

Accenture Plc (NYSE: ACN)

Sector: Technology (NAICS: 541611)

Intrinsic Value	Current Price	52 Week High	52 Week Low	Beta	P/E	Market Cap	Dividend Yield
\$93.00	\$79.88	\$85.88	\$69.00	1.21	15.91	\$50.88B	2.30%

Industry Trends

With the advent of cloud-based technology, migration to the cloud is a trend being seen throughout many industries. Along with data analytics, digital marketing and insight-driven health, these technologies are being integrated into a growing number of companies across a spectrum of industries with the help of technology consulting firms. Within the technology and consulting industries specifically, consolidation is becoming an increasing trend in an effort to achieve rapid growth.

Investment Thesis

With Accenture's well-established client base, financial strength, unmatched expertise, and large technology portfolio, it is well positioned to outperform its competitors in the technology consulting industry. It has a dividend yield of 2.30% which has increased almost every year since 2006, a 2013 FCF of \$3.9B, and a market cap of \$50.88B, giving it a free cash flow yield of 7.3%.

Business Summary

The three main areas of business that Accenture focuses on are consulting, technology, and outsourcing. Within the consulting arena, Accenture offers both management and technology consulting, the latter of which helps companies integrate or upgrade IT systems based on popular platforms such as Oracle or SAP. On the outsourcing front, the company assists clients in outsourcing business operations overseas. Currently holding 1,800 patents and with 2,600 patents pending, Accenture focuses on specializing in every major type of technology, including data analytics, cloud computing, digital marketing, and more. The firm utilizes its immense size and scale to operate its "Global Delivery Model" efficiently, optimizing cost advantages, proximity to clients, and speed to project completion.

ACN 10-year stock performance vs. S&P 500:



(Google Finance)

Corporate Social Responsibility:

ESG Disclosure Rating	40.50 (Ind. Avg.: 25.08)
Environmental Disclosure Score	34.88 (Ind. Avg.: 30.23)
Carbon Disclosure Score	92.00 (Ind. Avg.: 76.60)
Social Disclosure Score	42.11 (Ind. Avg.: 29.35)
Governance Disclosure Score	51.79 (Ind. Avg.: 53.01)
Equal Opportunity Policy	1 (Ind. Avg.: 1)
Community Spending	39.84M (Ind. Avg.: 84.21M)
Total Energy Consumption	.40 (Ind. Avg.: 1.31)

Source: Bloomberg Terminal, Value Line Investment Survey, Google Finance

Competition:

- Three of Accenture's major competitors are IBM (\$185B), Capgemini (\$8B) and Cognizant (\$29B).

Pros:

- Sustainable business model protected from the risk of evolving technology
- Well-established client base which includes 91 of the Fortune 100 and 75% of the Fortune 500
- Immense expertise in a wide array of both industry groups as well as technologies
- Consistent growth (both organic and through acquisitions), as well as improving efficiency
- Extremely low debt levels

Cons:

- Exposure to risks associated with holding offices in 56 countries, such as foreign exchange, economic and political risks
- Much of the Global Delivery Network is concentrated in India and the Philippines, exposing the firm to operational risks
- Size of the firm poses organizational challenges

Value Estimate:

\$88 - \$108

(2016-2018)

Estimated Real Annual Return:

9%-14%

Overall Rating:	Three Stars
Expected inflation	2%
Current EPS	5.17
Forecasted EPS Growth	9.3%
Credit Quality	A+
ROE	65%
ROA	20.26%
Price/Book	10.70
Debt/Equity	0.48%
Debt/Capital	0.48%
Current Ratio	1.44
Price/Cash Flow	14.07
10 yr. Risk Free Rate	2.7%
WACC	10%

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