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**ACCENTURE** | IT Services | 20 March 2026

## Organic growth raised. AI is still an efficiency play

- **Organic growth raised from 2% to 2.5%, driven by 1HFY26 (August YE) performance. But lower than 4% delivered in FY25**
- **Guidance has not factored in any adverse impact from current Iran-Israel-US war**
- **Expectation of FY27 modest growth pick up for Indian players appear ambitious. AI continues to be deflationary**


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**Growth is market share driven:** Indicated client spending in 2026 to be similar to that in 2025 and that organic growth to be market share driven. Managed services (where it largely competes with Indian players) growth was 5% in 2Q much better than the growth displayed by TCS and Wipro and at par with that of HCLT and Infosys (all of which are smaller entities).

**AI still an efficiency play:** As indicated in our recent report (**Existential threat, value trap or Temporary blip**) AI uptake is at a pace similar to that of Cloud Technology. Covid was a catalyst to drive faster adoption of Cloud. We are not sure what could be a catalyst to drive faster AI adoption.

**Read through of 2QFY26 Accenture results for Indian industry players:**

- From an organic growth of 4% in FY25, Accenture is projecting 2.5% in FY26. Thus, the narrative of slight pickup in organic growth in FY27 (by 100-200bps) for Indian industry could be brought into question. We believe the market has not given up yet on the near-term growth expectation while it is grappling with terminal value assumptions
- Accenture continues to gain market share considering the number of large deals (>US$100mn TCV) wins it has had in 1HFY26 (72, 12 greater than in 1HFY25). It had its third consecutive quarter of >US$20bn order inflow. This obviously has implication for growth for Tier-1 players like TCS, Cognizant, Infosys, HCLT, Wipro,etc.
- Acquisitions (especially good AI oriented ones) are not going to come cheap, and we could potentially see 'Faculty' type deals at high revenue multiples by some Indian players.
- Accenture is of the view that while AI has been top of mind for CXOs it is still being used to drive efficiency rather than innovation/growth. So, the deflation headwind continues to play out at least in the foreseeable future.

- While Accenture talked about improvement in revenue productivity it is too early to think of significant nonlinearity. Said it would do net hiring in 2HFY26.
- Unlike Kyndryl or Epam, Accenture did not indicate delayed decision making because of AI and that may be positive.
- We believe the Federal business is set to grow in 4Q and the negative impact of DOGE and cost cutting has not been as large as was initially feared. May be there has been a market share shift in this area from other consulting firms like Booz Allen and Deloitte.
- Upped its M&A game with announcement of US$5bn of investment for FY26 compared to US$3bn announced in previous quarter. Said it would be open for more if appropriate opportunities show up. The higher investment number has not shown up in a higher inorganic contribution to growth in FY26. This is partly timing of consolidation and partly valuation driven (in our view). The valuation is higher as it buys out AI oriented companies in consulting and those that are IP oriented. For instance, 'Faculty' an AI services company that it bought in the UK (at ~US$1bn) was valued at ~19x FY25 sales. With revenue growth of ~30% in FY25. The high price is also likely for its proprietary 'Frontier decision intelligence platform' and that the founder of Faculty has been made the CTO of Accenture globally (a kind of expensive acquihire).

**Fig 1 – Accenture initial guidance versus delivery**

| (YE August) (%) | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LC growth guidance at year beginning | 5-8 | 5-8 | 5-8 | 5-8 | 5-8 | 5-8 | 2-5 | 12-15 | 8-11 | 2-5 | 3-6 | 3-5 |
| Actual LC Revenue Growth | 11 | 10.5 | 7 | 10.5 | 8.5 | 4 | 11 | 26 | 8 | 2 | 7 | |
| Inorganic contribution | 2 | 2 | 2 | 2.5 | 2 | 2 | 2.5 | 5 | 2 | 3 | 3 | 1.5 |
| Organic Revenue Growth | 9 | 8.5 | 5 | 8 | 6.5 | 2 | 8.5 | 21 | 6 | -1 | 4 | 2.5 |

Source: Company, BOBCAPS Research. Note: FY26 numbers are post 2QFY26

**Quarter and Analyst Call Highlights:**

- Revenue stood at US$18.04bn, growing 4% YoY in local currency, broad based across geographies and work types, reflecting continued market share gains
    - Revenue came at top end of FX-adjusted guided range
    - Consulting revenue was US$8.9 bn, up 7% in US$ and 3% in local currency
    - Managed Services revenue was US$9.2 bn, up 10% in US$ and 5% in local currency, driven by mid-single digit growth in technology managed services (which include application managed services and infrastructure managed services) and high-single digit growth in operations
    - Americas revenue grew 3% in local currency, led by banking and capital markets, software and platforms, and industrials, partly offset by decline in public service due to US federal business; Excluding 2% drag from federal business, Americas grew about 6% in local currency
    - EMEA revenue grew 2% in local currency, led by insurance, life sciences and public service, with strongest contribution from UK and Italy

  - Asia-Pacific revenue grew 10% in local currency, led by banking and capital markets, communications and media, and public service, with strongest contribution from Japan and Australia
  - Revenue from top-10 ecosystem partners (Microsoft, AWS, etc.) is outgrowing the company average.
  - Communications, Media & Technology grew by 10% and Financial Services by 7% in LC terms YoY.
  - Health & Public Service was the only segment to see a decline (-1% in local currency).
- Operating margin was 13.8%, up 30 bps Yo. Gross Margin improved by 40 basis points to 30.3%.
- Said that is seeing better margins in some areas (likely AI oriented) but competitive pricing in much of the rest.
- New bookings reached record US$22.1 bn, up 6% in US$ and 1% in local currency
  - Consulting bookings were US$11.3 bn
  - Managed Services bookings were US$10.8 bn
  - Within bookings, the percentage of work, which is fixed price continues to increase over 60% in FY25
  - It is on-track in FY26 to more than double bookings over FY25 from partnerships with key emerging AI and data ecosystem partners
- Operating cash flow was US$3.8 bn; capex was US$150 mn, resulting in free cash flow of US$3.7 bn;
- US$1.6 bn invested primarily across three acquisitions during the quarter
- Middle East region has ~3,000 employees and contributed ~1% of FY25 revenue
  - Employees in the Middle East remain safe and support measures are being provided
  - No significant financial impact from Middle East conflict is currently visible

**Demand Environment**

- Client spending entering calendar 2026 is tracking similar to 2025 as strategic and large-scale transformation programs continue to be prioritized
- At least one out of every two advanced AI projects is leading to a data project
- Clients continue to seek faster reinvention, leverage proprietary platforms and expertise, improve enterprise-wide efficiencies through managed services, and create additional investment capacity for spending in new areas
- Clients with advanced digital cores are moving toward larger AI programs; more projects are shifting from proof of concept to production
- Around 100 additional clients initiated advanced AI projects during the quarter

- Role in AI ecosystem centers in helping clients select models, integrate into systems, redesign processes, modernize data and digital core, reshape operating models and build talent
- Clients increasingly seek support in navigating rapid technology change
- Clients are more willing to pursue end-to-end transformation requiring combined AI, SaaS, industry and functional expertise across the enterprise
- AI is viewed as potentially the most powerful technological breakthrough since electricity, with enterprise change identified as the key to realizing value. Historical pattern of large-scale technology transitions reinforces confidence in long-term growth positioning as enterprise reinvention partner
- It talked about potential high growth around capital projects (we think Data center services related), Defense, Public sector and education.

**Business Outlook**

- Based on current visibility, key elements of full-year guidance have been raised
- 3QFY26 revenue guidance is US$18.35 bn to US$19 bn (assumes positive FX impact of ~2.5% YoY)
- 3QFY26 local currency revenue growth guidance is 1% to 5%, including ~1% impact from federal business; Excluding federal business impact, 3Q FY26 revenue growth is expected at 2% to 6%
- FY26 local currency revenue growth guidance is raised to 3% to 5% (from 2-5% earlier), including estimated 1% impact from federal business. Excluding federal business impact, FY26 revenue growth is expected at 4% to 6%
- FY26 inorganic contribution expectation remains ~1.5%
- Federal business expected to create a 1% drag on local currency growth in FY26 but growth should pick up in 4QFY26.
- FY26 adjusted operating margin guidance remains 15.7% to 15.9%, implying 10 bps to 30 bps expansion over adjusted FY25
- 2H focus remains on disciplined execution, future investment and rigorous business management
- Raised full-year FCF outlook to US$10.8bn–11.5bn (a $1bn increase) largely from better receivables management.

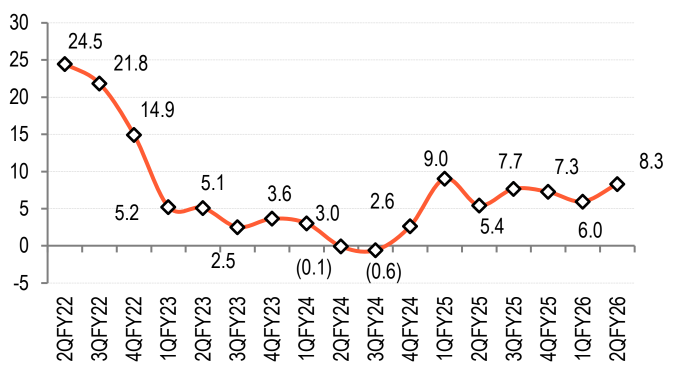
**Other Points**

- Delivery model is expected to remain hybrid rather than move predominantly to FTE-based execution
    - FTE-led delivery is most relevant for mission-critical, bespoke AI problems where solutions are still being created
    - Delivery is becoming more agile through higher technology usage and integrated multidisciplinary teams

- Part of future delivery is expected to involve greater upfront FTE-style engagement

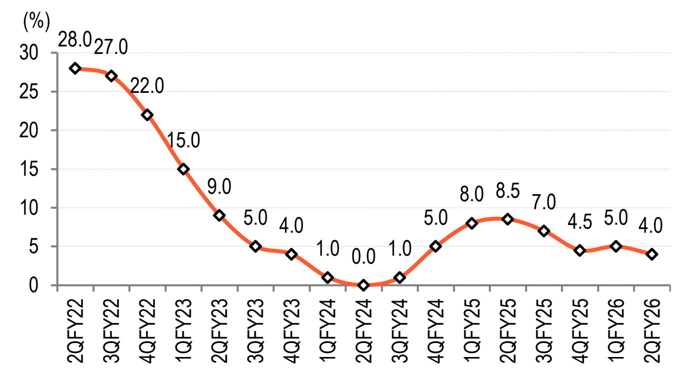
- Pricing improved in select areas during the quarter, though competitive intensity remains high across the portfolio
- It has over 85,000 AI and data professionals, hitting its year-end goal early.
- Management is now making AI tool usage and contributions a formal part of employee performance reviews.
- Mid-sized client companies are also showing meaningful AI spending, supporting stronger focus and acquisitions in the mid-market

**Fig 2 – USD YoY Growth Rate**



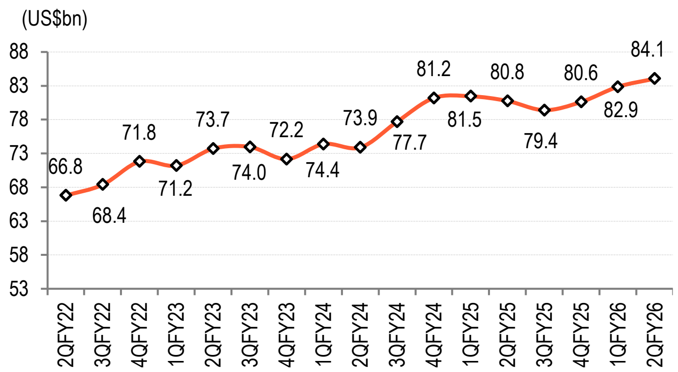

Source: Company, BOBCAPS Research

**Fig 3 – Revenue Growth Rate (CC YoY)**



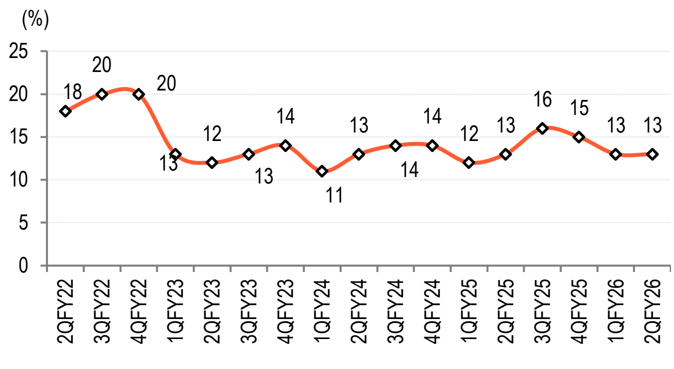

Source: Company, BOBCAPS Research

**Fig 4 – TTM Order inflow**



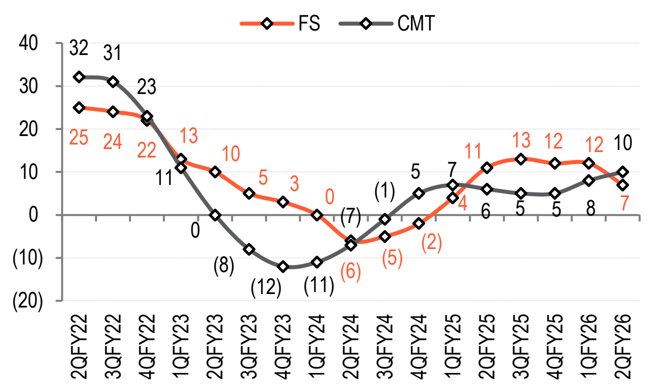

Source: Company, BOBCAPS Research

**Fig 5 – Attrition trend**



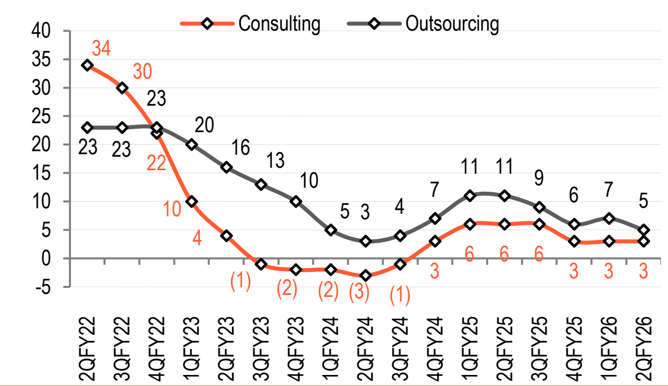

Source: Company, BOBCAPS Research

## Fig 6 – LC growth of CMT and FS (%)



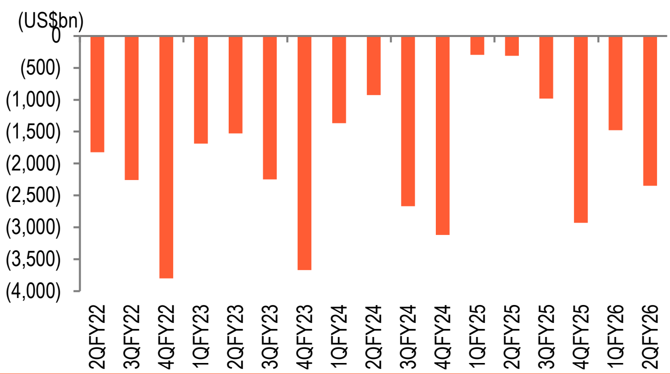

Source: Company, BOBCAPS Research

## Fig 7 – LC Growth trajectory in services lines (%)



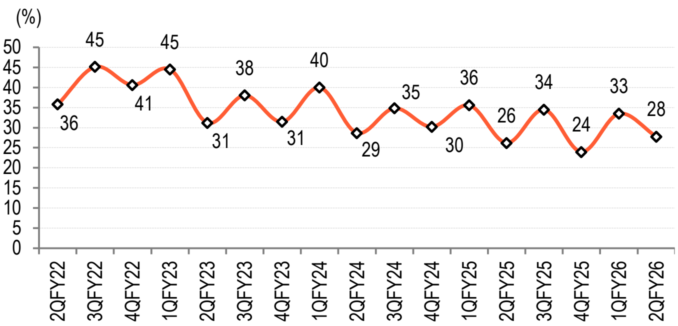

Source: Company, BOBCAPS Research

## Fig 8 – Quarterly working capital situation



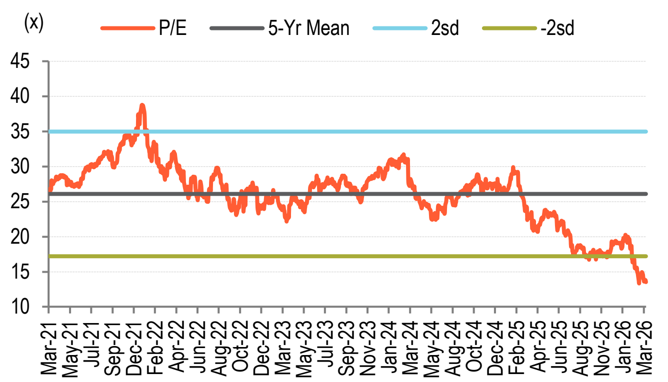

Source: Company, BOBCAPS Research

## Fig 9 – ROIC (%)




Source: Company, BOBCAPS Research

## Fig 10 – 5-year 12 month forward PE multiple chart




Source: Company, BOBCAPS Research

## Fig 11 – Key Metrics

| ($mn) YE August | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 15,814 | 16,565 | 15,985 | 16,224 | 15,800 | 16,467 | 16,406 | 17,690 | 16,659 | 17,728 | 17,596 | 18,742 | 18,044 |
| Gross Margin | 4,835 | 5,529 | 5,182 | 5,448 | 4,878 | 5,498 | 5,337 | 5,823 | 4,975 | 5,827 | 5,611 | 6,197 | 5,459 |
| EBIT | 1,945 | 2,359 | 1,913 | 2,565 | 2,046 | 2,631 | 2,354 | 2,948 | 2,245 | 2,983 | 2,050 | 2,874 | 2,494 |
| PAT | 1,524 | 2,010 | 1,373 | 1,973 | 1,675 | 1,932 | 1,684 | 2,279 | 1,788 | 2,198 | 1,414 | 2,212 | 1,825 |
| **Margins (%)** | | | | | | | | | | | | | |
| Gross Margin | 30.6 | 33.4 | 32.4 | 33.6 | 30.9 | 33.4 | 32.5 | 32.9 | 29.9 | 32.9 | 31.9 | 33.1 | 30.3 |
| EBIT Margin | 12.3 | 14.2 | 12.0 | 15.8 | 13.0 | 16.0 | 14.3 | 16.7 | 13.5 | 16.8 | 11.6 | 15.3 | 13.8 |
| **Vertical Mix (%)** | | | | | | | | | | | | | |
| Communications & High Tech | 18.2 | 17.4 | 16.9 | 16.5 | 16.8 | 16.8 | 16.8 | 16.2 | 16.4 | 16.4 | 16.8 | 16.6 | 17.1 |
| Financial Services | 19.0 | 18.9 | 18.9 | 18.7 | 17.8 | 17.6 | 17.5 | 17.9 | 18.1 | 18.5 | 18.8 | 19.2 | 18.8 |
| Health & Public Service | 19.1 | 19.7 | 20.5 | 20.8 | 21.1 | 21.3 | 22.0 | 21.6 | 21.7 | 21.3 | 20.3 | 20.3 | 20.3 |
| Products | 29.8 | 30.0 | 29.7 | 30.0 | 30.1 | 30.3 | 30.2 | 30.7 | 30.3 | 30.1 | 30.6 | 30.6 | 30.4 |
| Resources | 13.8 | 14.0 | 13.9 | 14.1 | 14.2 | 14.0 | 13.5 | 13.7 | 13.6 | 13.6 | 13.6 | 13.3 | 13.4 |
| Other | | | | | | | | | | | | | |
| **Geography Mix(%)** | | | | | | | | | | | | | |
| Americas | 46.8 | 46.6 | 47.3 | 46.6 | 46.7 | 47.6 | 48.6 | 49.4 | 51.3 | 50.6 | 50.0 | 48.4 | 49.3 |
| EMEA | 33.5 | 33.9 | 33.1 | 35.8 | 35.4 | 35.1 | 34.4 | 36.2 | 34.8 | 35.2 | 35.2 | 37.0 | 36.4 |
| Asia Pacific | 19.7 | 19.5 | 19.6 | 17.6 | 17.9 | 17.3 | 17.1 | 14.4 | 13.8 | 14.3 | 14.8 | 14.5 | 14.3 |
| **Services Mix in Revenues(%)** | | | | | | | | | | | | | |
| Consulting | 52.4 | 52.5 | 51.3 | 52.1 | 50.8 | 51.4 | 50.4 | 51.1 | 49.7 | 50.8 | 49.9 | 50.2 | 49.1 |
| Managed Services | 47.6 | 47.5 | 48.7 | 47.9 | 49.2 | 48.6 | 49.6 | 48.9 | 50.3 | 49.2 | 50.1 | 49.8 | 50.9 |
| **Order Inflow ($bn)** | | | | | | | | | | | | | |
| Consulting | 10.7 | 8.9 | 8.5 | 8.6 | 10.5 | 9.3 | 8.6 | 9.2 | 10.5 | 9.1 | 8.9 | 9.9 | 11.3 |
| Managed Services | 11.4 | 8.3 | 8.2 | 9.8 | 11.1 | 11.8 | 11.6 | 9.5 | 10.4 | 10.6 | 12.4 | 11.1 | 10.8 |
| Total | 22.1 | 17.3 | 16.6 | 18.5 | 21.6 | 21.1 | 20.1 | 18.7 | 20.9 | 19.7 | 21.3 | 20.9 | 22.1 |
| **Order Inflow Mix (%)** | | | | | | | | | | | | | |
| Consulting | 48.4 | 51.8 | 51.2 | 46.7 | 48.7 | 44.1 | 42.8 | 49.2 | 50.1 | 46.1 | 41.6 | 47.2 | 51.2 |
| Managed Services | 51.6 | 48.2 | 49.4 | 53.3 | 51.2 | 55.9 | 57.7 | 50.8 | 49.9 | 53.9 | 58.4 | 52.8 | 48.8 |
| **Other Metrics** | | | | | | | | | | | | | |
| Number of employees | 738,143 | 731,868 | 732,819 | 743,041 | 742,318 | 750,200 | 774,303 | 798,781 | 801,099 | 790,692 | 779,273 | 783,691 | 786,432 |
| Employee growth YoY (%) | 5.7 | 3.0 | 1.6 | 0.7 | 0.6 | 2.5 | 5.7 | 7.5 | 7.9 | 5.4 | 0.6 | (1.9) | (1.8) |
| Net addition of employees | 424 | (6,275) | 951 | 10,222 | (723) | 7,882 | 24,103 | 24,478 | 2,318 | (10,407) | (11,419) | 4,418 | 2,741 |
| Voluntary Attrition (%) | 12 | 13 | 14 | 11 | 13 | 14 | 14 | 12 | 13 | 16 | 15 | 13 | 13 |
| Utilisation | 91 | 91 | 91 | 91 | 92 | 92 | 92 | 91 | 91 | 92 | 93 | 93 | 93 |
| TCV (US$bn) | 22.1 | 17.3 | 16.6 | 18.5 | 21.6 | 21.1 | 20.1 | 18.7 | 20.9 | 19.7 | 21.3 | 20.9 | 22.1 |
| TTM TCV (US$bn) | 73.7 | 74.0 | 72.2 | 74.4 | 73.9 | 77.7 | 81.2 | 81.5 | 80.8 | 79.4 | 80.6 | 82.9 | 84.1 |
| Growth TTM TCV (YoY %) | 10.4 | 8.1 | 0.5 | 4.5 | 0.2 | 5.1 | 12.5 | 9.5 | 9.3 | 2.2 | -0.7 | 1.7 | 4.1 |
| TTM Revenue (US$bn) | 63.1 | 63.6 | 64.1 | 64.6 | 64.6 | 64.5 | 64.9 | 66.4 | 67.2 | 68.5 | 69.7 | 70.7 | 72.1 |
| Book/Bill (TTM) | 1.17 | 1.16 | 1.13 | 1.15 | 1.14 | 1.21 | 1.25 | 1.23 | 1.20 | 1.16 | 1.16 | 1.17 | 1.17 |
| Revenue Per Capita (US$) | 85,722 | 90,147 | 87,310 | 87,945 | 85,095 | 88,263 | 86,091 | 89,961 | 83,303 | 89,096 | 89,664 | 95,931 | 91,937 |
| EBIT Per Capita (US$) | 10,541 | 12,840 | 10,448 | 13,903 | 11,022 | 14,102 | 12,351 | 14,995 | 11,224 | 14,991 | 10,445 | 14,709 | 12,705 |
| PAT Per Capita (US$) | 8,259 | 10,939 | 7,499 | 10,697 | 9,021 | 10,357 | 8,839 | 11,589 | 8,941 | 11,044 | 7,205 | 11,320 | 9,300 |

Source: Company, BOBCAPS Research

## Fig 12 – QoQ and YoY Growth of various parameters (USD)

| | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **QoQ Growth** | | | | | | | | | | | | | |
| Overall Revenue (%) | 0 | 5 | (3) | 1 | (3) | 4 | (0) | 8 | (6) | 6 | (1) | 7 | (4) |
| **Vertical Wise (%)** | | | | | | | | | | | | | |
| Communications & High Tech | (3) | (0) | (6) | (1) | (1) | 4 | (0) | 4 | (4) | 7 | 1 | 5 | (0) |
| Financial Services | 1 | 5 | (4) | 0 | (7) | 3 | (1) | 10 | (5) | 9 | 1 | 9 | (6) |
| Health & Public Service | 1 | 8 | 0 | 3 | (1) | 5 | 3 | 5 | (5) | 5 | (6) | 7 | (3) |
| Products | 1 | 5 | (4) | 2 | (2) | 5 | (1) | 10 | (7) | 6 | 1 | 7 | (5) |
| Resources | 2 | 6 | (4) | 2 | (2) | 3 | (4) | 9 | (7) | 7 | (1) | 5 | (4) |
| **Geography Wise (%)** | | | | | | | | | | | | | |
| Americas | (3) | 4 | (2) | 0 | (2) | 6 | 2 | 10 | (2) | 5 | (2) | 3 | (2) |
| EMEA | 4 | 6 | (6) | 10 | (4) | 3 | (2) | 14 | (9) | 7 | (1) | 12 | (5) |
| Asia Pacific | 2 | 4 | (3) | (9) | (1) | 1 | (2) | (9) | (10) | 10 | 3 | 5 | (5) |
| **Services Wise (%)** | | | | | | | | | | | | | |
| Consulting | (2) | 5 | (6) | 3 | (5) | 5 | (2) | 10 | (8) | 9 | (3) | 7 | (6) |
| Managed Services | 3 | 4 | (1) | (0) | 0 | 3 | 2 | 6 | (3) | 4 | 1 | 6 | (2) |
| **Growth Rate in Bookings (%)** | | | | | | | | | | | | | |
| New | 36 | (22) | (4) | 11 | 17 | (3) | (5) | (7) | 12 | (6) | 8 | (2) | 6 |
| Consulting | 32 | (17) | (5) | 1 | 22 | (12) | (7) | 7 | 14 | (13) | (2) | 11 | 15 |
| Managed Services | 41 | (27) | (1) | 20 | 13 | 7 | (2) | (18) | 10 | 2 | 17 | (11) | (3) |
| **YoY Growth** | | | | | | | | | | | | | |
| Overall Revenue (%) | 5 | 3 | 4 | 3 | 0 | -1 | 3 | 9 | 5 | 8 | 7 | 6 | 8 |
| **Vertical Wise (%)** | | | | | | | | | | | | | |
| Communications & High Tech | (10) | (16) | (12) | (10) | (8) | (4) | 2 | 7 | 3 | 5 | 7 | 9 | 13 |
| Financial Services | 5 | 2 | 3 | 2 | (6) | (8) | (5) | 4 | 7 | 13 | 15 | 14 | 13 |
| Health & Public Service | 13 | 12 | 13 | 13 | 10 | 8 | 10 | 13 | 8 | 7 | (1) | (0) | 2 |
| Products | 9 | 8 | 6 | 4 | 1 | 0 | 4 | 12 | 6 | 7 | 9 | 6 | 8 |
| Resources | 11 | 8 | 10 | 7 | 3 | (0) | (0) | 6 | 1 | 5 | 8 | 3 | 7 |
| **Geography Wise (%)** | | | | | | | | | | | | | |
| Americas | 5 | 1 | 0 | (1) | (0) | 1 | 5 | 15 | 16 | 14 | 11 | 4 | 4 |
| EMEA | 6 | 5 | 10 | 14 | 6 | 3 | 6 | 10 | 4 | 8 | 10 | 8 | 13 |
| Asia Pacific | 5 | 1 | 1 | (6) | (9) | (12) | (11) | (11) | (18) | (11) | (7) | 7 | 12 |
| **Services Wise (%)** | | | | | | | | | | | | | |
| Consulting | (1) | (4) | (2) | 0 | (3) | (3) | 1 | 7 | 3 | 7 | 6 | 4 | 7 |
| Managed Services | 12 | 10 | 10 | 6 | 3 | 2 | 5 | 11 | 8 | 9 | 8 | 8 | 10 |
| **Growth Rate in Bookings (%)** | | | | | | | | | | | | | |
| Total | 13 | 1 | (10) | 14 | (2) | 22 | 21 | 1 | (3) | (6) | 6 | 12 | 6 |
| Consulting | (2) | (2) | 1 | 6 | (2) | 4 | 1 | 7 | (0) | (2) | 3 | 7 | 8 |
| Managed Services | 31 | 7 | (17) | 21 | (3) | 42 | 41 | (3) | (6) | (10) | 7 | 16 | 3 |

Source: Company, BOBCAPS Research

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**Recommendation scale: Recommendations and Absolute returns (%) over 12 months**

**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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