

COGNIZANT TECHNOLOGY SOLUTIONS CORP

Form 10-Q

November 03, 2010

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**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 September 30, 2010

**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 October 29, 2010:

Class	Number of Shares
Class A Common Stock, par value \$.01 per share	303,482,436

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**Table of Contents****PART 1. 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 September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenues	\$ 1,216,913	\$ 853,488	\$ 3,281,787	\$ 2,375,942
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	699,623	475,599	1,896,546	1,328,647
Selling, general and administrative expenses	262,632	193,806	692,172	530,681
Depreciation and amortization expense	26,359	22,301	75,838	65,032
Income from operations	228,299	161,782	617,231	451,582
Other income (expense), net:				
Interest income	7,053	4,664	19,654	9,756
Other income (expense), net	7,924	(2,747)	(6,849)	7,016
Total other income (expense), net	14,977	1,917	12,805	16,772
Income before provision for income taxes	243,276	163,699	630,036	468,354
Provision for income taxes	39,577	27,127	102,662	77,395
Net income	\$ 203,699	\$ 136,572	\$ 527,374	\$ 390,959
Basic earnings per share	\$ 0.68	\$ 0.47	\$ 1.76	\$ 1.34
Diluted earnings per share	\$ 0.66	\$ 0.45	\$ 1.71	\$ 1.30
Weighted average number of common shares outstanding Basic	301,717	293,664	299,830	292,538
Dilutive effect of shares issuable under stock-based compensation plans	7,902	8,918	8,427	7,411
Weighted average number of common and dilutive shares outstanding Diluted	309,619	302,582	308,257	299,949

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, 2010	December 31, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,317,077	\$ 1,100,930
Short-term investments	611,739	298,402
Trade accounts receivable, net of allowances of \$23,722 and \$16,465, respectively	919,563	626,288
Unbilled accounts receivable	145,573	82,952
Deferred income tax assets, net	69,159	73,791
Other current assets	171,569	125,205
<b>Total current assets</b>	<b>3,234,680</b>	<b>2,307,568</b>
Property and equipment, net of accumulated depreciation of \$340,601 and \$274,570, respectively	521,497	481,516
Long-term investments		151,131
Goodwill	222,844	192,372
Intangible assets, net	89,517	75,757
Deferred income tax assets, net	105,322	80,618
Other noncurrent assets	72,419	49,278
<b>Total assets</b>	<b>\$ 4,246,279</b>	<b>\$ 3,338,240</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 93,945	\$ 54,640
Deferred revenue	57,952	51,605
Accrued expenses and other current liabilities	652,272	540,363
<b>Total current liabilities</b>	<b>804,169</b>	<b>646,608</b>
Deferred income tax liabilities, net	6,076	
Other noncurrent liabilities	68,850	38,455
<b>Total liabilities</b>	<b>879,095</b>	<b>685,063</b>
Commitments and contingencies (See Note 8)		
Stockholders equity:		
Preferred stock, \$.10 par value, 15,000 shares authorized, none issued		
Class A common stock, \$.01 par value, 500,000 shares authorized, 303,354 and 297,231 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	3,034	2,972
Additional paid-in capital	845,699	664,560
Retained earnings	2,492,742	1,965,368
Accumulated other comprehensive income	25,709	20,277
<b>Total stockholders equity</b>	<b>3,367,184</b>	<b>2,653,177</b>

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Total liabilities and stockholders' equity	\$ 4,246,279	\$ 3,338,240
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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)**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 527,374	\$ 390,959
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	80,558	65,032
Provision for doubtful accounts	8,050	2,682
Deferred income taxes	39,721	(17,663)
Stock-based compensation expense	42,044	32,005
Excess tax benefit on stock-based compensation plans	(59,497)	(12,401)
Other	(9,486)	(880)
<b>Changes in assets and liabilities:</b>		
Trade accounts receivable	(291,817)	(61,962)
Other current assets	(98,477)	(43,394)
Other assets	(22,259)	(7,821)
Accounts payable	36,567	9,722
Other current and noncurrent liabilities	119,582	78,524
<b>Net cash provided by operating activities</b>	<b>372,360</b>	<b>434,803</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(110,961)	(62,013)
Purchases of investments	(665,949)	(228,827)
Proceeds from maturity or sale of investments	516,030	76,937
Acquisitions, net of cash acquired	(31,705)	(5,776)
<b>Net cash used in investing activities</b>	<b>(292,585)</b>	<b>(219,679)</b>
<b>Cash flows from financing activities:</b>		
Issuance of common stock under stock-based compensation plans	87,070	33,760
Excess tax benefit on stock-based compensation plans	59,497	12,401
Repurchases of common stock	(12,096)	(14,564)
<b>Net cash provided by financing activities</b>	<b>134,471</b>	<b>31,597</b>
Effect of currency translation on cash and cash equivalents	1,901	11,139
<b>Increase in cash and cash equivalents</b>	<b>216,147</b>	<b>257,860</b>
Cash and cash equivalents, beginning of year	1,100,930	735,066
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,317,077</b>	<b>\$ 992,926</b>

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