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# PRELIMINARY TRANSCRIPT

DOX - Amdocs Ltd at Nasdaq Investor Conference (Virtual)

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JUNE 16, 2020 / 1:00PM, DOX - Amdocs Ltd at Nasdaq Investor Conference (Virtual)

## CORPORATE PARTICIPANTS

**Joshua Sheffer** *Amdocs Limited - President, CEO & Director*

## PRESENTATION

### Unidentified Analyst

Great. Good morning, and good afternoon, everyone. This is Jared U.S. technology sector specialist here at Jefferies. It's my pleasure to be joined by CEO of Amdocs, Shuky Sheffer. Before we get started, I want to remind everyone that you have the ability to ask questions via Zoom. If you ask a question, it will be e-mailed directly to me. So with that, let's go ahead and get started. And thanks, Shuky, for joining us this morning and afternoon.

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**Joshua Sheffer** - *Amdocs Limited - President, CEO & Director*

Thank you. Good to see you.

## QUESTIONS AND ANSWERS

### Unidentified Analyst

So maybe it'd be helpful for those that are less familiar with the story to take a little bit of a step back here and provide with those listening with some perspective on the Amdocs story. Could you provide us with a brief overview of your company and sort of how we should think about the relevant growth drivers?

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**Joshua Sheffer** - *Amdocs Limited - President, CEO & Director*

Okay. So we are in the telecommunication history, industry for the last probably more than 30 years. So our customers are the AT&Ts of the world, Vodafone, T-Mobile, Sprint, U.S. Cellular across the world. I think that the unique position of Amdocs is that there are many product companies, there are many services companies, system integrator like the Accenture of the world, Tech Mahindra, Infosys and other, the unique about Amdocs is we bring everything. We are developing the products and we are also implementing our products and operating our products. So this is a very unique accountability model. Today, pretty much in any engagement of every service provider in the world, you are going to touch Amdocs. Could be from the order capture for the owner handling, for the catalog, for commerce for billing, provisioning of the services, all the operation systems, so pretty much every activity, whenever you buy something from any -- or you call the call center, you go to the retail store, you meet Amdocs. So our system are supplying all the commerce activity, billing, provisioning, from everything for both. Obviously, our customer changed, used to be wireless companies. To date, pretty much our customer are doing everything. They are selling also wireless. They're in the media domain, they are selling content. So we -- this is the industry that we are working with. And we are pretty global. Still, the main operations we have is in the U.S. but -- in North America, in general, but we are the market leader also in APAC, in Europe and also in Latin America. We are very proud with our 26,000 employees that are operating in 85 countries. And I think that we are the market leader in this domain.

### Unidentified Analyst

That's great. I appreciate that. So I think you touched on this a little bit, but you have a unique business model with high visibility, which I think is an important point given the current environment that we're in. Can you help us understand why you have such great visibility into your customers' buying patterns?



**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

When you look at the engagement that we have with our customers, we have 3 type of engagements. The most significant one, which represent in last quarter, 58% of our revenue is what we call managed services. This is where we are operating our system and some other internal IT systems, and we are doing all the operation, sometimes including the data center operation also. These are usually long-term agreements, 5 to 7 years. It requires a lot of trust. Basically, we -- the service provider in handing us all the activity in this domain, BSS or SS and more. And this represents 58% of our activity, very recurring long-term relationship. The second, the additional 40% is pretty much split almost half and half. About additional 15% -- 15% to 20%. This is the -- I don't want to call it business as usual, but this is projects around our current activities. Meaning in every customer, it's not just operation. You need to upgrade system, to page, change requests, small project, et cetera. And this is an ongoing activity that also has some type of recurring nature. And then the last 20%, 25%, these are new projects. This is a completely new project that we are doing across the world, digital transformation, 5G-related and the journey to the cloud and others. So this is what we do. So when we go in to -- when we are starting the year, usually, we have roughly 75% visibility for -- already for recurring business. And actually, in order to meet our numbers, we need to complete the additional 20% or 25%. A very unique business model. As I mentioned, we really enjoy and like the managed services agreement. Not just because of the nature that this is long-term agreement or recurring revenue. In most case, it means strategic relationship. It means that we don't have just managed services activities. We are doing also managed services activities. On top of it, we are doing many, many new projects because the nature of the relationship is -- from a customer perspective, we serve all the main companies in the world, as you know. I mentioned North America, it's obviously AT&T, T-Mobile, Sprint; in Canada, Rogers, Bell, TELUS; in Europe, British Telecom, Everything Everywhere, Vodafone, in many -- in Germany, in Italy, in Ireland, in Netherlands, in Holland, Spain and in Russia. This is an example of our customer. In APAC, we are by far the market leader in Indonesia, in Malaysia, in Singapore, in many, many countries in the area. And in Australia, too. And our activity with both Telefónica and America Mobile and Latin America. So we have a pretty global spread, which I think make us a major company because we bring innovation to our products from different places in the world, and this definitely support the innovation in the company.

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#### Unidentified Analyst

So you mentioned that your customers clearly used to be the wireless customers, but now it's certainly more broad-based as your customers' business model has also changed. But I know a lot of companies are drawing the comparison to the great financial crisis of 2008, given everything that's happened from a from COVID-19 perspective. Any perspective on sort of how the business performed then? And we obviously spoke about the recurring nature of your business and how you've got 75% of visibility heading into the year. So I think any kind of comparison to '08, '09 could be helpful as investors just try and understand the stickiness of your business?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

No. When I talked to my Chairman, and I told him also in 2008 and '09, the stock market fell 30%. He told me, yes, you are right. But other than it took 18 months and not 3 weeks. So I think we always say that because of our business model, which is not just the recurring revenue, it's also that we are running very mission-critical systems to our customers. These are not discretionary system. Back then, we draw up 6% at a time. So even then -- so I think we are not immune, but I think that we are more resilient. So if you look at what -- so definitely, all the operation that we do -- and by the way, we moved to working from home in the beginning of March, 26,000 employees in 85 countries, and I'm very pleased with our ability to do both of the (inaudible) of the company. First, all the managed services, we were able to maintain the service level and the operation of all our key customers across the world. I personally got a lot of thank you e-mail from all the main CEOs in the industry about Amdocs' ability to switch overnight to work from home with zero disruption to the business. And at the same time, we were able to -- we were having the right methodologies, collaboration tool to continue with the project activity that we are doing across the world and continue to develop all the milestone and meet all the milestones we need in the project -- in the project activity. Now the main areas that we are involved today, if I need to classify the 3 main areas that we are doing a lot of activities is the first one is commerce and digital commerce and digital transformation. The second one is the journey to the cloud. And the third one is related to 5G. All these activities, in my mind, are going to be even accelerated post corona because everyone needs to go more digital. Companies that were successful during the crisis are the one that can engage with your consumer in a digital way. Definitely, the journey to the cloud is going to accelerate it. And 5G is all over, in any case, was there before, and will continue to be. So what we've seen in our customers is that mainly in March and April, our customer will fully engage with their business continuity, meaning they had to close the retail store. They had to move the call center to working from home and many, many other activities to support a major pressure on the broadband network and WiFi and the wireless network. So we saw that there were more -- there was lack -- I would say, no, their attention was the business



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continuity. So this is why we saw some deals slipped from Q2 to our Q3, and some of them already closed in Q3. But we have not seen stopping projects. We have not seen stopping RFPs. So the activity continues, a bit slower because of the nature that we are doing in a virtual way and because of the companies need to deal with all this working from home, obviously, activity. But we -- because what we do in the heart of the business, we did not see cancellation of projects and we don't see cancelation of RFPs. And we believe that this is -- what we do is extremely relevant and even more post the COVID-19 situation.

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**Unidentified Analyst**

No, that makes a lot of sense, especially just given the mission-critical nature of your spend. I was going to ask you how the company cope from an organizational standpoint, but it sounds like you're fully mobile at this point, all 26,000 employees work from home.

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**Joshua Sheffer - Amdocs Limited - President, CEO & Director**

Yes, we actually even surprised ourselves. We are doing, on a quarter, average about 80 milestone, production milestone. And we used to do it with a lot of travel. Now we are doing it with zero travel. We are using all the collaboration tools. We came with all the collaboration methodologies so I think that we are pretty proud with the way we're able to deal with this working from home.

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**Unidentified Analyst**

Is there a way to think about just the difficulties associated, just from an implementation perspective, as you think about managed services and just doing it completely remotely versus any kind of physical presence required, just how to think about that?

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**Joshua Sheffer - Amdocs Limited - President, CEO & Director**

I'll share with you a secret. Sometimes, we say that lack is part of the strategy. We took a decision in December '19 to move the company to work one day from home not because of the corona. Because we thought this is the right thing to do for the employees, the world could be greener, less traffic, many, many things, improve the employees' work-life balance. So we've done all the logistics that we need to do in 2019 from every employee have a laptop, every employee have a broadband at home. So we've done all the logistics actually last year. So when corona hit, we're pretty ready, probably more than other people to do this. But yes, it's a complicated environment. We have people that's supporting a customer in North America, some of them are local on the customer side, some of them near shore, some of them in our center in Israel, some of them in our center in India and all of them need to collaborate together to support the same activity. So I think we practice this before in different disaster recovery scenarios, which came to help to in this case. And then I think we did a pretty good job in building the right methodologies and using the right collaboration tool to make it happen.

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**Unidentified Analyst**

Now from a geographic standpoint, if I have my numbers right, you're most leveraged from a North America perspective. But can you maybe touch a bit in terms of how business trends have differed, if at all, from a geographic standpoint across North America, EMEA and rest of world?

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**Joshua Sheffer - Amdocs Limited - President, CEO & Director**

In talking about the impact of COVID-19?

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**Unidentified Analyst**

From a COVID perspective, precisely.



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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

There were some things that are pretty much the same. If you think about the majority of the world closed their retail stores initially, and they have to move the call center to work from home. And we had some solution to support that. I think this was the main impact from operational perspective. And then every region have its own, I would say, needs. In most of the region, we had to help our customer to deal with situation, to allow customers a long time -- a longer time to pay, for example, because they want to disconnect a customer that are not able to pay. So to create a longer collection period. In APAC, it's a cash economy. People usually topping their phones by cash in different dealers. Suddenly, they have to stay at home, so they're all top-up. We had to move into the retail store to be able to help them to top up. So I think it was -- some of the thing was similar. In North America, I think we had to support our customer mainly in different collection cycle to allow more flexibility to their consumer, some technology to allow the call center to work from home, the ability to enhance the digital commerce since the retail store were close. So this was more like tactical changes we've done across the world to support our customer in a relatively quick time, in 2, 3 weeks. This is what we have to do.

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**Unidentified Analyst**

Well, that make sense. And I mean, you touched on it a little bit in terms of, I think, at the height of the pandemic, your customers were focused on business continuity plans. I think as COVID impacted businesses in the economy, most that I've spoken with have noted that March was probably the trough from a business activity perspective. Business have gradually started to improve as shelter in place orders have been lifted globally. You mentioned that some of those deals were -- from Q2 that stuck into Q3 that was

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Some of them have already closed in Q3.

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**Unidentified Analyst**

So is that a general fair characterization that, in line with shelter in place orders...

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Yes, I think it is. Obviously, we want to see even more stabilization. It is not consistent across because of the way of the corona spread. Obviously, it was first APAC, then Europe, then North America, then Latin America. Well, I think Latin America is probably -- it's a very distressed area right now. But overall, you're right. We see the countries. But no, it's different by country. Starting to reengage in economic activity and then we hopefully see some stabilization in the business.

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**Unidentified Analyst**

So maybe this is a good segue. When you think about -- you touched on this a bit earlier as well, some of the short-term dynamics associated with business interruption from a COVID perspective, but at the same time, COVID-19 has accelerated the digitization of how society works and functions. And when you look at how you support your customers across digital modernization, 5G network deployments, system integrations to the cloud, I mean it seems like you're actually positioned quite well longer term. When you -- maybe elaborating a little bit on this in terms of just giving perspective on how Amdocs can help accelerate this digitization, I think could be helpful.

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Okay. So I'll start with digital transformation. So digital transformation is something that we do in the last 5 years. The main drivers for transformation in general was being a digital company. And we see more acceleration. I think that what we are going to see even more is acceleration in the



commerce domain. The ability to consume services in what we call like in Amazon type of experience, relatively quick, easy to use, very, very flexible bundles for all our customers that have -- all of them are, as you mentioned before, are multi play. They are selling connectivity. They are selling content, they are selling broadband, they are selling OTTs, they are selling everything. So the ability to consume these services in a fast and a very good experience, this is something critical. For this, you need to have a very good, very flexible product catalog to -- all the time to change the offering. You need a very good ordering system from order capture to order handling. And definitely, at the back end, you need a very good billing system and all the provisioning systems to support it. So this is from the commerce modernization. From the journey to the cloud, everyone is in some type of shape or form in the journey to the cloud. We believe that this journey will be accelerated. It means pretty much NIC can shift all the system to the cloud, get rid of physical data centers and employees that are working in physical data centers. The journey started, and I believe it's going to be accelerated. We have a main role in helping the industry to move to the cloud, a, by the fact of the nature that we are moving all our systems to be cloud native. And we have very good relationship with both AWS and Microsoft Azure and Google and GCP Google Cloud, and all of them are part of this journey. And in 5G deployment, I think 5G was there before. It can be even accelerated because it can ease some of the broadband pressure that you have in the residential areas, despite fixed wireless and more. So over there, definitely supporting the industry to deploy 5G as we get out of this crisis, probably is going to be another growth engine for us.

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**Unidentified Analyst**

That's perfect because our next question was focused on 5G. And it's clearly an uncertain environment. But the one thing that seems certain in 2020 is the continued global rollout of 5G. And it's actually a great day to have you on as their headline hitting this morning that the Trump administration is preparing a \$1 trillion infrastructure bill, and part of those funds are allegedly going towards the build-out of 5G. So maybe help provide some perspective on how Amdocs is positioned to help your customers roll out from a 5G standpoint?

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**Joshua Sheffer - Amdocs Limited - President, CEO & Director**

So Amdocs are active in 3 domains in 5G. The first one is the network rollout. We have capabilities to support our customers in network rollout, the whole planning of the network rollout. 5G rollout is different than 4G. There is, to some degree, it's more complex. We have a lot of capabilities. We are working with T-Mobile, with obviously, with AT&T and Verizon, I can -- this is why also we've done the acquisition of TTS wireless in Q4. It actually accelerate our capabilities to support mainly in T-Mobile, which is one of the leaders of deploying 5G. So this is from the network rollout. The second part is the domain of -- when the network is changed to be software-defined network, a lot of things can be done in the software during -- using software rather than a proprietary hardware. So all the orchestration of the services in the network, this is an area that we partnered before with AT&T several years ago, and we have a lot of capabilities to support the network evolution to be software-defined network. The third element is the monetization of 5G services. So I want to share with you a use case. It could be 2021 or 2022 use case that will be an offering for gamers. Remember, 5G allowed for -- in 5G, you can get network slicing and you can get guaranteed level of service. So today, the majority of the service is best effort. In 5G, you can give guaranteed speed. So imagine a 5G gamer package. It includes the hard goods of the glasses, the VR glasses is the same, the virtual reality glasses. It includes compute at the edge. It compute -- it includes storage in the edge, guaranteed speed and connectivity. And all of it together, this could be a 5G package that in order to be able to offer these type of packages, you need to upgrade your -- obviously, you pull a catalog to allow it. You need to upgrade your commerce engine to support this type of bundling. And obviously, in the provisioning system and also in the network slicing. So it's, across the board, a lot of flexibility and a lot of capabilities that you need to support this new way of monetization. So this is the third pillar of our contribution to this 5G journey.

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**Unidentified Analyst**

That's great. Okay. So to recap, it's fairly broad-based from a 5G implementation perspective. It's basically never roll out software SDN capabilities as well as modernization and 5G services across the board.



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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

And the industry must need to find ways to monetize 5G. It's huge expense. And I think that everyone understand that there should be a monetization model that can support this huge -- it cannot just be another version of 4G. It has to be completely changed.

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**Unidentified Analyst**

No. That makes a lot of sense. I think a lot of questions that investors have rely on the new architecture from an industry standpoint when you think about T-Mobile and Sprint entering the mix. When you think about how Amdocs is positioned to help the new T-Mobile and Sprint with their ambition to be more competitive, any perspective you can share there? I mean, there's -- I think there's an obvious benefit also associated with just diversification from a customer perspective. But any color there would helpful.

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Sure. We are long term partners both of T-Mobile and of Sprint. Our relationship with Sprint go many, many years ago. We are having today full managed services in Sprint. We announced some main significant deals last year with Sprint of developing the data strategy, so Sprint is a long-term customer of Amdocs. In T-Mobile, before the merger, actually, it was 2 previous Amdocs customer. It was T-Mobile, the Magenta brand. It's a metro PCS, which was another Amdocs customer. So basically, we supported all the back-end system and some of the front-end system of metro PCS in the managed services model. We are proudly supported all the un-carrier journey, which was extremely successful of T-Mobile. And I think that over the years, we established trusted partnership and we become a strategic partner for both T-Mobile and Sprint. We were very involved. Obviously, I cannot share what it means, with the preparation of T-Mobile and Sprint for the merger. And I think going forward, we are going to see 2 type of activities with the new T-Mobile. One is obviously a lot of tactical activities that is support the merger. I mean they want to access their consumer in one way. So a lot of activities that we have done pre-merger and going to continue post merger, which are more tactical to day one. Obviously, I cannot share what it is. And they announced that they are going to start to act as one company sometimes in the summer. The other activity is more like a long-term modernization that we're discussing right now with new T-Mobile, how we can help them with our new next-generation cloud-native application, how we can modernize gradually their system to the next-generation system of Amdocs. But as I said, we are enjoying a very strategic relationship with the new T-Mobile, and we believe we can help them a lot in this merger journey.

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**Unidentified Analyst**

I want to go back to just the managed services offering for a second, and I believe that you said it's almost 60% of revenue. And just touch on -- it's certainly an important part of the value that you bring to customers and I think increases the stickiness of the relationship with your customers long-term and really brings you into the organization. So can you just touch on that a little bit more? And how has managed services trended as a percentage of your revenues over time? And why is that such a key driver from a growth perspective?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

So managed, we have 2 type of managed services. The first one is something that evolved over the years. So we've done a successful project, and then we will convince the customer that we can operate the system with high-quality service level in a very competitive pricing for many years. So this is why we see a lot of engagement that started with the transformation project, and then an app is a full managed services. U.S. Cellular is a good example that we started with the project, and then it was converted to be a pretty significant managed services. And in this case, we have 2 type of end services. Sometimes it's just the operation. And sometimes, it's including also the data base operation. In some cases, we even own the data center. So it's a very broad offering of managed services. By the way, now it's very disrupted by the fact that we are taking everything to the cloud, so it's a different -- it's the cloud-managed services, this is the new next-generation of managed services. The second type of managed services that we are very successful in doing in the last 3, 4 years into what we call managed transformation. It means that we are selling a transformation project. But in day 1, we are taking responsibility of the customer legacy systems. So we start immediately with managed services on the legacy systems. We do the transformation project and the migration to the new system, and then we continue the managed services on the new system. We signed pretty significant deals in this domain, and this is a new, I think, a new accountability model that Amdocs can bring



end-to-end accountability, not just for transformation project, but the legacy system before and after the transformation project. And as you mentioned, we like -- this is a long-term relationship, 5 to 7 years, a lot of stickiness, recurring revenue. But I think even more important, this is -- as you mentioned, this is a very strategic relationship. In most of our customers, we have much more business than the managed services. The managed service is a very significant pillar. But on top of it, we are doing, as part of the strategic partnership, we are doing a lot of projects on top of the managed services because of this strategic relationship. We believe this is the best engagement and the best value we can bring to our customer. It's 58% of our revenue. By the way, the main competitor for this is Internal IT because we don't see any other people running our system. It's either Amdocs or the Internal IT. And over time, we were able to convince more and more customer to hand it over to us.

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**Unidentified Analyst**

Great. That's going to be my next question in terms of competitive landscape within managed services. So that's helpful. Any -- is there a difference from a margin perspective when you think about managed services versus the rest of the business?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

From which perspective, sorry?

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**Unidentified Analyst**

From a profitability standpoint?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Look, it's always like this. We have basically 3 activities in the company, if I need to make it simplified. We have the managed services that represent about 58%, almost 60%. We have another 15% to 20%, this is a recurring business in existing customers. So we are doing change requests and small projects. And everyone is changing all the time the system, even after transformation project. And the third activity, which is about 20%, 25% of our activity, this is all the new transformation project. This is the big project. Obviously, the longer the agreement, like the managed services, this is where, over time, we can build automation and methodologies over there. We, obviously, can have much more stable margin. And definitely, there is more pressure on the margin on the new projects, which is a completely new activities. This is why we like eventually to move them to managed services after the end of the project and to get more to sustainable profitability. But all in all, I think that the more recurring the nature of the activity, the margin are higher.

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**Unidentified Analyst**

That makes a lot of sense. So in line with the digital transformation themes that we've been talking about, it's clear that if you want to be competitive in the modern environment, you must be embracing the cloud in some form one way or another. Otherwise, you risk losing your competitive advantage in the marketplace. With service providers migrating to the cloud, how is Amdocs positioned to help facilitate this migration?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

I think the task that we take upon ourselves is actually to take the industry to the cloud. And I think that we're in the right position, given our incumbency to do it. There are 2 journeys to the cloud. First of all, if you implement any of the new Amdocs portfolio, everything is cloud native. So from the get-go, you're going to use the cloud, AWS, Amazon -- sorry, AWS, Microsoft and Google, all of them are partners. And our core systems are cloud agnostic, so we can work with the customer and choose the cloud per is request. In some cases, we are in a more cloud environment. So if you go to the next-generation system of Amdocs, by definition, you are -- everything is on the cloud. At the same time, we have a lot of incumbency in many customers. Over there, what we are doing is what we call lift and shift. We are taking the existing system and moving into cloud. Since it's



our systems, so we are the best equipped to doing it. Not -- understanding our system, how is the best way to use the cloud, the cloud consumption, et cetera. I think our customers understand that we can be a good partner for this journey, and this is what we intend to do. I think that we can come, not just with how to take the -- so the full value proposition of Amdocs is not just to do a project to move the system to go to the cloud. It's also how to do the operation on the cloud and the managed services in the cloud. And another important point is, in many cases, it's going to be hybrid environment. There's now almost any customer in the world is going to be fully cloud or fully only on-prem. And we came with a lot of methodologies how to work and operate in a hybrid environment, which half of your system are in the cloud and half is still on-prem and how we are working it in the same time, which is another unique capability of Amdocs.

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**Unidentified Analyst**

That's helpful. And to recap, are you completely agnostic from a cloud perspective. Do you have any relationships that are more strategic than others or whether it's Google or Microsoft or Amazon to in the

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

We have some systems like that we operate as software as a service. Over there, we are actually selecting a cloud and running it. And pretty much, this is the -- it comes -- by this as a service model, it comes already with the cloud. So it's not about choosing the right cloud partner, it comes with it. But for our core system, we are agnostic. And as I mentioned, the AT&T looks like they have a preference for Azure; Vodafone, AWS. I mean it's vary per customer cloud. But most of them, by the way, are multi-cloud.

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**Unidentified Analyst**

Got it. So maybe moving over to just some of the financials for a second. I think from a guidance standpoint, and I think this is an important point and speaks to the visibility of your business model that we obviously discussed earlier, many companies have chosen to withdraw fiscal year guidance. You kept quarterly and yearly guidance. You reduced your fiscal year guidance, if I have my math right, by about 200 basis points versus your prior range. Can you discuss maybe some of the puts and takes associated with -- and what's embedded within your guidance?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

I think you're sort of right. I mean, giving -- many companies either did not give guidance, withdrew guidance and also stopped buyback. Again, given our current position in our -- as I said, we are immune, but we are not resilient completely with our backlog and with our recurring revenue. So you are right, we reduced our growth for this year to 2% midpoint from 4%. It's still growth in this type of environment, which is good. We are going to be also -- we're going to continue to grow also in EPS. So we changed our guidance to 2% midpoint growth in EPS. Comparing for the majority of the S&P 500, which I believe is going to be double-digit decline in the EPS. So we continue to grow the company, continue to grow the EPS. We are going to continue maintain our margin as it was before, in the high end of the 16.5% to 17.5%. We also continue, we have done a lot of step to make sure that we are going to continue to do that. And we are going to continue with our discipline in our capital allocation. Meaning, we are going to continue buyback, and we are going to continue as we promised to return the majority of the free cash flow to the shareholders and also to continue our dividend plan, which was raised by 15% in the last Board approval. So I think this is pretty much from all the -- so yes, we had to take it down. But still, we are growing the company in all parameters. And I think that this is actually reflects the resilience of the company.

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**Unidentified Analyst**

And does your guidance assume that the macro environment effectively remains uncertain throughout the rest of your fiscal year?



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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Yes. Well, it does not assume a completely mail down another one like we had

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**Unidentified Analyst**

Sure.

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Like we had in March, but it assumes the same way what we are dealing it today.

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**Unidentified Analyst**

Got it. Can you talk a little bit about the new major North American logo that you signed in Q2 with your Catalyst 1 solution?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Yes. So we cannot say the name, but you guys obviously can guess. It's important because we were able to show -- this is another 5G-related product -- project. Because we were able to convince this new logo about the capabilities of our catalog to address every promotion of new offering in the future. This is high-end master catalog, which is cloud-native and using a lot of capabilities, completely new. One of the biggest -- we don't see any competition to this catalog, by the way. And -- but we're very happy to be able to convince this new logo to take this catalog, which is in the core heart in the hard-core of the commerce system, one of the major building block of the commerce system. Obviously, now our intention is to do a good project to show the customer can get value from Amdocs services in implementing this product. And obviously, we want to sell more to this customer after convincing him that this was the right choice and he's getting value, and we can bring even more fully.

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**Unidentified Analyst**

That's great. The -- have you changed your thinking from an OpEx perspective in this environment? On one hand, I'm sure, as we talked about your TV are down significantly. But as we all work from home, are you harvesting these savings or investing in the business?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

I can tell you that, obviously, I think the main impact on us was obviously when we move to all the employees to work from home, it's almost to go to a zero-travel environment, which is very -- never happened in the history of Amdocs because we travel a lot. And we did have some access of employees due to the fact that some of the projects were delayed. We choose to accelerate R&D in this time. So what we've seen is the -- as we believe there's going to be acceleration, as I mentioned, journey to the cloud and moving strong to be able to perform commerce in detail way, so we did some acceleration to R&D activity to make sure that we are ready when everything was stabilized.

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**Unidentified Analyst**

Great. And it's interesting because throughout many



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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

We took some steps, obviously, in order to make sure that we can maintain the margin profile that I mentioned, the high end of the 16.5% to 17.5%. We announced, for example, that it's not going to be any salary raised to our employees. Usually, our salary raise cycle is in June, July. So we told the employees that this year, we're not going to have salary raise. And we've done some other activities to make sure, from resource location perspective, we slowed down recruiting, et cetera, to be slowed down recruiting high cost areas, for example. So we've done step to make sure that we can maintain our profitability. At the same time, we accelerated also R&D.

**Unidentified Analyst**

Many companies that I follow across different subsectors within Tech had to extend payment and billing terms to customers, just given the environment that we're in. I ask this because collections were actually quite strong last quarter for Amdocs. Are you having to do discount or not yet?

**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

I think that there is some pressure, but I think we are doing very well with the pressure given the fact that we are running mission-critical system and strategic relationships. So I think that for the most part, we are able to deal very well with this pressure.

**Unidentified Analyst**

So from a cash flow standpoint, I think your business is

**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

We are sticking to the guidance that we gave, and we are not changing.

**Unidentified Analyst**

So you're producing pretty high levels of excess -- of cash flow, call it, \$500 million for the year on a normalized basis, double-digit free cash flow margin. You touched on this a bit, but it's fair to assume that continued commitment from a capital allocation standpoint, from a dividend perspective, buyback perspective, it sounds like you're fully up (inaudible)

**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Yes. We are committing to continue with our capital allocation, and as we promised, to return the majority of the free cash flow to the investors.

**Unidentified Analyst**

Great. And I think your cash flow is impacted by a little bit from the campus build-out in Israel? Are things slowing a bit there, just from a build-out perspective?

**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

I think actually, this industry was the one that was not hidden at all. The campus is continuous plan. Maybe we spend a little bit less this year. Actually, the campus give us a lot of opportunity because if you talk about working from home and the new normal working from home and how



many employees are going from the office and how many employees are going to work from home, we found that we are pretty limited where we lease. I mean we -- in Israel, for example, we pay the same if all of us are in the office and zero employees in the office. And actually, because we own the new campus, it will give us a lot of flexibility to use the party one for Amdocs, and we can lease the other parts without any discussion with any landlord. It's all about discussion that we can do and make this decision by ourselves. So actually, the -- we didn't plan it this way, but the new campus will give us much more flexibility from a facility perspective.

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**Unidentified Analyst**

Maybe just to finish up on the capital allocation questions. Would you be opportunistic from an M&A standpoint to the extent that opportunities presented themselves?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

So in Amdocs, we say that the strategy drives the M&A. And we do M&A because of 3 reasons. One, is what we call bolt-on technology. The majority of the R&D is being done by Amdocs R&D. But sometimes, we see some technology that believe can complement, augment our offering and believe this is the right thing to do. The second type of M&A is consulting competitors. We've done this with Converse and other situation that we take and buy competitor. And usually, we are doing it not for the products. We are going to take it with the customers and Converse is a good example that we bought a competitor when we got a lot of many new customers. The third reason for M&A is when we want to go to a new domain like media, and we saw that we don't have the in-house knowledge to do this. Right now, we are looking all the time. As I mentioned, the 3 growth engine that we see on top of media is digital acceleration, the journey to the cloud and the 5G rollout. So all the time, we are looking what can help us to accelerate this growth engine. And like we've done in the past, if we see something which is in the right price and can accelerate our strategy, we will do it.

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**Unidentified Analyst**

Great. And I think we probably have time for one more here. We're coming up on the end of our allotment. But I just wanted to go back on the competitive landscape question. You mentioned in many times it's internal in terms of who you're competing against. Can you just take a step back, just give us a little bit of an overview with what you're seeing on the competitive landscape? Any irrational pricing that you're seeing out there in the current environment that we're in?

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**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

There is no other company like Amdocs today, given our unique business model, one, that we are doing product and services. And the other one is we bring the whole suite. We are not just bringing just billing or just CRM, or just all the care. We are bringing everything. End-to-end, full pre-integrated solution from e-commerce, from billing, from provisioning from assess on everything. So there are some competitors, but not -- the competitive landscape that we see today is more like what we call best-of-breed. So it's like a system integrator trying to page 3, 4 products together to be compatible with what Amdocs is bringing. Now sometimes, a customer choosing to this way. I can tell you, for the most part, what we call our solution, which is the best of suite, for the most part is winning and we have a very high win rate. And I think the major differentiator -- and by the way, when we are doing this, this coalition could be Salesforce, Ericsson, Accenture and then many other small companies that you are bringing actually a system integrator to grow everything together. I think the difference is in the accountability model. You cannot get a real accountability in the other model. Because in this case, the system integrator will say, the product didn't work. The product company will say, the system, the integrated doesn't know how to implement the product. Only in the c case, it's a full accountability because we are bringing the product, we are bringing the service, we're implementing it and we're operating it. So there is, I think, a very unique accountability model, but there is competition. We are varying all the time making sure that we understand the competition and making sure that we have a lot of differentiation comparing to the competition.



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**Unidentified Analyst**

That's great. Any closing remarks before we have to go?

**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

The -- I think I mentioned it, I think that actually, in times like this, you can see the strength of Amdocs. The strength of Amdocs is the blue-chip customer that we are deeming -- the big one of the world. The recurring revenue, the managed services engagement, and the fact that we are dealing with mission-critical systems that are the most important for our customers, and this is the area that usually we are not touching. And I think that if in time like this, we are able still to continue to grow the company, to grow EPS, to maintain our margin levels, to continue buyback, dividend, to continue to give guidance to the market. It shows the results of the company. As I said before, when we start, we are resilient, we are not new. But I think that this -- if I need to talk about investment techs, I think this should be very attractive for shareholders.

**Unidentified Analyst**

Perfect. Great. Shuky, thank you so much for your time. Really appreciate it. And thank you, everyone, who is participating and joined us today around the globe. Have a great day, everyone. Thank you so much.

**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Thank you and stay safe.

**Unidentified Analyst**

You too.

**Joshua Sheffer** - Amdocs Limited - President, CEO & Director

Bye-bye.

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