



Cognizant

Quarterly Update
Report Abstract

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13 pages





Who Is This Quarterly Update For?

NelsonHall’s Quarterly Update on Cognizant provides a snapshot of developments at the company in the last quarter. It accompanies NelsonHall’s more comprehensive Key Vendor Assessment program.

Both programs are designed for:

- Marketing, sales and business managers developing strategies to target service opportunities within the BPO/IT Services markets
- Sourcing managers monitoring the capabilities of existing suppliers of IT and BPO services and identifying vendor suitability for these services
- Consultants advising clients on vendor selection
- Vendor marketing, sales and business managers looking to benchmark themselves against their peers
- Financial analysts and investors specializing in the BPO/IT services sector.



Highlights

Q4 Performance: not a strong end to the year as Cognizant faces scrutiny from activist investor

Revenues were slightly below expectation, and the CC growth continues to weaken. Cognizant continues to be challenged by softness in discretionary spend in banking. Areas of strength included Continental Europe, boosted by the Storebrand and Frontica captive acquisitions

Non-GAAP operating margin dipped below the 19-20% target margin range, and in a quarter when the company is facing criticism from Elliott that this margin range is too low.

Full year revenues were at the lower end of prior guidance. Non-GAAP operating margin was down 0.2 pts to 19.5%.

Reaches agreement with Elliott; Introduces 2020 Strategy

On the day of its Q4 earnings, Cognizant announced it had reached an agreement with Elliott. As part of this agreement, there will be three new directors appointed to the board, and a new Financial Policy Committee

During the earnings call, management introduced its 2020 strategy, which reflects this agreement, including:

- Driving sustainable growth, and intensifying its M&A efforts
- 22% non-GAAP operating margin by 2019
- Returning \$3.4bn to shareholders over the next two years.

Cognizant will accelerate its investments to build digital capabilities and increase the pace of tuck-in acquisitions. There were two more in Q4, also client captive acquisitions in the Nordics and Germany

Appendix E outlines what has been unveiled to date about the three-year plan in terms of margin expansion and capital allocation policy

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Recent Contract Awards

M&A and Investments

New Partnerships

Immediate Challenges

Appendix A: Financials

Appendix B: Number of Strategic Accounts

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Scope of the Report

The report provides a quarterly update on Cognizant, looking at financial performance and key developments during the period.

It accompanies NelsonHall's Key Vendor Assessment program which looks at Cognizant's IT and BPO offerings, capabilities, and market and financial strengths, including:

- Identification of the company's strategy, emphases and new developments
- Revenue breakdowns
- Analysis of the company's offerings and key service components
- Analysis of the profile of the company's client base including the company's targeting strategy and examples of current contracts
- Analysis of the company's strengths, weaknesses and outlook.

Report Length

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