



Cognizant

Helping Clients Ignite Their Entrepreneurial Spirit &  
Realize the Promise of Today's Technologies

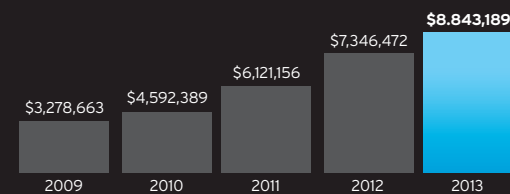
2013 Annual Report

[www.reportjunction.com](http://www.reportjunction.com)

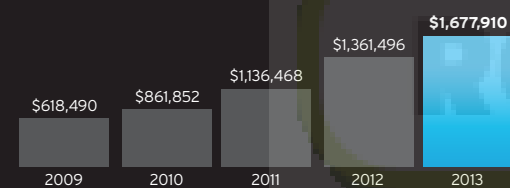


# CLIENT PASSION + INVESTMENT IN INNOVATION = BETTER OUTCOMES

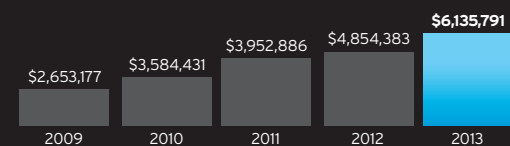
## REVENUES (IN THOUSANDS)



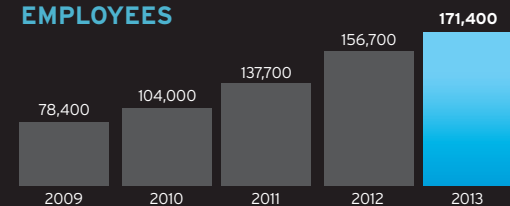
## OPERATING INCOME (IN THOUSANDS)



## STOCKHOLDERS' EQUITY (IN THOUSANDS)



## EMPLOYEES



BUSINESSES TODAY ARE EXPERIENCING A ONCE-IN-A-DECADE TECHNOLOGY SHIFT, AS THE CONFLUENCE OF SOCIAL, MOBILE, ANALYTICAL AND CLOUD TECHNOLOGIES TRANSFORMS OPERATING PROCESSES, CREATES NEW SOURCES OF DATA-DRIVEN INSIGHT, AND RADICALLY ALTERS CUSTOMER BEHAVIOR.

To win in this shifting landscape, companies must adopt the qualities of successful entrepreneurs, embracing new technologies and applying new thinking. By doing so, they create new competencies, enable more agile decision-making, reach beyond their four walls for new ideas, and reinvent their business models for a changing global marketplace.

At Cognizant, we help leading global businesses, across diverse industries, to realize the promise of today's technologies – transforming the ways in which they connect with their customers, markets, employees, partners and value chains in both the physical and digital worlds. In just 20 years, we have grown from fewer than 200 employees and one client to become a global leader in business, consulting and technology services, with more than 170,000 employees, nearly 1,200 active clients, and over \$8.8 billion in revenues.

Our progress reflects a passion for helping clients grow great businesses, a commitment to invest in innovation, and a culture that drives our talented associates to keep challenging – and charging ahead.

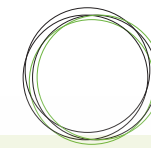
TO OUR STOCKHOLDERS:

AT COGNIZANT,  
WE BELIEVE THAT  
CHALLENGING  
THE STATUS QUO  
IS VITAL TO OUR  
CLIENTS' BUSINESSES  
— AND TO OUR OWN.

In today's shifting technology and business landscape, enterprises face a dual mandate: they must operate with greater efficiency and productivity to run better, while also achieving innovation-led advances in performance and value to run differently. To meet the challenge of this dual mandate, we have strengthened our capacity to guide our clients through transformations that leverage the potential of new technologies:



Integrating social, mobile, analytical and cloud technologies, which we call the SMAC Stack™, into a new IT foundation that will alter the way businesses interact and transact with customers, employees, partners and markets;



Helping clients to extract business meaning from what we call the Code Halo™, the aura of digital information that surrounds people, products and organizations, will be a key determinant of business success; and



Building new platforms that allow businesses to migrate key processes, services and infrastructure to the cloud will increase their operational flexibility and cost effectiveness through the emerging Business Cloud.

Enabling clients to unlock the promise of these technologies represents an exciting growth opportunity for Cognizant. We are applying our strengths – depth in key industries, significant global scale in program delivery, business consulting prowess and technology leadership – to assist clients with their transformation. Toward that end, we partner with clients to make existing operations as efficient and cost-effective to operate as possible and to free up resources to invest in innovation that builds new capabilities and unleashes new potential.



## INDUSTRY-LEADING GROWTH

In 2013, our focus on helping clients to reinvent their businesses led to another year of revenue growth for Cognizant. Revenue grew to \$8.84 billion, rising more than 20% from 2012. GAAP net income was \$1.23 billion, or \$4.03 per diluted share (\$2.02 on a post-split basis),\* up from \$1.05 billion, or \$3.44 per diluted share (\$1.72 on a post-split basis), for 2012. Diluted EPS on a non-GAAP basis, which excludes stock-based compensation costs and acquisition-related charges, was \$4.38 (\$2.19 on a post-split basis). GAAP operating margin was 19.0%, while non-GAAP operating margin was 20.6%, topping our targeted 19% to 20% range.\*\* With cash and short-term investments of \$3.75 billion, we ended the year with a solid balance sheet, reflecting the continued strength of our business model.

## STRENGTH ACROSS INDUSTRIES

The Company's performance in 2013 benefited from the diversity and breadth of our business across multiple industry sectors and service offerings. We ended the year with nearly 1,200 active clients; 243 of these represent strategic accounts, which we define as clients with the potential to spend at least \$5 million to potentially more than \$50 million with us annually. Demand for SMAC services was evident across many of our engagements, leading to more than \$500 million in revenues from projects related to client SMAC initiatives and our SMAC-based offerings.

**Among our best-performing industry sectors, financial services revenues were up over 22% from the prior year.**

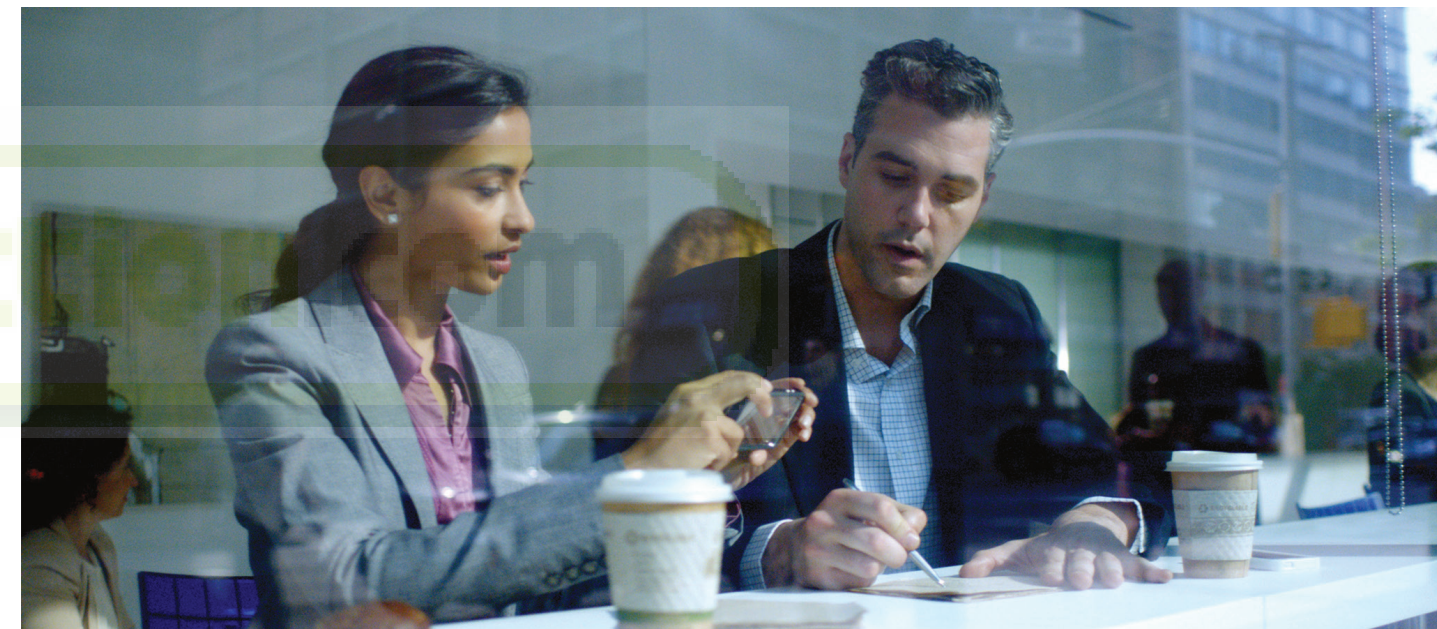
In addition to a growing interest in SMAC-related services, other key focus areas for financial clients included cost rationalization, regulatory and compliance initiatives. As an example, XL Group plc, a global insurance company, engaged us to develop a mobile risk engineering platform that will provide real-time information to underwriters to transform and optimize risk assessment.

\* On March 7, 2014, we completed a 2-for-1 stock split of our common stock in the form of a stock dividend.

\*\* Non-GAAP diluted earnings per share and non-GAAP operating margin are not measurements of financial performance prepared in accordance with GAAP. See "Non-GAAP Financial Measures" beginning on page 54 of the Company's Annual Report on Form 10-K included in this Annual Report for more information and a reconciliation to the most directly comparable GAAP financial measures.

**Healthcare revenues, primarily from payer, pharmaceutical and medical device clients, rose more than 17% year-on-year.**

Engagements related to Affordable Care Act initiatives were among the key contributors to this growth. For example, we are helping CareFirst BlueCross BlueShield, a leading not-for-profit healthcare company, launch technology that will permit its 3.3 million members to manage their health coverage via smartphones and tablets. In the pharma sector, we are helping leading players accelerate the development of new treatments through more precise and effective clinical trial data management; others are using our advanced analytics to make sales and marketing programs more cost-efficient.



**Revenues from retail/manufacturing/logistics clients grew by almost 25%.**

The move toward "retail without boundaries" is leading clients to partner with us on a range of consumer-facing and supply chain initiatives. For instance, we are working with John Lewis, a leading UK retailer, to map out a consistent, high-quality omnichannel customer experience.

Revenues from clients in other industries, which include high technology, communication and information/media/entertainment, increased 13% from the prior year.

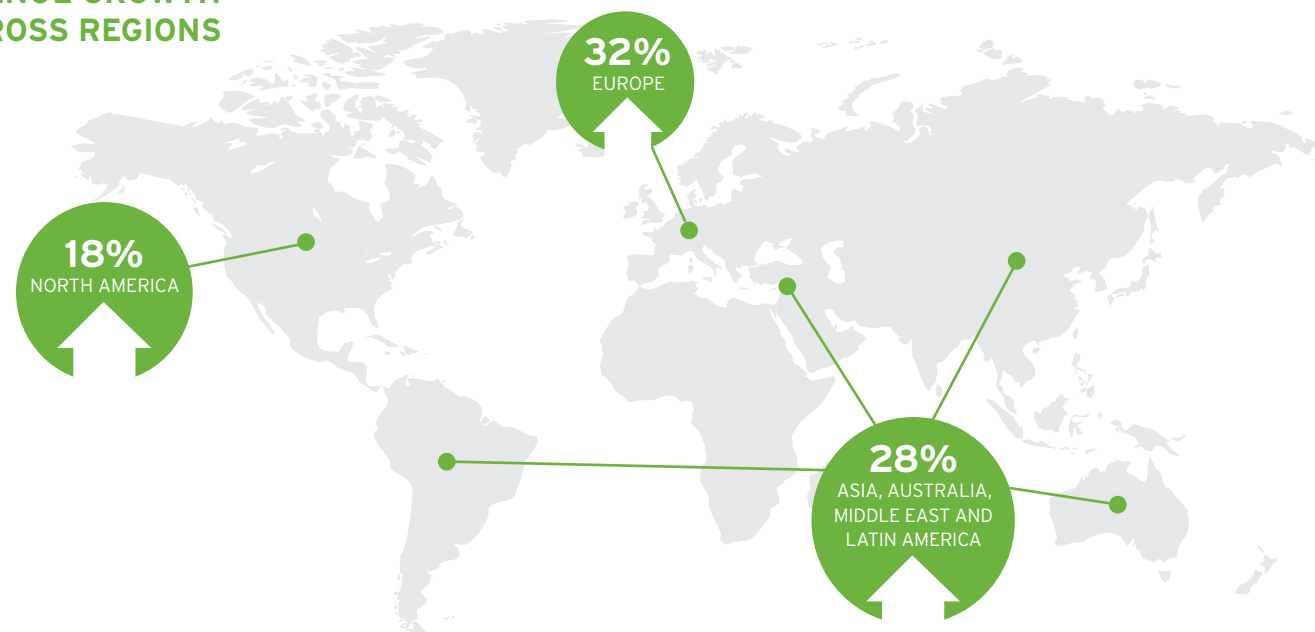


## GROWTH WAS STRONG ACROSS ALL REGIONS

North America revenues rose nearly 18%, as we added an array of new clients and expanded existing relationships, including Fallon Health and U.S. Bancorp. Europe was up 32% overall, reflecting 23% growth in the UK and a robust 48% revenue increase in Continental Europe, including the contributions from our Equinox and C1 Group acquisitions. In a recent engagement, Network Rail, the UK's leading rail infrastructure provider, named Cognizant as its key IT solutions and systems integration framework partner to help improve core information management functions and processes that are critical to its infrastructure and performance.

We continued to expand in other key regional markets, including Asia-Pacific, Japan, Australia, the Middle East and Latin America, with revenues increasing 28% over the prior year. For example, Saudi Electricity Company, the Middle East's largest utility, chose Cognizant to develop a comprehensive billing and revenue management solution to enable the delivery of superior service to a growing customer base. In Latin America, we are building the foundation for future growth by expanding our near-shore footprint: opening our first delivery center in Costa Rica, expanding our delivery center in Brazil and further extending our operations in Argentina.

### REVENUE GROWTH ACROSS REGIONS



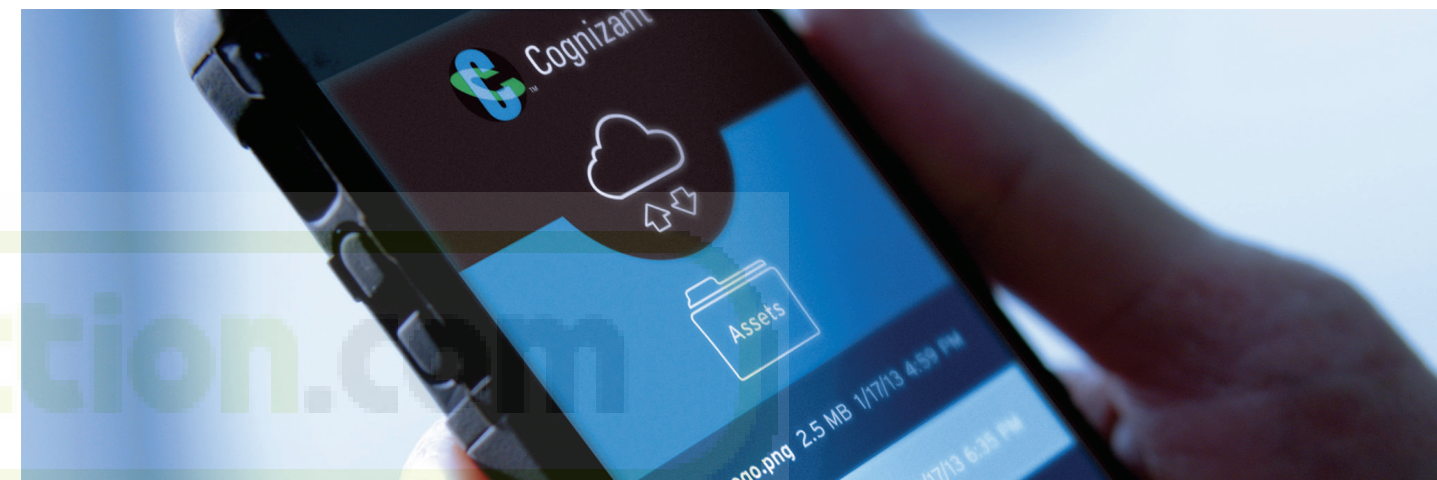
## OPPORTUNITY ON THE HORIZON

For the last few years, we have embraced a “three horizon” strategy to grow our businesses:

**Horizon 1** Optimizing core IT services

**Horizon 2** Building momentum in services such as Business Consulting, Business Process Services (BPS) and IT Infrastructure Services

**Horizon 3** Incubating new technology architectures, delivery models and markets



Horizon 1 services, such as Enterprise Application Services, Enterprise Information Management, and Quality Excellence & Assurance (which includes testing), grew steadily in 2013. In Horizon 2, Cognizant Business Consulting won several marquee clients in healthcare, retailing and technology. BPS landed engagements in mortgage servicing, clinical operations and healthcare provider services. IT Infrastructure Services had solid growth, including assignments for remote infrastructure management and service desk solutions. We also are seeing a strong pace of growth in Horizon 3 services, which includes many of our SMAC-related offerings, as well as other initiatives around new technologies, delivery models and markets.





## INVESTING IN GROWTH

We have continued to grow our capacity to enable client transformation through selective acquisitions, as well as investments in new services and an expanding delivery network.

In October 2013, we acquired Equinox Consulting, based in Paris, which provides business consulting services to investment banking, asset management, retail banking, insurance and specialized financial services clients. Founded in 2004, Equinox is well known for its regulatory consulting expertise, an essential skill given today's fast-changing regulatory landscape, as well as strategy consulting, organization and operations management, change management and human resources consulting. The addition of Equinox and its consulting professionals is expected to strengthen our integrated offering for financial services clients and our presence in Europe.

Early in 2013 we acquired six companies of the C1 Group, a consulting and IT services firm based in Hamburg, Germany. The transaction expanded our footprint in Europe, added depth to our Manufacturing/Logistics, Energy/Utilities and Financial practices, and enhanced our Enterprise Application Services (specifically SAP services) and high-end testing capabilities. Since the acquisition, the C1 team has been pivotal in helping Cognizant to acquire new clients, winning assignments at Monier, BMW, Heinemann and GLOBAL FOUNDRIES.

We are also developing new service delivery models as part of our Horizon 3 initiative to address the changing dynamics of our clients' businesses. To that end, we are launching a portfolio of proprietary Cognizant BusinessCloud™ Solutions that will allow clients to quickly deploy on-demand business and IT solutions without the large capital outlays and long implementation timelines that are sometimes associated with traditional on-premise solutions. The BusinessCloud portfolio encompasses platforms such as Software as a Service (SaaS) and Business Process as a Service (BPaaS). Our BusinessCloud platforms help clients accelerate innovation by reducing the cost, time-to-market and execution risk of new products and services.

## GIVING BACK, MAKING A DIFFERENCE

We continuously challenge ourselves to make a difference in areas such as education, the environment and employee development, health and safety. For example, we have a major commitment to science, technology, engineering and math (STEM) education in the U.S., supporting 25 *Making the Future* after-school and summer programs in 2013, and helping to found *US2020*, which aims to mobilize one million volunteer STEM mentors annually by 2020. Last year, we also made a three-year, \$150,000 commitment to help fund university-sponsored STEM education programs at Texas A&M University. Our *Project Outreach* volunteer program supports a range of learning initiatives in India and other countries, with over 57,000 associates dedicating more than 247,300 hours to mentoring, career counseling and talent development efforts last year. Cognizant Foundation has funded 18 education projects, covering engineering scholarships, school improvements and other resources, and 14 healthcare projects, such as eye-care screening programs.

With respect to the environment, we have begun purchasing meaningful amounts of renewable energy for some of our India facilities, and we now source roughly 10% of our global energy needs from wind and biomass. Our volunteers are involved in clean-up efforts, recycling campaigns and awareness-raising activities in their communities, and overall per capita carbon emissions have been reduced 40% from the 2008 baseline. As a people- and knowledge-based service business, we are continually expanding and refining our professional development, diversity and wellness programs. I encourage you to read our Sustainability Report for an in-depth discussion of our efforts in these and other areas.





## RECOGNIZING RESULTS

It is gratifying that our accomplishments in client service, financial performance and corporate responsibility have been recognized by independent sources, and I would like to share just a few of these accolades. Cognizant is #1 on the "Fortune All Star" list of fastest growing companies, and ranks among the "Fortune 500," "Financial Times 500" and "Forbes Global 2000." We have been cited as a leader in the Forrester Wave™ ranking of workplace services providers. Our commitment to environmental stewardship was cited in the "Newsweek Green" and "FTSE4Good" rankings. And our employee development efforts were honored with a "BEST" award from the American Society for Training and Development.

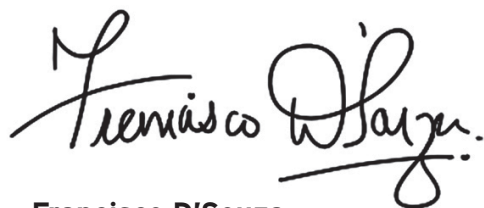


## CHALLENGING, CHANGING AND GROWING

As Cognizant marks 20 years in business, we can look back with pride at our achievements: partnering with clients to spark entrepreneurship and innovation, providing leadership and direction through two decades of technology shifts and economic cycles, and driving profitable growth and rising business value. We deeply appreciate the loyalty of our clients, the dedication of our employees, and the confidence of our stakeholders throughout our history, and we look forward to many more years of progress.

The voluminous growth of data and devices, the continued digitization of our clients' markets, and the exciting potential for social, mobile, analytical and cloud-enabled enterprises have combined to make business more IT-intensive than ever before. As a result, we anticipate another year of industry-leading growth in 2014. To support that growth, we will continue to invest in new service platforms, delivery centers and global talent, to enhance our value to existing and prospective clients, extend our track record of outperformance, and deliver on our commitments to clients, employees, stakeholders and society.

Sincerely,



**Francisco D'Souza**  
Chief Executive Officer



"We always keep challenging,  
and that's central to our  
success in the past and will  
continue to be in the future."

**KEEP CHALLENGING™**



# SMAC



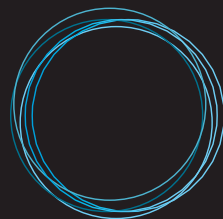
THE NEW IT FOUNDATION OF DIGITAL BUSINESS  
SMAC STACK (SOCIAL, MOBILE, ANALYTICAL AND CLOUD) TECHNOLOGIES ARE CONVERGING TO FORM A NEW IT INFRASTRUCTURE.

The adoption of SMAC as the new corporate technology foundation is occurring with breathtaking speed, and is having a profound impact on the way enterprises conduct business. It is estimated that by 2020 as many as 100 billion computing devices will be connected to the Web, and corporations will be managing 50 times the data they do currently.

It is essential that businesses not view each of these technologies in isolation, but rather combine them into an integrated IT architecture. This creates a multiplier effect in which each function complements and enables the others for maximum benefit. For example, a retailer could use advanced analytics to gather insights into shoppers' preferences, and then send special offers to their mobile devices while they are visiting a store. A medical device manufacturer might use cloud-based mobility features to monitor a patient's condition remotely and send information to care providers. And companies in such diverse sectors as financial services, automotive, telecommunications, hospitality and many others can employ SMAC technologies to build one-to-one relationships with customers or to leverage smart, connected products. The SMAC Stack is thus becoming the new enterprise IT model, promising to make organizations more connective, collaborative and productive.

At Cognizant, we are applying the full range of our service capabilities to help clients challenge the limitations of legacy IT frameworks. Our deep domain expertise, delivered by a collaborative global workforce, is enabling leading companies to integrate the SMAC Stack into their IT architectures to drive competitive advantage, market leadership and profitable growth.

# CODE HALO



MAKING MEANING FROM DIGITAL FOOTPRINTS  
EVERY DAY, WE GENERATE AND SHARE VAST QUANTITIES OF DIGITAL INFORMATION.

Each click, swipe, "like," comment, search or transaction produces data about us – and about the brands, products and devices we use. Such information constitutes what we refer to as a Code Halo. Decoding and analyzing Code Halos – and quickly converting that information into meaningful insights and foresights – offers the potential to create unprecedented levels of business value.

Code Halos are potential treasure troves of business meaning that can be as valuable (if not more valuable) to an enterprise as bricks, mortar and other physical assets. Winning companies essentially "compete on code" – making meaning from Code Halo intersections to inform strategic

decisions on everything from product development and operational processes, to customer interactions and go-to-market strategies. To extract business meaning from Code Halos, companies need strong analytical skills, sophisticated algorithmic capabilities and a willingness to reinvent legacy models. Deciphering Code Halos may make the difference between businesses that achieve exceptional performance, and those that risk extinction.





We are helping clients to understand the business implications of Code Halo thinking through a framework we call the Crossroads Model. Developed from our research into sectors as varied as media/entertainment, mobile devices and industrial equipment, this model gives decision makers a Code Halo path to start moving forward quickly. The Crossroads Model can be used by clients, regardless of industry, to assess how effectively they compete on code – and what steps they must take to emulate successful patterns pioneered by winning companies born digital or otherwise.

# BUSINESS CLOUD

THE NEW HOW  
COMBINING DEMONSTRATED DOMAIN EXPERTISE, ADVANCED ALGORITHMS AND FLEXIBLE COMMERCIAL MODELS TO DELIVER SUPERIOR BUSINESS PERFORMANCE.

A rapidly growing number of organizations are seeking greater agility, versatility and cost-effectiveness by migrating business processes, services, platforms and infrastructure to the cloud. This model, known as "everything-as-a-service," or "XaaS," enables businesses to consume and pay for services per use. Beyond cost savings and operational flexibility, we apply XaaS principles to provide clients with innovative cloud-facilitated business capabilities in weeks instead of months or years.

Our new Cognizant BusinessCloud Solutions represent an important addition to our services portfolio. Cognizant BusinessCloud is a suite of products that draw on our vertical expertise, integration capability, agility, partner relationships – and our ability to bring people, process and technology together in a nimble, efficient, cost-effective way. Now, clients can use the cloud not only to access IT services on a variable basis, but to perform a wide range of mainstream business functions, such as digital asset management or clinical trials. Our BusinessCloud Solutions include:

-  **CLOUD 360** – a hyper-efficient platform for enterprise cloud services
-  **ASSETSERV** – a centralized repository for managing large libraries of digital assets
-  **SMARTTRIALS** – an automated, real-time, regulatory-compliant service to manage clinical trials
-  **TRUMOBILITY™ ENTERPRISE MOBILITY SUITE** – a service that manages and secures mobile app deployment and operation

These and other BusinessCloud Solutions provide a unique value proposition for clients seeking to reinvent their businesses with expanded capabilities, lower operating costs and improved outcomes.



CLIENT SUCCESS



CIRCULATION MANAGEMENT MAKES HEADLINES

News Corp Australia, the number-one media company in its market and part of the global News Corp organization, sought to centralize circulation management across its 21 divisions. Previously, each division managed circulation locally through separate systems – a major challenge for a company that sells millions of copies of newspapers and community publications, and provides an array of digital content.

Cognizant was tasked with creating a framework for quality engineering and assurance for the new circulation management program. We established a unified process to identify and validate each division's requirements, while ensuring overall control quality and consistency. A specialized parallel testing process allowed multiple divisions to test functions simultaneously, accelerating the testing phase.

The resulting quality assurance framework enabled 95% of the Digital Technology International (DTI) circulation transaction scenarios to be automated. Testing was speedy and efficient, with test cycle execution time reduced to two-plus weeks from approximately four weeks. Cognizant has since been integral to the launch of the system in 12 divisions, with two major DTI upgrades over a period of 14 months bringing cost and business benefits to the circulation management process across News Corp Australia.



ONLINE TOOLS FOR BETTER HEALTHCARE

Fallon Health, a Massachusetts-based not-for-profit healthcare services organization, became the first Massachusetts health insurer to provide quotes for merged market plans under the Affordable Care Act (ACA) – with help from Cognizant.

As Fallon's strategic partner, Cognizant developed and deployed QuoteNow, a new online quoting tool that enables best-practice quoting, rating and underwriting, and streamlines application submission and enrollment. Based on Pegasystems technology, QuoteNow helps Fallon deliver a tailored experience to consumers and insurance brokers, while complying with relevant ACA requirements. QuoteNow also makes it easier for Fallon to implement new automated processes and manage changes based on regulatory demands.

By helping Fallon to successfully exchange HIPAA-compliant electronic information with the Massachusetts Health Connector within just five months, Cognizant enabled Fallon to accept applications and enroll members in record time – meeting the open enrollment date of October 1, 2013.

Cognizant's domain, technology and consulting capabilities resulted in a fully functional application, delivered on time, with the capabilities to meet the changing healthcare needs of the population Fallon serves.



POWERFUL MOBILE RISK ENGINEERING SOLUTION

Through its global insurance and reinsurance subsidiaries, XL Group plc provides property, casualty and specialty products to help enterprises manage complex risks. To enhance the accuracy, agility and efficiency of risk assessment, XL partnered with Cognizant to create a mobile-enabled risk engineering platform for its Global Asset Protection Services business. The resulting mobile solution will offer near real-time access to data, improve analysis and differentiation of risks with superior pricing accuracy, and deliver a better customer experience.

The mobile platform enables an improved view of complex risks to underwriters and customers by providing powerful mobile tools for XL Group's risk engineers to quickly and seamlessly access, capture and analyze critical data. It also allows risk engineers to stay engaged with clients continuously, thus facilitating stronger collaboration between clients and engineers. Additionally, it will improve throughput, cost-effectiveness, and turnaround time from data capture to customer reporting, while reducing the amount of equipment and paperwork that risk engineers need to carry onsite.

XL believes that, with risks becoming more complex every day, working with Cognizant to leverage best-in-class mobile technology is the key to enhancing risk management capabilities, improving the customer experience, and ensuring XL's continued market leadership in global risk consulting.

