



Company Description:

Accenture ("ACN") is one of the world's largest IT Services firms with service offerings in over 120 countries and across all industries. Headquartered in Ireland and employing over 625,000 professionals, they serve Global 2000 clients and world governments using a global delivery model. Roughly half of revenues are derived from North America, 30% from Europe, and the remainder mostly from growth markets in Asia and South America.

Name	Ticker	Yield	Growth	D + G
Accenture Plc Class A	ACN	1.87%	9.50%	11.37%

Highlights:

ACN's global brand and long track record of successfully tackling large, complex problems is a competitive advantage that will permit the company to grow revenues in line to above the IT Services market. Acquisitions are part of ACN's strategy of ensuring products and services remain highly competitive and should continue contributing to top line at a 2-4% annual pace. Nonetheless, we believe that annual organic growth should remain strong in the 7%-9% territory. Financials discipline and a focus on operational efficiency should continue to push adj. operating margins higher by 10-30bps each year.

Bull Case:

- **Superior Brand and Relationships** – ACN is the largest independent consultant in the world. Accenture's brand and strong client relationships provide the firm with a significant competitive advantage, in our view. We think efforts by offshore IT companies to establish a greater presence in consulting and systems integration validates Accenture's market approach. Accenture can provide end-to-end IT services for its clients, from consulting to systems integration to application/system maintenance. We believe this provides the company with an advantage over competitors with less diverse offerings.
- **Regulation and Technological Changes offer Opportunity** – Recent regulation (Dodd-Frank, Health care reform) and new technologies (cloud, social media, virtualization) require large investments from clients, and can generate significant amounts of consulting, systems integration, and application development/maintenance work. We think regulation and technology changes provide a tailwind to offshore IT growth over the next few years.
- **Strong Financial Picture with a Track Record of Returning Cash to Shareholders** – Accenture has ~\$8.1billion of cash and basically no debt. Earnings quality is high, as free cash flow has exceeded EPS each of the past 16+ years. The company pays a solid quarterly and is an active repurchaser of its stock (the company's share count has been reduced by 1-5% each of the past 12 years).

Bear Case:

- **Economic Fluctuations** – While the secular shift to outsourcing/offshoring is strong, economic turbulence can have an impact, particularly related to shorter-term, project work. During the Financial Crisis, revenue growth slowed, as clients pulled back on discretionary IT spending and overall IT budgets shrank.
- **Pace of Regulatory Changes** – A key growth driver is additional regulation, especially in end markets like Financial Services and Healthcare (where ACN has exposure). Delays or cancellations from the Dodd-Frank legislation or Healthcare reform regulations could negatively impact growth.
- **Protectionism** – Some politicians disagree with the premise of offshoring, and at times, there has been significant attention from the public and media outlets. There is risk that legislation could be introduced that would limit offshore outsourcing.

Overall Thesis:

ACN continues to have a very consistent earnings profile. This is driven by the faster-than-expected demand recovery, and Accenture's underlying business momentum, as well as robust hiring trends. We continue to remain bullish on Accenture's competitive positioning in Digital, execution track record and market share gains. We believe that the company will continue to execute fundamentally through the year.



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