

## TECHNOLOGY & INTERNET

16 December 2021

### Significant jump in FY22 growth guidance

- **Accenture (ACN; Y/E Aug) reported record YoY growth of 27% CC. Deal wins stood at record USD16.8bn.**
- **Outsourcing growth strong at 21.1% YoY USD; bodes well for Indian IT counterparts.**
- **FY22 guidance raised by 7pps from Q4FY21 to 19%-22%. The significant guidance jump indicates robust demand environment**

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**Broadbased growth acceleration:** ACN reported 27% YoY growth in local currency, its highest ever YoY growth in a quarter and marked a significant beat on its guidance range of 18-22%. Outsourcing and consulting grew by 21.1% and 32.5% YoY respectively. This was ACN's strongest ever outsourcing growth which heralds positive news for Indian IT peers.

Among verticals, growth was led by superior traction in communication-hi-tech and products which were up by 32.2%/ 33.6% YoY USD. Financial services vertical was up 24.4%. Growth was broad-based across verticals with all geographies registering 26-28% YoY USD growth. ACN invested USD1.7bn in acquisitions in Q1 and plans to invest USD4bn in FY22.

**Robust demand environment:** All clients are going for core digital transformation and selecting strategic technology partners. Technology is the single biggest driver of change, with companies now adopting compressed transformation (the transformation is also getting sped up) enabled by cloud and SaaS platform. This has also helped in improved pricing in recent deal wins.

**FY22 guidance raised:** ACN raised its FY22 revenue growth guidance from 12%-15% USD in Q4FY21 to 19%-22%, which is a big jump. This was on the back of record deal wins of USD16.78bn, up 30.1% YoY. Q2FY22 revenue guidance was pegged at USD14.3-14.7bn. ACN saw 20 clients with >USD100mn in booking in Q1FY22. TTM bookings were up outsourcing and consulting bookings were up by 42.3% and 17.3% YoY. Pipeline continues to be robust after record deal bookings.

**Attrition cools down:** Supply pressure continued as Accenture added 160,037 employees YoY. However, attrition tapered down for the first time in last six quarters and declined 2pps QoQ to 17%. ACN's senior management attrition is also low vs. peers. Utilization was flat QoQ at 92%. ACN completed its recent promotion cycle wherein it promoted ~90,000 employees across the world and chartered satisfying career paths for employees to control attrition. This indicates a positive readthrough for supply crunched Indian peers.

### Recommendation snapshot

Ticker	Price	Target	Rating
AFFLE IN	1,086	1,390	BUY
COFORGE IN	5,355	6,680	BUY
ECLX IN	2,244	2,880	BUY
HCLT IN	1,160	1,440	BUY
INFO IN	1,772	2,000	BUY
INFOE IN	5,512	7,700	BUY
INMART IN	7,130	8,430	BUY
JUST IN	812	1,190	BUY
LTI IN	6,840	7,980	BUY
MPHL IN	3,210	3,510	HOLD
MTCL IN	4,591	3,390	SELL
PSYS IN	4,504	4,170	HOLD
TCS IN	3,582	4,630	BUY
TECHM IN	1,653	1,890	BUY
WPRO IN	644	840	BUY

Price & Target in Rupees | Price as of 16 Dec 2021



### Other key highlights:

- The compressed digital transformation has led to ACN gaining 15 diamond clients (largest clients) in Q1FY22 vs. 13 diamond clients added in FY21.
- ACN's cloud business is USD12bn business. Cloud is the enabler; data is the driver and AI is the differentiator in the process of current digital transformation.
- Approximately, ~30% of workloads have moved to cloud.
- Industry x: Work of supply chain is multi year. Manufacturing is expected to be the next biggest transformation opportunity.

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**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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