Sell: Accenture (ACN)

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Investment Thesis and What Led Us to Sell

Accenture (ticker: ACN) has been a bellwether over the past three decades as a best-in-class technology and systems implementation partner across major CRM and cloud migrations, among other strategic shifts. Our thesis for Accenture was based on their core business fundamentals' alignment with key tenets of the Quality Growth Strategy's investment selection process:

- **Competitive Advantages:** Accenture benefits from economies of scope, relationship-based switching costs, and process power leveraging unique internal capabilities spanning management consulting and business process outsourcing (BPO) services.
- **Earnings Stability:** Accenture has delivered consistent topline and earnings growth over various market environments, driven by durable demand for its consulting and BPO services.
- **Valuation:** Accenture offers significant breadth, depth, and geographic scale for companies to leverage its consulting and outsourcing capabilities across cloud, IT security, supply chain, transformational change management, and AI transition initiatives.

The Jensen Quality Growth Investment Team has been reducing the Strategy's exposure to Accenture over the past year as we reexamined our thesis to reflect how AI transformation may impact their core businesses. Additionally, recent reported results and outlook have corroborated identified risks to the business over the long-term, particularly related to AI-specific headwinds to Accenture's business.

While it remains a quality company, Accenture's exposure to meaningful AI risk drove the Investment Team's decisions to reduce and ultimately sell the position, with sale proceeds allocated toward companies with more attractive risk-adjusted return opportunities and improving growth prospects and competitive advantage profiles.

Company Overview

Accenture is a global management consulting, technology services, and outsourcing company, serving clients across more than 120 countries with a workforce of nearly 800,000 people. Accenture's end markets are diversified across sectors, including communications, media, technology, financial services, and healthcare.

Outlook

Our near-term outlook is somewhat tempered by a slowing macro economy and lower demand for outsourcing and consulting services, partially offset by ongoing cloud and SAP implementations.

Longer-term, our outlook is more challenged due to new realities amidst the AI implementation cycle. First, Accenture has and will continue to implement AI into its own workflow, making itself more efficient, which pressures billable hours necessary to complete a given project. Second, AI implementation does not require the same intensity as prior major technology shifts, like cloud and CRM, with less demand for Accenture's implementation services. Third, the barriers to entry across IT verticals are lower in the age of AI, which may increase competition across Accenture's end markets. Finally, we believe a shift to outcome-based contracts may be increasingly necessary, which could prove challenging given Accenture's entrenched business model centered on billable hours.

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