



First Quarter Fiscal 2026 Financial Results

Conference Call Transcript

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CORPORATE PARTICIPANTS

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Julie Sweet – *Chair and Chief Executive Officer*

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Alexia Quadrani

Thank you operator, and thanks to everyone for joining us today on our first quarter 2026 earnings announcement. As the operator mentioned, I'm Alexia Quadrani, Executive Director, Head of Investor Relations.

On today's call, you will hear from Julie Sweet, our Chair and Chief Executive Officer and Angie Park, our Chief Financial Officer.

We hope you've had an opportunity to review the news release we issued a short time ago. Let me quickly outline the agenda for today's call.

Julie will begin with an overview of our results, Angie will take you through the financial details, including the income statement and balance sheet, along with some key operational metrics for the first quarter. Julie will then provide a brief update on our market positioning before Angie provides our business outlook for the second quarter and full year fiscal 2026. We will then take your questions before Julie provides a wrap-up at the end of the call.

Some of the matters we'll discuss on this call, including our business outlook are forward-looking and as such, are subject to known and unknown risks and uncertainties, including, but not limited to those factors set forth in today's news release and discussed in our Annual Report on Form 10-K and quarterly reports on Form 10-Q and other SEC filings. These risks and uncertainties could cause actual results to differ materially from those expressed on the call.

During our call today, we will reference certain non-GAAP financial measures, which we believe provide useful information for investors. We'll include reconciliations of non-GAAP financial measures where appropriate to GAAP in our news release or in the Investor Relations section of our website at accenture.com.

As always, Accenture assumes no obligation to update the information presented on this call.

Now, let me turn the call over to Julie.

Julie Sweet

Thank you, Alexia and everyone for joining this morning.

Apologies in advance for my voice. I am getting over a seasonal cold, and my voice is not quite cooperating.

And really wanted to start today by thanking our nearly 784,000 people around the world for your extraordinary work and your commitment to our clients, which enabled us to deliver another strong quarter.

Let me begin by sharing that we are very proud to have earned the number four spot on the Great Place To Work® list of the World's Best Workplaces™, our highest-ever ranking on this prestigious list. This recognition reflects our strategy to be the most client focused, AI-enabled great place to work for reinventors. It is especially meaningful because it is based on feedback from our people worldwide. Our ability to attract and retain great talent is one of our most important competitive advantages.

Before handing over to Angie, I will briefly highlight the value we delivered this quarter, the importance of our partnership strategy, and this quarter's strategic acquisitions.

We are very pleased with our results, as we continue executing our strategy to help our clients reinvent every part of their enterprise, reflected in our bookings of \$20.9 billion, including 33 clients with quarterly bookings greater than \$100 million.

We delivered revenue of \$18.7 billion, growing 5% in local currency at the top of our guided range with broad-based growth across markets and both types of work. And we continue to strengthen our competitive position by taking significant market share on a rolling four-quarter basis against our basket of our closest global publicly traded competitors, which is how we calculate market share.

Adjusted operating margin expanded by 30 basis points year-over-year, and we delivered adjusted EPS growth of 10% compared to Q1 last year.

We continue to invest significantly to execute our talent strategy to rotate our workforce. We have nearly reached our goal of 80,000 AI and data professionals, and our people participated in approximately 8 million training hours this quarter, with a significant focus on building advanced AI, technology, and industry skills.

Advanced AI is increasingly embedded in our large transformation programs, either enabling future enterprise use or being implemented directly as part of our solutions. Our strong leadership in advanced AI is a clear competitive advantage as clients select us to help them capture the value of this technology now and over time and to build the readiness required to adopt it effectively across the enterprise.

Momentum in the adoption of enterprise AI continues. Our advanced AI bookings this quarter were \$2.2 billion, nearly doubling from Q1 last year and also up from Q4. Revenue reached another milestone this quarter at approximately \$1.1 billion.

As we think about the advanced AI opportunity ahead, as you know, we were the first in our industry to share our bookings and revenue from advanced AI, which we define as Gen AI, agentic AI, and physical AI, and does not include data, classical AI or RPA. We introduced the metrics in Q3 FY23, just months after Gen AI burst onto

the scene, initially to size the reality of the opportunity and to demonstrate our early leadership. At that time, bookings were about \$100 million across roughly 100 projects, and revenue was immaterial.

We have measured it consistently since that time. To date, we have now delivered approximately \$11.5 billion in bookings across 11,000 projects, with revenue of \$4.8 billion.

This will be the last quarter in which we share these specific metrics. The demand for AI is both real and rapidly maturing. We've now reached a point where advanced AI is being embedded in some way across nearly everything we do, and many of our clients are focusing on moving beyond standalone proof of concept or initiatives.

We're shifting to more scaled end-to-end solutions that integrate multiple forms of AI and it has become less meaningful to isolate the data specifically for advanced AI as it does not reflect how the demand is evolving on the ground, the full scope of our AI work or the value we're creating.

Now turning to our partnership strategy.

Our partnership strategy is grounded in client demand.

Demand for reinvention remains strong with our clients continuing to prioritize larger transformational programs focused on building their digital core and driving both efficiency and growth. Technology is front and center for every client, and the 60% of our revenue in Q1 from work we do with our top 10 ecosystem partners continued to outpace our overall growth.

Given the importance of the broader technology ecosystem to our clients, we plan to continue providing insight into the role our top partners play in our growth by maintaining the metric we introduced at the end of FY25, the percentage of our revenue tied to work with our top 10 ecosystem partners and its growth relative to our overall growth, as it provides a clear view into our largest, most important partnerships.

We also plan to continue to share our partnership strategy and how we're growing new businesses with an expanded group of partners.

Most of our clients operate with a network of ecosystem partners to meet their enterprise needs. They rely on us to help integrate those partners and expect us to be the leader with the most relevant players across their enterprises, including new and emerging players.

As a result, it is important that in addition to our top 10, we work with a broad set of partners that play important roles across enterprises. Many of these support specific functions such as digital manufacturing, product and engineering, core banking and insurance, supply-chain and finance, while others are helping clients advance their AI and data capabilities.

Our partnerships are critical to our clients' reinventing all parts of their enterprises. Together, they represent meaningful opportunities for growth and further strengthen our ability to deliver comprehensive end-to-end solutions.

Over the past year, in response to client demand, we've been expanding and in some cases forming new partnerships with emerging AI and data companies and we will play a key role in helping our clients use these technologies, including creating new solutions and integrating and leveraging the synergies with their existing ecosystems. These evolving partnerships, which are laid out in our earnings presentation, are a significant competitive advantage for us.

Turning now to our strategic acquisitions.

Earlier this week, we announced an agreement to acquire a 65% majority stake in DLB Associates, a US-based leader in AI, data center engineering and consulting in the rapidly growing data center professional services market, an estimated \$12 billion addressable market expected to double by 2030. Along with our FY25 acquisition of UK-based Soben, this meaningfully expands our capital projects capabilities and presence in the high growth data center consulting market.

It also positions us to capture growth not only through the work we do with helping our clients use AI, our primary business, but also in the opportunity created by the companies building the infrastructure to power AI.

And this quarter, we also invested \$374 million, primarily in six strategic acquisitions.

We're scaling our capabilities with SIPAL, integrated product support business in Italy, which brings deep defense and aerospace engineering expertise for mission critical programs; and Total eBiz Solutions in Southeast Asia, which adds AI, cloud, and digital workplace innovation that strengthens Avanade's position in the region. And we're scaling new growth areas with NeuraFlash in the US, a Salesforce and advanced AI leader whose agentic solutions expand our reach into the mid-market. Aidemy in Japan, which enhances LearnVantage with AI learning and reskilling capabilities to help clients build AI-ready workforces, and Decho in the UK and RANGR Data in the US, which strengthen our Palantir and advanced AI capabilities.

In summary, we are pleased with how we delivered the quarter and continued to strengthen our foundation for long-term growth.

Over to you, Angie.

Angie Park

Thank you, Julie, and thanks to all of you for joining us on today's call.

We are very pleased with our first quarter results, with revenue at the top of our guided range as well as strong adjusted margin expansion, adjusted EPS growth and

free cash flow. These results reflect the execution of our strategy to be the reinvention partner for our clients. We continue to invest for long-term market leadership while delivering significant value for our shareholders.

Now, let me summarize a few highlights for the quarter.

Revenues grew 5% in local currency, reflecting nearly 4% organic growth and were broad-based across geographic markets and types of work. Excluding the 1% impact from our federal business, our revenues grew approximately 6% in local currency in Q1.

Adjusted operating margin was 17%, an increase of 30 basis points compared to Q1 results last year and continues to include significant investments in our business and our people.

We delivered adjusted EPS in the quarter of \$3.94, which represents 10% growth compared to EPS last year.

And finally, we delivered free cash flow of \$1.5 billion and returned \$3.3 billion to shareholders through accelerated repurchases and dividends this quarter. We also invested \$374 million, primarily attributed to the six acquisitions in the quarter.

With those high-level comments, let me turn to some of the details starting with new bookings.

New bookings were \$20.9 billion for the quarter, representing 12% growth in US dollars and 10% growth in local currency, with an overall book-to-bill of 1.1.

Consulting bookings were \$9.9 billion, with a book-to-bill of 1.0.

Managed services bookings were \$11.1 billion, with a book-to-bill of 1.2.

Turning now to revenues.

Revenues for the quarter were \$18.7 billion, at the top of our guided range, reflecting a 6% increase in US dollars and 5% in local currency and a foreign exchange impact of 1.4%.

Consulting revenues for the quarter were \$9.4 billion, up 4% in US dollars and 3% in local currency.

Managed Services revenues were \$9.3 billion, up 8% in US dollars and 7% in local currency, driven by high-single-digit growth in technology managed services, which include application managed services and infrastructure managed services and mid-single-digit growth in operations.

Turning to our geographic markets.

In the Americas, revenue grew 4% in local currency. Excluding the 2% impact from our federal business, Americas grew 6% in local currency in the quarter. Growth was led by banking and capital markets, industrials and software and platforms, partially offset by a decline in public service. Revenue growth was driven by the United States.

In EMEA, we delivered 4% growth in local currency, led by growth in banking and capital markets, insurance, and life sciences. Revenue growth was driven by the United Kingdom and Italy.

In Asia Pacific, revenue grew 9% in local currency, led by growth in banking and capital markets, communications and media, and public service. Revenue growth was led by Japan and Australia.

Before I move on, I want to briefly update you on the business optimization actions we initiated last quarter and completed in Q1 as part of executing our talent strategy. This quarter, we recorded \$308 million in costs, primarily related to employee severance, bringing the total for these actions over the past six months to \$923 million. Our business optimization costs impacted operating margin, tax rate, and EPS. The following comparisons exclude these impacts and reflect adjusted results.

Now, moving down the income statement.

Gross margin for the quarter was 33.1% compared with 32.9% for the same period last year.

Sales and marketing expense for the quarter was 10% compared with 10.2% for the first quarter last year.

General and administrative expense was 6.1% compared to 6% for the same quarter last year.

Adjusted operating income was \$3.2 billion in the first quarter, reflecting a 17% adjusted operating margin, up 30 basis points compared with results in Q1 last year.

Our adjusted effective tax-rate for the quarter was 23.9% compared with an effective tax rate of 21.6% for the first quarter last year.

Adjusted diluted earnings per share were \$3.94 compared with diluted EPS of \$3.59 in the first quarter last year, reflecting 10% growth.

Days services outstanding were 51 days compared to 47 days last quarter and 50 days in the first quarter of last year.

Free cash flow for the quarter was \$1.5 billion, resulting from cash generated by operating activities of \$1.7 billion, net of property and equipment additions of \$157 million.

Our cash balance at November 30 was \$9.6 billion compared with \$11.5 billion at August 31.

With regard to our ongoing objective to return cash to shareholders.

In the first quarter, we accelerated our share buybacks and repurchased or redeemed 9.5 million shares for \$2.3 billion at an average price of \$245.32 per share.

Also in November, we paid a quarterly cash dividend of \$1.63 per share, a 10% increase over last year for a total of \$1 billion.

So in summary, we are very pleased with our Q1 results, and we are focused on delivering Q2 and the year.

Before I turn it back to Julie, let me provide an update on our commercial models. Our large base of fixed-price work continues to grow and is a strong foundation for how we believe our commercial models will continue to evolve. In FY25, about 60% of our work was fixed-price, which is up about 10 points over the last three years.

This reflects the increasing role of our proprietary platforms over a long period of time and clients wanting greater certainty in cost and delivery. This is where our scale, experience, and strong financials matter.

And now back to you, Julie.

Julie Sweet

Thank you, Angie.

Starting with the demand environment, clients continue to prioritize their most strategic and large scale transformational programs, which convert to revenue more slowly, but position us at the center of the reinvention agendas. The pace of overall spending and discretionary spend in our market is at the same levels we have seen over the last year.

We are delivering strong results and taking market share in this environment because reinvention is critical to our clients, and our clients know we deliver real reinvention with real outcomes.

Let me turn to four strategic growth areas that are essential for enterprises to use technology, AI, and data to achieve these outcomes.

First, the digital core.

Cloud, data, and platform modernization remain foundational to every reinvention.

When companies tell us they want to use AI, they quickly realize that AI is only as powerful as the data underneath it. Most organizations have mountains of data spread across systems stored in different formats, often unreliable or incomplete. Before AI can create value, underlying data and the processes connected to it need to be simplified, cleaned, connected, and properly governed.

We help clients manage all their data wherever it may be and turn it into something they can access and use to make decisions, train models, and uncover insights. We modernize their data platforms and make sure the data flows securely and consistently across the business, so people can trust it and use it with confidence.

We also use AI to improve data quality at-scale. In the age of AI, data isn't just an input, it's the advantage. That's why we continue to see, at least, one out of every two advanced AI projects lead to a data project, and we're the partner that helps our clients unlock it.

For example, Essity, a global leader in hygiene and health is making advanced AI, including agentic AI, core to how they run their business, starting with procurement and finance, setting the foundation for company-wide reinvention. We are helping Essity build a cloud-based data and AI platform that combines Accenture's deep industry and functional expertise with our ability to scale advanced AI. We're starting in high volume parts of the business, processing hundreds of thousands of purchase orders a year—the opportunity for double-digit productivity gains is strong. This foundation positions Essity to move decisively beyond pilots and reinvent end-to-end processes, unlocking new pathways to value and long-term growth.

Security remains one of our fastest growing businesses, growing very strong double-digits this quarter. As cloud, data, and AI connect more of the enterprise, the threat landscape expands quickly. We are using AI to detect threats earlier, respond faster, and simplify complex environments. Companies cannot scale AI unless they can do so safely, and this continues to be an important growth engine.

Building on our long-standing relationship, we are partnering with one of Saudi Arabia's leading financial institutions to build a robust internal cyber defense capability that is designed to protect the bank, meet rising regulatory expectations, and enable the launch of modern sustainable digital services. We help the bank move from limited visibility to a far more advanced security position, expanding threat detection, reducing incident response times, and are helping to improve their national cyber maturity scores. We are also helping the bank achieve full regulatory audit readiness, a critical requirement for trust and future growth. Now, with Accenture's deep cybersecurity expertise, we will bring in specialized talent, strengthen governance, and help with upskilling to accelerate their progress. With the stronger foundation and the internal capability to maintain it, the bank can now introduce new services with far greater confidence and is well-positioned for its next phase of innovation.

Accenture Song grew mid-single digits this quarter. Song continues to help B2B and B2C clients drive growth by improving how they connect with and shape the

customer's experience, the marketing that first reaches them, the website or store where they buy, the service when they need help and the digital products they use every day, by bringing together design, creative, data, technology, and industry expertise to reinvent marketing, commerce, service, and digital products.

One example is our partnership with Virgin Media O2, one of the UK's leading telecom providers, where we didn't just modernize technology, we worked together to transform the entire customer experience and how work gets done. By rebuilding their digital core and embedding advanced AI, nearly 10,500 service agents now work on a unified cloud platform with connected data and workflows. More than 300 customer journeys have been redesigned, simplifying processes and bringing the full customer context into a single view. These changes are helping agents resolve issues faster and more accurately, contributing to a 35% increase in net promoter scores in some areas and same-day resolution, improving from approximately 65% two years ago to nearly 90% today. A cultural shift is also underway with upskilling teams to enhance their customer-first mindset, turning service calls into opportunities to improve customer loyalty and trust. This kind of change takes strategy, process, and talent working in sync with Accenture Song bringing it all together to design experiences that resonate at-scale so that Virgin Media O2 can drive innovation and set a new benchmark for customer service excellence.

We also continue to grow in the core value chain of many industries through our Industry X offerings, growing mid-single-digits this quarter. Manufacturing and engineering remain early in their digital transformation journeys. Digital twins, predictive analytics, robotics, and other AI-enabled technologies are creating new levels of efficiency and resilience.

Those same strengths are now propelling our capital projects work, where clients need us to design, build, and commission critical infrastructure and extend Accenture deeper into their core value chains.

Take North America's transit sector. Agencies are facing mounting pressure to modernize aging infrastructure and meet growing ridership needs, efforts that require delivering multi-year, multi-billion-dollar capital programs.

Partnering with one of the largest public transit agencies, we're applying our infrastructure and capital projects expertise to help transform how these critical programs are managed, spanning a vast network of subway stations, maintenance facilities, bus garages, and administrative offices. By bringing together multiple data sources across their construction portfolio, we are helping to enable more informed decision-making, supported by rigorous project controls, advanced scheduling, cost and risk management and safety, and financial oversight to improve efficiency, transparency, and forecasting, just as we do in manufacturing. As a result, the agency is strengthening its daily transit operations and supporting safer, more reliable service for millions of riders.

Now, let me share how we're seeing demand evolve with the work we're doing in advanced AI.

It is early innings, which means there is significant opportunity ahead. Technology is rapidly evolving, while enterprise adoption at scale is nascent, demand continues to grow, and IDC estimates that the total addressable market for advanced AI is expected to grow more than 40% through 2029 from roughly \$20 billion today to over \$70 billion.

We are seeing a steady increase in demand. Over the last nine quarters, we've seen about 100 incremental clients initiate advanced AI projects with us each quarter, but most have a lot of work to do before they will be able to scale across the enterprise, and it is still a relatively small part of our client base—over 1,300 clients to date out of 9,000. So we see lots of opportunity to help those who have initiated and to expand in our existing clients, as well as attract new clients.

Clients increasingly understand that advanced AI is not a quick fix. Adopting it successfully requires foundational work to deliver P&L impact and other critical outcomes. This is why our clients and the broader ecosystem are turning to us to help bridge the gap between powerful technology and achieving real, measurable results.

The real opportunity is not proving AI works. It is making it work everywhere. Scaling AI means working with all forms of AI and means embedding it across critical processes so it transforms outcomes.

For example, we are partnering with Bristol Myers Squibb, a global biopharmaceutical leader, to transform how therapies move from discovery to market by embedding AI at scale across the organization. Drawing on its deep life sciences experience, BMS is using AI to accelerate innovation and expand its impact for patients.

We are also establishing early leadership in agentic AI with the scale of our deployments, working across the ecosystem. We've built an extensive library of over 3,000 reusable agents, reflecting our deep industry and functional expertise. These agents have been used in real client environments, giving us a unique foundation of proven solutions to help clients move faster and with more confidence.

Over to you, Angie.

Angie Park

Thanks, Julie.

Now, let me turn to our business outlook.

For the second quarter of fiscal '26, we expect revenues to be in the range of \$17.35 billion to \$18.0 billion. This assumes the impact of FX will be approximately positive 3.5% compared to the second quarter of fiscal '25. Our Q2 guidance reflects an estimated 1% to 5% growth in local currency, including about a 1% impact from our federal business.

For the full fiscal '26, based upon how the rates have been trending over the last few weeks, we continue to assume that the impact of FX on our results in US dollars will be approximately positive 2% compared to fiscal '25.

For the full fiscal '26, we continue to expect revenue to be in the range of 2% to 5%, growth in local currency over fiscal '25, including an estimated 1% impact from our federal business. Excluding the impact of federal, our revenue is expected to be an estimated 3% to 6%.

This year, we continue to expect an inorganic contribution of about 1.5%, and we continue to expect to invest about \$3 billion in acquisitions this fiscal year with the potential to do more.

For adjusted operating margin, we continue to expect fiscal year '26 to be 15.7% to 15.9%, a 10 to 30 basis point expansion over adjusted fiscal '25 results.

We continue to expect our annual adjusted effective tax rate to be in the range of 23.5% to 25.5%. This compares to an adjusted effective tax rate of 23.6% in fiscal '25.

We continue to expect our full-year adjusted diluted earnings per share for fiscal '26 to be in the range of \$13.52 to \$13.90 or 5% to 8% growth over adjusted fiscal '25 results. Due to slightly higher business optimization costs in the quarter, which were \$58 million above our original Q1 estimates, we now expect GAAP EPS of \$13.12 to \$13.50.

For the full fiscal '26, we continue to expect operating cash flow to be in the range of \$10.8 billion to \$11.5 billion, property and equipment additions to be approximately \$1 billion, and free cash flow to be in the range of \$9.8 billion to \$10.5 billion. Our free cash flow guidance reflects a very strong free cash flow to net income ratio of 1.2.

We continue to expect to return at least \$9.3 billion through dividends and share repurchases, an increase of \$1 billion or 12% from fiscal '25. Our Board of Directors declared a quarterly cash dividend of \$1.63 per share to be paid on February 13, a 10% increase over last year. We remain committed to returning a substantial portion of our cash generated to our shareholders.

With that, let's open it up, so that we can take your questions.

Alexia?

Alexia Quadrani

Thanks, Angie.

I would ask that each keep to one question and one follow-up to allow for as many participants as possible to ask a question.

Operator, would you provide instructions for those on the call, please?

QUESTIONS AND ANSWERS

Tien-Tsin Huang, JPMorgan

Hey, thanks so much. Julie, I appreciate your comments on scaling AI and how it's not a quick fix. So, I did want to ask or maybe comment that we've noticed a bit of a shift in how people view the consulting industry's role in AI. Do you agree with this, Julie? And if so, why now? What's driving the change? And are you seeing any impact on business activity as a result of that?

Julie Sweet

Thanks, Tien-tsin. Yes, we're absolutely seeing the shift, and it's really because of what we've been saying for a while, right? Enterprise AI is fundamentally different than consumer AI. Consumer AI adoption is instant, right? In the enterprise, you can't adopt it unless you have the right security. You've done the right work around processes, and most companies have fragmented and siloed processes. You have to have the right data, and most companies have mountains of data with a lot of issues in the data, and we call it--they have processed debt, they have data debt, and of course, they need a modern digital core. And that's why so many companies are still early in the journey.

Our clients are convinced AI is going to be a very important part of their future, and it's going to allow them to unlock brand new value. And that's why they're coming to us, because now they want to actually get there. And that's the foundational work that's driving our business. And then when you look at our bigger deals over the last quarter, for example, you see that advanced AI is a bigger part of those deals, but you also see that it's both growth and cost because clients are not only fixated on the productivity side, you cannot cut your way to growth. And in this market, they need to find more growth. And this is where our strength really comes in, and that's why we're delivering strong quarters, right? We have great momentum this quarter because we can help them on the growth agenda and the cost agenda. And we're so critical with our ecosystem partners, we understand where the technology is and where it's going. And you saw that again this quarter with our growth with our top

10 ecosystem partners outpacing overall, and then of course, some exciting new partnerships.

Tien-Tsin Huang, JPMorgan

All right. Perfect. And sort of a related question, you mentioned the partners. I'll ask around these AI partnerships. You announced a bunch—Anthropic, OpenAI, Snowflake, et cetera. Just how might these partnerships on the AI front be different than other tech ecosystem partnerships in terms of, we think about time and productivity or investments to certify personnel to scale it up, et cetera? Just your thoughts on that and how quickly might these AI partners get to the top 10 on the partner front? Thanks.

Julie Sweet

Well, first of all, the partnerships really demonstrate our talent advantage. So we've got decades of experience in being able to learn new technologies, skill people—who else could have hundreds of thousands of people, helping our biggest partnerships continue to grow incredibly well and be able to dedicate and commit 30,000 people here, et cetera. So, I think that's a really important part of what you're seeing with us in our growth and our ability to grow into new areas is that we've got this foundation of great talent and the ability to upskill. And look, we are expanding in these partnerships because of what we see in client demand. But our clients have an ecosystem of partners, and the role that we play is to be -- we really try to be number one with all of the partners so that we can help our clients integrate and use these new technologies with their existing ecosystem, which is absolutely critical to them. So lots of excitement. The market is expanding, and we're going to grow with that market.

Tien-Tsin Huang, JPMorgan

Thank you.

Jason Kupferberg, Wells Fargo

Hey, thank you, guys. Good morning. I actually wanted to pick-up where Tien-tsin just left off. I was curious as a follow on regarding these big partnerships in the AI world. When do they start moving the needle on revenue in your view? It's obviously critical to lay the foundation right now, but is this a next 12-month dynamic where we can start to see it showing up in the P&L perhaps, or is it longer dated? And then I have a follow-up. Thanks.

Julie Sweet

Jason, what I would say is these partnerships are part of an ecosystem for our clients. And so it's-- I think more about the market itself, right? So our enterprise adoption is dependent on clients. These partnerships are all about enterprise adoption. So, I would focus more on how the market and enterprise adoption is going as opposed to -- specifically because we can scale as fast as needed. And that is -- our expectations there are reflected in our guidance.

Jason Kupferberg, Wells Fargo

Okay. Understood. And then I wanted to pick up on your comments about the increased adoption of the fixed-price work, because I think it ties in with a trend we've been seeing in your numbers where revenue growth is outpacing headcount growth pretty materially and consistently. So do you feel like that trend is sustainable? And what's really driving that because we've all been talking about non-linear revenue growth for a very long time and it seems like Accenture is now actually starting to see it.

Angie Park

Hi, Jason, good morning. It's Angie. Let me take that.

Jason Kupferberg, Wells Fargo

Hey, Angie.

Angie Park

Hi. We're really pleased with our revenue per person this quarter, which did grow 7%, which is really primarily driven by our talent rotation. We're now hiring, as we shared with you last quarter, we're hiring for the new skill. And so we expect that revenue per person growth to moderate over the course of the year and that will go up and down really based upon when we bring people in.

Julie Sweet

And Jason, just to add on, though, you're right, though, the sort of revenue and headcount--that sort of breakage has been going on though for a long-time. It really goes back all the way to the introduction of RPA. So we'd expect that to continue, but it's not tied exactly, as Angie said, to like what's happening quarter-to-quarter.

Jason Kupferberg, Wells Fargo

Thank you, guys.

Julie Sweet

Thanks.

James Faucette, Morgan Stanley

Thank you so much. I want to follow up on a couple of themes that have been said by Tien-tsin and Jason. First, back on AI and those bookings, I appreciate that those are -- AI is becoming integral to all of your engagements, and so maybe declining specific bookings, et cetera, on a go forward basis makes sense but how should we think about like the mix between what we could think of as proof-of-concept type engagements versus going into full production? And any color you can give on the types of projects that are moving to production, whether that be by industry or type, et cetera?

Julie Sweet

Sure. Great question. So first of all, one of the things that I think is important to understand is that people have moved ahead away from just thinking about models, right? It's about models embedded in solutions, and most of the solutions involve different kinds of AI, right? So if you have classical AI or RPA that is 100% accurate, right, depending on what you're using, you really have to understand all of that. And that's what the clients are looking to us for is to bring them more solutions, which is why our partnerships are really important, and our understanding of the industry and the function is so important. So if you're doing something in banking, which is one of the industries where there's a lot going on in advanced AI, know your customer, and compliance. The solution they're looking for, you have to understand the actual compliance, how it works across the bank. And that's really the importance now—you're seeing that people get that these are about solutions, it's about really understanding operations, and that's what we're bringing. If you look at sort of where things are scaling into production customers, so a lot of customer service, and I gave one of the examples today on the call with Virgin Media O2, you're also seeing areas like finance and procurement.

And so these are areas where you've got good technology readiness. We have a lot of depth of understanding here, and you can move relatively quickly because it's using a lot of usually pretty good data. We see a lot of value coming and being embedded in the core value chain, the grid and utilities, right? Pharma and R&D, but those are the harder areas to crack. And so, it's still pretty early in terms of scaling, but that kind of gives you a flavor for it. And so, any of the industries that have a lot of customer service are there, banking has been one of the lighthouses, insurance to some extent already. But one of the things I tell my clients is that in every industry, unlike prior ways of technology, there are leaders in every industry who already had strong digital core's who are leapfrogging. It's very different than cloud, where you

had some industries, like say energy lagging behind for quite some time; it's quite different this time, and that really plays to our strengths because we have that diversity of industry expertise, and our clients look to us to really bring it across-the-board.

James Faucette, Morgan Stanley

That's great. And then as a follow-up, you mentioned and talked a little bit about the revenue per head and the evolution there. One of the questions that we get from investors a lot is around pricing, particularly on a like-for-like basis, and how that may be evolving and how we should think about the puts and takes there, especially as it relates to your margins and margin growth objectives? Thanks.

Angie Park

Hi, James. So as it relates to pricing, so just overall, I think you have to look at it in totality. And so, as you think about our pricing, one of the things, and we've been seeing, and it's early, but we're seeing pricing improve in several parts of our business. And as you look, one of the things that we're super pleased about is that our contract profitability--we're starting to see some of that improved pricing show up in the P&L, and we saw that this quarter. So, we are really pleased with that, and it's really about balancing those components.

Bryan Keane, Citi

Hi, guys. Good morning. I wanted to ask about discretionary spend. We're all waiting around for a while here for that to come back. I'd just be curious to know, how you're thinking about that heading into next year, conversations with clients, and should we be hopeful that discretionary spend comes back at the turn in the calendar year?

Julie Sweet

All right, Bryan. I'm not waiting around for it to come back, okay. So just to be clear, we have not been waiting around coming back. So, I know you guys are, but we're delivering our results despite it because we really -- at this point, we haven't seen a change in the market. And when you look around, like we're all reading the same thing, we saw what came out in the US this week on jobs. There isn't some catalyst out there where we're saying that's the catalyst that's going to change confidence or change industries. Look, we work across industries. Every industry right now has got a different set of challenges with a lot of these big macro trends. And so, we're not having conversations today that would suggest that there's a big -- going to be a change in discretionary spending. But what the conversations we are having though is, CEOs who are just like Accenture, they're very resolute that they have to deliver results despite the market. And that's why we're focused on pivoting the way we're spending. We're focused on doing the large transformational deals and then being at

the center so that when we hopefully do get tailwinds, we're there to really benefit from them. But we're not seeing a catalyst. We'd love to hear it if you guys are in the external environment and our conversations haven't changed, but people are-- they're going to deliver despite that.

Bryan Keane, Citi

Got it. And then just as a follow-up, that 60% of work being fixed-price is above industry norms. And you guys have been working on that forever, and that's pushed up 10 points in the last three years. How do we think about the -- as AI becomes a bigger piece of that -- can that number get up to 70% or 80%, and just a little bit of how that pricing works with productivity, how do you pass on some savings and keep it yourselves? Thanks so much.

Julie Sweet

Well, one of the things that I think, as you think about our positioning in the market, is that these fixed-price deals really are about our clients having confidence that we can deliver outcomes. And to do that, you've got to have our scale, our experience, our strong financials. And so we see that it is a real competitive advantage in this market where clients cannot simply experiment, they can't take a flier. They have to know that when they're investing with a partner, they're going to deliver results. And that's why we tell the market now, you know, continue, we're taking market share because of that. So I can't predict exactly. I mean, I think commercial models are going to continue--we believe they're going to continue to evolve, and we've got a really strong foundation for that. And we are starting to see more focus on trying to get to outcome-based. So I think more to come in the models. But it really speaks to the underlying strength of our business.

And then with respect to pricing and passing it along to our clients, remember: this has been a business model for the industry, really all the way going back to the introduction of technology in RPA, right, where we're signing contracts that depend on our use of more technology over time to provide productivity. And so, that's still the commercial model of the industry right now.

Bryan Keane, Citi

Got it. Thanks for taking the questions.

Bryan Bergin, TD Cowen

Hey guys, good morning. Thank you. I wanted to ask on the growth side. So, just really the moving parts as you consider the fiscal '26 growth outlook from here. So you affirmed the 2% to 5% after a solid 1Q at the top-end, 2Q looks largely as expected, yet the federal headwind is actually a bit less than the lower -- than the

prior range. So it sounds like demand is broadly consistent. So the question is what may have precluded a low-end raise just considering that low-end raise had deterioration assumed before. Just curious, is there anything incremental there or just ongoing uncertainty, and just prudent approach just given this early in the fiscal year?

Angie Park

Hi, Bryan, good morning. So look, as we think about, we just had a really strong print in Q1. We had strong bookings two quarters in a row. We can see the backlog from our large deals. We've got a solid pipe. And so our 2% to 5% really reflects what we see going for the remainder of the fiscal year: we've got three quarters left, and it's our best view, and we were really pleased that federal came in a bit better than what we had anticipated, which is the strength of the work that they do.

Bryan Bergin, TD Cowen

Okay, understood. And my follow-up is on Song. So I heard the mid-single-digit growth that sounds consistent here, which is good. I wanted to dig in, and I appreciate the detail you gave in the slides. Can you just talk about the implications for Song growth? Just looking ahead, just you consider recent advances in models like Sora, there's a perception that enterprises can do more of this themselves or just the cost of such services will see material deflation. So how do you navigate that type of a backdrop going forward?

Julie Sweet

Sora is a great example of something we embrace and are helping our clients embrace because what Sora does is help them accelerate production, and so it's like a really good tool, but it's just a tool, right? So what Accenture does is say, how do you use these tools to actually get productivity differently, to more importantly, create the right new products and the new experience. And that's why one of the things I was mentioning earlier was that if you look kind of at our largest deals this quarter, a big proportion of them have customer and customer service in it because clients need growth. And the tools are just a productivity piece. They're not what you can do to -- how do you actually respond to social media sentiment in an hour, which is what we can do in our operations around marketing, for example. So we see Song as critical because, again--can't cut your way to growth, the market is not getting better overall for our clients, and they're really turning to us to find the new ways and to help them use these tools in the meantime to get more productivity.

Bryan Bergin, TD Cowen

Makes sense. Thanks and happy holidays.

Darrin Peller, Wolfe Research

Thanks, guys. Julie, what is the revenue opportunity look like at a client that has done all of the digital core work required to get effectively leveraging AI as much as you'd like to see? And then maybe just a quick follow-on would be just around Managed Services opportunity and what that looks like. Really trying to get a sense if you have any customers that are really at that stage that you can give us examples of whether it's a net increase to revenue and the opportunities you have in different services that could help a client out that has a digital core ready?

Julie Sweet

Darrin, it's a great question. And what we're seeing is it's really expanding our work. So think about, you built the digital core. And of course, just keep in mind, there's still a lot to do in the digital core because there's so much new opportunity and new ways of thinking about data, for example, than if you built your data foundation a few years ago. So there's still a fair amount of work to do even if you've got a pretty modernized digital core. But the real work, and this is why I think it's so important to understand how you adopt AI, is that you have to then change the processes, you have to upskill your talent, right? One of the things I talk to CEOs a lot about is that if someone comes to you and says, "Here's how we do something today. Now we're going to use AI", and there isn't a big change, then they're not going to get value. And most of the work today has been around, sort of, isolated areas. It hasn't been across the enterprise. And so what you're seeing is--we talked a little bit also about this last quarter--this inflection point where you've got now clients saying to us, "Okay, we have to do this across the enterprise. How do we think differently, like how do we put marketing and sales and service together?" And they used to be in different functions. What does that mean and for the use of AI?

So the actual rewiring is a huge amount of work. And remember, the technology today, like it's great in some parts of the enterprise. But like if you think about manufacturing or engineering, where we've been investing for decades, it's still early in the digitization journey, even for those who have a core. So, we have lots of great examples and that's why I talk about it to our clients, look, where people have already invested a lot, they're investing with us now to try to leapfrog and that's where we are so different because we're tech, but we have the industry and the functional and the process and the change management, which is what unlocks the enterprise AI. So we really see a big opportunity over the next decade.

Darrin Peller, Wolfe Research

That's great. That's really helpful. just very quickly, following the business optimization, what is your headcount? What should we expect from headcount or

your headcount strategy for the remainder of the year now? Thanks again, guys, and happy holidays.

Julie Sweet

Thanks, Darrin.

Angie Park

Thanks, Darrin. I'll take that. So as it relates to our headcount, look, we expect to -- we're doing our talent rotation, and we expect to increase our headcount throughout the year in the US and in Europe. So you should see that come through for the remainder of the year.

Darrin Peller, Wolfe Research

Okay. Thanks again.

Kevin McVeigh, UBS

Great. Thanks so much and congratulations on the results. I think you had mentioned that advanced AI is 1,300 of your 9,000 clients, and that implies about 14% versus the 6% revenue and 9% bookings. Should we use that in terms of a leading indicator of goalposts of what the revenue and bookings should scale? And if that's the case, any sense of that 14%, how that scales over time, just as we're thinking about the adoption rate?

Julie Sweet

The way I would really just think about it, so it's not meant to be some new metric in that way. What it's really showing you is just how rapidly it's moving--100 clients initiating a quarter, and that it's at the same time, really, really early, right, when you think of our whole client base. But I wouldn't start now creating like kind of a new metric in that, it's just too early to start drawing those correlations, but I'm trying to give some insight into like kind of where is the market right now.

Kevin McVeigh, UBS

That's super helpful. And then just real quick, the 17.3% margin. I mean I went back, I think that's the highest Q1 you've ever had. Is that a function of the efficiencies and again, the fixed pricing? And how should we think about the margin trajectory of the business maybe a little bit longer term, to the extent you can comment on that?

Angie Park

Yeah, hey, Kevin. We're really pleased with the 30 basis points of op margin expansion that we posted this quarter, which was in-line with our expectations. And certainly, our operating margin is affected by the level of investments that we do throughout the year. And so we're really pleased that we're reconfirming the 10 to 30 basis points for the full year. As it relates to EPS, I do want to make one point -- really pleased with the 10% growth that we posted this quarter, strong operational results, op margin expansion as well as gains on investments. But there's one thing that I do -- there's two things that I want to call out as it relates to Q2 specifically, for your awareness and how we're thinking about it. First is that we expect our tax rate in Q2 to be above our full-year guided range due to the tax impact of equity compensation. And then, second, is that we had higher gains on investments in Q2 of last year, and we don't expect the same for this year. But importantly, there's no change to our overall adjusted -- our full-year guidance for adjusted op margin, tax or EPS. This is really timing.

Alexia Quadrani

Thank you. Operator, we have time for one more question, then Julie can wrap up the call.

David Koning, Baird

Yeah. Hey guys, thanks so much. The Health and Public Service growth was sequentially, I think, up 7%, the strongest or I think the second strongest in 12 years, so very, very good. Is a lot of that just the federal spending headwind dissipating from Q4 into Q1? Was that a lot of it? Or is it just underlying health and federal spending just getting better than normal?

Angie Park

Hi, David, good morning. So, as it relates to our health and public service, really, we saw strength in -- we told you about federal, and we know that, and that came in better than we expected. And then the second component is the strength that we're seeing in EMEA and Asia Pacific: really strong, well positioned in terms of that business for us.

Julie Sweet

And keep in mind, that's where we've been investing over the last few years, including in acquisitions, and you're seeing those investments pay off.

David Koning, Baird

Great. Thank you. Happy holidays.

CONCLUSION

Julie Sweet

So thank you, everyone. In closing, I want to thank our shareholders for your continued trust and support. I want to thank all of the people who do this work every day, all of our reinventors around the world. I hope everyone has a very safe and happy holiday season. Thank you for joining today.

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