

Accenture

Second Quarter Fiscal 2025 Financial Results

Conference Call Transcript

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Katie O'Connor

Thank you, operator, and thanks, everyone for joining us today on our second quarter fiscal 2025 earnings announcement. As the operator just mentioned, I'm Katie O'Connor, Managing Director, Head of Investor Relations.

On today's call, you will hear from Julie Sweet, our Chair and Chief Executive Officer, and Angie Park, 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. Angie will take you through the financial details, including the income statement and balance sheet, along with some key operational metrics for the second quarter. Julie will then provide a brief update on our market positioning before Angie provides our business outlook for the third quarter and full fiscal year 2025. 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](https://www.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 this morning.

And thank you to our more than 800,000 people around the world for their extraordinary work and commitment to our clients, which resulted in a very strong quarter, creating 360-degree value for all our stakeholders.

Starting with our quarter, we are very pleased with our results as we continue to deliver on our strategy to return to strong growth in FY '25. I will share some highlights from the quarter and then turn to an update on new developments since we were together in December in our federal business and the current environment more broadly.

Our clients continue to prioritize large scale transformations and we are their reinvention partner of choice as reflected in our bookings of \$20.9 billion, including 32 clients with quarterly bookings greater than \$100 million.

We grew 8.5% in local currency with revenue of \$16.7 billion at the top end of our guided range and we continue 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.

We had another milestone quarter in Gen AI with \$1.4 billion in new bookings and approximately \$600 million in revenue.

Operating margin contracted 20 basis points compared to adjusted operating margin last year, and we delivered EPS growth of 2% over Q2 FY '24 adjusted EPS.

We continue to invest significantly in our business to drive additional growth in highly strategic areas with over \$250 million deployed primarily across six strategic acquisitions.

And we invested in our people with approximately 15 million training hours this quarter, designed to help us bring the latest in solutions and technology to our clients, provide our people with marketable skills, and reinvent our services using Gen AI.

We increased our data and AI workforce to approximately 72,000, continuing progress against our goal of 80,000 by the end of FY 2026.

We continue to invest in creating and maintaining thriving communities, which is a component of our long-term growth strategy. This quarter, in India, we launched a transformative hospitality skilling program in collaboration with our client, Marriott International, which prepares disadvantaged youth for entry-level jobs in the hospitality sector, including training for digital skills.

Because we help our clients execute on some of their most important priorities, and we need to attract and retain the best people, recognition of Accenture as an ethical and admired company is critical for our clients' confidence and to attract this great talent.

We are pleased that we have been recognized by Ethisphere, as one of the World's Most Ethical Companies for the 18th year in a row and for the third consecutive year, we ranked number one in our industry and among the top five overall on JUST Capital America's Most Just Companies. In addition, thanks to our clients, partners, and the wider business community, we earned the number one position in our industry for the 12th year in a row and number 30 overall - our highest to date - on Fortune's list of the World's Most Admired Companies.

Now for two updates.

First, Accenture Federal Services. Federal represented approximately 8% of our global revenue and 16% of our Americas revenue in FY '24. As you know, the new administration has a clear goal to run the Federal government more efficiently. During this process, many new procurement actions have slowed, which is negatively impacting our sales and revenue. In addition, recently, the General Service Administration has instructed all federal agencies to

review their contracts with the top 10 highest paid consulting firms contracting with the U.S. government, which includes Accenture Federal Services. The GSA's guidance was to terminate contracts that are not deemed mission critical by the relevant federal agencies. While we continue to believe our work for federal clients is mission critical, we anticipate ongoing uncertainty as the government's priorities evolve and these assessments unfold. Based on our significant experience across federal and commercial clients, we see major opportunities over time for us to help consolidate, modernize, and reinvent the federal government to drive a whole new level of efficiency.

Second, in recent weeks, we are seeing an elevated level of what was already significant uncertainty in the global economic and geopolitical environment, marking a shift from our first quarter FY '25 earnings report in December. At the same time, we believe the fundamentals of our industry remain strong and we are very well positioned with our clients because all strategies continue to lead to reinvention through new ways of working, tech, data, and AI.

We are confident in executing our strategy to help clients reinvest. As you would expect, we are laser focused on bringing tremendous value to our clients. Our strengths lie in our agility as the market we operate in changes, utilizing our deep client and ecosystem relationships and our leading position in Gen AI and technology more broadly. We are also well diversified across markets, industries, and types of work, which enables us to continue to lead in a changing market context as we have done before.

Over to you, Angie.

Angie Park

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

We were very pleased with our results in the second quarter, particularly our continued strong top line growth, which was once again broad based across geographic markets, industry groups, and consulting and managed services.

Let me begin by summarizing a few highlights from the quarter.

Revenues grew 8.5% in local currency, which was at the top end of our guided range, with 9 of our 13 industries growing high-single digit or higher, and we continue to take market share.

We delivered EPS in the quarter of \$2.82, reflecting 2% growth over adjusted EPS last year. Operating margin of 13.5% for the quarter decreased 20 basis points compared to adjusted Q2 results last year and includes significant investments in our people and our business.

Finally, we delivered free cash flow of \$2.7 billion and returned \$2.4 billion to shareholders through repurchases and dividends. In the first half of the year, we have invested almost \$500 million, primarily attributed to 11 acquisitions.

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

New bookings were \$20.9 billion for the quarter, a 3% decrease in U.S. dollars and flat in local currency with an overall book-to-bill of 1.3.

Consulting bookings were \$10.5 billion with a book-to-bill of 1.3.

Managed Services bookings were \$10.4 billion with a book-to-bill of 1.2.

Turning now to revenues.

Revenues for the quarter were \$16.7 billion, a 5% increase in U.S. dollars and 8.5% in local currency. The foreign exchange impact for the quarter was approximately negative 3% compared with a negative 2.5% estimate provided last quarter.

Consulting revenues for the quarter were \$8.3 billion, up 3% in U.S. dollars and 6% in local currency.

Managed Services revenues were \$8.4 billion, up 8% in U.S. dollars and 11% in local currency, driven by double-digit growth in technology managed services, which includes application managed services and infrastructure managed services, and high-single digit growth in operations.

Turning to our geographic markets.

In Americas, revenues grew 11% in local currency. Growth was led by banking and capital markets, industrial, health, and consumer goods, retail, and travel services. Revenue growth was driven by the United States.

In EMEA, we delivered 8% growth in local currency, led by growth in public service, life sciences and consumer goods, retail, and travel services. Revenue growth was driven by the United Kingdom.

In Asia-Pacific, revenue grew 1% in local currency, driven by growth in insurance and utilities, partially offset by a decline in chemicals and natural resources. Revenue growth was led by Japan, partially offset by a decline in Singapore.

Moving down the income statement.

Gross margin for the quarter was 29.9% compared to 30.9% for the second quarter last year. Sales and marketing expense for the quarter was 10.1% compared with 10.3% for the second quarter last year.

General and administrative expense was 6.3% compared to 6.9% for the same quarter last year.

Before I continue, I want to note that in Q2 of last year, we recorded \$115 million in costs associated with our business optimization actions, which decreased operating margin by 70 basis points and EPS by \$0.14. The following comparisons exclude these impacts and reflect adjusted results.

Operating income was \$2.2 billion in the second quarter, reflecting a 13.5% operating margin, a 20 basis point decrease from adjusted operating margin in Q2 of last year.

Our effective tax rate for the quarter was 20.4% compared with an adjusted effective tax rate of 18.8% for the second quarter last year.

Diluted earnings per share were \$2.82 compared with adjusted diluted EPS of \$2.77 in the second quarter last year, reflecting 2% growth.

Days services outstanding were 48 days compared to 50 days last quarter and 43 days in the second quarter of last year.

Free cash flow for the quarter was \$2.7 billion, resulting from cash generated by operating activities of \$2.9 billion net of property and equipment additions of \$171 million.

Our cash balance at February 28 was \$8.5 billion compared with \$5 billion at August 31.

With regard to our ongoing objective to return cash to shareholders, in the second quarter, we repurchased or redeemed 4 million shares for \$1.4 billion at an average price of \$361.16 per share. As of February 28, we had approximately \$5 billion of share repurchase authority remaining.

Also in February, we paid a quarterly cash dividend of \$1.48 per share for a total of \$929 million. This represented a 15% increase over last year. And our Board of Directors declared a quarterly cash dividend of \$1.48 per share to be paid on May 15, a 15% increase over last year.

And now let me turn it back to Julie.

Julie Sweet

Thank you, Angie.

Starting with the demand environment, our clients continue to be focused on reinvention and Gen AI is a catalyst for reinvention. They are focused on building the digital core with more AI being built-in, which is driving our growth, and on areas such as the customer and core operations, including supply chain and Industry X. For our clients, the twin themes of achieving both cost efficiencies and growth continue.

The number of clients embracing Gen AI is increasing significantly and we are starting to see some tangible examples of scale in data and AI.

We are partnering with Telstra, Australia's leading telecommunications company to create a new joint venture to accelerate its data and AI roadmap and fast track the business into a new era of AI-driven reinvention. Through the joint venture, we will work together to simplify and modernize their data systems and set up a comprehensive AI foundation to deploy advanced AI solutions across their organization. Value driving AI use cases have been identified across

the business that are suitable for scaling and will enhance network resilience, deliver seamless connectivity, and better customer experience. Using our AI Refinery platform, we will reimagine business processes by implementing Agentic AI. Specialized AI tools will support their employees to work smarter and faster and teams to operate more efficiently and effectively. In addition, we will help evolve Telstra's Data and AI Academy, a company-wide upskilling initiative leveraging our learning and development programs, helping to build data and AI fluency and feature critical skills across its workforce. Building on Telstra's globally leading responsible AI practices, the JV is designed to sustain and improve on this by identifying and mitigating AI risks while building trust and adoption as it scales AI across the organization.

This partnership with Telstra illustrates to clients that there are creative ways to accelerate their own use of data and AI. Clients in Australia from banking, retail, and utilities are working with us to design their own innovative ways to jumpstart their reinvention with data and AI.

We continue to see our clients building their digital core as a foundation for reinvention and increasingly asking us to incorporate emerging technologies like AI, as well as data into this work. Cloud saw double-digit growth this quarter and security had very strong double-digit growth.

We are working together with a multinational food processing company to help reinvent themselves as a data-driven organization, revolutionizing their enterprise. This includes the end-to-end supply chain and frontline sales function to support rapid growth. Our unique partnership model uses our library of AI and Gen AI assets to quickly deliver productivity, with the potential of generating over \$0.5 billion in value to self-fund their reinvention. The savings are reinvested into an ongoing build out of a robust digital core, which becomes the foundation to support and enable any new technologies, processes or systems the company may adopt in the future. For example, the company is using Gen AI to forecast inventory risks and generate next best action recommendation, saving them millions of dollars annually. If excess inventory on a product is selling slower than expected in a region, Gen AI tools proactively prompt promotional sale or halt production before the inventory results in a margin loss. In another instance, an AI-based communication platform was deployed that eliminates up to five different language barriers between supervisors and frontline workers in plants, reducing costly errors from miscommunications and delays. With many households having at least one of their products, this company's commitment to ongoing transformation will position them to continue to build, design, and run a future ready enterprise, rethink work, and drive innovation.

We are helping one of the world's largest auto manufacturers modernize their security operations to protect the company's critical IT systems and stay ahead of the rapidly evolving security landscape. We will implement a modern threat detection and response platform that will enable the company to integrate its data across the enterprise, identifying cyber threats and responding to incidents faster. We are building a new Gen AI security engine on Accenture's My Security platform, which will help automate cloud migration tasks, moving the threat detection capability from the legacy platform to the new one without interruption. This is expected to increase the company's operational excellence, enhance cyber resiliency, increase risk visibility, and drive a significant improvement in efficiency. With the new platform, the company will be able to better safeguard digital assets, including information critical to automotive design and manufacturing. This collaboration will help better protect the company,

its partners, and customers, setting the stage for advanced AI, smart manufacturing, and increased innovation.

To capture the value of technologies like Generative AI, companies need a digital core and now to stay ahead and truly scale AI, companies also need what we call a cognitive digital brain, an always on and always learning system, as we shared in our Tech Vision 2025. Our industry expertise is critical to building the digital core and digital brain. A deep knowledge of the processes today and how they can be reinvented for tomorrow is key.

Our proven track record of digital transformation and our ability to bring experience in strategy, consulting, industry, process, and technology services, and decades of experience in managed services for our clients, allows us to truly reinvent using AI, including digital agents to create transformational value at scale.

We are deepening our partnership with Repsol, a leading multi-energy company and a client for more than a decade, to advance its digital program and scale Agentic AI, reinventing key business operations to drive sustainable growth. Over the past three years, we have built a secure cloud-based digital core with a unified data foundation. Now we will use our AI Refinery platform to deploy customized AI agents across functions such as planning, forecasting, and customer service, making processes more dynamic and less complex. Employees will be able to work more efficiently and provide customers with accurate personalized products and services. For example, AI agents can analyze available data to offer timely and relevant bundled energy solutions, enhancing Repsol's position as an integrated provider. We will upscale employees in AI and digital technologies through an expanded training program to support adoption. We are also exploring digital twins and robotic solutions to enhance planned maintenance and other tasks in industrial and logistics centers. Repsol is positioning itself as an early adopter of AI in the energy sector, increasing efficiency, boosting productivity, and promoting new ways of working to better serve customers.

The transformation and digitization of manufacturing is an important area of growth and Industry X grew high-single digits this quarter.

We are working with KION, a global leader in supply chain solutions to use AI powered digital twins to create smarter, safer and more adaptable warehouses that can evolve with the world around them and handle nearly any supply chain challenge, marking the next digital frontier. Picture a busy warehouse during peak shopping season, workers navigating narrow aisles and conveyor belts, forklifts, loading and unloading freight. Now imagine robots working seamlessly with human teams to fulfill orders faster and more safely. We are making this a reality by creating digital versions of physical assets such as conveyors and forklifts and integrating autonomous robots with human workers on an AI-driven platform that accurately stimulates millions of complex factory processes to help ensure safety and avoid disruptions before robots hit the factory floor. We are also predicting and adapting to real world challenges as they happen, such as how events like Black Friday sales or a product going viral might affect warehouse operations, adjusting robot brains in real-time. With these advancements, warehouse workers' responsibilities will evolve as they work alongside AI systems, making them more desirable candidates for higher skilled roles.

Song grew double-digits this quarter as more clients seek to reinvent customer and experience. We have the unique ability to integrate creative data and AI, tech, and strategy while leveraging our industry and operations expertise to unlock marketing and sales as a growth enabler for our clients while delivering efficiencies.

We are partnering with a multinational conglomerate in the communications industry to streamline and optimize their media strategy and operations for their mobile division. We've implemented a new digital platform with a unified data foundation, which will provide transparency and real time access to expedite campaign precision. The company will also reduce the number of media agencies to a single partner, Accenture Song, to maximize media spend outcomes. Accenture's marketing operations Managed Services will leverage automation and AI to increase efficiencies in manual routine tasks, which will allow employees to focus on more strategic work. These changes will also allow the company to shift from focusing solely on media related data to incorporating broader insights to make more strategic and informed decisions that benefit the entire company, such as predicting customer content preferences, which can drive more efficient media placement and sales.

Talent continues to be at the top of the agenda for CEOs and governments and reinvention requires working in new ways and the development of new skills. LearnVantage positions us to be able to help clients develop talent and skills to drive future growth.

Our clients are using LearnVantage to strengthen learning development, turbocharging the learner's experience. For example, we are bridging the skills gap and creating certification pathways for learners, using LearnVantage in the Kingdom of Saudi Arabia. This will fast-track their careers and support their adoption of Gen AI. And a big box retailer has accelerated learning opportunities for entry level to highly technical skill sets, deepened understanding of current industry needs by role, and empowered employees with guided learning based on the skills they need for their role.

Finally, a look at how we continue to execute on our goal to strategically deploy \$2 billion to \$3 billion in V&A this fiscal year.

We are investing in our Industry X and supply chain capabilities with our acquisitions this quarter of AOX and Staufen AG in Germany. We also acquired IQT Group in Italy, a managed services provider, which will help utility providers build and modernize integrated electricity and water networks.

To continue to lead in Gen AI, we acquired Halfspace in Denmark to help our clients in the Nordics region leverage and scale AI to make better, more informed decisions faster.

And to enable us to scale faster in financial services, we acquired Altus Consulting in the UK, a leader in consulting and digital transformation. Also this quarter, we purchased a digital twin technology platform for banks from Percipient, a Singapore based fintech company with deep expertise in banking technology transformation.

Back to you, Angie.

Angie Park

Thanks, Julie.

Before I get into the details of our outlook, as Julie mentioned, we have seen an elevated level of uncertainty, including in our federal business.

Because this change is very recent, our revenue guidance range for both Q3 and the full year reflects our best view based upon what we see today, which may evolve differently from our estimates and assumptions.

With that said, let me turn now to the business outlook.

For the third quarter of fiscal '25, we expect revenues to be in the range of \$16.9 billion to \$17.5 billion. This assumes the impact of FX will be about negative 0.5% compared to the third quarter of fiscal '24 and reflects an estimated 3% to 7% growth in local currency.

For the full fiscal year '25, based upon how the rates have been trending over the last few weeks, we continue to assume the impact of FX on our results in U.S. dollars will be approximately negative 0.5% compared to fiscal '24.

For the full fiscal '25, we now expect our revenue to be in the range of 5% to 7% growth in local currency over fiscal '24.

We continue to expect an inorganic contribution of a bit more than 3% with about 4% in the first half and about 2% in the second half. And we now expect to invest about \$2 billion to \$3 billion in acquisitions this fiscal year.

For operating margin, we now expect fiscal year '25 to be 15.6% to 15.7%, a 10 basis point to 20 basis point expansion over adjusted fiscal '24 results.

We continue to expect our annual effective tax rate to be in the range of 22.5% to 24.5%. This compares to an adjusted effective tax rate of 23.6% in fiscal '24.

We now expect our full year diluted earnings per share for fiscal '25 to be in the range of \$12.55 to \$12.79 or 5% to 7% growth over adjusted fiscal '24 results.

For the full fiscal '25, we continue to expect operating cash flow in the range of \$9.4 billion to \$10.1 billion, property and equipment additions to be approximately \$600 million, and free cash flow to be in the range of \$8.8 billion to \$9.5 billion. Our free cash flow guidance continues to reflect a free cash flow to net income ratio of 1.1 to 1.2.

Finally, we continue to expect to return at least \$8.3 billion through dividends and share repurchases as we remain committed to returning a substantial portion of our cash to shareholders.

As we move into the second half of the year, we remain laser focused on managing our business with rigor and discipline.

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

Katie O'Connor

Thanks, Angie.

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

Jason Kupferberg, Bank of America

Good morning, guys. Thanks for all of this. So I just wanted to start outside of U.S. Federal, so the other 92% of the business. Can you just clarify to what extent you are or not seeing clients hit the pause button at all on new initiatives, any change in pace of converting pipeline to backlog or backlog into revenue? You can certainly appreciate that your tone is a little bit more cautious, maybe the visibility isn't quite as high, but are you seeing tangible signs of any pause in client activity at this point in time?

Angie Park

Hi, Jason. Good morning. Thanks for your question. For us, there's really -- we've seen no change overall.

Julie Sweet

Yeah. And, as you can imagine, some of these changes are relatively recent, and so we're in a lot of discussions. In some cases, those discussions are about accelerating, particularly in the cost discussions, right, like, can we go a little faster to get to our programs for places where we're contracting. And we are at the heart of many of the discussions where businesses are trying to process what this might mean, so -- but we're not seeing any pauses now.

Jason Kupferberg, Bank of America

Okay. So we got to watch and wait on that. So let's go to U.S. Federal just for a minute. Can you just clarify for us what the growth rate was in U.S. Federal revenue in the quarter and what you're assuming for the second half of the year in U.S. Federal?

Angie Park

Jason, why don't I take that because I think it's important to give a little bit of context on our Q3 and our full year guidance. And certainly, as it relates to Q2 specifically for Federal, we

really don't provide that during the year, and as you know, we provide that at the end of the year.

So let me just start with -- because I do think this is important. When you think about -- we were really pleased with the quarter, our second quarter and the first half of the year. And for the second quarter, we did deliver revenue at the top end of our range and we're very pleased that we were able to update our guidance to 5% to 7% by taking off the bottom.

So -- and why is that? So, we're pleased with how our business is positioned with the larger deals coming online, which was a very deliberate part of our strategy. And then as you think about Q3 and the full year, it includes our current estimates and assumptions of the potential impacts of federal and the overall environment.

And then if I just break apart organic and inorganic. From an inorganic contribution, we continue to expect a bit over 3% with H2 about 2%, which is consistent with what we shared last quarter in our assumptions. And then for the year, what that means is, from an organic perspective, we now expect 2% to 4% in organic growth for the year. And by type of work to provide that context as well, consulting, we continue to expect to be in the mid-single digit range growth and we now see managed services at high-single digits.

Jason Kupferberg, Bank of America

Okay. Understood.

Angie Park

And importantly, and then -- Okay. Thank you.

Tien-Tsin Huang, JPMorgan

Hey. Thank you so much. So great to hear from you, Julie and Angie. Just maybe I will ask, instead of demand, I want to ask on the margin outlook and the change there. How much of that is organic versus inorganic in terms of the change? And is it just -- I'm always getting questions, is there cost -- is it just costing more to do business? Is there a cost to execution here going up? Is there a pricing change? What more can you share?

Angie Park

Sure. And as it relates -- thank you, Tien-Tsin. As it relates to inorganic, our capital deployed, we've updated -- we may be a bit lighter at \$2 billion to \$3 billion, but relative from a margin profile, no change there. And so let me just peel this back a little bit. In this quarter, we did see a decrease in our gross margins, primarily due to higher subcontractor costs and the impact of our business optimization actions, which reduced severance costs in Q2 of last year.

And as you know, this fluctuates quarter-to-quarter, which is really why we manage the overall operating margin. And as you think about our operating margin for the year, based upon where we are, we now expect a 10 basis points to 20 basis points expansion for the year, while continuing to invest significantly in our business and our people. And look, we're seeing the variability in the operating margin throughout the year that we expected.

So what are we focused on? Pricing, which this quarter was relatively stable. How we deliver our contracts and how we run our business, which includes managing supply and demand and digitizing and making our own operations more efficient. So we feel really good about our full year guidance of 10 basis points to 20 basis points, which includes EPS growth at 5% to 7%.

Julie Sweet

Yeah. And, Tien-Tsin, we always update -- we typically update about this time. We just don't see -- we didn't see the 30 basis points. It's a super competitive market. So while pricing is relatively stable as we've been talking about, it's a competitive market, so.

Tien-Tsin Huang, JPMorgan

Got it. No, that's all clear. Thanks for going through that. Just my follow-up, I think Jason asked about Federal already. Is there -- maybe to ask it differently, just is there a way to frame the real revenue at risk? I know mission-critical is, maybe hard to define it here on the call, but is there anything that you can share in terms of what's really at risk or not at risk thinking about duration or is it really more of an issue of replenishing work, etc.? Just trying to get a better understanding of visibility there. Thank you.

Julie Sweet

Sure. And so, Tien-Tsin, what I would say is, and what we've been clear about is the guided range we're giving for the quarter and for the year reflects our best view of the impact that's coming from both the slowing of new procurement actions and the assessments of the work that we're doing, and so we don't get into different pieces of it, but -- those two things, the range of outcomes and that's reflected in the range.

I mean, it is 8% of our business. We have lots of other parts of our business that are about that size that we are always looking at estimates and assumptions. And so this is our best view of it today and the range reflects it.

Tien-Tsin Huang, JPMorgan

Got it. Your view is better than mine and glad to see the bottom end of the range taken up here. Thank you.

Bryan Keane, Deutsche Bank

Hey, guys. Thanks for taking the questions. I guess my first one is, Julie, just thinking about how budgets were set and how conversations maybe changed from January, February to March, could you give us some color on that?

Julie Sweet

Yeah. I'd start with, as we went into this calendar year, we did not see kind of -- like kind of across the board a meaningful increase in budgets for our services. So we saw more of the same, which is consistent with what we've been talking about, and as we went into the budgets -- as the budgets were set, it was kind of more of the same. And it's pretty early right now in terms of processing, right, what just happened and there's a lot of different things that can happen, right?

So you sometimes see clients reprioritizing like maybe they'll go faster on the cost cutting than on some of the building in that, and it -- even those -- that kind of a conversation, it's super early, right? And so what we are seeing though is a continuation that these conversations always turn to, okay, we got to go faster and we got to go bigger. And this theme around cost and growth because that's really the unique way that we can help clients.

So one of the examples that I gave in the script around a major manufacturer of food supplies is all about like when you are better managing inventory and supply chain, that's both driving growth and at the same time, self-funding big transformation programs. So I think right now, if you think about just what is the impact of an elevated level of uncertainty, it's the same thing as what we've been seeing like, more desire to do larger transformation.

And while we're at it, because I'm sure the question will come, discretionary spending this quarter, Q2 was overall about the same, still constrained. There were some pockets of improvement, for example, in banking and capital markets in the Americas, but again, going into the calendar year, discretionary spending was overall about the same constraint, and particularly in small deals that we've been seeing. So yeah, that's kind of where we are.

Angie Park

And I would just add, Julie, thanks for that. I would just add that as you think about our guidance for the full year as well, and what it assumes is discretionary spend does not have to improve at the top end of the range, while it continues to allow for further deterioration at the bottom.

Bryan Keane, Deutsche Bank

Yeah, Angie. As my follow-up, I was going to ask, if you take the midpoint of that third quarter constant currency revenue, you get to about 5%. It implies fourth quarter revenue range looks a little wider than usual and maybe a couple of points lower than the third quarter. So just kind of what's built-in? Are you building in a little bit of a slowdown in organic growth in that fourth

quarter or is that just some level of elevated uncertainty that goes into the fourth quarter number? Thanks so much.

Angie Park

Bryan, your math is right. So we have seen an elevated level of uncertainty, and so we spoke about that. And you're correct that if you think about our inorganic contribution of a bit more than 3% for the full year, it was roughly 4% in the first half. We're expecting about 2% in the second half, which means, really importantly, that our organic growth for the full year is now 2% to 4%.

Bryan Keane, Deutsche Bank

Okay. Thanks so much.

David Koning, Baird

Yeah. Hey, guys. Good job. And I guess my first question, health and public services typically is kind of flattish sequentially in Q2. It was down about 5% sequentially and I guess kind of asking Jason's question too, is some of that U.S. Federal or are there other parts of health and public services that were weaker than normal? I'm just trying to understand that.

Angie Park

Hi, David. Good morning. Nothing to read into that. We didn't see any material impact within H&PS, it just ebbs and flows over the quarters, so nothing to really comment there.

David Koning, Baird

Okay. And just as a follow-up, I think you might have mentioned pricing was pretty stable. I looked back the last seven quarters, you called pricing as being down a bit. I mean, are we starting to get back to a more stable environment for pricing?

Angie Park

So as you think about our pricing, we did comment that it was relatively stable. The market continues to be very competitive. And so what you can count on us to do is, we're always focused on it. And just as a reminder, pricing is the contract profitability or margin on the work that we sell.

David Koning, Baird

Yeah. Great. Thanks, guys.

Julie Sweet

Thank you.

James Faucette, Morgan Stanley

Great. Thank you very much. As we talk about the little bit of the slowdown that you've seen in recent weeks, how would you characterize it geographically or industry vertical? Just trying to get a little more color there. And what do you think those customers are looking for in terms of their, proceed or continue to pause or hesitate, type of decision making?

Julie Sweet

Thanks, James. I want to be clear, we haven't seen a slowdown in the last few weeks. What we commented on, which I think is kind of everyone is well aware of is in the last few weeks, there's been an elevated level of what was already significant uncertainty and there's a couple of big themes around that, obviously tariffs, and that's a global discussion. That is not just an Americas discussion.

And also consumer sentiment, which is a little bit more of an Americas discussion. And so we're really just commenting on what I think we're all seeing and that's only been in the last few weeks, and so we're already, of course, in the heart of the discussions of clients globally who are talking about it.

And you're seeing, for example, in Europe, there was an announcement of like major spending in areas like defense where we've been investing and are well-positioned, and by the way, I do want to shout out to my UK team. Hopefully, all of you noticed that the UK is back and we're driving our revenue, and it's a great example of how we address challenges by leveraging our ability to invest. We've done a lot of acquisitions there. The agility, the use of data, and AI, which are all driving the repositioning that you're starting to now see in the UK.

So again, we have a lot of diversification of our business. And when you think about the Americas and the agenda now in federal with respect to consolidating, modernizing, and reinventing the federal government, we're incredibly well-positioned because we've been driving already a lot of efficiency in the federal government with the work we've been doing for decades.

And we're now bringing that reinvention that we've been doing now for a few years, those commercial solutions, we've got the ability to bring that to the federal government as they move forward with their agenda. So diverse -- the conversation is global. Lots of opportunities depend on the market and we have a really strong position, and I'll just flag again the 32 clients this quarter who did over \$100 million of bookings.

James Faucette, Morgan Stanley

That's great and great clarification there. I appreciate that. And then wanted to touch quickly on your AI and AI initiatives, etc. Can you give a little bit of color of how that's developing with your software partners? What kinds of improvements or adjustments in go-to-market that may entail? Just trying to get a sense for how you're working with the broader ecosystem to really drive results.

Julie Sweet

Well, James, the ecosystem is absolutely critical here and this is where decades of relationships really matter, because this is -- Gen AI is a new technology. The adoption of AI more broadly is new. It wasn't being adopted as much, and so we work so closely with our partners and the client really in three-way conversations and work in order to reinvent and do that. This is not -- we're not taking things off the shelf and saying: here, go do this.

And, as you know, we are the leader in ecosystem -- with our ecosystem partners and that has been a major differentiating factor when you look at our growth, particularly in these large deals where the ecosystem is absolutely at the heart of it. And by the way, I'm glad that you look -- you commented on the Gen AI because I think it's important as we think about how Gen AI is developing that we don't walk past, that in H1, we did \$1.1 billion in revenue, and last year, in FY '24, we did \$900 million for the entire year. So you're starting to see the leadership that we have in Gen AI really come through on the revenue side.

James Faucette, Morgan Stanley

Thank you.

Bryan Bergin, TD Cowen

Hi. Good morning. Thank you, Julie. Hope you're feeling well. I want to start on bookings. Can you just give us a sense on 2Q bookings? How they landed relative to your plan? Understanding just elevated uncertainty may extend signings, I'm just curious if that did in fact play out in 2Q? And can you comment on how you feel you're set up for the second half in bookings?

Julie Sweet

Well, just as a reminder, that elevated uncertainty has been in the last few weeks and so, no impact on our bookings. And Angie, do you want to add anything?

Angie Park

Hi, Bryan. So for us, we were pleased with our bookings this quarter of \$20.9 billion, and importantly, our book-to-bill was 1.3. And again, reinforcing being the partner of choice for our

clients with 32 clients with quarterly bookings over \$100 million, so we feel really good about that.

Bryan Bergin, TD Cowen

Okay. And then on the workforce, can you comment on how you're managing that mix of subcontractors versus employees? And is that higher sub-con mix in the quarter just some form of a transition component as you've taken actions on bench across the organization or are there certain service types where you're having to lean a little bit more on that sub-con mix?

Angie Park

Bryan, I think that as you think about our sub-contractor and our workforce mix, certainly that can fluctuate quarter-to-quarter based upon the work that we're doing for our clients, and as it relates to this quarter, you saw that we added about two -- a little bit over 2,000 people in Q2. And as always, what we are all about is managing our supply and demand, including through the use of technology and reskilling. And so for us -- as you think about our workforce overall, sub-contractors can fluctuate and at the same time, what we focus on is our utilization, which continues to be 91%, which is exactly the range that we want to be in.

Bryan Bergin, TD Cowen

Okay. Understood. Thank you.

Julie Sweet

Thank you.

Keith Bachman, BMO Capital Markets

Yes. Good morning. Thank you. Perhaps I'll ask my two just concurrently since they're on similar veins. On the first one, one of the previous questions was asking about AI, more from the demand side or revenue side, I wanted to go back to the supply side and delivery side, and while -- I think it's still really early in the life of Gen AI because most of the work is actually still test, not inferencing.

But are you seeing any changes in the nature of your economic relationship with your customers? In other words, are customers asking for some of the savings or is there any change in that narrative on how the supply side and economic relationship broadly speaking with your customers may unfold as Gen AI matures a little bit?

And then the second part of the question is, I wanted to just jump into Song for a bit. And sort of the same type of question. I spent the last day with Adobe and at their user group conference

and there's tremendous efficiency gains associated with both marketing and creativity. And just, Julie, any comments, I know you mentioned Song had double-digit growth, which is quite impressive. How do you see the durable growth rate of Song? And so that's it for me. And Julie, all the best to you in particular.

Julie Sweet

Thanks, Keith. So I think in the first question, what we've been seeing with Gen AI is what we've seen in the past when we have new technologies, like, I take you back to 2015 when we first announced MyWizard, which we now call GenWizard, as we've introduced Gen AI and that was that major shift that occurred with respect to automation, which by the way is still relevant, right? And so that -- we are not seeing a different change.

We've been continuously -- remember like, particularly, on the managed services side, our contracts assume that there's going to be more efficiency driven from technology. Gen AI is allowing that to kind of go up over time. But like the way that the model is working is just very similar to what we've seen with prior waves of big efficiencies from technology. So we're not seeing new patterns evolve there.

And of course, we are -- really our strategy is to lead in both helping our clients use Gen AI, but also to lead in our own use of Gen AI. And at the same time, it is still early in the technology. It's still expensive. So you have to get to the right ROI, in terms of when to use it. It requires our clients to have foundations in place. This isn't just sort of push a button and we can have Gen AI, and so we should expect that -- remember that this is still very early in the technology cycle.

With respect to Song, one of the big areas that we're helping our clients on is build the data foundation in order to use the Gen AI because those efficiencies that you're seeing, and as you know, we're Adobe's major partner, require the right data foundation and they require really the reinvention of processes. We've seen that in our own marketing where we've been using Agentic AI, but you had to completely change the way that you're doing marketing.

And so Song's durability is being at the heart of building the digital core and helping them do the reinvention while leading in our own use of Gen AI, which is what we continue to be focused on. So I feel very good about Song. And importantly, our diversification is we want to be relevant to all parts of the enterprise and the growth agenda, which is what Song positions us in addition to our entire -- the ability to be at the core operations and at the enterprise. So really very pleased with how our strategy to be relevant across the enterprise continues to give us resilience in the market.

Keith Bachman, BMO Capital Markets

Thank you, Julie.

Julie Sweet

Thank you.

Jonathan Lee, Guggenheim Partners

Great. Thanks for taking our questions. I want to clarify the change in the revenue outlook here. Your original outlook contemplated status quo at the high end of the outlook, is that still the case? And is that indexed to what you're seeing today with the elevated uncertainty, but not necessarily any sort of slowdown?

Angie Park

Hi, Jonathan. Thanks for the question, and yes, that's correct. So with our assumptions, the range of 5% to 7%, which we raised for the full year is that discretionary spend does not have to improve at the top end of the range, and while at the bottom of the range, it allows for further deterioration.

Jonathan Lee, Guggenheim Partners

Thanks for that color, Angie. And then on the pricing front, it's good to hear about the pricing stability you're seeing despite the competitive environment. How do we think through the timing in which it takes stable pricing to flow through the P&L, especially as it looks like we're still digesting some of the pricing headwinds we've been seeing over the last few quarters?

Angie Park

As you think about pricing, it does take time for it to layer in, and certainly, it depends on the mix of the deals that we're selling as well. So we'll see that come through over time.

Jonathan Lee, Guggenheim Partners

Appreciate that.

Angie Park

Thank you.

Katie O'Connor

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

Darrin Peller, Wolfe Research

Guys, thanks. And Julie, I just want to wish you -- echo that and wish you my best as well. When we think about what we're seeing in terms of the larger transformational contracts that benefit -- that are benefiting you so much this year despite slower discretionary or not a real improvement in discretionary yet.

Just remind us again where you are on that path. I mean, again, bookings was a question before. It was up one or -- maybe it was more or less flat year-over-year, but your book-to-bill is still very strong, obviously. And so just help us understand what you're seeing in terms of the most transformational contracts right now that can give us room despite sort of whatever outcomes are on the discretionary.

And then one quick follow-up. Julie, I know when we spoke last, you talked about how there was so much in terms of like waiting by executive CIOs, CEOs, and others on tariffs and some of the policies you talked about earlier, if we do get some resolution on that in the next couple of months, April 2, could be a big day for the administration in terms of explaining. I mean, how much have you heard from your customers on how much they're just really waiting? There's pent-up demand budget. Just help us understand that a little more if you can.

Julie Sweet

Sure. So on the demand side, the 32 clients with bookings over \$100 million just continue to show that we're executing on that strategy, but what clients want to buy are larger transformational deals. They want the reinvention and we continue to execute on that too, again because that's like -- we're going where the demand is, right? So that same sort of view of continuing to make sure, having those larger deals that will continue to layer in is the strategy and really no change there because that's the demand, right? And we need to be focused on where clients are buying.

And then again, what I would say on the -- how things might layer in. CEOs are actually focused on: how do I succeed regardless of the level of uncertainty? So the conversations we're having are not, hey, what happens if the tariffs that -- this gets resolved, etc., it's okay. We have a higher level of uncertainty than we did 90 days ago, and so how do we then reinvent faster, right? What do we need to shift to?

CEOs, and this is not from -- this has been going on for now for a few years, right? They're embracing that their responsibility is to grow regardless of what has been, in my tenure as CEO, in the last six years, a series of a lot of different events. And that's why as we think about our own business, right, we continue to anchor on the characteristics that have allowed us to be the leader over these different cycles, that's the deep client relationships.

Our top 100 clients we've been with for over 10 years, the diversification of geographies, industries, I do want to give a shout out to all my industry teams. The industry groups all -- we had broad based growth, but it allows us for that diversification as well as types of work and then the all-important ecosystem relationships and our leadership in Gen AI and

technology. Those are the building blocks of our resilient business and we all, our CEOs and ourselves have to be agile to succeed in whatever market and that is what our range reflects. The fact that we took the bottom off of the range reflects our belief in our resilient model as we continue to navigate.

Darrin Peller, Wolfe Research

That's really helpful, Julie. Just a quick follow-up would be on AI, again on DeepSeek, just given the developments. I mean, has there been more of an emphasis around it just given the ability to use even more efficient systems or just help us understand in terms of -- I know you've said before, 10% of customers might actually have the infrastructure ready. So we still have a lot of work to do to prepare. Has there been an acceleration in the momentum or is it the same as it was the last couple of quarters? Thanks again, guys.

Julie Sweet

Thank you very much. We are seeing increasing numbers of clients embracing Gen AI. And really that is, in our view, DeepSeek is an interesting development. It's an example of the ongoing technology developments, but the reason they're embracing it is that they're seeing the proven value and that is why we continue to grow because we're the ones in our client base helping our clients get to that value.

And you saw that in a lot of the examples we've been giving. So there's an increasing number of clients embracing it as companies are seeing it and there is no view that you can sit back, right, and wait on this. And that, two years in, is very evident in our conversations with clients.

Darrin Peller, Wolfe Research

Thank you.

CONCLUSION

Julie Sweet

Well, thank you again for joining. Before we wrap up, I have two updates. First, as many of you know, last month, I did announce that I had recently been diagnosed with breast cancer. Just want to let everyone know I'm feeling good. My treatment is on-track and my prognosis continues to be excellent. I have received so many well wishes, including on this call and I just want to thank everyone for all of their support. It has meant a lot.

I also want to thank Katie O'Connor, our Head of Investor Relations. She has been an amazing partner to me and to KC, and to now Angie for the last three years. We've asked her to take on a very important new role as the CFO of Avanade, our joint venture with Microsoft. I know

we're all going to miss her in this role and we're super excited to see Katie take on this next chapter of her very impressive career. So thank you very much, Katie.

And I'm also very pleased to welcome Alexia Quadrani, who will become our new Head of Investor Relations. Alexia joins us from the Walt Disney Company, where she was the Executive Vice President of Investor Relations and Shareholder Services. And prior to that, she spent over 20 years as an Equity Analyst at JP Morgan. I know she's really looking forward to getting to know all of you in the days ahead and I'm super happy to welcome her to Accenture.

And finally, in closing, I want to thank all of our shareholders for your continued trust and support. We are working every day to continue to earn that trust. And finally, a huge thank you to all of our people for what you're doing every day, and I will speak with all of you next quarter. Thanks again for joining.

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