

US EQUITY RESEARCH

30 Jun 2025

Accenture

AI potential + near term IT spending cuts make us neutral

Company Overview

Accenture PLC is a global professional services company that provides management consulting, technology, and outsourcing services. The company offers management consulting services in customer relationship management, finance and enterprise performance, operations, risk management, strategy, and talent and organization. Geographically, North America generates the highest percentage of the total revenue with ~47% in FY23 followed by Europe with a contribution of ~33%.

Investment Overview

AI initiatives aim to drive future growth in the long term for Accenture PLC (ACN). In June 2023, ACN announced an investment of USD3bn over three years in its Data & AI practice to help clients responsibly use AI. ACN has expanded its Data & AI practice to offer pre-built models that will help companies across 19 industries drive value. ACN has partnered with Salesforce to create an acceleration hub for generative AI (GenAI). As of 3Q25 (Aug YE), ACN had generated USD4.1bn in GenAI bookings year to date. Additionally, ACN carried out 12 acquisitions including Udacity (to scale ACN's technology, learning and training services), Unlimited (a customer engagement agency with an AI-powered data insights platform) and Gemsek (a customer experience analytics provider). In March 2025, ACN expanded its AI Refinery platform with the launch of an AI agent builder that allows business users to quickly build and customize agents.

Managed services are expected to drive revenue growth as clients continue to prioritize customer experience. ACN's managed services grew +8.9% y/y (+4.1% q/q) in 3Q25 as it continues to thrive in its cloud infrastructure management solutions. ACN offers a full spectrum of infrastructure-managed services. ACN also acquired IQT Group in Italy in 2Q25, a managed services provider, which helps utility providers build and modernize integrated electricity and water networks. Street estimates the managed services revenue of ACN to grow at a CAGR of 6.9% over FY25F-27F. According to Mordor Intelligence, the global managed services market size is expected to grow from USD260bn in 2023 to USD381bn by 2028, at a CAGR of 7.9%.

The ongoing US government crackdown on spending poses a notable risk to ACN. Accenture Federal Services (AFS), a subsidiary of ACN that focuses on providing mission-critical solutions for the public sector. While the exact impact of the government crackdown on the overall IT budget remains uncertain, there is concern that it could create a manageable headwind for ACN. The primary concerns revolve around the potential for slower sales cycles, the cancellation of existing US federal contracts, and a general reduction in government spending on services that Accenture provides. Also, other ACN's US federal contracts could be canceled, resulting in slower near-term sales cycles in the US Federal market.

Maintain HOLD with a revised TP of USD295 (prev USD315). Our revised TP for ACN is based on a PE multiple of 22x (prev 23x) 12-month forward earnings of USD8.55bn (prev USD8.63bn). The revised TP stems from (i) downward revision of consensus FY25F and FY26F earnings by 1% each, (ii) a decrease in peer average multiple from 25x to 24x. The 22x 12m forward P/E is at a 10% discount to the peer average of 24x due to consensus earnings CAGR of 7.1% for ACN over FY25F-27F compared to the peer average of 8.3%.

Risks

Negative impact on small deals is expected to remain unchanged in the near term. Contribution from the small deals to the overall revenue is expected to have been lowered due to the customers slowing down their discretionary spending. **2) The US government's spending crackdown risks impacting ACN.** ACN's Federal Services unit contributes c.8% of revenue, with potential challenges including slower sales cycles, contract cancellations, and reduced government spending, creating headwinds for ACN's near-term growth in the US Federal market.

Analyst

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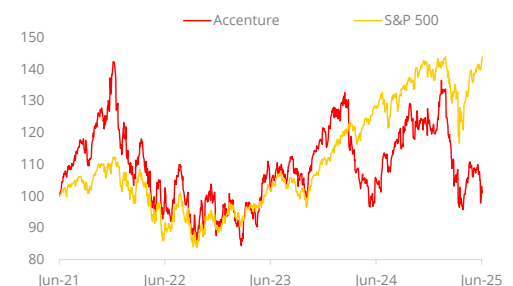
Key Financial Data

Bloomberg Ticker	ACN US
Sector	Information Technology
Share Price (USD)	296.08
DBS Rating	HOLD
12-mth Target Price (USD)	295.0
Market Cap (USDbn)	185.6
Volume (mn shares)	3.6
Free float (%)	99.9
Dividend yield (%)	1.9
Net Debt to Equity (%)	-3.0
Fwd. P/E (x)	22.9
P/Book (x)	6.0
ROE (%)	27.3

Closing Price as of 26 Jun 2025

Source: Bloomberg, DBS

Indexed Share Price vs Composite Index Performance



Source: Bloomberg

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Financial Summary

FY Dec (USDmn)	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	61,594	64,112	64,896	69,443	73,201
% y/y	21.9	4.1	1.2	7.0	5.4
Gross Profit	19,702	20,732	21,162	22,261	23,600
% y/y	20.4	5.2	2.1	5.2	6.0
EBITDA	11,455	12,154	12,202	12,978	13,672
% y/y	20.4	6.1	0.4	6.3	5.4
Net Profit	6,989	7,575	7,746	8,299	8,814
% y/y	21.3	8.4	2.3	6.5	6.2
FCF	8,823	8,996	8,615	9,347	10,565
% y/y	5.1	2.0	(4.2)	8.5	13.4
CAPEX	718.0	528.2	516.5	627.9	691.8
% y/y	23.8	(26.4)	(2.2)	21.6	10.3
EBITDA Margin %	18.6	19.0	18.8	18.7	18.7
Net Margin %	11.2	11.6	11.7	11.7	11.9
ROA (%)	15.2	15.1	14.2	13.6	13.4
ROE (%)	32.1	30.3	27.3	26.4	25.4
Tax Rate %	24.0	23.9	23.6	23.3	23.4

Source: Visible Alpha

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
P/E (x)	26.9	27.7	28.6	23.0	21.4
P/B (x)	8.4	8.0	7.7	5.9	5.3
Dividend Yield (%)	1.3	1.4	1.5	2.0	2.2
EV/EBITDA (x)	15.7	16.4	17.5	14.2	13.5
FCF Yield %	4.8	4.4	4.0	5.0	5.7

Source: Visible Alpha

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity	14.6	11.9	14.1	21.8	20.1
Net Debt / Equity	(0.2)	(0.2)	(0.0)	(0.1)	(0.1)
Debt / Assets	7.0	6.1	7.4	11.2	10.8
Net Debt / Assets	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)
EBITDA / Int Exp	242.1	255.7	206.9	56.9	67.7
ST Debt / Total Debt	0.2	0.3	0.4	0.1	0.1
Debt / EBITDA	0.3	0.3	0.3	0.5	0.5
[Cash + CFO] / ST Debt	24.3	23.4	8.5	25.2	29.1
Receivables Days	69.8	69.6	76.9	77.9	77.9
Days Payable	15.2	14.2	15.4	13.7	13.2

Source: Visible Alpha

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