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Cognizant Technology Solutions Corp.

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Tien-Tsin Huang
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MANAGEMENT DISCUSSION SECTION

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Thanks everyone for joining. This is the Cognizant Session. My name is Tien-Tsin Huang. I cover the payments and IT services sector at JPMorgan and super excited to have Brian Humphries, the CEO of Cognizant. I think this is Brian's first go at our tech conference. So we're really excited to have him virtually, of course. Like the other sessions we're going to do a fireside chat. We'll take questions from the ask a question portal if you have any I'll be keeping my eye on that. Otherwise, I'll be sure to – [ph] we get a lot of (00:35) the questions that we've gathered from the investment community. So, Brian welcome. Thanks for being with us today.

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

Happy to be here.

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QUESTION AND ANSWER SECTION

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

That's great. So, let's get right into it. Brian, I like to say you've been there what two years now and when I'm speaking to investors I think wow, you faced some bad luck with the ransomware attack and of course the global pandemic. I don't know if I want to call that bad luck. But so given all that and sort of everything you've been doing behind the scenes as part of the turnaround, what would you think looking back here has been the progress at Cognizant? What would you call out? Walk us through that if you don't mind just to kick it off.

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Yeah, no problem. Look I think it's important to maybe set the context because in April 1, 2019 my very first day and I was told immediately that we missed the quarter. I hadn't heard it. But if I stand by for any individual quarter and maybe take it up a level, two years ago I kind of realized very rapidly we were exposed to and indeed recognized for capabilities that were more in the non-digital services arena, which of course brought with it some problems. First of all it was a lower growth category, in fact sometimes shrinking, declining, and also pricing competition was very aggressive in that arena.

So, the first thing I realized back in the day was just look we had a business model that was overly exposed to mature declining sectors. We were behind in digital and indeed in cloud. Digital at the time was about a third of our business. And in cloud, companies like Gartner, who recognize companies in terms of where they are, they viewed us as a niche player in cloud which was somewhat surprising to me at the time. Thirdly, maybe we had three quarters of our revenue in North America, which was a strong foothold for us. But our international business was a massive opportunity.

And I felt we'd underinvested in marketing, in alliances, in our talent overseas. Maybe forwardly, I felt and clients told me, by the way, we weren't just client-centric. They'd seen less of our executive team in prior – in that last year or so than they had previously in our history. Our head count investments had stagnated somewhat. And of course our delivery pyramid was, as I articulated at the time, maybe suboptimal. As an example, we didn't visit any campuses in India in 2017 for the onboarding in 2018, which of course meant that we hurt our relationships with the technical institutes in India. But it was also damaging in terms of our growth prospects and damaging in terms of our pyramid shape and what was going to be happening in the outer years.

So, I mean, when I'm answering the question around our progress, I always like to start there because that's ultimately what I inherited. And as part of that, then, I wanted to put the transformation office in place that touched upon strategically who are we, who do we aspire to be, what's our commercial acceleration plan in terms of talent, skills, compensation, client segmentation, what's our delivery pyramid and optimization agenda, where are we on culture and talent, and what are we doing to maybe get fit for growth or to initiate all of this restructuring that I felt would enable me to invest.

So, back to your question, progress report, I'll maybe touch upon just a few areas to give illustrative examples. First of all, I think our strategy is crystal clear these days. It's been refined. Our portfolio has been adjusted to that strategy, and we've put partnerships and investments in place that are aligned to that strategy.

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As part of that, we accelerated M&A, always aligned to digital and cloud. And that was essential because it helped offset declines in our non-digital business. Organically, we stood up business groups behind Microsoft and AWS which we complemented with acquisitions. We exited content moderation, which was by the way a high-growth business for us, but just was not aligned to our strategy, had low bill rates. It was really bad for our brand and for morale. And we refreshed our leaders in some of those international markets, UK, Germany, Australia, New Zealand, Japan. So from a strategic point of view, I think we've made a significant amount of progress.

The second thing I'll touch upon is digital. We define battlegrounds that we wanted to win in, in terms of data and analytics, digital engineering, cloud, and IoT. And I think that is paying dividends at this moment in time. In our most recent quarter, digital is now 44% of our business. In early 2019, when I joined, it was about a third of our business. Revenue in digital grew 15% in Q1 and we'd expect the 44% mix of our business to increase through the course of this coming year. And that's important because that of course exposes us to very interesting innovation and transformation agendas of clients. And I think we have pricing opportunity there where we are a challenger versus maybe some of the legacy arenas where we would be competing more with the IPPs.

Also I think in digital, that cloud arena where we're in 2018 viewed as a niche player, in the last two years, we moved to challenger and now to a leader in Gartner Magic Quadrant. So, I really feel good that the progress we've made in digital has helped us offset what essentially is a decline in our non-digital business. And so shifting the portfolio rapidly, albeit with the help of M&A, has helped us get to a growth situation and stave off declines that were naturally going to happen in our traditional business.

Maybe the third thing, back to growth because this is a growth company and we got growth in our DNA and part of my task is to accelerate that, we hired 500 revenue-enabling resources. About two-thirds of those are quota-bearing. Then we have pricers and legal people and commercial lawyers and whatnot.

And our bookings growth in 2020 was in the mid-teens. Our book-to-bill ratio is now greater than 1.1. And so we've reached a bookings level that supports our growth ambitions, and you should see us getting back in the zone that I think investors will be happy with.

So that's where I think we stand. Would I have liked us to be further along at this point? Sure, of course. But turnarounds take time, and we had two exogenous events in COVID and in a ransomware attack that impacted our progress, and of course now we're dealing with the humanitarian crisis in India that is, of course, concerning as well on many levels.

But transformation is well under way. I think we've made good progress. It has, of course, come with P&L dynamics. It's – there's been a series of costs and investments we've made that have hurt our margins. But we believe they were critical to reposition the portfolio towards digital and towards international opportunities that, now, I think will ultimately drive strategic growth, drive shareholder value over a longer term. So, despite some challenges, I would say, our guidance in 2021 suggests revenue growth acceleration and indeed our confidence maybe to execute on that transformation we set out to achieve.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Good. And I know a lot of hard work goes into all of that, that you just went through, so we do recognize that. You mentioned India and what's going on, definitely a humanitarian crisis. We're thinking about everyone safety there. Given the COVID situation, that was the big learning this quarter across all of the companies, right? How do you manage absenteeism and the supply side issue? So how has that affected your business? Has it triggered any contingency plans or pivots on your side delivery-wise?

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Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

I think first and foremost, as you said, it's a humanitarian crisis. And, of course, we owe a lot to India given what India has helped Cognizant achieve over a quarter of a century. So we take our role to help India very, very seriously at this moment in time. In the last few months, we launched Cognizant Combats COVID-19, C3 as we call it, in collaboration with Cognizant Foundation and UNICEF. So I just want to start with the work we were doing to help our associates and society at large, COVID care facilities on our campuses in conjunction with hospitals and clinics, oxygen mobilization. We are providing oxygen concentrator for our associates. We're setting up oxygen generation plants in hospitals via UNICEF Grant. And, of course, from the vaccination point of view, we're giving free vaccinations to our employees, their families, and indeed their dependents, and facilitating access to vaccinations for those with disabilities. So from a humanitarian side, we're proud of the work we're doing and we'll continue to do more of that.

On the business side, whether certain clients that have been impacted by this, fortunately, we are actually managing well through this. Clients have shown a lot of solidarity. And we've been executing well understanding projects impacted, et cetera. The bigger issue to be very honest from a business point of view in India is something I've talked about three and half months ago actually in our Q4 earnings call and then a few weeks ago in our Q1 earnings call. And that concerns the demand-supply imbalance for certain hot skills. And I think that remains a concern. And I suspect the industry will talk a lot about that in this quarter's earnings cycle.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Yeah. Let's dig into that, right, sort of attrition and the impact on margins, wages. There's a lot going on, on the supply side. So, what are you doing to address that? It does seem like it's an industry-wide issue, but certainly, there's some things going on at Cognizant too. So, can you help us understand that?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Yeah. Well, had you been in my executive committee this morning, you would have heard probably about two and a half hours discussion on this. We spoke a lot about it in that last earnings call as well because I wanted to evidence to our owners or shareholders as well that we got a finger on the pulse. I had indicated our Q4 earnings call that attrition would spike up in Q1. And I said this quarter as well that attrition will go up sequentially into Q2 although thereafter in Q3 and Q4, we'd expect it to come down.

And the reason I know that is because we look at the leading indicators. Attrition is actually a lagging indicator. It's something that has happened. But the leading indicators ultimately ends up being net resignations that you see on a day-to-day basis. And so consistent with what I saw and said on our earnings call a few weeks ago, daily resignations peaked in March and have slowed since then.

Now, what are we doing to facilitate that? A huge amount of leadership, a huge amount of engagement with our employees, virtual town halls. Just last week I had an all-employee town hall for India with our chairman of India. A significant amount of communication [ph] with (11:36) celebrating successes, wins we've had, delivery successes we've had, and also of course, in conjunction with that, we're doing a lot as well around sharing best practices and candidly investing. We're throwing a lot more money at this problem than we had anticipated four or five months ago. And that was in some regards to a choice point we made leading into the last quarter when we had a choice.

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Look, the market is hot. We're very optimistic around the macro demand picture. Do we want to get after that? And if so we have to reduce our attrition or do we want to optimize margin rates in the short term and potentially forgo some revenue. And we chose – in some regards we chose to invest in our people, try to reduce attrition. And where we have attrition of course we're recruiting from the outside both via subcontractors and contractors as well as lateral hires which are all of course coming at a higher price. But I wanted to get after the market opportunities. I will say we factored these investments, the investments we made in our pyramid into our Q2 revenue and margin guidance and indeed that of 2021.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Look, investing in people and you're trying to build a culture, right? I think those are the right calls to make. Not easy ones. And I don't want to be too shortsighted and focus on margins when you're trying to build goodwill and build the culture. So I recognize that. But the M&A strategy, shifting gears a little bit, Brian, seems to be working pretty well. It seems like an important muscle for the company. We've seen more industry consolidation. And you're clearly doing more of digital in cloud. Is Cognizant becoming more of a destination for some of these companies that you're seeking out and how important is it from here for you to continue to do this as part of the transformation journey?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Look, it's certainly what I would view an essential enabler of our corporate strategy but M&A in itself is not a strategy. It's a facilitation of a corporate strategy as is divestitures and we have also divested as you know. It's the overarching goal for us with our M&A strategy is to increase our exposure to higher growth categories and they are both digital, cloud and so-called digital as well as the international markets where I think we have a huge opportunity. And I think if we get this right we'll create strong returns for our shareholders over time. We've announced four transactions in 2021 alone, 100% of those is aligned to accelerating our digital business as well as globalizing the business. And that is showing up in the form of faster growth for us as a company. Our guidance for Q2 alone suggests that we'll have 4 points of revenue growth tailwind from mergers and acquisitions.

But more importantly and it's something that we probably don't spend enough time talking about, the acquisitions have helped us offset declines in our non-digital business and therefore position us for future growth. And it goes back to what I said earlier. If you think about our portfolio that I inherited that we were – if you think about emerging growth mature declining portfolios, we were over-indexed to mature and declining categories. And with M&A, we've been able to significantly accelerate our transition to digital. And that puts us in a position where our growth rate as a company overall will continue to grow, not just we get the onetime benefit of acquisitions in the same year but thereafter, after the first year of acquisitions, you effectively have stronger growth as well post-closing.

We expect and have seen synergies across our client base. And of course, the more of the overall company that shifted to higher growth categories, the overall CAGR of Cognizant will rise over time. Now, it does come at a cost, yes. And so, obviously, the tradeoff is how much M&A do you want to do versus organic investments. But we needed to rapidly move to digital. Otherwise, I think we would have been faced with potential revenue declines in 2020 and we've done the right thing. Industry analysts have recognized that. And I'm confident that our clients also recognized that we're becoming more of a challenger to some of the so-called incumbents in digital. And M&A will remain, I would say, an enabler of our strategy in the years ahead, but we'll do it in the context of a structured and I would say carefully thought out capital allocation priority.

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Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

It does seem like when you bring it on, it does amplify the growth of the company overall as you just alluded to. But thinking about again Cognizant as a destination, Brian, do you feel like the pipeline is there for you to acquire? Is there a group of companies that you're – you have on the list that you're looking at?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Look, I'm all – we're always looking. And so, we are an interesting I think company for – to be the home of new companies because I think the work we've done and certainly in the last few years has gone down quite well with the acquired companies. But within the same vein, I will say look, we've walked away from a series of deals in the last few quarters because the economic returns or the integration path just didn't seem appropriate to me at that moment in time. So, we will do – we will be disciplined, I would say, from a capital allocation priority point of view.

And then within the M&A element of that framework, we will also be disciplined in terms of the acquisitions we get after and that we want to ultimately consummate.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Okay. So, just zeroing in a little bit more on digital, you mentioned a lot of important and great spaces, right? Engineering, cloud, IoT, pretty competitive, right, from a head-to-head standpoint, balance of trade, but also from a talent standpoint, too, Brian. So, can you keep doing some of this organically or do you need to [ph] be readmit (17:24) in those areas to get bigger?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Look, it's a combination of both. Ultimately, my sense is acquisitions can get you fast tracked but then, thereafter, you can follow with more of an organic investment strategy behind that. If I go back to 2020, one of the first things I committed to do internally having met Satya and then Andy Jassy at Microsoft and AWS, respectively, was to stand up business groups behind both of those hyperscalers. And we built out an organic plan, and then we also complemented that with acquisitions, and I think that's the framework you'll see going forward in Cognizant.

We'll do some targeted acquisitions. Those acquisitions can be dilutive in nature, and of course it comes with some cultural risk, and otherwise. But it felt that, from a competency point of view – I did not want to be a niche player in cloud and so we had to move fast along certain SaaS companies. We did three Salesforce Platinum Partner acquisitions. We didn't actually have a Workday practice. 18 months ago, we acquired Collaborative Solutions to stand up a Workday practice.

And also what I think you find is companies that have embraced hyperscalers typically have also embraced SaaS players. And while Oracle and SAP remain very important partners to us, the Salesforce, Workdays of the world, and indeed ServiceNow tend to almost be synergistic in the sense that clients tend to align behind also those next-generation leaders. So that's been the playbook we've used inorganically, and then behind those we're fueling organic investments as well.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

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Okay. Good. No. It's good to get [ph] them also (19:05), good to get those certified engineers, and those important disciplines, right? You got to start somewhere. So that's why I'm asking the question.

What about the non-digital business? What happens there? Is there a plan or potentially more – like you divested the content moderation business, I know you mentioned earlier, but what's the plan for the non-digital piece?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.
A

Well, look, you try to optimize. And everybody, by the way, let's be clear, has a different definition of digital, and I've tried to be very disciplined and cognizant around this. So, as an example, content moderation historically used to be viewed in our digital definition. We changed that. It wasn't strategic to us. It wasn't digital in my mind. So we precluded that from the digital mix as of Q1 2020.

From my point of view, though, it's highly nuance. First of all, you want to stabilize declines by trying to consolidate share where possible. So, invariably, when I'm in a client dialogue, I talk about the entire strategy of the company, the portfolio, what we're doing in innovation and transformation and customer experience, et cetera, et cetera. But I also talk about the more build to operate portion of the pie. And classically, what we're trying to do is cross-sell from the legacy business into more of the digital business. And sometimes you actually start with workflows and customer experience and networks down to data modernization which ultimately sits on cloud. And you end up in a cloud acceleration story which gets you back to the core business somewhat indirectly or the legacy business indirectly. But very often you're actually starting with where we've historically sold which has been more build and operate and making sure that the clients know about the broader portfolio we have in digital which I think these days is very, very compelling.

So, the first thing to do is try to stabilize declines in that legacy business. Mathematically, you can figure out if our mix is 44% digital and that's growing 15%, you know that the legacy business has declined. And obviously, we're trying to stabilize those declines, cross-sell to digital, meanwhile optimize our cost structure in a classic manner that one does on businesses that are not growing. And of course, within that business, evolve more towards managed services which allows us to industrialize delivery which includes automation and pyramid and location optimization. It's really essential for us to do that because if you're simply selling time and material work [ph] via bodies (21:34) or otherwise you have less control of your pyramid and getting that evolution to manage services will help us ultimately drive margin expansion over time as well.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC
Q

Okay. I know you mentioned bookings earlier. So, as analyst, if you were to advise us to sort of track your progress, it feels like bookings is a pretty important KPI. I think you're introducing with Jan book-to-bill...

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.
A

Yes.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC
Q

...as well here, Brian. I think, what, Q1 was up 5%. You said April was excellent. So, how can we – or how should we use bookings as an indicator for progress?

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Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Well, first of all, it's really important to think about it and not just to think about it for a given quarter but think about it over rolling series of quarters because a deal that slips from Friday to Monday can slip from one quarter to another or one month to another or vice versa. But I would say one of the most important things I focused on when I joined the company was to restart the growth engine.

Now, that's easier said than done because at the end of the day it's like going back to basics, underscoring clients' [ph] interest leads (22:36) starting with me as a CEO, client-centric CEO, ensuring commercial focus, ensuring investment behind that, making sure you have the right talent, and if you will, methodology sophistication behind that including client segmentation, variable compensation programs, all of that is a precursor to building relationships which leads to pipeline build. And our pipeline has five stages. And then you convert pipeline to bookings. And with sustained bookings growth, backlog is built and revenue growth ultimately follows.

So, while certainly people would like it to happen sooner, at the end of the day, it takes time to get through all of that. But building our pipeline will ultimately became a multi-quarter event in 2020 because we entered the year with a book-to-bill ratio significantly below where we are today. To your point, we saw bookings growth in 2020, mid-teens growth. Some of it didn't – well, some it, I would say, was impacted by COVID and then the ransomware attack. So converting that to revenue could have been delayed in some instances, but I feel really good about where we are right now to be very honest. So, book-to-bill ratio is in the right zone. We believe our backlog is healthier than it's been for a number of years. And I've got confidence in this statement because we've done a lot of work under Jan's leadership since he joined as CFO to really understand historical bookings, erosion that can happen, and how ultimately bookings translate to revenue.

So, given where our backlog is at this stage and given our success with new business signings, which has continued into Q2, we'll have a nice quarter in terms of bookings. And you should expect to see this translating now into revenue growth in Q2 and beyond as seen somewhat in our Q2 forecast and there – or Q2, I should say, guidance and our full year guidance as well.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Okay. So I think when I first met you, Brian, we talked about benchmarking, revenue growth and what that should look like longer term. Before talking about margins, I know a lot of our investor clients think about, okay, [indiscernible] (24:40) at the Indian peers where are they growing, it's faster than Cognizant, then you have – we have Accenture as well as a benchmark. But what's the right way to think about benchmarking or targeting your longer term revenue growth?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Well, look, we look at that not just as a leadership team, but also as a board of directors as well. To a certain extent, it starts with the macro demand picture. Tien-Tsin, if you go back to 2020, remember, industry analysts we're assuming a negative growth year, slow recovery macro demand in 2021. And in reality, we saw anything but that. We saw a V-shaped recovery as an industry through the second half of 2020. And now, I, personally, am extremely optimistic around the demand picture for IT services for 2021 and beyond. And that's just not a personal position. It's based on conversations I have with clients every day based on the opportunities I see ahead of us, but also based on industries outlook.

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So the first thing I'll say is, look, this is a huge industry. It's a growing industry, and it's a cottage industry. So, there's a great deal of opportunity for many people to grow. But even beyond that, a rising tide lifts all boats. So, we're in a good situation, I would say, as an industry leading into the years ahead.

Now, of course that comes with some downsides; talent shortages, demand/supply imbalances, et cetera. But with that backdrop and with the position that we put ourselves in now in the back of, I would say, good success rebuilding our backlog, getting more visibility into what we'll convert from backlog into revenue, you should expect revenue growth acceleration to the remaining quarters of the year. So, I feel very good about where we stand in that regard. And then obviously, we'll update people on a quarter-by-quarter basis.

My goal of course is to grow at market [ph] or (26:28) faster. I mean, we're competitive in Cognizant; we're one of the biggest services companies in the world. But in order to achieve that, we have been going through somewhat of a turnaround or transformation. Again, it starts with exposing yourself to the higher growth categories of the market. Sometimes people will look at overall market growth rates. But within a given market, you have growth categories and then you have declining categories. Again, two years ago, we were only one-third exposed to digital. So, a lot of our focus on revenue has been not just getting more resources out in the street, not just getting people motivated about selling and changing the comp structure, but also making sure our portfolio is much more competitive in the growth areas.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Yeah. Yeah. Now, that's well said. I know we should definitely [ph] are getting (27:13) a lot of questions here about margin. So, I know we're almost out of time and my lights cut off, so let me turn it on, with some motion here, downside of being in the office, Brian. But you downtick your margin a little bit, less for the year. I know you didn't take that decision lightly. And I don't want to overreact to a few basis points here and there. But I think seems like the margins – trying to understand where sustainable margins can be. So, let's talk about that first, the decision to downtick margins, does that give you enough room to address the attrition and supply side things that you talked about as well as invest to drive that every acceleration on the revenue side?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Yeah. Look, for sure, I feel good about the revenue picture and the prospects we have there. But if you think about the modest change to our second half or to our full-year margin rate, it equated I think to about $40 million. But we've actually thrown substantially more than that and we will add our pyramid, another talent to reduce attrition. And we've mitigated some of that downside by squeezing some other areas and getting more efficiencies elsewhere. But, as I said, as a leader of a global company, you've got choices to make and that's what we're paid to do. And at the end of the day, we had a bullish macro demand picture. We felt we wanted to get after that opportunity. And in order to get after that opportunity, we had to try to slow our attrition rates and try to get as many people into the company as we possibly can, which tends to come at a higher cost. So we made the choice for what I view as logical reasons.

Now, in the short term, we weren't able to mitigate all of that. And hence, the modest tweak to our margin rates for the rest of the year. Look, our margins, from my perspective, are at a level [ph] now (29:04) that we will want to build from not just in the second half of this year but in the years ahead. Clearly, as I've said another conferences and over time, the investments we've made in organic growth, in our talent, in our brand, in M&A, and of course, in dealing with unexpected things like a COVID situation enabling hundreds of thousands of people to be laptop-enabled or an IT and security ransomware attack where we had to go to enormous recovery remediation, a modernization agenda. Those were, let's say, not anticipated. But all of those things have actually hurt margins

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somewhat in the shorter term. But – and by the way, we're trying to accrue bonus levels at higher levels than 2019, obviously, in function of our financial performance relative to our internal goals. But I feel as though we should be building from these levels in the years ahead.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Okay. Yeah. So just to wrap up then thinking about benchmarking again on margins, we see the Indian peers are running higher. I think Accenture has done a good job of this concept of modest margin expansion and showing SG&A – more G&A leverage over time, Brian. What's the right model on benchmarking longer-term margins? And I'm not expecting you to give us guidance here on this session. Just philosophically, what's the margin benchmark process here?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Yeah. Listen. The way I think about it, first of all, yes, we're not going to give long-term revenue and margin roadmap for Cognizant today. We will, by the way, address that at some stage in a Capital Markets Day where we'll talk more at length around what we're doing on margin, what we're doing on revenue, CAGR, et cetera. I think it's important for people to realize as well, however, that there's a portion of our business that maybe competes more with some of the traditionally Indian service providers. And then there's a portion of our business where we're competing more with these Accentures of the world, the Deloittes of the world, or indeed internationally maybe the Capgeminis of the world.

And if you classify those, the [ph] IPPs (31:01) tend to have strong margins. Those margins have crept up in the last year. And then the – some of the other companies I have referenced have margins in the, let' say, mid-teens. In some cases, even low teens. I'd expect us to be building off of these levels. And then, obviously, we'd clarify what that means at the Capital Markets Day in a go-forward period.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Very good. So we'll let you go on one last question then. Just what – I know that we've covered a lot of ground. You're working really hard, I know, Brian, and the team, and Jan as well. I always enjoy catching up with him. What do you think the market is underappreciating about Cognizant at this point of the turnaround, at this point in the cycle?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Listen, I don't really want to comment on what market is appreciating or underappreciating. I will say, we, as a leadership team, are 100% confident in our strategy. I think I've got a great team around me these days. We know we're doing what's needed in the company to reposition ourselves for growth, to evolve the culture, to evolve the portfolio. And I think, internally, there are times where I feel that we're further ahead in that journey than the market fully realizes.

Now, that being said, obviously, the proof is in the pudding. So revenue growth acceleration will be key here in the coming quarters, and of course margin, over time, will follow that as well. So we're focused on what we can do, focused on our clients, and focused on our employees, and Wall Street will follow over time, I'm sure.

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Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

I think that's right. I totally agree with that. Brian, thank you for spending some time in your busy schedule with us, and hopefully we'll be able to catch up with you very, very soon in person, okay?

Brian J. Humphries
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

Indeed. Good to see you again. Take care.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Likewise, Brian. Thank you.

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