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Accenture Ltd. F3Q09 (Qtr End 05/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from the line of Jason Kupferberg – UBS.

Jason Kupferberg - UBS

First, on the pace of converting bookings into revenue for both the consulting and outsourcing business if you could talk about changes you are observing there. The bookings obviously have held up pretty well over the last couple of quarters despite the environment but revenues seem to be trending kind of near the low end of your guidance range here in the back half of the fiscal year. Could you talk about the dynamic of how bookings, last quarter you talked about how getting pipeline into bookings and into revenue is somewhat of a challenge and now the bookings seem to be there but can you talk about getting bookings into revenue?

Steve Rohleder

The real issue that or situation we are dealing with is a major shift from consulting to outsourcing. As we see the bookings come in, certainly this quarter and last quarter, in the outsourcing business it is going to take a little while to convert those to revenue. I haven't seen any difference in terms of the velocity of opportunities coming through our pipeline this quarter. I do believe though we are seeing a shift primarily in both resources and products from consulting to outsourcing and that is impacting what you are asking about.

Pamela Craig

I will just add one statistic for you. When we compare bookings, for outsourcing, in Q3 this year to last year there is about a 7% difference in bookings for revenues for future years meaning for this year beyond fiscal 2010. There is just a little bit of a shift there.

Jason Kupferberg - UBS

A follow-up question on margins. The gross margin I think was at the highest levels you have seen in probably close to three years. I know you have talked about some improved outsourcing contract profitability there as a key driver. Does this mean as the outsourcing contract portfolio matures further then gross margins could potentially expand from these May quarter levels or are there other factors at work that we need to consider as we think about kind of the median term gross margin profile of the company?

Pamela Craig

I think the thing to point out here is the outsourcing guys have been on a journey to really industrialize their delivery. As you know, all year long this has been coming through very strong. I certainly do expect it to continue but there is always a mix in the portfolio in terms of early deals and later cycle deals and so there will be some fluctuation at times but I think in terms of a trend this industrialization is here to stay and we expect it to continue to yield for us.

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