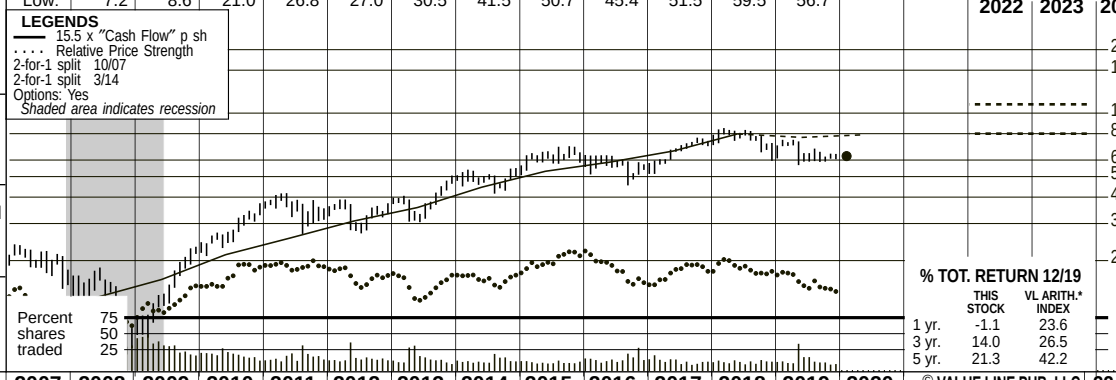
COGNIZANT TECH NDQ-CTSH

RECENT PRICE	62.60	P/E RATIO	15.4 (Trailing: 15.4 / Median: 19.0)	RELATIVE P/E RATIO	0.83	DIV'D YLD	1.3%	VALUE LINE

TIMELINESS 4 Lowered 6/28/19
SAFETY 2 Lowered 5/15/15
TECHNICAL 3 Raised 12/27/19
BETA 1.15 (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	56.7

Target Price Range
2022 | 2023 | 2024



18-Month Target Price Range

Low-High	Midpoint (% to Mid)
$53-$94	$74 (15%)

2022-24 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	110	(+75%)	16%
Low	80	(+30%)	8%

Institutional Decisions

	1Q2019	2Q2019	3Q2019
to Buy	540	360	378
to Sell	402	611	481
Hld's(000)	507342	509321	505507

% TOT. RETURN 12/19

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-1.1	23.6
3 yr.	14.0	26.5
5 yr.	21.3	42.2

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	*30.35*	*31.35*	Sales per sh	*36.75*
.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	*4.95*	*5.10*	"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	*3.97*	*4.10*	Earnings per sh A	*5.25*
--	--	--	--	--	--	--	--	--	--	--	--	--	--	.45	.80	.80	*.80*	Div'ds Decl'd per sh	*1.05*
.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	*20.00*	*22.85*	Book Value per sh	*32.50*
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	*550.00*	*550.00*	Common Shs Outst'g B	*545.00*
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	*16.5*		Avg Ann'l P/E Ratio	*18.0*
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	*.90*		Relative P/E Ratio	*1.00*
--	--	--	--	--	--	--	--	--	--	--	--	--	--	.7%	1.1%	1.2%		Avg Ann'l Div'd Yield	*1.1%*
						3278.7	4592.4	6121.2	7346.5	8843.2	10263	12416	13487	14810	16125	*16730*	*17250*	Sales ($mill)	*20000*
						21.6%	21.0%	20.5%	20.6%	20.9%	21.6%	21.4%	21.2%	21.5%	22.6%	*20.0%*	*19.5%*	Operating Margin	*21.0%*
						89.4	103.9	117.4	149.1	172.2	151.3	209.4	229.2	270.0	302.0	*500*	*525*	Depreciation ($mill)	*550*
						535.0	733.5	883.6	1051.3	1228.6	1598.7	1874.1	2068.7	2244.0	2670.0	*2230*	*2265*	Net Profit ($mill)	*2850*
						16.0%	16.5%	24.4%	24.2%	27.2%	24.9%	25.5%	24.3%	25.7%	23.6%	*24.0%*	*24.0%*	Income Tax Rate	*24.0%*
						16.3%	16.0%	14.4%	14.3%	13.9%	15.6%	15.1%	15.3%	15.2%	16.6%	*13.4%*	*13.1%*	Net Profit Margin	*14.3%*
						1661.0	2587.5	2875.8	3437.0	4373.4	4158.2	5194.9	6182.0	6272.0	5900.0	*4500*	*5000*	Working Cap'l ($mill)	*6000*
						--	--	--	--	--	937.5	881.2	797.0	698.0	736.0	*700.0*	*660.0*	Long-Term Debt ($mill)	*625*
						2653.2	3584.4	3952.9	4854.4	6135.8	7740.2	9278.1	10728	10669	11424	*11000*	*12575*	Shr. Equity ($mill)	*17675*
						20.2%	20.5%	22.4%	21.7%	20.0%	18.4%	18.5%	18.0%	19.8%	22.1%	*12.5%*	*17.0%*	Return on Total Cap'l	*15.5%*
						20.2%	20.5%	22.4%	21.7%	20.0%	20.7%	20.2%	19.3%	21.0%	23.4%	*20.5%*	*18.0%*	Return on Shr. Equity	*16.0%*
						20.2%	20.5%	22.4%	21.7%	20.0%	20.7%	20.2%	19.3%	18.5%	19.3%	*16.0%*	*15.0%*	Retained to Com Eq	*13.0%*
						--	--	--	--	--	--	--	--	12%	18%	*20%*	*18%*	All Div'ds to Net Prof	*20%*

CAPITAL STRUCTURE as of 9/30/19
Total Debt $747 mill. **Due in 5 Yrs** $750 mill.
LT Debt $709 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 547,565,822 shs.
as of 10/25/19
MARKET CAP: $34.3 billion (Large Cap)

CURRENT POSITION ($MILL.)	2017	2018	9/30/19
Cash Assets	5056	4511	3077
Receivables	2865	3257	3438
Inventory	--	--	--
Other	1190	909	876
Current Assets	9111	8677	7391
Accts Payable	210	215	246
Debt Due	175	9	38
Deferred Revenue	3830	286	265
Other	2071	2267	2370
Current Liab.	2839	2777	2919

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18 to '22-'24
Sales	21.0%	15.5%	*6.5%*
"Cash Flow"	20.5%	17.5%	*6.0%*
Earnings	21.5%	18.0%	*5.0%*
Dividends	--	--	*16.5%*
Book Value	21.5%	17.5%	*10.0%*

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	4141	4248	*4231*	*16730*
2020	*4200*	*4250*	*4375*	*4425*	*17250*

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	.94	1.08	*1.04*	*3.97*
2020	*.95*	*1.00*	*1.05*	*1.10*	*4.10*

Cal-endar	QUARTERLY DIVIDENDS PAID C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2016	--	--	--	--	--
2017	--	.15	.15	.15	.45
2018	.20	.20	.20	.20	.80
2019	.20	.20	.20	.20	.80
2020					

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 likely put a decent finish on 2019. (This review went to press before the company released its financial results for the December period.) Growth at the company's Financial Services and Healthcare segments, which accounted for some 63% of total revenues in the first three quarters, probably remained sluggish in the fourth. We note the problems in the Financial Services and Healthcare segments relate to spending plans (in banking) and industry dynamics (recent mergers in healthcare), so a quick reversal of this trend seems unlikely, at this juncture. In addition, earnings seem set to take a step back on a sequential basis in the final quarter of 2019. Cognizant embarked on its program to better position its products and services and revitalize its efforts aimed at guiding its clients through the digital transformation required to effectively compete in today's world in the December period. Although the reorganization and restructuring plan, dubbed 2020 Fit for Growth, should provide long-term benefits, the company's operating margin will likely be pressured, beginning with the fourth quarter, before staging a recovery in 2021.

We have made adjustments to our estimates for 2020. At this writing, Cognizant has not given any specific guidance regarding its financial performance for this year. That said, it has offered some broad commentary with its outline of the 2020 Fit for Growth plan. Although these efforts should work to widen its operating profitability over time, the company will be investing in its business this year, with the net effect being its operating margin may narrow some. The lower margin, combined with the exit from a noncore business and a generally more conservative view for revenue growth, has led us to reduce our top and bottom lines $350 million and $0.20 a share.

What about Cognizant stock? We look for 2020 to be a year of transition, with growth prospects improving in 2021. In the meantime, share earnings will be supported by recent repurchase activity, and the dividend payment adds a degree of comfort. We note our estimates and projections suggest that Cognizant has a fair degree of success in getting back on track.

Charles Clark *February 7, 2020*

(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 April.
(B) In millions, adjusted for stock splits.
(C) Dividends historically paid late February, May, August, and October.

Company's Financial Strength	A++
Stock's Price Stability	70
Price Growth Persistence	70
Earnings Predictability	90

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