Accenture (NYSE: ACN) Deep SVA Methodology Teardown

Prepared by CopelandAI Research | ScanGeni Ventures

April 2026

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The Street is Pricing Momentum; SVA Isolates Intrinsic Cash Flow

Current Price: $332.00

12M Price Target: $378.50 (+14%) vs SVA Intrinsic Reality: $285.40 (-14%)

Street assumes multiple expansion; SVA strictly models cash.

FY24/25 EPS: $12.10 / $13.25 vs SVA Intrinsic Reality: $11.95 / $12.80

Consensus ignores margin decay from fixed-price contract mix.

Terminal Growth: Street uses Multiple-based vs SVA Intrinsic Reality: 3.50%

SVA caps terminal growth at nominal GDP + 50bps.

sell-side is applying a static 28x P/E to forward earnings. At $330+, the market is ignoring the rising WACC

Cost of Capital (WACC): 7.2% (Historical) vs SVA Intrinsic Reality: 8.5% (Current Yields)

ROIC Tree De-composition: Deconstructing ACN’s 32.4% ROIC

ROIC: 32.4% (Return on Invested Capital)

- NOPLAT Margin: 11.8% (Net Operating Profit Less Adjusted Taxes)
- Operating Margin: 15.2%
- Cash Tax Rate: 22.3%
- Invested Capital Turnover: 2.74x
- Revenues: $64.5B
- Average Invested Capital: $23.5B

elite, but asymmetrical. The magic is the 2.74x capital velocity. Any M&A that dilutes this turnover destro

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The Spread-Growth Matrix: High Economic Spread makes ACN highly sensitive to top-line growth

Y-Axis (Economic Spread): +23.9% (ROIC 32.4% minus WACC 8.5%)

X-Axis (Revenue Growth): +5.5% (Forward 3-Year CAGR)

Position: Upper-Right Quadrant (The 'Defend & Expand' Zone).

The SVA Sensitivity Table (Economic Spread at 23.9%):

- 3.0% Top-Line Growth (Bear) = $5.6B Value Creation
- 5.5% Top-Line Growth (Base) = $6.2B Value Creation
- 8.0% Top-Line Growth (Bull) = $7.1B Value Creation

s massive, growth is the dominant lever. A 100 bps increase in growth creates 4x more value than 100 bps

Expectations Investing: Reverse DCF reveals over 50% of share price relies on future growth

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Reverse DCF Mathematics:

Current Share Price: $332.00 | Base Year FCF/Share: $13.50

Discount Rate (WACC): 8.5%

To justify $332 mathematically, the market prices in:

Years 1-5 FCF CAGR: 8.2%

Years 6-10 FCF CAGR: 6.5%

Terminal Growth Rate: 3.0%

owth shifts from 8% to 4%, intrinsic value immediately resets to $265. The $330 price leaves zero margin o

Current Value (Status Quo FCF flatlined): $158.80 (48% of current price)

Future Value (The Growth Premium): $173.20 (52% of current price)

TSR Decomposition: Bridging to a 10% target return in a multiple-contracting environment

TSR Mathematical Bridge (3-Year Forward Target: +10.5% Annualized)

+ 1.5% Dividend Yield (Current Payout)

+ 2.0% Share Repurchase Yield (Assuming $4B annual buybacks)

+ 8.5% NOPLAT Growth (5.5% Top-line + 300bps operating leverage)

(- 1.5%) Multiple Contraction (EV/NOPLAT normalizing from 22x to 20x)

= 10.5% Expected Annualized TSR

annual headwind from multiple contraction. They must execute flawless 8.5% NOPLAT growth and aggressi

Defending the ROIC Tree Against Generative AI Deflation via Outcome-Based Pricing

The Cannibalization Thesis: GenAI automates 30% of coding tasks. In a Time & Materials (T&M) model, a 30% reduction in billable hours = 30% reduction in Revenue.

The SVA Impact: Top-line shrinks, Invested Capital Turnover collapses, Economic Profit turns negative.

The Outcome-Based Defense Mechanism:

- Revenue Model shifts from Input-based (Hours x Rate) to Value-based.
- AI Efficiency Gain is Retained by ACN (Margin expansion) instead of passed to client.
- NOPLAT Margin jumps from 11.5% to 14.0%+.

ons to Outcome-Based pricing, AI becomes the greatest margin lever in history. If they fail, AI is deeply de