



# Cognizant Technology Solutions (CTSH)

Updated August 22<sup>nd</sup>, 2025 by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$71	<b>5 Year CAGR Estimate:</b>	11.7%	<b>Market Cap:</b>	\$34.4 B
<b>Fair Value Price:</b>	\$82	<b>5 Year Growth Estimate:</b>	7.0%	<b>Ex-Dividend Date:</b>	8/18/2025
<b>% Fair Value:</b>	86%	<b>5 Year Valuation Multiple Estimate:</b>	3.0%	<b>Dividend Payment Date:</b>	8/26/2025
<b>Dividend Yield:</b>	1.7%	<b>5 Year Price Target</b>	\$116	<b>Years Of Dividend Growth:</b>	6
<b>Dividend Risk Score:</b>	B	<b>Sector:</b>	Information Technology	<b>Rating:</b>	Buy

## Overview & Current Events

Cognizant Technology Solutions is a 30-year-old company that provides information technology, consulting and business process outsourcing services in North America, Europe, and other regions. It has a market capitalization of \$34.4 billion and approximately 340,000 employees. More than 200,000 employees are highly skilled but have low salaries and are based in India. This keeps operational costs at a minimum. The company operates in four segments: financial services, healthcare, products & resources and communications, media & technology.

In late July, Cognizant reported (7/30/25) financial results for the second quarter of fiscal 2025. The currency-neutral revenue grew 7% over the prior year's quarter. Adjusted earnings-per-share grew 12%, from \$1.17 to \$1.31, exceeding the analysts' consensus by \$0.05, thanks to strong growth in AI-related deals. Bookings grew 6% over the prior year's quarter thanks to two large deals, to \$27.8 billion (~1.4 times annual sales). Business momentum remained solid and hence management raised its guidance for 2025. It still expects 4%-6% growth of revenue and an expansion of operating margin from 15.3% to 15.5%-15.7% and raised its guidance for adjusted earnings-per-share from \$4.98-\$5.14 to \$5.08-\$5.22, implying 8% growth at the mid-point. Accordingly, we have raised our forecast for annual earnings-per-share from \$5.06 to \$5.15.

We reiterate that the change in the CEO position in mid-2019 is a sustained negative factor, as the previous CEO was a co-founder who had achieved exceptional growth during his tenure, with impressive consistency. We are also concerned over the focus of new management on boosting earnings-per-share with share repurchases and the high attrition rate of the work force. Management claims that it has improved the attrition rate but the latter remains excessive, as it has been hovering above 10% for several consecutive quarters.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$3.06	\$3.39	\$3.77	\$4.57	\$3.99	\$3.42	\$4.12	\$4.40	\$4.55	\$4.75	<b>\$5.15</b>	<b>\$7.22</b>
<b>DPS</b>	---	---	\$0.45	\$0.80	\$0.80	\$0.88	\$0.96	\$1.08	\$1.16	\$1.20	<b>\$1.24</b>	<b>\$1.80</b>
<b>Shares<sup>1</sup></b>	609.0	608.0	588.0	579.0	548.0	534.0	526.0	513.0	501.0	496.0	<b>490.0</b>	<b>450.0</b>

Cognizant has an exceptional growth record. It grew its earnings at a double-digit rate for more than 10 consecutive years, until 2018. Such a consistent record is a testament to the strength of its business model and the quality of its (previous) management. In the last six years, the company has hardly grown its earnings-per-share. Given the increased uncertainty that results from the ongoing transformation of the company in the aftermath of the exit of its founder, but also the low comparison base due to the stagnation in the last six years, we expect 7% annual earnings-per-share growth over the next five years, above the 9-year average annual growth rate of 5.0%.

Cognizant is poised to continue to grow via an increasing number of customers, modest margin expansion, and tuck-in acquisitions. The company has made a long series of tuck-in acquisitions, such as the acquisition of Belcan, an

<sup>1</sup> In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Cognizant Technology Solutions (CTSH)

Updated August 22<sup>nd</sup>, 2025 by Aristofanis Papadatos

engineering R&D services provider, for \$1.3 billion. The acquisition has enhanced scale and has helped Cognizant establish a leadership position in technological services in the aerospace and defense industry .

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	20.3	16.9	17.5	16.7	16.2	18.6	18.6	16.4	14.4	15.6	13.8	16.0
Avg. Yld.	---	---	0.7%	1.0%	1.2%	1.4%	1.3%	1.5%	1.8%	1.6%	1.7%	1.6%

Thanks to its exceptional growth record, Cognizant has traded at an average price-to-earnings ratio of 17.1 over the last decade. The stock is currently trading at a price-to-earnings ratio of 13.8, which is lower than our assumed fair level of 16.0. If the stock trades at our fair valuation level in five years, it will enjoy a 3.0% annualized gain in its returns.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

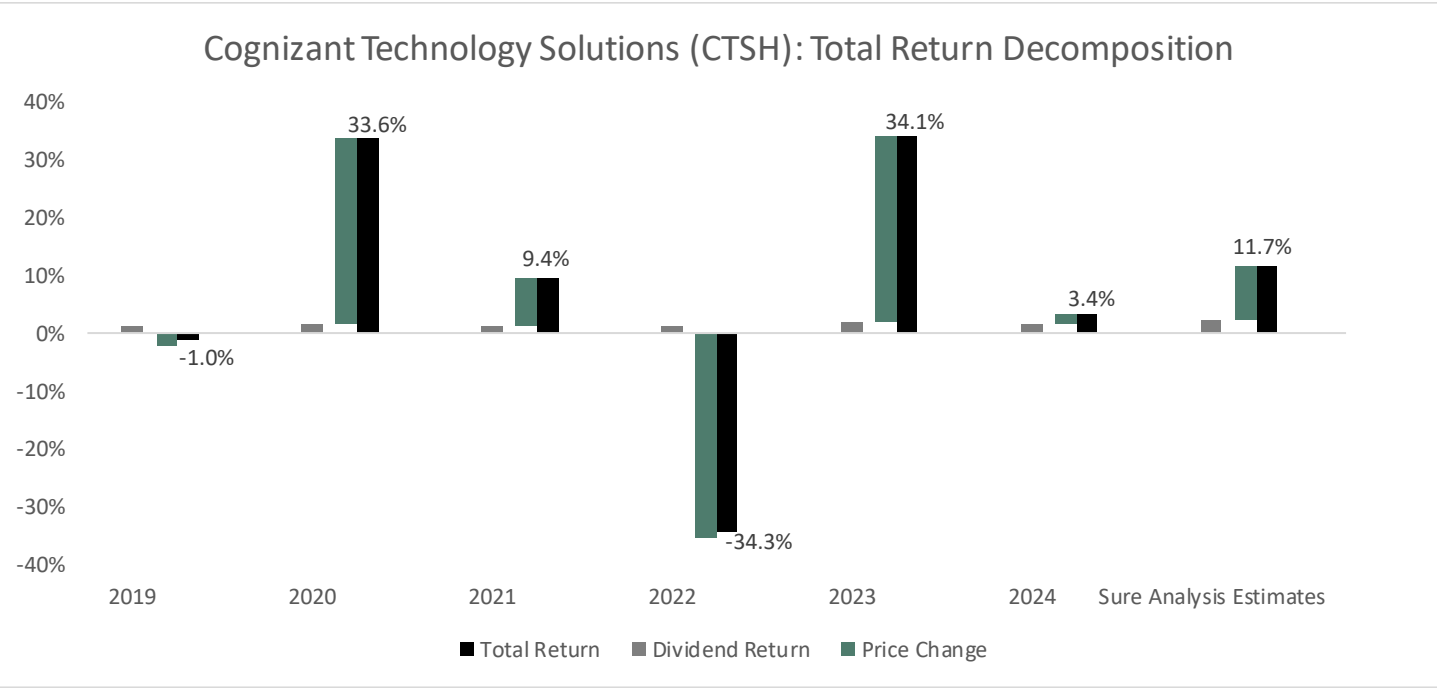
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	11.9%	17.5%	20.1%	25.7%	23.3%	24.5%	25.5%	25.3%	24.1%	24.9%

Cognizant signs long-term contracts with its clients and thus they become strongly dependent on the company. This is a significant competitive advantage. Moreover, Cognizant exhibited impressive resilience during the Great Recession. While most companies saw their earnings plunge, Cognizant grew its earnings-per-share by 53%, from \$0.58 in 2007 to \$0.89 in 2009. As Cognizant was in high-growth mode back then, investors should not expect similar performance whenever the next recession shows up. On the other hand, Cognizant proved fairly resilient in the downturn caused by the pandemic. Moreover, Cognizant has a rock-solid balance sheet.

## Final Thoughts & Recommendation

Cognizant has stalled in the last six years but it is likely to improve its performance in the upcoming years, partly thanks to AI-related deals with customers. The stock could offer an 11.7% average annual return over the next five years thanks to 7.0% earnings-per-share growth, its 1.7% dividend and a 3.0% valuation gain. The stock maintains its buy rating.

## Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



# Cognizant Technology Solutions (CTSH)

Updated August 22<sup>nd</sup>, 2025 by Aristofanis Papadatos

## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	12,416	13,487	14,810	16,125	16,783	16,652	18,507	19,428	19,353	19,736
Gross Profit	4,976	5,379	5,658	6,287	6,149	5,981	6,903	6,980	6,689	6,778
Gross Margin	40.1%	39.9%	38.2%	39.0%	36.6%	35.9%	37.3%	35.9%	34.6%	34.3%
SG&A Exp.	2,509	2,731	2,697	3,007	2,972	3,100	3,503	3,443	3,252	3,223
D&A Exp.	330	379	443	498	526	559	574	569	555	---
Operating Profit	2,142	2,289	2,553	2,820	2,670	2,329	2,826	2,968	2,918	3,026
Operating Margin	17.3%	17.0%	17.2%	17.5%	15.9%	14.0%	15.3%	15.3%	15.1%	15.3%
Net Profit	1,624	1,553	1,504	2,101	1,842	1,392	2,137	2,290	2,126	2,240
Net Margin	13.1%	11.5%	10.2%	13.0%	11.0%	8.4%	11.5%	11.8%	11.0%	11.3%
Free Cash Flow	1,914	1,345	2,123	2,215	2,107	2,901	2,216	2,236	2,013	1,827
Income Tax	540	805	1,153	698	643	704	693	730	668	713

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	13,061	14,262	15,221	15,846	16,204	16,923	17,852	17,852	18,483	19,966
Cash & Equivalents	2,125	2,034	1,925	1,161	2,645	2,680	1,792	2,191	2,621	2,231
Accounts Receivable	2,253	2,556	2,865	3,190	3,256	3,087	3,557	3,796	3,849	4,059
Goodwill & Int. Ass.	3,269	3,505	3,685	4,631	5,020	6,077	6,838	6,878	7,234	8,552
Total Liabilities	3,783	3,534	4,552	4,422	5,182	6,087	5,861	5,543	5,256	5,558
Accounts Payable	165	175	210	215	239	389	361	360	337	340
Long-Term Debt	1,283	878	873	745	738	701	664	646	639	908
Shareholder's Equity	9,278	10,728	10,669	11,424	11,022	10,836	11,991	12,309	13,227	14,408
LTD/E Ratio	0.14	0.08	0.08	0.07	0.07	0.06	0.06	0.05	0.05	0.06

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	13.2%	11.4%	10.2%	13.5%	11.5%	8.4%	12.3%	12.8%	11.7%	11.7%
Return on Equity	19.1%	15.5%	14.1%	19.0%	16.4%	12.7%	18.7%	18.8%	16.7%	16.2%
ROIC	16.3%	14.0%	13.0%	17.7%	15.4%	12.0%	17.7%	17.9%	15.9%	15.4%
Shares Out.	609.0	608.0	588.0	579.0	548.0	534.0	526.0	519	505	497
Revenue/Share	20.25	22.11	24.89	27.61	29.97	30.78	35.05	37.43	38.32	39.71
FCF/Share	3.12	2.20	3.57	3.79	3.76	5.36	4.20	4.31	3.99	3.68

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.