

ANNEX BULLETIN

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IT SERVICES

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Analysis of Accenture's Second Quarter FY2007 Business Results

Accenture Beats Forecasts, Again!

Stock Rises 3% in After-Hours Trading on 27% Jump in Net Earnings, 16% Surge in Revenues

MOSCOW, Russia, Mar 28 - Accenture has done it again. It has beaten the Wall Street forecasts for its second quarter of the fiscal year 2007 (that ends Aug 31). Handily. Net income was \$297 million or 47 cents per share, compared to 37 cents per share a year ago (after adjusting for one-time write-offs). Analysts had expected 42 cents per share on average, according to Reuters Estimates.

The company also beat Wall Street revenue estimates (\$4.75 billion vs. \$4.68 billion), increasing its revenues by 16% (up 10% in constant currency). And it raised its full year forecast from \$1.88 per share to \$1.93 per share.

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Accenture net up 27%, revenue rises 16%



Stock surges 2.2% in after-hours trading after stellar 2Q release

No wonder the stock rose 3% in after-hours trading this evening to \$37.30 in response to the news, after declining 1.4% to \$36.22 in regular day's trading on March 27. And this upswing occurred in the face of an overall market decline that saw the Dow Jones Industrials Average drop 72 points.

In the year-ago quarter, Accenture earned \$70 million, or 11 cents per share, after taking a \$223 million (after-tax) write-off regarding the U.K. National Health Service contract. Accenture revenues in the second quarter of its fiscal 2006 were \$4.1 billion. The company's stock buybacks have also reduced the number of diluted shares outstanding from 892.9 million to 867.3 million in the last 12 months. This added another three points to the EPS growth.

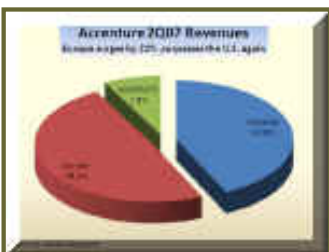
"The market for Accenture services continues to be robust, and we do not see any uncertainty from our clients, who are investing to compete," Accenture CEO, Bill Green, said about the earnings release, after the markets closed today (Mar 28 here in Russia; Mar 27 in New York).

"Our consulting business continues to be on fire," he added, and outsourcing also remains strong.

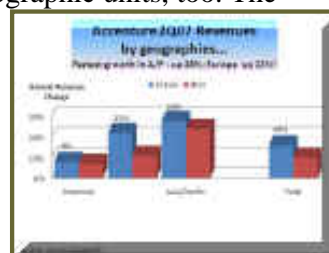
Business Segment Analysis

"We achieved revenue growth across every segment of our business," Green also said in a statement.

Indeed, both consulting and outsourcing revenues grew in double digits. Consulting business was up 15% to \$2.83 billion (up 9% in constant currency), while outsourcing increased 17% to \$1.92 billion (up 12% in constant currency).



And the company grew in all three of its geographic units, too. The fastest growth was in Asia/Pacific (up 28% to \$373 million); followed by Europe (up 22% to \$2.3 billion), and the Americas (up 8% to \$1.9 billion).



All of Accenture's vertical industry groups increased their revenues in the second quarter. Four of five delivered double digit growth, with financial services and resources sectors growing the fastest (up 26% and

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23% respectively - click on left chart to enlarge).

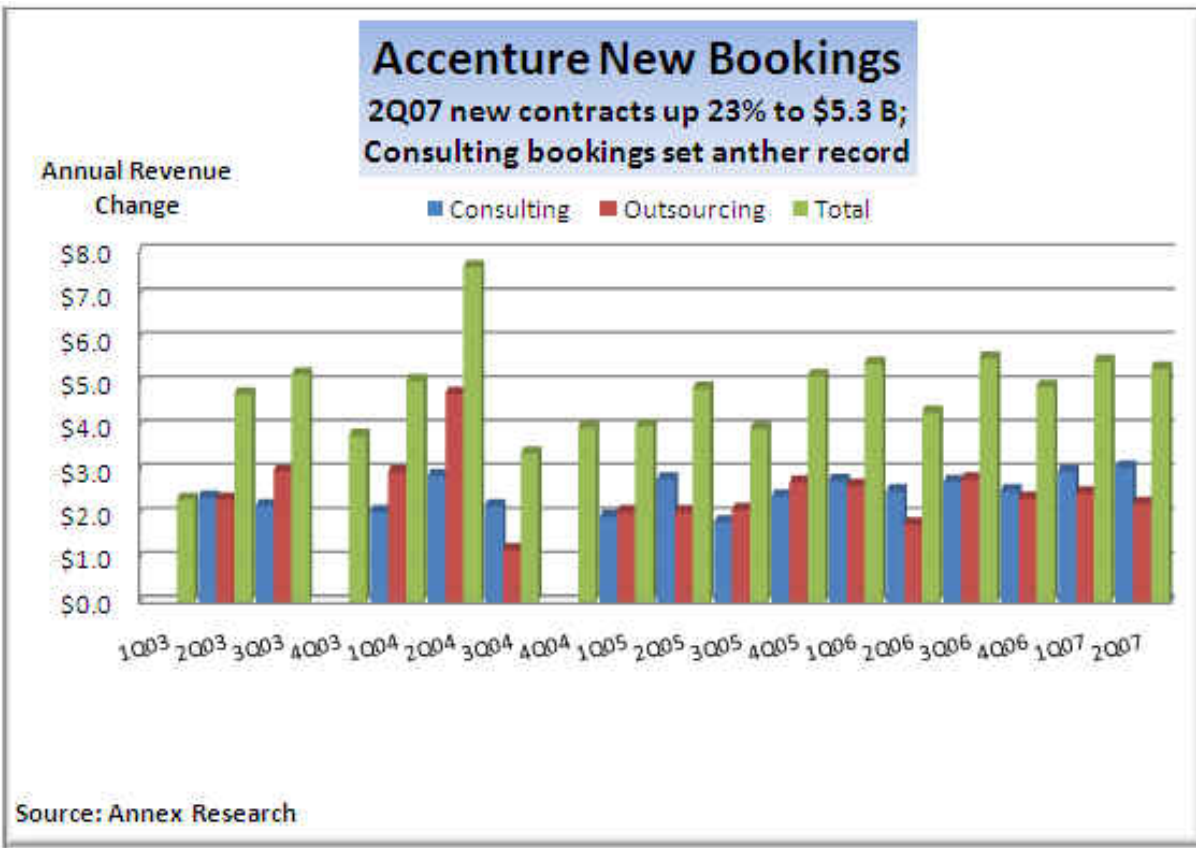
As a result, the company's overall growth is accelerating, as you can see from the right thumbnail chart. To keep the momentum going, the company plans to double the size of its management consulting staff to about

26,000 in the next three years, driven in part by strong client demand for supply-chain services.



"Most of the companies, if not all, are looking for ways to squeeze savings out of their supply chains," Steve Rohleder, the company's COO, told Reuters. "We're seeing tremendous demand there."

Accenture has been rapidly adding personnel, particularly in India, where it aims to employ 35,000 by the end of the year.



Accenture's future is also looking bright. Second quarter new contract bookings, a tell-tale sign of future revenues, were \$5.3 billion, up 23% from a year ago. Consulting bookings in the quarter set a new all-time record of \$3.1 billion, up 21% from a year ago. Outsourcing bookings were \$2.25 billion, up 26% from the second quarter of FY06 (see the chart).

Outlook

For the full year, Accenture expects revenue growth will be at the high end of its current estimate of 9% to 12% in local currency. Given the decline in the U.S. dollar, we estimate this would translate into about a 14% actual revenue growth for the year. This would make Accenture a \$19 billion-company by the end of its current fiscal year.

[quarter business results](#))

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[Capgemini: Growth Continues \(Revenues, net profit up in double digits, margins also improve\)](#)

[HP Firing on All Cylinders \(Stock sets new multi-year record following excellent third fiscal quarter results\) \[Annex clients click here\]](#)

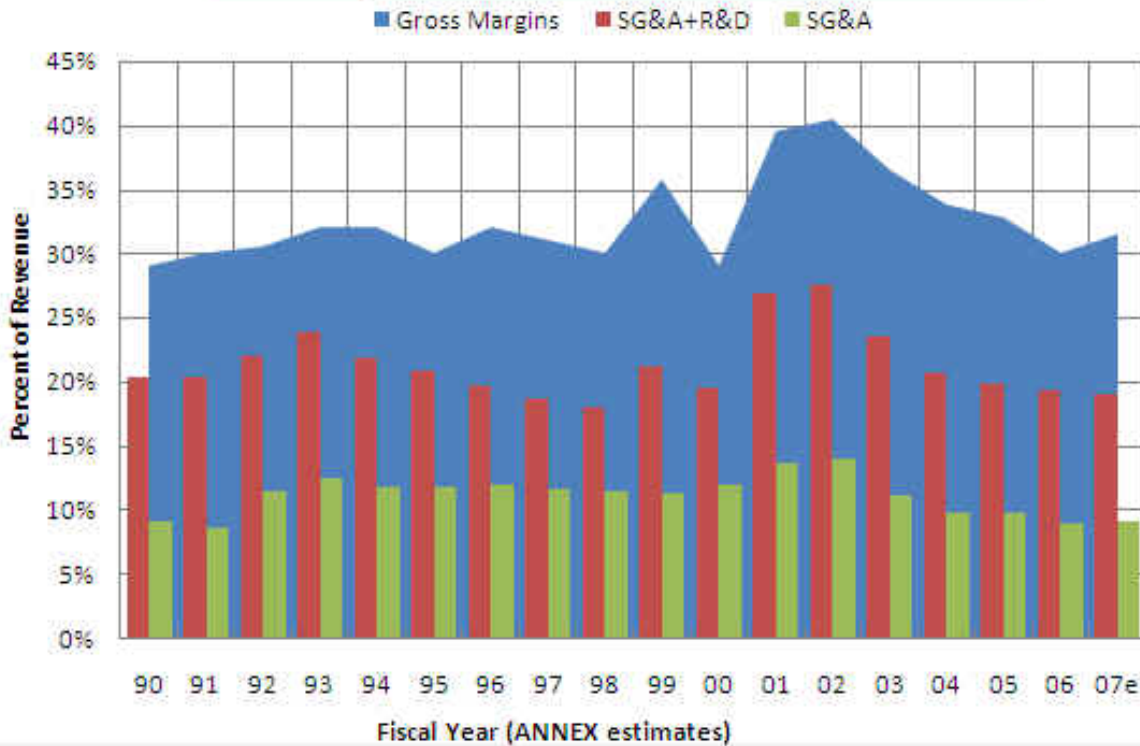
[Power of Manpower \(While others move to India, Russia... AMD invests in New York, hailing "phenomenal" quality of its labor force\)](#)

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[IBM Stock Grossly Undervalued? \(Analysis of stock market valuations of IBM and its major competitors\) \[adds latest Fujitsu, Capgemini](#)

Accenture Gross Margins

Gross margins to bounce back in FY07 after NHS writeoff



More importantly for Accenture shareholders, its profits are growing even faster than revenues. So the company now expects a FY07 EPS between \$1.88 to \$1.93 per share, up from its previous guidance of \$1.80 to \$1.85 per share.

For the full year, the company is targeting bookings in the \$22 billion to \$24 billion range. If Accenture reaches that goal, it would make its current fiscal year the most successful 12-month sales period in the company's history. And that would, of course, bode well for its future revenue growth.

So stand by for possible additional stock price increases tomorrow, as the marketplace absorbs Accenture's second quarter news a little more.

[Click here](#) for detailed Accenture tables and charts (Annex clients only)

Happy bargain hunting!

Bob Djurdjevic

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[Go East, Young Man!](#) (A speech delivered in St. Petersburg, Russia, May 25, 2006; [click here for slides](#))

[IBM 5-Yr Forecast: Steady As She Goes](#) (Emphasis on quality continued) [[Annex clients click here](#)]

[Octathlon 2006: Accenture Again Wins "Gold!"](#) (HP gets "Silver," IBM "bronze") [[Annex clients click here](#)]



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