Cognizant Completes Acquisition of Belcan

Updates Third Quarter and Full-Year 2024 Guidance to Include Belcan Impact

TEANECK, N.J., Aug. 27, 2024 /PRNewswire/ -- Cognizant (NASDAQ: CTSH) today announced it completed the acquisition of Belcan for approximately $1.3 billion in cash and stock. Belcan is a leading global supplier of Engineering Research & Development (ER&D) services for the commercial aerospace, defense, space, marine and industrial verticals.

First announced in June 2024, the strategic acquisition strengthens Cognizant's engineering capabilities, builds on its leadership in the Internet of Things (IoT) and Digital Engineering practice areas, and increases its presence in the high-growth aerospace and defense (A&D) services market.

"We are delighted to officially welcome Belcan to Cognizant," said Cognizant CEO Ravi Kumar S. "We believe our combined capabilities, shared focus of providing value to our clients through distinctive technological expertise, and global scale and scope means we will be able to deliver high-quality solutions to a diverse mix of customers around the world."

Belcan is an established player in ER&D that provides mission-critical digital engineering services for a long-standing customer base across the commercial aerospace, defense, space, marine and industrial verticals, primarily in North America and the United Kingdom (UK). Belcan employs over 6,500 engineers and technical consultants and brings deep expertise in embedded software, mechanical, electrical and systems engineering.

Updated Third Quarter and Full-Year 2024 Guidance[1]
(all growth rates year-over-year)

- This guidance update reflects the impact from the Belcan acquisition. There have been no changes to the underlying forward looking business outlook provided in the company's second quarter 2024 earnings press release on July 31, 2024.
- Third quarter revenue is expected to be $4.95 - $5.02 billion, an increase of 1.1% to 2.6% as reported, or an increase of 1.3% to 2.8% in constant currency, reflecting the impact of approximately one month of Belcan within Cognizant.
- Full-year 2024 revenue is expected to be approximately $19.5 - $19.8 billion, an increase of 0.9% to 2.4% as reported and on a constant currency basis. This assumes approximately 200 basis points of inorganic contribution versus approximately 70 basis points previously.
- Full-year 2024 Adjusted Operating Margin[2] is expected to be in the range of 15.0% to 15.2%. This reflects approximately 30 basis points of estimated impact from Belcan, including transaction and integration related expenses and non-cash amortization of acquired intangibles.
- Full-year 2024 Adjusted Diluted EPS[2] is expected to be in the range of $4.56 to $4.64. This assumes approximately 497 million shares outstanding, unchanged from our prior estimate.
- Full-year 2024 Net Interest Income[2] is expected to be approximately $55 million.
- Full-year 2024 Adjusted effective tax rate[2] is unchanged at 24% to 25%.

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[1] Guidance as of August 27, 2024 and reflects foreign exchange assumptions as of July 31, 2024 used in guidance provided in the company's second quarter 2024 earnings press release.

[2] A full reconciliation of Adjusted Operating Margin, Adjusted Diluted EPS, Net Interest Income and Adjusted effective tax rate guidance to the corresponding GAAP measures on a forward-looking basis cannot be provided without unreasonable efforts as we are unable to provide reconciling information with respect to unusual items, net non-operating foreign currency exchange gains or losses, and the tax effects of these adjustments. See "About Non-GAAP Financial Measures" for more information, the definition of Adjusted effective tax rate and Net Interest Income as well as a partial reconciliation to the most directly comparable GAAP financial measures 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.

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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 is 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 the growth of the aerospace and defense services market, the benefits of the Belcan acquisition 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 the risk that the revenue synergies and any cost savings from the transaction may not be fully realized or may take longer than anticipated to be realized; disruption to the parties' businesses as a result of the transaction; risks related to management and oversight of the expanded business and operations of Cognizant following the Belcan closing due to the increased size and complexity of its business; the possibility of increased scrutiny by, and/or additional regulatory requirements of, governmental authorities as a result of the transaction; the risk that combining Belcan's business and operations into Cognizant will be more costly or difficult than expected, or that we are otherwise unable to successfully integrate Belcan's businesses with our own, including as a result of unexpected factors or events; general economic conditions, the competitive and rapidly changing nature of the markets we (including Belcan) compete in, the competitive marketplace for talent and its impact on employee recruitment and retention, our ability to successfully implement our NextGen program and the amount of costs, timing of incurring costs and ultimate benefits of such plans, our ability to successfully use AI-based technologies, legal, reputational and financial risks resulting from cyberattacks, changes in the regulatory environment, including with respect to immigration and taxes, matters relating to the closing of the Belcan transaction and its integration into our organization 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

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, constant currency revenue growth, Adjusted effective tax rate and Net Interest Income. 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 Income from Operations excludes unusual items, such as NextGen charges. Our non-GAAP financial measure Adjusted Diluted EPS excludes unusual items, such as NextGen charges, and 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. Adjusted effective tax rate reflects a tax rate commensurate with our non-GAAP Adjusted EPS. Net Interest Income is defined as interest income less interest expense.

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.

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

(dollars in millions, except per share amounts)	**Guidance**
	Full Year 2024 (1)
GAAP operating margin	
NextGen charges[(a)]	0.4% - 0.5%
Adjusted Operating Margin	15.0% - 15.2%
GAAP diluted earnings per share	
Effect of NextGen charges, pre-tax	$0.17 - $0.19
Non-operating foreign currency exchange (gains) losses, pre-tax[(b)]	(b)
Tax effect of above adjustments	(a) (b)
Adjusted Diluted Earnings Per Share	$4.56 - $4.64
GAAP effective tax rate	
Effect of NextGen charges	—
Effect of Non-operating foreign currency exchange (gains) losses	(b)
Adjusted effective tax rate	24% - 25%
Interest income	~$110
Interest expense	(~$55)
Net Interest Income	~$55

(1) A full reconciliation of Adjusted Operating Margin, Adjusted Diluted Earnings Per Share and Adjusted effective tax rate guidance to the corresponding GAAP measures on a forward-looking basis cannot be provided without unreasonable efforts, as we are unable to provide reconciling information with respect to unusual items, net non-operating foreign currency exchange gains or losses and the tax effects of these adjustments, and such adjustments may be significant.

Notes:

(a) We expect to incur approximately $95 million of costs in 2024 in connection with the NextGen program. Our guidance anticipates pre-tax charges of approximately $0.17 to $0.19 per diluted share for the full year 2024. The tax effect of these charges is expected to be approximately $0.04 to $0.05 per diluted share for the full year 2024.

(b) 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.

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