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Cognizant Technology Solutions Corp.

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CORPORATE PARTICIPANTS

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

OTHER PARTICIPANTS

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Probably get started. Thanks everyone for joining. My name is Tien-Tsin Huang. I follow the IT services sector at JPMorgan. Really excited to have Cognizant back with us. Ravi Kumar, who I think is really, I feel like I'm a student talking to the professor here. He always gives great insight on what he's seeing in the industry and I think articulates it very, very well. So Ravi, thank you for joining us. I know you're very, very busy.

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

Thank you for hosting me.

QUESTION AND ANSWER SECTION

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

No, I'm looking forward to the conversation. So a lot of ways to start it. I thought we'd start big picture, talk our way down into some of the specifics...

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Sure.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

...and some of the changes that you're putting into place. But I thought I'd start just because I know you're always on the ground talking to CIOs and boards, and we've had some of your peers here, and I've asked the same question, what's the most common themes, one or two, that you're hearing from boards or CIOs and CEOs that you're helping them make decisions with?

And I know AI is what everybody wants to talk about, but I'm sure there's other things that are on the minds of the boards. What do you see or hear?

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Yeah. I'm just going to pick a few things. First, look, one thing is certain that software engineering is going to be done in a different way. I'm going to put this in two swim lanes. There are old things done in new ways and then new things done in new ways. The old things done in new ways, software engineering is one of them. It is going to be powered with a lot of agentic capital around it. And you could underwrite the productivity and the savings to do new things.

We're kind of in a little uncertain market environment. Discretionary is strong in financial services. It's not as much in all the other sectors. It is connected to how the macro is. So old things in new ways. Software engineering has a unique opportunity to reduce backlog, improve throughput, underwrite the savings to new things.

In the last few months, the conversation on the old things is also about not just software engineering, but new value pools. New value pools like mainframe migrations. I have a huge pipeline of mainframe migrations. In the past, one line of code used to cost $10 to migrate to outside the mainframe. We had no tribal knowledge, we had no COBOL skills. There was a lot of risk attached to it. 800 billion lines of mainframe code sits in enterprises. That's a theme I'm seeing. 20% to 30% of it you could move it to public cloud, private cloud. That's a great opportunity.

Second, there are umpteen number of SAP migrations going on, which we could now do it much cheaper, much faster and much reliably.

Third, in the last one month, I'm starting to see unlock of vulnerabilities, security-led with Mythos or 5.5 GPT where you could do vulnerability discovery at machine speed, but you can equally remediate, refactor and patch at machine speed. And that opportunity is almost like a Y2K moment for us, because as you open the lid, you don't just look at one thing. You look at brittle code, you look at design deficiencies, you do a whole lot of refactoring. So the ability to take your old stuff, put it in new ways to do it, underwrite that capital for the new things.

Now, new things which I'm talking about is a completely new terrain, which is primarily applying software on operations of companies. Now historically, portions of those operations which were deterministic in nature were done by classical software. Portions of the things which were not deterministic, which had judgment, which had – which could not be codified, we put it into human effort.

Just an example. The healthcare platforms in Cognizant have a flow through of $500 billion of spend flowing through our platforms, do healthcare operations for our clients. Now, I could agentify another $4 trillion of work which was administrative in nature. Remember, healthcare has 20 billion people working. Only 5 million to 6 million people do care. 14 million to 15 million people do administrative work. I could agentify it.

Now that doesn't need big discretionary spend. You'll just have to frontload it. You have to transition human labor to digital labor. It is self-funded. So you could take those steps even in an uncertain situation. This is what I do with clients. Yesterday, I was in my healthcare conference. We had 1,000 clients there, and the ability to take some of that and put it back into care I think is a phenomenal example

So in summary, the framing I have in my mind is the AI capability is absolutely moving at a rapid pace. The bridge to production value has a big gap. The more the capability is, the more the production value gap is. And what does production value mean? This is a contextual technology. Production value means you have to ground the technology into what clients want their work to be transferred to AI, which means workflows, controls, guardrails, trust layers, evals, context and the tribal knowledge.

All of that put together, the more the technology is evolving, the more the technology is advancing, the more is the gap to enterprise value. Not for software engineering. Software engineering is already mainstream. I'm talking about operations of companies. I mean, if $1 trillion was spent in the last one year on infrastructure buildout, another $2 trillion to $3 trillion is going to be spend in the next two to three years, all of that buildout will only stack up if you are able to apply it to operations of companies. And the bridge to enterprise value, the bridge to enterprise production value, I think, is a big gap.

So clients are asking me, how do we actually bridge that gap? So that conversation is happening now. So, therefore, I'm actually much more optimistic about how AI is a tailwind to our industry. You'll need a ton of work to be done to get to that production value. And the production value will come from agentifying finance operations, legal operations, HR operations, customer service and vertical operations like healthcare, mortgage operations, a whole bunch of things, which was a human endeavor. It's a different topic on a different day, to talk about what will be the next human endeavor.

But all of that we have a [ph] straddle (00:07:41) between interoperability between human and digital labor and building those flows in companies.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Yeah. No, I like the gap discussion, being on the bridge, and I think in AI being a tailwind. I think these are all important messages. But invest...

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

And more the capability, more the tailwind.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

So investors are, of course, looking at the financials and looking at the performance, right. And the news cycle is so intense, Ravi, and it's difficult to translate, right, what's cyclical versus secular. I'm curious, just to get it out the way, I know you just set your outlook just what, three weeks ago, and there's been so much change since, and we'll talk about some of it. Has that changed your confidence in the outlook and what you see in the near term here?

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

I mean, look, two weeks to three weeks is too less...

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Sure.

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

...to really change the paradigm. But the one thing I can certainly tell you, everything I said so far is no longer conversations yet to happen. The conversation is happening now. I already have a large mainframe deal where I'm using Claude and transitioning work to AWS Cloud. I have at least five to six SAP migrations happening. I have 10 to 12 discoveries happening on Mythos and 5.5 GPT. So those conversations are accelerating.

I would say if you go back to the last two years, the industry was layering consolidation and expansive spend related to consolidation as a growth lever. That is right at the base. I'm layering in these new value pools of old things done in new ways, which is unlocking mainframes, unlocking SAP migrations, unlocking vulnerabilities on landscapes and layering it further. Once I layer in the spend on the operations, which is also self-funded – it doesn't need so much discretionary because you are actually eliminating work versus creating more work.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Sure.

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Once the unlock on growth happens, you are going to use the same set of people to create more throughput. So you're going to see new products and new services powered by AI. So if you put those – if you put that layering in, you're going to see an inflection point at some point of time.

So this is not about – my framing last year was what does AI do and what does humans and tech services company do? My framing has completely changed. My framing now is the capability is right up there and it is further going up. The production value is here and the gap is huge. That gap needs a bridge, and that bridge will come from companies like us. If you believe that the capability will not actually impact operations, then you almost have to question why the infrastructure build needs to be that much. So that's the way I am framing it.

I mean, it's a question of time. This inflection point has to happen. I mean, financial services for Cognizant is already at double-digit growth. My BPO operations, which is where the expansive opportunity is, it has been on double digit for two years in a row. Infrastructure services, because there's a sprawl of infrastructure, that is close to double-digit growth. Software engineering is deflationary. The expansion attached to software engineering is taking off now. So I mean, we just have to keep layering this, and we'll be back to industry leading growth.

I mean, we are already on the winner's circle. And I'm less interested anymore about being on the top of the heap. I just want to take this to breakaway growth, and that is my new aspiration. I mean, being on the top of the heap is no longer good. If you're on the top of the heap, you should actually look for breakaway growth.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Yeah. No. I'm glad you said that. And look, getting back to the winner's circle, I know was not easy, and that was a lot of your doing from an execution standpoint, so you should be credited for that. But you're right. Focusing on that is missing the bigger picture.

And I'm asking – the reason why I ask, right, because the news cycle is changing so much. We're going to hear from OpenAI tomorrow. And everyone's asking me to ask you, so I'm going to ask it here, right. With OpenAI and their DeployCo and then Anthropic similarly working with these investment partners to build out their own deployment or services capability, what does that mean? Right. You are talking about this group that we're [indiscernible] (00:12:20)...

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Absolutely.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

...the change in the competitive landscape in your mind or is it more of the same?

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

No. It doesn't. Actually, it – on the contrary, it reinforces the fact that there is gap between...

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Agreed.

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

...production value and the capability of these models. We underestimate the heterogeneity of enterprises. We underestimate the fact that this is a contextual science. Everything which was supposed to be deterministic has already been in classical software. This is deterministic, it has to be grounded, it has to be harnessed.

So on the contrary, it reinforces the fact that we need that bridge. You can argue whether that bridge will be companies like us, or it'll be new companies coming into picture. I don't think those deployment companies have been built for scale. I don't think it is built to make – monetize the bridge. It has been built to get access to the distribution network which is needed, and that distribution access always was the reason when new technology came into picture.

When enterprise software came into picture, we had Oracle Consulting in the mix. When SaaS software came into the picture, we had professional services supporting SaaS software. When cloud – the embrace of cloud happened, we had professional services coming into picture. But it never took off at scale to build what is needed for the global 2,000. So I see this as an endorsement of what we do. I see this as an endorsement that this bridge is needed.

Do we need to do it differently? Yes. I mean, everybody is now talking about a forward deployment engineer. Forward deployment engineer was the perfect thing in the last few years when the world view was everything was broken. In an enterprise, you have to bring everything together. You go with the machine and you go with this forward engineer and you tie it together. The world view is no longer about everything is broken. The world view is you want to take this machine which has digital labor along with you and you want it to be integrated and you want to deliver an outcome.

So we have to re-forge our first principles. Our first principles have to be re-forged, where we go from a system integrator to a AI builder. I've mentioned this. We go from a pyramid of talent to integrated, interdisciplinary talent with human and digital labor. We go from a services company to a [ph] platform as a (00:15:13) services company. We go from managing project outcomes to managing operational outcomes for enterprises.

So the roles we need now is frontier engineers and frontier operators. Frontier engineers being people who can engineer equivalent to in a way a forward engineer. The machine that time was a ontology with machine learning. Now the machine is generative AI.

You also need frontier operators. What I mean by frontier operators are if clients are going to run operations with us, some clients are actually going to say, you run those operations for me with human and digital labor. And that is not what frontier engineering is about. Frontier engineering is I engineer this product. I'll give you an example. I have five banks who are doing know your customer with me. They don't want to outsource that function. What they're essentially saying is, we love what you're saying on agentic. We want to agentify. Give me a fixed price proposal for agentifying know your customer.

There's another set of clients who come and told me, here are the stuff which you do in healthcare today on your TriZetto platform, there is a ton of labor sitting outside. It could be codified. Please agentify, run those operations for me. So I need a BPO professional who can work with digital labor and have an integrated digital and human labor and actually deliver an outcome. That is the new age BPO we are actually building. And my BPO business is actually a double-digit growth.

So you need frontier engineers for things which you want to engineer for your clients, agentic. You need frontier operators for things which you want to actually own the outcomes, operational outcomes.

So with TriZetto, we are going from – we went from perpetual license to subscription license to BPaaS. Now we are going, we have started to work on per member per month to manage lives. It doesn't matter what transaction.

In fact, in a ideal world, you shouldn't have transactions, you shouldn't have claims. It should be a claimless world. So just manage per person per month. Here is the menu card.

So we want – we have to be a platforms company. Either we have to build our platforms or we have to work with third party SaaS companies and integrate their platforms into our services. Because clients are neither going to look for SaaS software on its own in some places. [ph] Not all of them are (00:17:54) going to look for services. They're going to look for AI outcomes.

So what else has changed in the last few weeks? Tokenization has become a huge thesis for me. And I'll tell you, in my earnings, I spoke about AI-enabled rate card. A0 being human effort, A1 being human effort validated by machines, A2 being machine effort validated by humans, A3 being autonomous. And now clients are saying, as you go from A0 to A3, the premium on the rates will go up, but the number of units will go down.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Sure.

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Because there's machines attached to it. Now, clients have started to say, wait a minute, you're going to take the human effort accountability. I'm going to take the machine effort, and I don't know how to do this. So take this over and run. Which then means I should build a hardness around tokenization. Why? Because I could do it with hundreds of clients, so I should be able to do the same things in a compounding way. That's why clients came to us. Clients said, oh, you do this work well. I've done – you've done it with 50 clients. Give me the people who have done this before. Show me references. I'll give you the business. That's how clients did.

Now, tokenization could be a new function value for IT services. So we have metered inside the company projects, people and the kind of work we do. That metering leaves a institutional harness. Earlier it was in the minds of people and repeatable artifacts. Now it is in the harness. I should be able to deliver your digital labor more reliably, cheaper. Cheaper is important till token costs are up; and more predictably, which then means I take a higher risk on tokenization, higher risk on inference cost on tokens, if I'm doing operations. If I'm doing development work, the inference cost – the token costs are less risky. If I'm doing inference work, I should be able to.

So we have now started to build a craft on tokenization, and this is a discussion many of my clients are doing now. They're saying my bills are going up. Would you be able to take this over? We use these tokens to process invoices or process claims. For each of them we have a way to spec it, we have a way to size it, and we have a way to price it.

So we effectively – that's a new moat, and it'll come from the community knowledge of clients because clients actually, if you do it at 30 places or 50 places, or 100 places, you'll be able to do it better than your clients. So that's the craft we are building.

Is it completely efficient? Not yet. Am I going to falter? Maybe, yes. But I'm going to build a moat which will help the tokenization process to be more scientific versus today you trying to measure tokenization based on consumption versus measuring on value.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

This tokenomics thing, thank you for going through all of that, right, but we get this question a lot, right. I mean, creating a new model and then pricing a new model and you're going back and forth with the clients, you're learning. I appreciate that you get – you have a lot of scale and you're accumulating all of these tokens. You can price it differently than consuming it individually. But what's the risk of something going wrong, Ravi, in terms of...

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Yeah.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

...just like thinking back to the old fixed costs...

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Yeah, yeah, yeah. Absolutely, absolutely. In software engineering, the risk is low because...

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

There's a template with that.

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

...you are – also you are developing something, you're not running it. The cost of tokenization is a higher risk in inference and lower risk in developing. If you're running operations of companies, you have to be precise on the tasks you want to do for a client and you should be able to spec the job. So you have to pick your swim lanes where you want to.

I mean, you could be blind spotted by things which have high inference costs. So I'm not going to run wild on this model. I'm going to run in a controlled way to figure out which swim lanes we can precisely size it and which swim lanes we'll have throughput so that we can build patterns, and therefore, the compounding effect. I mean, the compounding effect is similar to autonomous cars. Autonomous cars drive better than you, not because they have your learning that – they do better than you because they have community learning. So wherever there is a repeatable rinse and repeat template, you should be able to do it.

Now, is this going to be a long lasting moat? I don't know. If the cost of tokens is so low that it's like a utility, then cost is not going to be a driver. It has to be driven by velocity, and because it's a contextual science, it's also driven by reliability and predictability.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

So adoption was how quickly do you think you'll learn and be able to evolve and commercialize this...

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.
A

Yeah.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC
Q

...this model. Is it months? Is it quarters? When should we be asking you the right questions on hey, you figured it out. Forget about the moat; more the adoption.

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.
A

I would say the ones which have been historically outsourced like healthcare operations, mortgage operations, customer service, F&A functions are easy or relatively easy. The ones which have been historically not done like legal operations have not been outsourced to companies like us. HR operations have not been. That'll be harder. The vertical ones are a longer runway. The horizontal ones have a lesser opportunity, if I may, because the vertical ones actually have the most administrative labor, which is – which can be actually shrunk.

I mean, I told you about healthcare just as an example. 20 million people work in healthcare. 5 million to 6 million people really do care. 14 million, 15 million people do other things. And it's a high churn industry. So it's not like employability at – on a sustainable basis. So I think we have to pick the right ones. Healthcare is certainly one I'm picking. In fact, I want to make sure that the hustle is around TriZetto. So the rules engine of TriZetto, we want that to be the real moat from which agents are accessing rules and guardrails and everything else. So we want to make sure that that is where it is.

If I have to pick a few more, Tien-Tsin, just at a high level, wherever classical software did it in a less effective way, like billing systems, recordkeeping systems in life insurance or mortgage operations, I mean, these are the places. These are not the best-looking things in classical software. They potentially become the best-looking things for AI.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC
Q

Okay. So thinking as we maybe hopefully get you back here next year, thinking about this developing in your re-forged principles, how ahead of the curve do you think you are on this, Ravi? Because it feels like there's some margin accretion potential and...

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.
A

Yeah. So...

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC
Q

...usual financial questions we'd ask. But just thinking about how far ahead you are versus the peer group, how confident do you feel around that?

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.
A

Look, I'm layering in consolidation of work, which is giving me some runway. I'm layering in these new value pools of old things done in new ways, which is giving me some additional incremental growth. Now I'm layering in new things in new ways. New things in new ways is also operations self-funded.

Once we see the macro improving, you will see new products, new services coming in. I think last time I spoke to you, we spoke about a digital nurse, which is a new thing. It's not a labor pool existing. A digital nurse for people who are doing dialysis treatments in their homes. We built something like that. We built – we are building something on wealth management. So we're building a new – those have not fully taken off except financial services because of discretionary. So that layering will certainly happen.

So in a year is what you're saying, right, in a year from now, I think what you have to judge companies in the sector, including us, is are we – I mean, it's hard to say what is AI revenues and what is not AI revenue. So it's hard because there's no real baseline. Revenue per person, margin per person is an important metric and I would say revenue per person and margin per person. Because I have changed my pyramid mix with our Leap program.

What I'm really saying is the pyramid is broader and the pyramid is shorter. So I'm de-layering the nodes where there is administrative work and I'm only having player coaches in the middle, and I'm hiring significantly more number of people at the bottom, higher than last year, and last year we hired higher than the year before. So that whole thing will give me margin per person higher, but it will not give me revenue per person higher because I'm broadening the [indiscernible] (00:27:47).

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

That pyramid.

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

So...

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

A wider [ph] pyramid (00:27:50).

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

I want to create the right balance. Right now we have got a runway on revenue per person, we have got a runway on margin per person. Margin per person has got a higher bump than the revenue per person in my case, because we're broadening the pyramid. But both should get a bump. That's my sense.

Now, is – what we have achieved so far, is it good enough? It is – I would say it can be better. Revenue per person and margin per person in the TTM basis has just about got to double digits, so we have to expand that. The platform play will allow us to increase the revenue per person and the margin per person because platforms are an important part of my thesis. We have set up a new platforms group, dedicated, some we're going to build, some we're going to buy, some we are going to invest. We put up a venture arm, we announced a few weeks ago. And some we're going to partner with third parties.

I think the throughput from the three frontier model companies, Anthropic, OpenAI and Gemini, all three are going to be super important because that's the machine we are carrying now.

I think you should also – I don't know how to judge this on a common scale, but the number of frontier engineers and the number of frontier operators we have been developing. I mean, we are a company and we are a industry which has not built human capital based on buying stuff. We have built it based on building it. And this is a new – we are getting to a new era where a new set of companies and a new kind of people who will express in those companies will work. And those new set of people are people who can actually take these frontier models and deliver operations for companies.

So I am measuring it on certifications, which is an external metric. That is something I am very keen to pursue, and I think for our scale, will be super. It will be – it'll – that's the kind of capacity needed to bridge that – bridge the – bridge capability to production value at scale, at much better economics, at much better economics.

So I mean, if you put all of this together, we should start to go back. I don't know when, but we should start to go back to growth rates which make the industry attractive.

Tien-Tsin Huang Q
Analyst, JPMorgan Securities LLC

Yeah. No, the plan makes sense and it's going to be fun to track for sure. I have to ask one follow up to that, though, thinking about the capital intensity of doing some of this. I know you're acquiring Astreya and getting into managed services infrastructure. So getting to where you want to be, Ravi, is there a need to do more inorganic to get to the right place? How do you balance that?

Ravi Kumar Singisetti A
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

Yeah. So we did a buyback today morning...

Tien-Tsin Huang Q
Analyst, JPMorgan Securities LLC

I saw the news actually last...

Ravi Kumar Singisetti A
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

...for $1 billion. We increased it by $1 billion. We had $1 billion of buyback in January. We felt like there was a great way to show confidence and great way to back our story. I think the M&A we do should fall into this thesis of platforms or operations and we'll be very purposeful in doing that.

Astreya is not closed yet, but one of the reasons why Astreya made phenomenal sense to us is the infrastructure sprawl, which is going to happen, we are already close to double-digit growth in infrastructure. We felt it was an extraordinary opportunity for workplace services, data services, data center services and network services. That's what the company does. And it doesn't do it on human effort; it does it on a user basis. So they do it on per user basis and they do autonomous infrastructure in workplaces. So it's a complementary capability, platform-led and a new outcome-based model, because it is not based on human effort. It's based on number of users. So it fell into our thesis, and that's what we did.

I mean, would we be opportunistic in places where we have lower presence? For example, I have less presence in Asia Pacific, I have less presence in Europe. Of course, we'll do it. But my general strategic intent on M&A is to layer platforms and operations, because that's where the bridge to enterprise value, the bridge to enterprise production value is very high. So that's been how – that's how I looked at M&A.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Okay. No. That makes sense. So we're just about out of time, Ravi. I wish we had more, but just thinking about piecing this all together, and hopefully we'll have you back next year, and I'll ask it again. But what outcomes do you think will be most obvious that you're pushing towards that will come back and be like, oh wow, you have progressed and your...

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Yeah, so...

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

...re-forged principles are working.

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Certainly revenue per person, margin per person is one metric to watch. I would say more fixed price, more outcome-based pricing. We have 50% fixed price, 10% outcome-based.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

So that would be about...

Ravi Kumar Singisetti
Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

A

Roughly. We moved, we flipped the whole thing. We were – we almost added 10% into fixed price in the last three years from 2023 to now. Fixed price, because the engineering on AI where people are not willing to give you the operations will potentially go fixed price. By the way, I have to make that distinction there that the AI infused rate cards is also new stuff. It might show up on time and material, but it is new stuff because I'm infusing digital labor and I've put this new stack. And we are the only one who are actually propagating this to our clients. But that will be another metric to say we are progressing that way.

The work we do with our platforms group is a very important change in our re-forged first principles. The work we can do on outcomes is a combination of fixed price and time and – fixed price and transaction-based or outcome-based pricing. These are the re-forged first principles on which you should see whether we're progressing in the right direction with the right velocity.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Okay. Good. No, the fixed price piece, I think, is important. No, I appreciate you going through all of that. You're pushing through a lot of change, which I know isn't easy, and it's forcing us to study it. We need to come up with a way to phrase forward operators. We need a acronym for that. But I appreciate all this, Ravi. Thank you so much.

Ravi Kumar Singisetti

Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

Thank you. Thank you so much...

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Thank you for the time.

Ravi Kumar Singisetti

Chief Executive Officer & Director, Cognizant Technology Solutions Corp.

... for hosting me.