

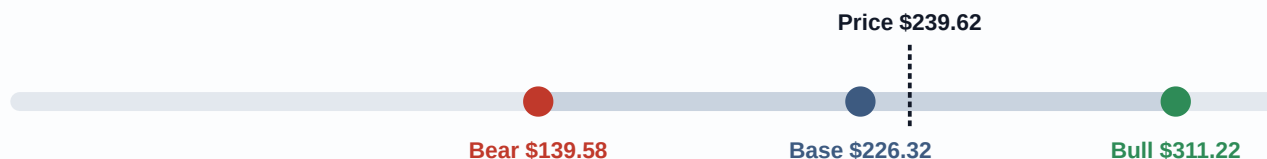
Initiated 2026-10-20 · Price \$239.62 (close 2026-10-20, stockanalysis.com) · Mkt cap \$145.0bn (605.3mm diluted shares) · Information technology / IT services · Model: verified

Rating: Hold — Conviction: High

Accenture is the highest-quality franchise in IT services: AA- credit, \$11.6bn of free cash flow, and a record Q4 for large bookings. After the post-earnings rally, though, the price sits slightly above a Base case of 2.5–4% organic growth and gently rising margins. Two things are unresolved: whether AI productivity shrinks renewals faster than new AI work replaces them, and Q4's softer pricing. The stock pays for that Base and a little more, which leaves no margin of safety for a Buy. The balance sheet and cash returns make a Sell hard to argue.

Conviction tests (3a-v-c): T1 pass (Base –12.6% at +1pp, +3.2% at –1pp; Hold at both) · T2 pass (Gordon alone –11.4%, exit-multiple alone +0.3%; Hold on both) · T3 pass (every FY0 fact and historical series from EDGAR XBRL, the 10-K statements or the Q4 FY2026 release; no est. inputs) · T4 pass (no pending deal, ruling or contract binary; the ~\$5bn FY2027 acquisition program is spread across many small deals)

MODEL VALUE RANGE VS PRICE



Business overview

Accenture sells consulting (strategy, technology and AI transformation; \$36.9bn, 50% of FY2026 revenue) and managed services (application, infrastructure, operations and BPO outsourcing; \$37.3bn, 50%) to large enterprises and governments. FY2026 (August year-end) revenue was \$74.2bn, up 5% in local currency, of which about 3% was organic. By region, Americas were 49% of revenue, EMEA 36% and Asia Pacific 14%. By industry, Products was the largest group at 30%, and Financial Services was 19%. Headcount is ~814,000. Three variables drive earnings:

- organic volume of work, which managed-services renewals and large transformation deals set;
- price per unit of work, as AI tooling changes how many hours a deliverable needs (management called pricing "lower in many areas" in Q4);
- the spread between wage inflation and bill rates, which sets the 15–16% operating margin.

Competition

Four competitors matter for the growth driver. Infosys cut its FY27 (March year-end) constant-currency guide to 1.5–3.0% in July, after Q1 grew 2.4% (Upstox, July 2026). Cognizant's source page shows a 5.0% three-year consensus revenue forecast, against 5.1% for Accenture. IBM Consulting and EPAM compete for transformation and engineering work. Accenture is growing about as fast as the group, but more of its growth is bought: it plans ~\$5bn of acquisitions adding 2–2.5pp of FY2027 growth (Q4 call). Pressure shows up first in

renewal pricing on managed-services contracts, where management says AI productivity is "more than offset by new scope." It does not show up yet in lost share. Infosys, the closest listed comparable, trades at 10.3x aggregator EV/EBITDA and 14.4x forward P/E, against Accenture's 10.6x and 16.3x (stockanalysis.com, 2026-10-20).

Bull case

- AI reinvention re-accelerates organic growth.** More than 400 clients began advanced-AI work in FY2026. AI and data partner bookings more than tripled, and a record 141 clients booked \$100mm+ in Q4 (call). If that becomes scale work, organic growth reaches ~6% by FY2028. Plays out if organic growth beats the ~1–4% implied by the FY2027 guide and consulting book-to-bill stays at or above 1.0. *Model: rev_growth*
- Margin expansion continues.** Pricing discipline, contract profitability and AI-assisted delivery add ~20bp+ a year, taking model-basis EBITDA margin from 17.0% to ~19%. Plays out if FY2027 GAAP operating margin lands at the top of the 15.9–16.1% guide. *Model: ebitda_margin*
- Premium multiple restored.** Once the AI-disruption debate fades, the stock earns a 13x exit EBITDA multiple, above today's 11.4x model-basis multiple. *Model: exit_ev_ebitda*

Bear case

- AI deflates the labor pool.** AI productivity on renewals outruns new scope, and organic revenue declines in FY2028 (–2%) before stabilizing. Infosys's guide cut shows the industry is already near flat organically. Plays out if FY2027 organic growth comes in under ~1% or headcount starts falling. *Model: rev_growth*
- Pricing concessions compress margin.** Q4's softer pricing spreads, and margin falls to 15.8%, below FY2024's 16.4%. Plays out if FY2027 operating margin misses the 15.9% low end. *Model: ebitda_margin*
- Structural de-rating.** The market prices Accenture like a no-growth labor business: an 8.5x exit, toward Cognizant's 7.9x, and a 1pp higher discount rate. *Model: exit_ev_ebitda, wacc*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$144.0bn = mkt cap \$145.0bn – cash \$12.8bn + debt \$10.1bn + NCI \$1.7bn; EBITDA = GAAP operating income + depreciation + intangible amortization; leases excluded)	11.4x FY2026; ~10.8x FY2027E (est., ~\$13.4bn)	n/a (unverified)	aggregator TTM: INFY 10.3x · CTSH 7.9x · EPAM 8.0x · IBM 17.2x (ACN 10.6x on that basis)	model-inputs.json ; stockanalysis.com 2026-10-20
P/E (GAAP)	16.4x the \$14.39–14.81 FY2027 guide; 17.7x FY2026's \$13.56	n/a (unverified)	forward: INFY 14.4x · CTSH 11.2x · EPAM 9.7x · IBM 19.0x (ACN 16.3x)	stockanalysis.com 2026-10-20; Q4 FY2026 release
FCF yield (aggregator TTM)	8.2%	n/a (unverified)	INFY 7.9% · CTSH 8.5% · EPAM 7.2% · IBM 6.1%	stockanalysis.com 2026-10-20

Model-implied value range (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$139.58 · Base \$226.32 · Bull \$311.22 per share, i.e. implied returns of –41.8% / –5.5% / +29.9% vs \$239.62. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- What's priced in.** The price sits above Base, about 16% of the way from Base to Bull. The market pays for the Base path plus a little of the AI-reinvention bull. That is why this is a Hold despite the quality, and the model's slightly negative Base does not argue for a Sell: the gap is inside the model's error.

- **Re-rating.** Base's 11.0x exit is a ~3.4% de-rating from today's 11.4x. The methods differ by 13% (Gordon \$212.42, exit \$240.22). At a 10.65% discount rate and 3% terminal growth, Gordon embeds a lower terminal multiple than 11x, so the exit method is the more generous read.
- **Organic-only growth.** The model carries no acquisition spend and no acquired growth, which treats M&A as value-neutral. A reader who believes Accenture's deals earn more than their cost should see Base as conservative.
- **No tail run.** No client or service line is ≥50% of revenue, and Bear is a decline, not a plateau.

Balance sheet: not meaningful. Net cash \$2.7bn (~\$4.50/sh) after \$5.0bn of new notes in July 2026, which brought senior notes to \$10.0bn. Gross debt is 0.80x FY2026 EBITDA. The nearest material maturity is \$1.3bn in 2029 (floating-rate notes and 4.750% notes). Ratings: Moody's Aa3 (stable), S&P AA- (stable). In FY2026, dividends (\$4.0bn) plus buybacks (\$7.5bn) were ~99% of FCF, so new debt helped fund the \$4.9bn of acquisitions.

Model note: tier `full` , status `built` , verification `verified` (3,207 formula cells matched in LibreOffice). No unverified inputs and no assumptions without a basis. Scenario consistency is `OK` on all 14 rows.

- **Sourcing.** Revenue, operating income, depreciation, intangible amortization and capex come from EDGAR XBRL 10-K annual values. FY2022–24 working capital comes from the FY2023 and FY2024 10-K balance sheets. FY2025–26 balances, cash, debt, NCI and shares come from the Q4 FY2026 release. The notes tranches and ratings come from the July 2026 pricing term sheet.
- **EBITDA basis.** GAAP, so stock-based compensation (~\$2.1bn) and business-optimization costs stay in as costs. It sits below the aggregator's \$13.4bn TTM EBITDA.
- **EPS vs guidance.** Base Y1 EPS \$15.07 is 3.2% above the \$14.60 GAAP guide midpoint, even with organic-only revenue. The model has no net interest cost and a faster buyback-driven share decline than the guide implies.
- **Debt placeholders.** The coupon and maturity of the pre-2026 \$5.0bn notes are placeholders (4.3%, 2031), and so is the coupon on the \$113mm current debt. They are display only.
- **NCI.** Booked at \$1.69bn including redeemable NCI; this is conservative if part of it duplicates exchangeable shares already in the diluted count.

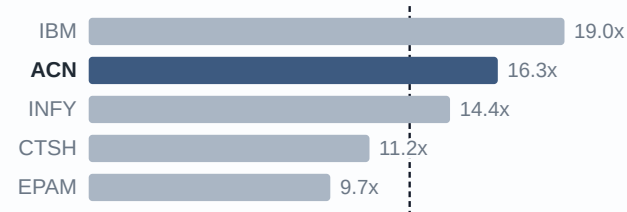
RELATIVE VALUE VS PEERS

Metric	ACN	INFY	CTSH	IBM	EPAM	Peer median	vs median
P/E (TTM)	17.7x	14.5x	14.7x	21.5x	17.7x	16.2x	+9%
P/E (forward)	16.3x	14.4x	11.2x	19.0x	9.7x	12.8x	+27%
PEG	2.3x	n/a	1.4x	2.8x	1.0x	1.4x	+63%
EV/EBITDA (TTM)	10.6x	10.3x	7.9x	17.2x	8.0x	9.2x	+15%
EV/Sales (TTM)	1.9x	2.3x	1.5x	4.1x	1.1x	1.9x	+2%
P/B	4.5x	5.0x	2.1x	6.5x	1.9x	3.5x	+26%
FCF yield	8.2%	7.9%	8.5%	6.1%	7.2%	7.5%	+0.7pp

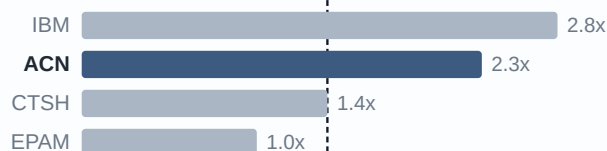
P/E (TTM)



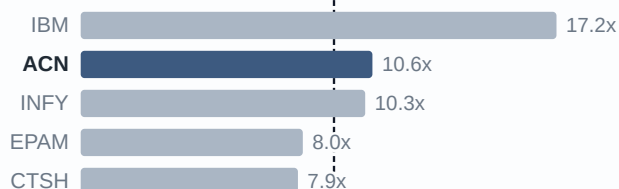
P/E (forward)



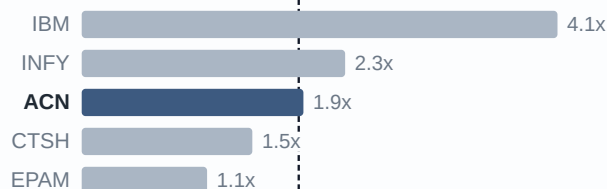
PEG



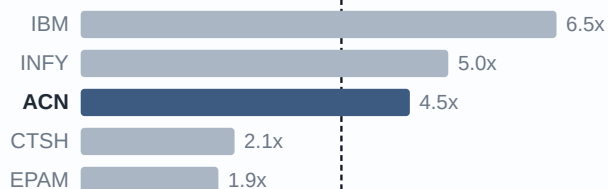
EV/EBITDA (TTM)



EV/Sales (TTM)



P/B



FCF yield



As of 2026-10-20. One source and one definition for every company: aggregator TTM and consensus-forward multiples, EV netting reported cash and including lease liabilities in debt. Not the model's own EV basis (see the report's valuation table). Quotes are the 2026-10-20 close (4:00pm ET), market closed. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-20.

Notes. PEG as given by the source, resting on its consensus growth estimates; the source shows none for Infosys. ACN's 10.56x uses the source's \$13.42bn TTM EBITDA; on the model's basis (GAAP operating income + depreciation + intangible amortization, leases excluded) it is 11.4x FY2026.

Scenario stress test

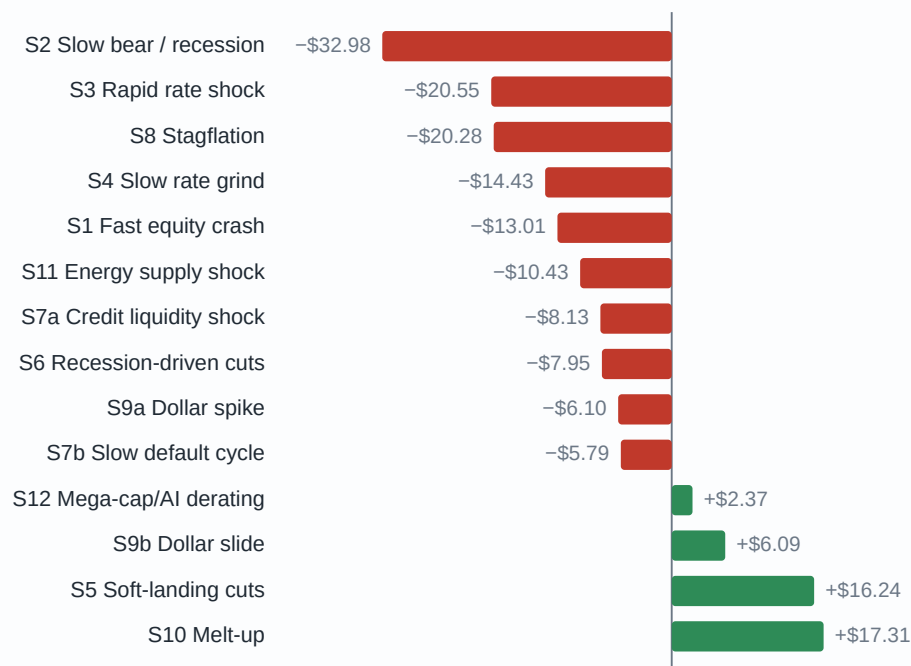
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Liquidity de-rating of a 1.10-beta large cap; AA- balance sheet, no funding channel	Med	–\$13.01
S2 Slow bear / recession	–	Consulting (~50% of revenue) is cut first; managed services cushion it. Milder than Base – Bear (\$87) because it is a two-year cycle, not a permanent shrinking of the labor pool	High	–\$32.98
S3 Rapid rate shock	–	Higher discount rate; net cash and fixed-rate notes, so no refinancing channel	High	–\$20.55
S4 Slow rate grind	–	Grinding rates slow client transformation budgets	Med	–\$14.43
S5 Soft-landing cuts	+	Confidence restarts discretionary consulting	High	+\$16.24
S6 Recession-driven cuts	–	Project cancellations, partly offset by lower rates	Low	–\$7.95

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S7a Credit liquidity shock	-	De-rating only; AA- credit, roughly net cash	Low	-\$8.13
S7b Slow default cycle	-	Financial-services clients (~19% of revenue) trim spend	Low	-\$5.79
S8 Stagflation	-	Wage inflation outruns bill rates while budgets tighten	High	-\$20.28
S9a Dollar spike	-	Translation loss on ~51% non-Americas revenue, partly offset by non-USD delivery costs	Low	-\$6.10
S9b Dollar slide	+	Translation gain on the same base	Low	+\$6.09
S10 Melt-up	+	De-rated large cap re-rates in a risk-on tape	High	+\$17.31
S11 Energy supply shock	-	The Middle East is already a ~\$1bn annualized headwind, and energy costs squeeze European budgets	Med	-\$10.43
S12 Mega-cap/AI derating	±	Smaller AI-disruption discount on services vs shrinking tech-client AI budgets; roughly offsetting	Low	+\$2.37

Currently active/on watch per the playbook: S3 partially active (price-level leg only); S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: organic growth runs above ~3% through 1H FY2027 while consulting book-to-bill holds at or above 1.0 and pricing stabilizes; or the stock de-rates toward ~\$200 (below the Gordon value) with no deterioration in the data. **Downgrades if:** FY2027 organic growth tracks below 1%, operating margin misses the 15.9% low end, or Q4's softer pricing spreads into managed-services renewals.

Watch items

- **W1:** Q1 FY2027 revenue — within \$18.95–19.60bn (+2–6% LC) — Q1 FY2027 release — ~Dec 2026 (date not verified) — *Model: rev_growth*
- **W2:** Organic growth — FY2027 organic at or above ~2.5% (Base) vs under 1% (Bear), with inorganic at the guided 2–2.5pp — quarterly releases and calls — through Q4 FY2027 — *Model: rev_growth*
- **W3:** Operating margin and pricing — FY2027 GAAP operating margin within the 15.9–16.1% guide, and no broadening of "lower pricing" commentary — quarterly calls — through Q4 FY2027 — *Model: ebitda_margin*
- **W4:** Consulting bookings — consulting book-to-bill ≥ 1.0 (Q4 FY2026: 1.0) — Q1 FY2027 release — ~Dec 2026 — *Model: rev_growth*

Sources

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.