

Accenture plc
Form 10-Q
December 19, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED November 30, 2013
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001-34448

Accenture plc

(Exact name of registrant as specified in its charter)

Ireland

(State or other jurisdiction of
incorporation or organization)

1 Grand Canal Square,
Grand Canal Harbour,
Dublin 2, Ireland

(Address of principal executive offices)

(353) (1) 646-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's Class A ordinary shares, par value \$0.0000225 per share, outstanding as of December 6, 2013 was 777,900,888 (which number includes 140,911,082 issued shares held by the registrant). The number of shares of the registrant's Class X ordinary shares, par value \$0.0000225 per share, outstanding as of December 6, 2013 was 29,779,928.

Table of Contents

ACCENTURE PLC
INDEX

	Page
<u>Part I. Financial Information</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets as of November 30, 2013 (Unaudited) and August 31, 2013</u>	<u>3</u>
<u>Consolidated Income Statements (Unaudited) for the three months ended November 30, 2013 and 2012</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income (Unaudited) for the three months ended November 30, 2013 and 2012</u>	<u>5</u>
<u>Consolidated Shareholders' Equity Statement (Unaudited) for the three months ended November 30, 2013</u>	<u>6</u>
<u>Consolidated Cash Flows Statements (Unaudited) for the three months ended November 30, 2013 and 2012</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>25</u>
<u>Item 4. Controls and Procedures</u>	<u>26</u>
<u>Part II. Other Information</u>	<u>26</u>
<u>Item 1. Legal Proceedings</u>	<u>26</u>
<u>Item 1A. Risk Factors</u>	<u>26</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>27</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>29</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>29</u>
<u>Item 5. Other Information</u>	<u>29</u>
<u>Item 6. Exhibits</u>	<u>30</u>
<u>Signatures</u>	<u>31</u>

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ACCENTURE PLC

CONSOLIDATED BALANCE SHEETS

November 30, 2013 and August 31, 2013

(In thousands of U.S. dollars, except share and per share amounts)

	November 30, 2013 (Unaudited)	August 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$4,527,198	\$5,631,885
Short-term investments	2,594	2,525
Receivables from clients, net	3,506,187	3,333,126
Unbilled services, net	1,726,393	1,513,448
Deferred income taxes, net	805,194	794,917
Other current assets	723,893	568,277
Total current assets	11,291,459	11,844,178
NON-CURRENT ASSETS:		
Unbilled services, net	21,999	18,447
Investments	43,536	43,631
Property and equipment, net	779,247	779,675
Goodwill	1,931,120	1,818,586
Deferred contract costs	588,897	554,747
Deferred income taxes, net	1,042,505	1,018,567
Other non-current assets	817,175	789,218
Total non-current assets	5,224,479	5,022,871
TOTAL ASSETS	\$16,515,938	\$16,867,049
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and bank borrowings	\$—	\$—
Accounts payable	982,733	961,851
Deferred revenues	2,140,981	2,230,615
Accrued payroll and related benefits	3,303,320	3,460,393
Accrued consumption taxes	327,617	308,655
Income taxes payable	356,021	266,593
Deferred income taxes, net	25,124	24,031
Other accrued liabilities	692,947	908,852
Total current liabilities	7,828,743	8,160,990
NON-CURRENT LIABILITIES:		
Long-term debt	25,943	25,600
Deferred revenues relating to contract costs	525,665	517,397
Retirement obligation	897,570	872,761
Deferred income taxes, net	178,770	174,818
Income taxes payable	1,262,262	1,224,251
Other non-current liabilities	380,724	463,403
Total non-current liabilities	3,270,934	3,278,230
COMMITMENTS AND CONTINGENCIES		

SHAREHOLDERS' EQUITY:

Ordinary shares, par value 1.00 euro per share, 40,000 shares authorized and issued as of November 30, 2013 and August 31, 2013	57	57
Class A ordinary shares, par value \$0.0000225 per share, 20,000,000,000 shares authorized, 775,768,493 and 771,301,885 shares issued as of November 30, 2013 and August 31, 2013, respectively	17	17
Class X ordinary shares, par value \$0.0000225 per share, 1,000,000,000 shares authorized, 29,779,928 and 30,312,244 shares issued and outstanding as of November 30, 2013 and August 31, 2013, respectively	1	1
Restricted share units	874,181	875,156
Additional paid-in capital	2,653,235	2,393,936
Treasury shares, at cost: Ordinary, 40,000 shares as of November 30, 2013 and August 31, 2013; Class A ordinary, 142,118,782 and 135,258,733 shares as of November 30, 2013 and August 31, 2013, respectively	(7,914,576)	(7,326,079)
Retained earnings	10,200,630	10,069,844
Accumulated other comprehensive loss	(885,714)	(1,052,746)
Total Accenture plc shareholders' equity	4,927,831	4,960,186
Noncontrolling interests	488,430	467,643
Total shareholders' equity	5,416,261	5,427,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$16,515,938	\$16,867,049

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC

CONSOLIDATED INCOME STATEMENTS

For the Three Months Ended November 30, 2013 and 2012

(In thousands of U.S. dollars, except share and per share amounts)

(Unaudited)

	2013	2012
REVENUES:		
Revenues before reimbursements (“Net revenues”)	\$7,358,749	\$7,219,961
Reimbursements	440,947	448,075
Revenues	7,799,696	7,668,036
OPERATING EXPENSES:		
Cost of services:		
Cost of services before reimbursable expenses	4,909,402	4,853,768
Reimbursable expenses	440,947	448,075
Cost of services	5,350,349	5,301,843
Sales and marketing	928,210	868,202
General and administrative costs	448,053	448,852
Reorganization (benefits) costs, net	(18,015	) 465
Total operating expenses	6,708,597	6,619,362
OPERATING INCOME	1,091,099	1,048,674
Interest income	6,756	8,767
Interest expense	(3,658	) (4,549
Other expense, net	(10,620	) (6,436
INCOME BEFORE INCOME TAXES	1,083,577	1,046,456
Provision for income taxes	271,931	280,425
NET INCOME	811,646	766,031
Net income attributable to noncontrolling interests in Accenture SCA and Accenture Canada Holdings Inc.	(49,098	) (58,955
Net income attributable to noncontrolling interests – other	(10,702	) (8,259
NET INCOME ATTRIBUTABLE TO ACCENTURE PLC	\$751,846	\$698,817
Weighted average Class A ordinary shares:		
Basic	636,695,545	639,659,238
Diluted	697,974,850	716,892,047
Earnings per Class A ordinary share:		
Basic	\$1.18	\$1.09
Diluted	\$1.15	\$1.06
Cash dividends per share	\$0.93	\$0.81

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 For the Three Months Ended November 30, 2013 and 2012
 (In thousands of U.S. dollars)
 (Unaudited)

	2013	2012
NET INCOME	\$811,646	\$766,031
OTHER COMPREHENSIVE INCOME, NET OF TAX:		
Foreign currency translation	91,013	20,232
Defined benefit plans	3,021	7,416
Cash flow hedges	72,998	40,102
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO ACCENTURE PLC	167,032	67,750
Other comprehensive income attributable to noncontrolling interests	11,686	6,686
COMPREHENSIVE INCOME	\$990,364	\$840,467
COMPREHENSIVE INCOME ATTRIBUTABLE TO ACCENTURE PLC	\$918,878	\$766,567
Comprehensive income attributable to noncontrolling interests	71,486	73,900
COMPREHENSIVE INCOME	\$990,364	\$840,467

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of ContentsACCENTURE PLC
CONSOLIDATED SHAREHOLDERS' EQUITY STATEMENT

For the Three Months Ended November 30, 2013

(In thousands of U.S. dollars and share amounts)

(Unaudited)

	Ordinary Shares	Class A Ordinary Shares	Class X Ordinary Shares	Restricted Share Units	Additional Paid-in Capital	Treasury Shares No. Shares	Retained Earnings	Ac Ot Co Lo
	\$ No. Shares	\$ No. Shares	\$ No. Shares			\$		
Balance as of August 31, 2013	\$57 40	\$17 771,302	\$1 30,312	\$875,156	\$2,393,936	\$(7,326,079) (135,299)	\$10,069,844	\$(
Net income							751,846	
Other comprehensive income								16
Income tax benefit on share-based compensation plans					25,681			
Purchases of Class A ordinary shares					37,543	(686,106) (9,241)		
Share-based compensation expense				115,611	11,295			
Purchases/redemptions of Accenture SCA Class I common shares, Accenture Canada Holdings Inc. exchangeable shares and Class X ordinary shares			(532)		(33,378)			
Issuances of Class A ordinary shares:								
Employee share programs		4,203		(144,925)	218,091	97,609	2,381	
Upon redemption of Accenture SCA Class I common shares		263			1,205			
Dividends				28,339			(619,719))
Other, net					(1,138)		(1,341))
Balance as of November 30, 2013	\$57 40	\$17 775,768	\$1 29,780	\$874,181	\$2,653,235	\$(7,914,576) (142,159)	\$10,200,630	\$(

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC

CONSOLIDATED CASH FLOWS STATEMENTS

For the Three Months Ended November 30, 2013 and 2012

(In thousands of U.S. dollars)

(Unaudited)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$811,646	\$766,031
Adjustments to reconcile Net income to Net cash provided by (used in) operating activities —		
Depreciation, amortization and asset impairments	145,327	139,924
Reorganization (benefits) costs, net	(18,015	) 465
Share-based compensation expense	126,906	114,170
Deferred income taxes, net	(63,744	) (68,497
Other, net	79,812	26,556
Change in assets and liabilities, net of acquisitions —		
Receivables from clients, net	(113,455	) (366,209
Unbilled services, current and non-current, net	(159,661	) (52,179
Other current and non-current assets	(205,477	) 70,985
Accounts payable	(2,958	) (9,548
Deferred revenues, current and non-current	(153,155	) (219,367
Accrued payroll and related benefits	(221,006	) (120,791
Income taxes payable, current and non-current	100,737	102,729
Other current and non-current liabilities	(145,724	) (493,084
Net cash provided by (used in) operating activities	181,233	(108,815
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property and equipment	794	762
Purchases of property and equipment	(58,959	) (86,547
Purchases of businesses and investments, net of cash acquired	(137,387	) (209,952
Net cash used in investing activities	(195,552	) (295,737
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of ordinary shares	180,233	164,606
Purchases of shares	(721,514	) (220,831
Proceeds from (repayments of) long-term debt, net	343	(3
Cash dividends paid	(630,234	) (560,135
Excess tax benefits from share-based payment arrangements	35,556	39,443
Other, net	(2,900	) (742
Net cash used in financing activities	(1,138,516	) (577,662
Effect of exchange rate changes on cash and cash equivalents	48,148	20,580
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,104,687	) (961,634
CASH AND CASH EQUIVALENTS, beginning of period	5,631,885	6,640,526
CASH AND CASH EQUIVALENTS, end of period	\$4,527,198	\$5,678,892

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited interim Consolidated Financial Statements of Accenture plc and its controlled subsidiary companies (collectively, the “Company”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. These Consolidated Financial Statements should therefore be read in conjunction with the Consolidated Financial Statements and Notes thereto for the fiscal year ended August 31, 2013 included in the Company’s Annual Report on Form 10-K filed with the SEC on October 29, 2013.

The accompanying unaudited interim Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, which requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management’s best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates. The Consolidated Financial Statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for a fair presentation of results for these interim periods. The results of operations for the three months ended November 30, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 2014.

Certain amounts that were reported in the previous year have been reclassified to conform to the current-period presentation.

Allowances for Client Receivables and Unbilled Services

As of November 30, 2013 and August 31, 2013, total allowances recorded for client receivables and unbilled services were \$87,825 and \$91,716, respectively.

Accumulated Depreciation

As of November 30, 2013 and August 31, 2013, total accumulated depreciation was \$1,708,458 and \$1,608,211, respectively.

Recently Adopted Accounting Pronouncements

In September 2013, the Company adopted guidance issued by the Financial Accounting Standards Board (“FASB”), which requires enhanced disclosures about certain financial instruments and derivative instruments that are offset in the Consolidated Balance Sheets or that are subject to enforceable master netting arrangements. The guidance also requires the disclosure of the gross amounts subject to rights of offset, amounts of offset and the related net exposure. The adoption of this guidance did not have a material impact on the Consolidated Financial Statements. For additional information related to the right of offset, see Note 7 (Derivative Financial Instruments) to these Consolidated Financial Statements.

In August 2013, the Company adopted guidance issued by the FASB which requires enhanced disclosures in the notes to the consolidated financial statements to present separately, by item, reclassifications out of accumulated other comprehensive income (loss). The adoption of this guidance did not have a material impact on the Consolidated Financial Statements. For additional information related to the reclassifications out of accumulated other comprehensive income (loss), see Note 4 (Accumulated Other Comprehensive Loss) to these Consolidated Financial Statements.

Table of Contents

ACCENTURE PLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (continued)

(In thousands of U.S. dollars, except share and per share amounts or as otherwise disclosed)

(Unaudited)

2. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Three Months Ended November 30,	
	2013	2012
Basic Earnings per share		
Net income attributable to Accenture plc	\$751,846	\$698,817
Basic weighted average Class A ordinary shares	636,695,545	639,659,238
Basic earnings per share	\$1.18	\$1.09
Diluted Earnings per share		
Net income attributable to Accenture plc	\$751,846	\$698,817
Net income attributable to noncontrolling interests in Accenture SCA and Accenture Canada Holdings Inc. (1)	49,098	58,955
Net income for diluted earnings per share calculation	\$800,944	\$757,772
Basic weighted average Class A ordinary shares	636,695,545	639,659,238
Class A ordinary shares issuable upon redemption/exchange of noncontrolling interests (1)	41,591,480	53,972,850
Diluted effect of employee compensation related to Class A ordinary shares (2)	19,469,519	22,962,260
Diluted effect of share purchase plans related to Class A ordinary shares	218,306	