# Cognizant Technology Solutions (CTSH)

*Updated May 4th, 2026 by Aristofanis Papadatos*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $52 | **5 Year CAGR Estimate:** | 19.0% | **Market Cap:** | $25 B |
| **Fair Value Price:** | $91 | **5 Year Growth Estimate:** | 5.0% | **Ex-Dividend Date:** | 5/18/2026 |
| **% Fair Value:** | 57% | **5 Year Valuation Multiple Estimate:** | 11.9% | **Dividend Payment Date:** | 5/27/2026 |
| **Dividend Yield:** | 2.5% | **5 Year Price Target** | $116 | **Years Of Dividend Growth:** | 7 |
| **Dividend Risk Score:** | C | **Sector:** Information Technology | | **Rating:** | Hold |

## Overview & Current Events

Cognizant Technology Solutions is a 31-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 $25 billion and approximately 350,000 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 April, Cognizant reported (4/29/26) results for the first quarter of 2026. The currency-neutral revenue grew 3.9% over the prior year's quarter. Adjusted earnings-per-share grew 14%, from $1.23 to $1.40, exceeding the analysts' consensus by $0.07, thanks to strong growth in AI-related deals. Bookings grew 11% over the prior year's quarter thanks to 7 large deals, to $29.6 billion (book-to-sales ratio of 1.4x). Business momentum remained solid and hence management slightly improved its already solid guidance for 2026. It expects 4.8%-7.3% revenue growth, operating margin of 16.0%-16.2% (vs. 15.9%-16.1% in previous guidance) and adjusted earnings-per-share of $5.63-$5.77 (vs. $5.56-$5.70 in previous guidance). Accordingly, we have raised our forecast from $5.65 to $5.70.

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 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $3.39 | $3.77 | $4.57 | $3.99 | $3.42 | $4.12 | $4.40 | $4.55 | $4.75 | $5.28 | ***$5.70*** | ***$7.27*** |
| **DPS** | --- | $0.45 | $0.80 | $0.80 | $0.88 | $0.96 | $1.08 | $1.16 | $1.20 | $1.24 | ***$1.32*** | ***$1.68*** |
| **Shares[1]** | 608.0 | 588.0 | 579.0 | 548.0 | 534.0 | 526.0 | 513.0 | 501.0 | 496.0 | 482.0 | ***470.0*** | ***450.0*** |

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. The company has grown its earnings-per-share by 5.0% per year on average over the last nine years. 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 deceleration in recent years and strong demand from AI deals, we expect 5% annual earnings-per-share growth over the next five years, in line with the 9-year average annual growth rate.

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

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[1] In millions.

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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 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Now | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Avg. P/E | 16.9 | 17.5 | 16.7 | 16.2 | 18.6 | 18.6 | 16.4 | 14.4 | 15.6 | 14.4 | ***9.1*** | ***16.0*** |
| Avg. Yld. | --- | 0.7% | 1.0% | 1.2% | 1.4% | 1.3% | 1.5% | 1.8% | 1.6% | 1.6% | ***2.5%*** | ***1.4%*** |

Thanks to its exceptional growth record, Cognizant has traded at an average price-to-earnings ratio of 16.5 over the last decade. The stock is currently trading at a 10-year low price-to-earnings ratio of 9.1, which is much lower than our assumed fair level of 16.0. The depressed valuation has resulted from market's concerns that AI may disrupt the business model of Cognizant, as its customers may shift from its products to AI. However, we view these concerns as overblown. If the stock trades at our fair valuation level in five years, it will enjoy an 11.9% annualized gain in its returns.

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

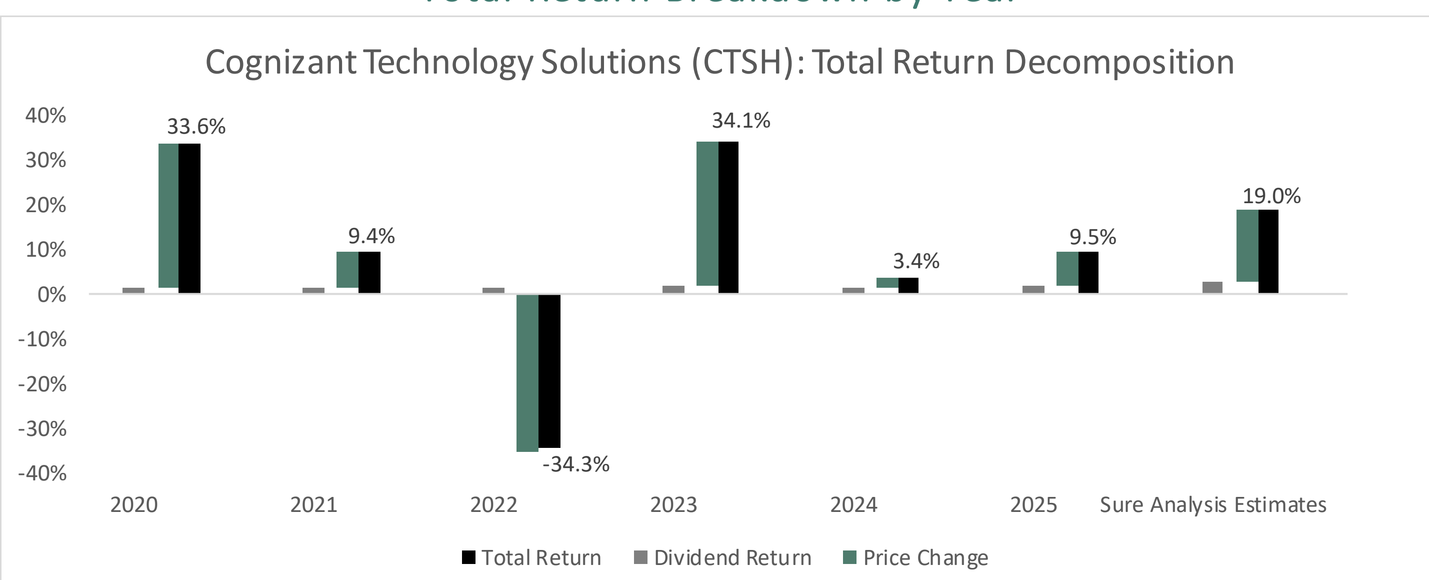
| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | --- | 11.9% | 17.5% | 20.1% | 25.7% | 23.3% | 24.5% | 25.5% | 25.3% | 23.5% | ***23.2%*** | ***23.2%*** |

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

The stock of Cognizant has plunged -37% this year, along with most software providers, due to fears that AI will disrupt its business model, as its customers may not need the software solutions of the company thanks to AI. We view these concerns as overblown. The stock could offer a 19.0% average annual return over the next five years thanks to 5.0% earnings-per-share growth, its 2.5% dividend and an 11.9% valuation gain. The stock receives a hold rating.

## Total Return Breakdown by Year

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## Income Statement Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 13,487 | 14,810 | 16,125 | 16,783 | 16,652 | 18,507 | 19,428 | 19,353 | 19,736 | 21,108 |
| Gross Profit | 5,379 | 5,658 | 6,287 | 6,149 | 5,981 | 6,903 | 6,980 | 6,689 | 6,778 | 6,567 |
| Gross Margin | 39.9% | 38.2% | 39.0% | 36.6% | 35.9% | 37.3% | 35.9% | 34.6% | 34.3% | 31.1% |
| SG&A Exp. | 2,731 | 2,697 | 3,007 | 2,972 | 3,100 | 3,503 | 3,443 | 3,252 | 3,223 | 3,240 |
| D&A Exp. | 379 | 443 | 498 | 526 | 559 | 574 | 569 | 555 | 529 | 550 |
| Operating Profit | 2,289 | 2,553 | 2,820 | 2,670 | 2,329 | 2,826 | 2,968 | 2,918 | 3,026 | 3,327 |
| Operating Margin | 17.0% | 17.2% | 17.5% | 15.9% | 14.0% | 15.3% | 15.3% | 15.1% | 15.3% | 15.8% |
| Net Profit | 1,553 | 1,504 | 2,101 | 1,842 | 1,392 | 2,137 | 2,290 | 2,126 | 2,240 | 2,230 |
| Net Margin | 11.5% | 10.2% | 13.0% | 11.0% | 8.4% | 11.5% | 11.8% | 11.0% | 11.3% | 10.6% |
| Free Cash Flow | 1,345 | 2,123 | 2,215 | 2,107 | 2,901 | 2,216 | 2,236 | 2,013 | 1,827 | 2,595 |
| Income Tax | 805 | 1,153 | 698 | 643 | 704 | 693 | 730 | 668 | 713 | 1,258 |

## Balance Sheet Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 14,262 | 15,221 | 15,846 | 16,204 | 16,923 | 17,852 | 17,852 | 18,483 | 19,966 | 20,692 |
| Cash & Equivalents | 2,034 | 1,925 | 1,161 | 2,645 | 2,680 | 1,792 | 2,191 | 2,621 | 2,231 | 1,914 |
| Accounts Receivable | 2,556 | 2,865 | 3,190 | 3,256 | 3,087 | 3,557 | 3,796 | 3,849 | 4,059 | 4,439 |
| Goodwill & Int. Ass. | 3,505 | 3,685 | 4,631 | 5,020 | 6,077 | 6,838 | 6,878 | 7,234 | 8,552 | 8,523 |
| Total Liabilities | 3,534 | 4,552 | 4,422 | 5,182 | 6,087 | 5,861 | 5,543 | 5,256 | 5,558 | 5,677 |
| Accounts Payable | 175 | 210 | 215 | 239 | 389 | 361 | 360 | 337 | 340 | 308 |
| Long-Term Debt | 878 | 873 | 745 | 738 | 701 | 664 | 646 | 639 | 908 | 966 |
| Shareholder's Equity | 10,728 | 10,669 | 11,424 | 11,022 | 10,836 | 11,991 | 12,309 | 13,227 | 14,408 | 15,015 |
| LTD/E Ratio | 0.08 | 0.08 | 0.07 | 0.07 | 0.06 | 0.06 | 0.05 | 0.05 | 0.06 | 0.08 |

## Profitability & Per Share Metrics

| Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | 11.4% | 10.2% | 13.5% | 11.5% | 8.4% | 12.3% | 12.8% | 11.7% | 11.7% | 11.0% |
| Return on Equity | 15.5% | 14.1% | 19.0% | 16.4% | 12.7% | 18.7% | 18.8% | 16.7% | 16.2% | 15.2% |
| ROIC | 14.0% | 13.0% | 17.7% | 15.4% | 12.0% | 17.7% | 17.9% | 15.9% | 15.4% | 13.9% |
| Shares Out. | 608.0 | 588.0 | 579.0 | 548.0 | 534.0 | 526.0 | 519 | 505 | 497 | 489 |
| Revenue/Share | 22.11 | 24.89 | 27.61 | 29.97 | 30.78 | 35.05 | 37.43 | 38.32 | 39.71 | 43.17 |
| FCF/Share | 2.20 | 3.57 | 3.79 | 3.76 | 5.36 | 4.20 | 4.31 | 3.99 | 3.68 | 5.31 |

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