Accenture

1st Quarter Fiscal 2022 Conference Call

Conference Call Transcript

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CORPORATE PARTICIPANTS

Angie Park – *Managing Director, Head of Investor Relations*

Julie Sweet – *Chair & Chief Executive Officer*

KC McClure – *Chief Financial Officer*

PRESENTATION

Angie Park
Thank you, operator, and thanks everyone for joining us today on our first-quarter fiscal 2022 earnings announcement. As the operator just mentioned, I'm Angie Park, Managing Director, Head of Investor Relations.

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

We hope you've had an opportunity to review the news release we issued a short time ago. Let me quickly outline the agenda for today's call. Julie will begin with an overview of our results… KC will take you through the financial details, including the income statement and balance sheet, along with some key operational metrics for the first quarter. Julie will then provide a brief update on our market positioning before KC provides our business outlook for the second quarter and full fiscal year 2022. We will then take your questions, before Julie provides a wrap-up at the end of the call.

Some of the matters we'll discuss on this call, including our business outlook, are forward-looking and, as such, are subject to known and unknown risks and uncertainties including, but not limited to, those factors set forth in today's news release and discussed in our annual report on Form 10-K and quarterly reports on Form 10-Q and other SEC filings. These risks and uncertainties could cause actual results to differ materially from those expressed in this call.

During our call today we will reference certain non-GAAP financial measures, which we believe provide useful information for investors. We include reconciliations of non-GAAP financial measures, where appropriate, to GAAP in our news release or in the Investor Relations section of our website at Accenture.com.

As always, Accenture assumes no obligation to update the information presented on this conference call.

Now, let me turn the call over to Julie.

Julie Sweet
Thank you, Angie, and thank you everyone for joining us.

I would like to start by thanking our 674,000 people around the world for your extraordinary work and commitment to our clients. Our results again this quarter reflect how you are living our purpose every day—to deliver on the promise of technology and human ingenuity. As more and more companies embrace compressed transformation, our clients are turning to us as their trusted partner, as reflected in our outstanding growth of 27% this quarter. We added 15 new Diamond clients, bringing the total to 244. Diamond clients are our largest relationships—and to give some context—we added 13 Diamonds in all of FY21. We also had record bookings of $16.8 billion—30% growth year over year, with 20 clients with bookings over $100 million.

And we expanded operating margin 20 basis points in Q1, with adjusted EPS growth of 28%, while we continued to invest in our business and people, including $1.7 billion in acquisitions, and in just the first quarter, we invested $250 million in learning for our people with 8.6 million training hours for approximately 14 hours per person.

The extraordinary demand we see in the market reflects the imperative of digital transformation—companies are making critical decisions about who will be their strategic partners… and they are selecting us… because of our talented people, our deep industry and technology capabilities, and our commitment to both create value and lead with values. We predicted back in 2013 that every business would be a digital business and we have executed a clear strategy to rotate our business, to anticipate and be ready to serve our clients… and when the pandemic hit… we were ready… with capabilities at scale reflected in 70% of our revenue at that time being from digital, cloud and security… with strong relationships with the world's leading technology companies, which in some cases go back decades, with a focus on growing our people through learning, allowing us to rapidly reskill, with an unwavering commitment to inclusion and diversity and equality, and caring for our people, professionally and personally, making us a talent magnet in a tight labor market… adding 50,000 talented individuals in Q1.

And it is our breadth of capabilities across Strategy & Consulting, Interactive, Technology and Operations, which is unique in our industry, that allows us to work side-by-side with our clients to deliver results. And we believe our goal to create 360° value for our clients, people, shareholders, partners and communities is an essential part of our success. Certainly, our commitment to creating vibrant career paths for our people is an important part of this value, and we just completed our annual promotion process. I want to congratulate our 1,030 new promotes to managing director, 143 new appointments to senior managing director and the more than 90,000 people we promoted around the world in Q1 overall.

Today, we launched our 360° Value Reporting Experience—a new way to share our progress in the value we create in all directions for all of our stakeholders—more on that later.

KC, over to you.

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

We were very pleased with our overall results in the first quarter, which exceeded our expectations… setting a new bookings record at $16.8 billion, with Consulting bookings exceeding the previous record by more than $1 billion. Our results reflected strong double-digit revenue growth across all dimensions of our business—all markets, services and industry groups. And, we saw improved pricing in many parts of our business. Based on the strength of our first-quarter results, and the demand we see in the market, we are significantly increasing our full-year revenue and EPS outlook.

Now, let me summarize a few of the highlights of the quarter:

- Revenues grew 27% in local currency, increasing more than $3.2 billion over Q1 last year, and more than $600 million above our guided range—with broad-based over-delivery across all markets, services and industries, with all 13 industry groups growing double-digits. We continued to extend our leadership position with growth we estimate to be more than five times the market, which refers to our basket of publicly traded companies.

- Operating margin of 16.3% for the quarter was an increase of 20 basis points. We continued to drive margin expansion while making significant investments in our people and our business, including acquisitions. We delivered very strong EPS of $2.78, up 28% over adjusted fiscal '21 results.

- Finally, we delivered free cash flow of $349 million and returned $1.5 billion to shareholders through repurchases and dividends. We also invested approximately $1.7 billion in acquisitions and we continue to expect to invest approximately $4 billion in acquisitions this fiscal year.

With those high-level comments, let me turn to some of the details starting with new bookings.

New bookings were a record at $16.8 billion for the quarter, representing 30% growth in USD, and were $800 million higher than our previous record, with an overall book—to-bill of 1.1.

- Consulting bookings were a record at $9.4. billion, with a book-to-bill of 1.1.

- Outsourcing bookings were $7.4 billion, with a book-to-bill of 1.1.

We were very pleased with our bookings this quarter, which reflected 20 clients with bookings over $100 million. All of our service dimensions, Strategy & Consulting, Technology Services, and Operations, as well as our geographic markets, delivered strong double-digit bookings growth in USD.

Turning now to revenues…

Revenues for the quarter were $15.0 billion… a 27% increase in USD and in local currency.

- Consulting revenues for the quarter were $8.4. billion—up 33% in USD and 32% in local currency.

- Outsourcing revenues were $6.6 billion—up 21% in USD and in local currency.

Taking a closer look at our service dimensions. Strategy & Consulting, Technology Services, and Operations all grew very strong double-digits.

Turning to our geographic markets…

- In North America, revenue growth was 26% in local currency, driven by double-digit growth in Public Service, Software & Platforms, and Consumer Goods, Retail & Travel Services.

- In Europe, revenues grew 28% in local currency, led by double-digit growth in Consumer Goods, Retail & Travel Services, Industrial, and Banking & Capital Markets. Looking closer at the countries, Europe was driven by double-digit growth in Germany, the UK, France and Italy.

- In Growth Markets, we delivered 30% revenue growth in local currency, driven by double-digit growth in Consumer Goods, Retail & Travel Services, Banking & Capital

Markets and Public Service. From a country perspective, Growth Markets was led by double-digit growth in Japan and Australia.

Moving down the income statement…

Gross margin for the quarter was 32.9%, compared with 33.1% for the same period last year.

Sales and marketing expense for the quarter was 9.7%, compared with 10.4% for the first quarter last year.

General and administrative expense was 6.9% compared to 6.6% for the same quarter last year.

Operating income was $2.4 billion in the first quarter, reflecting a 16.3% operating margin, up 20 basis points compared with Q1 last year.

Before I continue, as a reminder, we recognized an investment gain in Q1 last year, which impacted our tax rate and increased EPS by $0.15. The following comparisons exclude these impacts and reflect adjusted results.

Our effective tax rate for the quarter was 24.4%, compared with an adjusted effective tax rate of 23.7% for the first quarter last year.

Diluted earnings per share were $2.78, compared with adjusted diluted EPS of $2.17 in the first quarter last year.

Days Services Outstanding were 42 days, compared to 38 days last quarter and 38 days in the first quarter of last year.

Free cash flow for the quarter was $349 million, resulting from cash generated by operating activities of $531 million, net of property and equipment additions of $182 million.

Our cash balance at November 30th was $5.6 billion, compared with $8.2 billion at August 31st.

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

In the first quarter, we repurchased or redeemed 2.4 million shares for $845 million, at an average price of $346.19 per share. At November 30th, we had approximately $5.6 billion of share repurchase authority remaining.

Also, in November, we paid a quarterly cash dividend of $0.97 per share, for a total of $613 million. This represented a 10% increase over last year. And, our Board of Directors declared a quarterly cash dividend of $0.97 per share to be paid on February 15th, a 10% increase over last year.

So, in summary, we are very pleased with our Q1 results and we are off to a very strong start in FY22.

Now let me turn it back to Julie.

Julie Sweet
Thank you, KC. Starting with the demand environment. As we expected, across industries and the globe, technology continues to be the single biggest driver of change… accelerating, disrupting and creating new opportunities. More companies are embracing compressed transformation, underpinned by cloud and digital—and are moving to build their digital core and use technology to transform how they operate and to find new ways to compete and grow. As you would expect with 27% revenue growth, we are seeing broad-based demand across all markets, services and industries, with double-digit growth across all our strategic growth priorities—including Applied Intelligence, Cloud, Industry X, Interactive, Intelligent Operations, Intelligent Platform Services, Security and Transformational Change Management.

Let me bring this demand to life.

First, compressed transformation is occurring across the globe and the key enabler is the cloud across the continuum from public to hybrid to increasingly the edge—and the move to leading SaaS platforms… along with the convergence of cloud and data.

For example, we are working with a leading global supplier of tires and mobility solutions to migrate to the cloud, modernize its IT platforms, use data to accelerate growth and value, and shift to a digital supply chain. We created a state-of-the-art system to track inventory, sales, warranty information and returns—all in the cloud… all in real time… and have already helped to increase customer satisfaction 35%—with improved cost optimization and increased revenue up next.

We are also helping Mt. Sinai Health System—New York City's largest academic medical system—transform, modernize and increase its resilience by migrating its clinical systems, non-clinical systems and clinical data to a stable, secure cloud-based infrastructure to proactively detect and prevent threats, adapt to business and regulatory changes, together with the potential to save millions over the next five years—savings that can be reinvested to fund strategic, innovative programs and help reskill teams.

Our deep industry expertise is helping companies find new solutions and paths to growth and helping their customers.

For example, we are collaborating with OP, a leading Finnish financial group, to use automation, advanced analytics, and other emerging technologies to increase business agility, reduce costs, and deliver enhanced customer and employee experiences. OP will adopt the intelligent automation platform Accenture myWizard® to enable the company to extract greater value from its technology investments.

We are working with Thüga—a leading utilities provider in Germany—to create and operate a game-changing meter-to-cash IT platform in the cloud. It will help reduce operating costs by up to 40%, accelerate time-to-market, and free up resources for energy transition and innovations like smart metering—helping customers make environmentally conscious decisions and energy providers stay responsive and reliable.

And as we talked about last quarter, our Sustainability Services are focused on helping our clients across industries move from commitment to action, at scale. We see these services as critical to our clients' agendas. I'm pleased to announce we have signed an agreement to acquire Zestgroup, a Dutch sustainability services company with 140 employees, that specializes in energy transition services and sourcing renewables and other clean energy sources. We look forward to welcoming them and working together to help clients move at speed to achieve net-zero carbon.

We continue to help our clients to enter the next digital frontier of Industry X. We are excited to have completed the acquisition of umlaut and are seeing the power of our combination already. Together we're working with a global technology leader to transform from a traditional engineering platform to a more agile Model-Based Engineering platform that uses simulation and analysis from design and development all the way through the product life cycle. We are also working with an American wireless operator to help improve daily operations and transform their network security by combining our deep security risk assessment and communications industry skills.

Of course, growth is at the heart of every client's agenda, and Interactive, is helping our clients capture new growth with their customers with our unique combination of creativity, technology, data, AI and industry expertise.

For example, we are applying our digital global capabilities to help Capri Holdings Limited, a global fashion luxury group consisting of iconic brands including Versace, Jimmy Choo and Michael Kors, translate its rich in-store, luxury shopping experience to a digital experience that aligns with shifting customer behaviors and accelerates sustainable growth.

As a strategic partner with Volkswagen Group, a German motor vehicle manufacturer, we're helping Audi & VW to pave the way for sustainable growth through precise, continuous commerce and rich experiences along the entire car-buying journey. We are combining the power of AI and predictive analytics to deliver the right experiences at the right time to accelerate revenue growth through an expanded digital commerce ecosystem.

We're also working with VLI, a Brazilian logistic solutions company, and Trato, its new platform business, to provide a digital one-stop shop for self-employed truckers to enhance their growth to improve logistics by offering options for more profitable freight products as well as to provide them access to critical services such as insurance, loans, and healthcare…all by combining data, analytics and AI.

We see an increasing demand to create the platforms that power the digital products and experiences our clients seek for their customers. We're helping Cielo, a leader in electronic payments in Latin America, become more competitive by migrating to the cloud, which will accelerate new product development and enable cutting-edge technologies. This will make it easier to launch innovative products, reduce time-to-market by two-thirds and lower costs, all while enhancing their customers' experience.

And of course, security is critical to all our clients. We were proud to be selected by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency, CISA, in the U.S., America's risk advisor defending against today's threats, with advanced cyber services to help the Department of Homeland Security protect Federal Civilian Executive Branch systems against cyberattacks like ransomware, botnets, and malware campaigns.

Even as companies undergo compressed transformation, exponential technology changes continue. We are investing to anticipate the future, and we are working with our clients to innovate and take advantage of emerging technologies to compete and win. Our R&D is powered by Accenture Labs and Ventures and extends across every part of our business so that we can quickly translate research into real results for our clients.

For example, we are working with ESPN to explore how emerging technologies can enable new ways for fans to experience sports at the ESPN Edge Innovation Center, leveraging the years of early investments we have made in extended reality.

We've been a key participant in shaping the innovation in enterprise blockchain technologies across the globe, with applications in financial markets, supply chain and digital identity which now are creating value for our clients... from partnering with the Digital Dollar Foundation to explore a US central bank digital currency, to working with Hong Kong Exchanges and Clearing Limited to build a new integrated settlement platform using Digital Asset Modeling Language smart contracts.

And while the metaverse has recently burst into the public eye, we've been an early innovator in applying the technology. In fact, we often innovate on cutting-edge technologies by deploying them at Accenture first. We are proud to have the largest enterprise metaverse through what we call the Nth Floor and are deploying over 60,000 virtual reality headsets, and have created One Accenture Park, a virtual campus for onboarding and immersive learning, including meeting rooms and collaborative experiences. Our VR environments provide our people with a human connection and learning experiences in an immersive digital world. We are also working with clients to help explore and shape their early forays into the metaverse through new digital experiences enabled by virtual reality and responding to their interests in new products enabled by NFTs, or non-fungible tokens, and new ways to conduct commerce as the metaverse takes shape.

Many of these client examples reflect our goal to create 360° value. This goal reflects our growth strategy, our purpose, our core values, and our culture of shared success. It is also how we operate Accenture, and we measure our success by how well we are achieving this goal for all our stakeholders.

And today, we are proud to present our new 360° Value Reporting Experience—a new way to share our progress, which is available on our website. With this comprehensive digital tool, you'll find all our reporting and data in one place, measuring how we are doing. We've expanded our ESG reporting with three additional ESG frameworks—the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-Related Financial Disclosure (TCFD), and the World Economic Forum International Business Council (WEF IBC) metrics—while continuing to report against the Global Reporting Initiative (GRI) Standards, the UNGC Ten Principles, and the Carbon Disclosure Project (CDP)—because we believe that transparency builds trust and helps us all make more progress.

Back to you, KC.

KC McClure
Thanks, Julie.

Now let me now turn to our business outlook…

For the second quarter of fiscal ’22, we expect revenues to be in the range of $14.30 - $14.75 billion. This assumes the impact of FX will be about negative 4% compared to the second quarter of fiscal ’21 and reflects an estimated 22% to 26% growth in local currency.

For the full fiscal year ’22…

Based upon how the rates have been trending over the last few weeks, we now expect the impact of FX on our results in USD will be approximately negative 3% compared to fiscal ’21. For the full fiscal ’22, we now expect our revenue to be in the range of 19% to 22% growth in local currency over fiscal ’21, which continues to assume an inorganic contribution of 5%.

For operating margin, we continue to expect fiscal year ’22 to be 15.2% to 15.4%, a 10 to 30 basis-point expansion over fiscal ’21 results.

We continue to expect our annual effective tax rate to be in the range of 23% to 25%. This compares to an adjusted effective tax rate of 23.1% in fiscal ’21.

For earnings per share, we now expect our full-year diluted EPS for fiscal ’22 to be in the range of $10.32 to $10.60, or 17% to 20% growth over adjusted fiscal ’21 results.

For the full fiscal ’22, we now expect operating cash flow to be in the range of $8.4 to $8.9 billion, property and equipment additions to be approximately $700 million, and free cash flow to be in the range of $7.7 to $8.2 billion. Our free cash flow guidance continues to reflect a very strong free cash flow to net income ratio of 1.1 to 1.2.

Finally, we continue to expect to return at least $6.3 billion through dividends and share repurchases as we remain committed to returning a substantial portion of cash to our shareholders.

With that, let’s open it up so that we can take your questions. Angie…

QUESTIONS AND ANSWERS

Angie Park
Thanks, KC.

I would ask that you each keep to one question and a follow-up to allow as many participants as possible to ask a question.

Operator, would you provide instructions for those on the call?

Operator
Of course. And once again, if you did wish to ask a question, please press 1, then 0 on your telephone keypad. You may withdraw your question at any time by repeating the 1, then 0 command.

And one moment please for our first question. And that first question comes from the line of Tien-tsin Huang from JP Morgan. Please go ahead.

Tien-tsin Huang
Thank you so much. Yeah, really remarkable growth, the overdelivery by 600 million. I think that's the largest I can remember relative to guidance, so I've got to ask, what surprised you? What drove that, I heard the compressed transformation and all the great examples, but can you say a little bit more on…

KC McClure
Tien-tsin, we're having a little trouble hearing you, but I think I got it. You want to know what drove our overdelivery—I heard the overdelivery 600 million.

Tien-tsin Huang
You got it.

KC McClure
That's what I thought. So first of all, good morning to you. So, the first thing I'd say is that overall in terms of our revenue production this quarter, everyone did better. It really was broad-based overdelivery across all of our markets, all of our industries and our services. And when you peel that back, really, start with bookings. So, we had broad-based overdelivery also in our bookings and so, you've seen that flowing through our revenue production, Tien-tsin. And on that bookings production, while we had 20 clients with bookings over 100 million, it really was broad-based growth in our bookings across the larger deals, all the way down through mid-size and smaller deals. And then so, that also really did help us drive more revenue.

And importantly, we were able to meet this demand because we have the people able here to work on the extra demand coming from the bookings. So, we were really very pleased with the overall broad-based delivery in the first quarter and that is why we see that coming into the second quarter, and then a big part obviously of our full-year revenue increase.

Tien-tsin Huang
Thank you. My follow-up question is to Julie on the 360° Value Reporting… I'm curious, is the ESG, we've hearing lots about that here, is ESG becoming a bigger factor or tiebreaker for enterprises when they're choosing the vendors they want to work with or work with more? Is that part of the change here of pushing this 360° concept?

Julie Sweet
Yeah, it's a great question, Tien-tsin. I think there's a couple of things that are going on. So, first of all, we absolutely see in more of the requests for proposals, our clients asking to understand your position on sustainability, for example. And we've seen that trend for at least the last 12 months, that it's more important formally in our RFPs, but we also see it in the conversations we're having with clients that they are asking a lot about this. They're very much focused and so, when we talk about it, it's important to them.

And so, when we launched this strategy around 360˚ Value over a year ago now, it was based on the conversations we were already having with clients. We launched it because our clients were saying we have to achieve this.

And the biggest issues, I think, as a world, that we look for is how do you move from commitment to action? And so, part of that is, therefore, clients also want to partner with companies that are equally committed. And it matters to them things like 50% of our centers around the world are using renewable energy. It matters to them the work that we're doing on green IT software, so that eventually we'll be able to have much more sustainable software development.

So, it's definitely a buyer value, we see it formally, we see it informally and we see it in terms of what they're trying to do, which is why our sustainability services are also so important and you heard some of the examples today.

Tien-tsin Huang
That's excellent. Thank you, guys.

Julie Sweet
Great.

Operator
And our next question comes from the line of Bryan Bergin with Cowen, please go ahead.

Bryan Bergin
Hi, good morning, thank you. So, you often talk about the market share gains. I'm curious if you've seen an inflection in win rates over the last few quarters or has there been a significant uptick in overall demand in the market with consistent win rates that is driving this level of growth?

KC McClure
Good morning, Bryan. It's the latter. So let me just start with we've seen a really consistent win rate, but maybe it's I'll peel back to what we talked about in the fourth quarter. When we were coming into the year, we felt really good about our pipeline, even in the seasonably lower quarter, we saw good bookings for the first quarter. And, obviously, you saw that come through in our bookings, our record bookings this quarter. But I will say even with that, we feel really good about our pipeline even after the record bookings and that's a statement across all markets and services.

Bryan Bergin
Okay. And then my follow-up, so when we think about headcount progression, it would seem you're on a path to hit a million people here over the next three years or so. So, as you've gotten larger, what have you had to do differently to enable the strong execution across just so many global resources and just how are you thinking about what you are going to need to do more of as you get even larger?

Julie Sweet
Sure. That's a great question, Bryan. I'm going to take that. And I think there's three things to focus on. One is how we manage the business. So just to take you back to March 1st of 2020, when we announced our Next Gen Growth Model, one of the explicit reasons we reorganized at the time focused on geographies, we said, was to enable us to scale. And so, that's enabled us because we're still fundamentally a people business, that's also driven by a lot of assets, but you need to be able to be close to clients and people. And so, that change really allowed us to be where we are now, where we're scaling.

But it also, in addition to the scaling piece, it's helped us be more agile. Like you'll remember, we put that into place and we created Accenture Cloud First four months later, which has been a huge success and it's the agility by simplifying our structure at the same time. So, first, it's how we managed our business in terms of an organizational perspective and having simplified our business.

The second piece is the focus on employee experience. One of our 8 Leadership Essentials is caring for our people personally and professionally. And this is a very important part of how we are able to scale and drive our culture. And you'll see in our attrition, it again is at the lower end of the pyramid in India, and we had significantly lower attrition at the executive and above levels. And that is very much, we believe, because of how we focus on our people. And the last piece, which is our culture.

You notice that we talked about the metaverse and what we've launched in our script today. That's another way of how we're driving our culture. We are constantly innovating. So, in a world where people can't have as many physical experiences today, we created this immersive experience which connects people, which builds connections. And so, the focus on being smart about how we manage our people and staying close to them and our clients, our leadership in how we promote and develop and then, constantly innovating to build the connections and the culture—we call it omni-connections—are absolutely critical when you're scaling.

Bryan Bergin
Thank you.

Operator
And we do have a question from the line of Lisa Ellis with MoffettNathanson, please go ahead.

Lisa Ellis
Good morning, thanks for taking my question. A couple of macro questions from me. Can you talk about how inflation is affecting your business? Specifically, is it a tailwind to revenues because you're able to pass through labor cost inflation on to clients and if so, or are there other factors as well that you might call out on inflation? Thank you.

KC McClure
Yeah, maybe I'll start and then Julie can add in in terms of what we're seeing with our clients, but Lisa, maybe I'll start with inflation and I'll take it maybe from a wage increase perspective. So, to state the obvious, wage inflation is on all our minds. It's occurring in all industries and it's across the globe and our clients are all experiencing a tight labor market. So, for us, as it relates to inflation and wages, we see for our business that we will continue to have wage increases in the market for certain skills, and that varies by geographies and we expect it really to continue.

So then what are we doing? It's not so different from what our clients are doing, is that we're focused on pricing to absorb our higher labor costs. And one of the things that we can point out, Lisa, is that we were very pleased with the improved pricing that we had this quarter on our record bookings. But we have more work to do. And so, one of the things that I wanted to just point out is that it's going to take some time for the improved pricing to flow through our P&L and that's going to lag the higher compensation that we see. It may even result for us in some operating margin contraction in Q2, although we expect to continue to expand margin by 10 to 30 basis points for the full year.

I mean that's maybe a bit of a glimpse of what it means for us as we run our own P&L. I'll hand it over to Julie to give some thoughts on what she's seeing in talking with our clients.

Julie Sweet
Great. And so, look, we're all managing different aspects. There's wage inflation, there's inflation that's obviously on products, and it varies by industry in terms of the extent of the impact. And what we really see our clients doing is—because there's a lot of uncertainty about how inflation is going to develop in 2022, is being laser-focused on cost efficiencies and growth, because for many industries they can't pass on the improved pricing or they're like us, it takes a while to be able to do that. And so, it is helping as well drive some of the demand for both helping them grow, but also do that efficiently.

Lisa Ellis
Terrific. Thank you. And then just for my follow-up and maybe a follow-up on Tien-tsin's question. Clearly the level of demand you're seeing has sort of surprised even you guys, and you have a very good handle on it all the time. So, I don't know if you can just give some color around what your sense is about what's happening? Like what's happening out in the marketplace? You said it's very broad-based across industries, across geographies and so, maybe just sort of from a narrative perspective, what's your sense of what's happening differently or differently than you expected even three months ago in terms of, that's driving the dramatic increase in demand? Thank you.

Julie Sweet
Sure. I think a big aspect of it is embracing the need for speed. And so, you are continuing to see more and more companies doing the compressed transformation, the willingness to take on more at the same time and even to do that faster. And I'm thinking about a couple calls I had just this past week. Clients that we've been working with for some time, thinking about their cloud journey. I had one call me up Monday and say, okay, we're going to pull forward wave two. We've got to go faster. It's harder than we thought, we need to go faster. And as companies are kind of getting into it, they're seeing that they want to go even faster. They're also seeing the impact of those who come ahead.

I was recently talking to the CEO of a company where we're doing a major cloud and data platform and his point was, okay, now I get it. I can only go so fast, but can you go faster because I now see what I can really do once I've replatformed. And so, this embracing more change and speed, we do think is helping drive this demand. And we predicted the sort of—you remember we talked about compressed transformation, that it's really only been in about a third of industries and that it was going to continue to expand. But the point is, the first round of compressed transformation, it's just the first round. And as you begin to see the power of what it is to be in the cloud, the next steps of opportunities are being seen by the clients.

And so, I do think it's mostly around a recognition of the value of replatforming and the need for speed competitively.

Lisa Ellis
Terrific, thank you, and Happy Holidays.

Julie Sweet
Happy Holidays.

Operator
And we do have a question from the line of Jason Kupferberg with Bank of America. Please go ahead.

Jason Kupferberg
Thanks, guys. Congrats on these numbers. Happy Holidays. Maybe a little bit more to follow-up on some of these top-line questions. You mentioned the pipeline still remains robust after the very strong Q1 bookings. So how should we be thinking about second-quarter bookings growth in both Consulting and Outsourcing relative to the Q1 level?

KC McClure
Thanks, Jason. Happy Holidays to you too. You know, we do feel good about our pipeline, for the second quarter and for the remainder of the year. But bookings can be lumpy, so there's nothing that I would project obviously one way or the other against Q1, Jason. But for both Outsourcing and Consulting across all of our markets and the services within those, we do feel really good.

Jason Kupferberg
Okay, got it. So, we'll have to account for some of that lumpiness. And I'm wondering also if there's been any noticeable change in average project sizes or conversion cycles of backlog into revenue? And then just anything you may want to comment on regarding updated assumptions for Consulting and Outsourcing revenue growth in full year fiscal '22? Thanks again.

KC McClure
Sure. So, there's really no change, Jason, to anything that we're seeing a duration or in conversion. I mean it all depends on the mix of the work that we're selling, but every individual type of service, there's no change within those durations or mixes. And then, just in terms of what we're seeing for the full year, I'll just comment on the type of work we see. Consulting, strong double-digits, even probably stronger than what we saw obviously at the beginning of the year and Outsourcing now is double-digit growth.

Julie Sweet
And it's probably worth reminding what KC said earlier. Our expectations were exceeded across all sizes and, obviously, when small deals are also overdelivering that's in-quarter revenue. So, it is broad-based.

Jason Kupferberg
Okay, appreciate all that. Thanks again, guys.

Operator
And we do have a question from the line of Rod Bourgeois with DeepDive Equity Research, please go ahead.

Rod Bourgeois
Hey, guys. Congrats on the results and the color that you're providing here. Hey, I just have one question. I'd like if you could comment on your newer offerings? It'd be helpful to know which of your newer offerings are showing the most uptick against this growth wave. If you could weigh the relative amount of lift that you're getting from offerings like Industry X, cloud, automation, etc., is there a certain newer offering that's getting more uptick than the others or is it again—I

mean maybe you can go beyond the everything is good comment and give it a little more color on the specific offerings? Thanks.

KC McClure
Sure. Thanks, Rod. I'll give you a little bit more color maybe on some of the numbers and then I'll hand it over to Julie to add anything she'd like to. But what you'll see is on Cloud, Industry X, Interactive, Security, I mean they're all at scale, they're all strong, or very strong double-digit growth. And so, there's really not one I would call out individually. Julie also mentioned another on our list of our strategic priorities within her commentary at the beginning of the call, so I won't be redundant and go through those again. But, Julie, is there anything you want to add in terms of additional color?

Julie Sweet
Well, sure. I mean, first of all, you just have to remember scale. So, Accenture Cloud First was a $12 billion business, or our cloud business overall was a $12 billion business, is now $18 billion. So that's what we announced last quarter. And so, when cloud is very strong double-digit growth, it's obviously adding big dollars, but across each of the strategic priorities. So, obviously, we have different scale. But, look, you have to look at the cloud because the cloud is the enabler. Like think about it this way, cloud's the enabler, data is the driver and then AI will be the differentiator for our clients. And so, you saw many, many of the examples really bringing these things together, so that you've got to get to the cloud, you got to get a handle on your data and then be able to use AI. And you saw that in many of the examples that I gave in the script today. And so, the first big step is, of course, replatforming in the cloud, both through migration and SaaS products. So, if you kind of have that mental model, I think it's helpful. And then that goes across the organization.

Rod Bourgeois
Well explained. Thanks.

Operator
We have a question from David Togut with Evercore ISI, please go ahead.

David Togut
Good morning and congrats on these superior results. I'd like to ask about the sustainability of the compressed digital transformation. Can you give us some proof points that you're still in the early innings of this transformation, especially in some of your largest practices like Cloud First and Interactive?

Julie Sweet
Sure. So, a few things, and we shared this last quarter, that you have to build your digital core. So, if you look at platforms like Oracle, SAP and they're moving to the cloud, those are well below 50% of their installed base having moved. The sort of move to the cloud itself, the percentages are still around 30%-ish, maybe a little bit more in terms of workloads that have moved to the cloud. So, if you just sort of look at kind of where are we just technically, you see a lot of waves. And then you look at our own research where we talk about leaders and leapfroggers. And what we see is that about 10% on average of every company are really leaders and performing much better than the bottom 25%, but that's only still a part of their organization. They're still working on lots of compressed transformation.

You've got these leapfroggers who are coming from behind. We estimate about a third are really doing compressed transformation. And compressed transformation is wave on wave, like once you get to the cloud, then what do you do with the data? So, we continue to see this as really being a multi-year journey. And I will tell you that a lot of people will talk about the pandemic, accelerated years of transformation into months, that's only in thinking. It is really hard to replatform. And then it's really hard to move, get your data under control and then be able to do that. Once you do it, it opens up so much. But there's a lot of hard work for our clients ahead and we're privileged to get to be their partner.

David Togut
Thanks for that. Just as a quick follow-up, could you comment on where you are with Industry X in terms of the innings into the growth of this business? I mean clearly, we've got huge supply chain problems currently. I mean how long do you think these supply chain problems will last as you look around the globe?

Julie Sweet
Well, we talk about that with our clients all the time because, look, the supply chain problems, there is kind of the immediate issues, but there's the longer-term issues like the ports are not up to snuff in most of the markets around the world. There's fundamental shifts going on in terms of how do you build resilience, which is, in moving from sort of cost to resilience. And so, the work of supply chain is multi-year, but I think it's important. I always go back to kind of where we were. The new technologies have really only come online, some of the newer platforms like Blue Yonder's Luminator, SAP's S/4 supply chain work, in the last couple of years. And so, they're just starting to really get the momentum and the implementation.

And so, I would say the digital supply chain work is very, very early innings and the same with manufacturing. That's why we call it the next frontier. It's a big focus. I mean I think Gartner had a survey that said 93% or 91% of directors believe it's the biggest transformation opportunity, but we're in very, very early innings still.

David Togut
Thank you. Happy Holidays.

Julie Sweet
Happy Holidays.

Operator
And our next question comes from the line of Jamie Freidman with Susquehanna, please go ahead.

Jamie Freidman
Hi, good morning. Nice work here, good way to finish the year. Oh, I don't think anyone asked about travel yet and if they did, I apologize if I missed it. But, KC, what are you contemplating in terms of travel for fiscal '22 at this point?

KC McClure
Jamie, on travel it's no change to the assumptions that we had at the beginning of the year. So, two components of travel—revenue from reimbursable travel, we don't have that in our guidance at the beginning of the year and there's no travel revenue assumed. And if it changes, we'll let you know.

And then, in terms of travel outside of contract travel to clients, we continue to have an uptick in our expenses forecasted for the back half of the year which, again, continues to be difficult to accurately estimate.

Jamie Freidman
Thanks for that. And then, either Julie or KC, do you have any early view on calendar ’22 IT budgets for your clients? I know you make your own weather a lot of the time, but are those rising, to what degree, is the pace different than it was, say, last calendar?

Julie Sweet
I mean I would just say that this is kind of when the budgets are getting finalized, so we’ll have much more insight next quarter because they get finalized into January. But what we’re seeing which is reflected in our guidance is continued strong demand.

Jamie Freidman
Got it, thank you very much.

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

Operator
Of course. And that last question then comes from the line of Bryan Keane with Deutsche Bank, please go ahead.

Bryan Keane
Hi, guys. Happy Holidays. The first question I want to ask was the surprise jump in Diamond client adds. I think it was 15 in the quarter and you did 13 all of last fiscal year. So just trying to get a sense, is that something Accenture is specifically doing with the salesforce to grab those larger clients or is that just a function of the demand environment that people are knocking down your door, even these larger clients that you would think you’d already be working with and you’re not and they’re just continuing to add to the number of Diamond clients for you guys?

Julie Sweet
Yeah, it’s really a function of what we’ve been talking about as compressed transformation. It’s a function of more clients taking on more change because that’s what builds this level of bookings. And we’ve been talking about that trend really from the first six months after the pandemic where we had more clients do over $100 million bookings in the first six months of that fiscal year and we continue to see that building as clients recognize how much change they need to do and that they have to go faster. So that’s really what we see as the function.

Bryan Keane
Got it. And then, KC, when just looking at the numbers for the revenue growth, obviously, a 27% constant currency number for the quarter and then, the guide, I think for Q2 was above Street expectations, 22 to 26. I guess, what does that imply for the back half of the year? Obviously, it would be a much different growth rate in the back half. Is that some conservatism versus just tougher comps? Can you talk about the back half for ’22?

KC McClure
Sure. Bryan, what that implies in the back half is still very strong in that it's double-digits across the back half of the year at the low end and then, upper end of our guidance range, which implies also really strong organic growth in the back half of the year. And a continuing build of our business in the back half of the year, coming out of the first half of the year overall.

Bryan Keane
But nothing specific to call out in terms of any weakness you see in the back half, but it's just a function of how the demand lays out?

KC McClure
Correct.

Bryan Keane
Thanks so much and Happy Holidays again.

KC McClure
Same to you. Thanks, Bryan.

Julie Sweet
I think that was our last question. And so, thank you for joining us on today's call and thank you again to our really incredible people across the globe. And thanks to all of our shareholders for your continued trust. We work to earn it every day and we really appreciate it.

Best wishes to all for a safe, healthy and joyful holiday season.