COGNIZANT TECH NDQ-CTSH

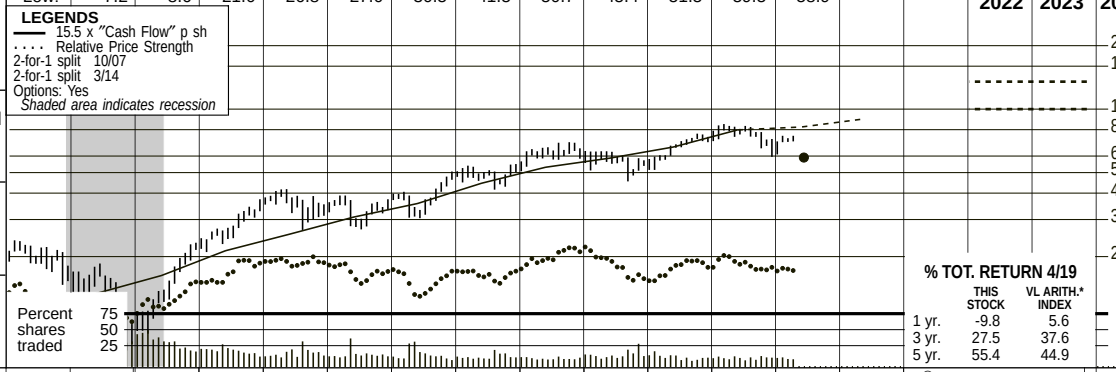
RECENT PRICE **58.91** C | P/E RATIO **14.9** (Trailing: 16.0 / Median: 19.0) | RELATIVE P/E RATIO **0.82** | DIV'D YLD **1.4%** | VALUE LINE

TIMELINESS 2 Lowered 11/9/18
SAFETY 2 Lowered 5/15/15
TECHNICAL 3 Raised 4/26/19
BETA 1.05 (1.00 = Market)

High:	18.5	23.3	37.4	41.7	39.0	50.6	54.9	69.8	63.4	76.5	85.1	74.8
Low:	7.2	8.6	21.0	26.8	27.0	30.5	41.5	50.7	45.4	51.5	59.5	58.9

Target Price Range
2022 | 2023 | 2024

LEGENDS
—— 15.5 x "Cash Flow" p sh
.... Relative Price Strength
2-for-1 split 10/07
2-for-1 split 3/14
Options: Yes
Shaded area indicates recession



2022-24 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	135	(+100%)	*24%*
Low	100	(+70%)	*15%*

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	0	0	0	0
Options	23	14	2	15	3	1	19	14	1
to Sell	11	4	2	6	1	1	5	5	3

Institutional Decisions

	2Q2018	3Q2018	4Q2018
to Buy	487	445	425
to Sell	460	478	520
Hld's(000)	511994	498362	506352

% TOT. RETURN 4/19

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-9.8	5.6
3 yr.	27.5	37.6
5 yr.	55.4	44.9

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC	22-24
.72	1.09	1.58	2.50	3.71	4.83	5.52	7.55	10.10	12.18	14.55	16.84	20.39	22.18	25.19	27.95	***29.15***	***30.60***	Sales per sh	***36.25***
.14	.22	.31	.47	.70	.87	1.05	1.38	1.65	1.99	2.31	2.87	3.42	3.78	4.28	5.15	***4.75***	***5.15***	"Cash Flow" per sh	***6.25***
.11	.18	.26	.39	.58	.72	.89	1.19	1.43	1.72	2.02	2.61	3.06	3.39	3.77	4.57	***3.85***	***4.25***	Earnings per sh A	***5.25***
--	--	--	--	--	--	--	--	--	--	--	--	--	--	.45	.80	***.80***	***.88***	Div'ds Decl'd per sh	***1.15***
.06	.09	.13	.18	.32	.29	.13	.31	.48	.55	.43	.35	.45	.49	.48	.65	***.50***	***.50***	Cap'l Spending per sh	***.50***
.53	.84	1.27	1.88	2.55	3.37	4.46	5.90	6.52	8.05	10.10	12.70	15.24	17.64	18.14	19.80	***22.50***	***25.60***	Book Value per sh	***34.50***
514.70	539.71	560.49	570.05	576.02	583.34	594.46	607.88	606.21	603.36	607.73	609.40	609.00	608.00	588.00	577.00	***573.00***	***568.00***	Common Shs Outst'g B	***550.00***
34.5	39.6	43.3	42.6	34.1	18.8	17.0	23.8	25.2	19.5	19.2	18.8	20.3	16.9	17.5	16.6	*Bold figures are*		Avg Ann'l P/E Ratio	***22.0***
1.97	2.09	2.31	2.30	1.81	1.13	1.13	1.51	1.58	1.24	1.08	.99	1.02	.89	.88	.89	*Value Line*		Relative P/E Ratio	***1.20***
--	--	--	--	--	--	--	--	--	--	--	--	--	--	.7%	1.1%	*estimates*		Avg Ann'l Div'd Yield	***1.0%***

CAPITAL STRUCTURE as of 12/31/18
Total Debt $745 mill. **Due in 5 Yrs** $750 mill.
LT Debt $736 mill. **LT Interest** $29.0 mill.
(6% of Cap'l)

Leases, Uncapitalized: Annual rentals $226 mill.
No Defined Pension Benefit Plan

Pfd Stock None

Common Stock 577,000,000 shs.

MARKET CAP: $34.0 billion (Large Cap)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		22-24
3278.7	4592.4	6121.2	7346.5	8843.2	10263	12416	13487	14810	16125	***16700***	***17375***	Sales ($mill)	***20000***
21.6%	21.0%	20.5%	20.6%	20.9%	21.6%	21.4%	21.2%	21.5%	22.6%	***20.0%***	***21.0%***	Operating Margin	***21.5%***
89.4	103.9	117.4	149.1	172.2	151.3	209.4	229.2	270.0	302.0	***500***	***500***	Depreciation ($mill)	***525***
535.0	733.5	883.6	1051.3	1228.6	1598.7	1874.1	2068.7	2244.0	2670.0	***2215***	***2425***	Net Profit ($mill)	***2900***
16.0%	16.5%	24.4%	24.2%	27.2%	24.9%	25.5%	24.3%	25.7%	23.6%	***25.0%***	***25.0%***	Income Tax Rate	***25.0%***
16.3%	16.0%	14.4%	14.3%	13.9%	15.6%	15.1%	15.3%	15.2%	16.6%	***13.3%***	***14.0%***	Net Profit Margin	***14.5%***
1661.0	2587.5	2875.8	3437.0	4373.4	4158.2	5194.9	6182.0	6272.0	5900.0	***6300***	***6500***	Working Cap'l ($mill)	***7500***
--	--	--	--	--	937.5	881.2	797.0	698.0	736.0	***700.0***	***660.0***	Long-Term Debt ($mill)	***625***
2653.2	3584.4	3952.9	4854.4	6135.8	7740.2	9278.1	10728	10669	11424	***12900***	***14550***	Shr. Equity ($mill)	***19000***
20.2%	20.5%	22.4%	21.7%	20.0%	18.4%	18.5%	18.0%	19.8%	22.1%	***16.5%***	***16.0%***	Return on Total Cap'l	***15.0%***
20.2%	20.5%	22.4%	21.7%	20.0%	20.7%	20.2%	19.3%	21.0%	23.4%	***17.0%***	***16.5%***	Return on Shr. Equity	***15.5%***
20.2%	20.5%	22.4%	21.7%	20.0%	20.7%	20.2%	19.3%	18.5%	19.3%	***13.5%***	***15.0%***	Retained to Com Eq	***13.5%***
--	--	--	--	--	--	--	--	12%	18%	***21%***	***21%***	All Div'ds to Net Prof	***22%***

CURRENT POSITION ($MILL.)	2016	2017	12/31/18
Cash Assets	5169	5056	4511
Receivables	2556	2865	3257
Inventory	--	--	--
Other	875	1190	909
Current Assets	8600	9111	8677
Accts Payable	175	210	215
Debt Due	81	175	9
Deferred Revenue	306	3830	286
Other	1856	2071	2267
Current Liab.	2418	2839	2777

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18 to '22-'24
Sales	21.0%	15.5%	*9.0%*
"Cash Flow"	20.5%	17.5%	*8.5%*
Earnings	21.5%	18.0%	*9.0%*
Dividends	--	--	*18.5%*
Book Value	21.5%	17.5%	*13.5%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2016	3202	3369	3453	3463	13487
2017	3546	3670	3766	3828	14810
2018	3912	4006	4078	4129	16125
2019	4110	***4130***	***4200***	***4260***	***16700***
2020	***4225***	***4300***	***4375***	***4475***	***17375***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2016	.80	.87	.86	.87	3.39
2017	.84	.93	.98	1.03	3.77
2018	1.06	1.19	1.19	1.13	4.57
2019	.91	***.91***	***1.00***	***1.03***	***3.85***
2020	***1.00***	***1.04***	***1.08***	***1.13***	***4.25***

Cal-endar	QUARTERLY DIVIDENDS PAID Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2015	--	--	--	--	--
2016	--	--	--	--	--
2017	--	.15	.15	.15	.45
2018	.20	.20	.20	.20	.80
2019	.20				

BUSINESS: Cognizant Technology Solutions Corp. provides full life cycle solutions to complex software development and maintenance problems that companies face as they transition to e-business. 2018 revenue breakdown by segment: financial related services, 36%; healthcare services, 29%; products and resources, 21%; commun., media, and tech., 14%. Services are provided by on-site teams in conjunction with development centers located primarily in India. Empl.: 281,600 (12/31/18). Stock owners: Two fin'l inst., 15.4%; Off. & dir., less than 1% (4/19 proxy). Chrmn: Michael Patsalos-Fox; CEO: Brian Humphries. Inc.: DE. Addr.: Glenpointe Centre West, 500 Frank W. Burr Blvd., Teaneck, NJ 07666. Tel.: 201-801-0233. Internet: www.cognizant.com.

Cognizant Technology Solutions' financial results for the first quarter disappointed investors. Specifically, revenues came up $90 million short of our estimate in the March period, reflecting ongoing softness in the Financial Services and Healthcare segments. The shortfall, coupled with higher operating expenses due to increased hiring in the last two quarters, led to an operating margin of 16% in the quarter, versus the 18% we had targeted, and adjusted earnings of $0.91 a share were well below our $1.05 estimate. Investors were not shy about registering their dissatisfaction, and bid CTSH shares down sharply in the wake of the latest earnings report.

We have made downward adjustments to our estimates for 2019 and 2020. Although CEO Brian Humphries has just come on board, we think he and his staff are likely to be a positive for the company. Still, it appears there is much to be done to position Cognizant more effectively to meet the market opportunity arising from the digital transformation of its clients' businesses. Accordingly, the company has significantly reduced its revenue and earnings forecast for this year, and we have followed Cognizant's lead. Our figures generally reflect the midpoints of its targeted ranges. To wit, we have cut $550 million and $0.60 a share from our revenue and earnings targets for this year. In terms of profitability, Cognizant has suggested that the second half of 2019 may begin to show improvement. Although we have factored this potential into our presentation, we are nonetheless taking a distinctly more conservative view for next year, reducing our revenue and earnings estimates 7% and 13%, respectively.

What about Cognizant stock? At the recent price, the shares offer good recovery potential over the longer term. That said, as mentioned, CEO Brian Humphries has only just taken the reins, so it may well be best to wait until at least the second half to see how Cognizant begins to evolve under his leadership before making a new commitment. We note our estimates and projections assume Mr. Humphries has a fair degree of success in getting Cognizant back on track. Clearly, there can be no guarantees in this regard.

Charles Clark *May 10, 2019*

(A) Diluted earnings, non-GAAP 2014 forward. Excludes nonrecurring items: '05, $0.08; '14, d$0.26; '15, d$0.41; '16, d$0.85; '17, d$1.24; '18, d$0.97.
Next earnings report in late July.
(B) In millions, adjusted for stock splits.
(C) As of 10:00 am (EDT) 5/3/19.

Company's Financial Strength	A++
Stock's Price Stability	70
Price Growth Persistence	80
Earnings Predictability	100

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