

# ANNEX BULLETIN

Annex Bulletin 2006-45

December 21, 2006

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Updated 12/21/06, 7:30AM PDT, adds [Market Update...](#)

### *Analysis of Accenture's First Quarter FY07 Results*

# "Excellenture" Excels Again

## *Accenture Is on a Tear, Smashing New Records in Many Business Categories; Revenues Up 14%, Profit Up 32%*

SCOTTSDALE, Dec 21 - The company we dubbed "Excellenture" a year ago, has exceeded its own excellence again. First quarter revenues of its fiscal 2007 surged 14% to a new quarterly record of \$4.75 billion. Net profit is up 32% to \$284 million. Earnings per share are up 28%. Operating income is up 19%. Operating margin is up. New bookings tied the previous first quarter record (from a year ago). The company set record revenues across all geographies and its five operating groups. And so on...

In other words, Accenture is on a tear. And now, writers and analysts are running out of unused superlatives. Here's, for example, what we said

about the company's first quarter of FY06:

*HONOLULU, Hawaii, Jan 5 (2006)* - "It doesn't get much better than this," we said about Accenture's last report card (see "[A Whopper Quarter](#)," Oct 2006). And then it just did. Accenture outdid itself again after the markets closed today (Jan 5, 2006). Maybe the company should rename itself Excellenture? ☺

(An excerpt from "[Accenture Excels Again](#)," Jan 2006)

And now, the company has beaten all those milestones again. No wonder Wall Street also liked what it was seeing, especially after Accenture lifted its fiscal full-year profit forecast to a range of \$1.80 to \$1.85 a share, up from a previous estimate of \$1.77 to \$1.82 a share, and the Wall Street consensus of \$1.83 per share.

Accenture's stock jumped 2.3% to \$35.90 in after-hours trading Dec 20, following the release of its latest results, after rising 1.4% in regular session (see chart to the right). That's another all-time new record. And in this morning's pre-market trading the stock is up more than 5% to \$36.88.



**Accenture outperforming S&P index; its IT peers (IBM, HP...)**

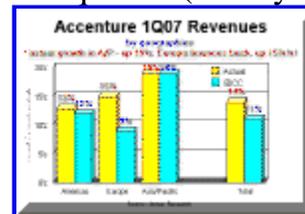
Which means that the company's share prices have risen faster than any of its peers in the last six months, almost tripling the growth rate of the S&P Index (the 500 largest U.S. companies - see above chart).

For once, the stock market and the company fundamentals seem to be in synch (also see "[Hedging the Bets](#)," Dec 2006). Naturally, Accenture executives were pleased with the results they had just reported.

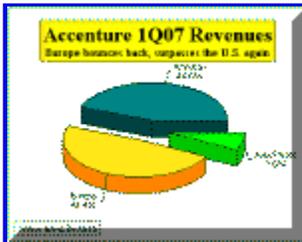
"We had a tremendous first quarter, Bill Green, the CEO said in a statement. He added later, during the post-earnings conference with analysts, that he especially attributed such success to "consulting capabilities that are second to none," and to Accenture's "global delivery that sets us apart" from the competition.

## Business Segment Results

**Geographies.** All Accenture business segments in all geographies and horizontal activities grew in the latest quarter. Europe made the most spectacular recovery, going from a decline in the previous quarter (mostly due to the termination of the British NHS project), to a double digit (+15% to \$2.3 billion) surge in the last three months (see the chart on the right).



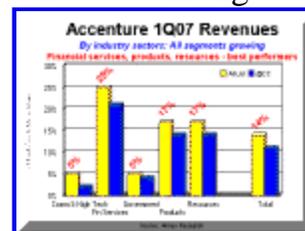
This means that Europe has now again leapfrogged



over the Americas region in absolute size (see the chart on the left). But the Americas region also reported double digit growth, with revenues up 13% percent to \$2.1 billion.

Meanwhile, the Asia Pacific unit continues to top the revenue growth charts, rising 19% in the latest period to \$361 million, after surging 26% in the previous quarter.

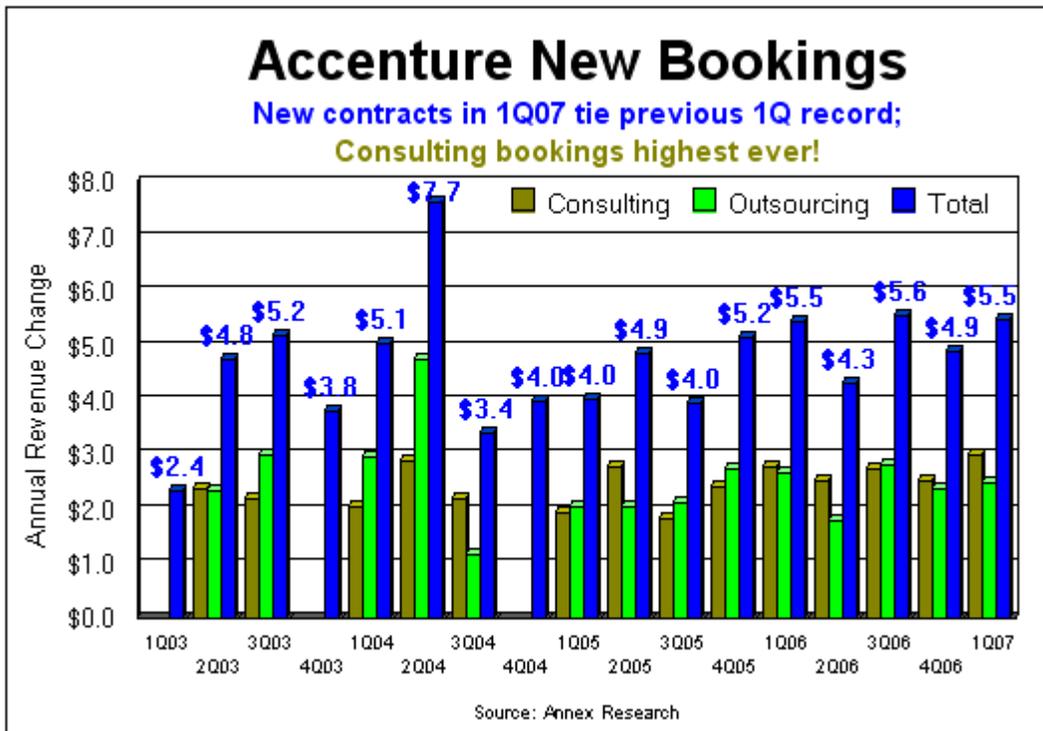
**Industries.** The financial services sector was again the best among Accenture's five industry units, surging by 25% to \$1.1 billion. Products and resources also grew in double digits (+up 7% each, to \$1.2 billion and \$763 million respectively).



Communications & High Tech (\$1.1 billion) and government (\$628 million) grew by five percent each.

**Horizontal.** Both of the company's two horizontal activities - consulting and outsourcing - grew in double digits. Consulting revenues were \$2.9 billion, up 13%, while outsourcing business surged 16% to \$1.8 billion.

**New Bookings.** Accenture's new bookings in the first quarter showed the reverse pattern. The company did better in consulting than in outsourcing. Which bodes well for balanced future growth. Of the \$5.5 billion new business that the company closed in the quarter, consulting bookings accounted for \$3 billion, or 54% of the total, while outsourcing contributed \$2.5 billion, or 46% of the total.



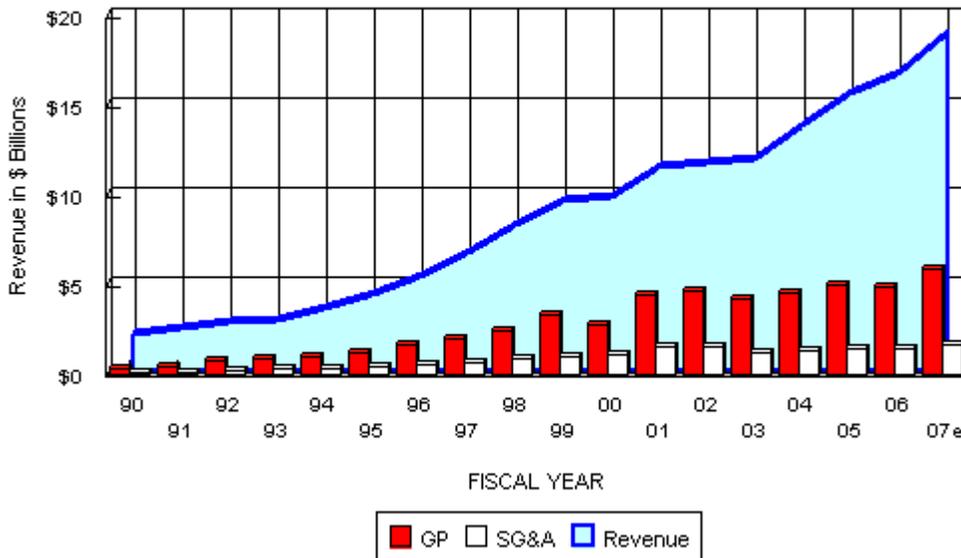
The \$5.5 billion total matched that of a year ago, which was the best ever first quarter in the company's history, and the third best overall.

The above new bookings chart perhaps illustrates the best how Accenture got to be an "Excellenture" - by setting and exceeding the high water marks year after year in the last three years, in both of its horizontal activities.

## Outlook

Looking ahead, Accenture executives said they expect net sales for the second quarter to be between \$4.6 billion and \$4.8 billion, above Wall Street estimates of \$4.5 billion.

**Accenture Business Trends**  
 FY06 revenues up 7%; company to grow 13% in FY07?



Source: Annex Research

For the full year, we (Annex Research) expect the revenues to rise 13% to \$18.8 billion, nearly doubling last year's growth rate (see the chart). This should yield about \$1.1 billion at the bottom line, a 13% increase from the fiscal year 2006.

For a detailed FY 2007 P&L forecast, click on [Accenture](#)

*Happy bargain hunting*

*Bob Djurdjevic*

## Market Update:

SCOTTSDALE, Dec 21 -

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