COGNIZANT TECHNOLOGY SOLUTIONS CORP
Form 10-K
February 19, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
(Mark One)

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from

to

Commission File Number 0-24429

COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware 13-3728359

(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Glenpointe Centre West 500 Frank W. Burr Blvd. Teaneck, New Jersey	07666
(Address of Principal Executive Offices)	(Zip Code)

Registrant’s telephone number, including area code: (201) 801-0233

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, $0.01 par value per share	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ý Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ý No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ý Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer
Non-accelerated filer	Smaller reporting company
Emerging Growth Company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ý No

The aggregate market value of the registrant’s voting shares of common stock held by non-affiliates of the registrant on June 30, 2018, based on $78.99 per share, the last reported sale price on the Nasdaq Global Select Market of the Nasdaq Stock Market LLC on that date, was $45.7 billion.

The number of shares of Class A common stock, $0.01 par value, of the registrant outstanding as of February 8, 2019 was 575,099,275 shares.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the Annual Report on Form 10-K: Portions of the registrant's definitive Proxy Statement for its 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this Report.

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PART I

Item 1. Business

Overview

Cognizant is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our industry-based, consultative approach helps customers envision, build and run more innovative and efficient businesses. Our services include digital services and solutions, consulting, application development, systems integration, application testing, application maintenance, infrastructure services and business process services. Digital services are becoming an increasingly important part of our portfolio of services and solutions and are often integrated or delivered along with our other services. We tailor our services and solutions to specific industries and use an integrated global delivery model that employs customer service teams based at customer locations and delivery teams located at customer locations and dedicated global and regional delivery centers.

Business Segments

We go to market across our four industry-based business segments. Our customers seek to partner with service providers that have a deep understanding of their businesses, industry initiatives, clients, markets and cultures and the ability to create solutions tailored to meet their individual business needs. We believe that our deep knowledge of the industries we serve and our clients' businesses has been central to our revenue growth and high customer satisfaction. Our business segments are as follows:

Financial Services	Healthcare	Products and Resources	Communications, Media and Technology
		• Retail and Consumer Goods	
• Banking	• Healthcare	• Manufacturing and Logistics	• Communications and Media
• Insurance	• Life Sciences	• Travel and Hospitality	• Technology
		• Energy and Utilities	

Our Financial Services segment includes banking, capital markets and insurance companies. Demand in this segment is driven by our customers' focus on cost optimization in the face of profitability pressures, the need to be compliant with significant regulatory requirements and adaptable to regulatory change, and their adoption and integration of digital technologies, including customer experience enhancement, robotic process automation, analytics and artificial intelligence in areas such as digital lending and next generation payments.

Our Healthcare segment consists of healthcare providers and payers as well as life sciences companies, including pharmaceutical, biotech and medical device companies. Demand in this segment is driven by emerging industry trends, including enhanced compliance, integrated health management, claims investigative services, as well as services that drive operational improvements in areas such as claims processing, enrollment, membership and billing, in addition to the adoption and integration of digital technologies, such as artificial intelligence, personalized care plans and predictive data analytics to improve patient outcomes.

Our Products and Resources segment includes manufacturers, retailers, travel and hospitality companies, as well as companies providing logistics, energy and utility services. Demand in this segment is driven by our customers' focus on improving the efficiency of their operations, the enablement and integration of mobile platforms to support sales and other omni channel commerce initiatives, and their adoption and integration of digital technologies, such as the application of intelligent systems to manage supply chain and enhance overall customer experiences.

Our Communications, Media and Technology segment includes information, media and entertainment, communications and technology companies. Demand in this segment is driven by our customers' need to manage their digital content, create differentiated user experiences, transition to agile development methodologies, enhance their networks and adopt and integrate digital technologies, such as cloud enablement and interactive and connected products.

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For the year ended December 31, 2018, the distribution of our revenues across our four industry-based business segments was as follows:

See Note 3 to our consolidated financial statements for additional information related to disaggregation of revenues by customer location, service line and contract-type for each of our business segments.

Services and Solutions

Our services include digital services and solutions, consulting, application development, systems integration, application testing, application maintenance, infrastructure services and business process services. Additionally, we develop, license, implement and support proprietary and third-party software products and platforms for the healthcare industry. Digital services and solutions, such as analytics and artificial intelligence, digital engineering, intelligent process automation, interactive and hybrid cloud, are becoming an increasingly important part of our portfolio of services and solutions. In many cases, our customers' new digital systems are built upon the backbone of their existing legacy systems. Also, customers often look for efficiencies in the way they run their operations so they can fund investments in new digital capabilities. We believe our deep knowledge of their infrastructure and systems provides us with a significant advantage as we work with them to build new digital capabilities and apply digital technologies to make their operations more efficient. We deliver all our services and solutions across our four industry-based business segments to best address our customers individual needs.

We seek to drive organic growth through investments in our digital capabilities, including the extensive training and re-skilling of our technical teams and the expansion of our local workforces in the United States and other markets around the world where we operate. Additionally, we pursue select strategic acquisitions, joint ventures, investments and alliances that can expand our digital capabilities or the geographic or industry coverage of our business. In 2018, we completed five such acquisitions: Bolder Healthcare Solutions, a provider of revenue cycle management solutions to the healthcare industry in the United States; Hedera Consulting, a business advisory and data analytics service provider in Belgium and the Netherlands; Softvision, a digital engineering and consulting company with significant operations in Romania and India that focuses on agile development of custom cloud-based software and platforms for customers primarily in the United States; ATG, a United States based consulting company that helps companies plan, implement, and optimize automated cloud-based quote-to-cash business processes and technologies; and SaaSfocus, a Salesforce services provider in Australia.

We have organized our services and solutions into three practice areas: Digital Business, Digital Operations, and Digital Systems and Technology. These practice areas are supported by Cognizant Consulting, our Global Technology Office and Cognizant Accelerator.

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Cognizant Digital Business

Our digital business practice helps customers rethink their business models, working with customers to reinvent existing businesses and create new ones by innovating products, services, and experiences. Areas of focus within this practice area are digital strategy, artificial intelligence and analytics, connected products, interactive user experiences and digital engineering that builds next-generation applications and experiences at speed and scale. These services are often delivered along with our application development, systems integration and digital services.

Cognizant Digital Operations

Our digital operations practice helps customers rethink their operating models and modernize their business operations by re-engineering and managing their most essential business processes resulting in lower operating costs, better employee and customer outcomes and improved top-line growth. Areas of focus within this practice area are intelligent process automation, industry and platform solutions and enterprise services. We have extensive knowledge of core front office, middle office and back office processes, including finance and accounting, procurement, data management, and research and analytics, which we integrate with our industry and technology expertise to deliver targeted business process services and solutions. Our highly specialized domain expertise is important in creating industry-aligned solutions for our customers' needs in areas such as clinical data management, pharmacovigilance, equity research support, commercial operations and order management.

Cognizant Digital Systems & Technology

Our digital systems and technology practice helps customers reshape their technology models to simplify, modernize and secure the enabling systems that form the backbone of their business. Areas of focus within this practice area include system integration services, infrastructure services (including cloud), quality engineering and assurance, and security and application services. Our application services include traditional development, testing and maintenance and agile development of new software and applications that transform existing businesses at speed and scale.

Cognizant Consulting, Global Technology Office, and Cognizant Accelerator

Supporting our three practice areas, the Cognizant Consulting team provides global business, process, operations and technology consulting services to our customers. Our consulting professionals and domain experts from our industry-focused business segments work closely with our practice areas to create frameworks, platforms and solutions that customers find valuable as they pursue new efficiencies and look to leverage digital technologies across their operations. Our Global Technology Office and Cognizant Accelerator focus on utilizing new technologies to develop innovative and practical offerings for customers' emerging needs and support our business segments and practice areas.

Global Delivery Model

We utilize a global delivery model, with delivery centers worldwide, to provide the full range of services we offer to our customers. Our global delivery model includes four distinct delivery methods, with most customer engagements utilizing several or all of these delivery methods. Our global delivery model includes employees located in the following locations: customers' sites, local or in-country delivery centers, regional delivery centers and offshore delivery centers. As we scale our digital services and solutions, we are focused on hiring in the United States and other countries to expand our in-country delivery capabilities. Our extensive facilities, technology and communications infrastructure are designed to enable the effective collaboration of our global workforce across locations and geographies.

Sales and Marketing

We market and sell our services directly through our professional staff, senior management and direct sales personnel operating out of our global headquarters and business development offices, which are strategically located around the world. The sales and marketing group works with our customer delivery team as the sales process moves closer to a customer's selection of a services provider. The duration of the sales process may vary widely depending on the type and complexity of services.

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Customers

The services we provide are distributed among a number of customers in each of our business segments. A loss of a significant customer or a few significant customers in a particular segment could materially reduce revenues for that segment. However, the services we provide to our larger customers are often critical to their operations and a termination of our services would typically require an extended transition period with gradually declining revenues. The volume of work performed for specific customers is likely to vary from year to year, and a significant customer in one year may not use our services in a subsequent year. Revenues from our top customers as a percentage of total revenues were as follows:

	For the years ended December 31,		
	2018	2017	2016
Top five customers	8.6 %	8.9 %	10.0 %
Top ten customers	15.4 %	14.9 %	16.7 %

Competition

The markets for our services are highly competitive, characterized by a large number of participants and subject to rapid change. Competitors may include systems integration firms, contract programming companies, application software companies, cloud computing service providers, traditional consulting firms, professional services groups of computer equipment companies, infrastructure management and outsourcing companies and boutique digital companies. Our direct competitors include, among others, Accenture, Atos, Capgemini, Deloitte Digital, DXC Technology, EPAM Systems, Genpact, HCL Technologies, IBM Global Services, Infosys Technologies, Tata Consultancy Services and Wipro. In addition, we compete with numerous smaller local companies in the various geographic markets in which we operate.

The principal competitive factors affecting the markets for our services include the provider's reputation and experience, vision and strategic advisory ability, digital services capabilities, performance and reliability, responsiveness to customer needs, financial stability, corporate governance and competitive pricing of services. Accordingly, we rely on the following to compete effectively:

- investments to scale our digital services;
- our recruiting, training and retention model;
- our global service delivery model;
- an entrepreneurial culture and approach to our work;
- a broad customer referral base;
- investment in process improvement and knowledge capture;
- financial stability and good corporate governance;
- continued focus on responsiveness to customer needs, quality of services and competitive prices; and
- project management capabilities and technical expertise.

Intellectual Property

We provide value to our customers based, in part, on our proprietary innovations, methodologies, reusable knowledge capital and other intellectual property ("IP") assets. We recognize the importance of IP and its ability to differentiate us from our competitors. We seek IP protection for some of our innovations and rely on a combination of IP laws, confidentiality procedures and contractual provisions, to protect our IP and our brand. We have registered, and applied for the registration of, U.S. and international trademarks, service marks, domain names and copyrights. We own or are licensed under a number of patents, trademarks, copyrights, and licenses, which vary in duration, relating to our products and services. While our proprietary IP rights are important to our success, we believe our business as a whole is not materially dependent on any particular IP right, or any particular group of patents, trademarks, copyrights or licenses.

Employees

We had approximately 281,600 employees at the end of 2018, with approximately 50,000 in North America, approximately 18,300 in Europe and approximately 213,300 in various other locations throughout the rest of the world, including approximately 194,700 in India. We are not party to any significant collective bargaining agreements.

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Our Executive Officers

On February 6, 2019, we announced that the Board of Directors has appointed Brian Humphries as our Chief Executive Officer and as a member of the Board, in each case effective April 1, 2019. Francisco D'Souza will step down as the Company's Chief Executive Officer, effective April 1, 2019, and has agreed to serve as an advisor to the new Chief Executive Officer with the title of "Executive Vice Chairman" from April 1, 2019 through June 30, 2019. Thereafter, he will continue to serve as Vice Chairman of the Board of Directors. Rajeev Mehta will step down as our President, effective on April 1, 2019, and will thereafter serve as an advisor to the new Chief Executive Officer from April 1, 2019 through May 1, 2019, at which point Mr. Mehta's employment with us will terminate.

The following table identifies our current executive officers:

Name	Age	Capacities in Which Served	In Current Position Since
Francisco D'Souza(1)	50	Chief Executive Officer	2007
Rajeev Mehta(2)	52	President	2016
Karen McLoughlin(3)	54	Chief Financial Officer	2012
Ramakrishnan Chandrasekaran(4)	61	Executive Vice Chairman, Cognizant India	2013
Debashis Chatterjee(5)	53	Executive Vice President and President, Global Delivery	2016
Ramakrishna Prasad Chintamaneni(6)	49	Executive Vice President and President, Global Industries and Consulting	2016
Malcolm Frank(7)	52	Executive Vice President, Strategy and Marketing	2012
Matthew Friedrich (8)	52	Executive Vice President, General Counsel, Chief Corporate Affairs Officer and Secretary	2017
Sumithra Gomatam(9)	51	Executive Vice President and President, Digital Operations	2016
Gajakarnan Vibushanan Kandiah(10)	51	Executive Vice President and President, Digital Business	2016
Venkat Krishnaswamy(11)	65	Vice Chairman, Healthcare and Life Sciences	2013
James Lennox(12)	54	Executive Vice President, Chief People Officer	2016
Sean Middleton(13)	37	Senior Vice President and President, Cognizant Accelerator	2017
Allen Shaheen(14)	56	Executive Vice President, North American Digital Hubs	2018
Dharmendra Kumar Sinha(15)	56	Executive Vice President and President, Global Client Services	2013
Robert Telesmanic(16)	52	Senior Vice President, Controller and Chief Accounting Officer	2017
Santosh Thomas(17)	50	Executive Vice President and President, Global Growth Markets	2016
Srinivasan Veeraraghavachary(18)	59	Chief Operating Officer	2016

(1) Francisco D'Souza has been our Chief Executive Officer and a member of the Board of Directors since 2007. He has been Vice Chair of our Board of Directors since 2018. He also served as our President from 2007 to 2012. Mr. D'Souza joined Cognizant as a co-founder in 1994, the year it was started as a division of The Dun & Bradstreet Corporation, and was our Chief Operating Officer from 2003 to 2006 and held a variety of other senior management positions at Cognizant from 1997 to 2003. Mr. D'Souza has served on the Board of Directors of General Electric Company ("GE") since 2013, where he is currently a member of the Governance & Public Affairs Committee and the Management Development & Compensation Committee. He also serves on the Board of Trustees of Carnegie Mellon University and as Co-Chairman of the Board of Trustees of The New York Hall of Science. Mr. D'Souza has a Bachelor of Business Administration degree from the University of Macau and a Master of Business Administration ("MBA") degree from Carnegie Mellon University.

(2) Rajeev Mehta has been our President since September 2016. From December 2013 to September 2016, Mr. Mehta served as our Chief Executive Officer, IT Services. From February 2012 to December 2013, Mr. Mehta served as our Group Chief Executive - Industries and Markets. Mr. Mehta held other senior management positions in client

services and our financial services business segment from 2001 to 2012. Prior to joining Cognizant in 1997, Mr. Mehta was involved in implementing GE Information Services' offshore outsourcing program and also held consulting positions at Deloitte & Touche LLP and

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Andersen Consulting. Mr. Mehta has a Bachelor of Science degree from the University of Maryland and an MBA degree from Carnegie Mellon University.

(3) Karen McLoughlin has been our Chief Financial Officer since February 2012. Ms. McLoughlin has held various senior management positions in our finance department since she joined Cognizant in 2003. Prior to joining Cognizant, Ms. McLoughlin held various financial management positions at Spherion Corporation and Ryder System, Inc. and served in various audit roles at Price Waterhouse (now PricewaterhouseCoopers). Ms. McLoughlin has served on the Board of Directors of Best Buy Co., Inc. since 2015, where she is currently a member of the Audit Committee and the Finance and Investment Policy Committee. Ms. McLoughlin has a Bachelor of Arts degree in Economics from Wellesley College and an MBA degree from Columbia University.

(4) Ramakrishnan Chandrasekaran has been our Executive Vice Chairman, Cognizant India since December 2013. From February 2012 to December 2013, Mr. Chandrasekaran served as our Group Chief Executive - Technology and Operations. Mr. Chandrasekaran held other senior management positions in global delivery from 1999 to 2012. Prior to joining us in 1994, Mr. Chandrasekaran worked with Tata Consultancy Services. Mr. Chandrasekaran has a Mechanical Engineering degree and an MBA degree from the Indian Institute of Management.

(5) Debashis Chatterjee has been our Executive Vice President and President, Global Delivery and managed our Digital Systems and Technology practice area since August 2016. From December 2013 to August 2016, Mr. Chatterjee served as Executive Vice President and President, Technology Solutions. From May 2013 to December 2013, Mr. Chatterjee served as Senior Vice President and Global Head, Technology and Information Services. From March 2012 to April 2013, he was Senior Vice President, Transformational Services. Mr. Chatterjee worked at International Business Machine Corporation from 2011 to 2012 as Vice President and Sectors Leader, Global Business Services, Global Delivery. Prior to that, Mr. Chatterjee held various senior positions in the Banking and Financial Services ("BFS") practice at Cognizant from 2004 to 2011 and other management roles at Cognizant since joining us in 1996. He has been in our industry since 1987, having previously worked at Tata Consultancy Services and Mahindra & Mahindra. Mr. Chatterjee has a Bachelor of Engineering degree in Mechanical Engineering from Jadavpur University in India.

(6) Ramakrishna Prasad Chintamaneni has been our Executive Vice President and President, Global Industries and Consulting since August 2016. Mr. Chintamaneni served as our Executive Vice President and President, BFS, from December 2013 to August 2016. From 2011 to December 2013, Mr. Chintamaneni served as our Global Head of the BFS practice. Mr. Chintamaneni held various senior positions in the BFS practice from 2006 to 2011 and was a client partner in our BFS practice from 1999 to 2006. Prior to joining Cognizant in 1999, Mr. Chintamaneni spent seven years in the investment banking and financial services industry, including working at Merrill Lynch and its affiliates for five years as an Investment Banker and a member of Merrill’s business strategy committee in India. Mr. Chintamaneni has a Bachelor of Technology degree in Chemical Engineering from the Indian Institute of Technology, Kanpur and a Postgraduate Diploma in Business Management from the XLRI - Xavier School of Management in India.

(7) Malcolm Frank has been our Executive Vice President, Strategy and Marketing since February 2012. Mr. Frank served as our Senior Vice President of Strategy and Marketing from 2005 to 2012. Prior to joining Cognizant in 2005, Mr. Frank was a founder and the President and Chief Executive Officer of CXO Systems, Inc., an independent software vendor providing dashboard solutions for senior managers, a founder and the President, Chief Executive Officer and Chairman of NerveWire Inc., a management consulting and systems integration firm, and a founder and executive officer at Cambridge Technology Partners, an information technology professional services firm. Mr. Frank has served on the Board of Directors of Factset Research Systems Inc. since June 2016, where he is a member of the Compensation Committee. Mr. Frank has a Bachelor degree in Economics from Yale University.

(8) Matthew Friedrich has been our Executive Vice President, General Counsel, Chief Corporate Affairs Officer and Secretary since May 2017. Prior to joining Cognizant, Mr. Friedrich was Chief Corporate Counsel for Chevron Corporation, a multinational energy company, from August 2014 to May 2017, a partner with the law firm of Freshfields Bruckhaus Deringer LLP from April 2013 to August 2014 and a partner with the law firm of Boies Schiller & Flexner LLP from June 2009 to April 2013. Mr. Friedrich began his legal career in 1995 as a federal

prosecutor with the United States Department of Justice, where he remained for nearly 14 years, culminating with his designation as the acting assistant Attorney General of the Criminal Division in 2008. Mr. Friedrich is a life member of the Council on Foreign Relations and serves on the Board of Directors of the U.S.-India Business Council. Mr. Friedrich has a Bachelor of Arts degree in Foreign Affairs from the University of Virginia and a Juris Doctor degree from the University of Texas School of Law.

(9) Sumithra Gomatam has been our Executive Vice President and President, Digital Operations since August 2016. From December 2013 to August 2016, Ms. Gomatam served as our Executive Vice President and President, Industry Solutions. From 2008 to December 2013, Ms. Gomatam served as Senior Vice President, and global leader for our Testing practice. Ms. Gomatam held other management positions in our global delivery and BFS practices from 1995 to 2008. Ms. Gomatam has a Bachelor of Engineering degree in Electronics and Communication from Anna University.

(10) Gajakarnan Vibushanan Kandiah has been our Executive Vice President and President, Digital Business since August 2016. Mr. Kandiah previously served as Executive Vice President of Business Process Services ("BPS") and Digital Works from January 2014 to August 2016, and as Senior Vice President of BPS from 2011 to December 2013. Previous roles he held at

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Cognizant included roles in System Integration, Testing, BPS, Information, Media and Entertainment, and Communications practices. Before joining Cognizant in 2003, Mr. Kandiah was a founder and the Chief Operating Officer of NerveWire, Inc. and the Global Vice President of the Interactive Solutions business of Cambridge Technology Partners. Mr. Kandiah completed his advanced level education at the Royal College in Sri Lanka.

(11) Venkat Krishnaswamy has been our Vice Chairman, Healthcare and Life Sciences since May 2017. From December 2013 to May 2017, he served as our President of Healthcare and Life Sciences. From February 2012 to December 2013, Mr. Krishnaswamy served as our Executive Vice President of Healthcare and Life Sciences. Mr. Krishnaswamy served as our Senior Vice President and General Manager of Healthcare and Life Sciences from 2007 to 2012 and in various other management positions since he joined Cognizant in 1997. Prior to joining Cognizant, Mr. Krishnaswamy spent over ten years in retail and commercial banking with Colonial State Bank (now Commonwealth Bank of Australia). Mr. Krishnaswamy has a Bachelor of Engineering degree from the University of Madras and a Master of Electrical Engineering degree from the Indian Institute of Technology, New Delhi.

(12) James Lennox has been our Executive Vice President, Chief People Officer since January 2016. Mr. Lennox previously served as our Senior Vice President, Chief People Officer from June 2013 to December 2016, and as Vice President, North America Human Resources ("HR") from July 2011 to June 2013. Previous roles he held at Cognizant included leading the Workforce Management team, Operations Director for our Banking and Insurance practices, leading regional HR teams, and serving as the Chief of Staff to the Company’s Chief Executive Officer. Prior to joining Cognizant in 2004, Mr. Lennox held various management roles in operations, HR, resource management and recruiting for the North American regions of Cap Gemini and Ernst & Young. He started his career at Ernst & Young Consulting. Mr. Lennox has a Bachelor of Science degree in Business Administration from St. Thomas Aquinas College and an MBA degree from Fordham University.

(13) Sean Middleton has been our Senior Vice President and President, Cognizant Accelerator since January 2017. He was previously Vice President and President, Cognizant Accelerator from July 2016 to January 2017. Mr. Middleton served as Chief Operating Officer of our Emerging Business Accelerator division from 2012 to July 2016 and as Chief of Staff to the Company's Chief Executive Officer from 2010 to 2013. Prior to joining Cognizant in 2010, Mr. Middleton worked at PricewaterhouseCoopers as a management consultant. Mr. Middleton has a Bachelor degree in Computer Science from Cornell University and an MBA degree from the Wharton School at the University of Pennsylvania.

(14) Allen Shaheen has been our Executive Vice President, North American Digital Hubs since January 2018. He has also served as a director of the Cognizant U.S. Foundation, a non-profit organization, since April 2018. From August 2015 to December 2017, Mr. Shaheen was Executive Vice President, Corporate Development. From December 2013 to August 2016, Mr. Shaheen was also responsible for various Cognizant practices, including our Enterprise Application Services Practice. Mr. Shaheen was the General Manager for our German business unit from February 2013 to December 2014 and our Markets Delivery Leader for Europe from May 2012 to December 2014. Mr. Shaheen's prior roles included being responsible for our IT Infrastructure Services, head of our Global Technology Office and head of our Systems Integration and Testing practices. Prior to joining Cognizant in 2006, Mr. Shaheen was a consultant for Cognizant from 2004 to 2006, a founder and Executive Vice President of International Operations of Cambridge Technology Partners and the Chief Executive Officer of ArsDigita Corporation. Mr. Shaheen has a Bachelor of Arts degree in Engineering and Applied Sciences from Harvard College.

(15) Dharmendra Kumar Sinha has been our Executive Vice President and President, Global Client Services since December 2013. He has also served as President and a director of the Cognizant U.S. Foundation, a non-profit organization, since April 2018. From 2007 to December 2013, Mr. Sinha served as our Senior Vice President and General Manager, Global Sales and Field Marketing. From 2004 to 2007, Mr. Sinha served as our Vice President, responsible for our Manufacturing and Logistics, Retail and Hospitality, and Technology verticals. From 1997 to 2004, Mr. Sinha held a variety of other management roles. Prior to joining Cognizant in 1997, Mr. Sinha worked with Tata Consultancy Services and CMC Limited, an IT solutions provider. Mr. Sinha has a Bachelor of Science degree from Patna Science College, Patna and an MBA degree from the Birla Institute of Technology, Mesra.

(16) Robert Telesmanic has been our Senior Vice President, Controller and Chief Accounting Officer since January 2017, a Senior Vice President since 2010 and our Corporate Controller since 2004. Prior to that, he served as our Assistant Corporate Controller from 2003 to 2004. Prior to joining Cognizant, Mr. Telesmanic spent over 14 years with Deloitte & Touche LLP. Mr. Telesmanic has a Bachelor of Science degree from New York University and an MBA degree from Columbia University.

(17) Santosh Thomas has been our Executive Vice President and President, Global Growth Markets since August 2016. Prior to his current role, Mr. Thomas served as our Head, Growth Markets from 2011 through July 2016. From 1999 to 2011, Mr. Thomas held various senior positions at Cognizant including leading Continental European operations and various roles in client relationships and market development in North America. Prior to joining Cognizant in 1999, Mr. Thomas worked with Informix and HCL Hewlett Packard Limited. Mr. Thomas has an undergraduate degree in engineering from RV College of Engineering, Bangalore and a Postgraduate Diploma in Business Management from the XLRI - Xavier School of Management in India.

(18) Srinivasan Veeraraghavachary has been our Chief Operating Officer since August 2016. Prior to his current role, Mr. Veeraraghavachary served as our Executive Vice President, Products and Resources from December 2013 to November 2016 and as our Senior Vice President, Products and Resources from 2011 to December 2013. Previously, he served in various senior management positions in our BFS practice and in our central U.S. operations. Mr. Veeraraghavachary joined Cognizant

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in 1998. Mr. Veeraraghavachary has a Bachelor degree in Mechanical Engineering from the National Institute of Technology (formerly the Regional Engineering College) in Trichy, India and an MBA degree from the Indian Institute of Management in Calcutta, India.

None of our executive officers is related to any other executive officer or to any of our Directors. Our executive officers are appointed annually by the Board of Directors and generally serve until their successors are duly appointed and qualified.

Corporate History

We began our IT development and maintenance services business in early 1994 as an in-house technology development center for The Dun & Bradstreet Corporation and its operating units. In 1996, we were spun-off from The Dun & Bradstreet Corporation and, in 1998, we completed an initial public offering to become a public company.

Available Information

We make available the following public filings with the Securities and Exchange Commission ("SEC") free of charge through our website at www.cognizant.com as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC:

- our Annual Reports on Form 10-K and any amendments thereto;
- our Quarterly Reports on Form 10-Q and any amendments thereto; and
- our Current Reports on Form 8-K and any amendments thereto.

In addition, we make available our code of ethics entitled “Core Values and Code of Ethics” free of charge through our website. We intend to post on our website all disclosures that are required by law or Nasdaq Stock Market listing standards concerning any amendments to, or waivers from, any provision of our code of ethics.

No information on our website is incorporated by reference into this Form 10-K or any other public filing made by us with the SEC.

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Item 1A. Risk Factors

Factors That May Affect Future Results

We face various important risks and uncertainties, including those described below, that could adversely affect our business, results of operations and financial condition and, as a result, cause a decline in the trading price of our common stock.

Our results of operations could be adversely affected by economic and political conditions globally and in particular in the markets in which our customers and operations are concentrated.

Global macroeconomic conditions have a significant effect on our business as well as the businesses of our customers. Volatile, negative or uncertain economic conditions could cause our customers to reduce, postpone or cancel spending on projects with us and could make it more difficult for us to accurately forecast customer demand and have available the right resources to profitably address such customer demand. The short-term nature of contracts in our industry means that actions by customers may occur quickly and with little warning, which may cause us to incur extra costs where we have employed more professionals than customer demand supports.

Our business is particularly susceptible to economic and political conditions in the markets where our customers or operations are concentrated. Our revenues are highly dependent on customers located in the United States and Europe, and any adverse economic, political or legal uncertainties or adverse developments, including due to the anticipated exit of the United Kingdom from the European Union as a result of the 2016 United Kingdom referendum to exit the European Union (the "Brexit Referendum") may cause customers in these geographies to reduce their spending and materially adversely impact our business. Many of our customers are in the financial services and healthcare industries, so any decrease in growth or significant consolidation in these industries or regulatory policies that restrict these industries may reduce demand for our services. Economic and political developments in India, where a significant majority of our operations and technical professionals are located, or in other countries where we maintain delivery operations, may also have a significant impact on our business and costs of operations. As a developing country, India has experienced and may continue to experience high inflation and wage growth, fluctuations in gross domestic product growth and volatility in currency exchange rates, any of which could materially adversely affect our cost of operations. Additionally, we benefit from governmental policies in India that encourage foreign investment and promote the ease of doing business, such as tax incentives, and any change in policy or circumstances that results in the elimination of such benefits or degradation of the rule of law, or imposition of new adverse restrictions or costs on our operations could have a material adverse effect on our business, results of operations and financial condition.

If we are unable to attract, train and retain skilled professionals, including highly skilled technical personnel to satisfy customer demand and senior management to lead our business globally, our business and results of operations may be materially adversely affected.

Our success is dependent, in large part, on our ability to keep our supply of skilled professionals, including project managers, IT engineers and senior technical personnel, in balance with customer demand around the world and on our ability to attract and retain senior management with the knowledge and skills to lead our business globally. Each year, we must hire tens of thousands of new professionals and retrain, retain, and motivate our workforce of hundreds of thousands of professionals with diverse skills and expertise in order to serve customer demands across the globe, respond quickly to rapid and ongoing technological, industry and macroeconomic developments and grow and manage our business. We also must continue to maintain an effective senior leadership team. The loss of senior executives, or the failure to attract, integrate and retain new senior executives as the needs of our business require, could have a material adverse effect on our business and results of operations.

Competition for skilled labor is intense and, in some jurisdictions in which we operate, there are more jobs for IT professionals than qualified persons to fill these jobs. Our business has experienced significant employee attrition, which may cause us to incur increased costs to hire new professionals with the desired skills. Costs associated with recruiting and training professionals are significant. If we are unable to hire or deploy professionals with the needed skillsets or if we are unable to adequately equip our professionals with the skills needed, this could materially adversely affect our business. Additionally, if we are unable to maintain an employee environment that is competitive and contemporary, it could have an adverse effect on engagement and retention, which may materially adversely affect our business.

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We face challenges related to growing our business organically as well as inorganically through acquisitions, and we may not be able to achieve our targeted growth rates.

Achievement of our targeted growth rates requires continued significant organic growth of our business as well as inorganic growth through acquisitions. To achieve such growth, we must, among other things, continue to significantly expand our global operations, increase our product and service offerings and scale our infrastructure to support such business growth. Continued business growth increases the complexity of our business and places significant strain on our management, personnel, operations, systems, technical performance, financial resources, and internal financial control and reporting functions, which we will have to continue to develop and improve to sustain such growth. We must continually recruit, train and retain technical, finance, marketing and management personnel with the knowledge, skills and experience that our business model requires and effectively manage our personnel worldwide to support our culture, values, strategies and goals. Additionally, we expect to continue pursuing strategic and targeted acquisitions, investments and joint ventures to enhance our offerings of services and solutions or to enable us to expand in certain geographic and other markets. We may not be successful in identifying suitable opportunities, completing targeted transactions or achieving the desired results, and such opportunities may divert our management's time and focus away from our core business. We may face challenges in effectively integrating acquired businesses into our ongoing operations and in assimilating and retaining employees of those businesses into our culture and organizational structure. If we are unable to manage our growth effectively, complete acquisitions of the number, magnitude and nature we have targeted, or successfully integrate any acquired businesses into our operations, we may not be able to achieve our targeted growth rates or improve our market share, profitability or competitive position generally or in specific markets or services.

We may not be able to achieve our profitability and capital return goals.

Our goals for profitability and capital return rely upon a number of assumptions, including our ability to improve the efficiency of our operations and make successful investments to grow and further develop our business. Our profitability depends on the efficiency with which we run our operations and the cost of our operations, especially the compensation and benefits costs of the professionals we employ. We may not be able to efficiently utilize our professionals if increased regulation, policy changes or administrative burdens of immigration, work visas or outsourcing prevents us from deploying our professionals globally on a timely basis, or at all, to fulfill the needs of our customers. Wage and other cost pressures may put pressure on our profitability. Fluctuations in foreign currency exchange rates can also have adverse effects on our revenues, income from operations and net income when items originally denominated in other currencies are translated or remeasured into U.S. dollars for presentation of our consolidated financial statements. We have entered into foreign exchange forward contracts intended to partially offset the impact of the movement of the exchange rates on future operating costs and to mitigate foreign currency risk on foreign currency denominated net monetary assets. However, the hedging strategies that we have implemented, or may in the future implement, to mitigate foreign currency exchange rate risks may not reduce or completely offset our exposure to foreign exchange rate fluctuations and may expose our business to unexpected market, operational and counterparty credit risks. We are particularly susceptible to wage and cost pressures in India and the exchange rate of the Indian rupee relative to the currencies of our customer contracts due to the fact that the substantial majority of our employees are in India while our contracts with customers are typically in the local currency of the country where our customers are located. If we are unable to improve the efficiency of our operations, our operating margin may decline and our business, results of operations and financial condition may be materially adversely affected. Failure to achieve our profitability goals could adversely affect our business, financial condition and results of operations.

With respect to capital return, our ability and decisions to pay dividends and repurchase shares consistent with our announced goals or at all depend on a variety of factors, including our cash flow generated from operations, the amount and geographic location of our cash and investment balances, our net income, our overall liquidity position, potential alternative uses of cash, such as acquisitions, and anticipated future economic conditions and financial results. Failure to achieve our capital return goals may adversely impact our reputation with shareholders and shareholders’ perception of our business and the value of our common stock.

Our failure to meet specified service levels required by certain of our contracts may result in our contracts being less profitable, potential liability for penalties or damages or reputational harm.

Many of our contracts include clauses that tie our compensation to the achievement of agreed-upon performance standards or milestones. Failure to satisfy these measures could significantly reduce or eliminate our fees under the contracts, increase the cost to us of meeting performance standards or milestones, delay expected payments, subject us to potential damage claims under the contract terms or harm our reputation. Customers also often have the right to terminate a contract and pursue damage claims for serious or repeated failure to meet these service commitments. Some of our contracts provide that a portion of our compensation depends on performance measures such as cost-savings, revenue enhancement, benefits produced, business goals attained and adherence to schedule. These goals can be complex and may depend on our customers' actual levels of business activity or may be based on assumptions that are later determined not to be achievable or accurate. As such, these provisions may increase the variability in revenues and margins earned on those contracts.

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We face intense and evolving competition in the rapidly changing markets we compete in.

The markets we serve and operate in are highly competitive, subject to rapid change and characterized by a large number of participants, as described in "Part I, Item 1. Business-Competition." In addition to large, global competitors, we face competition from numerous smaller, local competitors in many geographic markets that may have more experience with operations in these markets, have well-established relationships with our desired customers, or be able to provide services and solutions at lower costs or on terms more attractive to customers than we can. Consolidation activity may also result in new competitors with greater scale, a broader footprint or vertical integration that makes them more attractive to customers as a single provider of integrated products and services. In addition, the short-term nature of contracts in our industry and the long-term concurrent use by many customers of multiple professional service providers means that we are required to be continually competitive on the quality, scope and pricing of our offerings or face a reduction or elimination of our business.

Our success depends on our ability to continue to develop and implement services and solutions that anticipate and respond to rapid and continuing changes in technology to serve the evolving needs of our customers. If we do not sufficiently invest in new technologies, successfully adapt to industry developments and changing demand, and evolve and expand our business at sufficient speed and scale to keep pace with the demands of the markets we serve, we may be unable to develop and maintain a competitive advantage and execute on our growth strategy, which would materially adversely affect our business, results of operations and financial condition.

Our relationships with our third party alliance partners, who supply us with necessary components to the services and solutions we offer our customers, are also critical to our ability to provide many of our services and solutions that address customer demands. There can be no assurance that we will be able to maintain such relationships. Among other things, such alliance partners may in the future decide to compete with us, form exclusive or more favorable arrangements with our competitors or otherwise reduce our access to their products impairing our ability to provide the services and solutions demanded by customers.

We face legal, reputational and financial risks if we fail to protect customer and/or Cognizant data from security breaches or cyberattacks.

In order to provide our services and solutions, we depend on global information technology networks and systems, including those of third parties, to process, transmit, host and securely store electronic information (including our confidential information and the confidential information of our customers) and to communicate among our locations around the world and with our customers, suppliers and partners. Security breaches, employee malfeasance, or human or technological error could lead to shutdowns or disruptions of our operations and potential unauthorized disclosure of our or our customers' sensitive data, which in turn could jeopardize projects that are critical to our operations or the operations of our customers' businesses. Like other global companies, we and the businesses we interact with have experienced threats to data and systems, including by perpetrators of random or targeted malicious cyberattacks, computer viruses, malware, worms, bot attacks or other destructive or disruptive software and attempts to misappropriate customer information and cause system failures and disruptions.

A security compromise of our information systems or of those of businesses with whom we interact that results in confidential information being accessed by unauthorized or improper persons could harm our reputation and expose us to regulatory actions, customer attrition, remediation expenses, disruption of our business, and claims brought by our customers or others for breaching contractual confidentiality and security provisions or data protection laws. Monetary damages imposed on us could be significant and not covered by our liability insurance. Techniques used by bad actors to obtain unauthorized access, disable or degrade service, or sabotage systems evolve frequently and may not immediately produce signs of intrusion, and we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, a security breach could require that we expend substantial additional resources related to the security of our information systems, diverting resources from other projects and disrupting our businesses. If we experience a data security breach, our reputation could be damaged and we could be subject to additional litigation, regulatory risks and business losses.

We are required to comply with increasingly complex and changing data security and privacy regulations in the United States, the European Union and in other jurisdictions in which we operate that regulate the collection, use and transfer of personal data, including the transfer of personal data between or among countries. In the United States, for example, the Health Insurance Portability and Accountability Act imposes extensive privacy and security requirements governing the transmission, use and disclosure of protected health information by participants in the health care industry. The European Union's General Data Protection Regulation, which became effective in May 2018, imposes new compliance obligations regarding the handling of personal data and has significantly increased financial penalties for noncompliance. Additionally, the Digital Information Security in Healthcare Act is under consideration in India, which proposed legislation includes significant penalties related to disclosure of healthcare data. Other countries have enacted or are considering enacting data localization laws that require certain data to stay within their borders. We may also face audits or investigations by one or more domestic or foreign government agencies or our customers pursuant to our contractual obligations relating to our compliance with these regulations. Complying with changing regulatory

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requirements requires us to incur substantial costs, exposes us to potential regulatory action or litigation, and may require changes to our business practices in certain jurisdictions, any of which could materially adversely affect our business operations and operating results.

If our business continuity and disaster recovery plans are not effective and our global delivery capability is impacted, our business and results of operations may be materially adversely affected and we may suffer harm to our reputation.

Our business model is dependent on our global delivery capability, which includes coordination between our main operating offices in India, our other global delivery centers, the offices of our customers and our associates worldwide. System failures, outages and operational disruptions may be caused by factors outside of our control such as hostilities, political unrest, terrorist attacks, natural disasters or pandemics affecting the geographies where our operations and transmission equipment is located. Our business continuity and disaster recovery plans may not be effective at preventing or mitigating the effects of such disruptions, particularly in the case of a catastrophic event. Any such disruption may result in lost revenues, a loss of customers and reputational damage, which would have an adverse effect on our business, results of operations and financial condition.

A substantial portion of our employees in the United States, United Kingdom, European Union and other jurisdictions rely on visas to work in those areas such that any restrictions on such visas or immigration more generally may affect our ability to compete for and provide services to customers in these jurisdictions, which could materially adversely affect our business, results of operations and financial condition.

A substantial portion of our employees in the United States and in many other jurisdictions, including countries in Europe, rely upon temporary work authorization or work permits, which makes our business particularly vulnerable to changes and variations in immigration laws and regulations, including written changes and policy changes to the manner in which the laws and regulations are interpreted or enforced. The political environment in the United States, the United Kingdom and other countries in recent years has included significant support for anti-immigrant legislation and administrative changes. Many of these recent changes have made it more difficult to obtain timely visas and increased the costs of obtaining visas. The governments of these countries may also tighten adjudication standards for labor market tests. For example, in the United States, the current administration has implemented policy changes to increase scrutiny of the issuance of new and the renewal of existing H-1B visa applications and the placement of H-1B visa workers on third party worksites, and has issued executive orders designed to limit immigration. Recently, there has been an increase in the number of visa application rejections and delays in processing such applications. This has affected and may continue to affect our ability to timely obtain visas and staff projects. Additionally, many countries in the European Union ("EU") continue to implement new regulations to move into compliance with the EU Directive of 2014 to harmonize immigration rules for intracompany transferees in most EU member states and to facilitate the transfer of managers, specialists and graduate trainees both into and within the region. The changes have had significant impacts on mobility programs and have led to new notification and documentation requirements for companies sending professionals to EU countries. Recent changes or any additional adverse revisions to immigration laws and regulations in the jurisdictions in which we operate may cause us delays, staffing shortages, additional costs or an inability to bid for or fulfill projects for customers, any of which could have a material adverse effect on our business, results of operations and financial condition.

Anti-outsourcing legislation, if adopted, and negative perceptions associated with offshore outsourcing could impair our ability to serve our customers and materially adversely affect our business, results of operations and financial condition.

The practice of outsourcing services to organizations operating in other countries is a topic of political discussion in the United States, which is our largest market, as well as other regions in which we have customers. For example, measures aimed at limiting or restricting outsourcing by U.S. companies have been put forward for consideration by the U.S. Congress and in state legislatures to address concerns over the perceived association between offshore outsourcing and the loss of jobs domestically. If any such measure is enacted, our ability to provide services to our customers could be impaired.

In addition, from time to time there has been publicity about purported negative experiences associated with offshore outsourcing, such as alleged domestic job loss and theft and misappropriation of sensitive customer data, particularly involving service providers in India. Current or prospective customers may elect to perform certain services themselves or may be discouraged from utilizing global service delivery providers like us due to negative perceptions that may be associated with using global service delivery models or firms. Any slowdown or reversal of existing industry trends toward global service delivery would seriously harm our ability to compete effectively with competitors that provide the majority of their services from within the country in which our customers operate.

We are subject to numerous and evolving legal and regulatory requirements in the many jurisdictions in which we operate, and violations of or unfavorable changes in such requirements could harm our business.

We provide services to customers and have operations in many parts of the world and in a wide variety of different industries, subjecting us to numerous, and sometimes conflicting, laws and regulations on matters as diverse as import and export controls, temporary work authorizations or work permits, content requirements, trade restrictions, tariffs, taxation, anti-corruption laws (including the U.S. Foreign Corrupt Practices Act ("FCPA") and the U.K. Bribery Act), government affairs, internal and disclosure control obligations, data privacy, intellectual property and labor relations. We are subject to a wide range of potential enforcement actions, audits or investigations regarding our compliance with these laws or regulations in the conduct of our business, and any finding of a violation could subject us to a wide range of civil or criminal penalties, including fines, debarment, or suspension or disqualification from government contracting, prohibitions or restrictions on doing business, loss of customers and business, legal claims by customers and damage to our reputation.

We face significant regulatory compliance costs and risks as a result of the size and breadth of our business. For example, we commit significant financial and managerial resources to comply with our internal control over financial reporting requirements, but we have in the past and may in the future identify material weaknesses or deficiencies in our internal control over financial reporting that causes us to incur incremental remediation costs in order to maintain adequate controls. As another example, we had to spend significant resources on conducting an internal investigation and cooperating with investigations by the U.S. Department of Justice ("DOJ") and the SEC, each of which is now concluded, focused on whether certain payments relating to Company-owned facilities in India were made in violation of the FCPA and other applicable laws.

Changes in tax laws or in their interpretation or enforcement, failure by us to adapt our corporate structure and intercompany arrangements to achieve global tax efficiencies or adverse outcomes of tax audits, investigations or proceedings could have a material adverse effect on our effective tax rate, results of operations and financial condition.

The interpretation of tax laws and regulations in the many jurisdictions in which we operate and the related tax accounting principles are complex and require considerable judgment to determine our income taxes and other tax liabilities worldwide. Tax laws and regulations affecting us and our customers, including applicable tax rates, and the interpretation and enforcement of such laws and regulations are subject to change as a result of economic, political and other factors, and any such changes or changes in tax accounting principles could increase our effective worldwide income tax rate and have a material adverse effect on our net earnings and financial condition. We routinely review and update our corporate structure and intercompany arrangements, including transfer pricing policies, consistent with applicable laws and regulations, to align with our evolving business operations and provide global tax efficiencies across the numerous jurisdictions, such as the United States, India and the United Kingdom, in which we operate. Failure to successfully adapt our corporate structure and intercompany arrangements to align with our evolving business operations and achieve global tax efficiencies may increase our worldwide effective tax rate and have a material adverse effect on our earnings and financial condition. For example, the Tax Cuts and Jobs Reform Act ("Tax Reform Act") was enacted in December 2017 and made a number of significant changes to the corporate tax regime in the United States. Among other things, the Tax Reform Act introduced two new minimum taxes: the “base erosion anti-abuse tax” which requires U.S. corporations to make an alternative determination of taxable income without regard to tax deductions for certain payments to non-U.S. affiliates, and a tax on certain earnings of non-U.S. subsidiaries considered to be “global intangible low taxed income”. In addition, the Organization for Economic Co-operation and Development recently published the Base Erosion and Profit Shifting action plans that are being adopted and implemented in various forms by countries where we do business. Our worldwide effective income tax rate may increase as a result of these recent developments, changes in interpretations and assumptions made and additional guidance that may be issued, and the successful implementation of ongoing and future actions the Company has or may take with respect to our corporate structure and intercompany arrangements.

Additionally, we are subject from time to time to tax audits, investigations and proceedings. Tax authorities have disagreed, and may in the future disagree, with our judgments, and are taking increasingly aggressive positions, including with respect to our intercompany transactions. For example, we are currently involved in an ongoing dispute with the Indian Income Tax Department ("ITD") in which the ITD asserts that we owe additional taxes for two transactions by which our principal operating subsidiary in India ("CTS India") repurchased shares from its shareholders, as more fully described in Note 11 to the consolidated financial statements. Adverse outcomes in any such audits, investigations or proceedings could increase our tax exposure and cause us to incur increased expense, which could materially adversely affect our results of operations and financial condition.

Our business subjects us to considerable potential exposure to litigation and legal claims and could be materially adversely affected if we incur legal liability.

We are subject to, and may become a party to, a variety of litigation or other claims and suits that arise from time to time in the conduct of our business. Our business is subject to the risk of litigation involving current and former employees, clients, alliance partners, subcontractors, suppliers, competitors, shareholders, government agencies or others through private actions, class actions, whistleblower claims, administrative proceedings, regulatory actions or other litigation. While we maintain insurance for certain potential liabilities, such insurance does not cover all types and amounts of potential liabilities and is subject to various exclusions as well as caps on amounts recoverable.

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Our customer engagements expose us to significant potential legal liability and litigation expense if we fail to meet our contractual obligations or otherwise breach obligations to third parties or if our subcontractors breach or dispute the terms of our agreements with them and impede our ability to meet our obligations to our customers. For example, third parties could claim that we or our customers, whom we typically contractually agree to indemnify with respect to the services and solutions we provide, infringe upon their intellectual property rights. Any such claims of intellectual property infringement could harm our reputation, cause us to incur substantial costs in defending ourselves, expose us to considerable legal liability or prevent us from offering some services or solutions in the future. We may have to engage in legal action to protect our own intellectual property rights, and enforcing our rights may require considerable time, money and oversight, and existing laws in the various countries in which we provide services or solutions may offer only limited protection.

We also face considerable potential legal liability from a variety of other sources. Our acquisition activities have in the past and may in the future be subject to litigation or other claims, including claims from professionals, customers, stockholders, or other third parties. We have also been the subject of a number of putative securities class action complaints and putative shareholder derivative complaints relating to the matters that were the subject of our now concluded internal investigation into potential violations of the FCPA and other applicable laws, and may be subject to such legal actions for these or other matters in the future. See "Part I, Item 3. Legal Proceedings" for more information. We establish reserves for these and other matters when a loss is considered probable and the amount can be reasonably estimated; however, the estimation of legal reserves and possible losses involves significant judgment and may not reflect the full range of uncertainties and unpredictable outcomes inherent in litigation, and the actual losses arising from particular matters may exceed our estimates and materially adversely affect our results of operations.

Our earnings may be adversely affected if we change our intent not to repatriate Indian accumulated undistributed earnings.

A significant portion of our accumulated earnings are held and ongoing earnings are derived from our operations in India. We consider our Indian accumulated undistributed earnings to be indefinitely reinvested in India. While we have no plans to do so, we may change our intent not to repatriate such earnings, including as a result of capital requirements in other parts of our business that may necessitate such repatriation. As of December 31, 2018, the amount of unrepatriated Indian earnings was estimated at approximately $4,679 million. If all of our accumulated unrepatriated Indian earnings were to be repatriated, based on our current interpretation of India tax law, we estimate that we would incur an additional income tax expense of approximately $980 million. This estimate is subject to change based on legislative developments in India and other jurisdictions as well as judicial and interpretive developments of applicable tax laws.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We have major sales and marketing offices, innovation labs, and digital design and consulting centers in major business markets, including New York, London, Paris, Melbourne, Singapore, and Sao Paulo, among others, which are used to deliver services to our customers across all four of our business segments. We lease 0.1 million square feet of office space for our worldwide headquarters in Teaneck, NJ. In total, we have offices and operations in more than 74 cities in 37 countries around the world.

We utilize a global delivery model with delivery centers worldwide, including in-country, regional and global delivery centers. We have over 26 million square feet of owned and leased facilities for our delivery centers. Our largest delivery center presence is in India: Chennai (10 million square feet); Pune (4 million square feet); Kolkata (3 million square feet); Bangalore (2 million square feet); and Hyderabad (2 million square feet). Our India delivery centers represent more than two-thirds of our total delivery centers on a square-foot basis. We also have a significant number of delivery centers in other countries, including the United States, Philippines, Canada, Mexico and countries throughout Europe.

We believe our current facilities are adequate to support our operations in the immediate future, and that we will be able to obtain suitable additional facilities on commercially reasonable terms as needed.

Item 3. Legal Proceedings

See Note 15 to our consolidated financial statements.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Class A common stock trades on the Nasdaq Global Select Market ("Nasdaq") under the symbol "CTSH". As of December 31, 2018, the approximate number of holders of record of our Class A common stock was 125 and the approximate number of beneficial holders of our Class A common stock was 376,500.

Cash Dividends

During 2018, we paid a quarterly cash dividend of $0.20 per share. Beginning in 2019, our new capital return plan anticipates the deployment of approximately 50% of our global free cash flow[1] for dividends and share repurchases and approximately 25% of our global free cash flow[1] for acquisitions, as needed. Accordingly, we intend to continue to pay quarterly cash dividends during 2019. Our ability and decisions to pay future dividends depend on a variety of factors, including our cash flow generated from operations, the amount and location of our cash and investment balances, our net income, our overall liquidity position, potential alternative uses of cash, such as acquisitions, and anticipated future economic conditions and financial results.

Issuer Purchases of Equity Securities

In November 2018, the Board of Directors approved an amendment to our stock repurchase program. Under our stock repurchase program, as amended, we are authorized to repurchase $5.5 billion, excluding fees and expenses, of our Class A common stock through open market purchases, including under a trading plan adopted pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934, as amended, or in private transactions, including through accelerated stock repurchase agreements entered into with financial institutions, in accordance with applicable federal securities laws through December 31, 2020. The timing of repurchases and the exact number of shares to be purchased are determined by management, in its discretion, or pursuant to a Rule 10b5-1 trading plan, and will depend upon market conditions and other factors.

As of December 31, 2018, the remaining available balance under the Board of Directors' authorized stock repurchase program was $2.5 billion. The stock repurchase activity under our stock repurchase program during the fourth quarter of 2018 was as follows:

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (in millions)
October 1, 2018 - October 31, 2018				
Open market purchases	1,649,171	$ 71.56	1,649,171	$ 657
November 1, 2018 - November 30, 2018				
Open market purchases	1,175,683	69.70	1,175,683	2,575
December 1, 2018 - December 31, 2018				
Open market purchases	776,935	64.34	776,935	2,525
Total	3,601,789	$ 69.39	3,601,789	

We regularly purchase shares in connection with our stock-based compensation plans as shares of our Class A common stock are tendered by employees for payment of applicable statutory tax withholdings. For the three months ended December 31, 2018, we purchased 234,127 shares at an aggregate cost of $17 million in connection with employee tax withholding obligations.

For information on all of our share repurchases for the three years ended December 31, 2018 and further discussion of our share repurchase activity, see Note 14 to our consolidated financial statements.

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[1] Free cash flow is not a measurement of financial performance prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). See “Non-GAAP Financial Measures” in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations for more information.

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Performance Graph

The following graph compares the cumulative total stockholder return on our Class A common stock with the cumulative total return on the S&P 500 Index, Nasdaq-100 Index and a Peer Group Index (capitalization weighted) for the period beginning December 31, 2013 and ending on the last day of our last completed fiscal year. The stock performance shown on the graph below is not indicative of future price performance.

COMPARISON OF CUMULATIVE TOTAL RETURN[(1)(2)]

Among Cognizant, the S&P 500 Index, the Nasdaq-100 Index

And a Peer Group Index[(3)] (Capitalization Weighted)

Company / Index	Base Period 12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18
Cognizant Technology Solutions Corp	$ 100	$ 104.30	$ 118.88	$ 110.97	$ 141.57	$ 127.87
S&P 500 Index	100	113.69	115.26	129.05	157.22	150.33
Nasdaq-100	100	117.94	127.88	135.40	178.07	176.22
Peer Group	100	107.07	123.24	126.80	161.82	153.76

(1) Graph assumes $100 invested on December 31, 2013 in our Class A common stock, the S&P 500 Index, the Nasdaq-100 Index, and the Peer Group Index (capitalization weighted).

(2) Cumulative total return assumes reinvestment of dividends.

(3) We have constructed a Peer Group Index of other information technology consulting firms. Our peer group consists of Accenture plc., DXC Technology, EPAM Systems Inc., ExlService Holdings Inc., Genpact Limited, Infosys Ltd., Wipro Ltd. and WNS (Holdings) Limited. In 2018, we elected to change the composition of our peer group. We removed Syntel Inc., as it is no longer a publicly traded company, and added EPAM Systems, Inc. as they are a peer information technology services firm. The total return for the former peer group is not presented separately as it is not materially different from the new peer group information.

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Item 6. Selected Financial Data

The following table sets forth our selected consolidated historical financial data as of the dates and for the periods indicated. Our selected consolidated financial data set forth below as of December 31, 2018 and 2017 and for each of the years ended December 31, 2018, 2017 and 2016 have been derived from the audited consolidated financial statements included elsewhere herein. Our selected consolidated financial data set forth below as of December 31, 2016, 2015 and 2014 and for each of the years ended December 31, 2015 and 2014 are derived from our consolidated financial statements not included elsewhere herein. Our selected consolidated financial information for 2018, 2017 and 2016 should be read in conjunction with the consolidated financial statements and the accompanying notes and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this Annual Report on Form 10-K.

	2018(1)	2017	2016	2015	2014
	(in millions, except per share data)				
For the year ended December 31:					
Revenues	$16,125	$14,810	$13,487	$12,416	$10,263
Income from operations	2,801	2,481	2,289	2,142	1,885
Net income(2)	2,101	1,504	1,553	1,624	1,439
Basic earnings per share(2)	$3.61	$2.54	$2.56	$2.67	$2.37
Diluted earnings per share(2)	$3.60	$2.53	$2.55	$2.65	$2.35
Cash dividends declared per common share	$0.80	$0.45	$—	$—	$—
Weighted average number of common shares outstanding-Basic	582	593	607	609	608
Weighted average number of common shares outstanding-Diluted	584	595	610	613	613
As of December 31:					
Cash, cash equivalents and short-term investments(3)	$4,511	$5,056	$5,169	$4,949	$3,775
Working capital(3)	5,900	6,272	6,182	5,195	3,829
Total assets(3)	15,913	15,221	14,262	13,061	11,473
Total debt	745	873	878	1,283	1,632
Stockholders' equity	11,424	10,669	10,728	9,278	7,740

(1) On January 1, 2018, we adopted Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("New Revenue Standard") using the modified retrospective method. Results for reporting periods beginning on or after January 1, 2018 are presented under the New Revenue Standard, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting policies. During 2018, the adoption of the New Revenue Standard had a positive impact on revenue of $96 million, income from operations of $134 million and diluted earnings per share of $0.19 per share. See