



Economics & Financial Markets

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Accenture (ACN) Likely Beneficiary of Stimulus Bill - Recommending ACN as a Market Outperform

Introduction

H.R. 1 and S.R.1 the House and Senate versions of the American Recovery and Reinvestment Act of 2009 for the 111th Congress are beginning to take shape. At SISR our role is not to editorialize about public policy, but to understand how the reader can benefit from whatever comes out of the beltway. We have been arguing infrastructure for the past few months. Here is a different idea and one that we like very much. One part of the bill that we found to be of great interest was the \$23.9 Billion in the” Job creating investment in Health” for “Electronic Health Records (EHR).” In April 2004 President Bush signed a ‘Presidential directive which was directed toward the Office of Health Information Technology, to build an electronic health records (EHR) network, for all citizens by 2014.’”

Accenture Likely Beneficiary

In November 2005 the Department of Health and Human Services awarded Accenture Health and Life Sciences a contract to “Create a fully-integrated Health Information system to connect healthcare communities.” In late November Chairman and CEO Bill Green of Accenture “brainstorms with fellow CEO’s on key priorities for Obama” a group assembled by the Wall Street Journal which strongly recommended that a major stimulus package be passed during the early part of the new administration. H.R.1 provides for \$20 Billion for Health Information Technology to “jumpstart efforts to computerize health records to cut costs and reduce medical errors,” essentially the 2004 directive by President Bush. S.R. 1 calls for a \$23.9 “investment and incentives in health information technology (IT) which will grow jobs in the information technology sector, and will jumpstart efforts to increase the use of health IT in doctors’ offices and other medical facilities. This will reduce health care costs and improve the quality of health care for all Americans.” Again, this section in essence funds the 2004 directive.

Accenture (ACN) has been making investments in the health technology space over the past few years. In April of 2005 Accenture purchased the U.S. health care practice of Capgemini the largest health consulting company in Europe. Given the level of government contracts that ACN receives and given the fact that ACN is already involved in this implementation of the EHR program, it is highly likely that ACN will be a significant beneficiaries from this part of the Stimulus bill.

ACN's revenues were over \$25 Billion last year, and their Health and Life Sciences segment we estimate accounted for 5 to 6% of their total revenues. That would make this segment a 1.1 to 1.2 Billion dollar segment currently. We know that H&L is part of ACN's Products Segment which accounted for 17% of their total revenues, a segment which also includes consumer goods, auto and retail. There are no better breakouts for these sub segments expect that it was one of their fastest growing sub segments in products. Making assumptions it would be hard to see how this segment would not be significantly impacted, assuming that the bill's final passage is similar to the early proposal in the Senate, and the bill passed by the House.

Throughout 2008 ACN's revenues have been flat in the \$6.1 Billion to \$6.5 Billion range. Let us further assume that the global economy begins to affect ACN's revenues since they are truly a Global company. This boost from the "Recovery and Reinvestment ACT" likely will be enough to help ACN maintain their current level of revenues, and as the world economies begin to improve, this segment will likely become a major growth area of growth.

Based on this component of the Stimulus Bill we at SISR are Recommending ACN as a market outperform and as a safe core holding during this difficult period for Global Economies.

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