

Accenture

Third Quarter Fiscal 2025 Financial Results

Conference Call Transcript

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CORPORATE PARTICIPANTS

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Alexia Quadrani

Thank you, operator, and thanks everyone for joining us today on our third quarter fiscal 2025 earnings announcement. As the operator just mentioned, I'm Alexia Quadrani, executive director, head of investor relations.

On today's call, we 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've 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 3rd quarter. Julie will then provide a brief update on our market positioning before Angie provides our business outlook for the 4th quarter and our 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 risk and uncertainties, including but not limited to those factors set forth in today's news release and discussed in our annual report on Form 10K and quarterly reports on Form 10Q and other SEC filings. These risks and uncertainties could cause actual results to differ materially from those expressed on 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, Alexia, and to everyone joining this morning.

And thank you to our more than 790,000 people around the world for your extraordinary work and commitment to our clients, which resulted in another strong quarter of reinvention across industries, companies, and countries.

Starting with our quarter. We are very pleased with our results. As we continue to deliver on our strategy to be our client's reinvention partner of choice and lead in GenAI.

Our clients continue to prioritize large scale reinventions as reflected in our bookings of \$19.7 billion including 30 clients with quarterly bookings greater than \$100 million.

We grew 7% in local currency with revenue of \$17.7 billion above our guided range, and 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.

We are a leader in GenAI with another milestone quarter of \$1.5 billion in bookings and over \$700 million in revenues, bringing our Q3 year-to-date GenAI bookings to a total of \$4.1 billion and revenue to \$1.8 billion.

Operating margin expanded 40 basis points compared to adjusted operating margin last year, and we've delivered EPS growth of 12% over Q3 FY24 adjusted EPS.

We continue to invest significantly in our business to drive additional growth in highly strategic areas.

We invested in our people with 38 million training hours year-to-date, up 18% over the same period last year.

We increased our data and AI workforce to approximately 75,000, continuing progress against our goal of 80,000 by the end of FY 26.

We invested over \$297 million across four strategic acquisitions and investments.

We are expanding our LearnVantage capabilities through this quarter's acquisitions of TalentSprint in India and Ascendient in the United States, enhancing our ability to deliver industry-relevant certifications and tailored upskilling and reskilling programs.

In Japan, we acquired Yumemi, which strengthen Song's ability to craft, launch, and scale digital products that are both intelligent and impactful.

We are also investing in our Industry X capabilities with the acquisition of Soben in Scotland, expanding our infrastructure and capital projects expertise globally and across Europe.

We are proud to have earned the number 6 spot on the Great Place To Work list of the World's Best Workplaces, and to have been recognized as a great place to work in 12 individual countries representing nearly 80% of our people.

And in recognition of our strong brand, we are proud to have earned the number 20 position on Kantar BrandZ's prestigious list of the TOP 100 Most Valuable Global Brands. Our brand value has increased by 27% to \$103.8 billion, up from \$81.9 billion last year.

A key component of our long-term strategy is investing and maintaining thriving communities and creating pipelines of talent for the skills we need, which are

important for businesses to thrive. In the UK, one of our largest markets, we are supporting a government initiative to create a coalition with 10 other companies focused on upskilling 7.5 million people, one fifth of the UK workforce in AI skills, breaking down barriers to opportunity and unlocking economic growth.

I'm also thrilled to congratulate our 97,000 people who were promoted this fiscal year, including more than 800 who were promoted to Managing Director.

In summary, we had a strong quarter.

Over to you.

Angie Park

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

We are very pleased with our 3rd quarter results with revenue above our guided range, as well as very strong margin expansion, EPS growth, and free cash flow. These results reflect the diversity and resilience of our business and demonstrate our ability to deliver significant value for our shareholders. Based upon the strength of our results, we once again raised our full year revenue outlook, and we are on track to deliver or exceed all aspects of our guidance provided in September.

Let me summarize a few highlights from the quarter.

Revenues grew 7% in local currency and continued to be broad-based across geographic markets, industry groups, and both types of work. 7 of our 13 industries grew high single-digit or higher in the quarter, and our federal business had an immaterial impact to our overall growth in Q3. And we continue to take market share, reflecting the strength of our diversified portfolio and execution.

Operating margin of 16.8% for the quarter, an increase of 40 basis points compared to adjusted Q3 results last year, and includes significant investments in our people and our business.

We delivered EPS in the quarter of \$3.49 reflecting 12% growth over adjusted EPS last year.

Finally, we delivered free cash flow of \$3.5 billion and returned \$2.7 billion to shareholders through repurchases and dividends. Nine months into the fiscal year, we have invested \$789 million primarily attributed to 15 acquisitions.

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

New bookings were \$19.7 billion for the quarter, a 6% decrease in US dollars and 7% in local currency, with an overall book to bill of 1.1.

Consulting bookings were \$9.1 billion with a book to bill of 1.0.

Managed Services bookings were \$10.6 billion with a book to bill of 1.2.

Turning now to revenues.

Revenues for the quarter were \$17.7 billion an 8% increase in US dollars, and 7% in local currency, above our FX adjusted guided range as the foreign exchange impact for the quarter was approximately positive 0.5% compared with the negative 0.5% estimate provided last quarter.

Consulting revenues for the quarter were \$9 billion, up 7% in US dollars and 6% in local currency.

Managed Services revenues were \$8.7 billion up 9% in both US dollars and in local currency, driven by double-digit growth in technology Managed Services, which includes application Managed Services and infrastructure Managed Services, and mid-single digit growth in Operations.

Turning to our geographic markets.

In the Americas, revenue grew 9% in local currency. Growth was led by Banking and Capital Markets, Industrial and Health. Revenue growth was driven by the United States.

In EMEA, we delivered 6% growth in local currency, led by growth in Life Sciences, Banking and Capital Markets, and Insurance. Revenue growth was driven by the United Kingdom, Germany, and Italy.

In Asia Pacific, revenue grew 4% in local currency driven by growth in Public Service, Banking and Capital Markets, and Insurance, partially offset by a decline in Chemicals and Natural Resources. Revenue growth was led by Japan and Australia, partially offset by a decline in Singapore.

Moving down the income statement.

Gross margin for the quarter was 32.9% compared to 33.4% for the third quarter last year.

Sales and marketing expense for the quarter was 9.9% compared to 10.6% for the third quarter last year.

General and administrative expense was 6.1% compared to 6.3% for the same quarter last year.

Before I continue, I want to note that in Q3 of FY 24, we recorded \$77 million in costs associated with our business optimization actions, which decreased operating margin

by 40 basis points and EPS by \$0.08. The following comparisons exclude these impacts and reflect adjusted results.

Operating income was \$3 billion in the third quarter, reflecting a 16.8% operating margin, a 40 basis point increase from adjusted operating margin in Q3 of last year.

Our effective tax rate for the quarter was 24% compared with an adjusted effective tax rate of 25.5% for the third quarter last year.

Diluted earnings per share was \$3.49 compared with adjusted diluted EPS of \$3.13 in the third quarter last year, reflecting 12% growth.

Days services outstanding were 47 days compared to 48 days last quarter and 43 days in the third quarter of last year.

Free cash flow for the quarter was \$3.5 billion resulting from cash generated by operating activities of \$3.7 billion net of property and equipment additions of \$169 million.

Our cash balance at May 31st was \$9.6 billion compared with \$5 billion dollars at August 31st.

With regards to our ongoing objectives to return cash to shareholders...

In the third quarter, we repurchased or redeemed 6 million shares for \$1.8 billion at an average price of \$302.35 per share. As of May 31st, we had approximately \$3.3 billion of share repurchase authority remaining.

Also in May, we paid a quarterly cash dividend of \$1.48 per share for a total of \$924 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 August 15, a 15% increase over last year.

In closing, we feel very good about our results in Q3 and are now working hard to deliver Q4 and continuing to operate our business with rigor and discipline.

And now, let me turn it back to Julie.

Julie Sweet

Thank you, Angie.

Let me start with the environment in which our clients are operating today. Stating the obvious, as we shared last quarter, we continue to see a significantly elevated level of uncertainty in the global economic and geopolitical environment as compared to calendar year 2024. In every boardroom, in every industry, our clients are not facing a single challenge. They are facing everything at once. Economic volatility. Geopolitical complexity. Major shifts in customer behavior.

In these times, our clients need us more than ever. They look to us to help them build resilience and deliver results. To not really navigate the environment, they want to thrive and be the first to reshape their industries. To do so, all roads lead to reinvention.

Gen AI has been a catalyst for reinvention because the power of Gen AI has created the opportunity to meet challenges in new ways and is creating new opportunities to achieve even better results than any single technology in the internet era. And yet Gen AI alone is just a tool. The work needed to use Gen AI to create value at scale is substantial.

We are working with our clients using all of our reinvention expertise, our deep understanding of how to build a cognitive brain for the enterprise, and our deep understanding of data, every function in the enterprise, industries, and change, as well as our own experience reinventing Accenture.

The breadth and depth of our capabilities across industries and solutions that use all of our services is clear in the examples I will highlight today.

We are working with Air France KLM, a global leader in aviation, on a digital transformation that will redefine how they operate and serve millions of travelers worldwide by using the power of cloud, data and AI. As part of a multi-year partnership, we will help them move away from proprietary data centers and migrate their legacy applications to the cloud. This work is expected to unlock new efficiencies across passenger flights, cargo services, and aircraft maintenance to improve the traveler experience. It will drive faster decision making using real-time insights and a scalable platform to quickly deploy additional resources when there is a spike in demand, and we have already delivered value by successfully deploying over 400 apps using a proven governance model that accounts for the company's need for safety, reliability, and resilience to disruptions. With a more agile digital foundation in place, Air France KLM will be setting the stage for growth through continuous reinvention and the creation of new value.

We are advancing our partnership with Fincantieri, one of the world's largest shipbuilders, to accelerate digital transformation across the maritime industry, helping the sector navigate growing complexity, rising operational demands, and the urgent need for sustainability. Combining our deep expertise in digital platforms, AI, and connected and intelligent operations, we're building Navis Sapiens, an AI powered ecosystem designed to make ships smarter and more integrated. This includes building application services that streamline how ships operate and are maintained, creating a secure AI powered platform and establishing a marketplace where maritime companies can share digital solutions. For example, a next generation cruise or naval ship will use a digital twin and IoT sensor network to simulate and monitor vessel core systems. This, coupled with real-time data exchange between ports, ships, and shipyards, will support AI-driven diagnostics like predictive maintenance and energy management, such as fuel efficiency, to create a more resilient and sustainable infrastructure. The first AI equipped ship is expected

to launch by the end of 2025, demonstrating how we're helping Fincantieri set a new benchmark for innovation and capital intensive industries.

We partnered with Nationwide Building Society, one of the UK's leading financial institutions and the world's largest building society, to transform their cybersecurity operations and stay ahead of evolving threats. We built a cloud-based Gen AI powered security information and event management capability and migrated hundreds of terabytes of security logs and detection use cases to help them achieve a streamlined security infrastructure. This is expected to fast track the deployment process by 40% compared to traditional methods while maintaining full operational continuity. Now, Nationwide has a future ready security operations center that can detect cyber threats faster than before, reduce manual effort required from its cybersecurity team, and enhance business resilience, laying the foundation for future adoption of automation and Gen AI in its security ecosystem.

Our clients continue to take advantage of GenAI as one of the ways they can accelerate their reinvention, and we see many clients successfully scaling Gen AI to create value today.

We are deepening our partnership with Pfizer, one of the world's top pharmaceutical and biotech companies, to lead the next wave of reinvention, using Gen AI and agentic technologies to transform operations, empower talent, and accelerate digital maturity. Through our GenWizard platform, we are reimagining how technology managed services are delivered by embedding AI into the process to reduce redundancy, lower costs, and increase efficiencies. We are also integrating components of AI refinery into the GenWizard platform to help the company implement agentic AI and zero-ops automation. Now, intelligent agents will proactively monitor and resolve issues, bringing up support teams to focus on higher value work. For example, when an employee encounters a system issue, an agentic AI agent can instantly identify similar past cases, resolve the ticket automatically, and take steps to prevent such issues in the future, reducing manual effort and improving speed to resolution. And through our LearnVantage services, we are training the company's digital employees on leveraging agentic AI to drive operational facilities, efficiencies, foster joint ownership, and enable seamless adoption. This transformation is helping Pfizer set a new standard for how digital and AI technologies and capabilities accelerate innovation and drive efficiencies to bring medicines to patients faster.

We are continuing our work with Tronox, an integrated mine-to-pigment global market leader, to reimagine operations using AI-driven solutions that will enhance data trust, productivity, and operational agility. Together, we will build a cloud-based standardized data foundation as the backbone for the company's digital core. Using our AI refinery platform, we will launch a new set of services based on high value, priority Gen AI and agentic use cases focusing on productivity, site efficiency, and workforce enablement. For example, a sales and marketing advisor to streamline customer segmentation, a knowledge assistant to unify institutional knowledge across global sites, and an asset management tool to proactively identify and resolve operational issues. The platform will also support process control and decision

making, using data to enable predictive insights, faster response times, and improved operational stability. Our collaboration means Tronox is positioned to achieve long-term differentiation in the pigment manufacturing industry.

We are continuing our work with Vale, a Brazilian mining and logistics company, to transform its environmental licensing program, accelerating permit applications and advancing its sustainability goals. We've now expanded smart licensing, an end to end management platform to support greater scale and functionality. Using generative AI, the platform scans application materials and environmental studies to help ensure compliance with regulatory and environmental requirements. Building on this foundation, we've continually introduced new features and enhanced the platform's intelligence and business value. These include tailoring checklists for applicants based on project type and location, automating document validation steps, and deploying AI powered chatbots to assist users throughout the licensing process. Together, these improvements have significantly reduced internal review time and improved submission quality while minimizing rework with demand areas.

With our broad capabilities across everything needed to serve the customer, from creative to industry expertise to technology, and of course the latest in AI, we are helping clients shape new growth opportunities.

We are collaborating with Nestlé, a global leader in food and beverage with well-known brands like Purina, Nescafé, Dolce Gusto, and Nespresso, to accelerate its digital transformation journey using AI powered digital twins to meet the growing demand for personalized high quality content. In partnership with Accenture Song, we've developed a secure cloud-based platform that creates 3D virtual replicas of physical products to streamline content creation and localization. Nestle's marketing experts can now generate campaign ready assets without repeated reshoots, digitally adjusting packaging and integrating products into formats tailored to each channel and market. With thousands of digital assets already created, Nestle is reducing the time and cost of scaling digital twins by over 70% - accelerating production, enhancing quality, and keeping their iconic brands top of mind.

Accenture Song also is helping a Fortune 100 high-tech company transform its sales and marketing functions to meet the demands of a fast-evolving business landscape. With increasing pressure to improve execution, the company is focused on simplifying structure, reducing costs, and unifying efforts across regions under a leaner, more agile approach powered by an integrated customer data layer. Together we're shaping a future ready model that brings greater integration across sales and marketing, accelerating speed to market, increasing efficiency through automation and shared services, driving value through Gen AI and agentic architecture. By focusing on data, AI, customer experience, and simplified ways of working, Song is helping this leading company strengthen execution, enhance creative impact, and deliver lasting business results.

I hope these examples have brought to life the amazing work on which we have the privilege of partnering with our clients and the technology ecosystem. We are able to do this quarter in and quarter out because we invest in having great people and in

building extraordinary capabilities across our services, developing deep industry and functional expertise, creating world-class AI enabled assets and platforms like GenWizard, the AI Refinery, and SynOps, and by investing in our unmatched technology ecosystem partnerships. And then we bring all of these capabilities together as solutions for our clients that deliver measurable value.

Which brings me to the exciting news we announced today for how we are changing our growth model so that we can be the most AI enabled, client-focused, great place to work in the industry, and capture the massive opportunity we see for our clients, technology partners, and Accenture.

Starting September 1, we are bringing all of our services, Strategy, Consulting, Song, Technology, and Operations together into a single integrated business unit called Reinvention Services. Once we fully implement our new model, we will be able to bring more leading solutions faster and embed data and AI more easily into our solutions and delivery. We will also be able to help our people learn and apply AI more easily as this technology continues to evolve quickly.

We will continue to manage our business through our geographic markets, the Americas, EMEA, and APAC. And go to market by industry.

I'm excited about these changes and how they will fuel our growth.

Back to you, Angie.

Angie Park

Thanks, Julie.

Now let me turn to our business outlook.

For the fourth quarter of fiscal 25, we expect revenues to be in the range of \$17.0 to \$17.6 billion. This assumes the impact of FX will be approximately positive 2.5% compared to the fourth quarter of fiscal '24 and reflects an estimated 1% to 5% growth in local currency.

I'd also like to provide some additional context on our guidance for Q4. As it relates to our federal business, we saw an immaterial impact to our overall growth in Q3, and our best estimates right now include about a 2% headwind overall in Q4.

Moving to full fiscal '25.

Based upon how the rates have been trending over the last few weeks, we now assume the impact of FX on our results in US dollars will be positive 0.2% compared to fiscal '24.

For the full fiscal 25, we now expect our revenue to be in the range of 6% to 7% growth in local currency over fiscal '24.

We expect our inorganic contribution for the full year to be about 3%. And we now expect to invest about \$1 to \$1.5 billion in acquisitions this fiscal year.

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

We now expect our annual effective tax rate to be in the range of 23% to 24%. 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 \$12.77 to \$12.89, or 7% to 8% growth over adjusted fiscal '24 results.

For the full fiscal 25, we now expect operating cash flow to be in the range of \$9.6 to \$10.3 billion, property and equipment additions to be approximately \$600 million and free cash flow to be in the range of \$9 billion to \$9.7 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 cash for shareholders.

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

Alexia?

Alexia Quadrani

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

Tien-Tsin Huang, JPMorgan

Thanks so much. Good morning. I want to ask about the leadership changes and talent retention, if that's okay, voluntary and involuntary is what I'm thinking about, given some of the headcount numbers this quarter. Had some questions on that and some departures from the leaders with today's reorg. I'm just curious, Julie, are you observing any change in in talent retention or shift in talent delivery overall?

Julie Sweet

No, so, maybe to separate the two, attrition picked up a little bit this quarter, but as that goes up and down, it's well within kind of what we normally see, and, Tien-Tsin over time we have leaders who, leave Accenture and pursue other opportunities. Our leaders are in demand, as you might imagine. And, we have a deep bench of leaders and of course, and we can talk a little bit more about that. We have a great track record of putting in place new growth models and driving growth.

Tien-Tsin Huang, JPMorgan

Yeah, the history is definitely there. Okay, my follow up question is I know you've called out now a couple quarters of heightened uncertainty, but you're still generating revenue above your guidance - public sector, I think I heard immaterial - a couple points on overall growth in the 4th quarter and Products were generally fine. I know that was a worry. I'm just curious if this heightened uncertainty is translating at all in any way in how you're guiding or how you're seeing clients interact with you, how do bookings come in versus plan, and any other considerations as you exit the year given the 1% to 5% growth guide? Thank you.

Julie Sweet

Tien-Tsin, it's a great question, and it really speaks to the resilience of our model. When we think about resilience, we think about what are the building blocks that we have built over decades that we can bring together and quickly shift to meet clients' needs. And if you think about fiscal year 24, when we saw this sort of continuation of lower discretionary spending, we said what clients want is reinvention, right? They want the big transactions and we pivoted over the 3 quarters or so in FY24 to say if that's what they want, let's bring all of our services, let's focus on that, right, because the discretionary spending wasn't there and we didn't have an expectation. And we told you all when we came into this year that even at the top end of our guided range, right, we were making allowances for lower discretionary spending. Our ability to do that, right, is because we have, for decades, trusted relationships. We have an incredible list of clients, right? We have large relationships with those clients. And, uniquely in the market, we have Strategy, we have Consulting, we have Technology, Operations, Song, all of this is what's bringing together and you see that in the examples we give quarter after quarter. And so what we do is in tough markets, is we focus on what our clients need and we see that trend, and you'll remember back in April of 2022 when we had our first Investor and Analyst Day, this is what we predicted, right? We introduced our strategy to be the reinvention partner of choice. And since that quarter, we have had nearly 400 \$100 million dollar or more bookings in a quarter since that quarter, which is our proxy for reinvention. And so what you're seeing is the benefits of the agility that we have built into our model from diversification from client relations built over decades and very importantly, our ability to change fast.

David Koning, Baird

Hey guys, good job, and I guess my first question, Gen AI bookings remained very strong but sequentially grew a little slower than in some previous quarters and just wondering kind of the backdrop of Gen AI demand, relative to other types of projects in the current environment.

Julie Sweet

The Gen AI demand continues to be very, very strong, and now it's getting big enough that it's going to fluctuate a little bit, right? But you'll see it even, as we went through a lot of examples today, Gen AI is just being more and more embedded into, everything we do.

David Koning, Baird

Okay, thank you. And then I guess just a numbers question secondly. Pace of acquisitions a lot slower this year than last year, obviously, still the 3% or a little over 3% guide for this year's contribution. Is that intact, and then maybe what could we expect maybe into next year, based on a little slower pace of acquisitions this year?

Angie Park

Hi, David, and thanks for the question. I'll start here. I do want just to ground us on the fact that our acquisition strategy remains exactly the same.

We've been doing acquisitions, to scale and expand our capabilities now for over a decade. And what's really important is the discipline that we use, right? So, if you think about this year, we've not seen the level of acquisitions given the tough market, and you've seen that we can flex up, we can flex down, based upon the opportunities. But what you should know is that, what remains the same is our acquisition strategy is core and it's a continuing part of our growth strategy. So, we'll continue to target about 2% year in and year out in inorganic contribution, but of course, that could ebb and flow. And you saw that last year with the volume of acquisitions that we did last year and this year it's a little lighter based upon what we see, and for this year, we continue to expect about 3% for the year.

Julie Sweet

And let me just add a little bit, obviously we're not going to, guide for next year, but, if our target is roughly 2%, it goes up and down. The thing that's very important is that we don't buy acquisitions if they don't have good economics, right? So, we have an economic focus and then they help us either scale, bring these new capabilities or

build our industry and functional capabilities. And the industry's been tough this year and we just haven't seen the kinds of economics that we think makes sense to bring in. And we see that as being more of a market condition right now, not something that changes our view of acquisitions over the long term. And we'll give you a view of what we see at the beginning of the year, next year, but things change, over time and so, we saw more last year but kind of as things have developed, we just haven't seen the right targets this year, that make sense.

James Faucette, Morgan Stanley

Hi, good morning, thanks for all the details. I wanted to just quickly follow up on that question around acquisitions and contribution. I understand you are not seeing kind of the... it sounds like you're not seeing the financial profile, but how are you feeling about any change that you may need to make or want to make in terms of types of companies or skill sets, etc. that you're looking at. Is that changing at all or does that remain relatively consistent with how you've evaluated acquisitions from a capability standpoint in the past?

Julie Sweet

I mean, the categories remain the same, so we start with our business strategy and then we are always looking at, okay, what's hot and, what makes sense to build versus buy. Remember our primary growth strategy is organic growth, and I might just add, organic growth is back, something we committed to you at the end of last year as we come into this year. That's our primary growth. But what we're always making an estimate is, when do you build, when do you buy, and it really ties to our strategy. So, you saw us make a capital projects acquisition again this quarter with Soben. You know that's a multi-year strategy to go into a new addressable market, right? And we've talked about how successful that has been, right? When you think about, where do we, what are we seeing, in data and AI, that's a really great area, but we have an incredible ability to build those skills ourselves. And the latest skills are not available at many of the companies that we're buying. And so, we're very clear, what is our business strategy, what are the capabilities that we need in order to drive that strategy, and then we're disciplined about, do we build it, or we buy it. And so, we're not seeing, anything different with how we exercise that strategy and every year we're dynamically evolving it based on the strategy and our needs.

James Faucette, Morgan Stanley

That's great articulation of that. And then my follow up question is back on the point around organic growth, as we're exiting this fiscal year, are you anticipating that we're going to be able to maintain that organic growth rate even on a year over year basis exiting this fiscal 4th quarter. We've gotten a few questions given the amount

of inorganic versus, vis a vis your overall guided range of growth for the for the fiscal 4th quarter. Thanks.

Angie Park

Hi James, thanks for the question. So, look, when we, as we think about, FY 26, and I get it, it's on the top of your mind. We'll update you in September on that but let me just give you some underneath in terms of our guidance after the fourth quarter in particular. Julie mentioned that our goal was to return to organic growth this year, and you're seeing that in our results. So, if you think about our guidance for the year at 6% to 7%, that implies organic growth of 3% to 4%, right? So super important to understand, at the same time as you think about our fourth quarter guidance that we just gave you, 1% to 5%, that implies 4% at the top end of our range for organic growth.

Bryan Bergin, TD Cowen

Hi, good morning. Thank you. So, I appreciate the color on the growth headwind you provided on DOGE for the 4th quarter. I'm curious how much clarity or just visibility you have right now on the potential cancellations or reductions of scope across the portfolio of the work that you do for the government, just given the timing of their fiscal year end.

Really less concerned about this year, but just going forward, trying to just make sure we're all kind of aligned on expectations. Should we kind of be thinking about that 2-point headwind in 4Q as a run rate or any other color you can share?

Julie Sweet

We're going to update you on '26 at the end of next quarter and it's just too early to be making, kind of making the assumptions, right, but we're giving you the data as we see it. This is our best data point we have right now.

Bryan Bergin, TD Cowen

Okay, understood. My follow up on the growth model changes. So, are there implications on the financial model here? Just understanding this is being made for client delivery on the integration of services, but are there savings for you also on the back end in the delivery org, and if so, how should we be thinking about that?

Julie Sweet

The way I would think about the change in the growth model, it is being driven by what we see in the market in terms of our ability to grow. It is not being driven by

cost cutting, right? And of course we are always looking for efficiencies in that, and we will look about those, but the driver is growth. And just a quick reminder, right? We have made growth model changes when there have been inflections in the market where we believe that working in a different way is going to fuel growth. So back in 2013, when we said every business would be a digital business, we put in a new growth model to incubate digital, to create strategy, and to drive the digital transformation of Accenture. And from 2013 to 2019, which was our ambition, we grew at a CAGR of 9% right, then I became the CEO in 2019, and we put in in March of 2020 the next growth model, which was all about scaling, right? We said the next decade is going to be about scaling digital transformation. We dissolved digital because it was everywhere and we said we need to be able to scale. So, we went to a geographic P&L in order to be able to scale. From March of 2020 through March of 2025, that's been a 10% CAGR.

As you sit here today, we all talk about the massive opportunity from AI. We have for the last 3 years demonstrated that our reinvention partner of choice strategy and our lead in Gen AI strategy is working and what is working about it is what makes us most unique, that we have all of these different services that we've been bringing together for these big transactions. We have a proven strategy and now what we're saying is that's what's differentiating us in the market. Let's bring it together so that we can more easily create those solutions and scale them to all of our clients across all of our sizes across all of our markets and embed Gen AI.

Because the kind of skills that you have to have, whether you're in strategy or in technology or operations are much more common, right? And we're uniquely able to embed that data and AI and so this is all about the ability to rotate our offerings, our delivery, and to bring kind of the magic of Accenture that we're bringing to our largest clients across our client base faster. And that's exactly what clients need today, and we expect this to be fuelling the next chapter of growth. And we've got a very good track record of seeing where the market is going, making the big changes to get there and then executing very well.

Darrin Peller, Wolfe Research

Guys, thanks again. Maybe we just start off a little bit more around bookings composition, and just if you can give us a little bit more sense as to what types of contracts from a size standpoint you're seeing. And also, where the priorities are from a budget standpoint from your customers at this point. And then I also want to kind of go a little bit more into tariffs just because I know Julie, we talked in the past about uncertainty on the tariff side keeping customers on the sidelines. Are you seeing any change in that yet? And what could be the change if we get more and more clarity as time goes on in terms of where positioned contracts could be geographically?

Julie Sweet

So let me take the second part first, because I've been super clear. I'm talking to CEOs every day, and there was this whole narrative about a pause and sitting on the sidelines, and I would tell you it was very short, right? Our clients have moved from pause to focus and leapfrog. Focus being even more, they want to do the biggest things that are going to make a difference, which is what plays into our strengths. And that's what you continue to see in these, large bookings, and big deals that we're doing. Leapfrog is, and, this whole idea of AI, like how can we be the first, right? How can we lead? And you saw that, for example, the platform we're building for Fincantieri, that is a first of its kind. Now the nature of the work is really important to understand because it depends on where the company is. And so, for example, we gave you the example of Air France KLM, which is all about migrating to the cloud and creating the cloud foundation because that's where their digital core is, whereas there are other places where they're already in the cloud, but now we're building that cognitive brain.

In almost all cases though, we're now doing things in parallel. So, KLM Air France has got data, AI embedded from the beginning, which is a shift than when you saw cloud migration a few years ago, right, because everybody wants to get to AI faster. That of course is why we're so differentiated because when we're now doing migrations we're building in what is needed to have that cognitive brain. So, it really depends on where the company is, but there's a lot of focus on cost and so you have us in some cases doing major deals where in one part of the organization we're driving efficiencies, applying AI, using our platforms like Synops, or Managed Services, so they can leverage our people and our platforms, and then reinvesting it in the core of the business, right, whether that's in how they're engaging with customers or in product development, in R&D, or in the grid. The themes though are tech, data and AI, really rewiring organizations, so working in new ways, being future ready so that no matter where they are on their curve, we're helping them get to the point where they can use AI.

Darrin Peller, Wolfe Research

That's really great color, thank you. And then just a quick follow up would just be around hiring plans, maybe incorporating how you're thinking about the bench for AFS or what you need there, but just more broadly, if you can give us a sense of what you're looking at going forward. Thanks again, guys.

Angie Park

Hey, Darren, it's Angie. Let me take that. On our headcount, right, we ended our Q3 with about 790,000 people. It was an increase of about 5% year over year. And you saw that our utilization kicked up to 92%, and that was even with us delivering

revenue above our guided range. As it relates to AFS, and certainly they're in the mix, and so it's all encompassing.

I will say I know that you guys think about headcount as part of a consideration for your models, and we've said for years that there's not a direct correlation between revenue and headcount. So, the best way to think about the demand for our services is the guidance that we just gave.

Ramsey El-Assal, Barclays

Hi, thank you for taking my question. I wanted to follow up on, I think Brian's question earlier about, sort of DOGE impact. What degree did federal contracting or sort of lack thereof way on bookings in the quarter? And I guess are the Q4 headwinds coming more from cancellations or is it the result of less new procurement for maybe shorter-term deals?

Angie Park

Hi, Ramsey, good morning. As it relates to bookings, we won't give you specific color on, or context around the specificity of a part of our business. But for as you think about...

Julie Sweet

Right, let me just take this quickly. So, as we said earlier, federal was kind of immaterial on kind of all aspects of our bookings, sales, revenue in terms of negative impact. And then when you think about Q4, the impacts coming from both, right? We've talked about slower procurement, right, and we've talked about, cancellations and so, all of that is kind of in the mix when we anticipate what the impact is for Q4.

Ramsey El-Assal, Barclays.

Okay, a follow up for me, blockchain technology sort of shifted in and out of favor over the past few years. It seems to be having another moment currently, I'm just curious if you're seeing any renewed demand or interest from your clients on blockchain, how you guys play in the space, maybe particularly in the financial services vertical but elsewhere as well.

Julie Sweet

Yes, and in fact blockchain comes back and then it gets renamed because people didn't like blockchain, etc.

One of the great things that you're pointing out though is that technology is continuing to involve. Quantum, there's a lot of interest in quantum. Blockchain continues to be part of solutions, particularly, as you said, in the financial services vertical. I don't think you're going to start to see tons of headlines around that because people are so focused on AI. But in the places where it makes sense, particularly in banking, particularly in some of the...as you start to see more industry-wide solutions, right, the blockchain underlying blockchain technology is going to be important for security in that. We don't see it as like an independent big driver of our growth in the way that we see AI, because AI affects literally every part of the enterprise. It can drive growth and productivity. We see that as a very important enabling technology in certain industries, and certain solutions, and that's where our clients come to us to really be able to understand that. So, it's a mix, but I would say quantum is as important to understand right now, and both of them are not going to be independent big drivers in the near term, but very important that we understand them and put them in the right places.

Jim Schneider, Goldman Sachs

Good morning. Thanks for taking my question. Julie, I was wondering if you could maybe kind of extend on your commentary around clients pivoting from pause to being maybe a little bit more proactive in their posture. Can you maybe talk about that in the context of your pipeline and your visibility in terms of bookings pipeline into the next quarter and beyond, directionally relative to maybe last quarter?

Julie Sweet

We have a strong pipeline overall going into Q4, very pleased with where we're seeing and you can see that reflected in raising the bottom of our guidance, and where we see ourselves landing for the year. And we continue to see the themes that I've been talking about, both the cost, building the digital core, embedding AI, really getting into everything from both customer to, deep into the industrial space, driving energy efficiency. I mean, it's really across the enterprise and those themes continue. We're seeing the same themes in the in the bookings ahead.

Jim Schneider, Goldman Sachs

Thank you. And then as a follow up, maybe one for Angie, sort of a housekeeping question, I realize you do not sort of manage the business to gross margins, but instead operating margins. But there has been a little bit of gross margin pressure in the business, last couple quarters. I believe you may have called out some kind of increased use of subcontractors last quarter. I'm wondering if you saw that again this quarter and how you'd sort of expect that to trend over the next few quarters if that reverses?

Angie Park

Okay. Hi, Jim, how are you? As it relates to gross margins, I did mention subcontractors last quarter because it was a driver. And as we think about our subs, we had shared that, look, it can ebb and flow based upon the client work that we're doing. And so, for this quarter, we didn't call it out because while they were a driver, they weren't a material driver overall to our gross margins. And importantly, I know that you're looking at gross margins and SG&A, but remember, we look at our business from an operating margin standpoint overall. And so, for us, this quarter we were very pleased with the 40 basis points of margin expansion and EPS growth of 12%. We work hard at it, and we were super pleased with that result.

Alexia Quadrani

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

Jason Kupferberg, Bank of America

Good morning, guys. Thank you. I just wanted to start on the consulting side. I know the book to bill was 1.0 in the quarter, and I think you typically target something a little higher. Your tone on the impact of macro on client decision making does sound a little bit better. So, would you expect this metric to improve in Q4?

Angie Park

Why don't I start, if that's okay. Good morning. When you look at our bookings overall, \$19.7 billion, 1.1 book to bill, we were very pleased. And you know that our bookings can be lumpy, and you see that over time, which is why we focus on the trailing 12 months book to bill, and we have a strong 1.2. As it relates to consulting, same point that I'm going to make, which is the trailing 12 months for consulting is a strong 1.1 and so we're very pleased with that overall.

Jason Kupferberg, Bank of America

Okay, just as a follow up, some other IT services companies have been saying that upwards of 20% or so of their code is now being written by AI and wondering if something similar would be true for Accenture these days, and if so, are you sharing AI related savings back with the clients and seeing them reinvest those savings in other projects with Accenture, or are there instances where there's some net deflationary pressure on revenue? How's all that kind of netting out? Thank you.

Julie Sweet

Well, first of all, our guidance takes into account how we deliver and any effects on how Gen AI is being built into our commercial models. And so, again, that's why it's really important to like stay focused on what are we delivering. I've seen a lot of things out there and I think it kinds of get confusing about code or not because if you think about Accenture, right, we're not doing a lot of greenfield code, because we're developing like new apps, right. We do very sophisticated, difficult integration, and so we actually look at how you use GenAI across the entire life cycle. And we are increasing and embracing as quickly as possible our use of it in delivery in order to be, you know, really at the cutting edge, and we have we have built that into our guidance. Of course, you're also seeing our pricing improve as well this quarter. Remember, we keep talking about this kind of technology wave, where it drives efficiency and allows us to deliver more efficiently is something we have managed over and over again, and the way that we manage it is by focusing on the value delivered to the clients, and you're seeing that come through in our numbers.

CONCLUSION

Julie Sweet

Well, thanks everyone for joining. In closing, I just 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 a huge thank you to all of our people, because you are why we are able to deliver these results.

So, thanks, everyone, and we'll see you next quarter.

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