



Cognizant

The Mighty Morphin' Stock Exchangers

1/23/2015



# Members

- Ernest Stephenson
- Eli Von Berg
- Chase Dawkins
- Audra Bahr
- Leon Wagner
- Wade Dillenbeck (Non-presenting member)
- Amanda Serold (Non-presenting member)



# History

- **1998**- Cognizant Corporation is split into two companies: IMS Health and Nielsen Media Research
- **1998**- Cognizant Technology Solutions is partially spun-off from IMS Health and has its initial public offering of stock
- **1998**- Headquarters moved to the United States
- **1999**- Decided to focus on application management
- **2003**- IMS health sold 56% stake in Cognizant
- **2003-2012**- Listed as one of the top 100 fastest growing companies



# Recent News

- 2013- Cognizant passes Infosys as 2<sup>nd</sup> largest IT firm in India
- Affordable Care Act helps increase healthcare enrollment which increases profits for Cognizant
- Cognizant has been ranked at 12th place on a Forbes list of America's 25 fastest growing tech companies



# Acquisitions

- October 2013- Acquired Equinox
- October 2013- Acquired ValueSource NV
- September 2014- Acquired TriZetto Corporation
- October 2014- Acquired Cadient Group
- November 2014- Acquired Odecee



# What they do

- Information Technology
  - Cognizant 2.0 platform
- Consulting
- Business Process Services



# The Cognizant Approach

- Global Delivery Model
- Domain Expertise
- Portfolio of Services



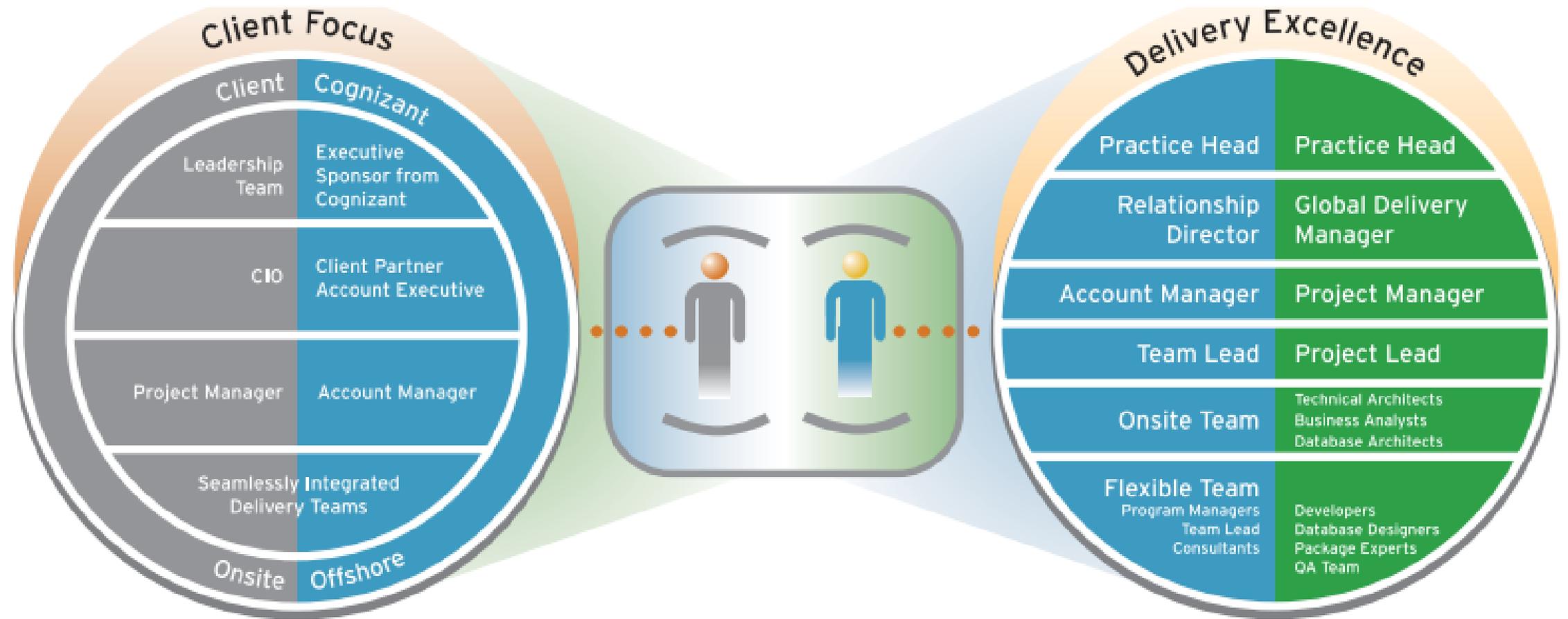
# Global Delivery Model

- 75 Delivery Centers Worldwide
- Four-tiered global architecture of employees
  - In-country delivery centers
  - Regional delivery centers
  - Global delivery centers
  - On-site client services



# Two-in-a-Box

## Cognizant's Unique Operating Model



*Deep relationship aligned with the customer organization*

*Empowered organization with focus on value addition in domain and technology*



# Domain Expertise

- Financial Services
- Healthcare
- Manufacturing, retail, and logistics
- Other, including communications, information, media and entertainment, high technology



# Domain Expertise

<b>Financial Services</b>	<b>Healthcare</b>	<b>Manufacturing/Retail/Logistics</b>	<b>Other</b>
<ul style="list-style-type: none"><li>• Banking</li><li>• Insurance</li></ul>	<ul style="list-style-type: none"><li>• Healthcare</li><li>• Life Sciences</li></ul>	<ul style="list-style-type: none"><li>• Manufacturing and Logistics</li><li>• Retail, Travel and Hospitality</li><li>• Consumer Goods</li></ul>	<ul style="list-style-type: none"><li>• Communications</li><li>• Information, Media and Entertainment</li><li>• High Technology</li></ul>



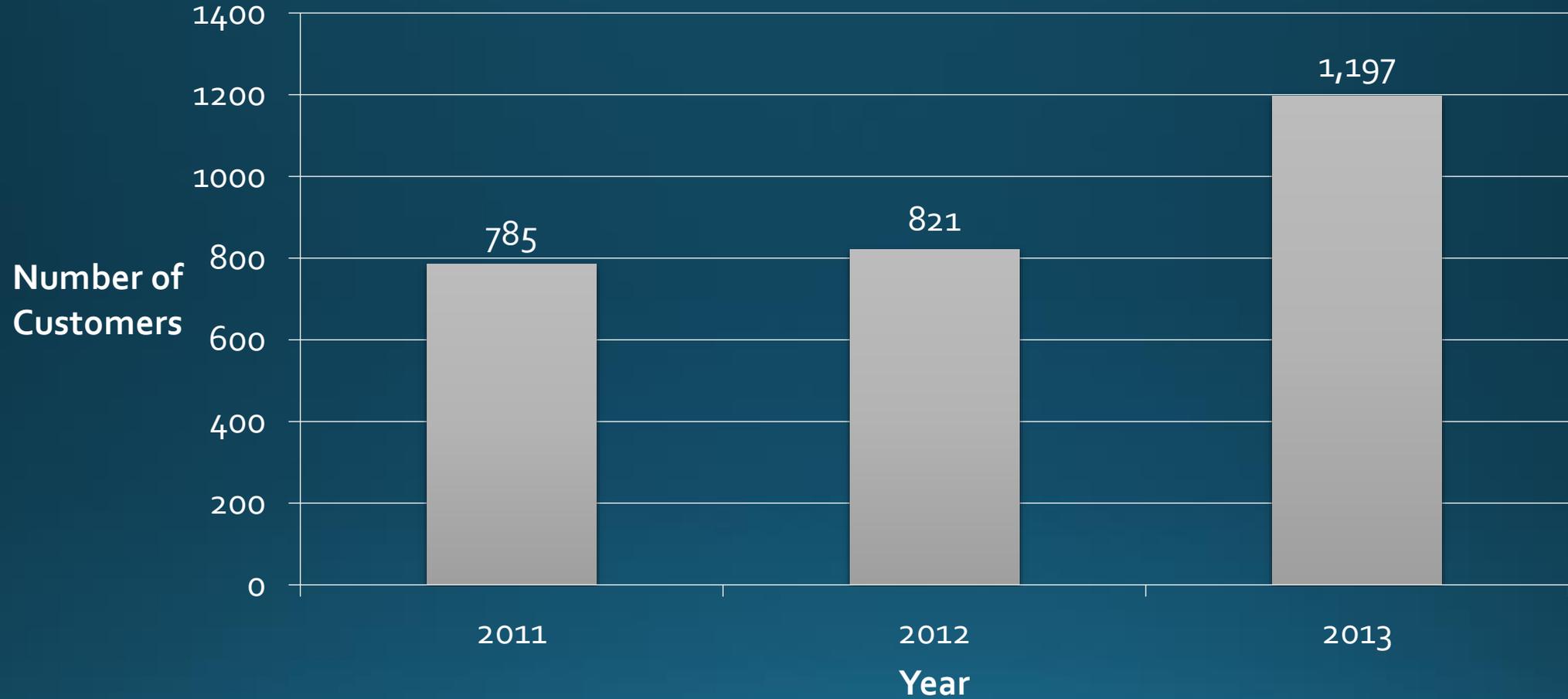
# Portfolio of Services

- Consulting and Technology Services:
  - Business, process, operations and IT consulting
  - Application development and system integration
  - Application testing
- Outsourcing Services
  - Application maintenance
  - IT infrastructure services
  - Business process services





# Customers



97.2% of 2013 revenues came from clients with Cognizant at the end of 2012



27 of the top 30 Global Pharmaceutical Companies  
16 of the top 20 U.S. Healthcare Plans  
5 of the top 6 PBMs  
9 of the top 10 Biotech Companies  
12 of the top 20 Medical Device Companies

6 of the top 10 Global Insurers  
12 of the top 20 US P&C Insurers  
9 of the top 10 US Life and Annuities Insurers

7 of top 10 Communications  
Services Providers &  
Equipment Vendors

6 of the top 10  
North American banks  
9 of the top 10 European banks

Communications

Healthcare  
&  
Life Sciences

Insurance

Banking &  
Financial  
Services

Technology

Manufacturing  
& Logistics

3 of the top 5 Online  
Companies

7 of the top 10 ISVs

2 of the top 5 Semiconductor  
Manufacturers

8 of the top 10 Automotive OEM  
7 of the top 15 Industrial Manufacturers  
4 of the top 15 Chemical Manufacturers  
4 of the top 15 Logistics Providers

Information,  
Media &  
Entertainment

Retail,  
Travel &  
Hospitality

5 of the top 10 Information Service Providers  
7 of the top 10 Publishers  
6 Major Hollywood Studios

7 of the top 30 Global Retailers  
5 of the top 10 Global Airlines  
5 of the top 10 Global Hotel Chains



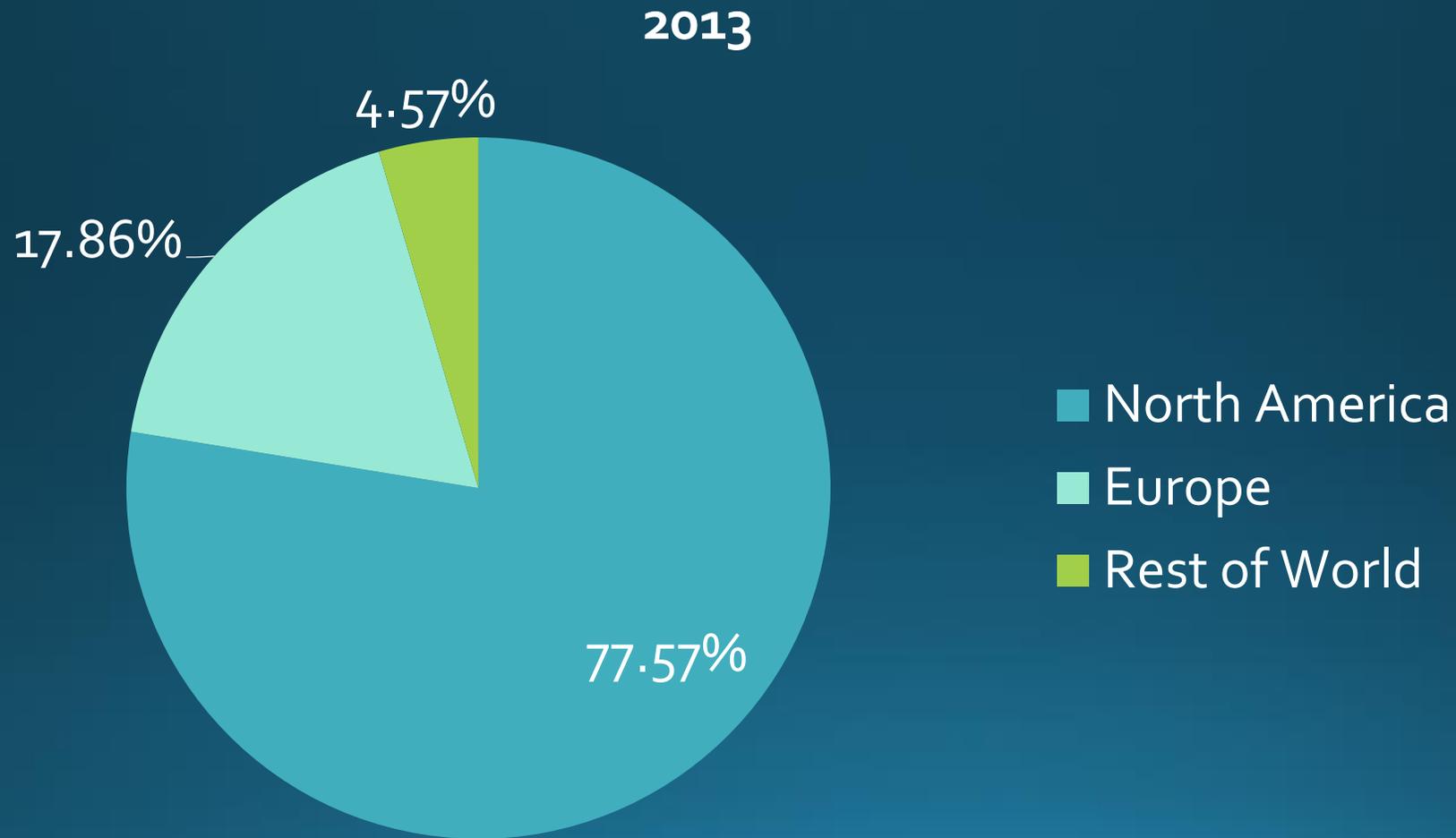


# Customers

- 27 of the top 30 Global Pharmaceutical Companies
- 9 of the top 10 Biotech Companies
- 9 of the top 10 European Banks
- 9 of the top 10 Life and Annuities Insurers
- 7 of the top 10 Publishers
- 7 of the top 10 Communication Services Providers



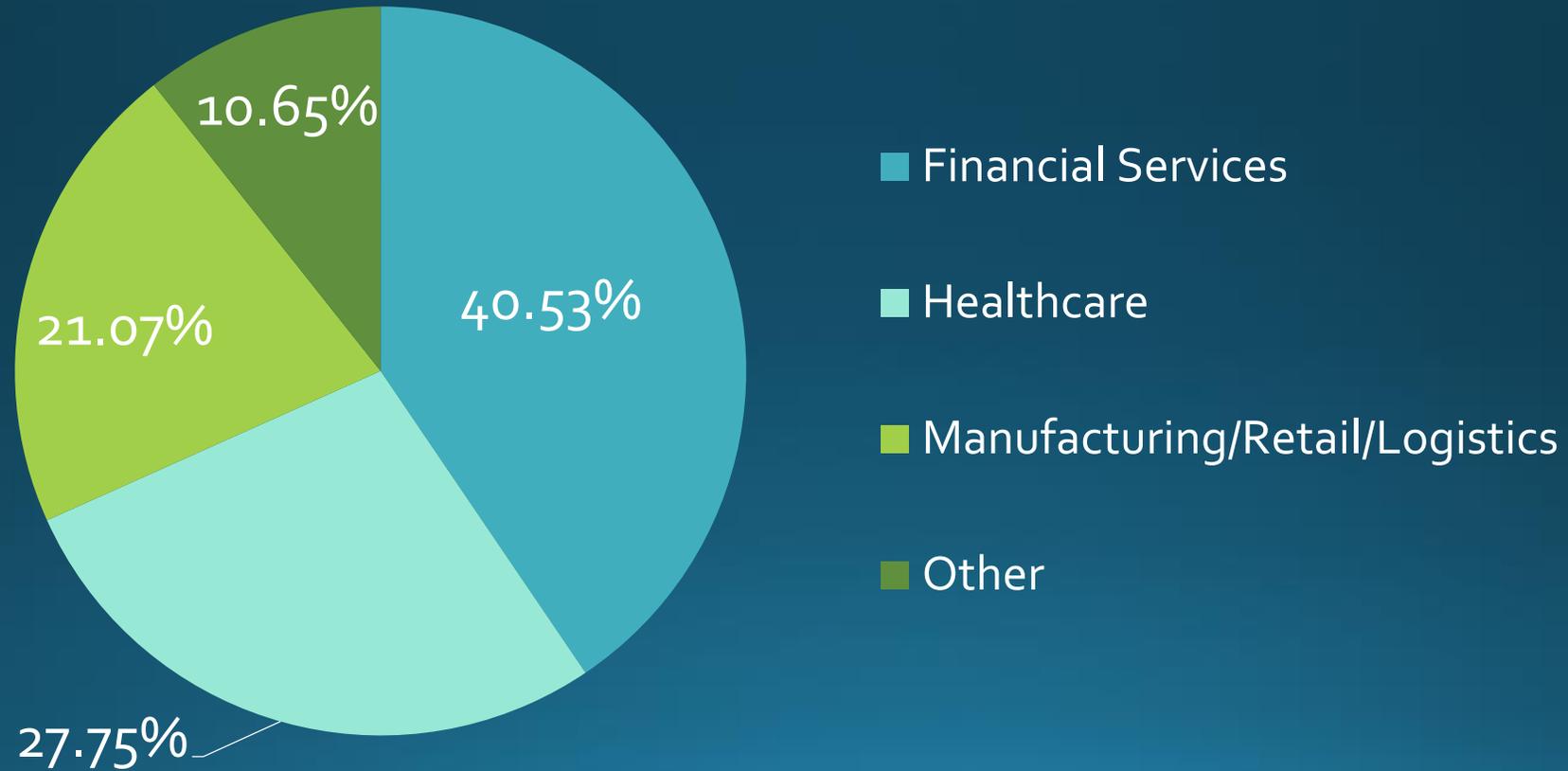
# Revenues by Geographic Location





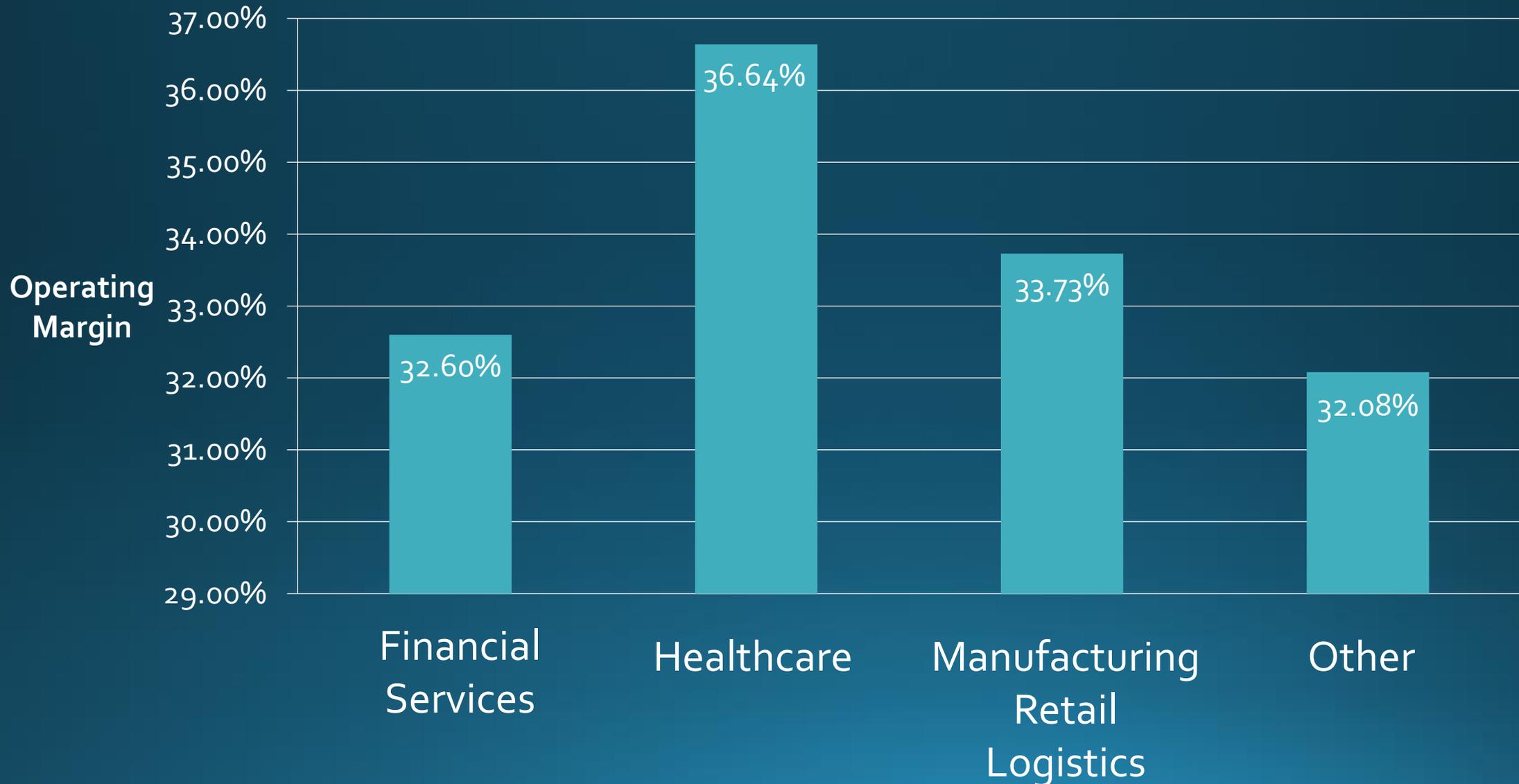
# Revenues by Segment

2013



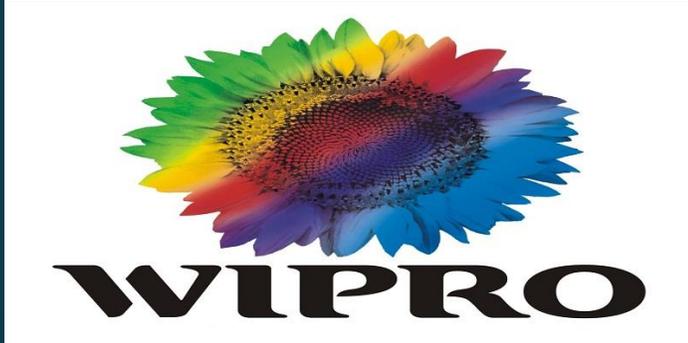


# 2013 Operating Margin by Segment





# Competitors





# Risk Factors

- Damage to reputation
- Loss of highly-skilled personnel
- Anti-outsourcing legislation
- United States Citizenship and Immigration Services limitations
- Poor economic conditions in United States and Europe
- Failure to successfully expand geographically
- Failure to innovate and develop new services



# Risk Factors: India

- Heavily regulated economy
- Change in India's tax benefits of Special Economic Zones
- Civil and political unrest in Middle-East/India region (Kashmir)



# Competitive Advantage

- Continual strong investment in research and development
- Recruitment and training pipeline
- Low cost professional services
- Integrated social media and analytics



# Protective Moat

- Sticky business
- On-site off-shore services
- Reputation of service



# Interpretation of the Financial Statements

<u>TTM</u>	Value	Threshold	Pass?
Gross Profit Margin	40.13%	$\geq 40\%$	Yes
% SGA	48.57%	$\leq 80\%$	Yes
% R&D	8.88%	$\leq 10\%$	Yes
% Depreciation	4.87%	$\leq 10\%$	Yes
Interest % of OP	0.00%	$\leq 15\%$	Yes
Net Profit Margin	14.18%	$\geq 10\%$	Yes
Current Ratio	4.17	$\geq 1$	Yes
Obligation Ratio	0.00	< 5 years	Yes
Adj. Debt to Shareholder Equity	0.25	< 0.8	Yes
Return on Equity	18.98%	$\geq 15\%$	Yes
Return on Capital	18.98%	$\geq 15\%$	Yes
Dividend Payout Ratio	0.00%	$\leq 60\%$	Yes
Preferred Stock	None	None	Yes
Capital Expenditures	0.00%	$\leq 25\%$	Yes
Net Earning Trend	Up	Up	Yes
Retained Earnings Trend	Up	Up	Yes

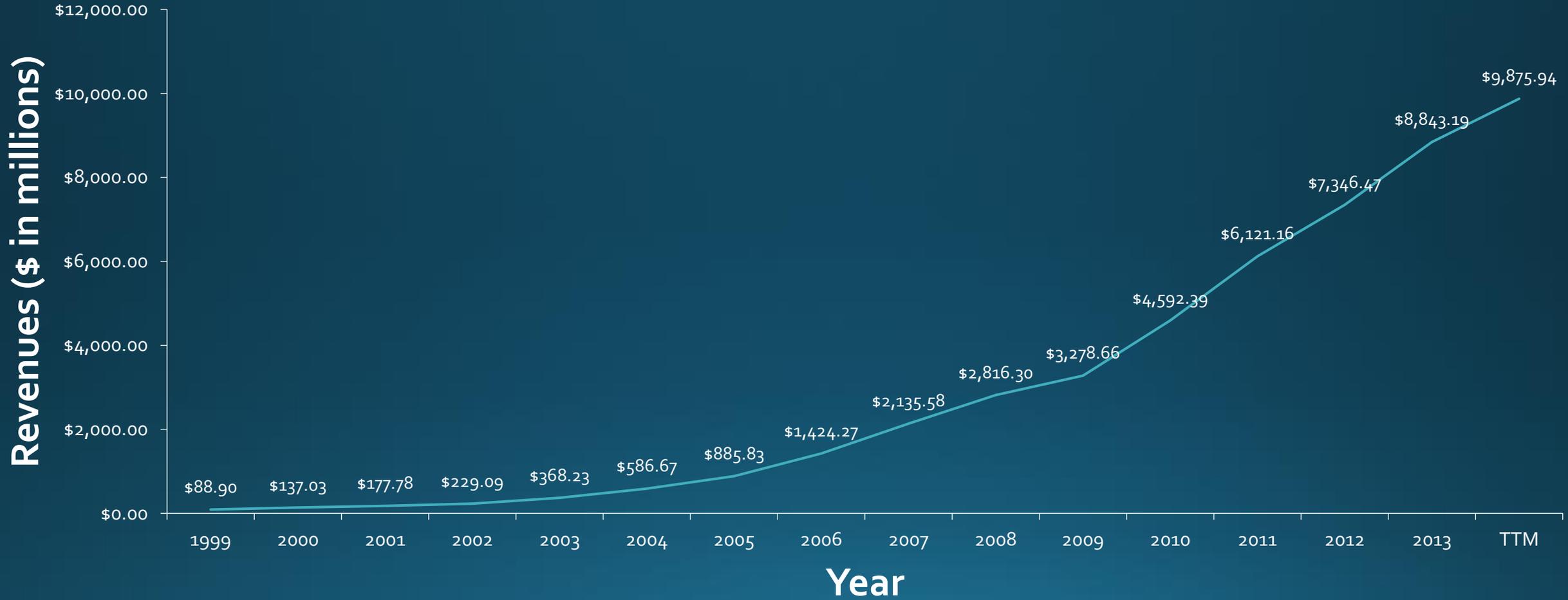


# Buffettology

<u>Statistical Array Analysis</u>	
Increasing trends?	
Sales per Share	Increasing
Cashflows per Share	Increasing
Earnings per Share	Increasing
Dividends Declared per Share	None
Capital Spending per Share	Variable
Book Value per Share	Increasing
Revenues (Sales)	Increasing
Gross Profit Margin	Slightly decreasing
Operating Profit Margin	Stable
Number of Stores	N/A
Net Profit	Increasing
Net Profit Margin	Slightly decreasing
Working Capital	Increasing
Shareholder's Equity	Increasing
Return on Total Capital	Slightly decreasing
Return on Shareholder's Equity	Slightly decreasing
Common Shares Outstanding	Stable
LT Obligations Payable in 5 years	Yes
All Dividends to Net Profit under 60%	N/A
Annual Growth Rate Analysis	Slightly decreasing

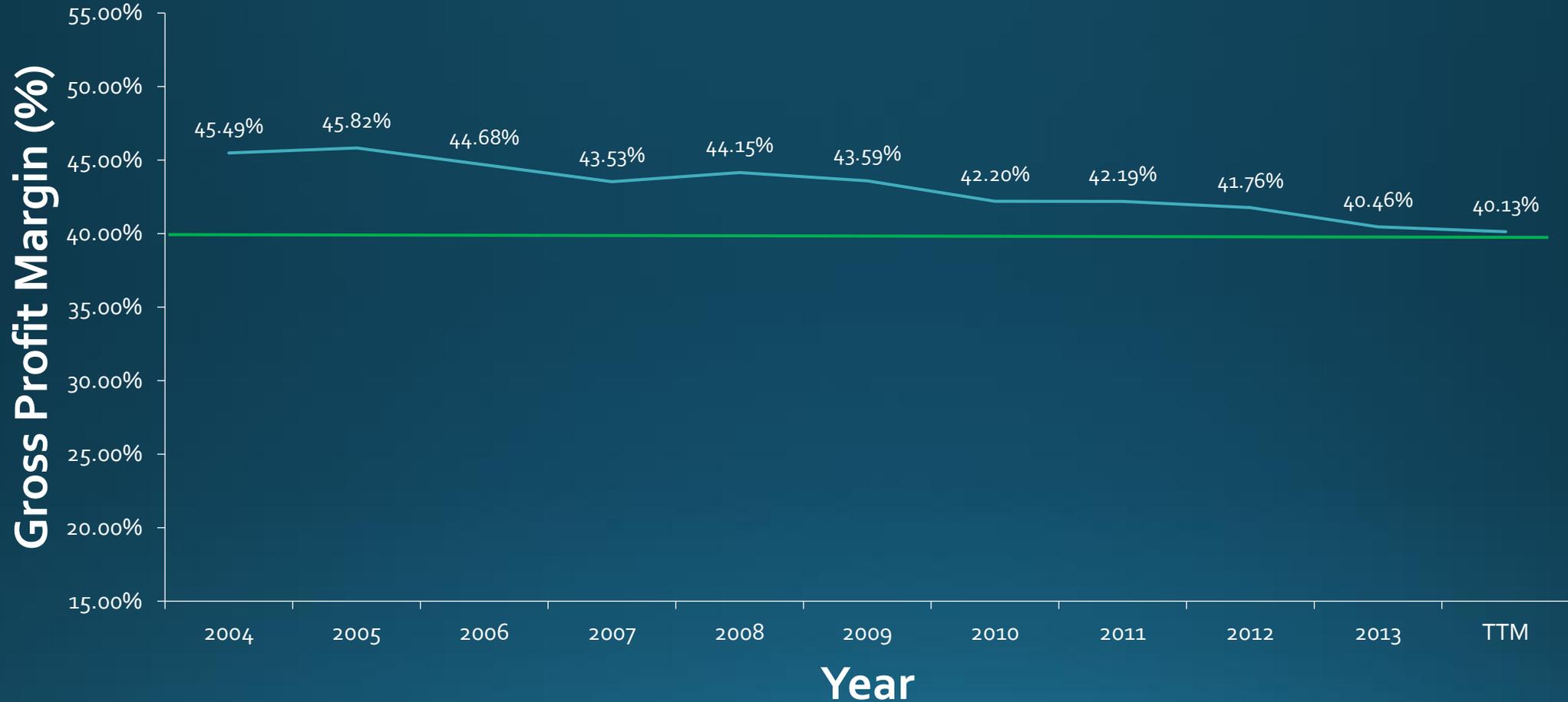


# Revenues (15 year)





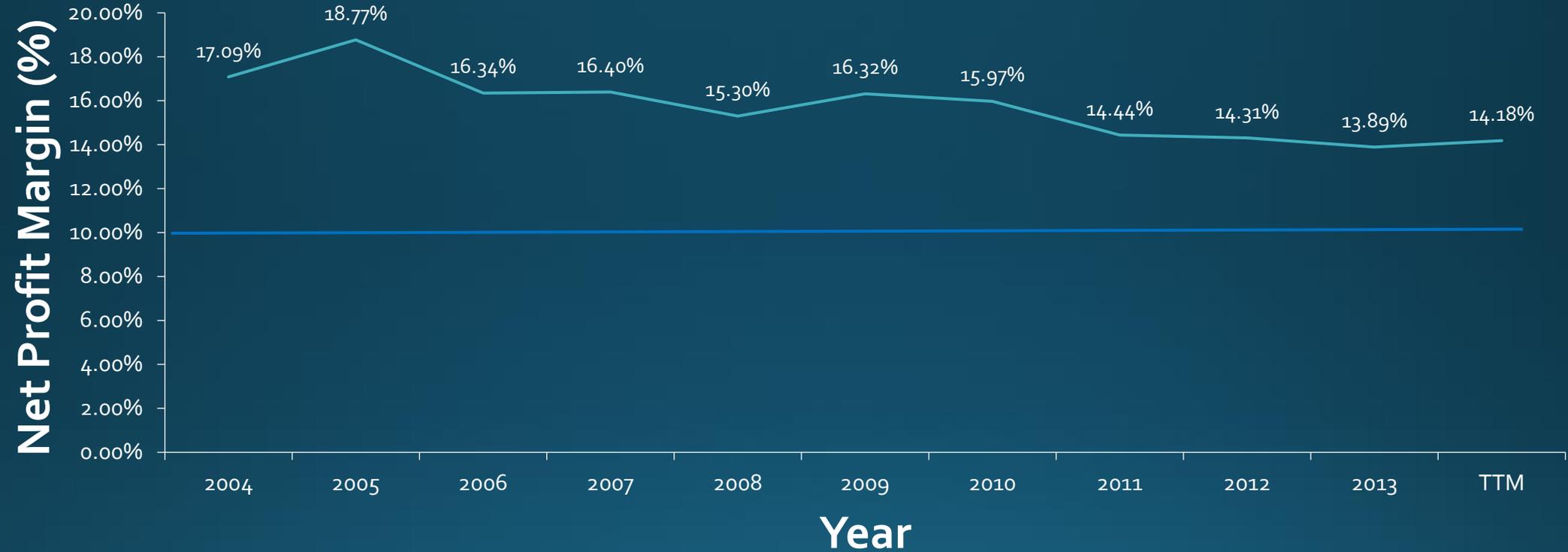
# Gross Profit Margin



$$\text{Gross Profit Margin as \%} = \frac{\text{Gross Profit}}{\text{Revenue}}$$



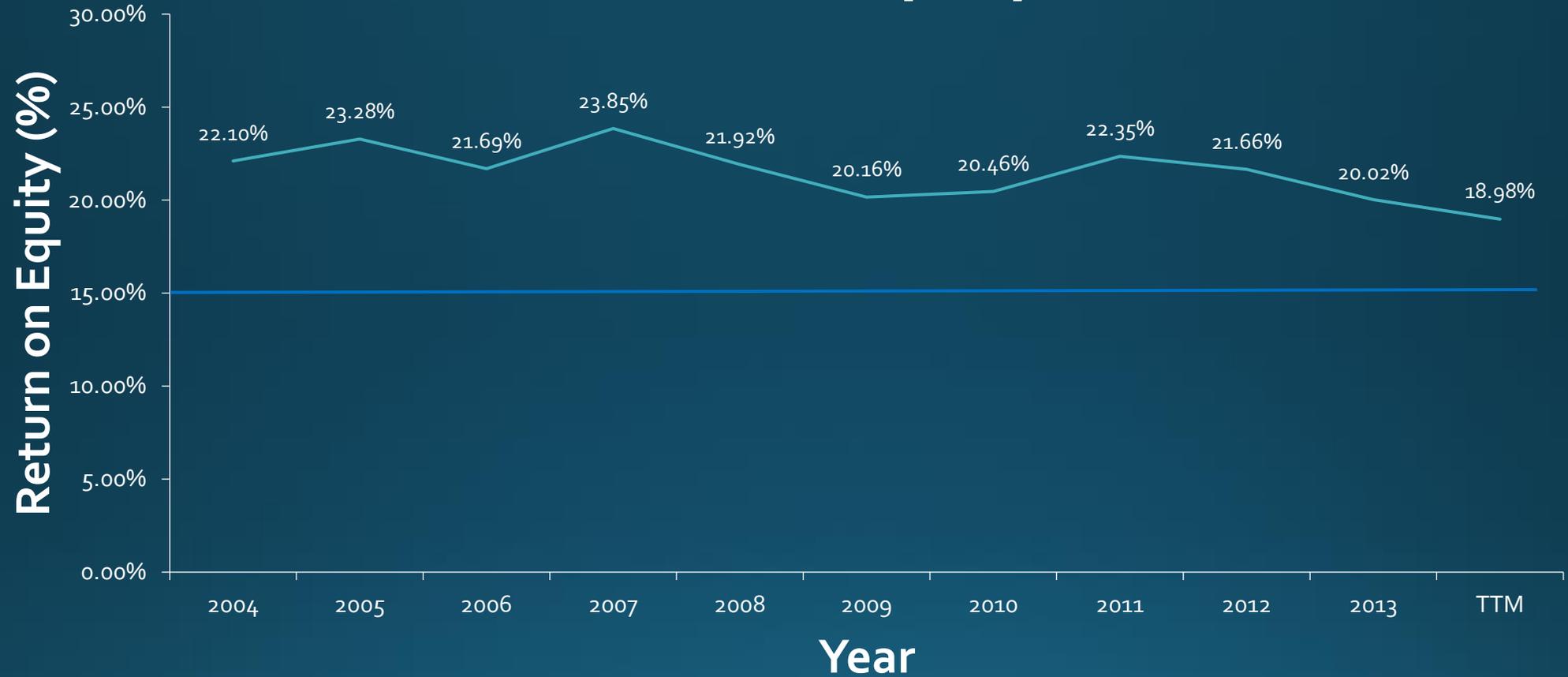
# Net Profit Margin



Net Profit as % =  $\frac{\text{Net Profit}}{\text{Revenue}}$



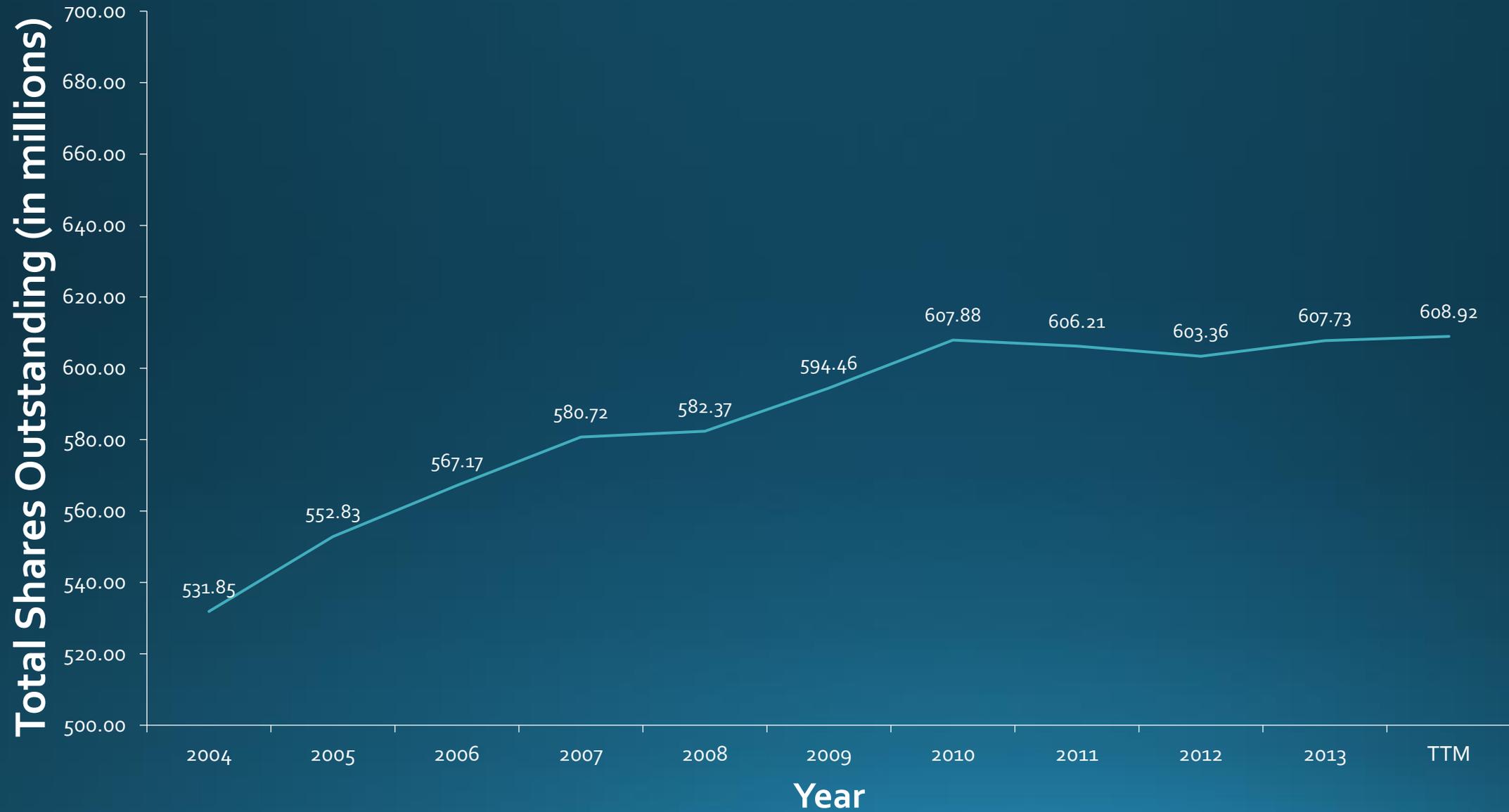
# Return on Equity



Return on Equity as % =  $\frac{\text{Net Profit}}{\text{Total Equity}}$

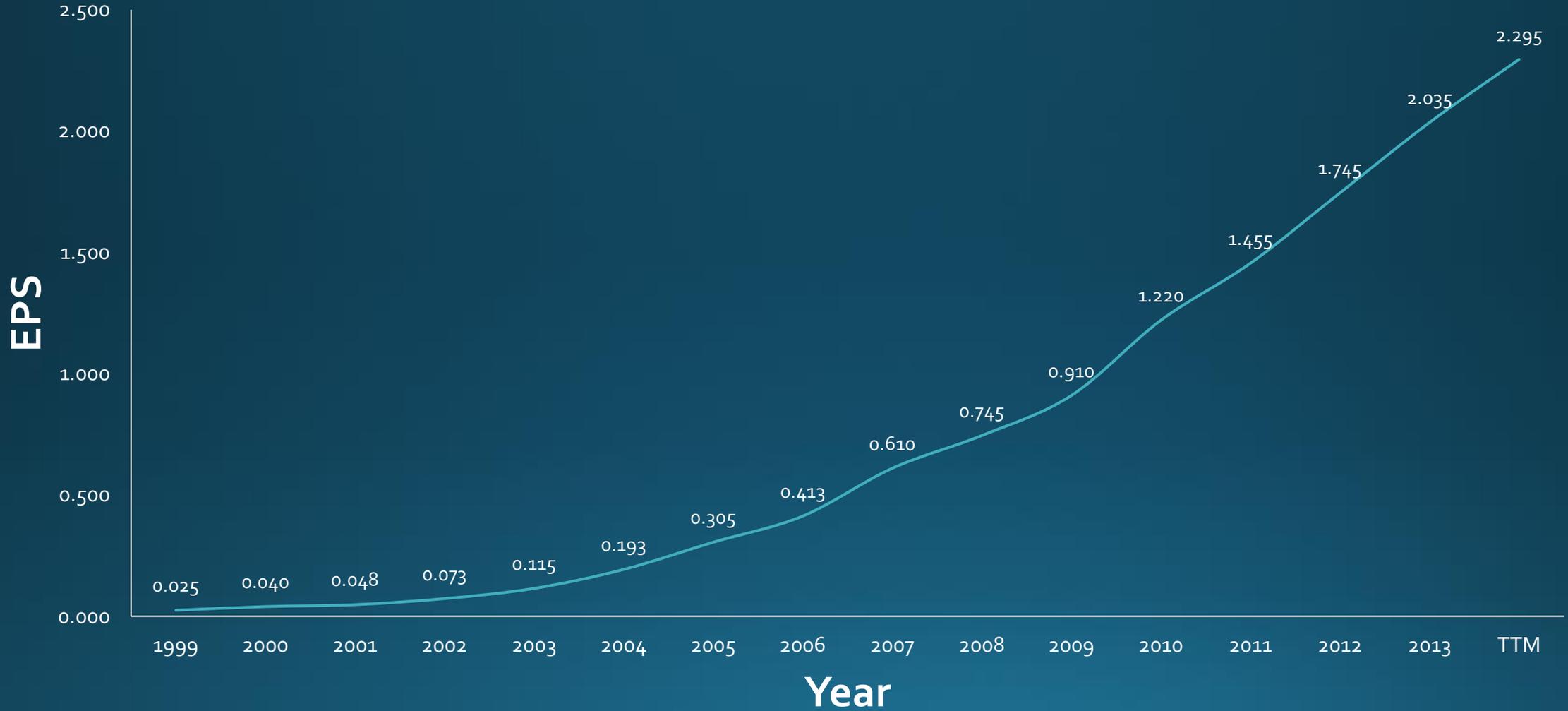


# Total Shares Outstanding



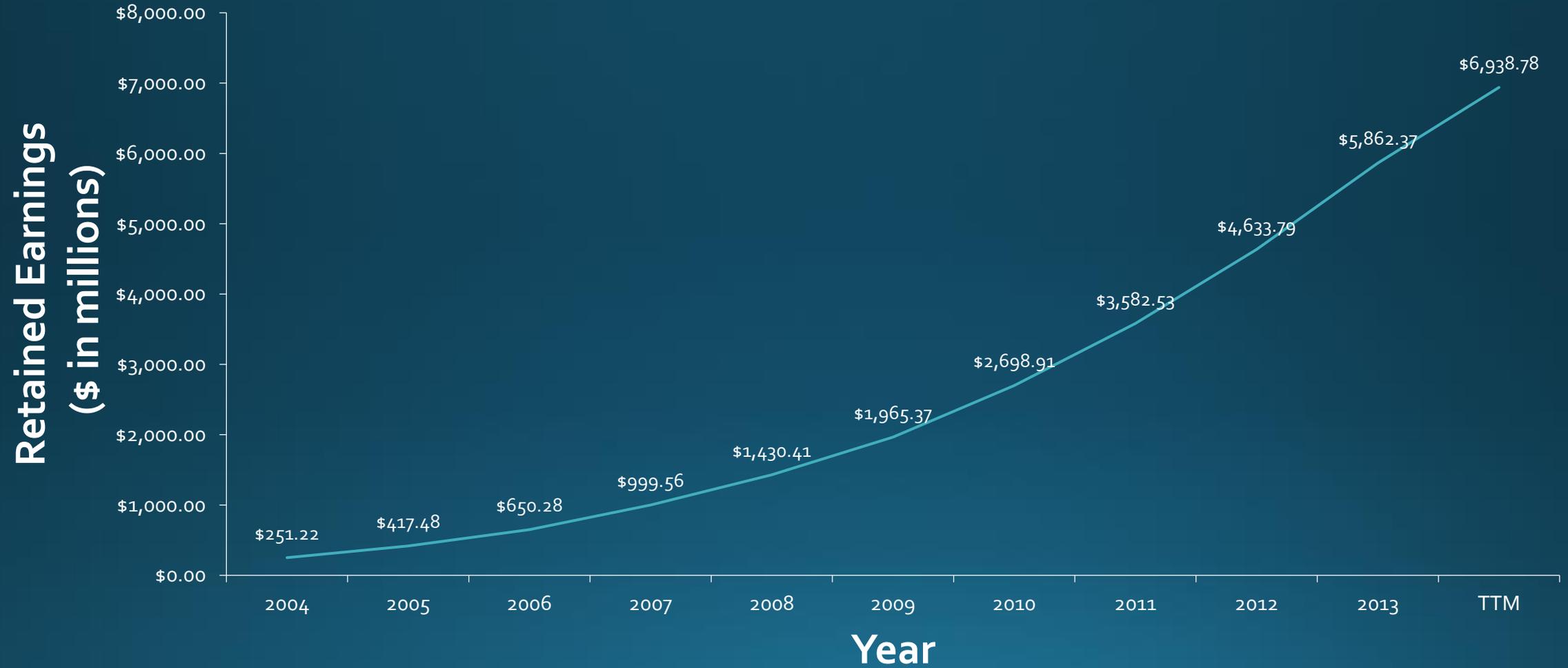


# Earnings Per Share





# Retained Earnings





# Qualitative Analysis

What type of business is this: commodity or sustained competitive advantage?	Competitive Advantage
Can you easily explain what the business does?	Yes
Is it heavily unionized?	No
Does it require heavy capital infusion?	No
Does it require lots of research and development?	Yes
Can inventory become obsolete?	No
Are there chronic "one time" write offs?	No
Is the company able to raise its prices to offset inflation?	Yes
Will the company be able to sell more in the future?	Yes



# DuPont Analysis: Competition

Company	Total Asset Turnover (Revenue/Total Assets)	Net Profit Margin (Net Income/Revenue)	Financial Leverage Multiplier (Total Assets/Total Equity)	Return on Equity
Cognizant	1.07	.142	1.25	18.99%
IBM	.824	.130	8.342	89.36%
Accenture	1.83	.10	3.216	58.85%
Infosys	.862	.232	1.221	24.42%
Wipro	.848	.171	1.443	20.92%



# DuPont Analysis: Comparative

Cognizant	Total Asset Turnover (Revenue/Total Assets)	Net Profit Margin (Net Income/Revenue)	Financial Leverage Multiplier (Total Assets/Total Equity)	Return on Equity
TTM	1.07	.142	1.25	18.99
2013	1.077	.139	1.338	20.03
2012	1.126	.143	1.344	21.64
2011	1.111	.144	1.39	22.24



# Industry Comparison

Company	Cognizant Tech (CTSH)	Accenture (ACN)	Infosys (INFY)	IBM (IBM)	Wipro (WIT)
Market Cap (\$mil)	\$33,512	\$58,252	\$39,507	\$155,515	\$29,892
P/E(ttm)	24	20	20.50	13.20	17.40
P/S	3.41	1.89	4.57	1.66	4.10
P/B	4.50	10.70	4.60	11	4
EV/EBIT	14.81	12.42	14.33	10.78	13
EV/Sales	2.78	1.68	3.65	1.99	2.73
Yield (%)	0	2.19	1.71	2.70	1.10
Payout	0	0.44	0.34	0.26	0.23
ROA (%)	16.67	17.68	20.95	10.43	16.71
ROE (%)	19	55.91	25.40	89.4	24.51
Operating Margin (%)	18.77	13.56	25.47	18.46	21
Net Margin (%)	14.18	9.32	22.79	12.98	18.43
Debt to Equity (%)	0	1	0	321	15



# Industry Comparison cont.

Company	Cognizant Tech (CTSH)	Accenture (ACN)	Infosys (INFY)	IBM (IBM)	Wipro (WIT)
10-Year Rvn. Growth (%)	33.70	10.70	22.90	6.20	18.40
10-Year Earning Growth (%)	30	19.30	20.30	15.60	16.80
5-Year Rvn. Growth (%)	27.70	10.50	23.60	6.50	13.30
5-Year Earning Growth (%)	22.20	17.50	16.80	10.80	13.30
1-Year Rvn. Growth (%)	16.50	9.40	14.10	5.10	15.30
1-Year Earning Growth (%)	17.40	-6.60	22.80	7.50	25.20
Gurufocus Predictability Stars	4	4.5	4.5	4.5	3.5
Number of Guru Holders	6	5	1	13	0
Combined Weightings (%)	6.81	1.54	0.19	17.55	0
Number of Guru Buys:Sells (6 months)	5 : 7	5 : 2	1 : 3	6 : 8	2 : 3

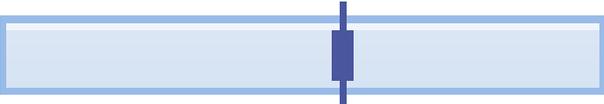


# Industry Valuation Comparison

Ticker 	 5-Year Price / Earnings Range
IBM	9.7  16.0
WIT	15.3  38.4
<i>CTSH</i> 	17.1  34.4
INFY	12.5  31.5
ACN	15.3  22.5

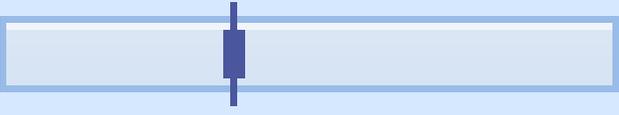
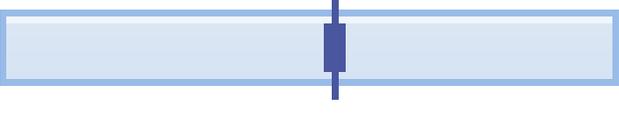


# Industry Valuation Comparison

Ticker 	 5-Year Price / Sales Range
IBM	1.6  2.4
<b>CTSH</b> 	2.4  5.5
INFY	3.0  8.1
WIT	2.5  6.2
ACN	1.2  2.0

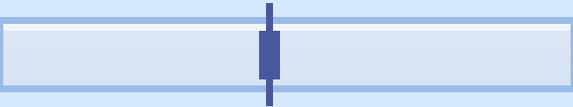


# Industry Valuation Comparison

Ticker 	▲ 5-Year Price / Free Cash Flow Range
INFY	16.0  41.4
<b>CTSH</b> 	18.8  47.1
IBM	9.4  17.1
WIT	15.7  81.7
ACN	9.8  21.1



# Industry Valuation Comparison

Ticker 	▲ 5-Year Price / Book Range
<b>CTSH</b> 	3.6  6.9
WIT	3.3  9.1
ACN	8.6  12.9
INFY	3.1  7.8
IBM	7.0  13.2



# Discounted Cash Flow- 5-year Earnings

DCF Reverse DCF <sup>NEW</sup>

Earnings Per Share : \$  ?

Growth Rate In the Next:  Years  % ?

Business Predictability ?

Terminal Growth Rate:  % ?

Years of Terminal Growth:  ?

Discount Rate:  % ?

→

Tangible Book Value: \$   Add to Fair Value

Growth Value: \$ 38.16

Terminal Value: \$ 37.25

**= Fair Value: \$ 86.57**

Margin Of Safety: 35%

## Financial Data of Cognizant Technology Solutions Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	33.70	27.70	16.50
EBITDA Growth (%)	32.50	26.60	16.30
EBIT Growth (%)	33.00	27.60	16.10
EPS without NRI Growth (%)	30.00	22.20	17.40
Free Cash Flow Growth (%)	35.60	18.40	40.20
Book Value Growth (%)	31.50	21.70	30.00



# Discounted Cash Flow- Break Even

DCF Reverse DCF <sup>NEW</sup>

Earnings Per Share : \$ 2.29

Growth Rate In the Next: 10 Years **17.44** %

Business Predictability ★★★★★

Terminal Growth Rate: 4 %

Years of Terminal Growth: 10

Discount Rate: 12 %

Tangible Book Value: \$ 11.16  Add to Fair Value

Growth Value: \$ 30

Terminal Value: \$ 25.04

**= Fair Value: \$ 55.04**

Margin Of Safety: 0%

## Financial Data of Cognizant Technology Solutions Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	33.70	27.70	16.50
EBITDA Growth (%)	32.50	26.60	16.30
EBIT Growth (%)	33.00	27.60	16.10
EPS without NRI Growth (%)	30.00	22.20	17.40
Free Cash Flow Growth (%)	35.60	18.40	40.20
Book Value Growth (%)	31.50	21.70	30.00



# DCF- Break Even 2

DCF **Reverse DCF** NEW

Earnings Per Share : \$ 2.29

Growth Rate In the Next: 10 Years **14** %

Business Predictability ★★★★★

Terminal Growth Rate: 4 %

Years of Terminal Growth: 10

Discount Rate: 12 %

Tangible Book Value: \$ 11.16  Add to Fair Value

Growth Value: \$ 25.27

Terminal Value: \$ 18.6

**= Fair Value: \$ 55.03**

Margin Of Safety: 0%

## Financial Data of Cognizant Technology Solutions Corp

Annual Rates (per share)	10 yrs	5 yrs	12 months
Revenue Growth (%)	33.70	27.70	16.50
EBITDA Growth (%)	32.50	26.60	16.30
EBIT Growth (%)	33.00	27.60	16.10
EPS without NRI Growth (%)	30.00	22.20	17.40
Free Cash Flow Growth (%)	35.60	18.40	40.20
Book Value Growth (%)	31.50	21.70	30.00



# Conscious Investor 3-year default

US Cognizant Technology Solutions Corp 

Application Software

Last trade 2015-01-15

Return Analysis

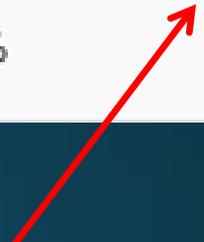
	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	0.176	0.283	0.387	0.577	0.721	0.888	1.186	1.424	1.719	2.015	\$2.289	3	18.95%	99.62%
SPS (\$)	1.103	1.602	2.511	3.677	4.836	5.515	7.555	10.097	12.176	14.551		3	20.05%	99.91%

	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	Current
NPM (%)	17.1	18.8	16.3	16.4	15.3	16.3	16.0	14.4	14.3	13.9	13.9%
ROE (%)	27.6	28.5	26.0	27.6	25.1	23.2	23.5	23.5	23.9	22.4	22.4%
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Debt/Eq. (%)	NA										

	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	High/Low	Current
P/E High	60.98	46.35	53.29	41.40	25.73	26.24	31.53	29.31	22.69	25.09	24.33	23.52
P/E Low	27.84	31.42	31.34	25.51	9.97	9.72	17.74	18.80	15.68	15.12	18.13	
Price High	10.73	13.12	20.62	23.89	18.55	23.31	37.40	41.74	39.00	50.57	55.68	53.84
Price Low	4.90	8.89	12.13	14.72	7.19	8.63	21.04	26.77	26.96	30.46	41.51	



	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	53.84	\$2.289	24.71	18.95%	0.0%	15.49%
Safety	53.84	\$2.289	19.09	13.75%	0.0%	8.51%



- 3-year Safety:
  - Cut P/E by 22.7%
  - Cut earnings growth by 27.4%



# CI- 6-year default

US Cognizant Technology Solutions Corp

Application Software

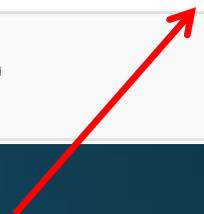
Last trade 2015-01-15

Return Analysis

	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	0.176	0.283	0.387	0.577	0.721	0.888	1.186	1.424	1.719	2.015	\$2.289	6	23.32%	97.42%
SPS (\$)	1.103	1.602	2.511	3.677	4.836	5.515	7.555	10.097	12.176	14.551		6	26.13%	96.07%
	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13			Current	
NPM (%)	17.1	18.8	16.3	16.4	15.3	16.3	16.0	14.4	14.3	13.9			13.9%	
ROE (%)	27.6	28.5	26.0	27.6	25.1	23.2	23.5	23.5	23.9	22.4			22.4%	
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0%	
Debt/Eq. (%)	NA	NA	NA			NA								
	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	High/Low		Current	
P/E High	60.98	46.35	53.29	41.40	25.73	26.24	31.53	29.31	22.69	25.09	24.33		23.52	
P/E Low	27.84	31.42	31.34	25.51	9.97	9.72	17.74	18.80	15.68	15.12	18.13			
Price High	10.73	13.12	20.62	23.89	18.55	23.31	37.40	41.74	39.00	50.57	55.68		53.84	
Price Low	4.90	8.89	12.13	14.72	7.19	8.63	21.04	26.77	26.96	30.46	41.51			



	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRET®
Default	53.84	\$2.289	24.71	23.32%	0.0%	19.43%
Safety	53.84	\$2.289	19.09	15.91%	0.0%	10.27%



- 6-year Safety:
  - Cut P/E by 22.7%
  - Cut earnings growth by 31.8%



# CI- 10-year default

Cognizant Technology Solutions Corp 

Application Software

Last trade 2015-01-15

Return Analysis

	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	EPSttm	Years	HGROWTH	STAEGR®
EPS (\$)	0.176	0.283	0.387	0.577	0.721	0.888	1.186	1.424	1.719	2.015	\$2.289	10	30.00%	88.06%
SPS (\$)	1.103	1.602	2.511	3.677	4.836	5.515	7.555	10.097	12.176	14.551		10	32.61%	88.20%
	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13			Current	
NPM (%)	17.1	18.8	16.3	16.4	15.3	16.3	16.0	14.4	14.3	13.9			13.9%	
ROE (%)	27.6	28.5	26.0	27.6	25.1	23.2	23.5	23.5	23.9	22.4			22.4%	
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0%	
Debt/Eq. (%)	NA	NA	NA			NA								
	12/04	12/05	12/06	12/07	12/08	12/09	12/10	12/11	12/12	12/13	High/Low		Current	
P/E High	60.98	46.35	53.29	41.40	25.73	26.24	31.53	29.31	22.69	25.09	24.33		23.52	
P/E Low	27.84	31.42	31.34	25.51	9.97	9.72	17.74	18.80	15.68	15.12	18.13			
Price High	10.73	13.12	20.62	23.89	18.55	23.31	37.40	41.74	39.00	50.57	55.68		53.84	
Price Low	4.90	8.89	12.13	14.72	7.19	8.63	21.04	26.77	26.96	30.46	41.51			



	Price	EP Sttm	P/E Ratio	HGrowth	Payout	STRET®
Default	53.84	\$2.289	24.71	30.00%	0.0%	25.59%
Safety	53.84	\$2.289	19.09	18.87%	0.0%	12.75%

- 10-year Safety:
  - Cut P/E by 22.7%
  - Cut earnings growth by 37.1%



# CI- Kill it

	Price	EPSttm	P/E Ratio	HGrowth	Payout	\$TRET <sup>®</sup>
Default	53.84	\$2.289	24.71	30.00%	0.0%	25.59%
Safety	53.84	\$2.289	19.09	18.87%	0.0%	12.75%
Saved	53.84	\$2.289	17.00	15.00%	0.0%	8.45%

- 10-year Kill It:
  - Cut P/E by 31.2% overall
  - Cut earnings growth by 50% overall



# CI- Kill it Again

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET <sup>®</sup>
Default	53.84	\$2.289	24.71	30.00%	0.0%	25.59%
Safety	53.84	\$2.289	19.09	18.87%	0.0%	12.75%
Saved	53.84	\$2.289	10.00	9.00%	0.0%	0.04%

- 10-year Kill It Again:
  - Cut P/E by 59.5% overall
  - Cut earnings growth by 70% overall



# Debt Analysis

- Short-term:
  - \$750 million unsecured revolving credit facility
- Long-term:
  - 5-year \$1 billion unsecured term facility



# Intra-Portfolio Valuations



# Price/Earnings

Ticker	▲ Price / Earnings
AIG	8.5
IBM	10.1
DE	10.1
BBBY	14.9
BRK.B	16.9
MSFT	18.1
ORCL	18.2
WMT	18.3
PETM	19.3
LO	20.7
PEP	21.5
NSRGY	21.5
BDX	23.4
KO	23.6
AAP	24.0
<b>CTSH</b> ⓧ	24.0
MDT	25.1
CHRW	25.5
WBA	35.8



Ticker	▲ 5-Year Price / Earnings Range
AIG	2.1 -
IBM	9.7 - 16.0
DE	9.0 - 29.0
WRLD	6.7 - 13.0
BBBY	11.8 - 21.0
ORCL	13.3 - 25.3
<b>CTSH</b> ⓧ	17.1 - 34.4
BRK.B	11.8 - 22.9
PETM	13.6 - 25.0
CHRW	14.9 - 36.1
PEP	15.1 - 22.2
LO	10.9 - 22.1
BDX	12.6 - 24.9
MSFT	8.8 - 19.4
AAP	11.5 - 25.8
WMT	11.0 - 19.0
KO	11.9 - 24.9
MDT	9.9 - 26.1
WBA	10.0 - 36.6





# Price/Sales

Ticker	▲ Price / Sales
WMT	0.6
CHRW	0.8
DE	0.9
WBA	0.9
AIG	1.1
PETM	1.2
AAP	1.2
BBBY	1.2
WRLD	1.4
IBM	1.7
BRK.B	1.8
PEP	2.2
NSRGY	2.3
BDX	3.3
LO	3.4
<b>CTSH</b> ⓘ	3.4
KO	4.1
MDT	4.2
MSFT	4.2
ORCL	5.1



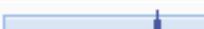
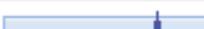
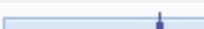
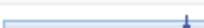
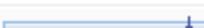
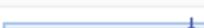
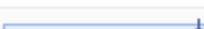
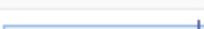
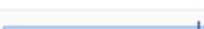
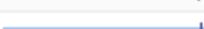
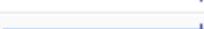
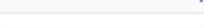
Ticker	▲ 5-Year Price / Sales Range
IBM	1.6  2.4
DE	0.8  1.6
WRLD	1.2  2.3
BBBY	1.0  1.9
CHRW	0.6  1.5
<b>CTSH</b> ⓘ	2.4  5.5
KO	3.3  4.8
MSFT	2.9  4.7
AAP	0.7  1.4
ORCL	3.6  5.5
PEP	1.5  2.4
WMT	0.4  0.6
PETM	0.6  1.3
BDX	2.0  3.4
LO	1.9  3.5
MDT	2.0  4.4
BRK.B	1.1  1.9
WBA	0.4  1.0
AIG	0.0  1.3



# Price/Book

Ticker	▲ Price / Book
AIG	0.7
BRK.B	1.5
WRLD	2.6
DE	3.3
NSRGY	3.4
WBA	3.5
WMT	3.5
MDT	3.7
ORCL	4.0
MSFT	4.2
BBBY	4.3
<b>CTSH</b> ⓘ	4.5
BDX	5.3
KO	5.6
AAP	5.7
PEP	6.3
PETM	6.5
CHRW	10.6
IBM	10.9



Ticker	▲ 5-Year Price / Book Range
AIG	0.4  -
DE	2.6  6.4
<b>CTSH</b> ⓘ	3.6  6.9
MSFT	3.1  6.2
ORCL	2.9  5.0
LO	-  -
WRLD	1.4  3.5
IBM	7.0  13.2
AAP	2.9  7.8
KO	4.2  5.9
WMT	2.5  3.7
BBBY	2.5  4.6
CHRW	5.9  11.4
BDX	3.0  5.6
PETM	2.6  7.1
PEP	4.0  6.5
MDT	2.0  3.8
BRK.B	1.0  1.5
WBA	1.7  3.6





# Price/Free Cash Flow

Ticker	▲ Price / Free Cash Flow
WRLD	5.2
IBM	12.4
ORCL	13.6
MSFT	14.4
BBBY	15.0
PETM	16.8
MDT	19.5
WBA	19.7
WMT	20.8
LO	21.1
PEP	21.7
NSRGY	22.3
KO	22.9
AAP	23.0
<b>CTSH</b> ⓘ	<b>23.9</b>
CHRW	25.4
BDX	25.4
DE	36.9



Ticker	▲ 5-Year Price / Free Cash Flow Range
NSRGY	
WRLD	4.3 -
CHRW	21.2 - 55.9
<b>CTSH</b> ⓘ	<b>18.8 - 47.1</b>
DE	9.8 -
BBBY	11.6 - 20.8
ORCL	10.1 - 19.7
IBM	9.4 - 17.1
WMT	13.2 - 28.2
KO	16.8 - 27.5
WBA	9.7 - 29.6
PEP	16.5 - 24.2
AAP	7.3 - 32.9
LO	9.7 - 23.8
MSFT	7.7 - 15.7
BDX	12.9 - 26.5
MDT	9.2 - 20.2
PETM	7.0 - 16.8





# Value Bands



# Price/Earnings



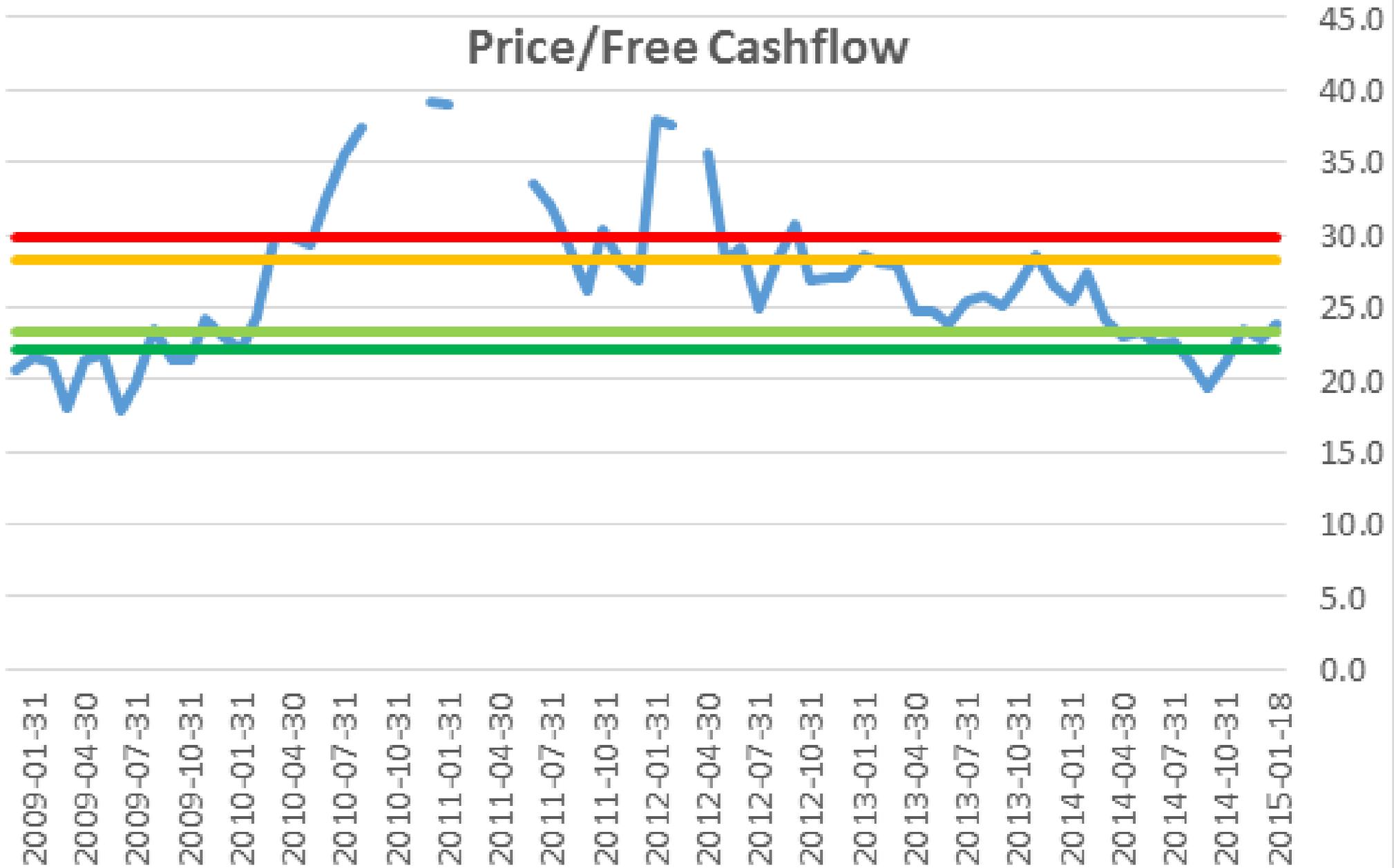


# Price/Sales





# Price/Free Cashflow



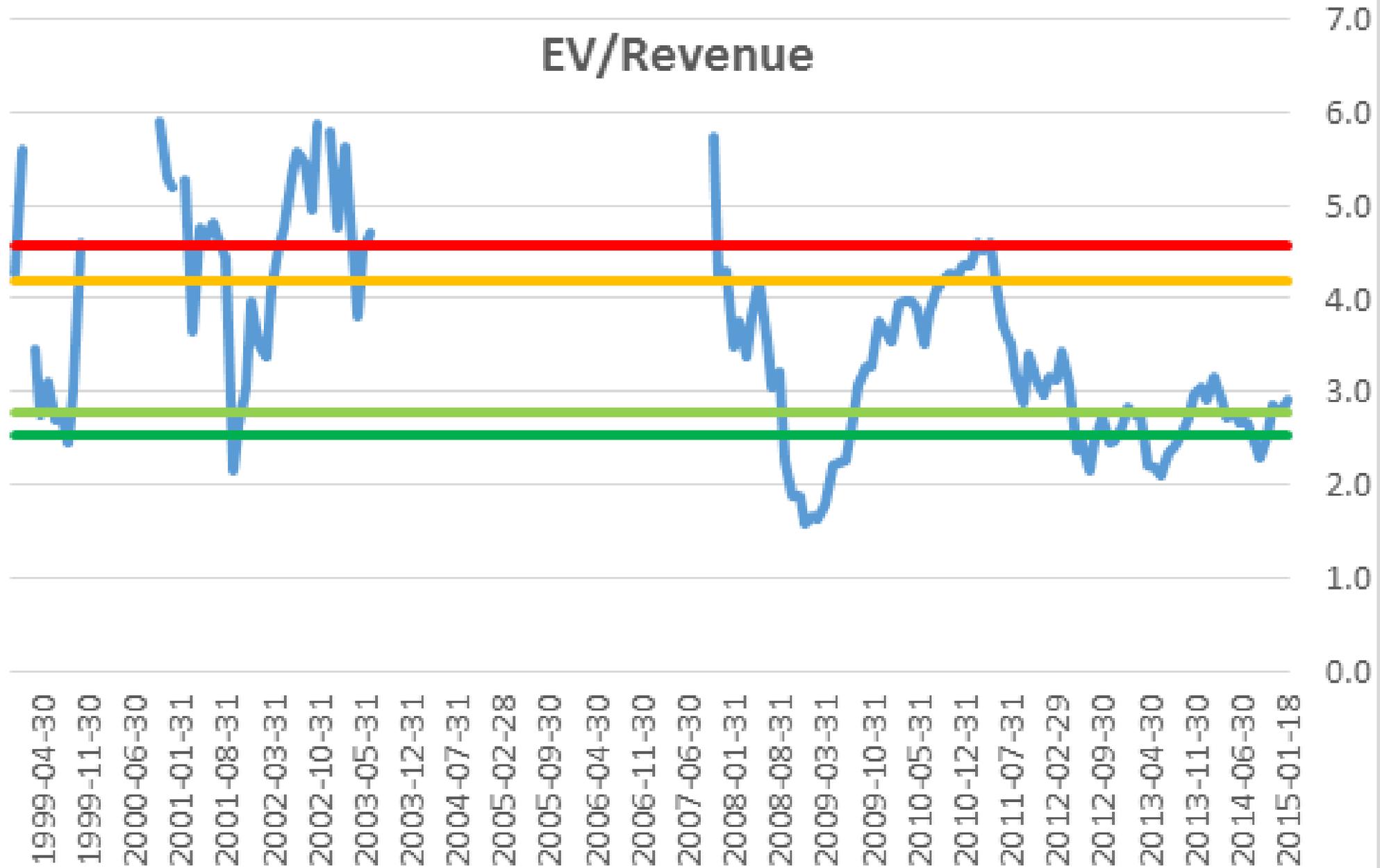


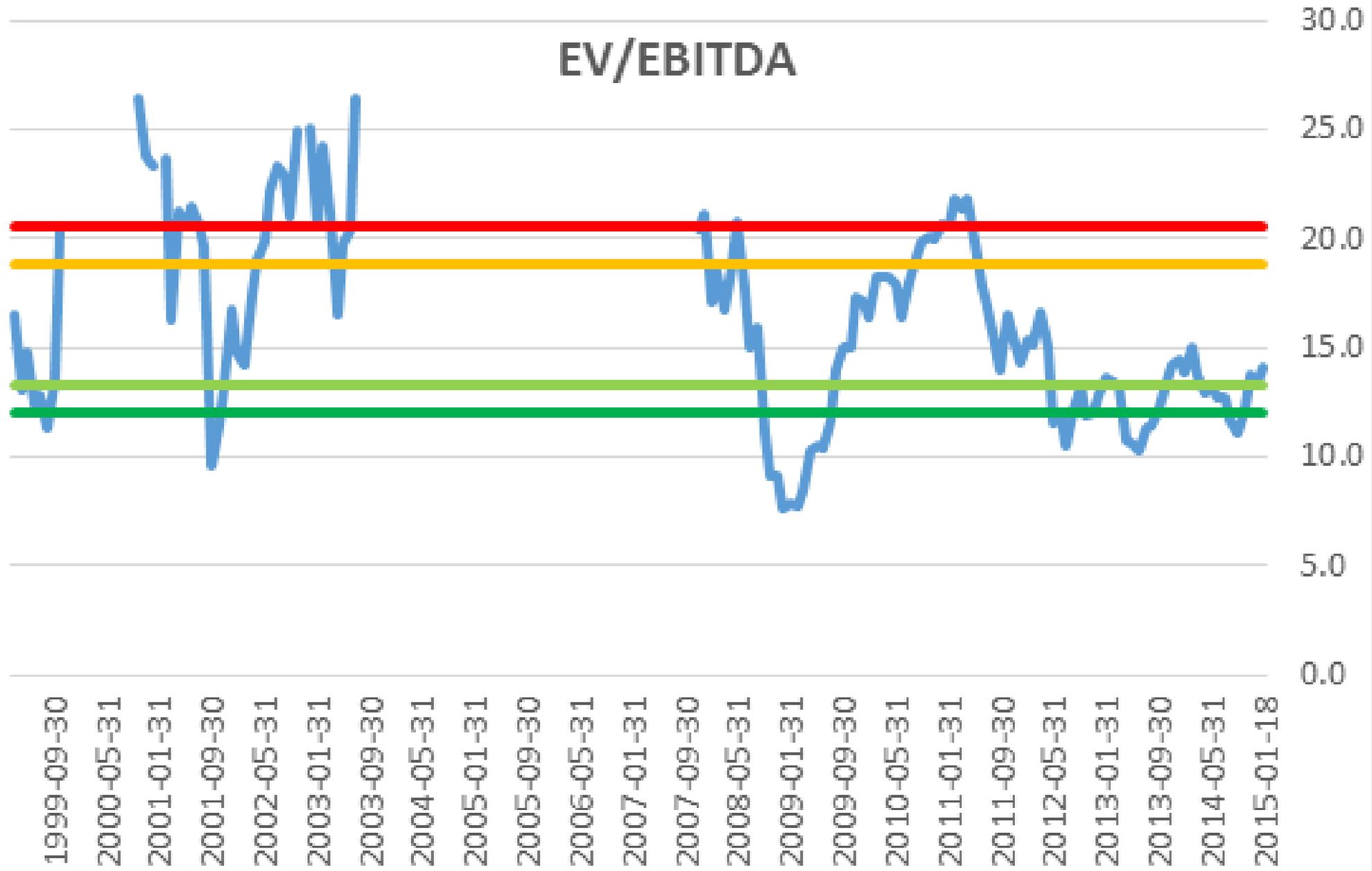
# Price/Book

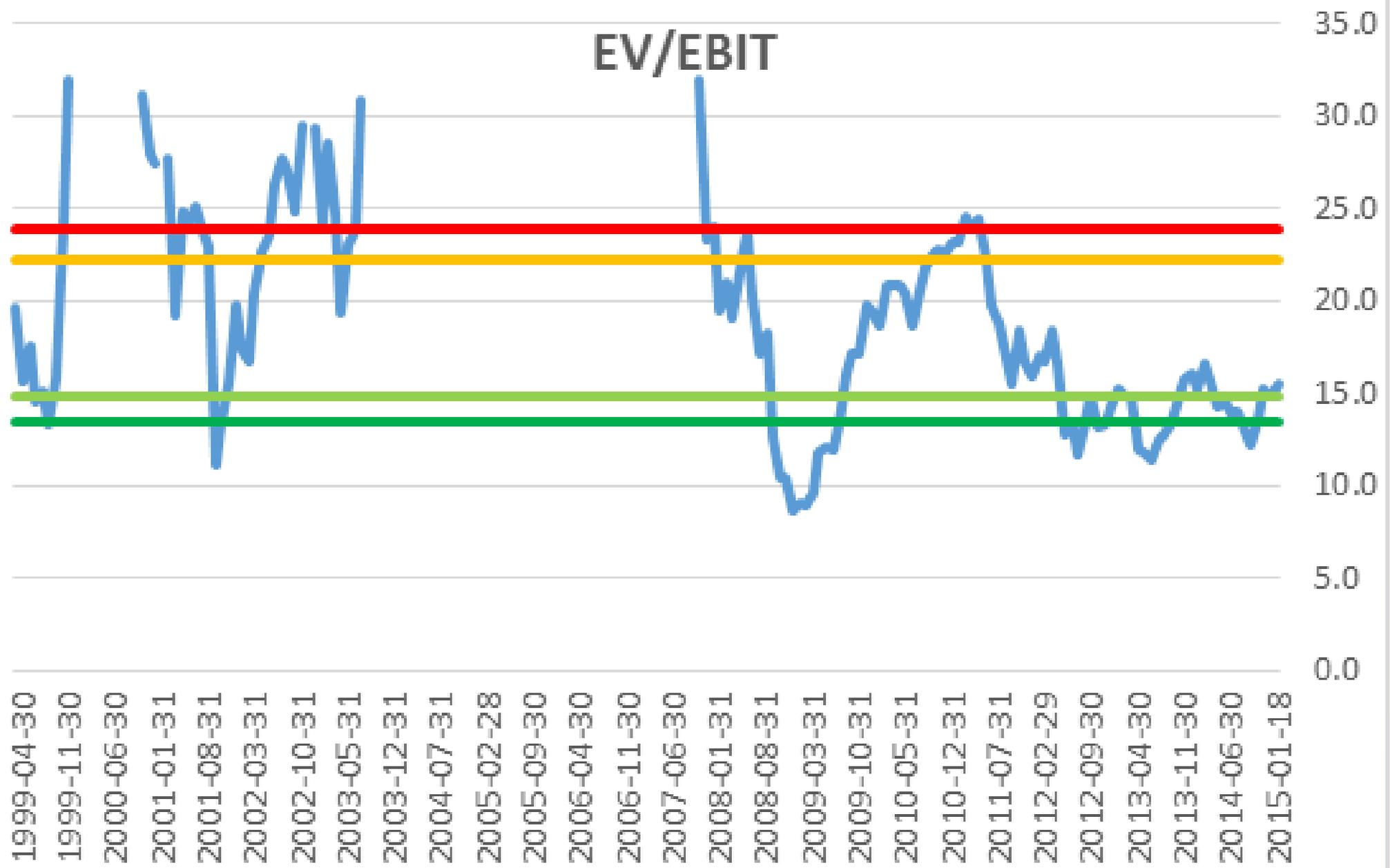




# EV/Revenue









# Valuation Summary

	<b>Historical Rank</b>	<b>Current Multiple</b>
<b>P/S</b>	<b>34%</b>	<b>3.41</b>
<b>P/E</b>	<b>46%</b>	<b>24.02</b>
<b>P/B</b>	<b>37%</b>	<b>4.54</b>
<b>P/CFO</b>	<b>34%</b>	<b>20.36</b>
<b>P/FCF</b>	<b>34%</b>	<b>23.89</b>
<b>EV/Rev</b>	<b>36%</b>	<b>2.93</b>
<b>EV/EBITDA</b>	<b>39%</b>	<b>14.12</b>
<b>EV/EBIT</b>	<b>36%</b>	<b>15.59</b>
<b>Overall</b>	<b>37%</b>	



# Price/Earnings Growth

	P/E	5-year Projected Earnings growth	PEG
CTSH	24	19.5	1.23
AAP	24.7	14.5	1.70
PEP	21.5	8.5	2.53
WMT	17.8	6.5	2.74
WBA	35.5	11	3.23
MDT	25.2	6.5	3.88
CHRW	25.2	6.5	3.88
KO	24.1	6	4.02



# Summary

- Sticky business
- Great financials
- Strong cash flows
- High growth
- Fair valuations



# Decision

- Put at \$50.00 strike price with 80 cent premium and March 20<sup>th</sup> expiration date



Price is what you pay. Value is what you get.

(Warren Buffett)



# Questions



"Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble"  
— Warren Buffett



# Appendix

1. Employees

2. Acquisitions

3. Short Term Debt

4. CI with 40% Payout

5. Customers

6. Partnerships

7. Stock Repurchases

8. Dodd-Frank Act

9. Dodd-Frank Act

10. Affordable Care Act

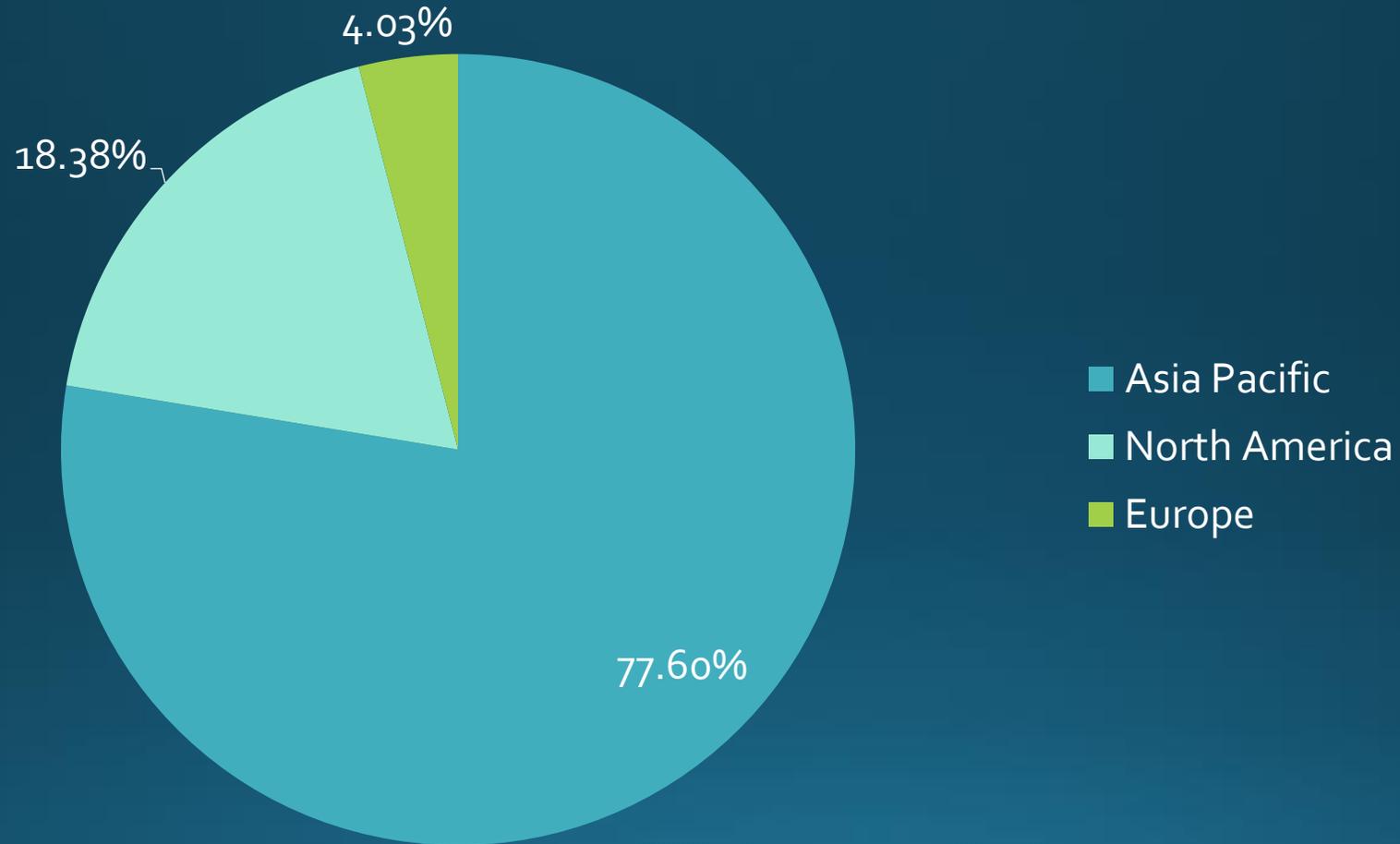
11. Affordable Care Act

12. Executive Compensation

13. Growth Rates



# Employees



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# Acquisitions

- **October 2013**- Acquired Equinox which is a consulting company that will help strengthen European market foothold
- **October 2013**- Acquired ValueSource NV which is a bank insurance group
- **September 2014**- Acquired TriZetto Corporation for \$2.7 billion in cash
  - Trizetto is a provider of healthcare IT software and solutions
- **October 2014**- Acquired Cadient Group for approx. \$30 million
  - Cadient Group will help expand digital marketing capabilities and will enable brand marketing
- **November 2014**- Acquired Odecee which helps in web and cloud solutions



# Short-term Debt Analysis

- On 9/14/2014, CTSH obtained committed bridge financing that allows us to borrow up to \$1 billion to finance our anticipated acquisition of TriZetto.
- The bridge facility requires us to pay a ticking fee of 0.075% per annum of the daily undrawn balance of the facility beginning on 10/29/2014.
- The commitments in respect of the Bridge Facility will expire upon the earliest to occur of either: 12/31/2014, the closing of the TriZetto acquisition, the termination of the purchase.
- We expect the base margin will initially be 0.875% and will increase by 0.25% at the end of each 90 day period thereafter.
- We are in the process of obtaining permanent financing in connection with the TriZetto acquisition. We expect to terminate the Bridge Facility as soon as permanent financing is obtained and the TriZetto acquisition is completed.
- The permanent financing is contingent on the completion of the TriZetto acquisition and is anticipated to be a credit agreement for a 5-year \$1 billion unsecured term facility and a \$750 million unsecured revolving credit facility.
- CTSH expects to use the cash on hand and the term facility to fund the acquisition of TriZetto. The Revolving Facility is expected to be available for general corporate purposes.

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# Conscious Investor with Dividend

	Price	EPSttm	P/E Ratio	HGrowth	Payout	STRET®
Default	53.84	\$2.289	24.71	30.00%	0.0%	25.59%
Safety	53.84	\$2.289	19.09	18.87%	0.0%	12.75%
Saved	53.84	\$2.289	19.00	15.00%	40.0%	10.89%





# Customers

- CareFirst Healthcare
- Max Life Insurance
- AstraZeneca
- Philips Electronics
- Coors Brewing Company
- Merck Pharmaceuticals
- TransCelerate Biopharma Inc.
- Pfizer Pharmaceuticals
- SAP
- Telefonica
- KeyCorp Financial Services
- MetLife Insurance
- Farmers Insurance
- Datamonitor Media
- Harris Electronics
- Fallon Health
- Redtag Retail
- Rexam Manufacturing



# Partnerships/Alliances

- Amazon Web Services
- Cisco
- HP
- Hitachi
- Genesys
- IBM
- Microsoft
- Meridian
- NetSuite
- NetApp
- Oracle
- Quest Software
- SAP
- Siemens
- Teradata
- SunTec



# Stock Repurchases

- Repurchased \$130 million Bought back through September 2014
  - This represents 0.4% of their market cap
- August 2014-Approved \$2 billion stock buyback plan through the end of 2015



# Dodd-Frank Act

- Requires increased transparency for money transfer institutions
  - Disclosure of up front fees and taxes, exchange rate applied, fees charged by intermediaries, amount of money at delivery
  - Receipt that includes the fee disclosures, date of delivery, disclaimer
  - Transaction cancelation window of 30 minutes
  - Investigation of disputes/error remediation



# Dodd-Frank Act

- Compliance requires
  - Building a central hub to handle information disclosure, tracking and transfer or;
  - Modify existing internal systems
  
- Increased IT service required



# Affordable Care Act

- Requires all individuals to purchase health insurance
- Requires employers to provide worker health insurance, excluding small employers
- Requires state or multi-state insurance exchanges
- Expand Medicaid to cover people with incomes below 133% of federal poverty guidelines



# Affordable Care Act

- Requires
  - Increase health insurance enrollment
  - Increased demand on insurance providers and healthcare providers
  - Creation of state and multi-state insurance exchanges
- Increased IT services required



# Executive Compensation

Executive	Total Cash \$	Equity \$	Other \$	Total Compensation \$
Gordon Coburn President	1,381,127	5,281,127	90,518	6,752,772
Francisco D'Souza Chief Executive Officer	1,452,812	9,882,687	12,177	11,347,676
Rajeev Mehta Chief Executive Officer, IT Services	1,103,946	4,881,232	1,500	5,986,678
Malcolm Frank Executive Vice President, Strategy and Marketing	886,502	1,938,660	1,500	2,826,662
Karen McLoughlin Chief Financial Officer	862,607	1,973,102	7,650	2,843,359

- Largely equity based, around 80%

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# Growth Rates

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue Growth (%)	-	53.9%	29.9%	28.7%	60.7%	59.5%	50.9%	60.8%	49.9%	31.8%	16.4%	40.1%	33.3%	20.0%	20.4%
Earnings Growth (%)	-	63.6%	22.2%	59.1%	62.9%	75.4%	66.0%	40.4%	50.2%	23.1%	24.1%	37.2%	20.4%	18.9%	16.9%

- Average Revenue Growth:
  - 1999-2009: 44.3%
  - 2010-2013: 28.4%
- Average Earnings Growth:
  - 1999-2009: 48.7%
  - 2010-2013: 23.4%

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