

COGNIZANT TECHNOLOGY SOLUTIONS CORP

Form 10-Q

August 06, 2012

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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 June 30, 2012

☐ **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

13-3728359
(I.R.S. Employer

Incorporation or Organization)

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 ☐ (Do not check if a smaller reporting company)

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 August 1, 2012:

Class	Number of Shares
Class A Common Stock, par value \$.01 per share	298,565,179

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Table of Contents**PART I. 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)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenues	\$ 1,795,220	\$ 1,485,242	\$ 3,506,569	\$ 2,856,495
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization expense shown separately below)	1,030,889	860,871	2,015,409	1,643,047
Selling, general and administrative expenses	396,771	326,718	770,949	623,048
Depreciation and amortization expense	35,602	27,695	70,354	55,077
Income from operations	331,958	269,958	649,857	535,323
Other income (expense), net:				
Interest income	9,984	9,474	21,056	18,411
Other, net	(6,850)	(1,827)	(13,544)	4,371
Total other income (expense), net	3,134	7,647	7,512	22,782
Income before provision for income taxes	335,092	277,605	657,369	558,105
Provision for income taxes	83,160	69,560	161,786	141,733
Net income	\$ 251,932	\$ 208,045	\$ 495,583	\$ 416,372
Basic earnings per share	\$ 0.83	\$ 0.68	\$ 1.64	\$ 1.37
Diluted earnings per share	\$ 0.82	\$ 0.67	\$ 1.61	\$ 1.34
Weighted average number of common shares outstanding - Basic	302,225	303,989	302,827	304,015
Dilutive effect of shares issuable under stock-based compensation plans	5,101	7,488	5,440	7,625
Weighted average number of common shares outstanding - Diluted	307,326	311,477	308,267	311,640

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 COMPREHENSIVE INCOME

(Unaudited)

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income	\$ 251,932	\$ 208,045	\$ 495,583	\$ 416,372
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(9,380)	8,408	2,254	17,245
Change in unrealized (loss) gain on cash flow hedges, net of taxes of (\$37,791) and \$6,974 for the three months ended and (\$14,849) and \$12,399 for the six months ended, respectively	(193,578)	26,526	(73,686)	22,584
Change in unrealized gain on available-for-sale securities, net of taxes of (\$133) and \$1,255 for the three months ended and \$47 and \$884 for the six months ended, respectively	(452)	1,753	85	1,210
Other comprehensive income	(203,410)	36,687	(71,347)	41,039
Comprehensive income	\$ 48,522	\$ 244,732	\$ 424,236	\$ 457,411

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)

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,050,245	\$ 1,310,906
Short-term investments	1,295,897	1,121,358
Trade accounts receivable, net of allowances of \$26,883 and \$24,658, respectively	1,296,175	1,179,043
Unbilled accounts receivable	207,712	139,627
Deferred income tax assets, net	104,151	109,042
Other current assets	198,172	225,530
Total current assets	4,152,352	4,085,506
Property and equipment, net of accumulated depreciation of \$515,153 and \$455,506, respectively	837,683	758,034
Goodwill	289,211	288,772
Intangible assets, net	86,530	97,616
Deferred income tax assets, net	167,462	164,192
Other noncurrent assets	120,981	113,813
Total assets	\$ 5,654,219	\$ 5,507,933
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 104,411	\$ 72,205
Deferred revenue	106,625	105,713
Accrued expenses and other current liabilities	940,059	1,031,787
Total current liabilities	1,151,095	1,209,705
Deferred income tax liabilities, net	3,073	3,339
Other noncurrent liabilities	407,718	342,003
Total liabilities	1,561,886	1,555,047
Commitments and contingencies (See Note 7)		
Stockholders' Equity:		
Preferred stock, \$.10 par value, 15,000 shares authorized, none issued		
Class A common stock, \$.01 par value, 1,000,000 shares authorized, 299,252 and 303,106 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	2,993	3,031
Additional paid-in capital	407,972	692,723
Retained earnings	4,078,109	3,582,526
Accumulated other comprehensive income (loss)	(396,741)	(325,394)
Total stockholders' equity	4,092,333	3,952,886
Total liabilities and stockholders' equity	\$ 5,654,219	\$ 5,507,933

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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)

	For the Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 495,583	\$ 416,372
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,058	58,237
Provision for doubtful accounts	2,673	2,517
Deferred income taxes	17,129	(1,819)
Stock-based compensation expense	57,650	39,744
Excess tax benefits on stock-based compensation plans	(15,853)	(22,041)
Other	(1,764)	164
Changes in assets and liabilities:		
Trade accounts receivable	(119,949)	(170,419)
Other current assets	(39,178)	