Accenture

Third Quarter Fiscal 2024 Financial Results

Conference Call Transcript

Thursday, June 20, 2024 / 8:00 a.m. Eastern

CORPORATE PARTICIPANTS

Katie O'Conor – *Managing Director, Head of Investor Relations*

Julie Sweet – *Chair and Chief Executive Officer*

KC McClure – *Chief Financial Officer*

Katie O’Conor

Thank you, operator, and thanks, everyone, for joining us today on our third quarter fiscal 2024 earnings announcement. As the operator just mentioned, I’m Katie O'Conor, 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 third quarter. Julie will then provide a brief update on our market positioning before KC provides our business outlook for the fourth quarter and full fiscal year 2024. 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 as 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, Katie, and everyone joining. And thank you to our 750,000 people around the world who work every day to deliver 360 degree value for all our stakeholders.

Before we get into the quarter, I want to thank KC, who's been an excellent partner for these last five years and our three other extraordinary leaders who are stepping down in the next two quarters, which are Jean-Marc, Ellyn and Paul. Each have given over 36 years of service and demonstrated strong stewardship in developing outstanding successors, including Angie, who you all know from her former role as Head of Investor Relations, who will succeed KC on December 1. As always, we are executing a smooth leadership transition to the next generation with our strong bench of great leaders.

Now on to the quarter.

I am pleased this quarter to bring to life yet again, the resilience and agility of our business as our actions to remain laser-focused on our clients' needs and quickly adapt to market conditions can be seen in our results, which are building a foundation for stronger growth as we go into Q4 and next fiscal year.

As you know, this fiscal year, our clients' spending developed differently than we expected at the beginning of the fiscal year. And these conditions continue with clients prioritizing large-scale transformations, which convert to revenue more slowly while limiting discretionary spending, particularly in smaller projects with delays in decision making and a slower pace of spending as well.

In response, we have moved quickly to adjust by leveraging our unique strengths. Our end to end services, including deep industry and functional expertise that enable these large-scale transformations or what we call reinventions. We are also leveraging our deep technology expertise and ecosystem partnerships, and our learning machine and culture that gives us the agility to shift to new areas of demand, including, for example, GenAI while continuing to invest at scale for future growth.

Here's how these strengths and our strategy are demonstrating results three quarters into the fiscal year.

With our clients prioritizing large-scale transformations, we have accelerated our strategy to be the reinvention partner of our clients. Our success is reflected in our bookings of $21.1 billion including and another 23 clients with quarterly bookings greater than $100 million, bringing the total of such clients with these bookings to 92 year to date, seven more than last year at this time.

This focus on being the reinvention partner is an important part of our strategy to return to stronger growth. As we enter next year, as this work ramps, the revenue from these large-scale bookings is expected to continue to layer in throughout the year, and we are also well positioned to capture increases in discretionary spend when it comes back because of the strategic positioning these deals bring at our clients.

We also have leaned into the new area of growth, GenAI, which is comprised of smaller projects as our clients primarily are in experimentation mode. In this quarter, we hit two important milestones. With over $900 million in new GenAI bookings this quarter, we now have $2 billion in GenAI sales year to date, and we have also achieved $500 million in revenue year to date. This compares to approximately $300 million in sales and roughly $100 million in revenue from GenAI in FY23. Leading in GenAI positions us to help our clients take the actions needed to reinvent and to benefit from GenAI, which frequently means large-scale transformations. We're also taking an early lead with an eye toward long-term leadership in this critical technology, which is still in the early stages of maturity and adoption despite its rapid evolution.

We have built our expertise in making strategic acquisitions over the last decade, leveraging a strong balance sheet, and we have used this expertise to expand into new growth areas, scale in hot areas and geographies, and continue to build strength in our industry and functional consulting. We deployed $2.3 billion of capital across our geographic markets in Q3 across 12 acquisitions bringing the total number of acquisitions to 35, with invested capital of $5.2 billion year to date as compared to $2.5 billion for the entire FY23.

As a learning organization and talent creator, we continue to invest in our people with approximately 13 million training hours this quarter. This averages 19 hours per person representing an increase predominantly due to GenAI as we continue to prepare our workforce for the infusion of GenAI across our business in the coming years. We also continue to steadily increase our Data & AI workforce, reaching approximately 55,000 skilled Data & AI practitioners against our goal of doubling our Data & AI workforce from 40,000 to 80,000 by the end of FY26.

We continued to take market share on a rolling four quarter basis against our basket of our closest global publicly-traded competitors, which is how we calculate market share. With revenues of $16.5 billion for the quarter up 1.4% in local currency and slightly above the midpoint of our FX adjusted range. We expanded adjusted operating margin by 10 basis points and delivered free cash flow of $3 billion.

I want to congratulate our 97,000 people we have promoted around the world through June 1, including 702 to Managing Director and 64 to Senior Managing Director, reflecting our commitment to providing vibrant career paths.

We are recognized as a top 10 place to work in 10 countries, representing more than 70% of our people: No. 2 in Argentina, Brazil, and the Philippines, No. 4 in Singapore, No. 5 in Costa Rica, Finland and Indonesia, number 7 in the US and number 10 in Chile on the Great Place to Work list of Best Workplaces and No. 2 on Business Today's Best Companies to Work For in India. And in recognition of our strong brand, we are proud to earn the #20 position on Kantar BrandZ’s prestigious Top 100 Most Valuable Global Brands list - our highest rank to date with an 11% increase in brand value to $81.9 billion.

Our scale across strategy, consulting, technology and operations, and our breadth and depth across industries and functions make us uniquely capable of helping our clients reinvent using technology and data, AI and new ways of working.

Before turning to KC, I want to give a little more color on our acquisitions this quarter, which yet again demonstrate the strategic importance of both our ability to invest and our expertise in identifying, attracting and integrating great companies joining Accenture.

Let's start with new areas of growth. We completed our acquisition of Udacity to scale our technology, learning and training services and to help our clients reskill and upskill their people. Udacity is a critical part of our LearnVantage digital learning platform, which we announced last quarter, as a new area of growth for the future.

Building on our expertise in customer-focused consulting, we invested to help drive our clients' growth agendas. We acquired Unlimited, an award winning customer engagement agency with a deep understanding of human behavior as evidenced by its proprietary human understanding lab and AI powered data insights platform. We acquired The Lumery in Australia, a marketing technology consultancy that helps leading organizations deliver seamless customer experiences and transform their marketing services. It provides industry and platform consulting services, including marketing, advisory and planning, implementation across entire technology stacks, operational excellence and simplification.

We closed our acquisition of GemSeek in Bulgaria, a leading customer experience analytics provider, helping global businesses understand customers through insights, analytics and AI powered predictive models. And we closed Mindcurv, a global, cloud-native digital experience and data analytics company, specializing in composable software, digital engineering and commerce services.

Now let's turn to scaling in hot industries. We acquired Cognosante a provider of innovative technology solutions for US federal health, defense, intelligence and civilian agencies. With this acquisition, Federal Services is creating a new federal health portfolio for its business. We invested in Customer Management IT and SirfinPA, which will provide the public sector with technology support in justice and public safety in Italy. We see public service and in particular, health, intelligence and defense as highly strategic industry focus areas globally for the next several years.

And we invested in Teamexpat, focusing on testing integration for lithography systems in the semiconductor industry, another attractive industry segment. Our investment in Flo Group, a leading European consultancy and Oracle business partner who specializes in global supply chain logistics is helping us scale in supply chain. Also a major growth area.

Finally, we're scaling in attractive geographic markets. We acquired CLIMB, a technology consultancy based in Japan, where we continue to experience very strong revenue growth.

Over to you, KC.

KC McClure

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

We are pleased with our Q3 results, which were in line with our expectations and reflect continued investment at scale. We continue to serve as a trusted partner for our clients while running our business with rigor and discipline.

Now let me summarize a few of the highlights for the quarter.

Revenues grew 1.4% local currency with mid-single digit growth or higher in 7 of our 13 industries, including public service, industrial, high-tech, life sciences, energy, utilities and health. We also continue to see improvement in our CMT industry group.

And we continue to take market share. As a reminder, we assess market growth against our investable basket, which is roughly two dozen of our closest global public competitors, which represents about a third of our addressable market. We use a consistent methodology to compare our financial results to theirs, adjusted to exclude the impact of significant acquisitions through the date of their last publicly available results, on a rolling four quarter basis.

Adjusted Operating Margin was 16.4%, an increase of 10 basis points over Q3 last year and includes continued significant investments in our people and our business. And finally, we delivered Free Cash Flow of $3 billion and returned $2.2 billion to shareholders through repurchases and dividends. Year to date, we've invested $5.2 billion across 35 acquisitions.

With those high-level comments, let me turn to some of the details starting with new bookings. New bookings were $21.1 billion for the quarter, representing 22% growth in US dollars and 26% growth in local currency with an overall book-to-bill of 1.3. Consulting bookings were $9.3 billion with a book-to-bill of 1.1. Managed Services bookings were $11.8 billion with a book-to-bill of 1.5.

Turning now to revenues. Revenues for the quarter were $16.5 billion, a 1% decline in US Dollars and a 1.4% increase in local currency and slightly above the midpoint of our FX adjusted guidance range. As the FX headwind was approximately 2%, compared to the 1% headwind estimated at the beginning of the quarter.

Consulting revenues for the quarter were $8.5 billion, a decline of 3% in US Dollars, and a decline of 1% in local currency. Managed Services revenues were $8 billion, up 2% in US dollars and up 4% in local currency. Taking a closer look at our service dimensions, Technology Services and Strategy & Consulting grew low-single digits and Operations was flat.

Turning to our geographic markets. In North America, revenue grew 1% in local currency, led by growth in Public Service, partially offset by a decline in Banking & Capital markets. In EMEA revenues declined 2% in local currency, with growth in Public Service, offset by declines in Banking & Capital Markets and Communications & Media. Revenue growth in Italy was offset by a decline in France. In Growth Markets, revenue grew 8% in local currency led by growth in Banking and Capital

Markets and Industrial. Revenue growth was driven by Argentina and Japan, partially offset by a decline in Australia.

Moving down the income statement. Gross margin for the quarter was 33.4%, consistent with the same period last year. Sales and marketing expense for the quarter with 10.6% compared to 10.5% for the third quarter last year. General and administrative expense was 6.3% compared to 6.5% for the same quarter last year.

Before I continue, I want to note that in Q3 of FY24 and FY23, we recorded $77 million and $347 million in costs associated with our business optimization actions, respectively. These costs decreased operating margin by 40 basis points and EPS by $0.08 this quarter and operating margin by 210 basis points and EPS by $0.42 in Q3 of last year. In Q3 of last year we also recognized a gain on our investment in Duck Creek technologies, which impacted our tax rate and increased EPS by $0.38. The following comparisons exclude these impacts and reflect adjusted results.

Adjusted operating income was $2.7 billion in the third quarter, reflecting an adjusted operating margin of 16.4%, an increase of 10 basis points from adjusted operating margin in the third quarter of last year. Our adjusted effective tax rate for the quarter was 25.5% compared with an adjusted effective tax rate of 24% for the third quarter last year.

Adjusted diluted earnings per share were $3.13 compared with adjusted diluted EPS of $3.19 in the third quarter last year.

Days Services Outstanding were 43 days, compared to 43 days last quarter and 42 days in the third quarter of last year.

Free cash flow for the quarter was $3 billion, resulting from cash generated by operating activities of $3.1 billion, net of property and equipment additions of $124 million. Our cash balance at May 31 was $5.5 billion compared with $9 billion at August 31st.

With regards to our ongoing objective to return cash to shareholders, in the third quarter, we repurchased or redeemed 4.3 million shares for $1.4 billion, an average price of $320.41 per share. As of May 31, we had approximately $3.3 billion of share repurchase authority remaining. Also in May, we paid a quarterly cash dividend of $1.29 per share for a total of $811 million. This represents a 15% increase over last year. And our Board of Directors declared a quarterly cash dividend of $1.29 per share to be paid on August 15, a 15% increase over last year.

In closing, we feel good about our results in Q3 and are now working hard to deliver Q4. We remain focused on capturing growth opportunities while continuing to invest in our business for long-term market leadership.

Now let me turn it back to Julie.

Julie Sweet

Thank you, KC.

As I mentioned earlier, we're seeing more of the same in terms of the demand environment. Now let me give a little context on how we're executing our strategy to be the reinvention partner of choice and why we're uniquely positioned to be helping our clients on AI.

It is important to remember that while there is a near universal recognition now of the importance of AI, which is the heart of reinvention, the ability to use GenAI at scale varies widely, with clients on a continuum. With those which have strong digital cores generally seeking to move more quickly, while most clients are coming to the realization of the investments needed to truly implement AI across the enterprise. Starting with a strong digital core, from migrating applications and data to the cloud, building a new cognitive layer, implementing modern ERP and applications across the enterprise, to a strong security layer. And nearly all clients are finding it difficult to scale GenAI projects because the AI technology is a small part of what is needed.

To reinvent using technology, data and AI you must also change your processes and ways of working, reskill and upskill your people and build new capabilities around responsible AI. All with a deep understanding of industry, function, and technology to unlock the value. And many clients need to first find more efficiencies to enable scaled investment in their digital cores, in all these capabilities, particularly in data foundations. In short, GenAI is acting as a catalyst for companies to more aggressively go after cost, build digital core and truly change the ways they work, which creates significant opportunity for us.

And this is why clients are coming to us. We are able to help our clients with this AI rotation because of our broad services across strategy and consulting, technology and operations, as well as everything customer, through Song and digital manufacturing and engineering through Industry X, and our relevance across the functions of the enterprises in 13 industries. Our privileged position in the technology ecosystem has never been more important. We are working closely with our ecosystem partners to help our clients understand the right data and AI backbone that is needed and how to achieve tangible business value.

Now let me give you a few examples of the complex work of reinvention and building a digital core.

We are partnering with Currys, a leading European technology retailer, to unlock new growth and cost savings by accelerating its adoption of new technologies. First, we will move their operations from a legacy data center to a new cloud platform using prebuilt and customized solutions to create a powerful digital core. This unified data foundation allows us to deploy automation in Generative AI in key growth areas such as repair centers, customer service, e-commerce, procurement and in-store experiences, delivering faster, more efficient services to their customers. The move to a new platform supports the company's sustainability goals, reducing energy consumption by transitioning to a more efficient cloud infrastructure. Now, Currys employees will be empowered to serve their customers better by offering high touch experiences, both online and in-stores.

We're working with Independence Health Group (IHG), a leading health organization, headquartered in southeastern Pennsylvania, on a transformation journey to modernize end to end operations, improving the way they serve current and future generations of customers. We will help migrate nearly 2 million members to a new digital-first platform expected to drive immediate improvements in existing business processes. This will lay the foundation to leverage advanced technology and Generative AI to proactively manage members' health. We are also helping reskill and retain their operations staff, creating opportunities for employee development. With this reinvention, Independence continues its ongoing efforts to increase service quality, improve experiences and enable better health outcomes, positioning them for new areas of growth in the rapidly changing healthcare landscape.

Digital core work also requires deep industry expertise as we work with our clients to design the right tech, data and AI to reinvent their enterprise and their industry.

We are helping Macy’s, an iconic American retailer with a technology modernization effort. As the strategic technology execution partner, we will migrate their mainframe systems to a cloud platform, a move that will enhance their operational efficiency and scalability. This will allow Macy’s to be more agile and enable growth.

We are helping the Central Bank of the United Arab Emirates, the regulatory body responsible for the country's banking and insurance sector, with a digital transformation to strengthen the financial system’s stability and contribute to growth, innovation and diversification in the sector, in line with the UAE's national vision. Our program will deliver advanced analytics along with AI driven automation to improve supervisory capabilities and streamline activities for licensed financial institutions by creating best-in-class processes to support regulatory compliance. We will also modernize the bank's enterprise data management by implementing a single unified portal to provide a holistic view of the financial services ecosystem, all of which will enhance the UAE’s position as a global financial center.

We are partnering with Virgin Media O2, a leading carrier services provider in the UK to support regional businesses to realize the promise of 5G, opening new revenue streams and stimulating growth in the telco market. We will bring to market solutions built on our Edge Orchestration platform, which combines edge computing, data, AI, GenAI and embedded security. This will enable use cases such as quality inspection, safe workplace management and behavior monitoring to improve operations and customer experience, whether it's enabling safe, communication on building sites, creating a fan experience while handling crowds and busy venues, or supporting vital devices and clinician workflow in health care, Virgin Media O2 can now offer businesses a range of flexible, secure and affordable solutions, that boost efficiency, growth and performance. And with our managed services in customer operations, we can work together with Virgin Media O2 to scale this growth.

Security is a critical part of reinvention and the digital core. We saw continued very strong double-digit growth in our security business this quarter.

We are partnering with the US Navy to enhance its cyber security operations with cutting edge capabilities that will strengthen its data security posture and support mission readiness. More than ever, data and information are critically important to national security. Our solution sets are configured to provide defensive cyber operations across Navy networks to help safeguard digital assets and mission operations. Together, we will help ensure the US Navy can combat evolving cyber threats, protect our sailors at sea and defend American interests around the world.

Once clients have a strong foundation, they can explore new opportunities to drive growth and efficiencies with Gen AI.

We are helping a leading global food and beverage company who already built a strong digital core as part of its reinvention journey to now leverage the power of Generative AI to create new value. Together, we developed a digital shelf console pilot, a GenAI engine that accelerates content creation for e-commerce and optimizes it to drive sales. The engine empowers marketers to audit and customize content at scale -- expected to reduce time to deliver one year's worth of content to just eight working days and save costs of up to 80% -- quickly and effectively. Once they scale, this enables the company to produce more targeted content with significant time and cost efficiency, increase sales and transform customer experiences.

We have partnered with National Australia Bank, one of the country's largest financial institutions to strategically implement and scale Generative AI to create material value at speed, enhance relationship driven customer service and drive operational efficiencies. We worked on a methodical build of a secure and robust GenAI platform -- built within the bank's existing strategic data platform -- with the creation of 200 generative AI use cases in backlog. To date, over 20 use cases have been tested across the bank, with eight of these enterprise-grade pilots underway and a number of those scaling and already delivering value. We also co-created a methodology for delivering GenAI projects from experiments to scalable deployment, ensuring each stage delivers tangible business benefits. While doing so, National Australia Bank and Accenture are putting safety at the core of the approach to responsible AI and risk policies alongside developing in-house AI expertise and literacy.

One of the areas of richest opportunities for our clients is customer experience transformation, which uses the unique capabilities of Song across creative customer insights and deep technology expertise. Song grew mid-single digits this quarter.

We are helping Saudia Airlines, the national flag carrier of Saudi Arabia, to launch an innovative digital platform to transform the travelers’ experience. Powered by

GenAI, the platform will provide a one-stop solution, enabling customers to seamlessly plan their journeys, book flights and modify their trips in just a few words, all while providing a personalized and conversational experience. The platform is continuously evolving and will integrate more services over time. This modernization will support Saudia Airlines' vision of redefining the standards of travel in a digital world.

We continue to see strong demand for digital manufacturing and engineering services. Industry X grew high single digits in Q3.

We are supporting a large Asia Pacific automobile manufacturer on their reinvention towards software-defined vehicles. We will help accelerate software development and create a software center of excellence to optimize quality, cost pressures and delivery times. This center of excellence will manage four key work streams, advanced driver assistance systems, in-vehicle infotainment, electrical and electronics and powertrain. By leveraging our expertise and strategic partnerships, we are empowering them to strengthen and evolve its in-vehicle software, providing advanced functions and services throughout the vehicle's life cycle. This enables the company to drive innovation, enhance driver and passenger experiences and realize the full potential of software-defined vehicles.

And we will continue to leverage all of our strengths to manage the current macro conditions and constrained spending while investing in leadership for the future.

Back to you, KC.

KC McClure

Thanks, Julie.

Now turning to our business outlook.

For the fourth quarter of fiscal 24, we expect revenues to be in the range of $16.05 billion to $16.65 billion. This assumes the impact of FX will be about negative 2% compared to the fourth quarter of fiscal 23 and reflects an estimated 2% to 6% growth in local currency. For the full fiscal year 24, based upon how the rates have been trending over the last few weeks, we now expect the impact of FX on our results in US dollars will be negative 0.7% compared to fiscal 23.

For the full fiscal 24, we now expect our revenues to be in the range of 1.5% to 2.5% growth in local currency over fiscal 23, which assumes an inorganic contribution approaching 3%.

We continue to expect business optimization actions to impact Fiscal 24 GAAP operating margin by 70 basis points and EPS by $0.56.

For adjusted operating margin, we continue to expect fiscal 24 to be 15.5%, a 10 basis point expansion over fiscal 23 results.

We now expect our adjusted annual effective tax rate to be in the range of 23.5% to 24.5%. This compares to an adjusted effective tax rate of 23.9% in fiscal 23.

We now expect our full year adjusted earnings per share for fiscal 24 to be in the range of $11.85 to $12.00, or 2% to 3% growth over fiscal 23 results.

For the full fiscal 24, we continue to expect operating cash flow to be in a range of $9.3 billion to $9.9 billion, property and equipment additions to be approximately $600 million and free cash flow to be in the range of $8.7 billion to $9.3 billion. Our free cash flow guidance continues to reflect a very strong free cash flow to net income ratio of 1.2.

Finally, we continue to expect to return at least $7.7 billion through dividends and share purchases as we remain committed to returning a substantial portion of our cash to our shareholders.

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

Katie O'Conor

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?

QUESTIONS AND ANSWERS

Operator

Your first question comes from the line of Tien-Tsin Huang from JPMorgan. Please go ahead.

Tien-Tsin Huang, JPMorgan

Thank you so much, and congrats to KC and Angie. I'm excited for both of you guys. I just wanted to ask upfront, just for Julie, maybe you mentioned stronger growth next year. Hoping you can just elaborate on that at a high level. I know there's a lot of moving pieces. On one hand, you have a big backlog, a lot of large deals. You have strong inorganic growth, but on the other hand, the sector is struggling with this weak discretionary spend, and there's uncertainty with global elections in the second half of the year. So just -- I know you can't give formal guidance until next year. I know consensus is at, what, 6%? Can you just give us maybe just some high-level considerations that are worth underlining as we're recasting our outlook for next year? Thank you.

Julie Sweet

Sure. And thanks for the question, Tien-Tsin. So, let's just anchor on our strategy for growth and what you're seeing in three quarters into the year, because obviously, expectations at the beginning of this year were different in terms of how things developed with spending. So, what did we do? We leaned into what do clients need, and they need these reinventions, they need these big, large-scale transformations. And so, what you've seen us to do is, like, you've got to go with what the clients need, and that's what they're buying. And so, we have accelerated our leaning into these large transformation deals, which is why you see that we have seven more than last year at this time of clients with bookings of over $100 million.

Now, these convert to revenue more slowly, but as we're accelerating, you'll know that they ramp up and they will start to layer in. And we are very uniquely positioned in this market to be able to do these large-scale transformations because they require the combination of services, everything from the ability to help them move faster through our managed services, our industry expertise. Everyone wants to do that with the eye towards GenAI, so even though the transformations are often in preparation for GenAI, they want to work with the partner who really understands GenAI, and so how do we get there faster. And so, as you think about the reinvention strategy, that's a strategy we've been executing for a couple of years, and we uniquely can lean in, and you're seeing the results of that this quarter with the acceleration of -- compared to last year, of clients with that level of bookings and those, of course, then ramp next year.

The second is, our leaning into where we are seeing growth in smaller deals because remember that discretionary spending is constrained, overall spending constrained, and particularly in smaller projects. But what did we do, right? We see GenAI as the new growth. We have an incredible ability to pivot our people. You can see the specialists in Data & AI growing. We started at 40,000, we're at 55,000 now against our goal of 80,000 by the end of 2026. We're also training our people. You saw that big increase, because we're preparing our people. You're now doing a transformation. It may not be GenAI, but you have to understand GenAI. And so, we're uniquely able to train our people at scale to understand GenAI.

And how is that translating? Well look at our bookings this quarter now getting to $2 billion, three quarters into the year, as compared to $300 million last year and $500 million in revenue. So starting to be meaningful, right? In terms of the numbers, we were at $100 million for all of last year. So we expect to continue to lean into GenAI. And what it's doing is very interesting from where we were, say, three quarters ago. It's acting as the catalyst to understand what you have to do.

So I'll finish here and then I'll just, of course, mention our ability to invest in inorganic. But right now from a perspective of like the pull through, we're still reprioritizing. But every other GenAI project now is leading to some data project, because people are understanding, hey, this is a great technology and I'm not ready. So we feel really good about being very well positioned as spending increases, when it does increase, because of what we're doing.

And then finally, remember we invest in acquisitions to drive organic growth. So it's all about future growth. And I gave a lot in the script today to just help bring to life just how strategic our ability to invest is as we think about future growth. So not trying to comment at all on FY 2025. We'll call it like we see it. But we also want to be clear that our strategy is working and these deals will ramp up.

KC McClure

Yes, maybe I'll just add, Tien-Tsin, just how we feel just within this fiscal year. So, we're very pleased with where we landed in Q3. When you look to Q4, we do have, and you see that in our growth rate, a clear uptick in our growth rate for the fourth quarter. And I think importantly included in that is the expectation that our consulting type of work in Q4, Tien-Tsin, will return to growth and that we haven't had growth in consulting type of work since Q2 of last year.

Tien-Tsin Huang, JPMorgan

Good. No, thank you both for that. I'll be less wordy with my follow-up. Just on the inorganic piece, can this pace continue?

KC McClure

I'll let Julie talk about -- add on here. But in terms of our -- let's talk about capital allocation. And we've always said this, we have the ability, and I think it's a differentiator of ours, to be able to invest and approach the market as whenever we see something that we want to execute. And that remains unchanged. And we've been able -- and you've seen us do that over all the different business cycles. And importantly, when we do that, we're able to continue all parts of our capital allocation in terms of share buybacks and dividends as well. So, from a financial standpoint, we have a very strong balance sheet. We have the ability to continue to flex up and down as we see fit from a capital allocation standpoint, Tien-Tsin.

Julie Sweet

Yes, Tien-Tsin, and I think we'll make the decision as we go into next year as to what level we want to drive for next year. So, I think we'll comment next quarter.

Tien-Tsin Huang, JPMorgan

That's perfect. I know you've been able to amplify the growth of what you bought. So, that's why I asked. Thank you.

Operator
Your next question comes from the line of Dave Koning from Baird. Please go ahead.

Dave Koning, Baird

Yes. Hey, guys. Thanks so much. One thing I noticed, debt was up to $1.6 billion or so. Sequentially, it was the highest, really, in 20 years, you've almost had no debt, and you have a lot of cash. So, I guess, what's the strategy around borrowing money now? And maybe it's just geographic cash positions, too.

KC McClure

Yes. No, that's a great question. So, in terms of our cash, you said that we started the year at $9 billion, and now we're little bit -- we are about $5.5 billion. And we do have some debt. It's very small, as you mentioned, for a company of our size. We do have a -- we had a credit facility that we put in right during the pandemic, and we continue to have a credit facility. It's about $5.5 billion. It's a five-year credit facility and what you just see, Dave, is that we're just exercising some of that credit facility, kind of normal treasury operation.

Dave Koning, Baird

Okay. And maybe just as a follow-up, margins this year up at the lower end of kind of normal and certainly scale, just the growth this year being a little slower, maybe the acquisitions. And just as we kind of look forward, the margin puts and takes, how should we think that with acquisition spending maybe a little higher, does the next few quarters remain kind of putting a little pressure on margins or how should we think of just the moving parts of margins going forward?

KC McClure

Yes, sure. So I'll just obviously keep my comments to this year, to 2024, but -- and maybe I'll just point out where we are and what we are continuing to assume. So we stated last quarter that we'd be at 10 basis points of operating margin expansion and we reconfirmed that, Dave, for the full year, again this quarter, and we feel confident in our ability to do that. So if you look at -- we run our business to operating margin. If you look at gross margin and overall what we've been saying on pricing and just importantly, when we talk about pricing, we mean the margin on the work that we sell.

What I think is really important for us is that, we've been able to operate our business with rigor and discipline in how we run ourselves in efficient operations of Accenture and be our own best credential, as we absorb higher selling costs, which you would expect. We're looking at our record $60 billion of bookings and also the continued pressure in pricing that we've had across the business. So with that, we feel really good. And if you look at it, we grew 1% in quarter one. As an example, we were able to do 20 basis points of margin expansion. We grew 1% this quarter, and we were able to do 10 basis points of margin expansion. So we feel good about the way we run our business with rigor and discipline.

Dave Koning, Baird

Great. Thanks and nice bookings.

Operator

Your next question comes from the line of Bryan Keane from Deutsche Bank. Please go ahead.

Bryan Keane, Deutsche Bank

Hi, guys. Good morning and congrats, KC. A great run at Accenture. You were awesome. So, I want to ask on managed services on the bookings, the $11.8 billion, that was an outsized number. How much of that is new bookings versus renewals? And maybe give us some flavor on what caused that spike in growth.

KC McClure

Yes. Maybe I will give you the -- I'll talk a little bit about the numbers, in terms of, it is a record [for] bookings for managed services. As Julie's -- and as we've been talking, it is obviously based on the larger transformational deals that we're doing. Well, those larger transformational deals, just to be clear, Bryan, they do have both consulting and outsourcing -- excuse me, managed services type of work with them. They do have, as you would expect, a larger portion of managed services type of work. So when you see what we were able to do this year, we're already at 92, seven more than last year. And we did have a very strong managed services bookings, as you noted, in Q3. We don't really do a breakout in terms of extensions or new, but there's always -- we always have a healthy mix, I would say, of both. That's what we strive to over rolling four quarters in our business always and no difference there.

Julie Sweet

Yeah. And just maybe a little color, Bryan. As you think about this idea of reinvention, Virgin Media O2 was a great example, because there, right, we have a combination using our Edge platform to provide -- help O2 provide -- Virgin Media O2 to provide these new services. And at the same time, we're supporting it with our customer operations, supporting their growth so that they can scale. And right now, clients, of course, they're looking for growth, they're also looking for transformation and efficiency.

The other thing I'd say is, this is a great example of how we're embracing GenAI. You've heard us talk in the past about our myWizard platform, which helps in our managed services. We now -- that's become Gen Wizard and we're seeing that our embracing -- early embracing of using GenAI where it's ready to be used has been a real differentiator in our technology managed services. So, we're very focused on helping our clients, move faster using our expertise and leverage our digital investments in order for them to transform and reinvent faster and you're seeing that focus.

Bryan Keane, Deutsche Bank

Got it. And just a follow-up, just looking at some of the dimensions breakout, when I look at operations being flat, just any call-outs for that. I know it was negative last quarter, so it's turned a little bit here, but just trying to understand the growth there and the prospects. Thanks.

Julie Sweet

Yeah, no, it's -- we're really pleased that ticked up this quarter and it's a very strategic part of our business. Think about it really as sort of two-ways, right? So we remain number-one in our industry in finance and accounting and we're embracing again GenAI there to help differentiate our platform. And so, there's a focus that we're seeing in our clients as they're saying, okay, we need to -- we really understand how much more we need to digitize and we need to do that in the enterprise, they're excited about our ability over-time. Again, it's very early days still in GenAI over-time to help build our -- we're building our SynOps platform, we're building in GenAI and that helps them have less to build-in in their enterprise side by partnering with us. And so that's -- we think a really great differentiator.

And then we continue to diversify into areas that are in the core of our business, whether -- core of our industries for our clients, whether it's claims and underwriting in insurance, or supply-chain for consumer goods and industrial or core banking in the financial services. So, we feel really good about the business and its continued prospects.

Operator

Your next question comes from the line of Rod Bourgeois from DeepDive Equity Research. Please go ahead.

Rod Bourgeois, DeepDive

Hey guys, and very best wishes to KC as well. Julie, you mentioned that the demand environment is sort of more of the same. At the same time, it appears you've seen some growth mending in certain key areas. I'm particularly interested in the growth improvement in the CMT vertical and in Strategy and Consulting. Can you talk about what's enabling those growth improvements and a sense of the outlooks for CMT and S&C? Thanks.

Julie Sweet

So, really want to compliment our entire team on the work that they're doing with our clients in CMT. So, as we've been talking about that for now for a little while and we start to see things like the Virgin Media O2 deal. So our teams are working with our clients on what do they need. And they're focused on getting rid of technology debt, because that's critical in order to use some of these new technologies. They're focused on using the new technologies. So we have a number of clients that -- while it's still small, are working on GenAI. And then being very focused on efficiencies. And then finally network.

So, really across the board what I would say is the industry was challenged. We have been just focused on going to where they need help and you're seeing that result in our results. And then on Strategy and Consulting, again, it's all about being focused on what do our clients need. And so, we've pivoted many more people, for example, toward cost and strategy. So cost takeout is a big theme, and particularly for our strategy. We are seeing a lot of growth still in things like implementing modern ERP platforms with the focus on the digital core.

And again, at Accenture, it's not just technology, right? It's about we're the number one player with all of these technology ecosystem players, but our clients want to do it faster. They need the industry expertise. And so, you saw a number of examples in the script about how we're putting in these platforms and we're doing so within an industry context. And so, I'd say cost takeout and move the cloud data platforms wrapped around with industry and functional expertise, that's where we're seeing the growth. And we just continue to remain laser focused on more people, more focus, working with the clients on what they need to buy.

Rod Bourgeois, DeepDive

Great. Thanks for that. And you're seeing revenue mix incrementally shift into managed services, and I'm curious if you think some of that mix shift towards managed services is due to secular forces, or are you purely seeing that mix shift as just a cyclical phenomenon?

KC McClure

Yes, I think, it's -- in terms of what the real driver is, it's the larger deals that have a little bit of both in those -- both components of a sector and cyclical and what you're talking about. So it really is just based on the larger deals.

Julie Sweet

So just think about Accenture as very uniquely positioned in this market. Clients are prioritizing large scale transformations. And doing those and getting the efficiencies and moving faster, managed services is a highly strategic component of being able to do that. And this is where Accenture, with such scale in both strategy, in both consulting type of work with managed services, is really able to lean into what are clients buying now.

Rod Bourgeois, DeepDive

Got it. Thank you.

Operator

Your next question comes from the line of Bryan Bergin from TD Cowen. Please go ahead.

Bryan Bergin, TD Cowen

Hi. Good morning and congrats KC and the other leaders on the retirements and appointments. First question I wanted to ask on the consulting existing revenue-base performance, can you just talk about how base business runoff kind of progressed within the minus 1% local currency performance? I heard your comment on the 4Q consulting returning to growth. I'm trying to understand if that's a reflection of sustainable stabilization potentially and really gauge whether you're reaching a point where the new consulting bookings conversion should more than offset the existing base runoff moving ahead.

KC McClure

Yes. So, Bryan, in terms of what we'll give -- what we'll talk about is really what I just mentioned on Q4. I guess -- and I understand what you mean by a base runoff. We don't really think of it that way. We kind of look at it as maybe our terms will be what do we have booked in backlog -- and what's new coming in from these sales. And so, just kind of going with those two points, the way we evaluate and we talk about it, Bryan, is from a year-over-year basis, looking at both the components of what we've already sold for the next quarter and then what we see in our pipeline and how we see those sales will convert to revenue, that's how we kind of assess what we think that we will be overall. And again, very pleased that consulting -- we do feel that and see that it will return to growth. And I think it's a milestone that we haven't had in a number of quarters, so we're pleased with that. And we'll comment on anything else for next year, I mean in September.

Bryan Bergin, TD Cowen

Okay. And then bookings, obviously, very solid here. Can you just comment on pipeline and any bookings expectations worth calling out for 4Q?

KC McClure
Yes. Overall, we feel good about our pipeline. And we don't give guidance to next quarter bookings. But we feel good.

Operator

Your next question comes from the line of James Faucette from Morgan Stanley. Please go ahead.

James Faucette, Morgan Stanley

Great. Thank you very much. I wanted to follow up on the acquisition activity. It's obviously been really robust, providing a lot of good opportunities. Can you give us any sense collectively across the acquisitions you've been doing and maybe what you are looking at in terms of what the growth rates of those businesses are generally or collectively when you do the acquisitions? And I know there's a target to accelerate those, how the growth rates tend to change as those companies are absorbed into Accenture, even if directionally.

KC McClure
Yes, I mean, I think in terms of -- make sure I'm answering your question is, when we look at overall at our acquisitions, they all come with -- they're typically higher growth business cases that we have from the companies that we buy and we have a base case that comes with the organization and we assess that growth rate. And

then we obviously put in pretty significant synergy cases that are -- without going through kind of metrics that are a pretty high bar for those acquisitions to deliver to, along with broader Accenture. And that's why integration is so important in what we do, because we're not just having a great business case, that is maybe half of what you need to do, but the key really is in how you integrate to deliver to that, and we have a very strong track record.

And so, what you'll see is, you could just maybe get the sense to your question, is look at how many we've done over the last five years and you can see how we've been able to continue to grow our business throughout that time. And it is really continuing to fuel our organic growth.

James Faucette, Morgan Stanley

Got it. And then quickly, one of the areas where you've leaned in on and was mentioned in the prepared remarks is the government and healthcare sector, really strong growth there obviously. How should we be thinking about that as a long-term or medium-term potential grower in that segment and any -- and how are you thinking about the investment needed to continue to drive that? Thanks.

Julie Sweet

Thanks. We feel really good about that vertical. Obviously, there's a lot of transformation that's going on in public service. You see health is a big driver, defense is a big driver. There's a lot of infrastructure support, whether it's IRA in the U.S. or what the EU has been doing as well. And of course, a lot of the digital transformation hasn't happened in the public service and health. And so, we see that now being the time and you're seeing that in the results. So we feel very confident and we think about the investment like we do all our industries. I mean, remember, we have 13 industry groups. The diversification is a key part of both our resilience and our growth strategy. And so, at any given time, we're investing differently depending on the growth trajectory. And as we called out this quarter, we've been investing significantly in public service, because we see the next several years, this being a big growth area and we're making those investments now.

Katie O'Conor

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

Operator

Okay. That question comes from the line of Keith Bachman from BMO. Please go ahead.

Keith Bachman, BMO

Hi. Many thanks. And first, KC and Paul, special congratulations as you make the transition. I wanted to ask a question, and I'll just make it concurrently in the interest of time. And Julie, I think I'll direct this to you. Number one, on BPO, one of your competitors just talked pretty openly about pricing's been under pretty material duress as of late, and I wondered if you would echo that? And I'm really curious as to why. Why do you think pricing has been under duress? And how do you think about impacting future growth?

And then the second area that I wanted to ask about is, Song. Thank you for the comment on mid-single digit growth. And I'm really interested how you think GenAI will impact your digital agency over the next 12 to 24 months. And the reason I ask the question is, we also spend a lot of time with companies like Adobe that have significant -- Generative AI is going to have a significant impact on digital agencies. And some of the agencies are talking about seat reductions because of the value associated with Generative AI. And I'm just wondering if you could comment on how you think Generative AI will impact the growth potential of Song. And that's it for me. Many thanks.

Julie Sweet

Great. KC, why don't you quickly touch on pricing, and then I'll do Song.

KC McClure

Keith, I would say just in terms of pricing, and we've been commenting on this for quite some time. You are correct in that, we've had overall in our entire business continued pricing pressure. So, I mean, that's the way I would reflect on that statement -- on your question.

Julie Sweet

Yes, it's overall it’s a tight market, So that's what you normally see. On Song, here's where we are so unique, because our business is not an agency business, right? The agencies are part of an incredibly differentiated value proposition where you have creative and technology and digital and by the way managed services. And so, we see this as a huge opportunity because we are embracing it as fast as possible to help our clients get value, but we put it together with all of these other services. So we were happy to see the uptick in growth this quarter with Song, and long term, where we really think it's great. And remember, this is our playbook, right? We embrace technology. We've done it in every wave. We've done it when we did managed services. Remember in 2015, we had SynOps and myWizard. Our business is to help our clients be more efficient and grow. That is what we do. And we use technology in how we deliver it. And we help them use technology in how they operate.

And so, we see GenAI as yet another way that we're going to embrace it. We're going to be fast. And we're going to do what we do for clients. And that is a very exciting opportunity, so we feel really good about our Song business.

CONCLUSION

Julie Sweet

Great. So, thanks everyone for the questions and the time today. In closing, I want to again, as always, thank all of our shareholders for your continued trust and support, and all of our people for what you're doing for our clients and for each other every day. Thanks so much for joining.

###