. It is, again, creating maybe in the short term, some tension and pressure on the system, and we've seen this year that we didn't have the kind of growth we expected at the end of the day. But on the other hand, it's creating opportunities, and I think this morning we wanted to show you that the world has plenty of opportunities if you have the right insights, if you have the right discipline, if you have the right strategy, but, as well, if you're focusing on the execution.

So at the end of the day, our philosophy for growth is always the same, we want to, whether the cycle is up, whether the cycle is a little bit down, at the end of the day, Accenture will grow market share, will invest in the future, will try to capture and succeed in capturing new waves of growth. So when the cycle will be up again, we will be better positioned than anyone else in order to succeed and reconnect with higher potential growth.

I'm extremely confident about where we are. Again, I believe that we have the right strategy in place, and we are executing very well. I guess, and you heard this morning, we have the right leaders, and they are all around the world in order to capture these new waves of growth, and we are building from an incredible position of strength. You mentioned no debt, and I'm taking that as a compliment. We have no debt, we have the cash, we have the track record, and from a positioning standpoint, again, we're working for the best clients. We have the largest delivery network and we are just excellent in delivering. We are taking leading positions in new territories, and we're very happy to share that with you this morning.

You heard Accenture Interactive; we could have been doing the same with Accenture Mobility, and suddenly you see, oh, there's a new Accenture behind the Accenture we know. Very important, at least for me, is we're expanding our relevance in a broader value chain for our clients. We are very well known for covering IT or for covering the enterprise. As you see now, we have moved to the front of this in a very robust way, and more to come. But, at the same time, you'll remember what we said with the partnership with General Electric, we, as well, want to be more relevant in the field operations.

So when I look at it, and as a closing, in a world where volatility and uncertainty is still the name of the game, what's our response? Diversified portfolio of business. The more diverse you are, the more resilient you're going to be.

And when you're in a cycle of lower growth, invest, invest to capture the new waves of growth more than your competitors. And at the end of the day, three, run your business with maximum rigor and discipline, which is exactly what we do, so we grow more than the market, we return to our shareholders what they definitely deserve, and we continue to make Accenture the leading organization in our industry. It's not going to be easy, competition is there. We like to compete, but we like to compete to win, and this is exactly what we will continue to do.

So thanks a lot for your confidence and for participating. I'm sure we will have a continued dialogue in the coming weeks and months. You will participate on the earning calls. We will have one-on-ones, and see you anyway next year, maybe in the same place, so you can continue to measure the progress we are making.

But, again, I would like to thank the management for the preparation and the leadership they're providing to Accenture, and, again, thanks for the support, we are a team, we're on the road, and we compete to win. Thanks a lot.