

GS US TMT .. set-up into ACN ? ..

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While most of the market's focus this week has been on Mag 7 storylines (META now down YTD lower, NVDA GTC, TSLA's lack of support, AMZN & MSFT cloud debates, GOOG's Wiz acq) **and the continued leak lower in the group as the Mag 7 have seemingly lost their ballast as "*defensive*" toolkits for investors amidst this latest macro vortex** (e.g. in years past, the group traded more 'defensively' given their size, BS, cap returns, revenue visibility .. not as much at the moment) .. away from that, **in my mind, Accenture** (reports Thurs pre-mkt) **sets up as a pretty interesting print and potential pivot point to shape Tech sentiment into quarter end ...**

... two focus items here for broad IT / Tech ...

- 1. read to broader IT spending amidst growing concern amongst investors around IT Spending linearity into quarter end given the macro** (cue: [PATH](#) last week: *"There has also been a significant increase in volatility in the overall macroeconomic environment, particularly in the last two weeks. In recent discussions with customers, the external environment has created uncertainty around their budgets"*) -- **keep an eye on Accenture bookings and broad discretionary spending comments as loose sentiment read into March quarter end IT spend players** (e.g. NOW, IBM, CTSH, SAP, MSFT, types)
- 2. how to think about the dispersion in IT Services this year** (CTSH / IBM up 5-10% YTD vs INFY / EPAM / GLOB down 15-35%), **especially in the face of growing complexity** (cyclical trends, GenAI, Fed spend, FX, etc).

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Investor sentiment check into ACN .. investor sentiment tilts more negative into the ACN print this week (feels like 'beat-and-fade' is common framing amongst investors?) – mostly driven by **debates around the P/E ratio relative to organic growth visibility** (esp with tougher y/y revenue comps on the come). After a couple strong prints in a row (recall, **ACN posted a beat-and-raise last qtr, taking FY25 revs guide to +4-7% y/y cc** with a guided 50bps FX headwind) .. **debate now is if Accenture can convince investors that strong GenAI demand** (\$1.2bn in GenAI bookings last qtr) + **some cyclical greenshoots on last print** (Consulting bookings +7% last qtr) **can out-run investor concerns about a potential soft spot in spending due to mounting macro headwinds.**

What's the Setup via GIR preview ([link](#)) .. “based on recent feedback, we believe investors are increasingly bearish on the stock heading into the company's earnings report on March 20. Although we see increasing evidence suggesting that the IT Services sector is poised for recovery in 2025 following a cyclical bottom, we believe incremental macro demand risks, concerns around government spending reductions, and FX have driven incremental caution around the quarter. Given lower expectations heading into the print, we believe that if Accenture reports strong revenue results (in CC) for 2025 and raises the low end of FY25 revenue guidance, it should be enough to drive the stock higher.” - GIR

Items on the call that could move the stock .. via GIR preview ([link](#)) ..

- ❑ **3Q25/FY25 guidance** – “We expect Accenture to raise the lower end of its FY25 constant currency growth guidance, and project a revised FX guidance of negative ~1.4% for FY25 vs. the company's prior expectation of a negative 0.5% impact” (gir)

- ❑ **Bookings growth** – “The pace and mix of bookings growth in 2Q should provide more visibility into broader discretionary spending trends and the rate of outsourcing revenue conversion, and we believe that any further momentum in Consulting bookings would be viewed positively” (gir)

- ❑

- 3. **DOGE impact** – “We believe any commentary on changes to government IT spending (Accenture Federal Services accounts for ~7.5% of total full-year revenue) could be impactful for the stock.” (gir)

charts in focus

❑
Short interest ↑ .. while below the 2023 highs, the latest reported bloomberg SI data shows short interest in Accenture ticking up this year (up ~30%+ YTD, per Bloomberg chart below)



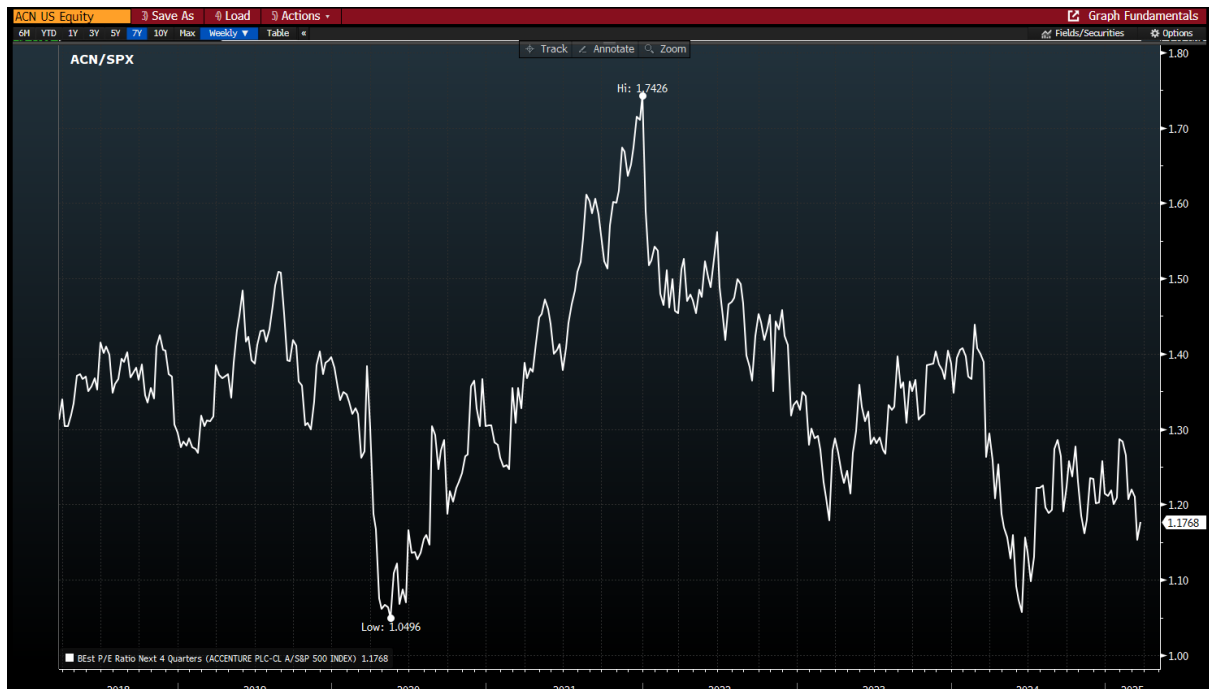
GS: GBM Public. Bloomberg. Past performance is not indicative of future results. 3.18.25.

One tenant of the Bear case has been the LACK of EPS revisions — orange line below is cons FY26 EPS revisions vs ACN stock in white (.. I suppose Bulls would argue that this is part of the bull case too – e.g. potential inflection off the lows)



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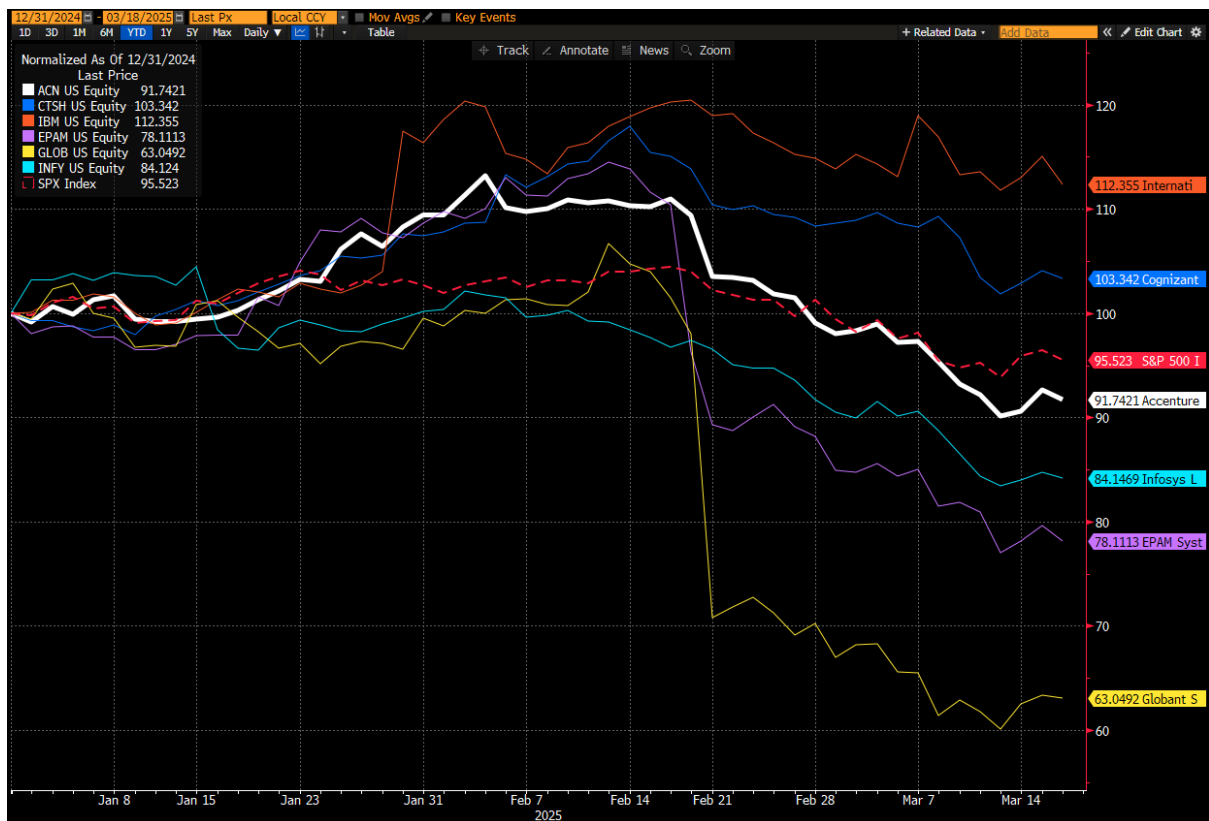
Valuation .. chart below is the relative NTM (next 4 qtr) P/E multiple of ACN vs the S&P – the current ~1.18x premium for Accenture is towards the lower-end of its multi-year range .. (though yes, this chart against MSFT or NOW, rather than S&P, doesn't look as convincing)



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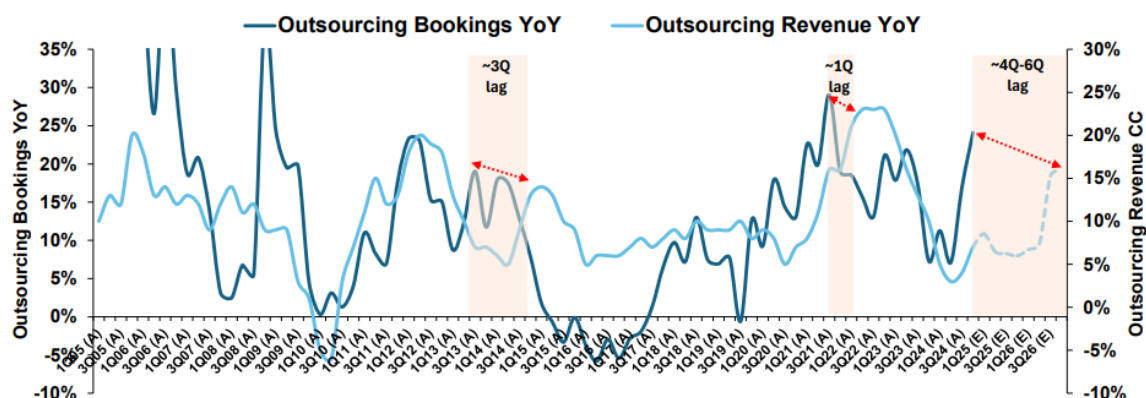
Middle of the road YTD .. in terms of stock performance, ACN (white line) has broadly been an inline performer – middle of the pack amongst IT Service peers (lagging IBM / CTSH, leading INFY / EPAM / GLOB) and inline-in with the market (down ~8% YTD vs S&P -5%)



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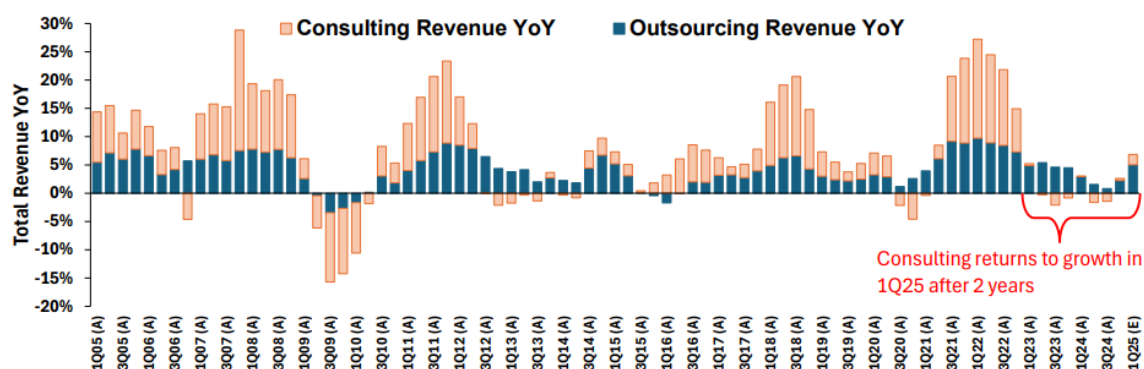
Cyclical recovery coming or not? ... GIR believes the recent run of strength in Outsourcing bookings (book-to-bill of ~1.40X in FY24 vs. 3-year avg of 1.22x) will serve as a solid baseline of organic growth in FY25. and, in turn, thinks Street numbers can move higher, mainly on the robust Outsourcing backlog and M&A contributions □with further upside if discretionary demand continues to improve ([link](#))

Exhibit 2: We expect record Outsourcing bookings to begin to translate to revenue in FY25-26



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: An early sign of returning discretionary demand, 1Q25 consulting revenues contributed solid revenue growth for the first time since 1Q23



Source: GIR. [Link](#)

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Will it be 4 in a row? .. recent earnings trends from ACN below .. options pricing in a ~6% move on earnings. stock has moved +5-7% higher (T+1) on three in a row.



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Revenue acceleration .. amidst improving IT spending and some AI optimism, consensus appears to be modeling accelerating revenue growth at ACN (2024 -> 2027)

ACN US Equity Export Settings Accenture PLC Periodicity: Quarterly Source: Standard Currency: USD													
Measure	Revenue						YoY % Growth						
	2022	2023	2024	2025	2026	2027	2022	2023	2024	2025	2026	2027	
Q1 Nov	14.97B	15.75B	16.22B	17.69B	18.55B	19.92B	27%	5%	3%	9%	5%	7%	Q1 Nov
Q2 Feb	15.05B	15.81B	15.80B	16.61B	17.73B	19.11B	24%	5%	0%	5%	7%	8%	Q2 Feb
Q3 May	16.16B	16.56B	16.47B	17.21B	18.42B	19.87B	22%	3%	-1%	4%	7%	8%	Q3 May
Q4 Aug	15.42B	15.99B	16.41B	17.06B	18.30B	19.80B	15%	4%	3%	4%	7%	8%	Q4 Aug
Year	61.59B	64.11B	64.90B	68.56B	73.02B	78.78B	22%	4%	1%	6%	7%	8%	Year
Cal Yr	62.63B	64.58B	66.63B	69.80B	74.83B	80.22B	14%	3%	3%	5%	7%	7%	Cal Yr

(Fiscal Period: Reported, Estimated)

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Oversold .. Accenture's 14-day RSI has ticked been sitting below 30 (aka 'oversold') for the last ~week ... a condition its only seen a couple times in the past (mid-2024 and Fall'22)



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Peter Callahan