

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended **September 30, 2021**

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **0-24429**

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**13-3728359**  
(I.R.S. Employer  
Identification No.)

**300 Frank W. Burr Blvd.**  
**Teaneck, New Jersey 07666**

(Address of Principal Executive Offices including Zip Code)

**Registrant's telephone number, including area code: (201) 801-0233**

**N/A**

(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Class A Common Stock, \$0.01 par value per share	CTSH	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No: ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No: ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 22, 2021:

<b>Class</b>	<b>Number of Shares</b>
Class A Common Stock, par value \$0.01 per share	525,251,734

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**TABLE OF CONTENTS**

	<b>Page</b>
<a href="#">GLOSSARY</a>	<a href="#">1</a>
PART I. <a href="#">FINANCIAL INFORMATION</a>	<a href="#">3</a>
Item 1. <a href="#">Consolidated Financial Statements (Unaudited)</a>	<a href="#">3</a>
<a href="#">Consolidated Statements of Financial Position (Unaudited) as of September 30, 2021 and December 31, 2020</a>	<a href="#">3</a>
<a href="#">Consolidated Statements of Operations (Unaudited) for the Three and Nine Months Ended September 30, 2021 and 2020</a>	<a href="#">4</a>
<a href="#">Consolidated Statements of Comprehensive Income (Unaudited) for the Three and Nine Months Ended September 30, 2021 and 2020</a>	<a href="#">5</a>
<a href="#">Consolidated Statements of Stockholders' Equity (Unaudited) for the Three Months Ended March 31, 2021 and 2020, June 30, 2021 and 2020 and September 30, 2021 and 2020</a>	<a href="#">6</a>
<a href="#">Consolidated Statements of Cash Flows (Unaudited) for the Nine Months Ended September 30, 2021 and 2020</a>	<a href="#">8</a>
<a href="#">Notes to Consolidated Financial Statements (Unaudited)</a>	<a href="#">9</a>
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">25</a>
Item 3. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">43</a>
Item 4. <a href="#">Controls and Procedures</a>	<a href="#">43</a>
PART II. <a href="#">OTHER INFORMATION</a>	<a href="#">44</a>
Item 1. <a href="#">Legal Proceedings</a>	<a href="#">44</a>
Item 1A. <a href="#">Risk Factors</a>	<a href="#">44</a>
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">44</a>
Item 6. <a href="#">Exhibits</a>	<a href="#">45</a>
<a href="#">SIGNATURES</a>	<a href="#">46</a>

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## GLOSSARY

Defined Term	Definition
10b5-1 Plan	Trading plan adopted pursuant to Rule 10b5-1 of the Exchange Act
Adjusted Diluted EPS	Adjusted Diluted Earnings Per Share
AI	Artificial Intelligence
ASC	Accounting Standards Codification
ASR	Accelerated Stock Repurchase
CC	Constant Currency
Class Action Settlement Loss	Loss recorded in connection with the filing of a settlement agreement that, subject to the approval of the USDC-NJ, would resolve the consolidated putative securities class action against us and certain of our former officers
CMT	Communications, Media and Technology
COVID-19	The novel coronavirus disease
COVID-19 Charges	Costs directly related to the COVID-19 pandemic
Credit Agreement	Credit agreement with a commercial bank syndicate dated November 5, 2018
Credit Loss Standard	ASC Topic 326: "Financial Instruments - Credit Losses"
CTS India	Our principal operating subsidiary in India
DevOps	Agile relationship between development and IT operations
Division Bench	Division Bench of the Madras High Court
DOJ	United States Department of Justice
DSO	Days Sales Outstanding
EPS	Earnings Per Share
ESGMobility	ESGMobility GmbH
EU	European Union
Exchange Act	Securities Exchange Act of 1934, as amended
GAAP	Generally Accepted Accounting Principles in the United States of America
High Court	Madras High Court
Hunter	Certain net assets of Hunter Technical Resources, LLC
India Defined Contribution Obligation	Certain statutory defined contribution obligations of employees and employers in India
IoT	Internet of Things
IRS	Internal Revenue Service
IT	Information Technology
ITD	Indian Income Tax Department
LIBOR	London Inter-Bank Offered Rate
Linium	The ServiceNow business of Ness Digital Engineering
Magenic	Magenic Technologies, LLC
SCI	Supreme Court of India
SEC	United States Securities and Exchange Commission
Servian	SVN HoldCo Pty Limited
SG&A	Selling, general and administrative
SLP	Special Leave Petition
Syntel	Syntel Sterling Best Shores Mauritius Ltd.
Tax on Accumulated Indian Earnings	The income tax expense related to the reversal of our indefinite reinvestment assertion on Indian earnings accumulated in prior years
Term Loan	Unsecured term loan

Third Circuit	United States Court of Appeals for the Third Circuit
TQS	TQS Integration Limited
TriZetto	The TriZetto Group, Inc., now known as Cognizant Technology Software Group, Inc.
USDC-NJ	United States District Court for the District of New Jersey
USDC-SDNY	United States District Court for the Southern District of New York

## PART I. FINANCIAL INFORMATION

### Item 1. Consolidated Financial Statements (Unaudited).

#### COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)

(in millions, except par values)	September 30, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,664	\$ 2,680
Short-term investments	749	44
Trade accounts receivable, net	3,510	3,087
Other current assets	1,072	1,040
Total current assets	6,995	6,851
Property and equipment, net	1,179	1,251
Operating lease assets, net	956	1,013
Goodwill	5,451	5,031
Intangible assets, net	1,198	1,046
Deferred income tax assets, net	282	445
Long-term investments	466	440
Other noncurrent assets	705	846
Total assets	\$ 17,232	\$ 16,923
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 351	\$ 389
Deferred revenue	312	383
Short-term debt	38	38
Operating lease liabilities	200	211
Accrued expenses and other current liabilities	2,418	2,519
Total current liabilities	3,319	3,540
Deferred revenue, noncurrent	37	36
Operating lease liabilities, noncurrent	804	846
Deferred income tax liabilities, net	214	206
Long-term debt	636	663
Long-term income taxes payable	378	428
Other noncurrent liabilities	298	368
Total liabilities	5,686	6,087
Commitments and contingencies (See <a href="#">Note 12</a> )		
Stockholders' equity:		
Preferred stock, \$0.10 par value, 15 shares authorized, none issued	—	—
Class A common stock, \$0.01 par value, 1,000 shares authorized, 525 and 530 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	5	5
Additional paid-in capital	29	32
Retained earnings	11,479	10,689
Accumulated other comprehensive income (loss)	33	110
Total stockholders' equity	11,546	10,836
Total liabilities and stockholders' equity	\$ 17,232	\$ 16,923

The accompanying notes are an integral part of the unaudited consolidated financial statements.

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 4,744	\$ 4,243	\$ 13,730	\$ 12,468
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	2,947	2,647	8,574	8,009
Selling, general and administrative expenses	924	804	2,632	2,226
Restructuring charges	—	51	—	177
Depreciation and amortization expense	144	138	430	407
Income from operations	729	603	2,094	1,649
Other income (expense), net:				
Interest income	7	27	23	105
Interest expense	(3)	(6)	(7)	(21)
Foreign currency exchange gains (losses), net	(3)	(1)	(19)	(105)
Other, net	1	1	(1)	1
Total other income (expense), net	2	21	(4)	(20)
Income before provision for income taxes	731	624	2,090	1,629
Provision for income taxes	(187)	(276)	(531)	(552)
Income (loss) from equity method investments	—	—	2	(1)
Net income	\$ 544	\$ 348	\$ 1,561	\$ 1,076
Basic earnings per share	\$ 1.04	\$ 0.64	\$ 2.96	\$ 1.98
Diluted earnings per share	\$ 1.03	\$ 0.64	\$ 2.96	\$ 1.98
Weighted average number of common shares outstanding - Basic	525	542	527	543
Dilutive effect of shares issuable under stock-based compensation plans	1	1	1	—
Weighted average number of common shares outstanding - Diluted	526	543	528	543

The accompanying notes are an integral part of the unaudited consolidated financial statements.

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 544	\$ 348	\$ 1,561	\$ 1,076
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(63)	90	(74)	(7)
Change in unrealized gains and losses on cash flow hedges	14	58	(3)	5
Other comprehensive income (loss)	(49)	148	(77)	(2)
Comprehensive income	\$ 495	\$ 496	\$ 1,484	\$ 1,074

The accompanying notes are an integral part of the unaudited consolidated financial statements.

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)

(in millions)	Class A Common Stock		Additional Paid-in Capital		Retained Earnings		Accumulated Other Comprehensive Income (Loss)		Total	
	Shares	Amount								
Balance, December 31, 2020	530	\$ 5	\$	32	\$	10,689	\$	110	\$	10,836
Net income	—	—		—		505		—		505
Other comprehensive income (loss)	—	—		—		—		(29)		(29)
Common stock issued, stock-based compensation plans	1	—		43		—		—		43
Stock-based compensation expense	—	—		62		—		—		62
Repurchases of common stock	(3)	—		(93)		(159)		—		(252)
Dividends declared, \$0.24 per share	—	—		—		(128)		—		(128)
Balance, March 31, 2021	528	5		44		10,907		81		11,037
Net income	—	—		—		512		—		512
Other comprehensive income (loss)	—	—		—		—		1		1
Common stock issued, stock-based compensation plans	1	—		32		—		—		32
Stock-based compensation expense	—	—		67		—		—		67
Repurchases of common stock	(4)	—		(111)		(205)		—		(316)
Dividends declared, \$0.24 per share	—	—		—		(128)		—		(128)
Balance, June 30, 2021	525	5		32		11,086		82		11,205
Net income	—	—		—		544		—		544
Other comprehensive income (loss)	—	—		—		—		(49)		(49)
Common stock issued, stock-based compensation plans	2	—		29		—		—		29
Stock-based compensation expense	—	—		65		—		—		65
Repurchases of common stock	(2)	—		(97)		(24)		—		(121)
Dividends declared, \$0.24 per share	—	—		—		(127)		—		(127)
Balance, September 30, 2021	525	\$ 5	\$	29	\$	11,479	\$	33	\$	11,546



(in millions)	Class A Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance, December 31, 2019	548	\$ 5	\$ 33	\$ 11,022	\$ (38)	\$ 11,022
Cumulative effect of changes in accounting principle <sup>(1)</sup>	—	—	—	1	—	1
Net income	—	—	—	367	—	367
Other comprehensive income (loss)	—	—	—	—	(226)	(226)
Common stock issued, stock-based compensation plans	2	—	40	—	—	40
Stock-based compensation expense	—	—	55	—	—	55
Repurchases of common stock	(9)	—	(87)	(439)	—	(526)
Dividends declared, \$0.22 per share	—	—	—	(120)	—	(120)
Balance, March 31, 2020	541	5	41	10,831	(264)	10,613
Net income	—	—	—	361	—	361
Other comprehensive income (loss)	—	—	—	—	76	76
Common stock issued, stock-based compensation plans	2	—	36	—	—	36
Stock-based compensation expense	—	—	65	—	—	65
Repurchases of common stock	(1)	—	(59)	—	—	(59)
Dividends declared, \$0.22 per share	—	—	—	(120)	—	(120)
Balance, June 30, 2020	542	5	83	11,072	(188)	10,972
Net income	—	—	—	348	—	348
Other comprehensive income (loss)	—	—	—	—	148	148
Common stock issued, stock-based compensation plans	1	—	33	—	—	33
Stock-based compensation expense	—	—	58	—	—	58
Repurchases of common stock	(4)	—	(141)	(156)	—	(297)
Dividends declared, \$0.22 per share	—	—	—	(122)	—	(122)
Balance, September 30, 2020	539	\$ 5	\$ 33	\$ 11,142	\$ (40)	\$ 11,140

(1) Reflects the adoption of the Credit Loss Standard on January 1, 2020. Refer to the notes in the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020.

The accompanying notes are an integral part of the unaudited consolidated financial statements.

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(in millions)	For the Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 1,561	\$ 1,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	430	411
Deferred income taxes	146	290
Stock-based compensation expense	194	178
Other	(1)	107
Changes in assets and liabilities:		
Trade accounts receivable	(371)	212
Other current and noncurrent assets	257	96
Accounts payable	(39)	83
Deferred revenues, current and noncurrent	(75)	(36)
Other current and noncurrent liabilities	(432)	(16)
Net cash provided by operating activities	1,670	2,401
Cash flows from investing activities:		
Purchases of property and equipment	(214)	(309)
Purchases of available-for-sale investment securities	(400)	—
Proceeds from maturity or sale of available-for-sale investment securities	105	—
Purchases of held-to-maturity investment securities	(160)	(202)
Proceeds from maturity of held-to-maturity investment securities	150	373
Purchases of other investments	(1,192)	(446)
Proceeds from maturity or sale of other investments	760	464
Payments for business combinations, net of cash acquired	(715)	(1,069)
Net cash (used in) investing activities	(1,666)	(1,189)
Cash flows from financing activities:		
Issuance of common stock under stock-based compensation plans	104	109
Repurchases of common stock	(689)	(833)
Repayment of Term Loan borrowings and finance lease and earnout obligations	(40)	(37)
Proceeds from borrowings under the revolving credit facility	—	1,740
Dividends paid	(382)	(362)
Net cash (used in) provided by financing activities	(1,007)	617
Effect of exchange rate changes on cash and cash equivalents	(13)	(38)
(Decrease) increase in cash and cash equivalents	(1,016)	1,791
Cash and cash equivalents, beginning of year	2,680	2,645
Cash and cash equivalents, end of period	\$ 1,664	\$ 4,436

The accompanying notes are an integral part of the unaudited consolidated financial statements.

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

## Note 1 — Interim Consolidated Financial Statements

The terms “Cognizant,” “we,” “our,” “us” and “the Company” refer to Cognizant Technology Solutions Corporation and its subsidiaries unless the context indicates otherwise. We have prepared the accompanying unaudited consolidated financial statements included herein in accordance with GAAP and the Exchange Act. The accompanying unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements (and notes thereto) included in our Annual Report on Form 10-K for the year ended December 31, 2020. In our opinion, all adjustments considered necessary for a fair statement of the accompanying unaudited consolidated financial statements have been included and all adjustments are of a normal and recurring nature. Operating results for the interim periods are not necessarily indicative of results that may be expected to occur for the entire year.

## Note 2 — Revenues and Trade Accounts Receivable

### Disaggregation of Revenues

The tables below present disaggregated revenues from contracts with clients by client location, service line and contract type for each of our business segments. We believe this disaggregation best depicts how the nature, amount, timing and uncertainty of our revenues and cash flows are affected by industry, market and other economic factors. Revenues are attributed to geographic regions based upon client location, which is the client's billing address. Substantially all revenues in our North America region relate to operations in the United States.

We have defined our Financial Services, Healthcare, Products and Resources and Communications, Media and Technology segments as ("FS"), ("HC"), ("P&R"), and ("CMT"), respectively, in our disaggregation of revenues tables.

(in millions)	Three Months Ended September 30, 2021					Nine Months Ended September 30, 2021				
	FS	HC	P&R	CMT	Total	FS	HC	P&R	CMT	Total
Geography:										
North America	\$ 1,075	\$ 1,162	\$ 749	\$ 500	\$ 3,486	\$ 3,137	\$ 3,394	\$ 2,190	\$ 1,420	\$ 10,141
United Kingdom	140	44	125	121	430	395	129	347	332	1,203
Continental Europe	187	118	145	34	484	565	356	380	121	1,422
Europe - Total	327	162	270	155	914	960	485	727	453	2,625
Rest of World	142	30	88	84	344	407	88	243	226	964
Total	\$ 1,544	\$ 1,354	\$ 1,107	\$ 739	\$ 4,744	\$ 4,504	\$ 3,967	\$ 3,160	\$ 2,099	\$ 13,730
Service line:										
Consulting and technology services	\$ 1,049	\$ 785	\$ 715	\$ 441	\$ 2,990	\$ 3,028	\$ 2,299	\$ 1,999	\$ 1,259	\$ 8,585
Outsourcing services	495	569	392	298	1,754	1,476	1,668	1,161	840	5,145
Total	\$ 1,544	\$ 1,354	\$ 1,107	\$ 739	\$ 4,744	\$ 4,504	\$ 3,967	\$ 3,160	\$ 2,099	\$ 13,730
Type of contract:										
Time and materials	\$ 922	\$ 515	\$ 468	\$ 437	\$ 2,342	\$ 2,729	\$ 1,548	\$ 1,332	\$ 1,256	\$ 6,865
Fixed-price	527	554	530	265	1,876	1,498	1,582	1,517	744	5,341
Transaction or volume-based	95	285	109	37	526	277	837	311	99	1,524
Total	\$ 1,544	\$ 1,354	\$ 1,107	\$ 739	\$ 4,744	\$ 4,504	\$ 3,967	\$ 3,160	\$ 2,099	\$ 13,730

(in millions)	Three Months Ended September 30, 2020					Nine Months Ended September 30, 2020				
	FS	HC	P&R	CMT	Total	FS	HC	P&R	CMT	Total
Geography:										
North America	\$ 1,033	\$ 1,054	\$ 666	\$ 426	\$ 3,179	\$ 3,023	\$ 3,091	\$ 1,975	\$ 1,286	\$ 9,375
United Kingdom	123	40	96	86	345	353	116	278	249	996
Continental Europe	181	116	97	43	437	554	317	300	122	1,293
Europe - Total	304	156	193	129	782	907	433	578	371	2,289
Rest of World	132	21	68	61	282	386	58	195	165	804
Total	\$ 1,469	\$ 1,231	\$ 927	\$ 616	\$ 4,243	\$ 4,316	\$ 3,582	\$ 2,748	\$ 1,822	\$ 12,468
Service line:										
Consulting and technology services	\$ 984	\$ 725	\$ 564	\$ 369	\$ 2,642	\$ 2,864	\$ 2,053	\$ 1,674	\$ 1,055	\$ 7,646
Outsourcing services	485	506	363	247	1,601	1,452	1,529	1,074	767	4,822
Total	\$ 1,469	\$ 1,231	\$ 927	\$ 616	\$ 4,243	\$ 4,316	\$ 3,582	\$ 2,748	\$ 1,822	\$ 12,468
Type of contract:										
Time and materials	\$ 932	\$ 505	\$ 392	\$ 372	\$ 2,201	\$ 2,689	\$ 1,448	\$ 1,164	\$ 1,112	\$ 6,413
Fixed price	450	466	434	218	1,568	1,377	1,292	1,286	638	4,593
Transaction or volume-based	87	260	101	26	474	250	842	298	72	1,462
Total	\$ 1,469	\$ 1,231	\$ 927	\$ 616	\$ 4,243	\$ 4,316	\$ 3,582	\$ 2,748	\$ 1,822	\$ 12,468

## Costs to Fulfill

Costs to fulfill, such as setup or transition activities, are recorded in "Other noncurrent assets" in our unaudited consolidated statements of financial position and the amortization expense of costs to fulfill is included in "Cost of revenues" in our unaudited consolidated statements of operations. Costs to obtain contracts were immaterial for the periods disclosed. The following table presents information related to the capitalized costs to fulfill for the nine months ended September 30:

(in millions)	2021	2020
Beginning balance	\$ 467	\$ 485
Amortization expense	(88)	(71)
Costs capitalized	38	78
Impairment	(11)	(10)
Ending balance	\$ 406	\$ 482

## Contract Balances

A contract asset is a right to consideration that is conditional upon factors other than the passage of time. Contract assets are presented in "Other current assets" in our unaudited consolidated statements of financial position and primarily relate to unbilled amounts on fixed-price contracts utilizing the cost-to-cost method of revenue recognition. The table below shows significant movements in contract assets for the nine months ended September 30:

(in millions)	2021	2020
Beginning balance	\$ 315	\$ 334
Revenues recognized during the period but not billed	298	281
Amounts reclassified to trade accounts receivable	(264)	(282)
Ending balance	\$ 349	\$ 333

Our contract liabilities, or deferred revenue, consist of advance payments and billings in excess of revenues recognized. The table below shows significant movements in the deferred revenue balances (current and noncurrent) for the nine months ended September 30:

(in millions)	2021	2020
Beginning balance	\$ 419	\$ 336
Amounts billed but not recognized as revenues	309	260
Revenues recognized related to the opening balance of deferred revenue	(379)	(279)
Ending balance	\$ 349	\$ 317

Revenues recognized during the three and nine months ended September 30, 2021 for performance obligations satisfied or partially satisfied in previous periods were immaterial.

### Remaining Performance Obligations

As of September 30, 2021, the aggregate amount of transaction price allocated to remaining performance obligations was \$1,658 million, of which approximately 80% is expected to be recognized as revenue within 2 years. Disclosure is not required for performance obligations that meet any of the following criteria:

- (1) contracts with a duration of one year or less as determined under ASC Topic 606: "Revenue from Contracts with Customers",
- (2) contracts for which we recognize revenues based on the right to invoice for services performed,
- (3) variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation in accordance with ASC 606-10-25-14(b), for which the criteria in ASC 606-10-32-40 have been met, or
- (4) variable consideration in the form of a sales-based or usage-based royalty promised in exchange for a license of intellectual property.

Many of our performance obligations meet one or more of these exemptions and therefore are not included in the remaining performance obligation amount disclosed above.

### Trade Accounts Receivable and Allowance for Credit Loss

We calculate expected credit losses for our trade accounts receivable based on historical credit loss rates for each aging category as adjusted for the current market conditions and forecasts about future economic conditions. The following table presents the activity in the allowance for trade accounts receivable for the nine months ended September 30:

(in millions)	2021	2020
Beginning balance	\$ 57	\$ 67
Impact of adoption of the Credit Loss Standard	—	(1)
Credit loss expense	5	18
Write-offs charged against the allowance	(12)	(11)
Ending balance	\$ 50	\$ 73

### Note 3 — Business Combinations

Acquisitions completed during the nine months ended September 30, 2021 were not individually or in the aggregate material to our operations. Accordingly, pro forma results have not been presented. We have allocated the purchase price related to these transactions to tangible and intangible assets acquired and liabilities assumed, including goodwill, based on their estimated fair values. Goodwill from our acquisition of ESG Mobility has been allocated to our Products and Resources segment and goodwill from our acquisition of TQS has been allocated to our Healthcare and Products and Resources segments. Goodwill from other 2021 acquisitions is expected to benefit all of our reportable segments and has been allocated as such. The primary items that generated goodwill are the value of the acquired assembled workforces and synergies between the acquired companies and us, neither of which qualify as an identifiable intangible asset.

During the nine months ended September 30, 2021, we acquired 100% ownership in each of the following:

- Linium, a cloud transformation consultancy group specializing in the ServiceNow platform and solutions for smart digital enterprise workflows, acquired to broaden our enterprise service management capabilities (acquired January 31, 2021);
- Magenic, a provider of agile software and cloud development, DevOps, experience design and advisory services across a range of industries, acquired to enhance our global software engineering expertise (acquired February 1, 2021);
- Servian, an Australia-based enterprise transformation consultancy specializing in data analytics, AI, digital services, experience design and cloud, acquired to enhance our digital portfolio and market presence in Australia and New Zealand (acquired April 1, 2021);
- ESG Mobility, a digital automotive engineering research and development provider for connected, autonomous and electric vehicles, acquired to expand our digital engineering expertise, particularly in connected vehicles (acquired June 1, 2021);
- TQS, a global industrial data and intelligence company, acquired to accelerate our growth in IoT, data and analytics (acquired July 30, 2021); and
- Hunter, a provider of digital engineering and project management services, acquired to extend our talent network in key markets, expanding our digital engineering resources in the U.S. (acquired August 16, 2021).

The allocations of preliminary purchase price to the fair value of the aggregate assets acquired and liabilities assumed were as follows:

(in millions)	Servian	Magenic	ESG Mobility	Linium	Other	Total	Weighted Average Useful Life
Cash	\$ 4	\$ 13	\$ 28	\$ —	\$ 2	\$ 47	
Trade accounts receivable	15	17	24	5	12	73	
Property and equipment and other assets	6	4	8	1	4	23	
Operating lease assets, net	5	10	27	—	1	43	
Non-deductible goodwill	180	10	31	—	16	237	
Tax-deductible goodwill	—	138	24	57	10	229	
Customer relationship assets	77	90	77	24	32	300	10.0 years
Other intangible assets	2	1	—	—	—	3	3.8 years
Current liabilities	(12)	(30)	(20)	(2)	(7)	(71)	
Noncurrent liabilities	(29)	(7)	(65)	—	(5)	(106)	
Purchase price, inclusive of contingent consideration \$	248	\$ 246	\$ 134	\$ 85	\$ 65	\$ 778	

The above allocations are preliminary and will be finalized as soon as practicable within the measurement period, but in no event later than one year following the date of acquisition.

#### Note 4 — Restructuring Charges

During 2020, we incurred costs related to both our realignment program and our 2020 Fit for Growth Plan. Our realignment program, which began in 2017, improved our client focus, cost structure and the efficiency and effectiveness of our delivery while continuing to drive revenue growth. Our 2020 Fit for Growth Plan, which began in the fourth quarter of 2019, simplified our organizational model and optimized our cost structure in order to partially fund the investments required to execute on our strategy and advance our growth agenda and included our decision to exit certain content-related services that were not in line with our strategic vision for the Company. The total costs related to our realignment program and our 2020 Fit for Growth Plan are reported in "Restructuring charges" in our unaudited consolidated statements of operations. During the three months ended September 30, 2020, we incurred \$8 million of professional fees related to our realignment program and \$43 million of employee separation and facility exit costs and other charges related to our 2020 Fit for Growth Plan. During the nine months ended September 30, 2020, we incurred \$40 million of certain employee retention costs and professional fees related to our realignment program and \$137 million of employee separation, employee retention and facility exit costs and other charges related to our 2020 Fit for Growth Plan. We did not incur any costs related to these plans during the three and nine months ended September 30, 2021.

## Note 5 — Investments

Our investments were as follows:

(in millions)	September 30, 2021		December 31, 2020	
Short-term investments:				
Equity investment security	\$	27	\$	27
Available-for-sale investment securities		295		—
Held-to-maturity investment securities		23		14
Time deposits		404		3
Total short-term investments	\$	749	\$	44
Long-term investments:				
Equity and cost method investments	\$	67	\$	35
Restricted time deposits <sup>(1)</sup>		399		405
Total long-term investments	\$	466	\$	440

(1) See [Note 8](#).

### Equity Investment Security

Our equity investment security is a U.S. dollar denominated investment in a fixed income mutual fund. Realized and unrealized gains and losses were immaterial for the three and nine months ended September 30, 2021 and 2020.

### Available-for-Sale Investment Securities

Our available-for-sale investment securities consist of highly rated U.S. dollar denominated investments in commercial paper maturing within one year. As of September 30, 2021, the amortized cost and fair value of our available-for-sale investments were \$295 million. Unrealized gains and losses were immaterial as of September 30, 2021 and there were no realized gains or losses related to our available-for-sale investment securities during the nine months ended September 30, 2021 and 2020.

### Held-to-Maturity Investment Securities

Our held-to-maturity investment securities consist of Indian rupee denominated investments in commercial paper and international corporate bonds. Our investment guidelines are to purchase securities that are investment grade at the time of acquisition. The basis for the measurement of fair value of our held-to-maturity investment securities is Level 2 in the fair value hierarchy.

The amortized cost and fair value of held-to-maturity investment securities were as follows:

in millions)	September 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments, maturing within one year:				
Corporate and other debt securities	\$ 3	\$ 3	\$ 14	\$ 14
Commercial paper	20	20	—	—
Total short-term held-to-maturity investments	\$ 23	\$ 23	\$ 14	\$ 14

As of September 30, 2021, corporate and other debt securities in the amount of \$3 million and commercial paper in the amount of \$7 million were in an unrealized loss position. The total unrealized loss was less than \$1 million and none of the securities had been in an unrealized loss position for longer than 12 months. As of December 31, 2020, there were no held-to-maturity investment securities in an unrealized loss position.

The securities in our portfolio are highly rated and short-term in nature. As of September 30, 2021, our corporate and other debt securities were rated AAA and our commercial paper securities were rated A-1+ by CRISIL, an Indian subsidiary of S&P Global.

## Equity and Cost Method Investments

During the third quarter of 2021, we increased our equity method investment in the technology sector by \$32 million. As of September 30, 2021 and December 31, 2020, we had equity method investments of \$64 million and \$31 million, respectively, and cost method investments of \$3 million and \$4 million, respectively.

## Note 6 — Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities were as follows:

(in millions)	September 30, 2021	December 31, 2020
Compensation and benefits	\$ 1,578	\$ 1,607
Customer volume and other incentives	267	266
Income taxes	35	34
Professional fees	189	143
Other	349	469
Total accrued expenses and other current liabilities	\$ 2,418	\$ 2,519

## Note 7 — Debt

In 2018, we entered into the Credit Agreement providing for the \$750 million Term Loan and a \$1,750 million unsecured revolving credit facility, which are due to mature in November 2023.

The Credit Agreement requires interest to be paid, at our option, at either the ABR or the Eurocurrency Rate (each as defined in the Credit Agreement), plus, in each case, an Applicable Margin (as defined in the Credit Agreement). Initially, the Applicable Margin is 0.875% with respect to Eurocurrency Rate loans and 0.00% with respect to ABR loans. Subsequently, the Applicable Margin with respect to Eurocurrency Rate loans may range from 0.75% to 1.125%, depending on our public debt ratings (or, if we have not received public debt ratings, from 0.875% to 1.125%, depending on our Leverage Ratio, which is the ratio of indebtedness for borrowed money to Consolidated EBITDA, as defined in the Credit Agreement). Our Credit Agreement also provides a mechanism for determining an alternative rate of interest to the Eurocurrency rate after LIBOR is no longer available.

We are required under the Credit Agreement to make scheduled quarterly principal payments on the Term Loan. The Credit Agreement contains customary affirmative and negative covenants as well as a financial covenant. We were in compliance with all debt covenants and representations as of September 30, 2021.

In February 2021, our India subsidiary renewed its 13 billion Indian rupee (\$175 million at the September 30, 2021 exchange rate) working capital facility, which requires us to repay any balances within 90 days from the date of disbursement. There is a 1.0% prepayment penalty applicable to payments made prior to 30 days after disbursement. This working capital facility contains affirmative and negative covenants and may be renewed annually in February.

## Short-term Debt

As of both September 30, 2021 and December 31, 2020, we had \$38 million of short-term debt related to current maturities of our Term Loan.

## Long-term Debt

The following summarizes our long-term debt balances as of:

(in millions)	September 30, 2021	December 31, 2020
Term Loan	\$ 676	\$ 703
Less:		
Current maturities - Term Loan	(38)	(38)
Deferred financing costs	(2)	(2)
Long-term debt, net of current maturities	\$ 636	\$ 663

The carrying value of our debt approximated its fair value as of September 30, 2021 and December 31, 2020.



## Note 8 — Income Taxes

In 2021, we reached an agreement with the IRS, which settled tax years 2012 through 2016. As a result of this settlement, in the first quarter of 2021, we recorded a reduction of \$43 million to our uncertain tax position balance, which resulted in a \$14 million discrete benefit to the provision for income taxes and a \$29 million adjustment to our current income tax balance sheet accounts. Tax years that remain subject to examination by the IRS are 2017 onward.

Our effective income tax rates were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Effective income tax rate	25.6 %	44.2 %	25.4 %	33.9 %

The effective tax rate decreased in 2021 as compared to 2020 primarily as a result of our decision in the third quarter of 2020 to reverse our indefinite reinvestment assertion on Indian earnings accumulated in prior years, which resulted in a \$140 million Tax on Accumulated Indian Earnings recorded as income tax expense in the third quarter of 2020.

We are involved in an ongoing dispute with the ITD in connection with a previously disclosed transaction undertaken by CTS India in 2016 to repurchase shares from its shareholders (non-Indian Cognizant entities) valued at \$2.8 billion. As a result of that transaction, which was undertaken pursuant to a plan approved by the High Court in Chennai, India, we previously paid \$135 million in Indian income taxes - an amount we believe includes all applicable taxes owed for this transaction under Indian law. In March 2018, we received a communication from the ITD asserting that the ITD is owed an additional 33 billion Indian rupees (\$445 million at the September 30, 2021 exchange rate) on the 2016 transaction. Immediately thereafter, the ITD placed an attachment on certain of our India bank accounts. In addition to the dispute on the 2016 transaction, we are also involved in another ongoing dispute with the ITD relating to a 2013 transaction undertaken by CTS India to repurchase shares from its shareholders valued at \$523 million (the two disputes are collectively referred to as the "ITD Dispute").

In April 2018, the High Court admitted our writ petition for a stay of the actions of the ITD and lifted the ITD's attachment on our bank accounts. As part of the interim stay order, we deposited 5 billion Indian rupees (\$67 million at the September 30, 2021 exchange rate and \$68 million at the December 31, 2020 exchange rate) representing 15% of the disputed tax amount related to the 2016 transaction, with the ITD. In addition, the High Court placed a lien on certain time deposits of CTS India in the amount of 28 billion Indian rupees (\$378 million at the September 30, 2021 exchange rate and \$384 million at the December 31, 2020 exchange rate), which is the remainder of the disputed tax amount related to the 2016 transaction.

In June 2019, the High Court dismissed our previously admitted writ petitions on the ITD Dispute, holding that the Company must exhaust other remedies, such as pursuing the matter before other appellate bodies, for resolution of the ITD Dispute prior to intervention by the High Court. The High Court did not issue a ruling on the substantive issue of whether we owe additional tax as a result of either the 2016 or the 2013 transaction. In July 2019, we appealed the High Court's orders before the Division Bench. In September 2019, the Division Bench partly allowed the Company's appeal with respect to the 2016 transaction, but did not issue a ruling on the substantive issue of the tax implications of the transactions. In October 2019, we filed a SLP before the SCI with respect to the 2016 transaction. In March 2020, the SCI referred the case based on the 2016 transaction back to the ITD with directions to carry out the assessment following the due process of law. Further, until the conclusion of the assessment, the SCI maintained in place the lien on our 28 billion Indian rupees time deposit and did not order the release of the 5 billion Indian rupees deposit held by the ITD. In April 2020, we received an assessment from the ITD, which is consistent with its previous assertions regarding our 2016 transaction. In June 2020, we filed an appeal against this assessment.

As of September 30, 2021 and December 31, 2020, the balance of deposits under lien was \$399 million and \$405 million, respectively, presented in "Long-term investments", including a portion of the interest previously earned. As of September 30, 2021 and December 31, 2020, the deposit with the ITD was \$67 million and \$68 million respectively, presented in "Other noncurrent assets".

We believe we have paid all applicable taxes owed on both the 2016 and the 2013 transactions. Accordingly, we have not recorded any reserves for these matters as of September 30, 2021.

## Note 9 — Derivative Financial Instruments

In the normal course of business, we use foreign exchange forward and option contracts to manage foreign currency exchange rate risk. Derivatives may give rise to credit risk from the possible non-performance by counterparties. Credit risk is limited to the fair value of those contracts that are favorable to us. We have limited our credit risk by limiting the amount of credit exposure with any one financial institution and conducting ongoing evaluation of the creditworthiness of the financial institutions with which we do business. In addition, all the assets and liabilities related to our foreign exchange derivative contracts set forth in the below table are subject to master netting arrangements, such as the International Swaps and Derivatives Association Master Agreement, with each individual counterparty. These master netting arrangements generally provide for net settlement of all outstanding contracts with the counterparty in the case of an event of default or a termination event. We have presented all the assets and liabilities related to our foreign exchange derivative contracts, as applicable, on a gross basis, with no offsets, in our unaudited consolidated statements of financial position. There is no financial collateral (including cash collateral) posted or received by us related to our foreign exchange derivative contracts.

The following table provides information on the location and fair values of derivative financial instruments included in our unaudited consolidated statements of financial position as of:

(in millions)		September 30, 2021		December 31, 2020	
Designation of Derivatives	Location on Statement of Financial Position	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward and option contracts – Designated as cash flow hedging instruments	Other current assets	\$ 46	\$ —	\$ 45	\$ —
	Other noncurrent assets	13	—	26	—
	Other noncurrent liabilities	—	1	—	—
	Total	59	1	71	—
Foreign exchange forward contracts – Not designated as hedging instruments	Other current assets	8	—	1	—
	Accrued expenses and other current liabilities	—	2	—	1
	Total	8	2	1	1
Total		\$ 67	\$ 3	\$ 72	\$ 1

### Cash Flow Hedges

We have entered into a series of foreign exchange derivative contracts that are designated as cash flow hedges of Indian rupee denominated payments in India. These contracts are intended to partially offset the impact of movement of the Indian rupee against the U.S. dollar on future operating costs and are scheduled to mature each month during the remainder of 2021, 2022 and the first nine months of 2023. The changes in fair value of these contracts are initially reported in "Accumulated other comprehensive income (loss)" in our unaudited consolidated statements of financial position and are subsequently reclassified to earnings within "Cost of revenues" and "Selling, general and administrative expenses" in our unaudited consolidated statements of operations in the same period that the forecasted Indian rupee denominated payments are recorded in earnings. As of September 30, 2021, we estimate that \$43 million, net of tax, of net gains related to derivatives designated as cash flow hedges reported in "Accumulated other comprehensive income (loss)" in our unaudited consolidated statements of financial position is expected to be reclassified into earnings within the next 12 months.

The notional values of our outstanding contracts by year of maturity were as follows:

(in millions)	September 30, 2021	December 31, 2020
2021	\$ 467	\$ 1,470
2022	1,288	803
2023	555	—
Total notional value of contracts outstanding <sup>(1)</sup>	\$ 2,310	\$ 2,273

- (1) Includes \$93 million and \$133 million notional value of option contracts as of September 30, 2021 and December 31, 2020, respectively, with the remaining notional value related to forward contracts.

The following table provides information on the location and amounts of pre-tax gains and losses on our cash flow hedges for the three months ended September 30:

(in millions)	Change in Derivative Gains Recognized in Accumulated Other Comprehensive Income (Loss) (effective portion)		Location of Net Gains Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	Net Gains Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	
	2021	2020		2021	2020
Foreign exchange forward and option contracts – Designated as cash flow hedging instruments	\$ 33	\$ 77	Cost of revenues	\$ 13	\$ 5
			SG&A expenses	2	1
			Total	\$ 15	\$ 6

The following table provides information on the location and amounts of pre-tax gains and losses on our cash flow hedges for the nine months ended September 30:

(in millions)	Change in Derivative Gains (Losses) Recognized in Accumulated Other Comprehensive Income (Loss) (effective portion)		Location of Net Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	Net Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	
	2021	2020		2021	2020
Foreign exchange forward and option contracts – Designated as cash flow hedging instruments	\$ 47	\$ (1)	Cost of revenues	\$ 43	\$ (7)
			SG&A expenses	7	(1)
			Total	\$ 50	\$ (8)

The activity related to the change in net unrealized gains and losses on our cash flow hedges included in "Accumulated other comprehensive income (loss)" in our unaudited consolidated statements of stockholders' equity is presented in [Note 11](#).

## Other Derivatives

We use foreign exchange forward contracts to provide an economic hedge against balance sheet exposures to certain monetary assets and liabilities denominated in currencies other than the functional currency of our foreign subsidiaries. We entered into foreign exchange forward contracts that are scheduled to mature in 2021. Realized gains or losses and changes in the estimated fair value of these derivative financial instruments are recorded in the caption "Foreign currency exchange gains (losses), net" in our unaudited consolidated statements of operations.

Additional information related to our outstanding foreign exchange forward contracts not designated as hedging instruments was as follows:

(in millions)	September 30, 2021		December 31, 2020	
	Notional	Fair Value	Notional	Fair Value
Contracts outstanding	\$ 919	\$ 6	\$ 637	\$ —

The following table provides information on the location and amounts of realized and unrealized pre-tax gains and losses on our other derivative financial instruments for the three and nine months ended September 30:

(in millions)	Location of Net Gains (Losses) on Derivative Instruments	Amount of Net Gains (Losses) on Derivative Instruments			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Foreign exchange forward contracts – Not designated as hedging instruments	Foreign currency exchange gains (losses), net	\$ 1	\$ (57)	\$ 7	\$ (54)

The related cash flow impacts of all of our derivative activities are reflected as cash flows from operating activities.

## Note 10 — Fair Value Measurements

We measure our cash equivalents, certain investments, contingent consideration liabilities and foreign exchange forward and option contracts at fair value. The authoritative guidance defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The authoritative guidance also establishes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

- Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3 – Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The following table summarizes our financial assets and (liabilities) measured at fair value on a recurring basis as of September 30, 2021:

(in millions)	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 582	\$ —	\$ —	\$ 582
Time deposits	—	4	—	4
Commercial paper	—	290	—	290
Short-term investments:				
Time deposits	—	404	—	404
Equity investment security	27	—	—	27
Available-for-sale investment securities:				
Commercial paper	—	295	—	295
Other current assets:				
Foreign exchange forward and option contracts	—	54	—	54
Long-term investments:				
Restricted time deposits <sup>(1)</sup>	—	399	—	399
Other noncurrent assets				
Foreign exchange forward contracts	—	13	—	13
Accrued expenses and other current liabilities:				
Foreign exchange forward contracts	—	(2)	—	(2)
Contingent consideration liabilities	—	—	(29)	(29)
Other noncurrent liabilities:				
Foreign exchange forward contracts	—	(1)	—	(1)
Contingent consideration liabilities	—	—	(9)	(9)

(1) See [Note 8](#).

The following table summarizes our financial assets and (liabilities) measured at fair value on a recurring basis as of December 31, 2020:

(in millions)	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	\$ 209	\$ —	\$ —	\$ 209
Time deposits	—	203	—	203
Commercial paper	—	200	—	200
Short-term investments:				
Time deposits	—	3	—	3
Equity investment security	27	—	—	27
Other current assets:				
Foreign exchange forward and option contracts	—	46	—	46
Long-term investments:				
Restricted time deposits <sup>(1)</sup>	—	405	—	405
Other noncurrent assets:				
Foreign exchange forward and option contracts	—	26	—	26
Accrued expenses and other current liabilities:				
Foreign exchange forward and option contracts	—	(1)	—	(1)
Contingent consideration liabilities	—	—	(11)	(11)
Other noncurrent liabilities:				
Contingent consideration liabilities	—	—	(43)	(43)

(1) See [Note 8](#).

The following table summarizes the changes in Level 3 contingent consideration liabilities for the nine months ended September 30:

(in millions)	2021	2020
Beginning balance	\$ 54	\$ 38
Initial measurement recognized at acquisition	11	42
Change in fair value recognized in SG&A expenses	(24)	(24)
Payments	(3)	(3)
Ending balance	\$ 38	\$ 53

We measure the fair value of money market funds based on quoted prices in active markets for identical assets and measure the fair value of our equity security based on the published daily net asset value at which investors can freely subscribe to or redeem from the fund. The fair value of commercial paper is measured based on relevant trade data, dealer quotes, or model-driven valuations using significant inputs derived from or corroborated by observable market data, such as yield curves and credit spreads. The carrying value of our time deposits approximated fair value as of September 30, 2021 and December 31, 2020.

We estimate the fair value of each foreign exchange forward contract by using a present value of expected cash flows model. This model calculates the difference between the current market forward price and the contracted forward price for each foreign exchange forward contract and applies the difference in the rates to each outstanding contract. The market forward rates include a discount and credit risk factor. We estimate the fair value of each foreign exchange option contract by using a variant of the Black-Scholes model. This model uses present value techniques and reflects the time value and intrinsic value based on observable market rates.

We estimate the fair value of contingent consideration liabilities associated with our acquisitions using a variation of the income approach, which utilizes one or more significant inputs that are unobservable. This approach calculates the fair value of such liabilities based on the probability-weighted expected performance of the acquired entity against the target performance metric, discounted to present value when appropriate.

During the nine months ended September 30, 2021 and the year ended December 31, 2020, there were no transfers among Level 1, Level 2 or Level 3 financial assets and liabilities.

## Note 11 — Accumulated Other Comprehensive Income (Loss)

Changes in "Accumulated other comprehensive income (loss)" by component were as follows for the three and nine months ended September 30, 2021:

(in millions)	Three Months			Nine Months		
	Before Tax Amount	Tax Effect	Net of Tax Amount	Before Tax Amount	Tax Effect	Net of Tax Amount
Foreign currency translation adjustments:						
Beginning balance	\$ 44	\$ —	\$ 44	\$ 56	\$ (1)	\$ 55
Change in foreign currency translation adjustments	(65)	2	(63)	(77)	3	(74)
Ending balance	\$ (21)	\$ 2	\$ (19)	\$ (21)	\$ 2	\$ (19)
Unrealized gains on cash flow hedges:						
Beginning balance	\$ 46	\$ (8)	\$ 38	\$ 67	\$ (12)	\$ 55
Unrealized gains arising during the period	33	(6)	27	47	(9)	38
Reclassifications of net (gains) to:						
Cost of revenues	(13)	2	(11)	(43)	8	(35)
SG&A expenses	(2)	—	(2)	(7)	1	(6)
Net change	18	(4)	14	(3)	—	(3)
Ending balance	\$ 64	\$ (12)	\$ 52	\$ 64	\$ (12)	\$ 52
Accumulated other comprehensive income (loss):						
Beginning balance	\$ 90	\$ (8)	\$ 82	\$ 123	\$ (13)	\$ 110
Other comprehensive income (loss)	(47)	(2)	(49)	(80)	3	(77)
Ending balance	\$ 43	\$ (10)	\$ 33	\$ 43	\$ (10)	\$ 33

Changes in "Accumulated other comprehensive income (loss)" by component were as follows for the three and nine months ended September 30, 2020:

(in millions)	Three Months			Nine Months		
	Before Tax Amount	Tax Effect	Net of Tax Amount	Before Tax Amount	Tax Effect	Net of Tax Amount
Foreign currency translation adjustments:						
Beginning balance	\$ (165)	\$ 4	\$ (161)	\$ (63)	\$ (1)	\$ (64)
Change in foreign currency translation adjustments	93	(3)	90	(9)	2	(7)
Ending balance	\$ (72)	\$ 1	\$ (71)	\$ (72)	\$ 1	\$ (71)
Unrealized (losses) gains on cash flow hedges:						
Beginning balance	\$ (33)	\$ 6	\$ (27)	\$ 31	\$ (5)	\$ 26
Unrealized gains (losses) arising during the period	77	(14)	63	(1)	(1)	(2)
Reclassifications of net (gains) losses to:						
Cost of revenues	(5)	1	(4)	7	(1)	6
SG&A expenses	(1)	—	(1)	1	—	1
Net change	71	(13)	58	7	(2)	5
Ending balance	\$ 38	\$ (7)	\$ 31	\$ 38	\$ (7)	\$ 31
Accumulated other comprehensive income (loss):						
Beginning balance	\$ (198)	\$ 10	\$ (188)	\$ (32)	\$ (6)	\$ (38)
Other comprehensive income (loss)	164	(16)	148	(2)	—	(2)
Ending balance	\$ (34)	\$ (6)	\$ (40)	\$ (34)	\$ (6)	\$ (40)

## Note 12—Commitments and Contingencies

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We are involved in various claims and legal proceedings arising in the ordinary course of business. We accrue a liability when a loss is considered probable and the amount can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, we do not record a liability, but instead disclose the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred. While we do not expect that the ultimate resolution of any existing claims and proceedings (other than the specific matters described below, if decided adversely), individually or in the aggregate, will have a material adverse effect on our financial position, an unfavorable outcome in some or all of these proceedings could have a material adverse impact on results of operations or cash flows for a particular period. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future.

On January 15, 2015, Syntel sued TriZetto and Cognizant in the USDC-SDNY. Syntel's complaint alleged breach of contract against TriZetto, and tortious interference and misappropriation of trade secrets against Cognizant and TriZetto, stemming from Cognizant's hiring of certain former Syntel employees. Cognizant and TriZetto countersued on March 23, 2015, for breach of contract, misappropriation of trade secrets and tortious interference, based on Syntel's misuse of TriZetto confidential information and abandonment of contractual obligations. Cognizant and TriZetto subsequently added federal Defend Trade Secrets Act and copyright infringement claims for Syntel's misuse of TriZetto's proprietary technology. The parties' claims were narrowed by the court and the case was tried before a jury, which on October 27, 2020 returned a verdict in favor of Cognizant in the amount of \$855 million, including \$570 million in punitive damages. On April 20, 2021, the USDC-SDNY issued a post-trial order that, among other things, affirmed the jury's award of \$285 million in actual damages, but reduced the award of punitive damages from \$570 million to \$285 million, thereby reducing the overall damages award from \$855 million to \$570 million. The USDC-SDNY subsequently issued a final judgment consistent with the April 20<sup>th</sup> order. On May 26, 2021, Syntel filed a notice of appeal to the United States Court of Appeals for the Second Circuit, and on June 3, 2021 the USDC-SDNY stayed execution of judgment pending appeal. We will not record the gain in our financial statements until it becomes realizable.

On February 28, 2019, a ruling of the SCI interpreting the India Defined Contribution Obligation altered historical understandings of the obligation, extending it to cover additional portions of the employee's income. As a result, the ongoing contributions of our affected employees and the Company were required to be increased. In the first quarter of 2019, we accrued \$117 million with respect to prior periods, assuming retroactive application of the Supreme Court's ruling, in "Selling, general and administrative expenses" in our unaudited consolidated statement of operations. There is significant uncertainty as to how the liability should be calculated as it is impacted by multiple variables, including the period of assessment, the application with respect to certain current and former employees and whether interest and penalties may be assessed. Since the ruling, a variety of trade associations and industry groups have advocated to the Indian government, highlighting the harm to the information technology sector, other industries and job growth in India that would result from a retroactive application of the ruling. It is possible the Indian government will review the matter and there is a substantial question as to whether the Indian government will apply the SCI's ruling on a retroactive basis. As such, the ultimate amount of our obligation may be materially different from the amount accrued.

On October 5, 2016, October 27, 2016 and November 18, 2016, three putative securities class action complaints were filed in the USDC-NJ naming us and certain of our current and former officers at that time as defendants. These complaints were consolidated into a single action and on April 7, 2017, the lead plaintiffs filed a consolidated amended complaint on behalf of a putative class of persons and entities who purchased our common stock during the period between February 27, 2015 and September 29, 2016, naming us and certain of our current and former officers at that time as defendants and alleging violations of the Exchange Act, based on allegedly false or misleading statements related to potential violations of the Foreign Corrupt Practices Act, our business, prospects and operations, and the effectiveness of our internal controls over financial reporting and our disclosure controls and procedures. The lead plaintiffs seek an award of compensatory damages, among other relief, and their reasonable costs and expenses, including attorneys' fees. Defendants filed motions to dismiss the consolidated amended complaint on June 6, 2017. On August 8, 2018, the USDC-NJ issued an order which granted the motions to dismiss in part, including dismissal of all claims against then-current officers of the Company, and denied them in part. On September 7, 2018, we filed a motion in the USDC-NJ to certify the August 8, 2018 order for immediate appeal to the United States Court of Appeals for the Third Circuit pursuant to 28 U.S.C. § 1292(b). On October 18, 2018, the USDC-NJ issued an order granting our motion, and staying the action pending the outcome of our appeal petition to the Third Circuit. On October 29, 2018, we filed a petition for permission to appeal with the Third Circuit. On March 6, 2019, the Third Circuit denied our petition without prejudice. In an order dated March 19, 2019, the USDC-NJ directed the lead plaintiffs to provide the defendants with a proposed amended complaint. On April 26, 2019, lead plaintiffs filed their second amended complaint. We filed a motion to

dismiss the second amended complaint on June 10, 2019. On June 7, 2020, the USDC-NJ issued an order denying our motion to dismiss the second amended complaint. On July 10, 2020, we filed our answer to the second amended complaint. On July 23, 2020, the DOJ filed a motion on consent for leave to intervene and to stay all discovery through the conclusion of the criminal proceedings in *United States v. Gordon J. Coburn and Steven Schwartz*, Crim. No. 19-120 (KM), except for documents produced by us to the DOJ in connection with those criminal proceedings. On July 24, 2020, the USDC-NJ granted the DOJ's motion; and on that same day, we filed a motion in the USDC-NJ to certify the June 7, 2020 order for immediate appeal to the Third Circuit pursuant to 28 U.S.C. § 1292(b). On March 17, 2021, the USDC-NJ issued an order denying our motion.

On September 7, 2021, the parties filed a settlement agreement that, subject to the approval of the USDC-NJ, would resolve the consolidated putative securities class action against us and certain of our former officers. The settlement agreement provides for a payment of \$95 million to the putative class (inclusive of attorneys' fees and litigation expenses). Adjusting for indemnification expenses, legal fees and other covered expenses incurred through September 7, 2021, the remaining available balance under the applicable directors and officers insurance policies was \$75 million. As a result, we recorded a loss of \$20 million in "Selling, general and administrative expenses" in our unaudited consolidated financial statements. The loss is referred to as the Class Action Settlement Loss. We and the other defendants are entering into the settlement agreement to eliminate the uncertainty, burden, and expense of further protracted litigation. We and the other defendants expressly deny that the plaintiffs in the consolidated putative securities class action have asserted any valid claims as to us and them, respectively. On September 9, 2021, the USDC-NJ granted preliminary approval of the settlement. The settlement is subject to final approval by the USDC-NJ and certain other conditions, and we cannot provide assurance that the USDC-NJ will grant final approval of the settlement. Notice is being provided to potential class members who will have an opportunity to opt out of the settlement and make any objections to the USDC-NJ, which the USDC-NJ will then review. After the notice and objection period, the USDC-NJ is scheduled to hold a hearing on December 20, 2021 to determine whether to grant final approval of the settlement. If final approval is not granted by the USDC-NJ, or if the settlement does not become final for any other reason, we will return to our position prior to the settlement and we are unable to predict the duration, scope or result of the subsequent litigation.

On October 31, 2016, November 15, 2016 and November 18, 2016, three putative shareholder derivative complaints were filed in New Jersey Superior Court, Bergen County, naming us, all of our then current directors and certain of our current and former officers at that time as defendants. These actions were consolidated in an order dated January 24, 2017. The complaints assert claims for breach of fiduciary duty, corporate waste, unjust enrichment, abuse of control, mismanagement, and/or insider selling by defendants. On March 16, 2017, the parties filed a stipulation deferring all further proceedings pending a final, non-appealable ruling on the then-anticipated motion to dismiss the consolidated putative securities class action. On April 26, 2017, in lieu of ordering the stipulation filed by the parties, the New Jersey Superior Court deferred further proceedings by dismissing the consolidated putative shareholder derivative litigation without prejudice but permitting the parties to file a motion to vacate the dismissal in the future.

On February 22, 2017, April 7, 2017 and May 10, 2017, three additional putative shareholder derivative complaints alleging similar claims were filed in the USDC-NJ, naming us and certain of our current and former directors and officers at that time as defendants. These complaints asserted claims similar to those in the previously-filed putative shareholder derivative actions. In an order dated June 20, 2017, the USDC-NJ consolidated these actions into a single action, appointed lead plaintiff and lead counsel, and stayed all further proceedings pending a final, non-appealable ruling on the motions to dismiss the consolidated putative securities class action. On October 30, 2018, lead plaintiff filed a consolidated verified derivative complaint.

On March 11, 2019, a seventh putative shareholder derivative complaint was filed in the USDC-NJ, naming us and certain of our current and former directors and officers at that time as defendants. The complaint in that action asserts claims similar to those in the previously-filed putative shareholder derivative actions. On May 14, 2019, the USDC-NJ approved a stipulation that (i) consolidated this action with the putative shareholder derivative suits that were previously filed in the USDC-NJ; and (ii) stayed all of these suits pending an order on the motion to dismiss the second amended complaint in the consolidated putative securities class action. On August 3, 2020, lead plaintiffs filed an amended complaint. On October 19, 2020, the USDC-NJ approved a stipulation that stayed all of these suits through the earlier of the conclusion of the criminal proceedings in *United States v. Gordon J. Coburn and Steven Schwartz*, Crim. No. 19-120 (KM), or November 1, 2021.

On June 1, 2021, an eighth putative shareholder derivative complaint was filed in the USDC-NJ, naming us and certain of our current and former directors and officers at that time as defendants. The complaint asserts claims similar to those in the previously-filed putative shareholder derivative actions. On August 2, 2021, the USDC-NJ approved a stipulation that stayed this action through the earliest of (i) the conclusion of the criminal proceedings in *United States v. Gordon J. Coburn and Steven Schwartz*, Crim. No. 19-120 (KM), (ii) the dissolution of the stay in the consolidated putative securities class action, provided that the dissolution of the stay in the consolidated putative securities class action is not the result of a settlement agreement or other mutual resolution of the consolidated putative securities class action, or (iii) the dissolution of the stay in the



consolidated putative shareholder derivative action pending in USDC-NJ, provided that we are required to answer, move to dismiss, or otherwise respond to the operative complaint in that action following the dissolution of the stay.

We are presently unable to predict the duration, scope or result of the putative shareholder derivative actions. Although the Company continues to defend the putative shareholder derivative actions vigorously, these lawsuits are subject to inherent uncertainties, the actual cost of such litigation will depend upon many unknown factors and the outcome of the litigation is necessarily uncertain.

We have indemnification and expense advancement obligations pursuant to our bylaws and indemnification agreements with respect to certain current and former members of senior management and of the Company's board of directors. In connection with the matters that were the subject of our previously disclosed internal investigation, the DOJ and SEC investigations and the related litigation, we have received and expect to continue to receive requests under such indemnification agreements and our bylaws to provide funds for legal fees and other expenses. As of the filing of the settlement agreement on September 7, 2021, there are no amounts remaining available to us under applicable insurance policies for our ongoing indemnification and advancement obligations with respect to certain of our current and former officers and directors or incremental legal fees and other expenses related to the above matters.

See [Note 8](#) for information relating to the ITD Dispute.

Many of our engagements involve projects that are critical to the operations of our clients' business and provide benefits that are difficult to quantify. Any failure in a client's systems or our failure to meet our contractual obligations to our clients, including any breach involving a client's confidential information or sensitive data, or our obligations under applicable laws or regulations could result in a claim for substantial damages against us, regardless of our responsibility for such failure. Although we attempt to contractually limit our liability for damages arising from negligent acts, errors, mistakes, or omissions in rendering our services, there can be no assurance that the limitations of liability set forth in our contracts will be enforceable in all instances or will otherwise protect us from liability for damages. Although we have general liability insurance coverage, including coverage for errors or omissions, we retain a significant portion of risk through our insurance deductibles and there can be no assurance that such coverage will cover all types of claims, continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed or are not covered by our insurance coverage or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, results of operations, financial position and cash flows for a particular period.

In the normal course of business and in conjunction with certain client engagements, we have entered into contractual arrangements through which we may be obligated to indemnify clients or other parties with whom we conduct business with respect to certain matters. These arrangements can include provisions whereby we agree to hold the indemnified party and certain of their affiliated entities harmless with respect to third-party claims related to such matters as our breach of certain representations or covenants, our intellectual property infringement, our gross negligence or willful misconduct or certain other claims made against certain parties. Payments by us under any of these arrangements are generally conditioned on the client making a claim and providing us with full control over the defense and settlement of such claim. It is not possible to determine the maximum potential liability under these indemnification agreements due to the unique facts and circumstances involved in each particular agreement. Historically, we have not made material payments under these indemnification agreements and therefore they have not had a material impact on our operating results, financial position, or cash flows. However, if events arise requiring us to make payment for indemnification claims under our indemnification obligations in contracts we have entered, such payments could have a material adverse effect on our business, results of operations, financial position and cash flows for a particular period.

### **Note 13 — Segment Information**

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Our reportable segments are:

- Financial Services, which consists of our banking and insurance operating segments;
- Healthcare, which consists of our healthcare and life sciences operating segments;
- Products and Resources, which consists of our retail and consumer goods; manufacturing, logistics, energy, and utilities; and travel and hospitality operating segments; and
- Communications, Media and Technology, which includes our communications and media operating segment and our technology operating segment.

Our client partners, account executives and client relationship managers are aligned in accordance with the specific industries they serve. Our chief operating decision maker evaluates the Company's performance and allocates resources based on segment revenues and operating profit. Segment operating profit is defined as income from operations before unallocated costs. Generally, operating expenses for each operating segment have similar characteristics and are subject to the same factors, pressures and challenges. However, the economic environment and its effects on industries served by our operating segments may affect revenues and operating expenses to differing degrees.

Expenses included in segment operating profit consist principally of direct selling and delivery costs (including stock-based compensation expense) as well as a per employee charge for use of our global delivery centers and infrastructure. Certain SG&A expenses, the excess or shortfall of incentive-based compensation for commercial and delivery personnel as compared to target, restructuring and COVID-19 Charges, a portion of depreciation and amortization and the impact of the settlements of our cash flow hedges are not allocated to individual segments in internal management reports used by the chief operating decision maker. Accordingly, such expenses are excluded from segment operating profit and are included below as "unallocated costs" and adjusted against our total income from operations. Additionally, management has determined that it is not practical to allocate identifiable assets by segment, since such assets are used interchangeably among the segments.

For revenues by reportable segment and geographic area, see [Note 2](#).

Segment operating profits by reportable segment were as follows:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Financial Services	\$ 463	\$ 463	\$ 1,308	\$ 1,209
Healthcare	383	378	1,182	1,004
Products and Resources	351	307	988	805
Communications, Media and Technology	253	191	703	555
Total segment operating profit	1,450	1,339	4,181	3,573
Less: unallocated costs	721	736	2,087	1,924
Income from operations	\$ 729	\$ 603	\$ 2,094	\$ 1,649

## Geographic Area Information

Long-lived assets by geographic area are as follows:

(in millions)	As of	
	September 30, 2021	December 31, 2020
Long-lived Assets: <sup>(1)</sup>		
North America <sup>(2)</sup>	\$ 366	\$ 399
Europe	80	88
Rest of World <sup>(3)</sup>	733	764
Total	\$ 1,179	\$ 1,251

(1) Long-lived assets include property and equipment, net of accumulated depreciation and amortization.

(2) Substantially all relates to the United States.

(3) Substantially all relates to India.

## Note 14 — Subsequent Events

### Dividend

On October 26, 2021, our Board of Directors approved the Company's declaration of a \$0.24 per share dividend with a record date of November 19, 2021 and a payment date of November 30, 2021.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.


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### Executive Summary

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Cognizant is one of the world's leading professional services companies, engineering modern business for the digital era. Our services include digital services and solutions, consulting, application development, systems integration, application testing, application maintenance, infrastructure services and business process services. Digital services have become an increasingly important part of our portfolio, aligning with our clients' focus on becoming data-enabled, customer-centric and differentiated businesses. We are focused on continued investment in four key areas of digital: IoT, AI, experience-driven software engineering and cloud. We tailor our services and solutions to specific industries with an integrated global delivery model that employs client service and delivery teams based at client locations and dedicated global and regional delivery centers.

### Q3 2021 Financial Results

The image is a placeholder for a chart titled "ctsh-20210930\_g2.jpg". It is represented by a large, empty rectangular box with a thin black border.

During the quarter ended September 30, 2021, revenues increased by \$501 million as compared to the quarter ended September 30, 2020, representing growth of 11.8%, or 11.0% on a constant currency basis<sup>1</sup>. Our recently completed acquisitions contributed 300 basis points to our revenue growth. Our revenue growth also reflected our clients' continued adoption and integration of digital technologies and the acceleration in the demand for cloud, mobile workplace solutions, e-commerce, automation and AI and was aided by the negative impact on 2020 revenues of the COVID-19 pandemic. Revenues in our Communications, Media and Technology segment benefited from our technology clients' growing demand for services related to digital content. Revenue growth was strong among our manufacturing, logistics, energy and utilities clients in our Products and Resources segment due to their continued adoption and integration of digital technologies. Revenue growth in our Healthcare segment was driven by increased demand for our services from our pharmaceutical clients. We continue to experience pricing pressure on our non-digital services as our clients, particularly those in our Financial Services segment, optimize the cost of supporting their legacy systems and operations.

Our operating margin increased to 15.4% for the quarter ended September 30, 2021, from 14.2% for the quarter ended September 30, 2020. Our Adjusted Operating Margin<sup>1</sup> decreased slightly to 15.8% for the quarter ended September 30, 2021 from 15.9% for the September 30, 2020. Our 2021 GAAP and Adjusted Operating Margins benefited from savings from the implementation of the delivery cost optimization initiatives of our 2020 Fit for Growth Plan. These benefits were partially offset by investments intended to drive and support organic revenue growth, including additions to our sales organization and initiatives to reposition our brand, as well as the negative impact on margin of our recently completed acquisitions, increased subcontractor and compensation costs (net of modestly lower incentive-based compensation accrual rates) as a result of significantly elevated attrition and costs related to the modernization of our core IT systems. Our 2020 GAAP and Adjusted Operating Margins<sup>1</sup> were adversely impacted by the decline in revenues brought on by the COVID-19 pandemic and an asset impairment related to the discontinuation of certain real estate construction projects. Our 2021 GAAP operating margin was

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<sup>1</sup> Adjusted Income from Operations, Adjusted Operating Margin, Adjusted Diluted EPS and constant currency revenue growth are not measures of financial performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures" for more information and reconciliations to the most directly comparable GAAP financial measures, as applicable.

negatively impacted by the Class Action Settlement Loss, while our 2020 GAAP operating margin was negatively impacted by costs related to our restructuring program that concluded at the end of 2020.

In the fourth quarter of 2020, we made an offer to settle and exit a large customer engagement in Financial Services in Continental Europe. The offer included, among other terms, a proposed payment and the forgiveness of certain receivables. In the second quarter of 2021, we reached a settlement agreement with two of the three customers that were part of the engagement. The payment made to the two customers in the second quarter as part of the settlement agreement was consistent with the payment that had been proposed in the offer to such customers. Additionally, the settlement includes a provision for the continuation of certain of our services to the two customers. Our negotiations with the third customer are ongoing and, as such, we may not reach an agreement or the final terms of the agreement that is reached may materially differ from those contemplated in our accounting. In either instance, there could be additional impacts to our statement of operations, financial condition and our cash flows.

In the third quarter of 2021, the parties to the consolidated putative securities class action suit described in [Note 12](#) of our unaudited consolidated financial statements filed a settlement agreement that, subject to the approval of the USDC-NJ, would resolve the consolidated putative securities class action against us and certain of our former officers. As a result, we recorded a \$20 million Class Action Settlement Loss in "Selling, general and administrative expenses" in our unaudited consolidated financial statements. The loss is excluded from Adjusted Operating Margin and Adjusted Diluted EPS. For further information see [Note 12](#) to our unaudited consolidated financial statements.

## Business Outlook

As we seek to increase our commercial momentum and accelerate growth, our four strategic priorities are:

- Repositioning our brand - improving our global brand recognition and becoming better known as a global digital partner to the entire C-suite;
- Accelerating digital - growing our digital business organically and inorganically;
- Globalizing Cognizant - growing our business in key international markets and diversifying leadership, capabilities and delivery footprint; and
- Increasing our relevance to our clients - leading with thought leadership and capabilities to address clients' business needs.

During the third quarter of 2021, we acquired TQS and Hunter to expand our IoT, data, analytics and digital engineering capabilities. We intend to continue to pursue strategic acquisitions, investments and alliances to expand our talent, experience and capabilities in key digital areas or in particular geographies or industries.

We continue to expect the long-term focus of our clients to be on their digital transformation into software-driven, data-enabled, customer-centric and differentiated businesses. Clients continue to adopt and integrate digital technologies. Demand for our digital operations services and solutions has increased since the beginning of the COVID-19 pandemic. At the same time, as our clients seek to optimize the cost of supporting their legacy systems and operations, our non-digital services have been and may continue to be subject to pricing pressure. In addition, our clients will likely continue to contend with industry-specific changes driven by evolving digital technologies, uncertainty in the regulatory environment, industry consolidation and convergence as well as international trade policies and other macroeconomic factors, which could affect their demand for our services.

The evolving nature of the COVID-19 pandemic makes it difficult to estimate its future impact on our ongoing business, results of operations and overall financial performance. For example, India saw a considerable and sudden increase in new COVID-19 cases in the spring of 2021. A significant worsening of the pandemic, particularly in India, where a significant majority of our operations and technical personnel are located, could present challenges to our ability to deliver services to clients. We remain focused on protecting our employees' health, safety and well-being.

As a global professional services company, we compete on the basis of the knowledge, experience, insights, skills and talent of our employees and the value they can provide to our clients. Our success is dependent, in large part, on our ability to keep our supply of skilled employees, in particular those with experience in key digital areas, in balance with client demand. For the three months ended September 30, 2021, our annualized attrition, including both voluntary and involuntary, was 37.0%. Competition for skilled employees in the current labor market is intense, and we experienced significantly elevated voluntary attrition during the third quarter of 2021. Challenges attracting and retaining highly qualified personnel have negatively impacted, and we expect will continue to impact, our ability to satisfy client demand and achieve our full revenue potential. Further, our ongoing and anticipated future efforts with respect to recruitment, talent management and employee engagement may not be successful and will result in increased delivery costs during the remainder of 2021.

In addition, our future results may be affected by potential tax law changes and other potential regulatory changes, including possible U.S. corporate income tax reform and potentially increased costs for employment and post-employment benefits in India as a result of the Code on Social Security, 2020. We may also incur additional costs related to the potential resolution of legal and regulatory matters discussed in [Note 12](#) to our unaudited consolidated financial statements.

## Results of Operations

### Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020

The following table sets forth, for the periods indicated, certain financial data for the three months ended September 30:

(Dollars in millions, except per share data)	2021	% of Revenues	2020	% of Revenues	Increase / Decrease	
					\$	%
Revenues	\$ 4,744	100.0	\$ 4,243	100.0	\$ 501	11.8
Cost of revenues <sup>(a)</sup>	2,947	62.1	2,647	62.4	300	11.3
Selling, general and administrative expenses <sup>(a)</sup>	924	19.5	804	18.9	120	14.9
Restructuring charges	—	—	51	1.2	(51)	(100.0)
Depreciation and amortization expense	144	3.0	138	3.3	6	4.3
Income from operations	729	15.4	603	14.2	126	20.9
Other income (expense), net	2	—	21	—	(19)	(90.5)
Income before provision for income taxes	731	15.4	624	14.7	107	17.1
Provision for income taxes	(187)	—	(276)	—	89	(32.2)
Net income	\$ 544	11.5	\$ 348	8.2	\$ 196	56.3
Diluted earnings per share	\$ 1.03	—	\$ 0.64	—	\$ 0.39	60.9

#### Other Financial Information<sup>2</sup>

Adjusted Income from Operations and Adjusted Operating Margin	\$ 749	15.8	\$ 675	15.9	\$ 74	11.0
Adjusted Diluted EPS	\$ 1.06	—	\$ 0.97	—	\$ 0.09	9.3

(a) Exclusive of depreciation and amortization expense.

#### Revenues - Overall

During the quarter ended September 30, 2021, revenues increased by \$501 million as compared to the quarter ended September 30, 2020, representing growth of 11.8%, or 11.0% on a constant currency basis<sup>2</sup>. Our recently completed acquisitions contributed 300 basis points to our revenue growth. Our revenue growth also reflected our clients' continued adoption and integration of digital technologies and the acceleration in the demand for cloud, mobile workplace solutions, e-commerce, automation and AI and was aided by the negative impact on 2020 revenues of the COVID-19 pandemic. We continue to experience pricing pressure on our non-digital services as our clients optimize the cost of supporting their legacy systems and operations. Revenues from clients added since September 30, 2020, including those related to acquisitions, were \$151 million.

<sup>2</sup> Adjusted Income from Operations, Adjusted Operating Margin, Adjusted Diluted EPS and constant currency revenue growth are not measures of financial performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures" for more information and reconciliations to the most directly comparable GAAP financial measures, as applicable.

## Revenues - Reportable Business Segments

The following charts set forth revenues and change in revenues by business segment and geography for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020:

Financial Services					Healthcare			
Increase / (Decrease)					Increase / (Decrease)			
Dollars in millions	Revenues	\$	%	CC % <sup>3</sup>	Revenues	\$	%	CC % <sup>3</sup>
North America	\$ 1,075	42	4.1	3.8	\$ 1,162	108	10.2	10.2
United Kingdom	140	17	13.8	8.7	44	4	10.0	6.3
Continental Europe	187	6	3.3	2.4	118	2	1.7	1.1
Europe - Total	327	23	7.6	5.0	162	6	3.8	2.4
Rest of World	142	10	7.6	6.6	30	9	42.9	42.6
Total	\$ 1,544	75	5.1	4.3	\$ 1,354	123	10.0	9.8

Products and Resources					Communications, Media and Technology			
Increase / (Decrease)					Increase / (Decrease)			
Dollars in millions	Revenues	\$	%	CC % <sup>3</sup>	Revenues	\$	%	CC % <sup>3</sup>
North America	\$ 749	83	12.5	12.3	\$ 500	74	17.4	17.4
United Kingdom	125	29	30.2	22.4	121	35	40.7	35.2
Continental Europe	145	48	49.5	47.3	34	(9)	(20.9)	(22.0)
Europe - Total	270	77	39.9	34.9	155	26	20.2	16.1
Rest of World	88	20	29.4	27.6	84	23	37.7	37.6
Total	\$ 1,107	180	19.4	18.1	\$ 739	123	20.0	19.1

### Financial Services - revenues increased 5.1%, or 4.3% on a constant currency basis<sup>3</sup>

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Banking	↑	\$49M
Insurance	↑	\$26M

Revenue growth reflected the negative impact to our 2020 revenues of the COVID-19 pandemic as well as a reduction in 2020 revenues on a large transformation project as a result of delivery delays. Additionally, growth in this segment benefited from recently completed acquisitions and revenue generated by our digital services in both banking and insurance. Declines related to our non-digital services reflected clients' continued cost optimization of supporting their legacy systems and operations. Revenues from clients added since September 30, 2020, including those related to acquisitions, were \$33 million.

### Healthcare - revenues increased 10.0%, or 9.8% on a constant currency basis<sup>3</sup>

Revenue growth among our life sciences clients was driven by increased demand for our services among pharmaceutical companies while revenue growth among our healthcare customers benefited from increased demand by health insurance customers for our integrated software solutions. Revenues from clients added since September 30, 2020, including those related to acquisitions, were \$19 million.

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Healthcare	↑	\$53M
Life Sciences	↑	\$70M

<sup>3</sup> Constant currency revenue growth is not a measure of financial performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures" for more information.

## Products and Resources - revenues increased 19.4%, or 18.1% on a constant currency basis<sup>4</sup>

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Manufacturing, Logistics, Energy and Utilities ↑ \$102M

Retail and Consumer Goods ↑ \$58M

Travel and Hospitality ↑ \$20M

Revenues from our manufacturing, logistics, energy and utilities clients benefited from our clients' adoption and integration of digital technologies. Revenue growth in this segment included approximately 600 basis points related to recently completed acquisitions. Additionally, revenue growth reflected the negative impact to our 2020 revenues of the COVID-19 pandemic. Revenues from clients added since September 30, 2020, including those related to acquisitions, were \$51 million.

## Communications, Media and Technology - revenues increased 20.0%, or 19.1% on a constant currency basis<sup>4</sup>

Revenue growth in this segment reflected the growing demand from our technology clients for services related to digital content, primarily driven by our largest clients in this segment, and the negative impact to our 2020 revenue of the COVID-19 pandemic. Revenue growth in this segment included approximately 500 basis points related to recently completed acquisitions. Revenues from clients added since September 30, 2020, including those related to acquisitions, were \$48 million.

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Communications and Media ↑ \$44M

Technology ↑ \$79M

## Revenues - Geographic Markets

Revenues of \$4,744 million by geographic market were as follows for the three months ended September 30, 2021:

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Q3 2021 as compared to Q3 2020 (Dollars in millions)	Increase / (Decrease)		
	\$	%	CC % <sup>4</sup>
North America	\$ 307	9.7	9.5
United Kingdom	85	24.6	18.8
Continental Europe	47	10.8	9.6
Europe - Total	132	16.9	13.7
Rest of World	62	22.0	21.0
Total revenues	\$ 501	11.8	11.0

North America continues to be our largest market, representing 73.5% of total revenues and 61.3% of total revenue growth. Revenue growth across all regions benefited from our recently completed acquisitions and was also aided by the negative impact on our 2020 revenues of the COVID-19 pandemic. United Kingdom and Continental Europe regions also benefited from favorable foreign currency exchange rate movements. A significant portion of revenue growth in our Continental Europe and Rest of World regions is related to clients, including those from recent acquisitions, in Germany and Australia, respectively.

## Cost of Revenues (Exclusive of Depreciation and Amortization Expense)

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↑ \$300M

↓ 0.3% as a % of revenue

○ % of Revenues

Our cost of revenues consists primarily of salaries, incentive-based compensation, stock-based compensation expense, employee benefits, project-related immigration and travel for technical personnel, subcontracting and equipment costs relating to revenues. The decrease in cost of revenues, as a percentage of revenues, was due primarily to savings from the implementation of the delivery cost optimization initiatives of our 2020 Fit for Growth Plan as well as the negative impact on our 2020 results of the COVID-19 pandemic, partially offset by increased subcontractor and compensation costs (net of modestly lower incentive-based compensation accrual rates) as a result of significantly elevated attrition.

<sup>4</sup> Constant currency revenue growth is not a measure of financial performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures" for more information.

### SG&A Expenses (Exclusive of Depreciation and Amortization Expense)

SG&A expenses consist primarily of salaries, incentive-based compensation, stock-based compensation expense, employee benefits, immigration, travel, marketing, communications, management, finance, administrative and occupancy costs. The increase, as a percentage of revenues, was due primarily to investments intended to drive and support organic revenue growth, including additions to our sales organization and initiatives to reposition our brand, increased costs as a result of our recently completed acquisitions, costs related to the modernization of our core IT systems and the Class Action Settlement Loss, partially offset by a reduction in expenses attributable to the COVID-19 pandemic. Additionally, our 2020 SG&A expenses included an asset impairment related to the discontinuation of certain real estate construction projects.

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↑ \$120M

↑ 0.6% as a % of revenue

○ % of Revenues

### Depreciation and Amortization Expense

Depreciation and amortization expense increased by 4.3% but remained relatively flat as a percentage of revenue during the third quarter of 2021 as compared to the third quarter of 2020. The increase was due to the amortization of intangible assets from recently completed acquisitions.

### Operating Margin and Adjusted Operating Margin<sup>5</sup> - Overall

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Our 2021 GAAP and Adjusted Operating Margins benefited from savings from the implementation of the delivery cost optimization initiatives of our 2020 Fit for Growth Plan. These benefits were partially offset by investments intended to drive and support organic revenue growth, including additions to our sales organization and initiatives to reposition our brand, as well as the negative impact on margin of our recently completed acquisitions, increased subcontractor and compensation costs (net of modestly lower incentive-based compensation accrual rates) as a result of significantly elevated attrition and costs related to the modernization of our core IT systems. Our 2020 margins were adversely impacted by the decline in revenues brought on by the COVID-19 pandemic and an asset impairment related to the discontinuation of certain real estate construction projects. Our 2021 GAAP operating margin was negatively impacted by the Class Action Settlement Loss, while our 2020 GAAP operating margin was negatively impacted by costs related to our restructuring program that concluded at the end of 2020.

Excluding the impact of applicable designated cash flow hedges, the appreciation of the Indian rupee against the U.S. dollar negatively impacted our operating margin by 7 basis points during the three months ended September 30, 2021. Each additional 1.0% change in exchange rate between the Indian rupee and the U.S. dollar will have the effect of moving our operating margin by 18 basis points.

We enter into foreign exchange derivative contracts to hedge certain Indian rupee denominated payments in India. These hedges are intended to mitigate the volatility of the changes in the exchange rate between the U.S. dollar and the Indian rupee. The settlement of our cash flow hedges positively impacted our operating margin by 32 basis points during the three months ended September 30, 2021, and by 14 basis points during the three months ended September 30, 2020.

<sup>5</sup> Adjusted Income from Operations and Adjusted Operating Margin are not measures of financial performance prepared in accordance with GAAP. See “Non-GAAP Financial Measures” for more information and reconciliations to the most directly comparable GAAP financial measures, as applicable.



We finished the third quarter of 2021 with approximately 318,400 employees. Annualized attrition, including both voluntary and involuntary, was approximately 37.0% for the three months ended September 30, 2021. In 2021, voluntary attrition was significantly elevated and constituted the vast majority of our attrition for the period. In comparison, voluntary attrition in the third quarter 2020 represented only approximately half of our attrition for the period as our personnel actions taken under our Fit for Growth Plan increased involuntary attrition while voluntary attrition was suppressed due to the COVID-19 pandemic. Attrition in all periods presented is weighted towards our more junior employees.

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○ Annualized attrition

### Segment Operating Profit

Segment operating profit and operating margin percentage were as follows:

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Across all our business segments, operating margins were negatively impacted by increased subcontractor and compensation costs as a result of significantly elevated attrition and benefited from savings from the implementation of the delivery cost optimization initiatives of our 2020 Fit for Growth Plan and the negative impact on our 2020 results of the COVID-19 pandemic. In addition, segment operating profit in our Communications, Media and Technology segment during the three months ended September 30, 2020 was affected by an unfavorable allocation of costs.

Total segment operating profit and operating margin were as follows for the three months ended September 30:

(Dollars in millions)	2021	% of Revenues	2020	% of Revenues	Increase / (Decrease)
Total segment operating profit	\$ 1,450	30.6	\$ 1,339	31.6	\$ 111
Less: unallocated costs	721		736		(15)
Income from operations	\$ 729	15.4	\$ 603	14.2	\$ 126

### Other Income (Expense), Net

The following table sets forth total other income (expense), net for the three months ended September 30:

(in millions)	2021	2020	Increase/Decrease
Foreign currency exchange (losses) gains	\$ (4)	\$ 56	\$ (60)
Gains (losses) on foreign exchange forward contracts not designated as hedging instruments	1	(57)	58
Foreign currency exchange gains (losses), net	(3)	(1)	(2)
Interest income	7	27	(20)
Interest expense	(3)	(6)	3
Other, net	1	1	—
Total other income (expense), net	\$ 2	\$ 21	\$ (19)

The foreign currency exchange gains and losses were attributed to the remeasurement of net monetary assets and liabilities denominated in currencies other than the functional currencies of our subsidiaries. The gains and losses on foreign exchange forward contracts not designated as hedging instruments related to the realized and unrealized gains and losses on contracts entered into to offset foreign currency exposure to non-U.S. dollar denominated net monetary assets and liabilities. As of September 30, 2021, the notional value of our undesignated hedges was \$919 million. The decrease in interest income of \$20

million was primarily attributable to lower invested balances in India, which generate higher yields. Our invested balances in India are lower in 2021 as a result of our repatriation of cash from India in the fourth quarter of 2020.

### Provision for Income Taxes

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↓ \$89M

○ Effective Income Tax Rate ↓ 18.6%

The effective tax rate decreased primarily as a result of our decision in the third quarter of 2020 to reverse our indefinite reinvestment assertion on Indian earnings accumulated in prior years, which resulted in a \$140 million Tax on Accumulated Indian Earnings recorded as income tax expense in the third quarter of 2020.

### Net Income

The increase in net income was driven by higher income from operations and a lower provision for income taxes due to the Q3 2020 Tax on Accumulated Indian Earnings, partially offset by lower interest income.

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↑ \$196M

○ % of Revenues

### Non-GAAP Financial Measures

Portions of our disclosure include non-GAAP financial measures. These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures should be read in conjunction with our financial statements prepared in accordance with GAAP. The reconciliations of our non-GAAP financial measures to the corresponding GAAP measures, set forth below, should be carefully evaluated.

Our non-GAAP financial measures, Adjusted Operating Margin, Adjusted Income From Operations and Adjusted Diluted EPS, exclude unusual items. Additionally, Adjusted Diluted EPS excludes net non-operating foreign currency exchange gains or losses and the tax impact of all the applicable adjustments. The income tax impact of each item is calculated by applying the statutory rate and local tax regulations in the jurisdiction in which the item was incurred. Constant currency revenue growth is defined as revenues for a given period restated at the comparative period's foreign currency exchange rates measured against the comparative period's reported revenues.

We believe providing investors with an operating view consistent with how we manage the Company provides enhanced transparency into our operating results. For our internal management reporting and budgeting purposes, we use various GAAP and non-GAAP financial measures for financial and operational decision-making, to evaluate period-to-period comparisons, to determine portions of the compensation for our executive officers and for making comparisons of our operating results to those of our competitors. Therefore, it is our belief that the use of non-GAAP financial measures excluding certain costs provides a meaningful supplemental measure for investors to evaluate our financial performance. We believe that the presentation of our non-GAAP financial measures along with reconciliations to the most comparable GAAP measure, as applicable, can provide useful supplemental information to our management and investors regarding financial and business trends relating to our financial condition and results of operations.

A limitation of using non-GAAP financial measures versus financial measures calculated in accordance with GAAP is that non-GAAP financial measures do not reflect all of the amounts associated with our operating results as determined in accordance with GAAP and may exclude costs that are recurring such as our net non-operating foreign currency exchange gains or losses. In addition, other companies may calculate non-GAAP financial measures differently than us, thereby limiting the usefulness of these non-GAAP financial measures as a comparative tool. We compensate for these limitations by providing specific information regarding the GAAP amounts excluded from our non-GAAP financial measures to allow investors to evaluate such non-GAAP financial measures.

The following table presents a reconciliation of each non-GAAP financial measure to the most comparable GAAP measure for the three months ended September 30:

(Dollars in millions, except per share amounts)	2021	% of Revenues	2020	% of Revenues
GAAP income from operations and operating margin	\$ 729	15.4	\$ 603	14.2
Class Action Settlement Loss <sup>(1)</sup>	20	0.4	—	—
Realignment charges <sup>(2)</sup>	—	—	8	0.2
2020 Fit for Growth Plan restructuring charges <sup>(3)</sup>	—	—	43	1.0
COVID-19 Charges <sup>(4)</sup>	—	—	21	0.5
Adjusted Income from Operations and Adjusted Operating Margin	\$ 749	15.8	\$ 675	15.9
GAAP diluted EPS	\$ 1.03		\$ 0.64	
Effect of above adjustments, pre-tax	0.04		0.13	
Non-operating foreign currency exchange (gains) losses, pre-tax <sup>(5)</sup>	0.01		—	
Tax effect of above adjustments <sup>(6)</sup>	(0.02)		(0.06)	
Tax on Accumulated Indian Earnings <sup>(7)</sup>	—		0.26	
Adjusted Diluted EPS	\$ 1.06		\$ 0.97	

- (1) During the three months ended September 30, 2021, we recorded a Class Action Settlement Loss in "Selling, general and administrative expenses" in our unaudited consolidated financial statements. See [Note 12](#) to our unaudited consolidated financial statements for additional information.
- (2) As part of the realignment program, during the three months ended September 30, 2020, we incurred certain professional fees. See [Note 4](#) to our unaudited consolidated financial statements for additional information.
- (3) As part of our 2020 Fit for Growth plan, during the three months ended September 30, 2020, we incurred certain employee separation, employee retention and facility exit costs and other charges. See [Note 4](#) to our unaudited consolidated financial statements for additional information.
- (4) During the three months ended September 30, 2020, we incurred costs in response to the COVID-19 pandemic including costs to enable our employees to work remotely. Most of the costs related to the pandemic are reported in "Cost of revenues" in our unaudited consolidated statements of operations.
- (5) Non-operating foreign currency exchange gains and losses, inclusive of gains and losses on related foreign exchange forward contracts not designated as hedging instruments for accounting purposes, are reported in "Foreign currency exchange gains (losses), net" in our unaudited consolidated statements of operations.
- (6) Presented below are the tax impacts of each of our non-GAAP adjustments to pre-tax income:

(in millions)	Three Months Ended September 30,	
	2021	2020
Non-GAAP income tax benefit (expense) related to:		
Class Action Settlement Loss	\$ 6	\$ —
Realignment charges	—	2
2020 Fit for Growth Plan restructuring charges	—	11
COVID-19 Charges	—	6
Foreign currency exchange gains and losses	3	15

- (7) During the three months ended September 30, 2020, we reversed our indefinite reinvestment assertion on Indian earnings accumulated in prior years and recorded \$140 million in income tax expense.

## Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

The following table sets forth, for the periods indicated, certain financial data for the nine months ended September 30:

(Dollars in millions, except per share data)	2021	% of Revenues	2020	% of Revenues	Increase / Decrease	
					\$	%
Revenues	\$ 13,730	100.0	\$ 12,468	100.0	\$ 1,262	10.1
Cost of revenues <sup>(a)</sup>	8,574	62.4	8,009	64.2	565	7.1
Selling, general and administrative expenses <sup>(a)</sup>	2,632	19.2	2,226	17.9	406	18.2
Restructuring charges	—	—	177	1.4	(177)	(100.0)
Depreciation and amortization expense	430	3.1	407	3.3	23	5.7
Income from operations	2,094	15.3	1,649	13.2	445	27.0
Other income (expense), net	(4)	—	(20)	—	16	(80.0)
Income before provision for income taxes	2,090	15.2	1,629	13.1	461	28.3
Provision for income taxes	(531)	—	(552)	—	21	(3.8)
Income (loss) from equity method investments	2	—	(1)	—	3	(300.0)
Net income	\$ 1,561	11.4	\$ 1,076	8.6	\$ 485	45.1
Diluted EPS	\$ 2.96	—	\$ 1.98	—	\$ 0.98	49.5
<i>Other Financial Information<sup>6</sup></i>						
Adjusted Income From Operations and Adjusted Operating Margin	\$ 2,114	15.4	\$ 1,878	15.1	\$ 236	12.6
Adjusted Diluted EPS	\$ 3.02	—	\$ 2.75	—	\$ 0.27	9.8

(a) Exclusive of depreciation and amortization expense.

### Revenues - Overall

During the nine months ended September 30, 2021, revenues increased by \$1,262 million as compared to the nine months ended September 30, 2020, representing growth of 10.1%, or 8.4% on a constant currency basis. Our revenue growth reflected our clients' continued adoption and integration of digital technologies and the acceleration in the demand for cloud, mobile workplace solutions, e-commerce, automation and was aided by the negative impact on 2020 revenues of the COVID-19 pandemic and the April 2020 ransomware attack. Our recently completed acquisitions contributed 330 basis points to our revenue growth. We continue to experience pricing pressure on our non-digital services as our clients optimize the cost of supporting their legacy systems and operations. In addition, our revenues from clients added since September 30, 2020, including those related to acquisitions, were \$305 million.

<sup>6</sup> Adjusted Income From Operations, Adjusted Operating Margin and Adjusted Diluted EPS are not measures of financial performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures" for more information and reconciliations to the most directly comparable GAAP financial measures.

## Revenues - Reportable Business Segments

The following charts set forth revenues and change in revenues by business segment and geography for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020:

Financial Services					Healthcare				
Dollars in millions	Revenues	Increase / (Decrease)			Revenues	Increase / (Decrease)			CC % <sup>7</sup>
		\$	%	CC % <sup>7</sup>		\$	%	CC % <sup>7</sup>	
North America	\$ 3,137	114	3.8	3.4	\$ 3,394	303	9.8	9.8	
United Kingdom	395	42	11.9	5.2	129	13	11.2	4.7	
Continental Europe	565	11	2.0	(3.6)	356	39	12.3	7.2	
Europe - Total	960	53	5.8	(0.3)	485	52	12.0	6.6	
Rest of World	407	21	5.4	1.8	88	30	51.7	49.7	
Total	\$ 4,504	188	4.4	2.5	\$ 3,967	385	10.7	10.0	

Products and Resources					Communications, Media and Technology				
Dollars in millions	Revenues	Increase / (Decrease)			Revenues	Increase / (Decrease)			CC % <sup>7</sup>
		\$	%	CC % <sup>7</sup>		\$	%	CC % <sup>7</sup>	
North America	\$ 2,190	215	10.9	10.5	\$ 1,420	134	10.4	10.3	
United Kingdom	347	69	24.8	14.9	332	83	33.3	24.2	
Continental Europe	380	80	26.7	18.6	121	(1)	(0.8)	(7.5)	
Europe - Total	727	149	25.8	16.9	453	82	22.1	13.8	
Rest of World	243	48	24.6	20.4	226	61	37.0	34.1	
Total	\$ 3,160	412	15.0	12.5	\$ 2,099	277	15.2	13.2	

**Financial Services** - revenues increased 4.4%, or 2.5% on a constant currency basis<sup>7</sup>

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Banking	↑	\$114M
Insurance	↑	\$74M

Revenues in this segment benefited from recently completed acquisitions. Additionally, revenue growth reflected the negative impact on 2020 revenues of the COVID-19 pandemic. Our digital services generated revenue growth in both banking and insurance. Declines related to our non-digital services reflected clients' continued cost optimization of supporting their legacy systems and operations. Revenues from clients added since September 30, 2020, including those related to acquisitions, were \$58 million.

**Healthcare** - revenues increased 10.7%, or 10.0% on a constant currency basis<sup>7</sup>

Revenue growth among our life sciences clients was driven by increased demand for our services among pharmaceutical companies while revenue growth among our healthcare customers benefited from increased demand by health insurance customers for our integrated software solutions. Revenues in this segment also benefited from recently completed acquisitions. Additionally, revenue growth reflected the negative impact on 2020 revenues of the COVID-19 pandemic and the April 2020 ransomware attack. Revenues from clients added since September 30, 2020, including those related to acquisitions, were \$50 million.

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Healthcare	↑	\$192M
Life Sciences	↑	\$193M

<sup>7</sup> Constant currency revenue growth is not a measure of financial performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures" for more information.

## Products and Resources - revenues increased 15.0%, or 12.5% on a constant currency basis<sup>8</sup>

	Manufacturing, Logistics, Energy and Utilities	↑	\$290M
	Retail and Consumer Goods	↑	\$103M
	Travel and Hospitality	↑	\$19M

Revenue growth in this segment included approximately 500 basis points related to recently completed acquisitions. Revenues from our manufacturing, logistics, energy and utilities clients benefited from our clients' adoption and integration of digital technologies. Additionally, revenue growth reflected the negative impact of the COVID-19 pandemic on our 2020 revenue in this segment. Revenues from clients added since September 30, 2020, including those related to acquisitions, were \$95 million.

## Communications, Media and Technology - revenues increased 15.2%, or 13.2% on a constant currency basis<sup>8</sup>

Revenue growth in this segment included approximately 750 basis points related to recently completed acquisitions, driven by acquisitions we completed during the third quarter of 2020. Revenues reflected growing demand from our technology clients for services related to digital content, primarily driven by our largest clients in this segment, and were negatively impacted by 250 basis points due to our exit from certain content-related services. Revenue growth in this segment also reflected the negative impact to our 2020 revenue of the COVID-19 pandemic. Revenues from clients added since September 30, 2020, including those related to acquisitions, were \$102 million.

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Communications and Media	↑	\$143M
Technology	↑	\$134M

## Revenues - Geographic Markets

Revenues of \$13,730 million by geographic market were as follows for the nine months ended September 30, 2021:

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YTD 2021 as compared to YTD 2020 (Dollars in millions)	Increase / (Decrease)		
	\$	%	CC % <sup>8</sup>
North America	\$ 766	8.2	7.9
United Kingdom	207	20.8	12.6
Continental Europe	129	10.0	3.8
Europe - Total	336	14.7	7.6
Rest of World	160	19.9	16.4
Total revenues	\$ 1,262	10.1	8.4

North America continues to be our largest market, representing 73.9% of total revenues and 60.7% of total growth for the nine months ended September 30, 2021. Revenue growth across all regions benefited from our recently completed acquisitions and was also aided by the negative impact on our 2020 revenues of the COVID-19 pandemic. All regions also benefited from favorable foreign currency exchange rate movements. A significant portion of revenue growth in our Continental Europe and Rest of World regions is related to clients, including those from recent acquisitions, in Germany and Australia, respectively.

<sup>8</sup> Constant currency revenue growth is not a measure of financial performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures" for more information.

### Cost of Revenues (Exclusive of Depreciation and Amortization Expense)

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- ↑ \$565M
- ↓ 1.8% as a % of revenue
- % of Revenues

Our cost of revenues consists primarily of salaries, incentive-based compensation, stock-based compensation expense, employee benefits, project-related immigration and travel for technical personnel, subcontracting and equipment costs relating to revenues. The decrease in cost of revenues, as a percentage of revenues, was due primarily to savings from the implementation of the delivery cost optimization initiatives of our 2020 Fit for Growth Plan and a significant decrease in travel and entertainment costs as a result of a reduction in travel due to the COVID-19 pandemic as well as the negative impact on our 2020 results from the pandemic and the April 2020 ransomware attack, partially offset by increased subcontractor and compensation costs (net of modestly lower incentive-based compensation accrual rates) as a result of significantly elevated attrition.

### SG&A Expenses (Exclusive of Depreciation and Amortization Expense)

SG&A expenses consist primarily of salaries, incentive-based compensation, stock-based compensation expense, employee benefits, immigration, travel, marketing, communications, management, finance, administrative and occupancy costs. The increase, as a percentage of revenues, was due primarily to investments intended to drive and support organic revenue growth, including additions to our sales organization and initiatives to reposition our brand, as well as increased costs as a result of our recently completed acquisitions and costs related to the modernization of our core IT systems, partially offset by a reduction in expenses attributable to the COVID-19 pandemic and the April 2020 ransomware attack.

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- ↑ \$406M
- ↑ 1.3% as a % of revenue
- % of Revenues

### Depreciation and Amortization Expense

Depreciation and amortization expense increased by 5.7% but remained relatively flat as a percentage of revenue during the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020. The increase was due to amortization of intangibles from recently completed acquisitions.

### Operating Margin and Adjusted Operating Margin<sup>9</sup> - Overall

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Our 2021 operating margin benefited from savings from the implementation of the delivery cost optimization initiatives of our 2020 Fit for Growth Plan. These benefits were partially offset by investments intended to drive and support organic revenue growth, including additions to our sales organization and initiatives to reposition our brand, as well as the negative impact on margin of our recently completed acquisitions, increased subcontractor and compensation costs (net of modestly lower incentive-based compensation accrual rates) as a result of significantly elevated attrition and costs related to the modernization of our core IT systems. Our 2020 operating margins were adversely impacted by the decline in revenues brought on by the COVID-19 pandemic and the effect of the April 2020 ransomware attack on both revenues and costs. Our 2020 GAAP operating margin was negatively impacted by costs related to our restructuring program that concluded at the end of 2020 and COVID-19 Charges.

<sup>9</sup> Adjusted Income from Operations and Adjusted Operating Margin are not measures of financial performance prepared in accordance with GAAP. See “Non-GAAP Financial Measures” for more information and reconciliations to the most directly comparable GAAP financial measures, as applicable.

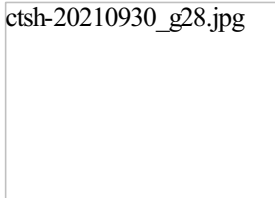
Excluding the impact of applicable designated cash flow hedges, the appreciation of the Indian rupee against the U.S. dollar negatively impacted our operating margin by approximately 15 basis points during the nine months ended September 30, 2021. Each additional 1.0% change in exchange rate between the Indian rupee and the U.S. dollar will have the effect of moving our operating margin by approximately 18 basis points.

We enter into hedges of certain Indian rupee denominated payments in India, which are intended to mitigate the volatility of the changes in the exchange rate between the U.S. dollar and the Indian rupee. During the nine months ended September 30, 2021, the settlement of our cash flow hedges positively impacted our operating margin by approximately 36 basis points as compared to a negative impact of approximately 6 basis points during the nine months ended September 30, 2020.

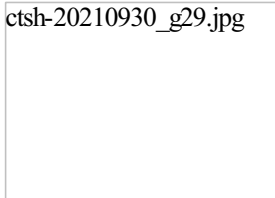
### Segment Operating Profit

Segment operating profit and operating margin percentage were as follows:

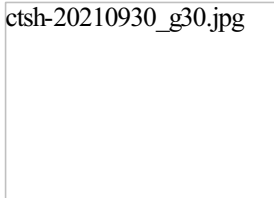
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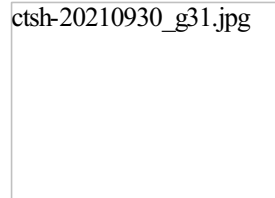
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Across all our business segments, operating margins benefited from savings from the implementation of the delivery cost optimization initiatives of our 2020 Fit for Growth Plan, the decrease in travel and entertainment costs due to COVID-19 related reductions in travel and the negative impact on our 2020 results of the COVID-19 pandemic and the April 2020 ransomware attack. In 2021, segment operating margins were negatively impacted by increased subcontractor and compensation costs as a result of significantly elevated attrition.

Total segment operating profit and margin were as follows for the nine months ended September 30:

(Dollars in millions)	2021	% of Revenues	2020	% of Revenues	Increase / (Decrease)
Total segment operating profit	\$ 4,181	30.5	\$ 3,573	28.7	\$ 608
Less: unallocated costs	2,087		1,924		163
Income from operations	\$ 2,094	15.3	\$ 1,649	13.2	\$ 445

The increase of \$163 million in unallocated costs for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020 was primarily due to increased costs as a result of our recently completed acquisitions and costs related to initiatives to reposition our brand and the modernization of our core IT systems. Unallocated costs in 2020 included restructuring costs and costs related to the April 2020 ransomware attack.

### Other Income (Expense), Net

The following table sets forth total other income (expense), net for the nine months ended September 30:

(in millions)	2021	2020	Increase/ Decrease
Foreign currency exchange (losses)	\$ (26)	\$ (51)	\$ 25
Gains (losses) on foreign exchange forward contracts not designated as hedging instruments	7	(54)	61
Foreign currency exchange gains (losses), net	(19)	(105)	86
Interest income	23	105	(82)
Interest expense	(7)	(21)	14
Other, net	(1)	1	(2)
Total other income (expense), net	\$ (4)	\$ (20)	\$ 16

The foreign currency exchange gains and losses were primarily attributed to the remeasurement of the Indian rupee denominated net monetary assets and liabilities in our U.S. dollar functional currency India subsidiaries and, to a lesser extent, the remeasurement of other net monetary assets and liabilities denominated in currencies other than the functional currencies of



our subsidiaries. The gains and losses on foreign exchange forward contracts not designated as hedging instruments related to the realized and unrealized gains and losses on contracts entered into to offset foreign currency exposure to non-U.S. dollar denominated net monetary assets and liabilities. The decrease in interest income of \$82 million was primarily attributable to lower invested balances in India, which generate higher yields. Our invested balances in India are lower in 2021 as a result of our repatriation of cash from India in the fourth quarter of 2020.

### Provision for Income Taxes

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↓ \$21M

○ Effective Income Tax Rate ↓ 8.5%

The effective tax rate decreased primarily as a result of our decision in the third quarter of 2020 to reverse our indefinite reinvestment assertion on Indian earnings accumulated in prior years which resulted in a \$140 million Tax on Accumulated Indian Earnings recorded as income tax expense in the third quarter of 2020, the discrete benefit in 2021 of the settlement of the IRS examination for tax years 2012 through 2016 as described in [Note 8](#) to our unaudited consolidated financial statements and lower non-deductible foreign currency exchange losses in our unaudited consolidated statement of operations in 2021.

### Net Income

The increase in net income was driven by higher income from operations, lower foreign currency exchange losses and a lower provision for income taxes stemming primarily from the Q3 2020 Tax on Accumulated Indian Earnings, partially offset by lower interest income.

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↑ \$485M

○ % of Revenues

### Non-GAAP Financial Measures

The following table presents a reconciliation of each non-GAAP financial measure to the most comparable GAAP measure for the nine months ended September 30:

(Dollars in millions, except per share amounts)	2021	% of Revenues	2020	% of Revenues
GAAP income from operations and operating margin	\$ 2,094	15.3	\$ 1,649	13.2
Class Action Settlement Loss <sup>(1)</sup>	20	0.1	—	—
Realignment charges <sup>(2)</sup>	—	—	40	0.3
2020 Fit for Growth plan restructuring charges <sup>(3)</sup>	—	—	137	1.1
COVID-19 Charges <sup>(4)</sup>	—	—	52	0.5
Adjusted Income from Operations and Adjusted Operating Margin	\$ 2,114	15.4	\$ 1,878	15.1
GAAP diluted EPS	\$ 2.96		\$ 1.98	
Effect of above adjustments, pre-tax	0.04		0.42	
Non-operating foreign currency exchange (gains) losses, pre-tax <sup>(5)</sup>	0.03		0.19	
Tax effect of above adjustments <sup>(6)</sup>	(0.01)		(0.10)	
Tax on Accumulated Indian Earnings <sup>(7)</sup>	—		0.26	
Adjusted Diluted EPS	\$ 3.02		\$ 2.75	

- (1) During the three months ended September 30, 2020, we recorded a Class Action Settlement Loss in "Selling, general and administrative expenses" in our unaudited consolidated financial statements. See [Note 12](#) to our unaudited consolidated financial statements for additional information.
- (2) As part of the realignment program, during the nine months ended September 30, 2020, we incurred employee retention costs and professional fees. See [Note 4](#) to our unaudited consolidated financial statements for additional information.

- (3) As part of our 2020 Fit for Growth plan, during the nine months ended September 30, 2020, we incurred certain employee separation, employee retention, facility exit costs and other charges. See [Note 4](#) to our unaudited consolidated financial statements for additional information.
- (4) During the nine months ended September 30, 2020, we incurred costs in response to the COVID-19 pandemic including a one-time bonus to our employees at the designation of associate and below in both India and the Philippines, certain costs to enable our employees to work remotely and costs to provide medical staff and extra cleaning services for our facilities. Most of the costs related to the pandemic are reported in "Cost of revenues" in our unaudited consolidated statements of operations.
- (5) Non-operating foreign currency exchange gains and losses, inclusive of gains and losses on related foreign exchange forward contracts not designated as hedging instruments for accounting purposes, are reported in "Foreign currency exchange gains (losses), net" in our unaudited consolidated statements of operations.
- (6) Presented below are the tax impacts of each of our non-GAAP adjustments to pre-tax income:

(in millions)	Nine Months Ended September 30,	
	2021	2020
Non-GAAP income tax benefit (expense) related to:		
Class Action Settlement Loss	\$ 6	\$ —
Realignment charges	—	10
2020 Fit for Growth Plan restructuring charges	—	36
COVID-19 Charges	—	14
Foreign currency exchange gains and losses	(3)	(3)

- (7) During the three months ended September 30, 2020, we reversed our indefinite reinvestment assertion on Indian earnings accumulated in prior years and recorded \$140 million in income tax expense.

## Liquidity and Capital Resources

Our cash generated from operations has historically been our primary source of liquidity to fund operations and investments to grow our business. In addition, as of September 30, 2021, we had cash, cash equivalents and short-term investments of \$2,413 million and available capacity under our credit facilities of approximately \$1,925 million.

The following table provides a summary of our cash flows for the nine months ended September 30:

(in millions)	2021	2020	Increase / Decrease
Net cash provided by (used in):			
Operating activities	\$ 1,670	\$ 2,401	\$ (731)
Investing activities	(1,666)	(1,189)	(477)
Financing activities	(1,007)	617	(1,624)

### Operating activities

The decrease in cash provided by operating activities for the nine months ended September 30, 2021 compared to the same period in 2020 was primarily driven by the deferrals of certain tax payments due to COVID-19 pandemic regulatory relief in 2020, a portion of which was remitted in 2021, and higher incentive-based compensation payouts in 2021.

We monitor turnover, aging and the collection of accounts receivable by client. Our DSO calculation includes receivables, net of allowance for doubtful accounts, and contract assets, reduced by the uncollected portion of our deferred revenue. Our DSO was 72 days as of both September 30, 2021 and September 30, 2020, and 70 days as of December 31, 2020.

### Investing activities

The increase in net cash used in investing activities for the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020 was primarily driven by net purchases of investments in 2021 as compared to net sales in 2020, partially offset by lower payments for acquisitions and capital expenditures.

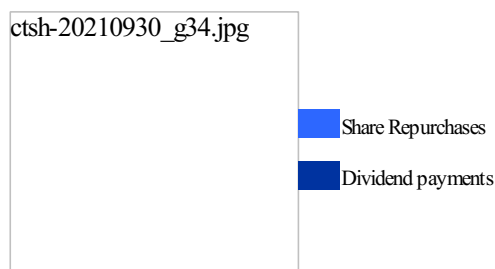
## Financing activities

The cash used in financing activities for the nine months ended September 30, 2021 was primarily driven by repurchases of common stock. The cash provided by financing activities for the nine months ended September 30, 2020 was primarily a result of our borrowing against the revolving credit facility, partially offset by repurchases of common stock.

We have a Credit Agreement providing for a \$750 million Term Loan and a \$1,750 million unsecured revolving credit facility, which are due to mature in November 2023. We are required under the Credit Agreement to make scheduled quarterly principal payments on the Term Loan. As of September 30, 2021, we had no outstanding balance on our revolving credit facility. See [Note 7](#) to our unaudited consolidated financial statements.

In February 2021, our India subsidiary renewed its one-year 13 billion Indian rupee (\$175 million at the September 30, 2021 exchange rate) working capital facility, which requires us to repay any balances drawn down within 90 days from the date of disbursement. There is a 1.0% prepayment penalty applicable to payments made within 30 days after disbursement. This working capital facility contains affirmative and negative covenants and may be renewed annually in February. As of September 30, 2021, we have not borrowed funds under this facility.

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During the nine months ended September 30, 2021, we returned \$1,071 million to our stockholders, including shares purchased in connection with our stock-based compensation plans. We review our capital return plan on an ongoing basis, considering the potential impacts of COVID-19 pandemic, our financial performance and liquidity position, investments required to execute our strategic plans and initiatives, acquisition opportunities, the economic outlook, regulatory changes and other relevant factors. As these factors may change over time, the actual amounts expended on stock repurchase activity, dividends, and acquisitions, if any, during any particular period cannot be predicted and may fluctuate from time to time.

## Other Liquidity and Capital Resources Information

We seek to ensure that our worldwide cash is available in the locations in which it is needed. As part of our ongoing liquidity assessments, we regularly monitor the mix of our domestic and international cash flows and cash balances. We evaluate on an ongoing basis what portion of the non-U.S. cash, cash equivalents and short-term investments is needed locally to execute our strategic plans and what amount is available for repatriation back to the United States.

We expect our operating cash flows, cash and short-term investment balances, together with our available capacity under our revolving credit facilities, to be sufficient to meet our operating requirements and service our debt for the next twelve months. Our ability to expand and grow our business in accordance with current plans, make acquisitions, meet our long-term capital requirements beyond a twelve-month period and execute our capital return plan will depend on many factors, including the rate, if any, at which our cash flow increases, our ability and willingness to pay for acquisitions with capital stock and the availability of public and private debt and equity financing. We cannot be certain that additional financing, if required, will be available on terms and conditions acceptable to us, if at all.

## Commitments and Contingencies

See [Note 12](#) to our unaudited consolidated financial statements.

## Off-Balance Sheet Arrangements

Other than our foreign exchange forward and option contracts, there were no off-balance sheet transactions, arrangements or other relationships with unconsolidated entities or other persons in the nine months ended September 30, 2021 that have, or are reasonably likely to have, a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

## Critical Accounting Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our unaudited consolidated financial statements that have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities,

including the recoverability of tangible and intangible assets, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. On an ongoing basis, we evaluate our estimates. The most significant estimates relate to the recognition of revenue and profits, including the application of the cost-to-cost method of measuring progress to completion for certain fixed-price contracts, income taxes, business combinations, valuation of goodwill and other long-lived assets and contingencies. We base our estimates on historical experience, current trends and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual amounts may differ from the estimates used in the preparation of the accompanying unaudited consolidated financial statements. For a discussion of our critical accounting estimates, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2020. Our significant accounting policies are described in Note 1 to the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020.

## **Recently Adopted and New Accounting Pronouncements**

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There have been no changes in the information provided in our Annual Report on Form 10-K for the year ended December 31, 2020.

## **Forward Looking Statements**

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The statements contained in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking statements (within the meaning of Section 21E of the Exchange Act) that involve risks and uncertainties. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as “believe,” “expect,” “may,” “could,” “would,” “plan,” “intend,” “estimate,” “predict,” “potential,” “continue,” “should” or “anticipate” or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. From time to time, we or our representatives have made or may make forward-looking statements, orally or in writing.

Such forward-looking statements may be included in various filings made by us with the SEC, in press releases or in oral statements made by or with the approval of one of our authorized executive officers. These forward-looking statements, such as statements regarding our anticipated future revenues or operating margin, earnings, capital expenditures, impacts to our business, financial results and financial condition as a result of the COVID-19 pandemic, the competitive marketplace for talent, anticipated effective income tax rate and income tax expense, liquidity, access to capital, capital return plan, investment strategies, cost management, realignment program, 2020 Fit for Growth Plan, plans and objectives, including those related to our digital practice areas, investment in our business, potential acquisitions, industry trends, client behaviors and trends, the outcome of and costs associated with regulatory and litigation matters, the appropriateness of the accrual related to the India Defined Contribution Obligation and other statements regarding matters that are not historical facts, are based on our current expectations, estimates and projections, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Actual results, performance, achievements and outcomes could differ materially from the results expressed in, or anticipated or implied by, these forward-looking statements. There are a number of important factors that could cause our results to differ materially from those indicated by such forward-looking statements, including:

- economic and political conditions globally and in particular in the markets in which our clients and operations are concentrated;
- the continuing impact of the COVID-19 pandemic, or other future pandemics, on our business, results of operations, liquidity and financial condition;
- our ability to attract, train and retain skilled employees, including highly skilled technical personnel to satisfy client demand and senior management to lead our business globally;
- challenges related to growing our business organically as well as inorganically through acquisitions, and our ability to achieve our targeted growth rates;
- our ability to achieve our profitability goals and capital return strategy;
- our ability to successfully execute on the investments outlined in our 2020 Fit for Growth Plan and achieve the anticipated benefits from the plan;
- our ability to meet specified service levels or milestones required by certain of our contracts;
- intense and evolving competition and significant technological advances that our service offerings must keep pace with in the rapidly changing markets we compete in;
- legal, reputation and financial risks if we fail to protect client and/or our data from security breaches and/or cyber attacks;

- the effectiveness of our risk management, business continuity and disaster recovery plans and the potential that our global delivery capabilities could be impacted;
- restrictions on visas, in particular in the United States, United Kingdom and EU, or immigration more generally or increased costs of such visas or the wages we are required to pay associates on visas, which may affect our ability to compete for and provide services to our clients;
- risks related to anti-outsourcing legislation, if adopted, and negative perceptions associated with offshore outsourcing, both of which could impair our ability to serve our clients;
- risks and costs related to complying with numerous and evolving legal and regulatory requirements to which we are subject in the many jurisdictions in which we operate;
- potential changes in tax laws, or in their interpretation or enforcement, failure by us to adapt our corporate structure and intercompany arrangements to achieve global tax efficiencies or adverse outcomes of tax audits, investigations or proceedings;
- potential exposure to litigation and legal claims in the conduct of our business; and
- the factors set forth in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020.

You are advised to consult any further disclosures we make on related subjects in the reports we file with the SEC, including this report in the section titled "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part I, Item 1. Business" in our Annual Report on Form 10-K for the year ended December 31, 2020. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

There have been no material changes in our quantitative and qualitative disclosures about market risk from those disclosed in Part II, Item 7A, Quantitative and Qualitative Disclosures about Market Risk, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on February 12, 2021.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, under the supervision and with the participation of our chief executive officer and our chief financial officer, evaluated the design and operating effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2021. Based on this evaluation, our chief executive officer and our chief financial officer concluded that, as of September 30, 2021, our disclosure controls and procedures were effective.

#### **Changes in Internal Control over Financial Reporting**

No changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

See [Note 12](#) to our unaudited consolidated financial statements.

**Item 1A. Risk Factors**

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on February 12, 2021.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

Our stock repurchase program allows for the repurchase of up to \$9.5 billion, excluding fees and expenses, of our Class A common stock through open market purchases, including under a 10b5-1 Plan or in private transactions, including through ASR agreements entered into with financial institutions, in accordance with applicable federal securities laws. The repurchase program does not have an expiration date. The timing of repurchases and the exact number of shares to be purchased are determined by management, in its discretion, or pursuant to a 10b5-1 Plan, and will depend upon market conditions and other factors.

During the three months ended September 30, 2021, we repurchased \$100 million of our Class A common stock. The stock repurchase activity under our stock repurchase program during the three months ended September 30, 2021 was as follows:

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (in millions)
July 1, 2021 - July 31, 2021	—	\$ —	—	\$ 2,285
August 1, 2021 - August 31, 2021	922,062	75.91	922,062	2,215
September 1, 2021 - September 30, 2021	391,984	76.55	391,984	2,185
Total	1,314,046	\$ 76.10	1,314,046	

During the three months ended September 30, 2021, we also purchased shares in connection with our stock-based compensation plans, whereby shares of our common stock were tendered by employees for payment of applicable statutory tax withholdings. For the three months ended September 30, 2021, such repurchases totaled 0.3 million shares at an aggregate cost of \$21 million.

## Item 6. Exhibit Index

EXHIBIT INDEX						
Number	Exhibit Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File No.	Exhibit	Date	
3.1	<a href="#">Restated Certificate of Incorporation, dated June 5, 2018</a>	8-K	000-24429	3.1	6/7/2018	
3.2	<a href="#">Amended and Restated Bylaws, as adopted on September 14, 2018</a>	8-K	000-24429	3.1	9/20/2018	
31.1	<a href="#">Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					Filed
31.2	<a href="#">Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>					Filed
32.1	<a href="#">Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350</a>					Furnished
32.2	<a href="#">Certification of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350</a>					Furnished
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					Filed
101.SCH	Inline XBRL Taxonomy Extension Schema Document					Filed
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					Filed
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					Filed
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					Filed
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					Filed

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Cognizant Technology Solutions Corporation

Date: October 27, 2021

By: /s/ BRIAN HUMPHRIES  
Brian Humphries,  
Chief Executive Officer  
(Principal Executive Officer)

Date: October 27, 2021

By: /s/ JAN SIEGMUND  
Jan Siegmund,  
Chief Financial Officer  
(Principal Financial Officer)