

## IT SERVICES

19 March 2021

## Accenture posts stellar Q2 performance, raises guidance

Accenture's (ACN) Q2FY21 dollar revenue surpassed guidance by US\$ 140mn, rising 8% YoY and 5.4% CC. QoQ growth at 2.8% USD was among its best Q2 performances in the last decade. Utilisation at 94% was at a 10-year peak. FY21 revenue growth guidance has been hiked to 6.5-8.5% from 4-6% CC guided in Q1. Bookings held strong at US\$ 16bn, (+13% YoY) and consulting and outsourcing grew 2-4% QoQ USD, signaling good momentum for Indian counterparts for the Mar'21 quarter. Prefer TCS, HCLT, TECHM (large-caps); LTI, Coforge (mid-caps).

**Strongest ever outsourcing pipeline:** ACN's Q2FY21 (Y/E Aug) deal pipeline was at an all-time high of US\$ 16bn, up by a stellar 13% YoY and 24% QoQ. The pipeline includes 18 new clients with over US\$ 100mn in booking. Consulting formed 50.1% of the pipeline and grew 11% YoY. Outsourcing formed the balance 49.9%, increasing by a strong 14% YoY with a strong book-to-bill ratio of 1.4 (vs. 1.2 in Q1FY21), indicating green shoots for Indian IT. Overall outsourcing revenue rose 13.7% YoY, the highest in the last 11 quarters. Utilisation at 94% was at a 10-year peak despite ACN increasing its hiring by 50% YoY, indicating a strong demand climate ahead for Indian IT counterparts.

**Broad-based growth:** Q2 growth was broad-based across verticals, marked by a double-digit YoY uptick across public and health services, financial services, communications and hi-tech. Products remained weak with 6% YoY growth and resources declined 4.3%, USD. The communications and hi-tech vertical posted the strongest sequential growth at 6%, USD. Pressure moderated in the troubled verticals of travel, energy and retail (~20% of revenue) which declined by mid-single digits vs. low double digits in Q1FY21. All geographies saw broad-based growth, led by EMEA. ACN has spent US\$ 1.1bn on acquisitions in H1FY21 and plans to spend a total of US\$ 2bn in FY21.

**Cloud business accelerates:** The company's key engines of growth are cloud, industry X (digitised manufacturing), applied intelligence, interactive and security, of which cloud has continued its strong double-digit growth streak. ACN saw broader and better-than-expected pickup in demand driven by cloud. Its US\$ 3bn initiative 'Accenture Cloud First', which helps enterprises re-platform their businesses, fuelled strong double-digit growth in the cloud segment on a high base of more than US\$ 12bn, continuing the momentum from Q1FY21.

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### RECOMMENDATION SNAPSHOT

Ticker	Price	Target	Rating
TCS IN	3,037	3,710	BUY
INFO IN	1,337	1,500	ADD
WPRO IN	410	450	ADD
HCLT IN	948	1,150	BUY
TECHM IN	996	1,130	BUY
LTI IN	4,007	4,740	BUY
MPHL IN	1,638	1,550	REDUCE
MTCL IN	1,970	1,850	ADD
PSYS IN	1,849	1,260	SELL
COFORGE	2,874	2,800	BUY
ECLX IN	975	950	REDUCE

Price &amp; Target in Rupees



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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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