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, 2022

☐ **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

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**13-3728359**
(State or Other Jurisdiction of Incorporation or Organization)	**(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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 28, 2022:

Class	Number of Shares
Class A Common Stock, par value $0.01 per share	513,921,432

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
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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
ASC	Accounting Standards Codification
ASR	Accelerated Stock Repurchase
CC	Constant Currency
CITA	Commissioner of Income Tax (Appeals)
Class Action Settlement Loss	Loss recorded in connection with the filing of a settlement agreement to 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
Credit Agreement	Credit agreement with a commercial bank syndicate dated November 6, 2018, as amended
CTS India	Our principal operating subsidiary in India
DOJ	United States Department of Justice
DSO	Days Sales Outstanding
EPS	Earnings Per Share
ESG	Environmental, Social and Governance
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
India Defined Contribution Obligation	Certain statutory defined contribution obligations of employees and employers in India
IoT	Internet of Things
ITD	Indian Income Tax Department
New Credit Agreement	Credit agreement with a commercial bank syndicate dated October 6, 2022
New Term Loan	Unsecured term loan under the New Credit Agreement
SCI	Supreme Court of India
SEC	United States Securities and Exchange Commission
Second Circuit	United States Court of Appeals for the Second Circuit
SG&A	Selling, general and administrative
Syntel	Syntel Sterling Best Shores Mauritius Ltd.
Tax Reform Act	Tax Cuts and Jobs Act
Term Loan	Unsecured term loan under the Credit Agreement
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, 2022	December 31 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 2,042	$ 1,792
Short-term investments	689	927
Trade accounts receivable, net	3,686	3,557
Other current assets	900	1,066
Total current assets	7,317	7,342
Property and equipment, net	1,105	1,171
Operating lease assets, net	873	933
Goodwill	5,425	5,620
Intangible assets, net	1,038	1,218
Deferred income tax assets, net	520	404
Long-term investments	431	463
Other noncurrent assets	638	701
Total assets	$ 17,347	$ 17,852
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 367	$ 361
Deferred revenue	345	403
Short-term debt	—	38
Operating lease liabilities	173	195
Accrued expenses and other current liabilities	2,338	2,532
Total current liabilities	3,223	3,529
Deferred revenue, noncurrent	17	40
Operating lease liabilities, noncurrent	711	783
Deferred income tax liabilities, net	190	218
Long-term debt	636	626
Long-term income taxes payable	283	378
Other noncurrent liabilities	329	287
Total liabilities	5,389	5,861
Commitments and contingencies (See Note 10)		
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, 514 and 525 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	5	5
Additional paid-in capital	17	27
Retained earnings	12,447	11,922
Accumulated other comprehensive income (loss)	(511)	37
Total stockholders' equity	11,958	11,991
Total liabilities and stockholders' equity	$ 17,347	$ 17,852

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,	
	2022	2021	2022	2021
Revenues	$ 4,857	$ 4,744	$ 14,589	$ 13,730
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	3,080	2,947	9,296	8,574
Selling, general and administrative expenses	838	924	2,583	2,632
Depreciation and amortization expense	141	144	428	430
Income from operations	798	729	2,282	2,094
Other income (expense), net:				
Interest income	17	7	32	23
Interest expense	(6)	(3)	(11)	(7)
Foreign currency exchange gains (losses), net	3	(3)	(1)	(19)
Other, net	—	1	—	(1)
Total other income (expense), net	14	2	20	(4)
Income before provision for income taxes	812	731	2,302	2,090
Provision for income taxes	(183)	(187)	(537)	(531)
Income (loss) from equity method investments	—	—	4	2
Net income	$ 629	$ 544	$ 1,769	$ 1,561
Basic earnings per share	$ 1.22	$ 1.04	$ 3.40	$ 2.96
Diluted earnings per share	$ 1.22	$ 1.03	$ 3.40	$ 2.96
Weighted average number of common shares outstanding - Basic	516	525	520	527
Dilutive effect of shares issuable under stock-based compensation plans	1	1	1	1
Weighted average number of common shares outstanding - Diluted	517	526	521	528

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, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net income	$ 629	$ 544	$ 1,769	$ 1,561
Change in Accumulated other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(197)	(63)	(427)	(74)
Unrealized gains and losses on cash flow hedges	(45)	14	(121)	(3)
Other comprehensive income (loss)	(242)	(49)	(548)	(77)
Comprehensive income	$ 387	$ 495	$ 1,221	$ 1,484

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 Shares	Class A Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2021	525	$ 5	$ 27	$ 11,922	$ 37	$ 11,991
Net income	—	—	—	563	—	563
Other comprehensive income (loss)	—	—	—	—	(56)	(56)
Common stock issued, stock-based compensation plans	1	—	31	—	—	31
Stock-based compensation expense	—	—	56	—	—	56
Repurchases of common stock	(5)	—	(83)	(387)	—	(470)
Dividends declared, $0.27 per share	—	—	—	(142)	—	(142)
Balance, March 31, 2022	521	5	31	11,956	(19)	11,973
Net income	—	—	—	577	—	577
Other comprehensive income (loss)	—	—	—	—	(250)	(250)
Common stock issued, stock-based compensation plans	1	—	21	—	—	21
Stock-based compensation expense	—	—	89	—	—	89
Repurchases of common stock	(4)	—	(120)	(198)	—	(318)
Dividends declared, $0.27 per share	—	—	—	(142)	—	(142)
Balance, June 30, 2022	518	5	21	12,193	(269)	11,950
Net income	—	—	—	629	—	629
Other comprehensive income (loss)	—	—	—	—	(242)	(242)
Common stock issued, stock-based compensation plans	1	—	19	—	—	19
Stock-based compensation expense	—	—	58	—	—	58
Repurchases of common stock	(5)	—	(81)	(234)	—	(315)
Dividends declared, $0.27 per share	—	—	—	(141)	—	(141)
Balance, September 30, 2022	514	$ 5	$ 17	$ 12,447	$ (511)	$ 11,958

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 Shares	Class A Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
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

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, 2022	2021
Cash flows from operating activities:		
Net income	$ 1,769	$ 1,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	428	430
Deferred income taxes	(128)	146
Stock-based compensation expense	203	194
Other	81	(1)
Changes in assets and liabilities:		
Trade accounts receivable	(173)	(371)
Other current and noncurrent assets	261	257
Accounts payable	(17)	(39)
Deferred revenues, current and noncurrent	(77)	(75)
Other current and noncurrent liabilities	(481)	(432)
Net cash provided by operating activities	1,866	1,670
Cash flows from investing activities:		
Purchases of property and equipment	(242)	(214)
Purchases of available-for-sale investment securities	(1,068)	(400)
Proceeds from maturity or sale of available-for-sale investment securities	774	105
Purchases of held-to-maturity investment securities	(44)	(160)
Proceeds from maturity of held-to-maturity investment securities	48	150
Purchases of other investments	(418)	(1,192)
Proceeds from maturity or sale of other investments	894	760
Proceeds from sales of businesses	28	—
Payments for business combinations, net of cash acquired	—	(715)
Net cash (used in) investing activities	(28)	(1,666)
Cash flows from financing activities:		
Issuance of common stock under stock-based compensation plans	71	104
Repurchases of common stock	(1,107)	(689)
Repayment of Term Loan borrowings and finance lease and earnout obligations	(47)	(40)
Dividends paid	(425)	(382)
Net cash (used in) financing activities	(1,508)	(1,007)
Effect of exchange rate changes on cash and cash equivalents	(80)	(13)
Increase (decrease) in cash and cash equivalents	250	(1,016)
Cash and cash equivalents, beginning of year	1,792	2,680
Cash and cash equivalents, end of period	$ 2,042	$ 1,664

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, 2021. 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 the business segments. We believe this disaggregation best depicts how the nature, amount, timing and uncertainty of revenues and cash flows are affected by industry, market and other economic factors. Our consulting and technology services include consulting, application development, systems integration and application testing services as well as software solutions and related services while our outsourcing services include application maintenance, infrastructure and business process services. Revenues are attributed to geographic regions based upon client location, which is the client's billing address. Substantially all revenues in the North America region relate to clients in the United States.

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

	Three Months Ended September 30, 2022					Nine Months Ended September 30, 2022				
(in millions)	**FS**	**HS**	**P&R**	**CMT**	**Total**	**FS**	**HS**	**P&R**	**CMT**	**Total**
Revenues										
Geography:										
North America	$ 1,086	$ 1,212	$ 779	$ 544	$ 3,621	$ 3,270	$ 3,617	$ 2,310	$ 1,649	$ 10,846
United Kingdom	148	41	130	127	446	446	129	396	386	1,357
Continental Europe	143	119	143	33	438	443	365	431	103	1,342
Europe - Total	291	160	273	160	884	889	494	827	489	2,699
Rest of World	144	33	96	79	352	432	94	281	237	1,044
Total	$ 1,521	$ 1,405	$ 1,148	$ 783	$ 4,857	$ 4,591	$ 4,205	$ 3,418	$ 2,375	$ 14,589
Service line:										
Consulting and technology services	$ 1,062	$ 802	$ 756	$ 429	$ 3,049	$ 3,197	$ 2,411	$ 2,263	$ 1,342	$ 9,213
Outsourcing services	459	603	392	354	1,808	1,394	1,794	1,155	1,033	5,376
Total	$ 1,521	$ 1,405	$ 1,148	$ 783	$ 4,857	$ 4,591	$ 4,205	$ 3,418	$ 2,375	$ 14,589
Type of contract:										
Time and materials	$ 890	$ 505	$ 469	$ 443	$ 2,307	$ 2,674	$ 1,504	$ 1,407	$ 1,362	$ 6,947
Fixed-price	564	609	592	303	2,068	1,699	1,844	1,745	904	6,192
Transaction or volume-based	67	291	87	37	482	218	857	266	109	1,450
Total	$ 1,521	$ 1,405	$ 1,148	$ 783	$ 4,857	$ 4,591	$ 4,205	$ 3,418	$ 2,375	$ 14,589

(in millions)	Three Months Ended September 30, 2021 FS	HS	P&R	CMT	Total	Nine Months Ended September 30, 2021 FS	HS	P&R	CMT	Total
Revenues										
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

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)	2022	2021
Beginning balance	$ 394	$ 467
Costs capitalized	29	38
Amortization expense	(82)	(88)
Impairment charge	—	(11)
Ending balance	$ 341	$ 406

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 movements in contract assets for the nine months ended September 30:

(in millions)	2022	2021
Beginning balance	$ 310	$ 315
Revenues recognized during the period but not billed	377	298
Amounts reclassified to trade accounts receivable	(287)	(264)
Effect of foreign currency exchange movements	(16)	—
Ending balance	$ 384	$ 349

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

(in millions)	2022	2021
Beginning balance	$ 443	$ 419
Amounts billed but not recognized as revenues	326	309
Revenues recognized related to the beginning balance of deferred revenue	(397)	(379)
Effect of foreign currency exchange movements	(10)	—
Ending balance	$ 362	$ 349

Revenues recognized during the nine months ended September 30, 2022 for performance obligations satisfied or partially satisfied in previous periods were immaterial.

Remaining Performance Obligations

As of September 30, 2022, the aggregate amount of transaction price allocated to remaining performance obligations was $1,574 million, of which approximately 85% is expected to be recognized as revenues 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 Losses

We calculate expected credit losses for 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 credit losses for trade accounts receivable for the nine months ended September 30:

(in millions)	2022	2021
Beginning balance	$ 50	$ 57
Credit loss expense (income)	—	5
Write-offs charged against the allowance	(11)	(12)
Ending balance	$ 39	$ 50

Note 3 — Investments

Our investments were as follows:

(in millions)	September 30, 2022	December 31, 2021
Short-term investments:		
Equity investment security	$ 25	$ 26
Available-for-sale investment securities	605	310
Held-to-maturity investment securities	30	37
Time deposits	29	554
Total short-term investments	$ 689	$ 927
Long-term investments:		
Other investments	$ 68	$ 66
Restricted time deposits(1)	363	397
Total long-term investments	$ 431	$ 463

(1) See Note 6.

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, 2022 and 2021.

Available-for-Sale Investment Securities

Our available-for-sale investment securities consist of highly rated U.S. dollar denominated investments in certificates of deposit and commercial paper maturing within one year. As of September 30, 2022, the amortized cost and fair value of the available-for-sale investments were $605 million. As of December 31, 2021, the amortized cost and fair value of the available-for-sale investments were $310 million. Unrealized losses were immaterial as of September 30, 2022 and December 31, 2021. There were no realized gains or losses related to the available-for-sale investment securities during the nine months ended September 30, 2022 and 2021. There were no sales of available-for sale investment securities during the nine months ended September 30, 2022 and 2021.

Held-to-Maturity Investment Securities

Our held-to-maturity investment securities consist of Indian rupee denominated investments in commercial paper and international corporate bonds. The basis for the measurement of fair value of the 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:

	September 30, 2022		December 31, 2021	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Short-term investments, maturing within one year:				
Corporate debt securities	$ 15	$ 15	$ 17	$ 17
Commercial paper	15	15	20	20
Total held-to-maturity investments	$ 30	$ 30	$ 37	$ 37

As of September 30, 2022, $15 million of corporate debt securities and $15 million of commercial paper 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, 2021, $17 million of corporate debt securities and $10 million of commercial paper 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.

The securities in our portfolio are highly rated and short-term in nature. As of September 30, 2022, the corporate debt securities were rated AA+ or better and the commercial paper securities were rated A-1+ by CRISIL, an Indian subsidiary of S&P Global, or ICRA, the Indian affiliate of Moody's.

Other Investments

As of September 30, 2022 and December 31, 2021, we had equity method investments of $66 million and $63 million, respectively, primarily related to an investment in the technology sector. As of September 30, 2022 and December 31, 2021, we had equity securities without a readily determinable fair value of $2 million and $3 million, respectively.

Note 4 — Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities were as follows:

(in millions)	September 30, 2022	December 31, 2021
Compensation and benefits	$ 1,392	$ 1,601
Customer volume and other incentives	279	242
Income taxes	143	74
Professional fees	162	220
Other	362	395
Total accrued expenses and other current liabilities	$ 2,338	$ 2,532

Note 5 — 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 were due to mature in November 2023. In October 2022, we completed a debt refinancing and entered into a new credit agreement with a commercial bank syndicate ("New Credit Agreement") providing for a $650 million unsecured term loan ("New Term Loan") and a $1,850 million unsecured revolving credit facility, which are due to mature in October 2027. The Credit Agreement was terminated upon the closing of the New Credit Agreement and the proceeds from the New Term Loan were used primarily to repay our outstanding Term Loan balance.

The Credit Agreement required interest to be paid, at our option, at either the ABR, the Eurocurrency Rate or the Daily Simple RFR (each as defined in the Credit Agreement), plus, in each case, an Applicable Margin (as defined in the Credit Agreement). The Applicable Margin was 0.875% with respect to Eurocurrency Rate and Daily Simple RFR and 0.00% with respect to ABR loans. The Term Loan was a Eurocurrency Rate Loan.

The Credit Agreement contained customary affirmative and negative covenants as well as a financial covenant. We were in compliance with all debt covenants and representations of the Credit Agreement as of September 30, 2022.

The New Credit Agreement requires interest to be paid, at our option, at either the Term Benchmark, Adjusted Daily Simple RFR or the ABR Rate (each as defined in the New Credit Agreement), plus, in each case, an Applicable Margin (as defined in the New Credit Agreement). Initially, the Applicable Margin is 0.875% with respect to Term Benchmark loans and RFR loans and 0.00% with respect to ABR loans. Subsequently, the Applicable Margin with respect to Term Benchmark loans and RFR loans will be determined quarterly and 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 New Credit Agreement. Initially, the New Term Loan is a Term Benchmark loan.

We are required under the New Credit Agreement to make scheduled quarterly principal payments on the New Term Loan beginning in December 2023. The New Credit Agreement contains customary affirmative and negative covenants as well as a financial covenant. The financial covenant is tested at the end of each fiscal quarter and requires us to maintain a Leverage Ratio not in excess of 3.50:1.00, or for a period of up to four quarters following certain material acquisitions, 3.75:1.00.

In March 2022, our India subsidiary renewed its 13 billion Indian rupee ($159 million at the September 30, 2022 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 within 30 days of disbursement. This working capital facility contains affirmative and negative covenants and may be renewed annually. As of September 30, 2022, we have not borrowed funds under this facility.

Short-term Debt

Scheduled quarterly principal payments on the New Term Loan will begin in December 2023. As long-term debt (in the form of the New Term Loan) has been issued after the balance sheet date refinancing the short-term balances under the Term Loan, all balances related to the Term Loan were presented as long-term debt as of September 30, 2022. As such, there were no short-term debt balances as of September 30, 2022. As of December 31, 2021, we had $38 million of short-term debt related to current maturities of the Term Loan.

Long-term Debt

The following table summarizes the long-term debt balances as of:

(in millions)	September 30, 2022	December 31, 2021
Term Loan	$ 637	$ 666
Less:		
Current maturities	—	(38)
Deferred financing costs	(1)	(2)
Long-term debt, net of current maturities	$ 636	$ 626

The carrying value of our debt approximated its fair value as of September 30, 2022 and December 31, 2021.

Note 6 — Income Taxes

Our effective income tax rates were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Effective income tax rate	22.5 %	25.6 %	23.3 %	25.4 %

During the three months ended September 30, 2022, we recognized an income tax benefit of $36 million related to a specific uncertain tax position that was previously unrecognized in our prior-year consolidated financial statements. The recognition of the benefit in the third quarter of 2022 was based on management's reassessment regarding whether this unrecognized tax benefit met the more-likely-than-not threshold in light of the lapse in the statute of limitations as to a portion of such benefit.

We are involved in two separate ongoing disputes with the ITD in connection with previously disclosed share repurchase transactions undertaken by CTS India in 2013 and 2016 to repurchase shares from its shareholders (non-Indian Cognizant entities) valued at $523 million and $2.8 billion, respectively.

The 2016 transaction was undertaken pursuant to a plan approved by the High Court in Chennai, India, and resulted in the payment of $135 million in Indian income taxes - an amount we believe includes all the applicable taxes owed for this transaction under Indian law. In March 2018, the ITD asserted that it is owed an additional 33 billion Indian rupees ($405 million at the September 30, 2022 exchange rate) on the 2016 transaction. We deposited 5 billion Indian rupees, representing 15% of the disputed tax amount related to the 2016 transaction, with the ITD. As of September 30, 2022 and December 31, 2021, the deposit with the ITD was $61 million and $67 million, respectively, presented in "Other noncurrent assets". Additionally, certain time deposits of CTS India were placed under lien in favor of the ITD, representing the remainder of the disputed tax amount. As of September 30, 2022 and December 31, 2021, the balance of deposits under lien was 30 billion Indian rupees, including previously earned interest, or $363 million and $397 million, respectively, as presented in "Long-term investments". The dispute in relation to the 2013 share repurchase transaction is also in litigation. At this time, the ITD has not made specific demands with regards to this transaction.

In April 2020, we received a formal assessment from the ITD on the 2016 transaction, which is consistent with its previous assertions. In June 2020, we filed an appeal against this assessment to the CITA. In March 2022, we received a negative decision from the CITA. The matter is currently pending before the Income Tax Appellate Tribunal.

We continue to believe we have paid all applicable taxes owed on both the 2016 and the 2013 transactions and we continue to defend our positions with respect to both matters. Accordingly, we have not recorded any reserves for these matters as of September 30, 2022.

Note 7 — 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 the 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 the 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 the 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, 2022		December 31, 2021	
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	$ —	$ —	$ 51	$ —
	Other noncurrent assets	—	—	15	—
	Accrued expenses and other current liabilities	—	57	—	—
	Other noncurrent liabilities	—	26	—	—
	Total	—	83	66	—
Foreign exchange forward contracts – Not designated as hedging instruments	Other current assets	10	—	3	—
	Accrued expenses and other current liabilities	—	3	—	7
	Total	10	3	3	7
Total		$ 10	$ 86	$ 69	$ 7

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 2022, 2023 and the first nine months of 2024. 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, 2022, we estimate that $45 million, net of tax, of net losses 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 value of the outstanding contracts by year of maturity was as follows:

(in millions)	September 30, 2022	December 31, 2021
2022	$ 563	$ 1,643
2023	1,560	880
2024	675	—
Total notional value of contracts outstanding [1]	$ 2,798	$ 2,523

(1) Includes $78 million notional value of option contracts as of December 31, 2021, with the remaining notional value related to forward contracts. There were no option contracts outstanding as of September 30, 2022.

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 and Losses Recognized in Accumulated Other Comprehensive Income (Loss) (effective portion) 2022	2021	Location of Net (Losses) and Gains Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion)	Net (Losses) and Gains Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (effective portion) 2022	2021
Foreign exchange forward and option contracts – Designated as cash flow hedging instruments	$ (72)	$ 33	Cost of revenues	$ (12)	$ 13
			SG&A expenses	(1)	2
			Total	$ (13)	$ 15

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 and Losses Recognized in Accumulated Other Comprehensive Income (Loss) (effective portion) 2022	2021	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) 2022	2021
Foreign exchange forward and option contracts – Designated as cash flow hedging instruments	$ (148)	$ 47	Cost of revenues	$ 5	$ 43
			SG&A expenses	1	7
			Total	$ 6	$ 50

The activity related to the change in net unrealized gains and losses on the cash flow hedges included in "Accumulated other comprehensive income (loss)" in our unaudited consolidated statements of stockholders' equity is presented in Note 9.

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 the fourth quarter of 2022. 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 the outstanding foreign exchange forward contracts not designated as hedging instruments was as follows:

(in millions)	September 30, 2022 Notional	September 30, 2022 Fair Value	December 31, 2021 Notional	December 31, 2021 Fair Value
Contracts outstanding	$ 1,210	$ 7	$ 847	$ (4)

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

(in millions)	Location of Net Gains on Derivative Instruments	Amount of Net Gains on Derivative Instruments — Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Foreign exchange forward contracts – Not designated as hedging instruments	Foreign currency exchange gains (losses), net	$ 51	$ 1	$ 96	$ 7

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

Note 8 — Fair Value Measurements

We measure our cash equivalents, certain investments, contingent consideration liabilities and foreign exchange forward and option contracts at fair value. Fair value is 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 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 the financial assets and (liabilities) measured at fair value on a recurring basis as of September 30, 2022:

(in millions)	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 628	$ —	$ —	$ 628
Time deposits	—	263	—	263
Commercial paper	—	222	—	222
Short-term investments:				
Time deposits	—	29	—	29
Equity investment security	25	—	—	25
Available-for-sale investment securities:				
Certificates of deposit and commercial paper	—	605	—	605
Other current assets:				
Foreign exchange forward contracts	—	10	—	10
Long-term investments:				
Restricted time deposits(1)	—	363	—	363
Accrued expenses and other current liabilities:				
Foreign exchange forward contracts	—	(60)	—	(60)
Contingent consideration liabilities	—	—	(12)	(12)
Other noncurrent liabilities:				
Foreign exchange forward contracts	—	(26)	—	(26)
Contingent consideration liabilities	—	—	(12)	(12)

(1) See Note 6.

The following table summarizes the financial assets and (liabilities) measured at fair value on a recurring basis as of December 31, 2021:

(in millions)	Level 1	Level 2	Level 3	Total
Cash equivalents:				
Money market funds	$ 507	$ —	$ —	$ 507
Time deposits	—	4	—	4
Commercial paper	—	266	—	266
Short-term investments:				
Time deposits	—	554	—	554
Equity investment security	26	—	—	26
Available-for-sale investment securities:				
Commercial paper	—	310	—	310
Other current assets:				
Foreign exchange forward and option contracts	—	54	—	54
Long-term investments:				
Restricted time deposits[(1)]	—	397	—	397
Other noncurrent assets:				
Foreign exchange forward and option contracts	—	15	—	15
Accrued expenses and other current liabilities:				
Foreign exchange forward and option contracts	—	(7)	—	(7)
Contingent consideration liabilities	—	—	(14)	(14)
Other noncurrent liabilities:				
Contingent consideration liabilities	—	—	(21)	(21)

(1) See Note 6.

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

(in millions)	2022	2021
Beginning balance	$ 35	$ 54
Initial measurement recognized at acquisition	1	11
Change in fair value recognized in SG&A expenses	—	(24)
Payments	(12)	(3)
Ending balance	$ 24	$ 38

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 investment 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 certificates of deposit and 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 the time deposits approximated fair value as of September 30, 2022 and December 31, 2021.

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 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, 2022 and the year ended December 31, 2021, there were no transfers among Level 1, Level 2 or Level 3 financial assets and liabilities.

Note 9 — 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, 2022:

	Three Months			Nine Months		
(in millions)	Before Tax Amount	Tax Effect	Net of Tax Amount	Before Tax Amount	Tax Effect	Net of Tax Amount
Foreign currency translation adjustments:						
Beginning balance	$ (257)	$ 7	$ (250)	$ (22)	$ 2	$ (20)
Change in foreign currency translation adjustments	(206)	9	(197)	(441)	14	(427)
Ending balance	$ (463)	$ 16	$ (447)	$ (463)	$ 16	$ (447)
Unrealized gains and losses on cash flow hedges:						
Beginning balance	$ (24)	$ 5	$ (19)	$ 71	$ (14)	$ 57
Unrealized (losses) arising during the period	(72)	17	(55)	(148)	32	(116)
Reclassifications of net loss (gains):						
Cost of revenues	12	(3)	9	(5)	1	(4)
SG&A expenses	1	—	1	(1)	—	(1)
Net change	(59)	14	(45)	(154)	33	(121)
Ending balance	$ (83)	$ 19	$ (64)	$ (83)	$ 19	$ (64)
Accumulated other comprehensive income (loss):						
Beginning balance	$ (281)	$ 12	$ (269)	$ 49	$ (12)	$ 37
Other comprehensive income (loss)	(265)	23	(242)	(595)	47	(548)
Ending balance	$ (546)	$ 35	$ (511)	$ (546)	$ 35	$ (511)

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

	Three Months			Nine Months		
(in millions)	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

Note 10— Commitments and Contingencies

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 20th order. On May 26, 2021, Syntel filed a notice of appeal to 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 SCI'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 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 April 26, 2017, 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 a consolidated putative securities class action that was resolved on December 21, 2021, when the USDC-NJ granted final approval of the settlement of the consolidated putative securities class action and entered a judgment dismissing the consolidated putative securities class action with prejudice. 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 above-referenced consolidated putative securities class action that was resolved on December 21, 2021. On August 3, 2020, lead plaintiffs filed an amended complaint. The USDC-NJ extended the stay through February 14, 2022. On February 14, 2022, we and certain of our current and former directors and officers moved to dismiss the amended complaint. On September 27, 2022, the USDC-NJ granted those motions and dismissed the amended complaint in its entirety with prejudice. Plaintiffs filed a notice of appeal on October 27, 2022.

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. The stay ended on February 14, 2022. On March 31, 2022, we and certain of our current and former directors and officers moved to dismiss the complaint. Those motions are now fully briefed and pending before the USDC-NJ.

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 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. 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 6 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 11 — Segment Information

Our reportable segments are:

- Financial Services, which consists of the banking and insurance operating segments;
- Health Sciences (previously referred to as Healthcare);
- Products and Resources, which consists of the retail and consumer goods; manufacturing, logistics, energy, and utilities; and travel and hospitality operating segments; and
- Communications, Media and Technology

Our segments are industry-based, and as such, we report revenue from clients in the segment with which our clients are most closely aligned. 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 the operating segments may affect revenues and operating expenses to differing degrees.

In 2022, we made certain changes to the internal measurement of segment operating profits for the purpose of evaluating segment performance and resource allocation. The primary reason for the change was to charge costs to the business segments that are directly managed and controlled by them. Specifically, segment operating profit now includes costs related to non-delivery personnel that support consulting services, which were previously included in "unallocated costs." We have reported 2022 segment operating profits using the new allocation methodology and have recast the 2021 results to conform to the new methodology.

Additionally, we made the following changes:

- We renamed the Healthcare reportable segment as Health Sciences. This segment, which was previously comprised of two operating segments, (i) healthcare and (ii) life sciences, is now comprised of one operating segment - health sciences.
- The Communications, Media and Technology segment, which was previously comprised of two operating segments, (i) communications and media and (ii) technology, is now comprised of one operating segment - communications, media and technology.

These changes reflect how these operating segments are currently managed and reported to the chief operating decision maker but did not affect the reportable segments' financial results.

Expenses included in segment operating profit consist principally of direct selling and delivery costs 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 employees as compared to target, a portion of depreciation and amortization and the impact of the settlements of the 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 for the three and nine months ended September 30:

(in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Financial Services	$ 471	$ 454	$ 1,346	$ 1,282
Health Sciences	410	376	1,166	1,163
Products and Resources	385	345	1,076	970
Communications, Media and Technology	261	248	777	691
Total segment operating profit	1,527	1,423	4,365	4,106
Less: unallocated costs	729	694	2,083	2,012
Income from operations	$ 798	$ 729	$ 2,282	$ 2,094

Geographic Area Information

Long-lived assets by geographic area are as follows:

(in millions)	As of September 30, 2022	As of December 31, 2021
Long-lived Assets: (1)		
North America(2)	$ 360	$ 377
Europe	66	75
Rest of World (3)	679	719
Total	$ 1,105	$ 1,171

(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 12 — Subsequent Events

Dividend

On October 31, 2022, the Board of Directors approved the Company's declaration of a $0.27 per share dividend with a record date of November 18, 2022 and a payment date of November 29, 2022.

Debt Refinancing

In October 2022, we completed a debt refinancing and entered into the New Credit Agreement. See Note 5 for additional information.

Acquisitions

In November 2022, we entered into an agreement to acquire the professional services and application management practices of OneSource Virtual, a leading provider of Workday services, solutions and products, for a preliminary purchase price of approximately $120 million. This acquisition will complement our existing finance and HR advisory implementation services with Workday, expanding our capabilities in consulting, deployment, and post-deployment support across North America and the United Kingdom. The transaction is expected to close by the end of the fourth quarter of 2022, subject to satisfaction of closing conditions.

Share Repurchase Program

In November 2022, our Board of Directors increased our stock repurchase program authorization from $9.5 billion to $11.5 billion, excluding fees and expenses.

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

Executive Summary

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 are an important part of our portfolio, aligning with our clients' focus on becoming data-enabled, customer-centric and differentiated businesses. We are continuing to invest in digital services with a focus on four key areas: IoT, digital engineering, data 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. We help clients modernize technology, reimagine processes and transform experiences so they can stay ahead in a fast-changing world.

On July 6, 2022, we announced that we will be simplifying our internal operating structure around practice areas and delivery operations by merging our Digital Business & Technology and Digital Business Operations practice areas with their respective delivery organizations to create four new integrated practices: Software & Platform Engineering, Core Technologies & Insights, Enterprise Platform Services, and Intuitive Operations & Automation. This change did not impact our reportable business segments.

Q3 2022 Financial Results

Revenue	Income from Operations	Operating Margin	Diluted EPS
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	GAAP Adjusted[1]	GAAP Adjusted[1]	GAAP Adjusted[1]
Revenue up $113 million or 2.4% from Q3 2021; 5.6% in constant currency[1]	Income from Operations up $69 million or 9.5% from Q3 2021	Operating margin up 100 bps from Q3 2021	Diluted EPS up $0.19 or 18.4% from Q3 2021
	Adjusted Income from Operations[1] up $49 million or 6.5% from Q3 2021	Adjusted Operating Margin[1] up 60 bps from Q3 2021	Adjusted Diluted EPS[1] up $0.11 or 10.4% from Q3 2021

During the quarter ended September 30, 2022, revenues increased by $113 million as compared to the quarter ended September 30, 2021, representing growth of 2.4%, or 5.6% on a constant currency basis[1]. Our recently completed acquisitions contributed 40 basis points to revenue growth while the previously disclosed sale of the Samlink subsidiary, which was completed on February 1, 2022, negatively impacted revenue growth by 60 basis points.

Revenue growth was strongest in our Communications, Media and Technology and our Products and Resources segments. Revenues in our Financial Services segment reflect the negative impact of the previously disclosed sale of the Samlink subsidiary, which was completed on February 1, 2022. For further details, see the 'Revenues - Reportable Business Segments' section within the Results of Operations.

Revenue growth was driven by our clients' continued adoption and integration of digital technologies as well as pricing improvements but was negatively impacted by challenges attracting and retaining personnel. For the three months ended September 30, 2022, our annualized attrition, including both voluntary and involuntary, was 34.9% as compared to 37.0% for the three months ended September 30, 2021. Attrition and hiring challenges have also resulted in increased cost of delivery.

[1] 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.

Operating margin increased to 16.4% for the quarter ended September 30, 2022 from 15.4% for the quarter ended September 30, 2021. Our 2022 operating margin was positively impacted by economies of scale that allowed us to leverage our cost structure over a larger organization, delivery efficiencies, pricing improvements and the depreciation of the Indian rupee against the U.S. dollar, partially offset by increased compensation costs for our delivery personnel (including employees and subcontractors). Our 2021 GAAP operating margin was negatively impacted by the Class Action Settlement Loss, which was excluded from our Adjusted Operating Margin[2] in 2021.

Business Outlook

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. Our four strategic priorities are:

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

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, including the increasing uncertainty related to the global economy, which could affect their demand for our services.

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. Competition for skilled employees in the current labor market is intense, and we continue to experience significantly elevated voluntary attrition. Challenges attracting and retaining personnel have resulted in increased cost of delivery and negatively impacted our ability to satisfy client demand. We expect these impacts to continue for at least the remainder of 2022. Further, our ongoing and anticipated future efforts with respect to recruitment, talent management and employee engagement may not be successful and are likely to continue to result in increased compensation costs. While we strive to adjust pricing to reduce the impact of compensation increases on our operating margin, we may not be successful in fully recovering these increases, which could adversely affect our profitability.

The invasion of Ukraine by Russia and the sanctions and other measures being imposed in response to this conflict have increased the level of economic and political uncertainty worldwide. We do not have employees, facilities or significant operations in either Russia or Ukraine and revenues generated from clients in both countries were immaterial in both 2021 and the first nine months of 2022. However, the continuation of the hostilities or the expansion of the current conflict’s scope into surrounding geographic areas could impact us, our clients, vendors or subcontractors, which could impact our operations and financial performance. We continue to monitor the situation closely to ensure business continuity plans are in place for neighboring countries where we have a presence.

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.

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[2] Adjusted Operating Margin is not a measure 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 measure, as applicable.

Results of Operations

Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

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)	2022	% of Revenues	2021	% of Revenues	Increase / Decrease $	Increase / Decrease %
Revenues	$ 4,857	100.0	$ 4,744	100.0	$ 113	2.4
Cost of revenues[(a)]	3,080	63.4	2,947	62.1	133	4.5
Selling, general and administrative expenses[(a)]	838	17.3	924	19.5	(86)	(9.3)
Depreciation and amortization expense	141	2.9	144	3.0	(3)	(2.1)
Income from operations	798	16.4	729	15.4	69	9.5
Other income (expense), net	14		2		12	600.0
Income before provision for income taxes	812	16.7	731	15.4	81	11.1
Provision for income taxes	(183)		(187)		4	(2.1)
Net income	$ 629	13.0	$ 544	11.5	$ 85	15.6
Diluted earnings per share	$ 1.22		$ 1.03		$ 0.19	18.4
Other Financial Information[3]						
Adjusted Income from Operations and Adjusted Operating Margin	$ 798	16.4	$ 749	15.8	$ 49	6.5
Adjusted Diluted EPS	$ 1.17		$ 1.06		$ 0.11	10.4

(a) Exclusive of depreciation and amortization expense.

Revenues - Overall

During the quarter ended September 30, 2022, revenues increased by $113 million as compared to the quarter ended September 30, 2021, representing growth of 2.4%, or 5.6% on a constant currency basis[3]. Our recently completed acquisitions contributed 40 basis points to revenue growth while the previously disclosed sale of the Samlink subsidiary, which was completed on February 1, 2022, negatively impacted revenue growth by 60 basis points. Revenue growth was driven by our clients' continued adoption and integration of digital technologies as well as pricing improvements but was negatively impacted by challenges attracting and retaining personnel. Revenues from clients added since September 30, 2021 were $96 million.

[3] 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, 2022 as compared to the three months ended September 30, 2021:

	Financial Services				Health Sciences			
		Increase / (Decrease)				Increase / (Decrease)		
Dollars in millions	**Revenues**	**$**	**%**	**CC[4]**	**Revenues**	**$**	**%**	**CC %[4]**
North America	$ 1,086	11	1.0	1.2	$ 1,212	50	4.3	4.3
United Kingdom	148	8	5.7	18.6	41	(3)	(6.8)	5.0
Continental Europe	143	(44)	(23.5)	(13.3)	119	1	0.8	12.6
Europe - Total	291	(36)	(11.0)	0.4	160	(2)	(1.2)	10.5
Rest of World	144	2	1.4	7.6	33	3	10.0	22.6
Total	$ 1,521	(23)	(1.5)	1.6	$ 1,405	51	3.8	5.5

	Products and Resources				Communications, Media and Technology			
		Increase / (Decrease)				Increase / (Decrease)		
Dollars in millions	**Revenues**	**$**	**%**	**CC %[4]**	**Revenues**	**$**	**%**	**CC %[4]**
North America	$ 779	30	4.0	4.3	$ 544	44	8.8	8.8
United Kingdom	130	5	4.0	20.8	127	6	5.0	21.7
Continental Europe	143	(2)	(1.4)	13.6	33	(1)	(2.9)	12.0
Europe - Total	273	3	1.1	16.9	160	5	3.2	19.6
Rest of World	96	8	9.1	14.2	79	(5)	(6.0)	2.5
Total	$ 1,148	41	3.7	8.2	$ 783	44	6.0	10.4

***Financial Services** - revenues declined 1.5%, and increased by 1.6% on a constant currency basis[4]*

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Banking ↓ $46M

Insurance ↑ $23M

Revenues declined in this segment but grew on a constant currency basis. Constant currency revenue growth was driven by the growing demand for digital services among public sector clients in the United Kingdom and insurance clients. This was offset by the 180 basis points negative impact related to the previously disclosed sale of the Samlink subsidiary, which was completed on February 1, 2022. Revenues from clients added since September 30, 2021 were $22 million.

***Health Sciences** - revenues increased 3.8%, or 5.5% on a constant currency basis[4]*

Effective in the second quarter of 2022, we combined the healthcare operating segment with the life sciences operating segment and renamed our Healthcare reportable segment as Health Sciences. See Note 11 to our unaudited consolidated financial statements for additional information.

Revenue growth was driven by increased demand for digital services among pharmaceutical clients. Revenues from clients added since September 30, 2021 were $11 million.

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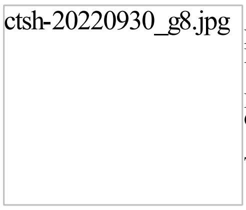
↑ $51M

[4] 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 3.7%, or 8.2% on a constant currency basis*[5]



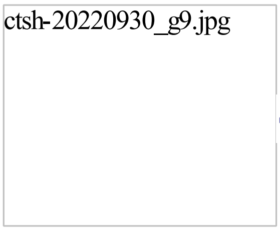
Manufacturing, Logistics, Energy and Utilities	↑	$18M
Retail and Consumer Goods	↑	$7M
Travel and Hospitality	↑	$16M

Revenue growth in this segment was primarily driven by demand for our digital services among logistics, automotive, consumer goods and travel and hospitality clients. Revenues from clients added since September 30, 2021 were $30 million.

***Communications, Media and Technology** - revenues increased 6.0%, or 10.4% on a constant currency basis*[5]

In 2022, we combined the communications and media operating segment with the technology operating segment. See Note 11 to our unaudited consolidated financial statements for additional information.

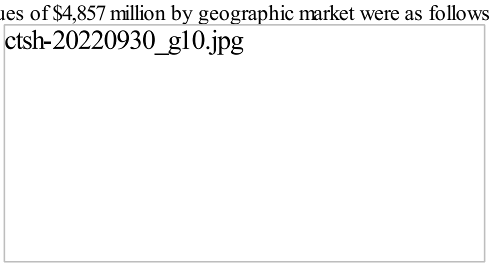
Revenues in this segment reflected growing demand from our technology clients for services related to digital content, primarily driven by the largest clients in this segment, as well as demand for personalized user experiences and data modernization. Revenues from clients added since September 30, 2021 were $33 million.



↑ $44M

Revenues - Geographic Markets

Revenues of $4,857 million by geographic market were as follows for the three months ended September 30, 2022:



Q3 2022 as compared to Q3 2021	**Increase / (Decrease)**		
(Dollars in millions)	**$**	**%**	**CC %**[5]
North America	$ 135	3.9	4.0
United Kingdom	16	3.7	18.7
Continental Europe	(46)	(9.5)	2.9
Europe - Total	(30)	(3.3)	10.3
Rest of World	8	2.3	9.3
Total revenues	$ 113	2.4	5.6

North America continues to be our largest market, representing 74.6% of total revenues. Outside of the North America region, revenues were negatively impacted by foreign currency exchange rate movements. Constant currency revenue growth in the United Kingdom was strong among Financial Services clients, including certain public sector clients, Products and Resources clients, and Communications, Media and Technology clients. Constant currency revenue growth in the Continental Europe region was driven by our pharmaceutical clients, Products and Resources clients, and Communications, Media and Technology clients, while the previously disclosed sale of the Samlink subsidiary, which was completed on February 1, 2022, negatively impacted growth in the region by 580 basis points.

Cost of Revenues (Exclusive of Depreciation and Amortization Expense)

↑ $133M

↑ 1.3% as a % of revenues

○ % 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 increase, as a percentage of revenues, was due to higher compensation costs for delivery personnel (including employees and subcontractors), partially offset by delivery efficiencies and the depreciation of the Indian rupee against the U.S. dollar. Challenges attracting and retaining highly qualified personnel have resulted and are likely to continue to result in higher compensation costs.

[5] 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 decrease, as a percentage of revenues, was primarily due to economies of scale that allowed us to leverage our cost structure over a larger organization, the beneficial impact of foreign currency exchange rate movements and the optimization of non-strategic SG&A expenses.

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↓ $86M
↓ 2.2% as a % of revenues
○ % of Revenues

Depreciation and Amortization Expense

Depreciation and amortization expense decreased by 2.1%, or 0.1% as a percentage of revenues, during the third quarter of 2022 as compared to the third quarter of 2021.

Operating Margin and Adjusted Operating Margin[6] - Overall

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Our 2022 operating margin was positively impacted by economies of scale that allowed us to leverage our cost structure over a larger organization, delivery efficiencies, pricing improvements and the depreciation of the Indian rupee against the U.S. dollar, partially offset by increased compensation costs for our delivery personnel (including employees and subcontractors). Our 2021 GAAP operating margin was negatively impacted by the Class Action Settlement Loss, which was excluded from our Adjusted Operating Margin[6] in 2021.

A predominant portion of our costs in India are denominated in the Indian rupee, representing approximately 23% of our global operating costs during the three months ended September 30, 2022. These costs are subject to foreign currency exchange rate fluctuations, which have an impact on our results of operations. 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. Net of the impact of the hedges, the depreciation of the Indian rupee contributed 78 basis points to the improvement in our operating margin for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021.

Excluding the impact of applicable designated cash flow hedges, the depreciation of the Indian rupee against the U.S. dollar positively impacted our operating margin by 137 basis points during the three months ended September 30, 2022. 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 (excluding the impact of the hedges). The settlement of our cash flow hedges negatively impacted our operating margin by 27 basis points during the three months ended September 30, 2022 while positively impacting our operating margin by 32 basis points during the three months ended September 30, 2021.

We finished the third quarter of 2022 with approximately 349,400 employees. Annualized attrition, including both voluntary and involuntary, was approximately 34.9% for the three months ended September 30, 2022. In both 2021 and 2022, voluntary attrition constituted the vast majority of attrition for the period. Attrition in all periods presented is weighted towards our more junior employees.

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○ Annualized attrition

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[6] 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.

Segment Operating Profit

In 2022, we made certain changes to the internal measurement of segment operating profits for the purpose of evaluating segment performance and resource allocation. The primary reason for the change was to charge to the business segments costs that are directly managed and controlled by them. Specifically, segment operating profit now includes costs related to non-delivery personnel that support consulting services, which were previously included in "unallocated costs." We have reported 2022 segment operating profits using the new allocation methodology and have recast the 2021 results to conform to the new methodology.

Segment operating profit and operating margin percentage were as follows:

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In 2022, segment operating margins benefited from delivery efficiencies, pricing improvements and the depreciation of the Indian rupee against the U.S. dollar partially offset by increased compensation costs for delivery personnel (including employees and subcontractors).

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

(Dollars in millions)	2022	% of Revenues	2021	% of Revenues	Increase
Total segment operating profit	$ 1,527	31.4	$ 1,423	30.0	$ 104
Less: unallocated costs	729		694		35
Income from operations	$ 798	16.4	$ 729	15.4	$ 69

Other Income (Expense), Net

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

(in millions)	2022	2021	Increase/ Decrease
Foreign currency exchange (losses)	$ (48)	$ (4)	$ (44)
Gains on foreign exchange forward contracts not designated as hedging instruments	51	1	50
Foreign currency exchange gains (losses), net	3	(3)	6
Interest income	17	7	10
Interest expense	(6)	(3)	(3)
Other, net	—	1	(1)
Total other income (expense), net	$ 14	$ 2	$ 12

The foreign currency exchange 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 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 our foreign currency exposures. As of September 30, 2022, the notional value of our undesignated hedges was $1,210 million. The increase in interest income of $10 million was primarily attributable to higher interest rates in the current period.

Provision for Income Taxes

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↓ $4M

○ Effective Income Tax Rate ↓ 3.1%

The effective income tax rate decreased primarily due to the recognition in the third quarter of 2022 of an income tax benefit of $36 million related to a specific uncertain tax position that was previously unrecognized in our prior-year consolidated financial statements. See Note 6 to our unaudited consolidated financial statements for additional information.

Net Income

The increase in net income was primarily driven by higher income from operations and a lower effective tax rate.

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↑ $85M

○ ↑ 1.5% 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 non-GAAP financial measures to the corresponding GAAP measures set forth below should be carefully evaluated.

Our non-GAAP financial measures Adjusted Operating Margin and Adjusted Income From Operations exclude unusual items, such as the Class Action Litigation Settlement in the third quarter of 2021. Our non-GAAP financial measure Adjusted Diluted EPS excludes unusual items, such as the Class Action Litigation Settlement in the third quarter of 2021 and the effect of recognition in the third quarter of 2022 of an income tax benefit related to a specific uncertain tax position that was previously unrecognized in our prior-year consolidated financial statements, 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 excluded from Adjusted Diluted EPS 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 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 executive officers and for making comparisons of our operating results to those of our competitors. We believe that the presentation of non-GAAP financial measures, which exclude certain costs, 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 may exclude costs that are recurring such as 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 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:

		2022	% of Revenues		2021	% of Revenues
GAAP income from operations and operating margin	$	798	16.4	$	729	15.4
Class Action Settlement Loss (1)		—	—		20	0.4
Adjusted Income from Operations and Adjusted Operating Margin	$	798	16.4	$	749	15.8
GAAP diluted EPS	$	1.22		$	1.03	
Effect of above adjustments, pre-tax		—			0.04	
Non-operating foreign currency exchange (gains) losses, pre-tax (2)		(0.01)			0.01	
Tax effect of above adjustments (3)		0.03			(0.02)	
Effect of recognition of income tax benefit related to an uncertain tax position (4)		(0.07)			—	
Adjusted Diluted EPS	$	1.17		$	1.06	

(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. For further information, see "Note 15 - Commitments and Contingencies" in the notes to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

(2) 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.

(3) Presented below are the tax impacts of each of our non-GAAP adjustments to pre-tax income:

	Three Months Ended September 30,	
(in millions)	2022	2021
Non-GAAP income tax benefit (expense) related to:		
Class Action Settlement Loss	—	6
Foreign currency exchange gains and losses	(15)	3

The effective tax rate related to non-operating foreign currency exchange gains and losses varies depending on the jurisdictions in which such income and expenses are generated and the statutory rates applicable in those jurisdictions. As such, the income tax effect of non-operating foreign currency exchange gains and losses shown in the above table may not appear proportionate to the net pre-tax foreign currency exchange gains and losses reported in our unaudited consolidated statements of operations.

(4) During the three months ended September 30, 2022, we recognized an income tax benefit of $36 million related to a specific uncertain tax position that was previously unrecognized in our prior-year consolidated financial statements. The recognition of the benefit in the third quarter of 2022 was based on management's reassessment regarding whether this unrecognized tax benefit met the more-likely-than-not threshold in light of the lapse in the statute of limitations as to a portion of such benefit.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

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)	2022	% of Revenues	2021	% of Revenues	Increase / Decrease $	Increase / Decrease %
Revenues	$ 14,589	100.0	$ 13,730	100.0	$ 859	6.3
Cost of revenues[(a)]	9,296	63.7	8,574	62.4	722	8.4
Selling, general and administrative expenses[(a)]	2,583	17.7	2,632	19.2	(49)	(1.9)
Depreciation and amortization expense	428	2.9	430	3.1	(2)	(0.5)
Income from operations	2,282	15.6	2,094	15.3	188	9.0
Other income (expense), net	20		(4)		24	*
Income before provision for income taxes	2,302	15.8	2,090	15.2	212	10.1
Provision for income taxes	(537)		(531)		(6)	1.1
Income (loss) from equity method investments	4		2		2	100.0
Net income	$ 1,769	12.1	$ 1,561	11.4	$ 208	13.3
Diluted EPS	$ 3.40		$ 2.96		$ 0.44	14.9
Other Financial Information[7]						
Adjusted Income From Operations and Adjusted Operating Margin	$ 2,282	15.6	$ 2,114	15.4	$ 168	7.9
Adjusted Diluted EPS	$ 3.40		$ 3.02		$ 0.38	12.6

(a) Exclusive of depreciation and amortization expense.

* Not meaningful

Revenues - Overall

During the nine months ended September 30, 2022, revenues increased by $859 million as compared to the nine months ended September 30, 2021, representing growth of 6.3%, or 8.6% on a constant currency basis[7]. Our recently completed acquisitions contributed 120 basis points to revenue growth while the previously disclosed sale of the Samlink subsidiary, which was completed on February 1, 2022, negatively impacted revenue growth by 60 basis points. Revenue growth was driven by our clients' continued adoption and integration of digital technologies but was negatively impacted by challenges attracting and retaining personnel. Revenues from clients added since September 30, 2021, including those related to acquisitions, were $208 million.

[7] 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.

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, 2022 as compared to the nine months ended September 30, 2021:

	Financial Services				Health Sciences			
		Increase / (Decrease)				Increase / (Decrease)		
Dollars in millions	**Revenues**	**$**	**%**	**CC %[8]**	**Revenues**	**$**	**%**	**CC %[8]**
North America	$ 3,270	133	4.2	4.4	$ 3,617	223	6.6	6.6
United Kingdom	446	51	12.9	21.4	129	—	—	8.2
Continental Europe	443	(122)	(21.6)	(13.9)	365	9	2.5	11.4
Europe - Total	889	(71)	(7.4)	0.6	494	9	1.9	10.5
Rest of World	432	25	6.1	11.4	94	6	6.8	15.3
Total	$ 4,591	87	1.9	4.2	$ 4,205	238	6.0	7.3

	Products and Resources				Communications, Media and Technology			
		Increase / (Decrease)				Increase / (Decrease)		
Dollars in millions	**Revenues**	**$**	**%**	**CC %[8]**	**Revenues**	**$**	**%**	**CC %[8]**
North America	$ 2,310	120	5.5	5.7	$ 1,649	229	16.1	16.2
United Kingdom	396	49	14.1	25.5	386	54	16.3	28.4
Continental Europe	431	51	13.4	26.3	103	(18)	(14.9)	(4.3)
Europe - Total	827	100	13.8	25.9	489	36	7.9	19.7
Rest of World	281	38	15.6	19.7	237	11	4.9	11.4
Total	$ 3,418	258	8.2	11.4	$ 2,375	276	13.1	16.4

Financial Services *- revenues increased 1.9%, or 4.2% on a constant currency basis[8]*

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Banking ↓ $19M

Insurance ↑ $106M

Revenue growth reflects the growing demand for digital services among U.S. regional banks, public sector clients in the United Kingdom and insurance clients. The previously disclosed sale of the Samlink subsidiary, which was completed on February 1, 2022, negatively impacted revenue growth in this segment by 170 basis points. Revenues from clients added since September 30, 2021 were $46 million.

Health Sciences *- revenues increased 6.0%, or 7.3% on a constant currency basis[8]*

Effective in the second quarter of 2022, we combined the healthcare operating segment with the life sciences operating segment and renamed our Healthcare reportable segment to Health Sciences. See Note 11 to our unaudited consolidated financial statements for additional information.

Revenue growth was driven by increased demand for digital services among pharmaceutical clients. Revenues from clients added since September 30, 2021 were $23 million.

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↑ $238M

[8] 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 8.2%, or 11.4% on a constant currency basis*[9]

Manufacturing, Logistics, Energy and Utilities ↑ $131M

Retail and Consumer Goods ↑ $79M

Travel and Hospitality ↑ $48M

Revenue growth in this segment was primarily driven by demand for our digital services among automotive, logistics, consumer goods and travel and hospitality clients. Revenue growth in this segment included approximately 250 basis points related to recently completed acquisitions. Revenues from clients added since September 30, 2021 were $58 million.

***Communications, Media and Technology** - revenues increased 13.1%, or 16.4% on a constant currency basis*[9]

In 2022, we combined the communications and media operating segment with the technology operating segment. See Note 11 to our unaudited consolidated financial statements for additional information.

Revenues in this segment reflected growing demand from our technology clients for services related to digital content, primarily driven by the largest clients in this segment, as well as demand for personalized user experiences and data modernization. Revenues from clients added since September 30, 2021 were $81 million.

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↑ $276M

Revenues - Geographic Markets

Revenues of $14,589 million by geographic market were as follows for the nine months ended September 30, 2022:

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YTD 2022 as compared to YTD 2021	Increase / (Decrease)		
(Dollars in millions)	$	%	CC %[9]
North America	$ 705	7.0	7.1
United Kingdom	154	12.8	23.1
Continental Europe	(80)	(5.6)	4.0
Europe - Total	74	2.8	12.7
Rest of World	80	8.3	13.8
Total revenues	$ 859	6.3	8.6

North America continues to be our largest market, representing 74.3% of total revenues for the nine months ended September 30, 2022. Outside of our North America region, revenues were negatively impacted by foreign currency exchange rate movements. Constant currency revenue growth in the United Kingdom was strong among Financial Services clients, including certain public sector clients, Products and Resources clients, and Communications, Media and Technology clients. Constant currency revenue growth in the Continental Europe region was driven by growth in the German market, which benefited from an acquisition that closed in the first half of 2021 and strong demand from our pharmaceutical clients, partially offset by a negative 530 basis points impact from the previously disclosed sale of the Samlink subsidiary, which was completed on February 1, 2022. Constant currency revenue growth in the Rest of World region was primarily driven by the Australian market, which benefited from an acquisition that closed in the first half of 2021.

[9] 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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$722M
1.3% as a % of revenues
% 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 increase, as a percentage of revenues, was due to higher compensation costs for delivery personnel (including employees and subcontractors), partially offset by delivery efficiencies and the depreciation of the Indian rupee against the U.S. dollar. Challenges attracting and retaining highly qualified personnel have resulted and are likely to continue to result in higher compensation costs.

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 decrease, as a percentage of revenues, was primarily due to economies of scale that allowed us to leverage our cost structure over a larger organization, the beneficial impact of foreign currency exchange rate movements and the optimization of non-strategic SG&A expenses.

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$49M
1.5% as a % of revenues
% of Revenues

Depreciation and Amortization Expense

Depreciation and amortization expense decreased 0.5%, and by 0.2% as a percentage of revenues, during the nine months ended September 30, 2022 as compared to the 2021 period.

Operating Margin and Adjusted Operating Margin[10] - Overall

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Our 2022 operating margin was positively impacted by economies of scale that allowed us to leverage our cost structure over a larger organization, delivery efficiencies and the depreciation of the Indian rupee against the U.S. dollar, partially offset by increased compensation costs for our delivery personnel (including employees and subcontractors). Our 2021 GAAP operating margin was negatively impacted by the Class Action Settlement Loss, which was excluded from our Adjusted Operating Margin[10] in 2021.

Net of the impact of the hedges, the depreciation of the Indian rupee contributed 61 basis points to the improvement in our operating margin for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021. Excluding the impact of applicable designated cash flow hedges, the depreciation of the Indian rupee against the U.S. dollar positively impacted our operating margin by approximately 93 basis points during the nine months ended September 30, 2022. The settlement of our cash flow hedges positively impacted our operating margin by 4 basis points during the nine months ended September 30, 2022 and by 36 basis points during the 2021 period.

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[10] 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.

Segment Operating Profit

In 2022, we made certain changes to the internal measurement of segment operating profits for the purpose of evaluating segment performance and resource allocation. The primary reason for the change was to charge to the business segments costs that are directly managed and controlled by them. Specifically, segment operating profit now includes costs related to non-delivery personnel that support consulting services, which were previously included in "unallocated costs." We have reported 2022 segment operating profits using the new allocation methodology and have recast the 2021 results to conform to the new methodology. Segment operating profit and operating margin percentage were as follows:

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In 2022, segment operating margins benefited from delivery efficiencies and the depreciation of the Indian rupee against the U.S. dollar offset by increased compensation costs for delivery personnel (including employees and subcontractors). The 2022 Health Sciences segment operating margin was negatively affected by investments to support revenue growth and elevated pricing pressure on non-digital services.

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

(Dollars in millions)	2022	% of Revenues	2021	% of Revenues	Increase
Total segment operating profit	$ 4,365	29.9	$ 4,106	29.9	$ 259
Less: unallocated costs	2,083		2,012		71
Income from operations	$ 2,282	15.6	$ 2,094	15.3	$ 188

Other Income (Expense), Net

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

(in millions)	2022	2021	Increase/ Decrease
Foreign currency exchange (losses)	$ (97)	$ (26)	$ (71)
Gains on foreign exchange forward contracts not designated as hedging instruments	96	7	89
Foreign currency exchange gains (losses), net	(1)	(19)	18
Interest income	32	23	9
Interest expense	(11)	(7)	(4)
Other, net	—	(1)	1
Total other income (expense), net	$ 20	$ (4)	$ 24

The foreign currency exchange 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 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 our foreign currency exposures. The increase in interest income of $9 million was primarily attributable to higher interest rates in the current period.

Provision for Income Taxes

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$6M

Effective Income Tax Rate 2.1%

The effective income tax rate in the nine months ended September 30, 2022 decreased as compared to the 2021 period primarily due to the recognition in the third quarter of 2022 of an income tax benefit of $36 million related to a specific uncertain tax position that was previously unrecognized in our prior-year consolidated financial statements and higher discrete tax benefits related to the impact of depreciation of the Indian rupee against the U.S. dollar on our undistributed foreign earnings. See Note 6 to our unaudited consolidated financial statements for additional information.

Net Income

The increase in net income was driven by higher income from operations and a lower effective income tax rate.

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$208M

0.7% of Revenues

Non-GAAP Financial Measures

See “Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021 – Non-GAAP Financial Measures” above for additional information about our use of 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)	2022	% of Revenues	2021	% of Revenues
GAAP income from operations and operating margin	$ 2,282	15.6	$ 2,094	15.3
Class Action Settlement Loss (1)	—	—	20	0.1
Adjusted Income from Operations and Adjusted Operating Margin	$ 2,282	15.6	$ 2,114	15.4
GAAP diluted EPS	$ 3.40		$ 2.96	
Effect of above adjustments, pre-tax	—		0.04	
Non-operating foreign currency exchange (gains) losses, pre-tax (2)	—		0.03	
Tax effect of above adjustments (3)	0.07		(0.01)	
Effect of recognition of income tax benefit related to an uncertain tax position (4)	(0.07)		—	
Adjusted Diluted EPS	$ 3.40		$ 3.02	

(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. For further information, see "Note 15 - Commitments and Contingencies" in the notes to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

(2) 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.

(3) Presented below are the tax impacts of each of our non-GAAP adjustments to pre-tax income:

(in millions)	Nine Months Ended September 30, 2022	2021
Non-GAAP income tax benefit (expense) related to:		
Class Action Settlement Loss	—	6
Foreign currency exchange gains and losses	(35)	(3)

(4) During the three months ended September 30, 2022, we recognized an income tax benefit of $36 million related to a specific uncertain tax position that was previously unrecognized in our prior-year consolidated financial statements. The recognition of the benefit in the third quarter of 2022 was based on management's reassessment regarding whether this unrecognized tax benefit met the more-likely-than-not threshold in light of the lapse in the statute of limitations as to a portion of such benefit.

The effective tax rate related to non-operating foreign currency exchange gains and losses varies depending on the jurisdictions in which such income and expenses are generated and the statutory rates applicable in those jurisdictions. As such, the income tax effect of non-operating foreign currency exchange gains and losses shown in the above table may not appear proportionate to the net pre-tax foreign currency exchange gains and losses reported in our unaudited consolidated statements of operations.

Liquidity and Capital Resources

Our cash generated from operations has historically been the primary source of liquidity to fund operations and investments to grow our business. As of September 30, 2022, we had cash, cash equivalents and short-term investments of $2,731 million and available capacity under our credit facilities of approximately $1,909 million.

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

(in millions)	2022	2021	Increase / Decrease
Net cash provided by (used in):			
Operating activities	$ 1,866	$ 1,670	$ 196
Investing activities	(28)	(1,666)	1,638
Financing activities	(1,508)	(1,007)	(501)

Operating activities

The increase in cash provided by operating activities for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021 was primarily driven by higher income from operations.

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 deferred revenue. Our DSO was 74 days as of September 30, 2022, 72 days as of September 30, 2021, and 69 days as of December 31, 2021.

Investing activities

The decrease in cash used in investing activities for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021 was primarily driven by net maturities of investments in 2022 as compared to net purchases of investments in 2021 as well as payments for business combinations in 2021.

Financing activities

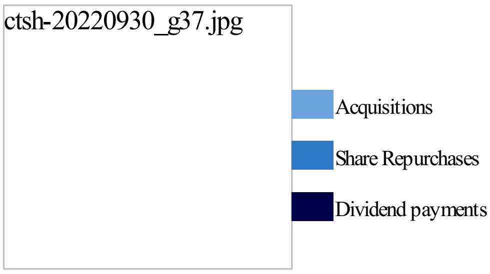
The increase in cash used in financing activities for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021 was primarily driven by higher repurchases of common stock.

The Credit Agreement provided for a $750 million Term Loan and a $1,750 million unsecured revolving credit facility, which were due to mature in November 2023. As of September 30, 2022, we had no outstanding balance on the revolving credit facility. In October 2022, we completed a debt refinancing and entered into the New Credit Agreement with a commercial bank syndicate providing for a $650 million New Term Loan and a $1,850 million unsecured revolving credit facility, which are due to mature in October 2027. The Credit Agreement was terminated upon the closing of the New Credit Agreement and the proceeds from the New Term Loan were used primarily to repay our outstanding Term Loan balance. We are required under the New Credit Agreement to make scheduled quarterly principal payments on the New Term Loan beginning in December 2023. See Note 5 to our unaudited consolidated financial statements.

The New Credit Agreement contains customary affirmative and negative covenants as well as a financial covenant. The financial covenant is tested at the end of each fiscal quarter and requires us to maintain a Leverage Ratio not in excess of 3.50:1.00, or for a period of up to four quarters following certain material acquisitions, 3.75:1.00.

In March 2022, our India subsidiary renewed its one-year 13 billion Indian rupee ($159 million at the September 30, 2022 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. As of September 30, 2022, we have not borrowed funds under this facility.

Capital Allocation



We review our capital allocation framework on an ongoing basis, considering our financial performance and liquidity position, investments required to execute our strategic plans and initiatives, acquisition opportunities, the economic outlook, regulatory changes, the potential impacts of the COVID-19 pandemic 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. While we have not completed any acquisitions in 2022, our longer-term capital allocation framework is unchanged.

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 ongoing liquidity assessments, we regularly monitor the mix of 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 operating cash flows, cash and short-term investment balances, together with the available capacity under our revolving credit facilities, to be sufficient to meet our operating requirements, including purchase commitments, making Tax Reform Act transition tax payments and servicing our debt for the next twelve months. The ability to expand and grow our business in accordance with current plans, make acquisitions, meet 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 cash flow increases, our ability and willingness to pay for acquisitions with capital stock and the availability of public and private debt, including the ability to extend the maturity or refinance our existing 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 10 to our unaudited consolidated financial statements.

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 and valuation of goodwill and other long-lived assets. We base our estimates on historical experience, current trends and 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, 2021. 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, 2021.

Recently Adopted and New Accounting Pronouncements

There have been no changes in the information provided in our Annual Report on Form 10-K for the year ended December 31, 2021.

Forward Looking Statements

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 and future attrition trends, anticipated effective income tax rate and income tax expense, liquidity, financing strategy, access to capital, capital return strategy, investment strategies, cost management, 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, including the invasion of Ukraine by Russia, 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 and personnel with experience in key digital areas and senior management to lead our business globally, at an acceptable cost;
- 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 maintain our capital return strategy;
- 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 employees 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 and client expectations in the many jurisdictions in which we operate, including the increased stakeholder emphasis on ESG matters;
- 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, 2021.

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, 2021. 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, 2021, filed with the SEC on February 16, 2022.

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, 2022. Based on this evaluation, our chief executive officer and our chief financial officer concluded that, as of September 30, 2022, 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, 2022 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 10 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, 2021 filed with the SEC on February 16, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Our stock repurchase program, as amended by our Board of Directors in November 2022, allows for the repurchase of up to $11.5 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 and had a remaining authorized balance of $1,075 million as of September 30, 2022. 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, 2022, we repurchased $300 million of our Class A common stock under our stock repurchase program. The stock repurchase activity under our stock repurchase program during the three months ended September 30, 2022 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, 2022 - July 31, 2022	—	$ —	—	$ 1,375
August 1, 2022 - August 31, 2022	2,184,179	67.60	2,184,179	1,227
September 1, 2022 - September 30, 2022	2,459,916	61.93	2,459,916	1,075
Total	4,644,095	$ 64.60	4,644,095	

During the three months ended September 30, 2022, 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, 2022, such repurchases totaled 0.2 million shares at an aggregate cost of $15 million.

Item 6. Exhibit Index

EXHIBIT INDEX

		Incorporated by Reference				
Number	**Exhibit Description**	**Form**	**File No.**	**Exhibit**	**Date**	**Filed or Furnished Herewith**
3.1	Restated Certificate of Incorporation, dated June 5, 2018	8-K	000-24429	3.1	6/7/2018	
3.2	Amended and Restated Bylaws, as adopted on September 14, 2018	8-K	000-24429	3.1	9/20/2018	
10.1	Credit Agreement, dated October 6, 2022, among Cognizant Technology Solutions Corporation, Cognizant Worldwide Limited, certain financial institutions party thereto and JPMorgan Chase Bank, N.A., as administrative agent.	8-K	000-24429	10.1	10/7/2022	
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					Filed
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					Filed
32.1	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350					Furnished
32.2	Certification of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350					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: November 2, 2022	By: /s/ BRIAN HUMPHRIES Brian Humphries, Chief Executive Officer (Principal Executive Officer)
Date: November 2, 2022	By: /s/ JAN SIEGMUND Jan Siegmund, Chief Financial Officer (Principal Financial Officer)