

COGNIZANT AGREES TO ACQUIRE SOFTVISION



Transaction Summary

On October 4th, 2018, Cognizant Technology Solutions Corporation (NasdaqGS:CTSH) (“Cognizant”), a Fortune 200 technology consulting firm, entered into a definitive agreement to acquire Softvision, LLC (“Softvision”), a digital engineering and consulting company backed by Tower Arch Capital, for a rumored value of about \$550 million.¹ Official terms of the transaction were not disclosed, and the deal is expected to close in Q4.

TARGET Softvision

Softvision is a digital services company that combines strategy, design, and execution for leading global brands such as Microsoft and Estée Lauder. It delivers its services through a network of over 2,850 professionals working out of 27 studios, in 11 countries on 5 continents. Recent revenue estimate is ~\$150M.

BUYER Cognizant

Founded in 1994 and headquartered in Teaneck, NJ, Cognizant is one of the world’s largest professional services companies. It applies technology to transform its clients business, operating, and technology models, allowing them to achieve the full value of digitizing their enterprises.

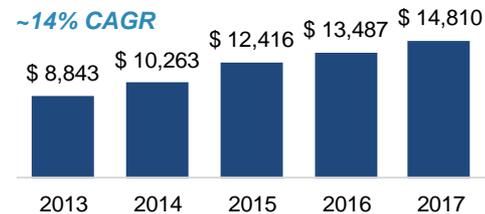
softvision

Cognizant

Transaction Information

Announced Date	10/4/2018
Deal Type	Acquisition
Value ¹	~\$550 million
PE Owner	Tower Arch
# of Employees	2,850+
Year Founded	1994
HQ	Oakland, CA

Cognizant Revenue (\$M)



Deal Analysis

- *Clearsight Perspective: With its fifth digital acquisition of 2018, Cognizant has reaffirmed its mission to become a true digital consultancy. The Company has lagged behind competitors such as Accenture and Deloitte but we consider Cognizant to be ahead of the pack relative to other Indian IT services firms. The move away from legacy IT services to higher value emerging technology services will also help fight off margin pressure from commoditized outsourcing services.*
- In February 2017, Cognizant announced a three part plan to accelerate its shift to digital services and solutions: 1) realign its horizontal teams into three digital practice areas (Digital Business, Digital Operations, and Digital Systems & Technology); 2) ensure its core business, which includes services related to IT infrastructure, applications, and business processes, remains healthy; and 3) continue to invest in its business while returning capital to shareholders.
- Despite employing nearly 270,000 people in 38 countries around the globe, Cognizant does not have a presence in Romania. The addition of Softvision will instantly give the firm a large foothold in the country adding over 1,250 people in 14 offices across 5 cities. In addition, Softvision brings additional capacity in Latin America to strengthen Cognizant’s nearshore delivery capabilities.

1. \$550 million price reported by Reuters from a confidential source.

Sources: Company websites, earnings calls, Inc 5000, LinkedIn, press releases, and S&P Capital IQ as of 4-Oct-2018