

“ Against a challenging demand environment, we continued to strengthen our portfolio, execute our digital strategy and increase our competitiveness. Clients are realizing they can distinguish themselves if they embrace disruption and transform. We are committed to making that easy for them. ”

Brian Humphries | Chief Executive Officer

Revenue
\$4.2 billion

Reported YoY ↓ (0.1%)

Constant
Currency YoY ↓ (0.7%)

Digital 42%
of revenue

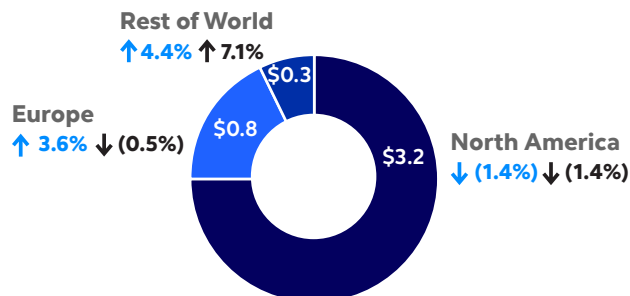
~13% Y/Y Growth

GAAP Operating Margin | **14.2%** Adjusted Operating Margin | **15.9%** GAAP Diluted EPS | **\$0.64** Adjusted Diluted EPS | **\$0.97**

Revenue by Geography

(\$ IN BILLIONS)

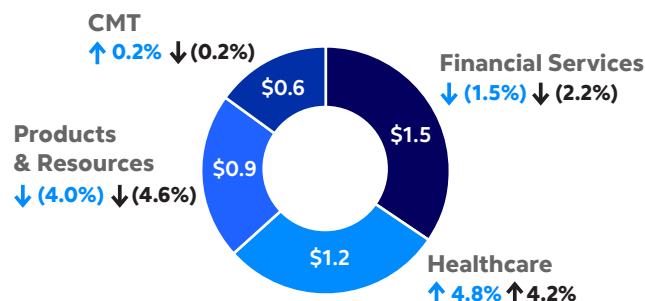
Reported | Constant Currency YoY



Revenue by Segment

(\$ IN BILLIONS)

Reported | Constant Currency YoY



Total Employees | **283,100**

Total Attrition | **18%**

Voluntary Attrition | **10%**

Cash Flow and Capital Return

Cash Flow From Operations | **\$925M**

Free Cash Flow | **\$821M**

Quarterly Dividend | **\$120M \$0.22/share**

Year-to-Date Share Repurchases | **~\$1.3 billion**

(THROUGH OCTOBER 2020)

Bookings Growth

Digital bookings year-to-date growth | **~40%**

Total bookings year-to-date growth | **~15%**

Acquisitions Announced in Q3 2020

COMPANY	HEADQUARTERS	DIGITAL BATTLEGROUND
NEWSIGNATURE	North America	Cloud
tinroof	North America	Software Engineering
10 TH MAGNITUDE	North America	Cloud



Cognizant Ranks #19 on
Forbes' "World's Best Employers" List
(OCTOBER 2020)

About Non-GAAP Financial Measures and Performance Metrics

To supplement our financial results presented in accordance with GAAP, this infographic includes references to the following measures defined by the Securities and Exchange Commission as non-GAAP financial measures: Adjusted Income From Operations, Adjusted Operating Margin, Adjusted Diluted EPS, free cash flow 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, Adjusted Income From Operations 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. 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. Therefore, it is our belief that the use of non-GAAP financial measures excluding certain costs provides a meaningful supplemental measure for investors to evaluate our financial performance. Accordingly, we believe that the presentation of our non-GAAP measures, 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. Measuring bookings involves the use of estimates and judgments and there are no third-party 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.

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION

Reconciliations of Non-GAAP Financial Measures

(Unaudited)

(dollars in millions, except per share amounts)

	Three Months Ended September 30, 2020	% of Revenues
GAAP income from operations and operating margin	\$ 603	14.2
Realignment charges ⁽¹⁾	8	0.2
2020 Fit for Growth plan restructuring charges ⁽²⁾	43	1.0
COVID-19 Charges ⁽³⁾	21	0.5
Adjusted Income from Operations and Adjusted Operating Margin	<u>\$ 675</u>	<u>15.9</u>
GAAP diluted EPS	\$ 0.64	
Effect of above adjustments, pre-tax	0.13	
Non-operating foreign currency exchange (gains) losses, pre-tax ⁽⁴⁾	—	
Tax effect of above adjustments ⁽⁵⁾	(0.06)	
Tax on Accumulated Indian Earnings ⁽⁶⁾	0.26	
Adjusted Diluted EPS	<u>\$ 0.97</u>	

Notes:

- (1) During the three months ended September 30, 2020, we incurred \$8 million in professional fees. The total costs related to the realignment are reported in "Restructuring charges" in our unaudited consolidated statement of operations.
- (2) During the three months ended September 30, 2020, we incurred restructuring charges as part of our 2020 Fit for Growth Plan that include \$38 million in employee separation costs and \$5 million in facility exit costs. The total costs related to the 2020 Fit for Growth Plan are reported in "Restructuring charges" in our unaudited consolidated statement of operations.
- (3) During the three months ended September 30, 2020, we incurred costs in response to the COVID-19 pandemic including costs to enable our employees to work remotely. Most of the costs related to the pandemic are reported in "Cost of revenues" in our unaudited consolidated statement of operations.
- (4) 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 statement of operations.
- (5) Presented below are the tax impacts of each of our non-GAAP adjustments to pre-tax income:

	Three Months Ended September 30, 2020
Non-GAAP income tax benefit (expense) related to:	
Realignment charges	\$ 2
2020 Fit for Growth Plan restructuring charges	11
COVID-19 Charges	6
Foreign currency exchange gains and losses	15

The effective tax rate related to each of our non-GAAP adjustments varies depending on the jurisdictions in which such income and expenses are generated and the statutory rates applicable in those jurisdictions.

- (6) During the third quarter of 2020, after a thorough analysis of the impact of several changes in tax law on the cost of earnings repatriation and considering our strategic decision to increase our investments to accelerate growth in various international markets and expand our global delivery footprint, we reversed our indefinite reinvestment assertion on Indian earnings accumulated in prior years and recorded a \$140 million Tax on Accumulated Indian Earnings. The recorded income tax expense reflects the India withholding tax on unrepatriated Indian earnings, which were \$5.2 billion as of December 31, 2019, net of applicable U.S. foreign tax credits.

Reconciliation of Free Cash Flow

(in millions)

	Three Months Ended September 30, 2020
Net cash provided by operating activities	\$ 925
Purchases of property and equipment	(104)
Free cash flow	<u>\$ 821</u>