COGNIZANT REPORTS FIRST QUARTER 2022 RESULTS

- Revenue of $4.8 billion grew 9.7% year-over-year, or 10.9% in constant currency[1]
- Digital revenue[1] grew 20% year-over-year
- Bookings grew 4% year-over-year, trailing 12-month bookings of $23.4 billion, 1.2x book-to-bill
- Operating cash flow of $306 million and free cash flow[1] of $186 million
- Full-year 2022 revenue growth guidance 7.2% to 9.2%, or 9.0% to 11.0% in constant currency

TEANECK, N.J., May 4, 2022 /PRNewswire/ -- Cognizant (Nasdaq: CTSH), one of the world's leading professional services companies, today announced its first quarter 2022 financial results.

"Thanks to our talented employees, we delivered on our first quarter commitments in what is an intensely competitive global labor market," said Brian Humphries, Chief Executive Officer. "While the economic backdrop is uncertain, we remain optimistic about the demand outlook for our solutions. Our strategic repositioning enables us to engage more deeply with clients, helping them succeed, and supports our growth trajectory."

	Q1 2022	Q1 2021
Revenue (in billions)	$4.8	$4.4
Y/Y Growth	9.7%	4.2%
Y/Y Growth CC[1]	10.9%	2.4%
GAAP and Adjusted Operating Margin[1]	15.0%	15.2%
GAAP Diluted EPS	$1.07	$0.95
Adjusted Diluted EPS[1]	$1.08	$0.97

First Quarter 2022 Performance by Business Segment

Financial Services revenue grew 4.8% year-over-year, or 6.0% in constant currency. Growth reflects demand for digital services, partially offset by clients' continued focus on cost optimization. In February 2022 the sale of the Samlink subsidiary was completed, which negatively impacted segment revenue growth by approximately 130 basis points.

Healthcare revenue grew 8.1% year-over-year, or 8.8% in constant currency. Growth in the Healthcare segment was driven by increased demand for digital services among life sciences clients, including digitization of clinical trial processes and investments in manufacturing operations modernization.

Products and Resources revenue grew 13.2% year-over-year, or 14.9% in constant currency. Growth was driven by strong client demand for digital services across all industries and included the benefit from recently completed acquisitions.

Communications, Media and Technology revenue grew 18.1% year-over-year, or 19.9% in constant currency, reflecting strong demand for data services among digital native companies.

Bookings

Q1 bookings grew 4% year-over-year, which resulted in trailing 12-month bookings of $23.4 billion, which represented a book-to-bill of approximately 1.2x.

Return of Capital to Shareholders

During the first quarter, the Company repurchased 5.0 million shares for $444 million at an average price of $88.22 under its share repurchase program. As of March 31, 2022, there was $1.7 billion remaining under the share repurchase authorization. In May 2022, the Company declared a quarterly cash dividend of $0.27 per share for shareholders of record on May 20, 2022. This dividend is payable on May 31, 2022.

"Our first quarter performance reflects strong revenue growth in our digital portfolio and a healthy demand environment. We remain focused on investing to support growth opportunities while also executing on pricing to offset the impact of compensation pressure driven by the continued labor supply-demand imbalance," said Jan Siegmund, Chief Financial Officer. "Our updated 2022 constant currency revenue guidance includes an improved organic revenue growth outlook and a lower inorganic contribution, reflecting a disciplined acquisition strategy."

Second Quarter and Full Year 2022 Outlook

The Company provided the following guidance:

- Second quarter revenue is expected to be $4.90-$4.94 billion, or growth of 6.8%-7.8% (9.3%-10.3% in constant currency).
- Full-year 2022 revenue is expected to be $19.8-$20.2 billion, or growth of 7.2%-9.2% (9.0%-11.0% in constant currency).
- Full-year 2022 Adjusted Operating Margin[2] is expected to expand 20 to 30 basis points to 15.6% to 15.7%.[2]
- Full-year 2022 Adjusted Diluted EPS[2] is expected to be in the range of$4.45-$4.55.

Conference Call

Cognizant will host a conference call on May 4, 2022, at5:00 p.m. (Eastern) to discuss the Company's first quarter 2022 results. To listen to the conference call, please dial (877) 810-9510 (domestic) or +1 (201) 493-6778 (international) and provide the following conference passcode: "**Cognizant Call**."

The conference call will also be available live on the Investor Relations section of the Cognizant website at http://investors.cognizant.com. An earnings supplement will also be available on the Cognizant website at the time of the conference call.

For those who cannot access the live broadcast, a replay will be available. To listen to the replay, please dial (877) 660-6853 (domestically) or +1 (201) 612-7415 (internationally) and enter 13728473 from two hours after the end of the call until 11:59 p.m. (Eastern) on Wednesday, May 18, 2022. The replay will also be available at Cognizant's websitewww.cognizant.com for 60 days following the call.

[1] Constant currency ("CC") revenue growth, Adjusted Operating Margin, Adjusted Diluted Earnings Per Share ("Adjusted Diluted EPS") and free cash flow are not measures of financial performance prepared in accordance with GAAP. See "About Non-GAAP Financial Measures and Performance Metrics" for more information and, where applicable, reconciliations to the most directly comparable GAAP financial measures as well as more information about digital revenue at the end of this release.
[2] A full reconciliation of Adjusted Operating Margin and Adjusted Diluted EPS guidance to the corresponding GAAP measure on a forward-looking basis cannot be provided without unreasonable efforts, as we are unable to provide reconciling information with respect to unusual items. See "About Non-GAAP Financial Measures and Performance Metrics" for more information and a reconciliation at the end of this release.

About Cognizant
Cognizant (Nasdaq: CTSH) engineers modern businesses. We help our clients modernize technology, reimagine processes and transform experiences so they can stay ahead in our fast-changing world. Together, we're improving everyday life. See how at www.cognizant.com or @cognizant.

Forward-Looking Statements
This press release includes statements that may constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the accuracy of which are necessarily subject to risks, uncertainties, and assumptions as to future events that may not prove to be accurate. These statements include, but are not limited to, express or implied forward-looking statements relating to our expectations regarding the impact of the COVID-19 pandemic on our business, our strategy, competitive position and opportunities in the marketplace, investment in and growth of our business, the effectiveness of our recruiting and talent efforts and related costs, our and our clients' shift to digital solutions and services, labor market trends and our anticipated financial performance. These statements are neither promises nor guarantees, but are subject to a variety of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those contemplated in these forward-looking statements. Existing and prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Factors that could cause actual results to differ materially from those expressed or implied include general economic conditions, the competitive and rapidly changing nature of the markets we compete in, the competitive marketplace for talent and its impact on employee recruitment and retention, legal, reputational and financial risks resulting from cyberattacks, the impact of and effectiveness of business continuity plans during the COVID-19 pandemic, risks related to the invasion of Ukraine by Russia, changes in the regulatory environment, including with respect to immigration and taxes, and the other factors discussed in our most recent Annual Report on Form 10-K and other filings with the Securities and Exchange Commission. Cognizant undertakes 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 law.

About Non-GAAP Financial Measures and Performance Metrics
To supplement our financial results presented in accordance with GAAP, this press release includes references to the following measures defined by the Securities and Exchange Commission as non-GAAP financial measures: Adjusted Operating Margin, Adjusted Diluted EPS, free cash flow, net cash and constant currency revenue growth. These non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles and should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures should be read in conjunction with our financial statements

prepared in accordance with GAAP. The reconciliations of our non-GAAP financial measures to the corresponding GAAP measures should be carefully evaluated.

Our non-GAAP financial measures, Adjusted Operating Margin and Adjusted Diluted EPS, exclude unusual items. Additionally, Adjusted Diluted EPS excludes net non-operating foreign currency exchange gains or losses and the tax impact of all the applicable adjustments. The income tax impact of each item is calculated by applying the statutory rate and local tax regulations in the jurisdiction in which the item was incurred. Free cash flow is defined as cash flows from operating activities net of purchases of property and equipment. Net cash is defined as cash and cash equivalents and short-term investments less short-term and long-term debt. 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.

Management believes providing investors with an operating view consistent with how we manage the Company provides enhanced transparency into our operating results. For our internal management reporting and budgeting purposes, we use various GAAP and non-GAAP financial measures for financial and operational decision-making, to evaluate period-to-period comparisons, to determine portions of the compensation for our executive officers and for making comparisons of our operating results to those of our competitors. Accordingly, we believe that the presentation of our non-GAAP measures, which exclude certain costs, when read in conjunction with our reported GAAP results, can provide useful supplemental information to our management and investors regarding financial and business trends relating to our financial condition and results of operations.

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

Bookings are defined as total contract value (or TCV) of new contracts, including new contract sales as well as renewals and expansions of existing contracts. Bookings can vary significantly quarter to quarter depending in part on the timing of the signing of a small number of large contracts. Our book-to-bill ratio is defined as bookings for the trailing twelve months divided by revenue for the same period. Measuring bookings involves the use of estimates and judgments and there are no independent standards or requirements governing the calculation of bookings. The extent and timing of conversion of bookings to revenues may be impacted by, among other factors, the types of services and solutions sold, contract duration, the pace of client spending, actual volumes of services delivered as compared to the volumes anticipated at the time of sale, and contract modifications, including terminations, over the lifetime of a contract. The majority of our contracts are terminable by the client on short notice often without penalty, and some without notice. We do not update our bookings for material subsequent terminations or reductions related to bookings originally recorded in prior year periods or foreign currency exchange rate fluctuations. Information regarding our bookings is not comparable to, nor should it be substituted for, an analysis of our reported revenues. However, management believes that it is a key indicator of potential future revenues and provides a useful indicator of the volume of our business over time.

We disclose digital revenue as management believes it provides additional insights into the Company's business. Measuring digital revenue requires the use of estimates and judgement, there are no independent standards or requirements governing the calculation and our calculation may differ from the calculations underlying similar such metrics disclosed by other companies. In the first quarter of 2022, we modified our definition of digital revenue to reflect our latest assessment of digital skills, growth priorities and pricing initiatives. Under the updated definition, digital revenue as a percentage of total revenue was 46%, 47%, 49% and 49% for the first, second, third and fourth quarter of 2021, respectively, and 48% for full year 2021.

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- tables to follow -

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in millions, except per share data)	Three Months Ended March 31, 2022	2021
Revenues	$ 4,826	$ 4,401
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	3,097	2,764
Selling, general and administrative expenses	862	827
Depreciation and amortization expense	143	141
Income from operations	724	669
Other income (expense), net:		
Interest income	6	9
Interest expense	(2)	(2)
Foreign currency exchange gains (losses), net	—	(9)
Other, net	1	(2)
Total other income (expense), net	5	(4)
Income before provision for income taxes	729	665
Provision for income taxes	(170)	(160)
Income (loss) from equity method investment	4	—
Net income	$ 563	$ 505
Basic earnings per share	$ 1.07	$ 0.95
Diluted earnings per share	$ 1.07	$ 0.95
Weighted average number of common shares outstanding - Basic	524	530
Dilutive effect of shares issuable under stock-based compensation plans	1	1
Weighted average number of common shares outstanding - Diluted	525	531

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

(in millions, except par values)	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 2,192	$ 1,792
Short-term investments	127	927
Trade accounts receivable, net	3,663	3,557
Other current assets	1,095	1,066
Total current assets	7,077	7,342
Property and equipment, net	1,171	1,171
Operating lease assets, net	915	933
Goodwill	5,605	5,620
Intangible assets, net	1,167	1,218
Deferred income tax assets, net	333	404
Long-term investments	458	463
Other noncurrent assets	708	701
Total assets	$ 17,434	$ 17,852
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 394	$ 361
Deferred revenue	455	403
Short-term debt	38	38
Operating lease liabilities	194	195
Accrued expenses and other current liabilities	2,105	2,532
Total current liabilities	3,186	3,529
Deferred revenue, noncurrent	23	40
Operating lease liabilities, noncurrent	758	783
Deferred income tax liabilities, net	213	218

Long-term debt	617	626
Long-term income taxes payable	378	378
Other noncurrent liabilities	286	287
Total liabilities	5,461	5,861
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, 521 and 525 shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	5	5
Additional paid-in capital	31	27
Retained earnings	11,956	11,922
Accumulated other comprehensive income (loss)	(19)	37
Total stockholders' equity	11,973	11,991
Total liabilities and stockholders' equity	$ 17,434	$ 17,852

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
Reconciliations of Non-GAAP Financial Measures
(Unaudited)

(dollars in millions, except per share amounts)	Three Months Ended March 31,		Guidance
	2022	2021	Full Year 2022
GAAP diluted earnings per share	$ 1.07	$ 0.95	
Non-operating foreign currency exchange (gains) losses, pre-tax[a]	—	0.02	(a)
Tax effect of non-operating foreign currency exchange (gains) losses[b]	0.01	—	(a)
Adjusted Diluted Earnings Per Share	$ 1.08	$ 0.97	$4.45 - $4.55

Notes:

(a) 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. Non-operating foreign currency exchange gains and losses are subject to high variability and low visibility and therefore cannot be provided on a forward-looking basis without unreasonable efforts.

(b) Presented below are the tax impacts of each of our non-GAAP adjustments to pre-tax income for the three months ended March 31:

(in millions)	2022	2021
Non-GAAP income tax benefit (expense) related to:		
Foreign currency exchange gains and losses	(6)	—

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.

Reconciliations of net cash

(in millions)	March 31, 2022	December 31, 2021
Cash and cash equivalents	$ 2,192	$ 1,792
Short-term investments	127	927
Less:		
Short-term debt	38	38
Long-term debt	617	626
Net cash	$ 1,664	$ 2,055

The above tables serve to reconcile the Non-GAAP financial measures to the most directly comparable GAAP measures. Refer to the "About Non-GAAP Financial Measures and Performance Metrics" section of our press release for further information on the use of these Non-GAAP measures.

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
Revenue by Business Segment and Geography
(Unaudited)

(dollars in millions)	Three Months Ended March 31, 2022			
			Year over Year	
	$	% of total	% Change	Constant Currency % Change [a]
Revenues by Segment:				
Financial Services [b]	$ 1,528	31.7 %	4.8 %	6.0 %
Healthcare	1,392	28.8 %	8.1 %	8.8 %
Products and Resources	1,130	23.4 %	13.2 %	14.9 %
Communications, Media and Technology	776	16.1 %	18.1 %	19.9 %
Total Revenues	$ 4,826		9.7 %	10.9 %
Revenues by Geography:				
North America	$ 3,569	74.0 %	8.7 %	8.7 %
United Kingdom	453	9.4 %	22.4 %	26.4 %
Continental Europe [b]	459	9.5 %	0.7 %	6.8 %
Europe - Total [b]	912	18.9 %	10.4 %	15.6 %
Rest of World	345	7.1 %	18.2 %	22.1 %
Total Revenues	$ 4,826		9.7 %	10.9 %

Notes:

(a) Constant currency revenue growth is not a measure of financial performance prepared in accordance with GAAP. See "About Non-GAAP Financial Measures and Performance Metrics" section of our press release for further information.

(b) The sale of the Samlink subsidiary, which was completed on February 1, 2022, negatively impacted revenue growth in Financial Services, Continental Europe and Europe-Total by 130 basis points, 420 basis points and 230 basis points, respectively.

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

(in millions)	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	$ 563	$ 505
Adjustments for non-cash income and expenses	296	325
Changes in assets and liabilities	(553)	(649)
Net cash provided by operating activities	306	181
Cash flows from investing activities:		
Purchases of property and equipment	(120)	(88)
Net maturities (purchases) of investments	801	(140)
Proceeds from sales of businesses	19	—
Payments for business combinations, net of cash acquired	—	(310)
Net cash provided by (used in) investing activities	700	(538)
Cash flows from financing activities:		
Repurchases of common stock	(474)	(240)
Repayment of term loan borrowings and finance lease and earnout obligations	(14)	(15)
Dividends paid	(143)	(128)
Issuance of common stock under stock-based compensation plans	31	43
Net cash (used in) financing activities	(600)	(340)
Effect of exchange rate changes on cash and cash equivalents	(6)	(10)
Increase (decrease) in cash and cash equivalents	400	(707)

Cash and cash equivalents, beginning of period	1,792	2,680
Cash and cash equivalents, end of period	$ 2,192	$ 1,973

SUPPLEMENTAL CASH FLOW INFORMATION

(in millions)	Three Months Ended	
Stock Repurchases under Board of Directors' authorized stock repurchase program:	**March 31, 2022**	**March 31, 2021**
Number of shares repurchased	5.0	3.1
Remaining authorized balance as of March 31, 2022	$ 1,675	

Reconciliation of Free Cash Flow Non-GAAP Financial Measure

(in millions)	Three Months Ended March 31,	
	2022	**2021**
Net cash provided by operating activities	$ 306	$ 181
Purchases of property and equipment	(120)	(88)
Free cash flow	$ 186	$ 93

SOURCE Cognizant

Additional assets available online: Photos (1)

https://news.cognizant.com/2022-05-04-COGNIZANT-REPORTS-FIRST-QUARTER-2022-RESULTS