

COGNIZANT TECHNOLOGY SOLUTIONS CORP

Form 10-Q

May 09, 2012

[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended March 31, 2012

**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)

Edgar Filing: COGNIZANT TECHNOLOGY SOLUTIONS CORP - Form 10-Q

**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  (Do not check if a smaller reporting company) 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 May 4, 2012:

Class	Number of Shares
Class A Common Stock, par value \$.01 per share	304,490,277

**Table of Contents**

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I. <u>FINANCIAL INFORMATION</u></b>	<b>1</b>
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	1
<u>Condensed Consolidated Statements of Operations (Unaudited) for the Three Months Ended March 31, 2012 and 2011</u>	1
<u>Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the Three Months Ended March 31, 2012 and 2011</u>	2
<u>Condensed Consolidated Statements of Financial Position (Unaudited) as of March 31, 2012 and December 31, 2011</u>	3
<u>Condensed Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended March 31, 2012 and 2011</u>	4
<u>Notes to Condensed Consolidated Financial Statements (Unaudited)</u>	5
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
Item 4. <u>Controls and Procedures</u>	27
<b><u>PART II. OTHER INFORMATION</u></b>	<b>27</b>
Item 1A. <u>Risk Factors</u>	27
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
Item 4. <u>Mine Safety Disclosures</u>	45
Item 6. <u>Exhibits</u>	46
<b><u>SIGNATURES</u></b>	<b>47</b>

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements (unaudited).  
COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(in thousands, except per share data)**

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenues	\$ 1,711,349	\$ 1,371,253
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	984,520	782,176
Selling, general and administrative expenses	374,178	296,330
Depreciation and amortization expense	34,752	27,382
Income from operations	317,899	265,365
Other income (expense), net:		
Interest income	11,072	8,937
Other, net	(6,694)	6,198
Total other income / (expense), net	4,378	15,135
Income before provision for income taxes	322,277	280,500
Provision for income taxes	78,626	72,173
Net income	\$ 243,651	\$ 208,327
Basic earnings per share	\$ 0.80	\$ 0.69
Diluted earnings per share	\$ 0.79	\$ 0.67
Weighted average number of common shares outstanding Basic	303,428	304,041
Dilutive effect of shares issuable under stock-based compensation plans	5,780	7,762
Weighted average number of common shares outstanding Diluted	309,208	311,803

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

**Table of Contents**

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(in thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net income	\$ 243,651	\$ 208,327
Other comprehensive income, net of tax:		
Foreign currency translation adjustments	11,634	8,837
Change in unrealized (loss) gain on cash flow hedges, net of taxes of \$22,942 and (\$5,425), respectively	119,892	(3,942)
Change in unrealized gain on available-for-sale securities, net of taxes of \$180 and (\$371), respectively	537	(543)
Other comprehensive income	132,063	4,352
Comprehensive income	\$ 375,714	\$ 212,679

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

**Table of Contents**

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited)

(in thousands, except par values)

	March 31, 2012	December 31, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,328,535	\$ 1,310,906
Short-term investments	1,162,660	1,121,358
Trade accounts receivable, net of allowances of \$25,312 and \$24,658, respectively	1,234,177	1,179,043
Unbilled accounts receivable	187,081	139,627
Deferred income tax assets, net	94,641	109,042
Other current assets	189,648	225,530
<b>Total current assets</b>	<b>4,196,742</b>	<b>4,085,506</b>
Property and equipment, net of accumulated depreciation of \$482,704 and \$455,506, respectively	784,975	758,034
Goodwill	289,904	288,772
Intangible assets, net	93,421	97,616
Deferred income tax assets, net	164,074	164,192
Other noncurrent assets	139,009	113,813
<b>Total assets</b>	<b>\$ 5,668,125</b>	<b>\$ 5,507,933</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 109,983	\$ 72,205
Deferred revenue	107,817	105,713
Accrued expenses and other current liabilities	803,445	1,031,787
<b>Total current liabilities</b>	<b>1,021,245</b>	<b>1,209,705</b>
Deferred income tax liabilities, net	2,978	3,339
Other noncurrent liabilities	276,653	342,003
<b>Total liabilities</b>	<b>1,300,876</b>	<b>1,555,047</b>
Commitments and contingencies (See Note 7)		
Stockholders Equity:		
Preferred stock, \$.10 par value, 15,000 shares authorized, none issued		
Class A common stock, \$.01 par value, 1,000,000 shares authorized, 304,423 and 303,106 shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively	3,044	3,031
Additional paid-in capital	731,359	692,723
Retained earnings	3,826,177	3,582,526
Accumulated other comprehensive income (loss)	(193,331)	(325,394)
<b>Total stockholders equity</b>	<b>4,367,249</b>	<b>3,952,886</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 5,668,125</b>	<b>\$ 5,507,933</b>

Edgar Filing: COGNIZANT TECHNOLOGY SOLUTIONS CORP - Form 10-Q

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

**Table of Contents**

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(in thousands)

	For the Three Months Ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 243,651	\$ 208,327
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,625	28,964
Provision for doubtful accounts	1,124	(819)
Deferred income taxes	(8,182)	19,901
Stock-based compensation expense	31,379	16,065
Excess tax benefits on stock-based compensation plans	(12,746)	(15,792)
Other	(13,400)	240
Changes in assets and liabilities:		
Trade accounts receivable	(49,864)	(89,029)
Other current assets	(7,355)	(7,148)
Other assets	(21,890)	(6,334)
Accounts payable	38,581	41,079
Other current and noncurrent liabilities	(136,160)	(149,825)
Net cash provided by operating activities	101,763	45,629
Cash flows from investing activities:		
Purchases of property and equipment	(60,451)	(55,815)
Purchases of investments	(434,832)	(317,783)
Proceeds from maturity or sale of investments	407,670	128,836
Acquisition, net of cash acquired	(7,874)	(7,895)
Net cash (used in) investing activities	(95,487)	(252,657)
Cash flows from financing activities:		
Issuance of common stock under stock-based compensation plans	43,353	23,430
Excess tax benefits on stock-based compensation plans	12,746	15,792
Repurchases of common stock	(48,982)	(88,266)
Net cash provided by (used in) financing activities	7,117	(49,044)
Effect of currency translation on cash and cash equivalents	4,236	8,602
Increase (decrease) in cash and cash equivalents	17,629	(247,470)
Cash and cash equivalents, beginning of year	1,310,906	1,540,969
Cash and cash equivalents, end of period	\$ 1,328,535	\$ 1,293,499

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





**Table of Contents**

**COGNIZANT TECHNOLOGY SOLUTIONS CORPORATION**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**(dollar amounts in thousands)**

**Note 1 Interim Condensed Consolidated Financial Statements**

The terms Cognizant, we, our, us and Company refer to Cognizant Technology Solutions Corporation unless the context indicates otherwise. We have prepared the accompanying unaudited condensed consolidated financial statements included herein in accordance with generally accepted accounting principles in the United States of America and Article 10 of Regulation S-X under the Securities and Exchange Act of 1934, as amended. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements (and notes thereto) included in our Annual Report on Form 10-K for the year ended December 31, 2011. In our opinion, all adjustments considered necessary for a fair presentation of the accompanying unaudited condensed consolidated financial statements have been included, and all adjustments are of a normal and recurring nature. Operating results for the interim periods are not necessarily indicative of results that may be expected to occur for the entire year.

In May 2012, our Board of Directors amended our existing share repurchase program increasing the amount of our Class A common stock that can be repurchased from an aggregate of \$600,000 to \$1,000,000 of common stock and extended the expiration date from June 30, 2012 to December 31, 2013.