

COGNIZANT TECHNOLOGY SOLUTIONS CORP

Form 10-Q

November 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2009

.. **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)

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Delaware
 (State or Other Jurisdiction of
 Incorporation or Organization)

13-3728359
 (I.R.S. Employer
 Identification No.)

Glenpointe Centre West
500 Frank W. Burr Blvd.

Teaneck, New Jersey
 (Address of Principal Executive Offices)

07666
 (Zip Code)

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

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. Yes No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No:

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

Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company
 Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of November 2, 2009:

Class	Number of Shares
Class A Common Stock, par value \$.01 per share	294,713,446

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****AND COMPREHENSIVE INCOME****(Unaudited)****(in thousands, except per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues	\$ 853,488	\$ 734,726	\$ 2,375,942	\$ 2,063,259
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	475,599	405,936	1,328,647	1,153,068
Selling, general and administrative expenses	193,806	166,685	530,681	482,643
Depreciation and amortization expense	22,301	19,474	65,032	53,544
Income from operations	161,782	142,631	451,582	374,004
Other income (expense), net:				
Interest income	4,664	5,344	9,756	16,428
Other income (expense), net	(2,747)	(14,777)	7,016	(11,308)
Total other income (expense), net	1,917	(9,433)	16,772	5,120
Income before provision for income taxes	163,699	133,198	468,354	379,124
Provision for income taxes	27,127	20,370	77,395	60,567
Net income	\$ 136,572	\$ 112,828	\$ 390,959	\$ 318,557
Basic earnings per share	\$ 0.47	\$ 0.39	\$ 1.34	\$ 1.10
Diluted earnings per share	\$ 0.45	\$ 0.38	\$ 1.30	\$ 1.06
Weighted average number of common shares outstanding	293,664	291,341	292,538	289,740
Dilutive effect of shares issuable under stock-based compensation plans	8,918	8,464	7,411	9,656
Weighted average number of common and dilutive shares outstanding	302,582	299,805	299,949	299,396
Comprehensive income:				
Net income	\$ 136,572	\$ 112,828	\$ 390,959	\$ 318,557
Foreign currency translation adjustments	1,450	(15,507)	11,747	(12,942)
	(2,980)		4,096	

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Net unrealized (loss) gain on cash flow hedges, net of taxes of \$(115), \$0, \$159 and \$0, respectively

Unrealized gain loss on available-for-sale securities, net of taxes of \$0, \$31 \$0 and \$(2,601), respectively

			46		(3,790)
Total comprehensive income	\$ 135,042	\$ 97,367	\$ 406,802	\$ 301,825	

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(in thousands, except par values)

	September 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 992,926	\$ 735,066
Short-term investments	189,775	27,513
Trade accounts receivable, net of allowances of \$15,906 and \$13,441 respectively	586,938	517,481
Unbilled accounts receivable	97,832	62,158
Deferred income tax assets, net	51,936	48,315
Other current assets	97,419	77,586
Total current assets	2,016,826	1,468,119
Property and equipment, net of accumulated depreciation of \$254,059 and \$199,188, respectively	460,237	455,254
Long-term investments	157,032	161,693
Goodwill	160,881	154,035
Intangible assets, net	65,474	47,790
Deferred income tax assets, net	72,036	52,816
Other assets	43,996	34,853
Total assets	\$ 2,976,482	\$ 2,374,560
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 53,403	\$ 39,970
Deferred revenue	36,777	38,123
Accrued expenses and other current liabilities	418,194	309,484
Total current liabilities	508,374	387,577
Deferred income tax liabilities, net		7,294
Other noncurrent liabilities	31,890	14,111
Total liabilities	540,264	408,982
Commitments and contingencies (See Note 9)		
Stockholders equity:		
Preferred stock, \$.10 par value, 15,000 shares authorized, none issued		
Class A common stock, \$.01 par value, 500,000 shares authorized, 294,650 and 291,670 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	2,946	2,917
Additional paid-in capital	605,544	541,735
Retained earnings	1,821,364	1,430,405
Accumulated other comprehensive income (loss)	6,364	(9,479)
Total stockholders equity	2,436,218	1,965,578

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Total liabilities and stockholders' equity	\$ 2,976,482	\$ 2,374,560
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The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	For the Nine Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 390,959	\$ 318,557
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	65,032	53,544
Provision for doubtful accounts	2,682	7,776
Deferred income taxes	(17,663)	9,902
Stock-based compensation expense	32,005	32,957
Excess tax benefit on stock-based compensation arrangements	(12,401)	(16,259)
Other	(880)	
Changes in assets and liabilities:		
Trade accounts receivable	(61,962)	(156,066)
Other current assets	(43,394)	(24,570)
Other assets	(7,821)	(5,334)
Accounts payable	9,722	14,123
Other current and noncurrent liabilities	78,524	2,162
Net cash provided by operating activities	434,803	236,792
Cash flows from investing activities:		
Purchases of property and equipment	(62,013)	(146,325)
Purchases of investments	(228,827)	(128,332)
Proceeds from maturity or sale of investments	76,937	262,160
Acquisitions, net of cash acquired	(5,776)	(20,956)
Net cash used in investing activities	(219,679)	(33,453)
Cash flows from financing activities:		
Issuance of common stock under employee stock plans	33,760	48,813
Excess tax benefit on stock-based compensation arrangements	12,401	16,259
Repurchases of common stock	(14,564)	(27,835)
Net cash provided by financing activities	31,597	37,237
Effect of currency translation on cash and cash equivalents	11,139	(11,159)