M&A Case Study

Cognizant acquired TriZetto

Deal Overview

- On September 15, 2014, Cognizant announced to acquire TriZetto for $2.7bn in cash
  - TriZetto and its 3,700 employees will be a part of Cognizant's existing healthcare business, which currently serves more than 200 clients, including 16 of the top 20 US health plans and four of the top five pharmacy benefit management companies
- Cognizant was advised by Credit Suisse, UBS Securities LLC and Centerview Partners, while TriZetto was advised by JP Morgan Securities LLC and Goldman, Sachs & Co
- The deal ties in favourably with Cognizant's dominant position in the healthcare IT marketplace, with the combined entity having $3bn in healthcare revenue

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"The response to Cognizant's acquisition from the clients of the two companies has been overwhelmingly positive. As part of Cognizant, we can address existing and new markets with new technologies and new delivery models, enabling us to capitalize on opportunities that neither company could access individually, while having a meaningful impact on the way health is managed and care is delivered."

Jude Dieterman, CEO, TriZetto

At the time of Completion: *"The combination of TriZetto's market-leading platforms with Cognizant's strengths in consulting, IT and business process services will put us at the forefront of creating new models for the healthcare needs of tomorrow. Together, we are uniquely positioned to deliver end-to-end solutions that allow healthcare organizations to improve operational efficiency, drive innovation and embrace next generation delivery models made possible by digital technologies. As a fully integrated healthcare technology and operations provider, we look forward to enabling our clients to deliver improved quality of care and superior health outcomes"*

Francisco D'Souza, CEO of Cognizant

"As a client of both Cognizant and TriZetto, we are very familiar with the expertise and capabilities of both companies and the role they play in helping us achieve our mission to empower people through access to quality, affordable care. We look forward to exploring the unique solutions that could be enabled by this combination"

Nancy Botiller, EVP of Colorado Access, a Denver-based nonprofit health plan and services company
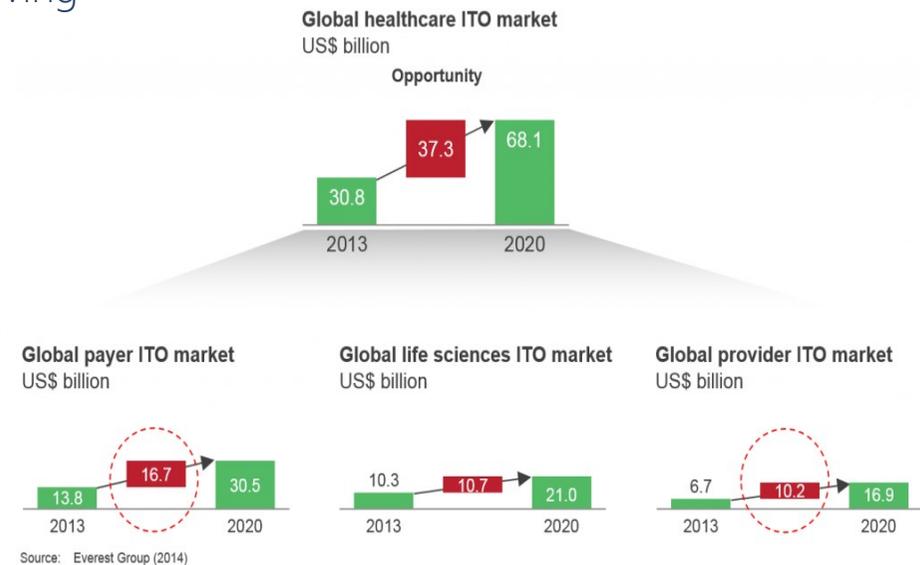

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Rationale

- Cognizant expects this acquisition to accelerate significantly its market position and strategy of delivering innovative healthcare software and solutions to a wide range of healthcare clients

- TriZetto brings to Cognizant significant and complementary new market opportunities, expertise and intellectual property, including

  - Multiple industry-leading software platforms used by payers and providers

  - Enhanced competitiveness in integrated engagement opportunities

  - c.$1.5bn of potential revenue synergies cumulatively over the next five years

  - Attractive, non-linear software revenue

- The combination of the Cognizant and TriZetto platform and capabilities will enable healthcare organizations to focus on making their operations as efficient as possible, while at the same time investing to drive future growth in an increasingly competitive environment

How it relates to the way Healthcare IT industry is evolving

- The ongoing transformation in the US healthcare system is shaping service provider's strategies as they look to capture the incremental opportunity that is up for grabs

- The focus on driving down healthcare costs, wide-sweeping reforms (driven by Obamacare and ICD-10), and blurring lines between payers and providers, are principally reshaping the healthcare delivery model

- Cognizant will aim to drive increased stickiness with healthcare buyers to drive retention in an increasingly complex vendor landscape

- It is aimed at garnering a large share of the growth pie, when it comes to the payer and the provider ITO market

- This acquisition is an unmatched clear indication that service providers must evolve from a services-only play to a platform-based solutions play, to stay relevant in a market that has an immense potential to grow. after its Trizetto acquisition, Cognizant's annual healthcare revenue (in the range of $3.2bn) will be more or less equivalent to the sum of the healthcare revenues of combined entity
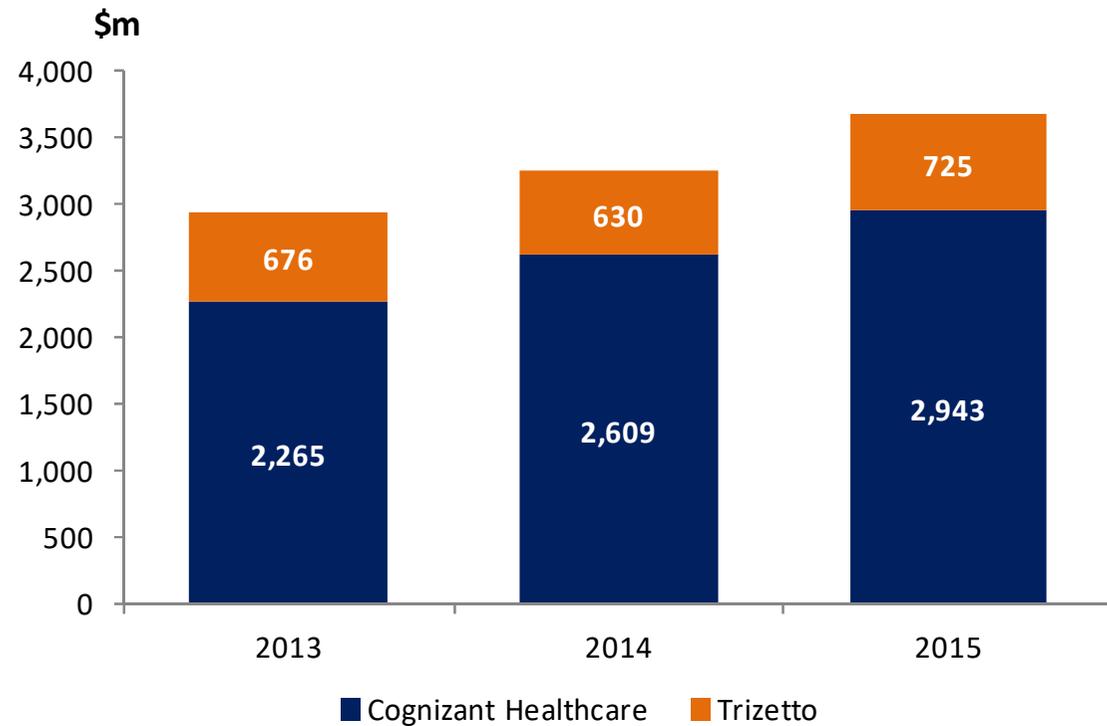
Global healthcare ITO market
US$ billion

Opportunity

	2013		2020
	30.8	37.3	68.1

Global payer ITO market
US$ billion

2013		2020
13.8	16.7	30.5

Source: Everest Group (2014)

Global life sciences ITO market
US$ billion

2013		2020
10.3	10.7	21.0

Global provider ITO market
US$ billion

2013		2020
6.7	10.2	16.9

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Cognizant Healthcare and TriZetto Revenue growth

- In 2014, Cognizant included $80.6m of revenues from TriZetto (not represented in graph)

- Cognizant Healthcare standalone CAGR (2013-15): **14%**

- TriZetto standalone CAGR (2013-15): **3.5%**

$m

Year	Cognizant Healthcare	Trizetto
2013	2,265	676
2014	2,609	630
2015	2,943	725

■ Cognizant Healthcare   ■ Trizetto

Cognizant acquired TriZetto

About TriZetto (Target)

- TriZetto delivers healthcare IT solutions that enable healthcare organizations to work more efficiently and collaboratively to deliver better health
- Offers enterprise software solutions including benefits administration, network & care management, consumer portals, population health management, value-based benefit design & reimbursement, provider connectivity, revenue cycle management and analytics
  - Also, provides services including application hosting & management, business process services and consulting
- TriZetto solutions reach 260,000 care providers, streamline processes for more than 350 payers and touch over half the US insured population
- The Company has offices in the US, the UK and India
- **Key Management:** Jude Dieterman (CEO), Rob Scavo (President, Payer Market), Alan Stein (SVP, Payer Solutions Management)
- Revenue (2013): $711m; Margin (2013): 18.5%

About Cognizant's Healthcare & Life Sciences Practice (Acquirer)

- Cognizant's Healthcare & Life Sciences practice partners with clients to build solutions to healthcare challenges, continually improve the way they do business, set the pace in clinical development, strengthen their regulatory infrastructure, and increase competitiveness
- With c.$2.5 billion in annualized revenue, Cognizant's healthcare practice is consistently ranked among the top 10 on the Healthcare Informatics Top 100
- Cognizant serves 28 of the top 30 global pharmaceutical companies, 16 of the top 20 health plans in the US, 4 of the top 5 pharmacy benefit management companies in the US, 9 of the top 10 biotech companies, and 12 of the top 15 medical device companies

November 20, 2014   Completed

Cognizant

acquired

TRIZETTO
A Cognizant Company

for

$2.7bn
(in cash)

Thank You

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