ACN

Accenture plc

Wealth Preservation Equity Research

RECOMMENDATION: BUY

Current Price: $196.88 | Fair Value: $330 | WP Score: 92/100

Report Date: April 11, 2026

Analyst: Moschovakis Capital Research

Metric	Value
Recommendation	BUY
Current Price	$196.88
Fair Value (Base Case)	$330

Metric	Value
Margin of Safety	40.3%
WP Score	92 / 100

Return Profile	Value
Dividend Yield	3.3%
Expected Dividend Growth	10.0%
Expected Price Appreciation (Base)	8.8% CAGR
Total Expected Return (Base)	12.2% CAGR
Bear Case Total Return	2.9% CAGR
Bull Case Total Return	17.3% CAGR
Probability-Weighted Return	11.1% CAGR

Risk Assessment	Value
Downside Protection Score	95 / 100
Return Adequacy Score	100 / 100
Quality Score	98 / 100
Risk Level	LOW
Probability of >50% Loss	<2%
Recession Profile	RESILIENT

One-Line Thesis:

Accenture is a fortress-balance-sheet, high-ROIC global IT services leader trading at a 40% discount to its 10-year median P/E, paying a 3.3% yield growing at 10%+ annually, with capital preserved in every recession scenario.

INVESTMENT THESIS

Accenture occupies a rare position: the world's largest IT services firm by headcount (786,000 employees across 120+ countries), commanding relationships with 91 of the Fortune Global 100. The business model converts enterprise complexity into recurring revenue. Clients embed Accenture into their operations through multi-year managed services contracts (now 51% of revenue), creating switching costs that compound over time. When a company's SAP migration, cybersecurity architecture, and AI deployment all run through a single vendor, replacing that vendor becomes an operational risk most boards refuse to take.

The stock has fallen 30% in 2026 on fears that AI will cannibalize consulting. The market is pricing Accenture as if generative AI threatens the firm rather than fuels it. The opposite is playing out: GenAI bookings tripled to $2.7 billion in FY2025, and Q2 FY2026 delivered record bookings of $22.1 billion. Enterprises are not replacing Accenture with ChatGPT. They are hiring Accenture to deploy ChatGPT. The company sits on the implementation side of the AI value chain, where the money flows after the model is built.

At $197, the forward P/E sits at 14.7x against a 10-year median of 26x. The dividend yield has expanded to 3.3%, backed by a 53% payout ratio and a decade of double-digit annual increases. The balance sheet carries $9.4 billion in cash against $5.1 billion in debt. Free cash flow guidance for FY2026 is $10.8-11.5 billion, covering the dividend and buyback program with room to spare. The HYSA comparison is instructive: a 4% savings rate returns $148 on $100 over 10 years. The base case here returns $310 on $100, with the bear case still returning $133. Every dollar invested at this price works harder than cash under every scenario we model.

1. BUSINESS QUALITY ASSESSMENT

Business Model

Accenture provides strategy consulting, technology implementation, and managed services to enterprises and governments worldwide. Revenue splits roughly 49% consulting (project-based) and 51% managed services (recurring). The company operates across five industry groups: Communications, Media and Technology; Financial Services; Health and Public Service; Products; and Resources. Geographic mix: Americas ~48%, EMEA ~33%, Asia Pacific ~19%.

Competitive Moat

Moat Type	Evidence	Durability	Preservation Value
Switching Costs	Multi-year managed services; deep systems integration	9/10	Excellent
Scale Advantage	786,000 employees; 120+ countries; unmatched delivery	8/10	Excellent
Brand / Relationships	91 of Fortune Global 100; decades-long client tenure	8/10	Excellent
Ecosystem Position	Top partner for AWS, Microsoft, SAP, Salesforce, Google	7/10	Good

The moat compounds through a flywheel: scale attracts talent, talent wins contracts, contracts generate data and expertise, expertise creates switching costs. No competitor matches this breadth. Cognizant, Infosys, and TCS compete on cost in specific verticals, but none matches Accenture's end-to-end capability from strategy through execution. The AI cycle strengthens this position because enterprises need implementation partners, not more model providers.

Primary Moat: Switching Costs + Scale (Durability 9/10). Threat Assessment: LOW. Moat Preservation Confidence: HIGH.

2. FINANCIAL FORTRESS ANALYSIS

Balance Sheet Strength

Metric	Value	Threshold	Assessment
Debt / Equity	0.25x	<1.0x	✓ PASS
Interest Coverage	>50x	>5.0x	✓ PASS
Current Ratio	1.42	>1.5x	MONITOR (close)
Cash / Total Debt	184%	>20%	✓ PASS
FCF Positive (5Y)	5/5	5/5	✓ PASS
Net Cash Position	$4.3B net cash	N/A	FORTRESS

Solvency Verdict: FORTRESS

Accenture carries $9.4 billion in cash against $5.1 billion in total debt, yielding a net cash position of $4.3 billion. Interest expense is negligible relative to $10.9 billion in EBIT. The company generated $10.9 billion in free cash flow in FY2025, and guides $10.8-11.5 billion for FY2026. In a 30% revenue decline scenario (2008-severity), the firm would still generate positive free cash flow given its variable cost structure (labor is the primary expense, and headcount adjusts with demand). The current ratio of 1.42 sits marginally below the 1.5x threshold but is offset by the massive cash position and FCF generation.

Profitability Metrics

Metric	Current (FY2026 H1)	5Y Average	Trend
Gross Margin	30.3%	31.2%	→ Stable
Operating Margin (Adj.)	15.6%	15.3%	↑ Improving
Net Margin	11.6%	11.2%	↑ Improving
FCF Margin	15.6%	14.0%	↑ Improving
ROIC	20.2%	22.8%	↓ Slight decline

ROIC of 20.2% vs. WACC of 9.0% confirms significant value creation. The 5-year average ROIC of 22.8% is higher, reflecting the premium multiples that inflated invested capital in prior years. The current ROIC remains well above the 15% threshold for excellent capital efficiency. Margins are stable to improving, with operating margin expanding 30 bps in Q2 FY2026 on utilization improvement (93% vs. 91% prior year).

3. DIVIDEND ANALYSIS

Metric	Value	Assessment
Current Yield	3.3%	Attractive
Annual Dividend	$6.52 / share	
Payout Ratio (EPS)	~53%	< 60% ✓
Payout Ratio (FCF)	~37%	< 70% ✓
Dividend Growth (5Y CAGR)	~12%	> 3% ✓
Consecutive Years Paid	~19 years (since 2005)	> 10 years ✓
Maintained Through 2008-09	Yes (increased)	✓
Maintained Through 2020	Yes (increased)	✓
FCF Coverage (FCF/Div)	~2.9x	> 1.3x ✓

Dividend Sustainability: ROCK SOLID

The dividend is covered 2.9x by free cash flow. Even a 40% earnings decline would leave coverage at 1.7x, well above the 1.1x danger zone. Accenture has increased its dividend every year since inception and raised the quarterly payout 10% in FY2026 (from $1.48 to $1.63). The payout ratio of 53% leaves ample room for continued double-digit growth. At the current price, dividend income alone delivers 3.3% annually, growing faster than inflation.

Stress Test: If earnings dropped 40%, dividend coverage would be 1.7x. Assessment: ADEQUATE. No cut risk.

4. VALUATION ANALYSIS

Relative Valuation

Metric	Current	5Y Avg	10Y Median	Percentile	vs. History
P/E (TTM)	16.0x	28.0x	26.1x	5th	DEEP DISCOUNT
Forward P/E	14.7x	24.0x	22.0x	<5th	DEEP DISCOUNT
EV/EBITDA	11.3x	19.0x	17.5x	<10th	DEEP DISCOUNT
P/FCF	13.8x	24.0x	22.0x	<10th	DEEP DISCOUNT
Dividend Yield	3.3%	1.3%	1.5%	>95th	HIGHEST EVER

Fair Value Calculation

Normalized EPS: $13.37 (FY2026 GAAP guidance midpoint). **Fair P/E Multiple:** 22x (conservative; below 5Y avg of 28x, reflecting slower growth environment but still above current trough). **Fair Value:** $13.37 x 22 = **$294** (conservative). Using 10Y median P/E of 26x: $13.37 x 26 = **$348**. Blended fair value estimate: **$330**. Current price: $196.88. **Margin of Safety: 40.3%**.

Valuation Verdict: ATTRACTIVE

Accenture has never traded this cheaply relative to earnings in its public history except briefly during the depths of the 2008 financial crisis. The current multiple implies the market expects permanent earnings impairment. FY2026 guidance calls for 9-11% EPS growth, record bookings, and expanding margins. The disconnect between operational performance and valuation creates a margin of safety exceeding 40%.

5. SCENARIO ANALYSIS

Scenario	Rev CAGR	EPS CAGR	Terminal P/E	10Y Price	Div Yield (Yr10)	Total CAGR	Weight
Bear	0%	0%	14x	$187	5.0%	2.9%	25%
Base	5%	7%	20x	$520	2.5%	12.2%	50%
Bull	7%	10%	25x	$850	1.8%	17.3%	25%

Probability-Weighted Expected Total Return: 11.1% CAGR

Bear Case Assumptions (25% probability): Revenue stagnates as AI disrupts traditional consulting. Margins compress. EPS stays flat at ~$13 for a decade. The market assigns a permanent 14x multiple, reflecting a utility-like business. Price in 10 years: $187. Cumulative dividends (growing at 3% in bear case): ~$77. Total value from $100 invested: $133. CAGR: 2.9%. Capital is preserved.

Base Case Assumptions (50% probability): Accenture grows revenue at 5% annually, driven by managed services expansion and AI implementation demand. EPS compounds at 7% (revenue growth + margin expansion + buybacks). The P/E mean-reverts to 20x (still below the 10Y median). Price in 10 years: ~$520. Cumulative dividends: ~$100. Total value from $100 invested: $310. CAGR: 12.2%.

Bull Case Assumptions (25% probability): AI becomes a multi-decade growth engine. Accenture captures disproportionate share of enterprise AI spending. Revenue compounds at 7%, EPS at 10%. Multiple re-rates to 25x (below the 2021 peak of 36x). Price in 10 years: ~$850. Cumulative dividends: ~$120. Total value from $100 invested: $493. CAGR: 17.3%.

Critical Downside Check:

Check	Result
Bear Case Total Return	2.9% CAGR ✓ Positive
Capital Preserved in Downside?	YES ✓
Max Estimated Drawdown from Current	~5% (to ~$187)
Probability of >50% Permanent Loss	<2%

6. RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet Risk	1	Net cash; no solvency concern	Fortress balance sheet
Earnings Volatility	3	Consulting is discretionary spend	Managed services now 51% of revenue

Risk Category	Score (1-10)	Key Concern	Mitigation
Competitive Threat	4	AI could reduce consulting demand	Positioned as AI implementer, not displaced by it
Regulatory Risk	2	Federal business (~5% revenue)	Diversified across 120+ countries
Management Risk	3	CEO insider sales; low ownership	Strong institutional governance; 10b5-1 plans
Valuation Risk	1	Already at trough multiple	Limited further downside at 14.7x forward
Aggregate Risk	2.3		LOW

Recession Stress Test

Metric	2008-2009	2020 (COVID)
Revenue Decline	-6% (USD); flat local currency	Flat (FY2020 -2%, FY2021 recovery)
EPS Impact	Moderate decline	Minimal
Dividend Action	Increased (50% raise FY2009)	Increased
Stock Peak-to-Trough	-29%	-30%
Recovery Time	~18 months	~6 months
Capital Raise Needed?	No	No

Recession Profile: RESILIENT

Accenture's variable cost structure (labor adjusts with demand) protects margins during downturns. The company has never cut its dividend. In 2008, the stock declined 29% while the S&P; 500 fell 53%, and Accenture recovered within 18 months. The current drawdown of 30% from the 52-week high mirrors prior recession-level drops, yet the company is guiding for 9-11% EPS growth. The selloff is sentiment-driven, not fundamental.

7. MANAGEMENT & GOVERNANCE

CEO: Julie Sweet. Tenure: Since September 2019 (~6.5 years). Also serves as Chair.

Sweet has navigated Accenture through COVID and the early AI cycle. Under her leadership, revenue grew from $43.2B (FY2019) to $69.7B (FY2025), a 62% increase. She has committed over $3 billion to AI-related acquisitions (including Udacity, Faculty, and others) and positioned the firm as the go-to AI implementation partner for enterprises. Capital allocation has been disciplined: $4-5 billion in annual buybacks at varying prices, consistent dividend growth, and debt levels that remain minimal. The dual Chair/CEO role is a governance concern, partially offset by a majority-independent board.

Capital Allocation (5Y)	Assessment
Dividend Growth	✓ Consistent (10-15% annual increases)
Buybacks	✓ Consistent ($4-5B annually)
Acquisitions	✓ Value-accretive (AI-focused, bolt-on)
Debt Management	✓ Prudent (net cash maintained)

Insider Ownership: <1% (institutional ownership 91%). Sweet holds ~37,000 shares (~$7.3M at current price). She has been a consistent net seller via 10b5-1 plans. Low insider ownership is common at firms of this scale but remains a minor negative. **Management Quality: GOOD. Capital Allocation Track Record: STRONG.**

8. PEER COMPARISON

Metric	ACN	CTSH	INFY	Best for Preservation
Debt / Equity	0.25x	0.08x	~0.10x	CTSH (lowest)
Dividend Yield	3.3%	~2.0%	~2.5%	ACN (highest)
Payout Ratio	~53%	~30%	~55%	CTSH (most cushion)
ROIC	20.2%	15.2%	27.1%	INFY (highest)
P/E (TTM)	16.0x	13.7x	24.1x	CTSH (cheapest)
FCF Margin	~15.6%	~14%	~17%	INFY (highest)
Revenue Scale	$69.7B	$21.1B	$19.1B	ACN (3x larger)
5Y Dilution	<1%	<1%	<1%	All comparable

Why ACN over peers: Cognizant trades at a lower multiple but lacks Accenture's scale, brand, and managed services mix. Infosys offers higher ROIC but faces greater currency and geopolitical risk as an India-domiciled firm. For a wealth preservation mandate, Accenture combines the highest dividend yield with the most defensible competitive position and a 40% valuation discount to its own history. The trifecta of income, safety, and valuation compression makes ACN the preferred holding in the IT services cohort.

9. KEY METRICS SUMMARY

Metric	Value
Wealth Preservation Score	92 / 100
Fair Value Range	$294 - $348
Current Price	$196.88
Margin of Safety	40.3%
Expected Total Return (Base)	12.2% CAGR
Bear Case Return	2.9% CAGR
Dividend Yield + Growth	3.3% + 10.0%
ROIC vs. WACC	20.2% vs. 9.0%
Probability of Permanent Loss	<2%

10. WP SCORING BREAKDOWN

Downside Protection Score: 95/100

Factor	Points	Rationale
Starting Base	50	
Bear case total return positive	+15	2.9% CAGR in bear case
D/E < 0.5x	+10	0.25x
Dividend maintained 2008/2020	+10	Increased in both
Max drawdown < 40%	+10	29% in 2008
Current yield > 3%	+5	3.3%

Factor	Points	Rationale
Adjustments	-5	Current ratio 1.42 (below 1.5x threshold)
TOTAL	95	

Return Adequacy Score: 100/100

Base case total return of 12.2% CAGR scores the maximum 100 points (>12% threshold). The probability-weighted return of 11.1% CAGR also exceeds the 10-12% bracket.

Quality Score: 98/100

Component	Max Points	Score	Detail
Balance Sheet Fortress	40	40	D/E 0.25x, coverage >50x, FCF 5/5
Income Reliability	30	30	Yield 3.3%, payout 53%, 12% growth, 19yr history
Capital Efficiency	15	13	ROIC 20.2% (excellent); slight decline from highs
Valuation	15	15	Below 10th percentile of 10Y range
TOTAL	100	98	

Composite WP Score:

(95 x 0.45) + (100 x 0.30) + (98 x 0.25) = 42.75 + 30.0 + 24.5 = **92.3 / 100**. Interpretation: Excellent wealth preservation candidate. High conviction position.

11. MONITORING CHECKLIST & EXIT TRIGGERS

Quarterly Review:

■ Earnings vs. expectations (FY2026 guide: GAAP EPS $13.25-$13.50)
■ Bookings trajectory (watch for deceleration below $18B quarterly)
■ Dividend maintained/increased
■ Balance sheet metrics stable (net cash, D/E < 0.5x)
■ GenAI bookings trajectory (currently tripling annually)
■ Managed services as % of revenue (maintain >50%)

Exit Triggers (Sell or Re-Review):

Trigger Condition	Action
Dividend cut or freeze for 2+ quarters	SELL immediately
D/E rises above 1.0x (e.g. large debt-funded acquisition)	SELL
ROIC falls below WACC (9%) for 2 consecutive years	SELL
Bear case return turns negative (fundamental thesis break)	SELL
Forward P/E exceeds 30x (target price reached, forward return < 5%)	Trim / SELL
GenAI bookings decline for 3 consecutive quarters	RE-REVIEW (AI thesis challenged)
Loss of 2+ top-5 clients or major contract cancellation wave	RE-REVIEW
CEO departure without clear succession plan	RE-REVIEW
U.S. federal business cuts exceed 5% of total revenue	RE-REVIEW

Trigger Condition	Action
Better opportunity with WP Score 10+ points higher at comparable risk	REPLACE

FINAL RECOMMENDATION

RECOMMENDATION: BUY

Decision Element	Value
Position Size	€100 (Full position)
Entry Strategy	Market order at current levels ($196-200)
WP Score	92 / 100 (High Conviction)

Absolute Requirements Checklist:

Requirement	Result	Pass/Fail
Bear case total return ≥ 0%	2.9% CAGR	✓ PASS
Base case total return ≥ 7%	12.2% CAGR	✓ PASS
Solvency: FORTRESS or ADEQUATE	FORTRESS	✓ PASS
Dividend sustainability: ROCK SOLID or SUSTAINABLE	ROCK SOLID	✓ PASS
Probability of >50% permanent loss < 10%	<2%	✓ PASS

Expected Outcome (10 Years):

Total Return (Base): 12.2% CAGR. Cumulative Return: ~210%. $100 becomes ~$310.

vs. Alternatives:

Alternative	$100 Becomes	Outperformance
HYSA (4%)	$148	+$162 vs. ACN base
ACN Bear Case (2.9%)	$133	Beats HYSA even in worst case: NO (bear < HYSA)
ACN Base Case (12.2%)	$310	+$162 vs. HYSA
ACN Prob-Weighted (11.1%)	$287	+$139 vs. HYSA

Note: The bear case CAGR of 2.9% slightly underperforms a 4% HYSA. This is the cost of the asymmetry: a 25% probability of modestly trailing cash, versus a 75% probability of significantly outperforming it. The probability-weighted return of 11.1% provides a 7.1% annual premium over cash, compensating for the tail risk.

Downside Protection:

✓ Bear case preserves capital (2.9% CAGR positive)
✓ Dividend provides 3.3% income floor, growing at 10%+ annually
✓ Balance sheet carries $4.3B net cash with $10.9B annual FCF generation
✓ Stock already at 10-year valuation trough; limited further compression

ANALYST NOTES

Key Assumptions:

1. AI implementation demand sustains consulting revenue growth at or above GDP rates for the next decade. Sensitivity: if AI cannibalizes rather than augments consulting, the bear case probability rises, but even zero growth

preserves capital at this entry point.

2. Accenture maintains its managed services mix above 50%, providing recurring revenue stability. Sensitivity: a shift back toward project-based work would increase earnings cyclicality and compress the appropriate multiple by 2-3 turns.

3. The P/E trough of 14-16x represents the floor for a company with these financial characteristics. Sensitivity: a permanent de-rating to 12x (commodity IT services) would reduce the bear case price target to ~$160, still recoverable with dividends over 10 years.

Limitations:

1. U.S. federal business exposure (~5% of revenue) faces uncertainty from government spending reviews. The impact could exceed the 1% guided headwind.

2. Currency risk: ~52% of revenue is non-USD. A strong dollar cycle would pressure reported results, though local-currency fundamentals remain the better measure.

3. CEO insider selling pattern (33 sales, 0 purchases over 5 years) is not confidence-inspiring, though it follows pre-scheduled 10b5-1 plans common at this executive level.

Confidence Level: HIGH

The conviction derives from the extreme valuation dislocation. Accenture's operational metrics are improving while the stock trades at crisis-level multiples. The balance sheet eliminates solvency risk. The dividend provides a meaningful income floor. The margin of safety exceeds 40%. Even if our growth assumptions prove too optimistic, the entry price provides protection. The risk/reward is asymmetric in the investor's favor.
