NASDAQ-CTSH

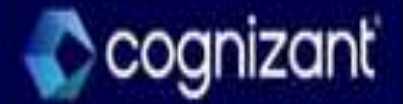# cognizant

EQUITY RESEARCH REPORT

By: Parth Gujral

Recent News

Analyst price targets range from $75 to $88, reflecting varied perspectives on Cognizant's growth potential and the impact of its strategic initiatives.

Recent News

Delve into Cognizant's $1.3 billion acquisition of Belcan, a strategic move to diversify services and enter the lucrative aerospace and defense industries.

Cognizant Technology Solutions Corp
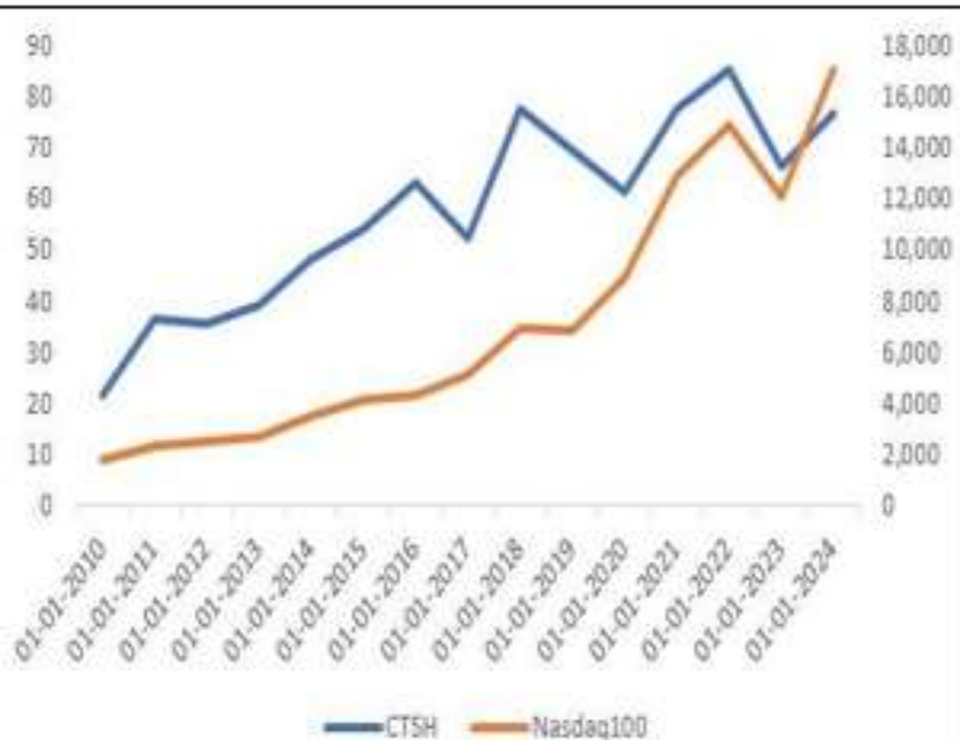
NASDAQ: CTSH

About the Company

Cognizant Technology Solutions Corporation is an American multinational information technology services and consulting company. It is headquartered in Teaneck, New Jersey, U.S. Cognizant is part of the NASDAQ-100 and trades under CTSH. It was founded in Chennai, India, as an in-house technology unit of Dun & Bradstreet in 1994, and started serving external clients in 1996. After a series of corporate reorganizations, there was an initial public offering in 1998. Ravi Kumar S has been the CEO of the company since January 2023, replacing Brian Humphries. Cognizant is ranked 185 on the Fortune 500 and is consistently listed among the most admired companies in the world.

Business Model

Cognizant provides a wide range of services, including digital, technology, consulting, and operations services. Its business model focuses on helping companies modernize technology, reimagine processes, and transform experiences to stay ahead in a fast-changing world.

Market Profile

Market Cap	38.349B
O/s Shares	496 M
52 Week H/L	80.27/62.14
NASDAQ	CTSH
EV/EBITDA	10.67
EV/Sales	1.94
P/E	17.57

Cognizant Technology Solutions Corp
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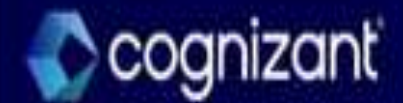
Global Presence
With a significant global footprint, Cognizant operates in North America, Europe, and the Asia-Pacific region, serving clients across various industries such as banking, healthcare, manufacturing, and retail.

Strategic Initiatives
Cognizant invests heavily in innovation and capabilities that support the digital transformation of its clients. This includes initiatives in artificial intelligence, cloud computing, and cybersecurity. The company also focuses on strategic acquisitions to enhance its service offerings and market reach.

Workforce

We had approximately 347,700 employees at the end of 2023, with 254,000 in India, 40,500 in North America, 16,300 in Continental Europe, 8,500 in the United Kingdom and 28,400 in various other locations throughout the rest of the world.

Revenues by Business Segment for 2023

- 30%
- 29%
- 17%
- 24%

■ Health Sciences
■ Products and Resources
■ Communications, Media and Technology
■ Financial services

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Business Segments

- **Financial Services (FS)**
  - Banking
  - Insurance
- **Health Sciences (HS)** – This reportable business segment is comprised of a single operating segment of the same name.
- **Products and Resources (P&R)**
  - Retail and Consumer Goods
  - Manufacturing, Logistics, Energy and Utilities
  - Travel and Hospitality
- **Communications, Media and Technology (CMT)** – This reportable business segment is comprised of a single operating segment of the same name.

Competitive Positioning

The markets for information services are highly competitive, characterized by a large number of participants and subject to rapid change. Direct competitors include, among others, Accenture, Atos, Capgemini, Deloitte Digital, DXC Technology, EPAM Systems, Genpact, HCL Technologies, IBM Consulting, Infosys Technologies, Tata Consultancy Services and Wipro.

Recent News

Explore Cognizant's ability to gain market share and secure large deals in an uncertain environment, demonstrating its competitive edge in IT services.

Cognizant Technology Solutions Corp
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cognizant

Major shareholders

Vanguard Fiduciary Trust Co.	11.74%
BlackRock Advisors LLC	7.79%
State Street Corp.	4.87%
Pzena Investment Management, Inc.	3.76%
Dodge & Cox	3.72%
Nomura Holdings, Inc.	2.77%
Geode Capital Management LLC	2.64%
JPMorgan Investment Management, Inc.	2.59%
Fidelity Management & Research Co. LLC	2.46%

Cognizant Technology Solutions (CTSH) has a market cap of ₹3.220 trillion, making it the 559th most valuable company in the world.

Despite challenging market conditions, Cognizant has demonstrated an ability to gain market share. The company has secured significant large wins in recent quarters, which are now beginning to contribute to revenue growth. This success in navigating an uncertain market by securing discretionary deals indicates Cognizant's strong competitive position within the IT services industry.

Con-Call highlights

➢ Cognizant Technology Solutions delivered a robust performance in Q2 2024, demonstrating strong execution and resilience in a challenging market environment. The company reported revenue of $4.85 billion, which surpassed the high end of their guidance, marking a 2.1% sequential growth in constant currency.

➢ The adjusted operating margin improved to 15.2%, up by 10 basis points sequentially and 100 basis points year-over-year, reflecting effective cost management and operational efficiencies driven by the NextGen program. The program's focus on cost optimization and structural actions has been instrumental in expanding margins.

➢ A significant strategic development was the acquisition of Belcan, aimed at enhancing Cognizant's engineering, research, and development (ER&D) capabilities in the high-growth aerospace and defense sectors. This acquisition aligns with the company's strategy to diversify its service offerings and expand into new verticals, which is expected to drive future growth.

➢ Generative AI initiatives continue to gain traction, with over 750 early client engagements, up from 450 in the previous quarter. Projects span content aggregation, customer experience, and internal tech enhancements, positioning Cognizant as a leader in AI-driven innovation.

➢ Looking ahead, Cognizant has provided a positive outlook for Q3 2024, expecting revenue to be flat to 1.5% year-over-year in constant currency. For the full year, revenue is projected to range from $19.3 billion to $19.5 billion, reflecting a slight decline to modest growth. The company maintains its adjusted operating margin guidance at 15.3% to 15.5% and has raised its adjusted EPS guidance to $4.62 to $4.70.

Risk Factors

Cognizant face various important risks and uncertainties, that could adversely affect the business, results of operations and financial condition and, as a result, cause a decline in the trading price of the common stock.

- ❖ Many of contracts with clients are short-term, and the business, results of operations and financial condition could be adversely affected if clients terminate their contracts on short notice.
- ❖ We face challenges related to growing our business organically as well as inorganically through acquisitions, and we may not be able to achieve our targeted growth rates.
- ❖ NextGen program and the associated reductions in headcount and consolidation of office space could disrupt the business, may not result in anticipated savings, and could result in total costs and expenses that are greater than expected.
- ❖ Fluctuations in foreign currency exchange rates, or the failure of the hedging strategies to mitigate such fluctuations, can adversely impact the profitability, results of operations and financial condition.

Recent News

Cognizant surpasses expectations with robust Q2 2024 results, showcasing strong performance in Financial Services and Healthcare sectors amid market challenges.
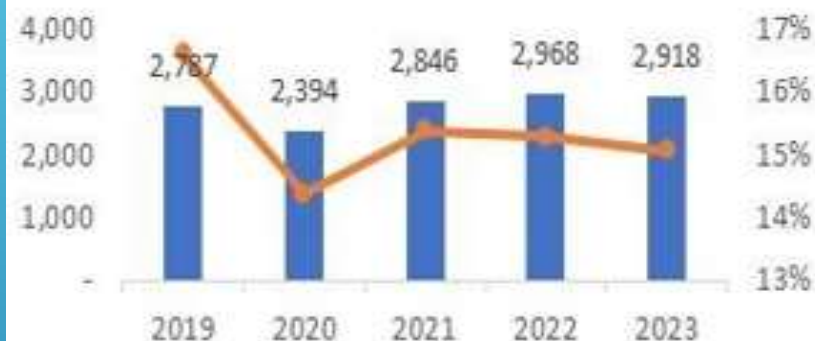
Revenue (in USD million)
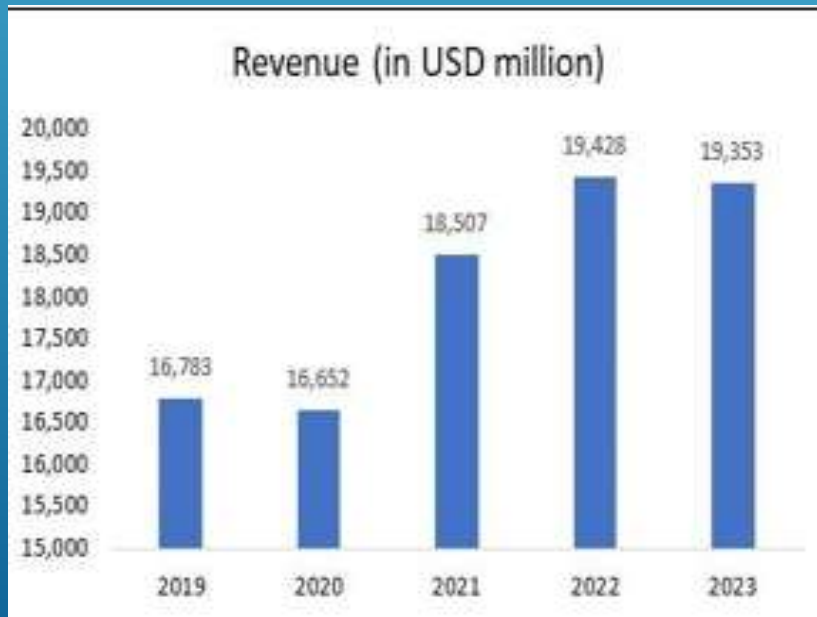
Financial Analysis

Net Operating Revenue

As the revenue has increased with the CAGR of 3.63% over the period rising to $19,353 million in 2023 from $16,652 million in 2020, it gives the strong performance of company to increase its revenue despite of having a slight decline in the year 2020 which was during COVID-19 pandemic. The projections show a consistent upward trend in net operating revenues, reaching $21,629 million by the end of the year 2028.

Operating Income

As the operating income decreased from $2,968 million in 2022 to $2,918 million in 2023. This fall is due to increase in operating expenses of restructuring charges occurred due to adaption of NextGen Program which increased the operating expenses. Operating income is projected to increase over the period of forecasted years, reaching $3,318 million by 2028.

EBIT Margin

Net Income (In USD million)
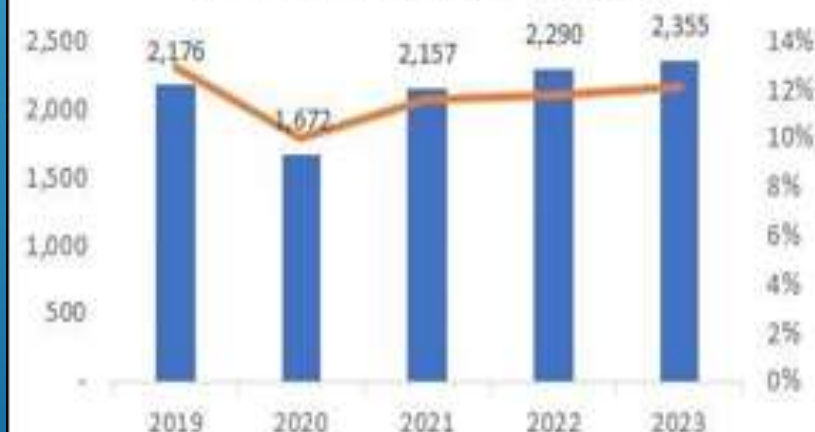
Net Income

Net income increased after the sharp decline during COVID-19 from $1,672 million in 2020 to $2,355 in 2023. This indicates that after accounting for all the expenses including taxes and all other expenses, the company have put a lot of efforts to recover its profit ratio by managing all the expenses efficiently. The company's profit is expected to grow in the future also, although at a slower pace than other metrics.

Cash Conversion Cycle

Cognizant's Cash Conversion Cycle was on an average of historical data is around 60 days which is generally not a good sign for the company future as it may not able to convert its accounts receivables into cash efficiently. By focusing on better receivables management practices, Cognizant can work towards optimizing its CCC to enhance liquidity and operational efficiency.

ROCE & ROIC

ROCE (Return on Capital Employed)

ROCE declined sharply to 14.49% in 2020 during the COVID pandemic the period, but after that company has shown stable return so this indicates that the capital is used efficiently to generate the income, although it keeps on fluctuating in the range of 16.5%-17.5%.

ROIC (Return on Invested Capital)

ROIC has also decreased to 18.88% in 2020 during the COVID but after that it increased to 20.94% by 2023. The recovery and stabilization indicate Cognizant's ability to adapt and optimize its capital usage, returning to strong performance levels. This indicates effective management strategies and resilience in operations.

Recent News

Cognizant and Aston Martin Aramco Formula One® Team celebrate partnership with a visit to Chennai by two-time world champion Fernando Alonso.

ROE (Return on Equity)

ROE has recovered after the COVID pandemic from 15.30% in 2020 to 18.90% in 2021 but after that it has shown stable returns although it declined slightly to 18.44% by 2023. This suggests that Cognizant is able to maintain the return for its shareholders in a consistent way, becoming trustworthy for them.

ROE (Return on Assets)

ROA has also recovered after the COVID pandemic, rising to 12.41% in 2021 from 10.09% in 2020, and after that showing consistent returns steadily increased to 12.96% by 2023. This indicates that the company has used its assets efficiently to generate consistent returns over the period and also utilizing its acquisitions very effectively to generate the returns, indicating the better management of assets.

Dupont Analysis – Return on Equity & Return on Asset

Return on Equity (ROE)

	Dec-20	Dec-21	Dec-22	Dec-23
Net Profit	1672	2157	2290	2355
Average Shareholder Equity	10,929	11,414	12,150	12,768
Return on Equity	**15.30%**	**18.90%**	**18.85%**	**18.44%**

ROE – Dupont Equation

	Dec-20	Dec-21	Dec-22	Dec-23
Net Profit	1672	2157	2290	2355
Revenue	16,652	18,507	19,428	19,353
Net Profit Margin (A)	**10.04%**	**11.66%**	**11.79%**	**12.17%**
Revenue	16,652	18,507	19,428	19,353
Average Total Asset	16,564	17,388	17,852	18,168
Asset Turnover Ratio (B)	**1.01x**	**1.06x**	**1.09x**	**1.07x**
Average Total Asset	16,564	17,388	17,852	18,168
Average Shareholder Equity	10,929	11,414	12,150	12,768
Equity Multiplier (C)	**1.52x**	**1.52x**	**1.47x**	**1.42x**
Return on Equity (A*B*C)	**15.30%**	**18.90%**	**18.85%**	**18.44%**

Return on Asset

Net Profit	1672	2157	2290	2355
Average Total Asset	16,564	17,388	17,852	18,168
Return on Asset	**10.09%**	**12.41%**	**12.83%**	**12.96%**

ROA - Dupont Equation				
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Return on Asset (A*B)	**10.09%**	**12.41%**	**12.83%**	**12.96%**

Dupont Summary

➢ During the COVID-19 pandemic, ROE dropped to 15.30% in FY2020. It recovered to 18.90% in FY2021, nearly reaching pre-COVID levels, but has slightly declined to 18.44% as of December 31, 2023. Over the past five years, ROE has decreased from 19.39% to 18.44%.

➢ Despite changes in ROE, Cognizant has kept improving net margins after a decline to 10.04% in FY2020 during covid, recovering to 12.17% in FY2023, close to pre-covid levels. This shows the company's strong operational performance.

➢ The company has been improving its asset efficiency consistently after the decline to 1.01x. However, the drop in ROE is mainly due to reduced financial leverage, which was highest at 1.52x in FY2020 and has since decreased to 1.42x in FY2023.

➢ ROA fell from 10.09% during the COVID but has since recovered, rising from 12.41% in FY2021 to 12.96% in FY2023. This increase in ROA is due to better use of the company's assets and improving net margins after a decline during the COVID.

Cognizant Technology Solutions Corp
NASDAQ: CTSH

SWOT Analysis

Strengths
- Strong financial performance, consistently beating market expectations.
- Successful implementation of cost-saving initiatives.
- Ability to gain market share in challenging conditions.
- Diverse portfolio of IT and consulting services.

Weaknesses
- Short-term earnings dilution from recent acquisitions.
- Dependence on specific sectors (Financial Services, Healthcare).
- Exposure to macroeconomic uncertainties affecting client spending.

Opportunities
- Expansion into aerospace and defense sectors through Belcan acquisition.
- Increasing adoption of Generative AI technologies.
- Potential for cross-selling and upselling to existing clients.
- Further strategic acquisitions to enhance capabilities and market reach.

Threats
- Intense competition in the IT services sector.
- Ongoing macroeconomic uncertainties affecting client decision-making.
- Potential integration challenges from acquisitions.
- Rapid technological changes requiring continuous adaptation.

Cost of Equity from Bottom Up Beta

Particulars	Notes	Value
Risk-free Rate (%)	10-year treasury rate	3.72%
Beta	Bottom Up Beta	0.90
Equity Risk Premium (%)	ERP Damodaran	4.60%
Cost of Equity Capital	CAPM	7.86%

Cost of Equity from Regression Beta

Particulars	Notes	Value
Risk-free Rate (%)	10-year treasury rate	3.72%
Beta	Regression Beta	0.79
Equity Market Risk Premium (%)	ERP Damodaran	4.60%
Cost of Equity Capital	CAPM	7.35%

Cognizant Technology Solutions Corp
NASDAQ: CTSH

Valuation

Two different valuation methodologies were utilized in deriving a target price for Cognizant Technology Solutions Corp., a 5-year **DCF (Discounted Cash Flow)** and **a Relative Multiple Valuation** using Public Comparable Company Analysis.

DCF Model

A **Discounted Cash Flow** Analysis was used to estimate the Intrinsic Value of Cognizant due to the predictability of cash flows in relation to growth and profitability. The base case for this model was formulated using guidance from historical performance, industry outlook, an assessment of Cognizant competitive positioning, and company guidance on acquisitions, revenue and earnings growth. This model is driven by **Free Cash Flow to the Firm (Unlevered Free Cash Flow)** as this represents cash that is available for both debt and equity holders and is calculated as

EBIT
Less: Taxes
NOPAT (Net Operating Profit after Taxes)
Add: Depreciation & Amortization
Less: Capex
Less: Change in Net Working Capital
Free Cash Flow to the Firm

Cost of Debt

Particulars	Notes	Value
Pre-Tax Cost of Debt		6.30%
Tax Rate	Marginal Tax Rate - ERP Damodaran	25%
Post Tax Cost of Debt		4.73%

The historical horizon is five years (2020 to 2023), where we have seen steady sales growth rates and margins, making FCF forecasts more predictable and reliable.

• Under this model we step in finding the **value per share of company** considering two different methods one is **Gordon Growth Model/Perpetual Growth Model** (When co. is strategizing to grow business investments and achieve synergies) and the other one is **Exit Multiple Method** (When co. is investing with the motive to exit from the probable business investments after some time period or value gained)

• **Gordon growth model** is useful for valuing broad-based equity indexes and the stock of businesses with earnings that are expected to grow at a stable **rate comparable to or lower than the economy's nominal growth rate**. Gordon Growth Model's values are very **sensitive** to the assumed **growth rate** and **required rate of return**.

• The **exit multiple** uses a **market multiple basis** to fairly value a business.

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TERMINAL VALUE CALCULATION

Gorden Growth model				EXIT MULTIPLE METHOD	
ong term GG	2.75			EV/EBITDA	10.6
FCFF last year	4736			Last year EBITDA	5,386.36
WACC	6.24%			TV	57,095.38
Terminal value	6,609			PV of TV	44,042
Present value of TV	5,098			Terminal Value	5,929

WACC Rate Impact: The choice of discount rate (WACC) significantly influences the DCF valuation. results in higher present values for both terminal and explicit period cash flows, increasing the overall DCF value of the firm and per share. Uses a long-term growth rate of 2.75% and the last projected FCFF to estimate the perpetuity value.

Gordon Growth Method
Uses a long-term growth rate of 2.75% and the last projected FCFF to estimate the perpetuity value.

Terminal value
$6,609 million: Represents the estimated value of the business beyond the explicit forecast period, calculated using the perpetuity growth model under the Gordon Growth approach..

Exit Multiple Method:

Terminal Value:
$5,929 million: Lower than in the Gordon Growth scenario, reflecting a lower estimated value of the business beyond the forecast period.

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Method	Lower	Difference	Higher
DCF Perpetual	113.08	11.9	124.98
CCA FY 1 EV/EBIDTA	107.6	27.6	135.2
CCA FY1 EV/EBIT	112	26.4	138.4
DCF Exit Multiple	186.3	19.6	206.0
Market Consensus	75	25.0	100
52 Week Range	62.1	18.2	80.3
Unaffected Price	76.2		76.2
Final range	107.6		205.95

Relative Valuation

For relative valuation, comparable companies are selected based on geographic area, size, products and capital structure. Then, to calculate the potential share price range, different multiples are taken in consideration of peer companies for the LTM (2024), FY1(2025) and FY2(2026) period and then multiplied by the Cognizant metrics. The detailed process is provided in Annexure of this report. To accurately see the share price of the company, lower and higher ranges is calculated from different valuation methods.

- According to the EV/EBITDA multiple method the Cognizant should range from $107.6 – $135.2 per share.
- According to the EV/EBIT multiple method the Cognizant should range from $112.0 – $138.4 per share.

Football Field Analysis

A football field is a graph used to compare and summarize the results of different valuation methodologies to value a company.

Use of different valuation methods and assumptions results in a wide valuation range. A football field shows the range and the mean valuation arrived at using different methodologies (and their underlying assumptions) in a single chart. This process helps in reducing the margin for error and also assists the decision-maker in choosing the most appropriate method to achieve the best valuation.

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Income statement	12 months Dec. 31, 2020	12 months Dec. 31, 2021	12 months Dec. 31, 2022	12 months Dec. 31, 2023	12 months Dec. 31, 2024	12 months Dec. 31, 2025	12 months Dec. 31, 2026	12 months Dec. 31, 2027	12 months Dec. 31, 2028
Revenues	16,652.00	18,507.00	19,428.00	19,353.00	20,467.21	21,649.44	22,904.06	24,235.77	25,649.58
COGS	10,671.00	11,604.00	12,448.00	12,664.00	13,113.98	13,871.46	14,675.34	15,528.61	16,434.47
Gross Profit	5,981.00	6,903.00	6,980.00	6,689.00	7,353.24	7,777.97	8,228.72	8,707.16	9,215.10
Operating Expense									
SG&A Expense	3,100.00	3,503.00	3,443.00	3,252.00	3,687.67	3,900.68	4,126.73	4,366.67	4,621.40
D&A EXPENSE	552.00	574.00	569.00	519.00	610.40	645.66	683.08	722.79	764.96
Restructing charges	215.00	-	-	229.00	-	-	-	-	-
TOTAL OPERATING EXPENSE	3,867.00	4,077.00	4,012.00	4,000.00	4,298.07	4,546.34	4,809.80	5,089.46	5,386.36
EBIT	2,114.00	2,826.00	2,968.00	2,689.00	3,055.17	3,231.64	3,418.92	3,617.70	3,828.74
Interst income	119	30	59	126	93.71	99.13	104.87	110.97	117.44
Interst Expense	-24	-9	-19	-41	22.57	21.41	20.24	19.08	-
Foreign currency exchange	-116	-20	7	2	0	0	0	0	0
other Net	3	0	1	11	0	0	0	0	0
Total Other Income (Expense),net	-18	1	48	98	116.29	120.53	125.11	130.04	117.44
EBT	2,096.00	2,827.00	3,016.00	2,787.00	3,171.45	3,352.17	3,544.03	3,747.75	3,946.19
Provision for Income Tax	704	693	730	668	842.61	890.62	941.60	995.72	1,048.44
Income(loss) from equity investments	0	3	4	7	0	0	0	0	0
Net Income	1,392.00	2,137.00	2,290.00	2,126.00	2,328.84	2,461.55	2,602.43	2,752.03	2,897.74
Average Shares Outstanding	541	528	519	505	505	505	505	505	505
Diluted EPS	2.57	4.05	4.41	4.21	4.61	4.87	5.15	5.45	5.74

Cognizant Technology Solutions Corp
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Balance Sheet as of:	12 months Dec. 31, 2020	12 months Dec. 31, 2021	12 months Dec. 31, 2022	12 months Dec. 31, 2023	12 months Dec. 31, 2024	12 months Dec. 31, 2025	12 months Dec. 31, 2026	12 months Dec. 31, 2027	12 months Dec. 31, 2028
Current Assets:									
Cash&Cash Equivalents	2680	1792	2191	2621	5,192.65	6,920.99	8,749.25	10,176.54	12,246.90
Short Term Investments	44	927	310	14	14.00	14.00	14.00	14.00	14.00
Trade Account Recievables net	3087	3557	3796	3849	3,094.91	3,273.10	3,462.16	3,662.80	3,875.76
Other Current Assets	1040	1066	969	1022	892.79	944.19	998.73	1,056.61	1,118.05
Total Current Assets	**6851**	**7342**	**7266**	**7506**	**9,194.35**	**11,152.28**	**13,224.14**	**14,909.95**	**17,254.71**
Property and Equipment net	1251	1171	1101	1048	1,257.67	1,330.31	1,407.41	1,489.24	1,576.12
Operating lease asset net	1013	933	876	611	611.00	611.00	611.00	611.00	611.00
Goodwill	5031	5620	5710	6085	6,085.00	6,085.00	6,085.00	6,085.00	6,085.00
Intangible asset net	1046	1218	1168	1149	1,149.00	1,149.00	1,149.00	1,149.00	1,149.00
Deferred income tax assets net	445	404	642	993	993.00	993.00	993.00	993.00	993.00
Long term Investments	440	463	427	435	435.00	435.00	435.00	435.00	435.00
other non current assets	846	701	662	656	656.00	656.00	656.00	656.00	656.00
Total Assets	**16923**	**17852**	**17852**	**18483**	**20,381.02**	**22,411.60**	**24,560.55**	**26,328.19**	**#######**
Liabilities and Stockholder's Equity									
Current Liabilities									
Account Payable	389	361	360	337	334.15	353.45	373.93	395.67	418.75
Deferred Revenue	383	403	398	385	334.15	353.45	373.93	395.67	418.75
Short Term Debt	38	38	8	33	33.00	33.00	540.00	-	-
Operating Lease Liabilities	211	195	174	153	153.00	153.00	153.00	153.00	153.00
Accrued Expense and other current liabilities	2519	2532	2407	2425	2,425.00	2,425.00	2,425.00	2,425.00	2,425.00
Total Current Liabilities	3540	3529	3347	3333	3,279.29	3,317.89	3,865.86	3,369.34	3,415.50
Non-Current Liabilites									
Deferred revenue non current	36	40	19	42	42.00	42.00	42.00	42.00	42.00
Operating Lease Liabilities	846	783	714	523	523.00	523.00	523.00	523.00	523.00
deferred income tax liabilities	206	218	180	226	226.00	226.00	226.00	226.00	226.00
long term debt	663	626	638	606	573.00	540.00	-	-	-
long term income taxes payable	428	378	283	157	157.00	157.00	157.00	157.00	157.00
other non current liabilities	368	287	362	363	363.00	363.00	363.00	363.00	363.00
Total Non Current Liabilities	**2547**	**2332**	**2196**	**1923**	**1890**	**1857**	**1317**	**1317**	**1317**
Total Liabilities	**6,087.00**	**5,861.00**	**5,543.00**	**5,256.00**	**5,169.29**	**5,174.89**	**5,182.86**	**4,686.34**	**4,732.50**
Stockholder's Equity									
Preferred stock	-	-	-	-	-	-	-	-	-
Class A common stock $0.10 par value,1000 shares authori	5	5	5	5	5	5	5	5	5
Additional paid in capital	32	27	15	15	15	15	15	15	15
Share Based Compensation	-	-	-	-	254	522	805	1,106	1,423
Retained Earnings	10,689	11,322	12,588	13,301	15,032	16,808	18,686	20,672	22,763
Accumulated other comprehensive income(loss)	110	37	-299	-94	-94	-94	-94	-94	-94
Total stockholder's equity	**10,836**	**11,991**	**12,309**	**13,227**	**15,212**	**17,256**	**19,418**	**21,704**	**24,112**
Total Liabilities and Stockholder's Equity	**16,923**	**17,852**	**17,852**	**18,483**	**20,381**	**22,412**	**24,560**	**26,328**	**28,760**

Cognizant Technology Solutions Corp
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Cash Flow Statement	12 months Dec. 31, 2024	12 months Dec. 31, 2025	12 months Dec. 31, 2026	12 months Dec. 31, 2027	12 months Dec. 31, 2028
Cash From Operating Activities					
Net Income	2,328.84	2,461.55	2,602.43	2,752.03	2,897.74
Depreciation and amortization	610.40	645.66	683.08	722.79	764.96
Interest Expense	22.57	21.41	20.24	19.08	-
Share-based compensation expense	253.52	268.16	283.70	300.20	317.71
Change in assets and liabilities:					
Trade accounts receivable	754.09	-178.18	-189.06	-200.64	-212.97
Prepaid expenses and other current assets	129.21	-51.40	-54.54	-57.88	-61.43
Accounts payable and accrued expenses	-2.85	19.30	20.48	21.74	23.08
Net Cash Provided by Operating Activities	4,095.78	3,186.50	3,366.34	3,557.32	3,729.09
Cash From Investing Activities					
Capital Expenditure	-820.07	-718.31	-760.17	-804.62	-851.83
Net Cash Used for Investing Activities	-820.07	-718.31	-760.17	-804.62	-851.83
Cash From Financing Activities					
Cash dividends paid	-648.49	-685.44	-724.67	-766.33	-806.90
Interest Expense	-22.57	-21.41	-20.24	-19.08	-
Debt Repaid	-33.00	-33.00	-33.00	-540.00	-
Net Cash Provided by/(Used for) Financing Activities	-704.06	-739.85	-777.91	-1,325.40	-806.90
Net Increase/(Decrease) in Cash and Cash Equivalents	2,571.65	1,728.34	1,828.26	1,427.29	2,070.36
Cash and Cash Equivalents, Beginning of Year	2,621.00	5,192.65	6,920.99	8,749.25	10,176.54
Cash and Cash Equivalents, End of Period	5,192.65	6,920.99	8,749.25	10,176.54	12,246.90

Cognizant Technology Solutions Corp
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Name (Competitor)	Beta
COGNIZANT	0.95
Accenture	0.07
DXc	1.25
IBM	0.59
ADP	0.86

UNLEVERED BETA CALCULATION - COMPARABLES

Name	Levered Beta	Debt	% Debt Equity	% Equity	Tax Rate	Unlevered Beta	Relevered Beta
Accenture	0.07	68.88	214229		26.00%	0.07	0.07
DXC	1.25	3,548	3728		26.00%	0.73	1.25
IBM	0.59	52,106	188076		26.00%	0.49	0.59
ADP	0.86	2,991	113141		26.00%	0.85	0.86
Median						**0.53**	
COGNIZANT	0.95	590	38,231		26%		

Bottom up Beta	0.54
Regression Beta	0.95

Cognizant Technology Solutions Corp
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	0.29	1.29	2.29	3.29	4.29
	Dec. 31, 2	Dec. 31, 2	Dec. 31, 2	Dec. 31, 2027	Dec. 31, 2028
EBIT	3,055.17	3,231.64	3,418.92	3,617.70	3,828.74
TAX	27%	27%	27%	27%	27%
NOPAT	2,243.45	2,373.04	2,510.56	2,656.53	2,811.50
Add D&A	610.40	645.66	683.08	722.79	764.96
Add NCWC	3,279.29	3,317.89	3,865.86	3,369.34	3,415.50
Less CAPEX	-820.07	-718.31	-760.17	-804.62	-851.83
FCFF	5,313.08	5,618.29	6,299.33	5,944.04	6,140.13

WACC	6.24%				
Discount factor		0.98	0.93	0.87	0.82	0.77
Present value of explicit CF		5,221.34	5,196.93	5,484.58	4,871.23	4,736.32
NPV OF EXPLICIT CF		25,510.40				

TERMINAL VALUE CALCULATION

Gordon Growth model					EXIT MULTIPLE METHOD		
long term GG	2.75				EV/EBITDA		10.6
FCFF last year	4736				Last year EBITDA		5,386.36
WACC	6.24%				TV		57,095.38
Terminal value	6,609				PV of TV		44,042
Present value of TV	5,098				Terminal Value		5,929

VALUATION

	Gordon Growth model	EXIT MULTIPLE METHOD
Present value of explicit CF	25,510.40	25,510.40
PV of TV	5,098	44,042
TOTAL OPERATING EV	30,608.07	69,552.08
(-)DEBT	0	0
(-)NCI	0	0
(+)CASH	12,246.90	12,246.90
(+)NON OPERATING ASSETS	17,254.71	17,254.71
MARKET VALUE	60,110	99,054
OUTSTANDING SHARES	505	505
DCF VALUE PER SHARE	119.03	196.15
CMP	76.2	76.2
Range	5%	5%
upper range	124.98	205.95
lower range	113.08	186.34
RECOMMENDATIONS	BUY	BUY

SENSITIVITY ANALYSIS USING GORDEN GROWTH

119	2%	2.25%	2.50%	2.75%	3.00%	3.25%
5%	472.94	497.13	526.44	562.55	608.02	666.84
5.25%	446.10	466.00	489.76	518.55	554.02	598.68
5.50%	423.10	439.66	459.21	482.55	510.82	545.67
5.75%	403.17	417.08	433.35	452.55	475.48	503.25
6.00%	385.73	397.52	411.18	427.16	446.03	468.55
6.25%	370.34	380.39	391.98	405.41	421.11	439.64
6.50%	356.66	365.29	375.17	386.55	399.74	415.17
6.75%	344.42	351.86	360.34	370.05	381.23	394.20
7.00%	333.40	339.84	347.16	355.49	365.03	376.02

SENSITIVITY ANALYSIS USING EXIT MULTIPLE

196.15	10%	10.25%	10.50%	10.75%	11.00%	11.25%
5%	109.35	109.35	109.35	109.35	109.35	109.35
5.25%	109.37	109.37	109.37	109.37	109.37	109.37
5.50%	109.39	109.39	109.39	109.39	109.39	109.39
5.75%	109.41	109.41	109.41	109.41	109.41	109.41
6.00%	109.43	109.43	109.43	109.43	109.43	109.43
6.25%	109.45	109.45	109.45	109.45	109.45	109.45
6.50%	109.47	109.47	109.47	109.47	109.47	109.47
6.75%	109.49	109.49	109.49	109.49	109.49	109.49
7.00%	109.51	109.51	109.51	109.51	109.51	109.51

Cognizant Technology Solutions Corp
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	G11	G33	G18	G32	G61	G67	G65	G76	H61	H67	H65	H76	I61	I67	I65	I76
	Reported	Exchange			LTM Multiples				FY1 Multiple				FY2 Multiple			
Peer Group	Currency	Rate	CMP	Market Cap	EV	EV/Sales	EV/EBITDA	EV/EBIT	P/E	EV/Sales	EV/EBITDA	EV/EBIT	P/E	EV/Sales	EV/EBITDA	EV/EBIT	P/E
Accenture	USD	1.000	337.04	222909.15	221164.13	3.43	18.17	22.21	28.01	25.10	31.58	18.20	30.65	30.54	38.80	24.18	27.45
ADP	USD	1.000	279	107262.54	107340.44	5.59	19.65	21.51	27.81	21.70	28.61	19.66	26.24	5.03	17.00	18.79	24.53
CRWD	USD	1.000	268.72	57200.60	53884.73	15.32	62.85	77.23	70.82	13.82	56.23	80.32	234.78	11.26	44.94	104.73	228.14
IBM	USD	1.000	214	177127.60	224050.60	3.59	17.43	26.92	22.36	26.29	29.87	17.34	21.04	71.29	65.15	41.27	20.53
DXC	USD	1.000	21.42	4675.69	7568.69	0.56	4.01	15.67	6.31	22.80	4.17	4.08	23.52	0.60	4.07	8.31	20.92
				Mean	5.7x	24.4x	32.7x	31.1x	21.9x	30.1x	27.9x	67.2x	23.7x	34.0x	39.5x	64.3x
				Median	3.6x	18.2x	22.2x	27.8x	22.8x	29.9x	18.2x	26.2x	11.3x	38.8x	24.2x	24.5x
				25th Percentile	3.4x	17.4x	21.5x	22.4x	21.7x	28.6x	17.3x	23.5x	5.0x	17.0x	18.8x	20.9x
				75th Percentile	5.6x	19.7x	26.9x	28.0x	25.1x	31.6x	19.7x	30.7x	30.5x	44.9x	41.3x	27.5x

	Metrics (EBITDA)	Industry Multiple Range Lower	Higher	Implied EV-Cognizant Lower	Higher	Minority Interest	Total Debt	Debt Equival	Cash & Cash	Investments	Implied Equity-Cognizant Lower	Higher	Diluted Shares O/S	Implied Per Share Value-Cognizant Lower	Higher
		10%	10%												
LTM EV/EBITDA	3,437	15.7x	23.7x	246	371	0	623	614	2193	98	57,466	70,977	496.01	115.86	143.10
FY1 EV/EBITDA	3,487	25.7x	31.5x	663	810	0	623	614	2193	98	53,389	65,994	496.01	107.64	133.05
FY2 EV/EBITDA	3,764	15.3x	20.7x	234	316	0	623	614	2193	98	45,963	67,045	496.01	92.67	135.17

Cognizant Valuation Range as per Trading Comps — 107.6 — 135.2

	Metrics (EBIT)	Industry Multiple Range Lower	Higher	Implied EV-Cognizant Lower	Higher	Minority Interest	Total Debt	Debt Equival	Cash & Cash	Investments	Implied Equity-Cognizant Lower	Higher	Diluted Shares O/S	Implied Per Share Value-Cognizant Lower	Higher
		10%	10%												
LTM EV/EBIT	2,918	19.4x	24.6x	375	476	0	623	614	2193	98	67,364	83,074	496.01	135.81	167.49
FY1 EV/EBIT	2,968	15.6x	19.1x	244	298	0	623	614	2193	98	55,545	68,629	496.01	111.98	138.36
FY2 EV/EBIT	3,191	16.9x	20.7x	286	350	0	623	614	2193	98	55,365	68,409	496.01	111.62	137.92

Cognizant Valuation Range as per Trading Comps — 112.0 — 138.4

	Metrics (Sales)	Industry Multiple Range Lower	Higher	Implied EV-Cognizant Lower	Higher	Minority Interest	Total Debt	Debt Equival	Cash & Cash	Investments	Implied Equity-Cognizant Lower	Higher	Diluted Shares O/S	Implied Per Share Value-Cognizant Lower	Higher
		10%	10%												
LTM EV/Sales	19,353	3.1x	3.8x	10	12	0	623	614	2193	98	94,031	1,15,667	496.01	189.58	233.20
FY1 EV/Sales	19,623	19.5x	23.9x	381	466	0	623	614	2193	98	90,334	1,11,149	496.01	182.12	224.09
FY2 EV/Sales	20,689	4.5x	5.5x	20	25	0	623	614	2193	98	90,340	1,11,157	496.01	182.14	224.10

Cognizant Valuation Range as per Trading Comps — 182.1 — 224.1

	Metrics	Industry Multiple Range Lower	Higher		Implied Per Share Value-Cognizant Lower	Higher
		10%	10%			
FY1 P/E	4.55	21.2x	25.9x		448.2	547.7
FY2 P/E	4.93	18.8x	23.0x		354.5	433.3

Cognizant Valuation Range as per Trading Comps — 401.3 — 490.5