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EDITED TRANSCRIPT

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PRESENTATION

Matthew E. Smith - *Amdocs Limited - Secretary & Head of IR*

Hi, everyone. Good morning, and a warm welcome to everyone joining today for Amdocs's 2022 Analyst and Investor Update. This is a virtual event, and I'm Matt Smith, Head of Investor Relations for Amdocs.

Earlier this week, we reported our full year fiscal 2021 results. And with our management in town for the -- together for the first time in a while, we thought now would be a great time to provide a deeper overview and education into our company, and to update you on our strategic progress, competitive advantage and the multiyear growth opportunity we see in front of us by supporting our customers' 5G, cloud and digital transformation.

But before we get going, please, filings, including those risk factors that could cause actual results to differ from those anticipated. We're also referencing financial measures that are non-GAAP in nature. And you can find the reconciliation of these measures to the most comparable GAAP provisions as an appendix to today's presentation, which has been filed on Form 6-K this morning.

Now to introduce our speakers for the day. We have some familiar faces for you, starting, of course, with Shuky Sheffer, our President and Chief Executive Officer. Shuky will be joined by Tamar Rapaport-Dagim, our joint COO and CFO; and also Anthony Goonetilleke, Group President of Technology and Head of Strategy.

Turning to the agenda, Shuky will kick us off by discussing the moves we have made to strengthen the foundations of our business over the last 3 years, positioning Amdocs for the accelerated growth that we're now beginning to see come through. We'll then hear from Anthony, who will describe the ways in which Amdocs is powering the exciting possibilities which we think will result from the major multiyear investment cycles currently playing out in our industry.

Anthony will then hand over to Tamar, who will bring the details on how we are operationally built with the right foundation to realize the growth opportunities ahead. And then Shuky will come back to summarize the investment thesis, after which we'll take questions from our analysts. And for those listening on the webcast, we do invite you to submit any questions over the chat feature.

So with that, it's almost time to turn things over to Shuky. But first, please enjoy this short video, which we see as a wonderful depiction of Amdoc's manifesto. Thank you, and we hope you enjoy the next few hours.

(presentation)

Joshua Sheffer - Amdocs Limited - President, CEO & Director

Hello, everyone, and thank you for joining us this Friday morning. In today's event, we are going to share with you a lot of information. We are going to talk about our market-leading technology, about operational excellence and why we are so excited about the industry and where it's heading to and why we believe Amdocs is in an inflection point, have a great competitive position, and we're excited where we are today.

But if I need you to remember only 3 things on today's session or to have only 3 takeaway, they will be that we believe that Amdocs right now is at an inflection point for growth opportunities. We've built a very strong foundation with great technology to drive accelerated growth. And therefore, we are very well positioned to deliver double-digit total share return through continued strategic execution.

Before I continue, I assume most of you on the call are familiar with Amdocs and what we do, but we thought it's a good timing to give additional info to Amdocs since we believe that first, to the benefit of the people who don't know Amdocs and definitely, because the company has changed so much, and I think that we are really having to present like almost a new Amdocs.

So Amdocs at a glance. We have 28,000 great employees around the world. We are operating more than 85 countries. And as you can see later on, our customer reach is all over the globe. We are serving more than 350 customers around the world. We delivered \$4.3 billion revenue in FY '21, which represents a 7% growth year-over-year. 70% -- 75% of our revenue is recurring. And we've done a major investment in the last year, over \$1 billion investment, in our next-gen platform. We have a very unique business model. I'm going to talk in detail about this.

All the industry analysts recognize technology is the best in the market. And I think our committed -- commitment to sustainability is second to none, and this is something that Tamar will share with you in more detail as we go along during the day. So who are we, and what we do?

We are powering the communication service provider to deliver amazing customer experiences. We digitize and automate operation. We accelerate migration to the cloud. We create differentiation in the 5G area, which is critical, and I'm going to talk a lot about this because monetization of 5G is in the heart of what we do. We ensure ubiquitous connectivity, and we enable monetization. This is what we do. Later on today, Anthony will share more detail about our technology and why we believe we are the best in delivering this to our customers. But this is, in principle, what we do. And we are playing a major role in the industry megatrends today.

We are very proud with our customer list. This is a segment of our customer. You can see that we are operating across the world. These are blue chip customers. We help them to be successful over here. They help us to be a better company. And we are extremely proud of this customer set.

Starting with North America. I'm sure you guys understand -- I understand most of the names of this -- on this slide from T-Mobile, to AT&T, to Stellar or to Bell, to TELUS and others, some of these customers are Amdocs customers for decades, like AT&T and T-Mobile. Some of them are recently new customers like Verizon, but you can see we are powering the leading communication service provider in North America.

Another set of customers that we have is what we call multinational. Multinational customers are the ones that are operating in many, many countries, which obviously requires separate capabilities, and I -- which I believe we do. And some example is Vodafone that are operating in many countries in Europe, the Hutchison Group Three, which operate in both in Europe and APAC; Veon, which operates in Russia and East Europe; Telefonica that operates between Latin America and Europe; and the America Movil Group that's mainly based across LatAm. So we develop very unique skill to support these multinationals, and we are very successful in supporting them.

Cable and satellite. I know this is a bit legacy name because most of the cable companies today are definitely not a cable company, they deliver a high-speed broadband and many, many other things, most of them, with our support, converge also to mobile. We are very proud with this customer set, and I think that we are able to do their journey to expand their offering.

Europe has been a growth engine for us in the last several years and continue to be a growth engine for us. Some -- I'm not sure you know -- familiar with the name, but obviously, Orange and TIM, Telecom Italia, et cetera. If you will compare this list to the customer, we had probably several years ago, you can see that added many, many new customers to this -- to our penetration to Europe, and Europe continue to be a growth engine for Amdocs.

APAC. If I've shown you this picture probably 8 years ago, this picture was almost empty. In the last several years, we've become de facto, by far, the #1 leader in our space in APAC. You can see some of the names. These are mega groups like SingTel; a large customer like Telcomsel; customer in the Philippines, like PLDT and Globe; in Indonesia and Malaysia. We are really proud with our success in APAC. As I said, we've become de facto, by far, the market leader.

And last but not least, on top of Telefonica that I mentioned, America Movil, we have a lot of activity with other customers in Latin America. All in all, you can see a very nice spread across the world, which actually reflects our market leadership in this domain.

I said before when I talk about -- when I presented Amdocs that we have a very unique business model, and this is really unique, and I will explain. There are many product companies that deliver and develop products. There are system integrators. What they do in life is trying to implement this type of products. And there are also system integrators that try also to do operation. The only one that develop the products, implement the product and operate the product is Amdocs, which brings a very unique accountability model, which I think our customers like very much and become a unique competitive advantage for Amdocs.

In most cases, what's happened in this typical implementation, when something goes wrong, the product guys will say -- the product company will say, the system integrator doesn't know how to implement the product. The system integrator will say, the product is not working. And pretty much you have 0 accountability. Amdocs' unique accountability business model position us to be the only one that can give an overall accountability for this model.

This is why we are proud to say that our success rate in delivering transformation is over 95%. Why? I believe that the industry standard is probably less than half. And I think this has created a significant advantage, company manage for Amdocs. And as I said before, we are the only one that -- running this business model. This is why we are the only one that has this unique accountability and competitive advantage.

So this is a little bit about Amdocs. You're going to get much more details throughout the day, definitely, from Anthony, our CTO, where you understand exactly what we do, what our products and why we believe that we have the best technology in the market.

In the last 3 years, I would say we are pretty busy. We are busy in accelerated R&D. We completely replatformed, built a new platform, a cloud-native platform from the ground up and invested in cutting-edge technology. And we apply constant innovation in what we do. And constant innovation is not just when you deliver products. Constant innovation is how we do services, how we do operations, automation tools, leveraging all the tools and the best technology in the market, and making sure that everything -- in everything we do, by the way, including how we manage our internal staff, our employees, everything that we do, we apply constant innovation. This becomes part of the company DNA.

We have a very successful, what I call, active portfolio management. We are leveraging our -- obviously, the M&A tool to support our strategy. Some examples that you see on the slide right now is we acquired TTS Wireless to support the 5G trend a couple of years ago when we saw that all our customers are deploying 5G in North America in accelerated way. We bought Openet, let's have 5G-native platform to support 5G charging and policy in digital. And lately, we bought the Sourced Group, which brought us many, many high talented consultants in the cloud domain as part of our efforts to take our customer -- to support our customers' journey to the cloud. And we will continue to do so and do M&A, as we need, to support our strategy.

We have a very much employee-centric organization. I believe that our leadership and our employees are second to none. In this domain, we have the best, most dedicated talented employees. We invested a lot in upskilling them to the new technology. Also, we continue to bring also talent from outside. But culture, having the great employees that we can, making sure that we have the best talent. This is something that we put a lot of focus.

Around ESG, as I mentioned before, Tamar will give more details, but I can tell you that as a company, this was always at the company DNA, diversity and inclusion, this is part of what we do. But I think that with the pandemic going on, we doubled down also in this domain, supporting the communities that we live and work. I think that Amdocs employees are a powerhouse in supporting the communities around the world. This is something that we love. This is something that is the right thing to do, and this is something that I think our employees really, really want to be part of and is accelerating all the time.

So this is, as I said, we were very busy as you can see in the last 3 years. All of this resulted in accelerated growth. So you can see the numbers here on the slide. The company CAGR for '18, '19 and '20 was about 2.4%. This year, as we announced results earlier this week, we finished with an accelerated growth of 7%. And we believe that Amdocs today is at an inflection point of accelerated growth, and we will continue to talk about this.

Our path forward. And I want to share with you why we are very excited and very optimistic about our future. If we look at the industry, the industry -- the communication industry is completely reinventing the meaning of connectivity for society and what we mean by that? And I think, definitely, it was emphasized a lot with the pandemic. So traditionally, it was a communication -- it's all about communication.

But what's happened in the last couple of years? Beside the mega trends that we know that's accelerating, and this is moving to digital -- or digitizing the operation, deployment of 5G generally to the cloud, the pandemic almost created some tectonic shift in certain domain, things that in normal course of things can take years -- accelerate in a couple of years. So I'm not talking just about communication that all of us and millions of people around the world are working from home, meaning that rather than using the office VPN are using their broadband at home, in most cases, competing with their kids.

So supporting communication in the best way with high quality to the home, to the office is something that our industry evolved significantly and actually delivered great results in the last couple of years. And this continues to be the backbone of what we do or when we support our customer.

Generally speaking, I think that the communication industry is by far the backbone of society. Every device which is offered to market today is connected. Remote health, remote education become part of our life. Green tech, autonomous transportation, 5G smart industries, everything that -- every technology which is now getting out to the market, it doesn't matter if it's software or application or device, is built on connectivity. And I think that we really like where the industry is going on and the fact that it became what it should be, the backbone of society.

I will say my kids are moving to their own apartments right now. Before they check that there is running water in the apartment, the first thing they're checking if there is broadband. So definitely, I think that the industry reshaped itself to where it is today.

And I think that we actually leveraged the pandemic time to reshape our strategy. And I think that our strategic framework is pretty simple in digital. We want to modernize CSPs' IT to transform their operation. This is critical. They want to do things faster and cheaper, and this is where we can support them.

All our customers want to move to the cloud. And by the way, one cloud journey of one customer is not equal to another cloud journey. So we are building a tailored journey to every customer of Amdocs to move to the cloud and leverage a lot from this new technology. This is something that we are doing in the last 2, 3 years. We are going to accelerate next year. And we believe that our capabilities from the product perspective and implementation perspective, and our cloud knowledge, together, which will accelerate with the acquisition obviously of Sorced Group, put us in a position to support and build a tailored journey to every customer.

Enable 5G and the 5G monetization. So all of you are reading and know that the industry is spending billions of dollars in deploying 5G. And definitely, this is something that we are supporting the deployment itself. But even more important is the monetization. All our customers are looking for ways to monetize this very, very big investment. And this is where we are working with them in labs with our R&D to make sure that we can support them with very, very sophisticated offers and tools that will enable them to be successful in monetizing this huge investment.

We talk about network automation. As you know, the 5G is not just about speed or low latency or network slicing, which definitely delivers a lot of value. But 5G is a software-defined network. And to build a platform that can -- real time can provision the services for the moment you are as a consumer or enterprise want to connect to a new service. Until this service is provisioning to the network in a completely automated way, this is what we do in the network automation domain.

Media and partners ecosystem. So all of us are aware on this huge ecosystem of partners that our customers today are working with. Everyone building connection, it will be the Netflix of the world or the Spotify of the world. And we built a platform that Anthony is going to discuss later on

that show how we can easily connect consumer and enterprise to these different partners in a seamless way that helps actually our customer to monetize these, too.

So we were working a lot on this. And I think that everything that we discussed so far resulted in effect in our -- actually, the new strategy that we believe that there is -- our SAM is expanding. So if we look today, we believe that around 2020, our SAM is about \$36 billion. And work with analysts and other, and our, obviously, work, we believe that it will reach \$57 billion in 2025.

But I think even more important is within the same -- the domains that we mentioned before, like the journey to the cloud, digitization, in the 5G, are what we call here on this slide, hypergrowth. They are growing faster than the general CAGR of this SAM, and we are very happy because what it means that it continues our strategic focus and build us as we are. I believe as a market leader to support these new megatrends give us a rich pipeline for opportunities. So we used a sport term here, early innings. But what we meant is that we believe that these megatrends are just started.

If you look -- talking about 5G, everyone is at probably 5G, it will take time until our customer -- Anthony will elaborate on this, will get to what we call 5G standalone. I think they are very, very -- I don't think there are too many places in the world to which you'll state, maybe Korea. By the way, when I mentioned APAC before, one of our big customers in APAC is Korea Telecom, which is probably the world's -- the first country in the world to deploy 5G standalone, and we're very happy to support them in this journey.

So I think what you should take from this slide that our SAM is expanding, which is important. This is, I think, due to our strategy and our efforts in the last 3 years. And secondly, that within this SAM, the part that we are supporting, which is, as I mentioned before, the megatrends, are even growing faster within the SAM. And as I said, we believe that this -- as we said, this is the early innings of megatrends.

Well, so I think that what you heard from me and you're going to continue to hear from Tamar and from Anthony later on, we believe that we are well positioned for accelerated growth. We believe that Amdocs right now is at an inflection point. This is the number that we released earlier this week. So you see the company grew 7% year-over-year in fiscal '21. In fiscal '22, we guided for 8% at the midpoint.

And I believe that this is an inflection point for Amdocs for accelerated growth, you will get more details during the day. But this is, I think, as a result of very major efforts we've done in the last 3 years to reach to this position. And I believe that by the end of the day, you will understand why we are so excited that our market position, the megatrends, the -- everything that we do position us for accelerated growth.

And I'm going to hand over this -- the rest of the day, first to Anthony. Anthony is leading -- is our CTO, and he's head of our strategy. I'm sure you will hear from his voice how he's excited about definitely our leading technologies and why -- and about the industry in general and our position in the industry. Tamar will continue -- our CFO and COO, will share with you more information about our operational excellence and financial performance. And I'm sure, by the end of the day, you will get much better feeling why we're extremely excited where we are, why we believe Amdocs is well positioned to capture this great opportunity ahead of us and why we are so confident that we are in the right place.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Ladies and gentlemen, we understand that some of you may have had some issues with the video feed during Shuky's session. If that is the case, please try refreshing your browser and then hit play, which should correct the problem. Thank you.

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

Thank you, Shuky, and good day, and welcome to an almost sunny New York City. Hopefully, today from what Shuky has shared and what I'm going to share and Tamar coming right after me, you'll hear the passion in our voice and the excitement because this is really a culmination of the last several years and the effort we've put into really, as you heard from Shuky, reached this inflection point, executing on our strategy day in and day out.

So let's get started here. The first thing, I want to share with you our customer base. We are very honored and humbled to serve these customers. These are the world's leading customers, not just in the Americas, but in Europe and Asia Pacific. These are the people that connect the world. I don't have to tell you how important connectivity has been to our society lately. But this is the backbone of work, of school, of everything we do today. And we're so honored and privileged to serve these customers. And we don't take this lightly. With this comes a lot of responsibility, a lot of accountability. And the great thing is in the last couple of years, we've been expanding our offerings to be able to serve these customers end-to-end as well as keep adding new logos onto our customer list.

So what does this -- how does this actually translate to what Amdocs does? If you are a Marvel fan and you know about Thanos and he clicked his fingers and there was no Amdocs tomorrow, there'll be 3 billion people who would be impacted. Our systems touch over 3 billion people on an ongoing basis. If you break this down even further, you look at subscriptions. These are not just subscriptions for devices and phones and things like that, but video services, software services, gaming, even some sporting franchises use our subscription services. And now you think about monetization when it comes to your devices and your data, we have over 1.5 billion of these globally that depend on us daily to make sure the monetization is done well, done correctly and your service keeps continuing.

Something that you may not realize is over the last several years, we've also expanded our footprint down into the network domain. And our policy today is leading edge, cloud-native. And with the acquisition of Openet together with our organic assets, we serve over 0.5 billion customers, serving them on their quality of network, on their policy controls of their network assets. So as this moves from 4G to 5G, we're at the heart of it to provide a better experience.

Now I'd like to talk a little bit about why we're excited about this opportunity because this is not just about us, right? This is about what's happening outside of us, what's happening in our world, what's happening in our industries and how all of this comes together. So the first thing I'd like to highlight here is not something that's new to any of you on the call here, the acceleration of technology. This has been happening for the last 30 years, and we continue to invest -- as Shuky mentioned, we've invested over \$1 billion over the last couple of years re-platforming our products and moving them to the cloud and we're right there at the heart of this.

The second one, which we saw really starting the last recession, around 2008, where we saw this change in business models. People are very familiar with today, the way you get your food delivered, the way you catch our ride, it's a complete disruption of our business models. And again, this is something on an ongoing basis that needs to be supported. But the third thing, which we're really, I would say, kind of being catapulted into is this change in human behavior, this disruption on how we work. The best way I can kind of explain this to you is use a very personal example to me was right at the beginning of the pandemic, my daughter finished school on a Friday. Come Monday morning, she starts and they're completely online. They went from a physical school on Friday to completely online.

Now if you had to do this before the pandemic, our school would have probably taken a year to prepare, millions of dollars in investment, training teachers, training students. But suddenly over a weekend, this was done. And our industry was at the cornerstone of supporting this. Now you combine all of these, right? You combine the technology acceleration, you combine the business model disruption that's been happening. And you combine this massive demand, this mission-critical demand that's been placed on our industry.

And I'm proud to say being part of this industry that every one of our customers stepped up to the challenge. Think of the data growth, right? Everyone suddenly moving to their houses and working from their houses, students. But every one of our customers stepped up to the plate, and we're so honored and proud that we were able to support our customers on this journey. But one thing we need to remember here, there is a higher demand on experiences, frictionless experiences, seamless experiences. This is what's asked from us day in and day out, and this is just accelerating with the change from how humans behaved during the pandemic.

One of the other things I wanted to highlight is not just these aspects coming together and the change in human behavior, but the capital infusion into our industry. So this, by the way, clearly started happening well before the pandemic. But the investment in 5G, we talk to many customers worldwide on an ongoing basis, I don't think there is 1 customer that does not have some type of 5G strategy. It's mandatory, right? It's table stakes today. And but this journey is just starting.

And then I've already spoken about the digital aspects of it, the experience of how you deal with systems on a day-to-day basis. But when we think of digital, it's not just having a beautiful app on a phone and being able to access what you do. But when you press or click here, you need to make sure it's automated. You need to make sure it happens in real time. You need to make sure that what you order gets delivered, gets provisioned because at the end of the day, without being too dramatic, it could be people's lives at stake here if connectivity becomes a problem for people.

And then we have the capital infusion around the cloud journey, and I'll talk about this a little bit more in a second. But the last thing I want to highlight here is around devices. I meet many of you at various investor and analyst conferences. And one of the questions that I get is, well, aren't we saturated with devices? Well, here again, I'd like to just tease it out a little bit by giving you one example of myself. 5 or 6 years ago, I have my phone, right, that's my connection with my service provider, I have a SIM card and there's my phone.

Fast forward today, I have my phone, I have my Apple Watch with an eSIM built into it. I have my iPad that has an eSIM and connectivity. I have my laptop that has a SIM card in connectivity, and I have my car that's connected to a mobile share plan. This is one person, myself, that now has a connection to these multiple devices. And we haven't even started talking about the plethora of IoT devices that enterprises are starting to use all the way from agritech, as Shuky pointed out, to health care. It amazes me to look at the amount of devices that are just coming out of the box, connected and powered by 5G. But it's not just 5G, it's technologies like eSIM. So our eSIM platform has been taking up huge accolades lately because this is where the industry is moving to, everything connected.

One of the things that we're very excited about, obviously, is the potential of 5G. And I know many of you have been talking about it, have heard about it. But we're very early on in this journey. Like Shuky said, we're in this phase that we call non-standalone 5G, and we're going into what we call standalone 5G. And to put it in layman's terms, it's basically being able to tap into the rich and true potential that 5G delivers.

Now why are we excited about this? Because 5G is not like any of the other Gs. First of all, 5G was the first G that was born in the cloud, that was software-driven. So the moment something is born in the cloud and software driven, we, as Amdocs feels like we have a key part to play because we deliver mission-critical, carrier-grade software.

The second part of this is we see the adaptation of 5G from many enterprises as a technology, right, around private enterprise networking, as other industries mature and want to be connected in various aspects. We see the element of data being very much coupled with 5G. So you talk about AI and the infusion of data and the aggregation of this and how you deliver it and get insights out of it. These are all connected to this ecosystem. And we believe we're positioned at the heart to be able to capture this.

The second thing I just want to double-click on here is around cloud. Now cloud has been around for a long time. This is not something new and there's many companies that have moved to the cloud. But in the telecommunications sector, I would say the last several years has been an intentional acceleration of moving to the cloud. And this came for several reasons, not because the industry was behind and didn't believe in it. But remember, the communications industry were some of the guys that actually had their own clouds and maintained it, but they had to make sure they were, again, carrier-grade, they delivered things in real time. They were -- the bar was very, very high for communication service providers to move to the cloud. So this was a cautious journey, making sure the clouds could scale and deliver the value that was expected.

But now, again, every CXO that we meet today has a very intentional cloud strategy. And when Shuky took over as CEO, one of his key tenets was we are going to double down on the cloud. And that included investments, included M&A, included certification of our people. Today, we have over half a dozen of the highest certified cloud professionals in the world. And just to give you some type of comparison here, there are only a couple of hundred in the entire world. And more than half a dozen of them are Amdocs engineers today. And we're so proud of it, and we're so honored that they work on our platforms and our systems.

And so what we call -- we want to deliver what we call cloud at scale. And this starts right from the beginning, meeting our customers, talking to them about the strategy, about what they want to move to the cloud, which system they want to move to their cloud. All our systems built today are completely cloud-native. They are born on the cloud. There is nothing that gets developed in my engineering, my R&D organization that's not born in the cloud today.

But different customers are at different points of their journey. Their business cases are different. Some want to move to the cloud because they need to move out of a data center. Others are running out of end of life on hardware. Others really want to capitalize the benefits of moving to the cloud. And we have crafted a journey for every one of our customers. We have this term we throw around internally in the company called no customer left behind when it comes to the cloud journey. And this is something we believe in. This is something we subscribe in because, like Shuky said, we have this amazing customer list, and we want to make sure we meet them where they are on their journey.

And there are other aspects when you come to the cloud. Think of security and privacy. When it comes to security, security for us is by design. So when we design our platforms at the beginning, security is an in-built parameter, not something you think about afterwards. And this goes right throughout the journey. And so when we meet our customers from consulting all the way to data migration, no one knows data migration and migrating communication service providers' data at scale like Amdocs. If I count the transformation that I have been personally involved in, well over dozens. And I believe that based on our products and services capability, there's no one else that can do this better.

When it comes to our platforms, this, I believe, is another advantage that we bring to the table. We build cloud-native platforms. We run it on the cloud. I don't think there is a platform today that has more than 200 million customers on a single platform. And we have a customer like this that has 200 million customers using one of our charging systems today. So innately, we know the problems that you have to overcome to be able to deliver this, and we bring this knowledge to our customers when they go on their cloud journey.

And last but not least, around cloud operations. Cloud brings an amazing opportunity to move towards zero-touch, autonomous healing, use in-built intelligence to remove the burden of care. And these are some of the things that we bring to the table in terms of an A to Z, soup to nuts cloud journey.

Next, I'd like to move here towards what we've invested over the last several years to really replatform and build what we believe is a world-class platform to serve the communications industry. Again, as Shuky mentioned, we've invested over \$1 billion over the last several years to make sure that we capitalize on the benefits of cloud, that we capitalize on the advantages. There is no other industry -- if you think of events that happen in our industry, you think of things such as the iPhone launch. In the U.S., here, you think of things such as Black Friday, or even Christmas, these huge spikes in terms of volume and things like that. We've built systems and capabilities that are able to cater for this. When it comes to monetizing a partner ecosystem. I'll touch a little bit later on that. We've built platforms to be able to capture these.

Now the unique thing with Amdocs, we're not a company that says, "Hey, we've got this great catalog. Why don't you use it?" We also care about how you provision it. We also care about how you care for your customers, because we have systems that do this. So I'm never going to throw something over the fence and say, you worry about it. That's why our customers choose us, because we know some of the things, we know some of the integration, and we care that the journey is fulfilled end-to-end.

Underneath that, we embed this with a rich services portfolio. We call it an IP-driven services portfolio because, again, here, we invest in building world-class services from autonomous healing to zero-touch to fully automated testing cycles. I was speaking to a customer last week, and we were talking about multiple versions being released at the same time. And you know he said, Anthony, we are currently releasing 15 versions at the same time. And these are what our systems need to support because you really don't know or really don't understand what will take off, what offer is it? Which 5G product is going to take off. You may want to tweak things a little bit. You may want to provide different services to different geographies. So this is where our products and services really come together to offer a best-in-class unique model that we believe, at least, that's unparalleled to none.

And these, again, are built on the world-class service providers we work with, the engineering teams at Amazon, at Azure, very closely with them. Because the requirements that come from the industry are not the same requirements as a traditional IT company. For the last year, I've been saying a joke, which really became not funny anymore, a few weeks ago. I used to say, if WhatsApp is down for a few hours or Gmail is down for a few hours, people will throw their hands up in the air and say, "Well, let's just wait until it comes back and it's a hassle." But our customers cannot be down for an hour. Again, I don't want to be dramatic here, but our customers cannot afford that because if you look at the spectrum of this, this is all the way to life-saving community connection that we cannot sacrifice here. And so everything we build is built carrier grade, it's built mission-critical on the cloud. And we believe, at least, that this is something very unique that we provide to the industry.

This is just a small promo for our CES platform. I think I covered most of these items here. But one of the key things that came out of the last 18 months is what I call frictionless everything. It doesn't matter if it's frictionless commerce, frictionless experience, frictionless delivery, those points of friction is what we want to take out. I heard Mike Sievert say the other day, "Our job is to remove pain points." And this is just an analogy of that. Everything we do is -- look, we know who you are, we know information about you in terms of the service providers. So we want to use this to help your journey, whether it's when you're calling in, whether you're using a service online, whether you're using a mobile app to serve you better.

And this is where we're investing very heavily in customer experience. As part of our acquisition strategy, we acquired a company called projekt202 that focused on delivering experience. This is not just about a UI/UX. This is about having sociologists on staff, psychologists on staff, looking at the way that humans interact with the system. Because we believe that we are constantly lifting the bar and need to do better because the industry and the world expects this of us.

And the last thing here I want to point out is what we call ubiquitous connectivity. At the end of the day, nobody cares how you connect. 5G is spoken about everywhere. We see the rollout of fiber continuing again because the demand for connectivity has gone up. But if you ask my mother about how she connects, she doesn't care, she just wants to be connected, whether she's in her house, whether she's out on the street, whether she's in the mall, she cares about making sure she's connected. And that is a requirement placed on us. So as we build our systems, these are some of the core fundamental principles that drive our thinking, that drive our product management, that drive our engineering in order to deliver the best-in-class we can deliver.

This slide is really just a homage to all our employees. Our 28,000 employees worldwide in over 85 countries, really just blood, sweat and tears, day in, day out. I've seen people sacrifice their weekends because they care about their customers. The dedication. I'm not just saying this because I'm an Amdocs employee, but really the dedication is unparalleled. We take this journey personally because we know the impact it has on consumers if a service is down, if something doesn't work, if you can't get online. And this is really just, I would say, a reflection and a thank you of showing a leadership position and being recognized for it in all domains. And I could probably have 5 slides here, but I'm restricted to 1.

One of the interesting things here is also our angle of how we look at the customer journey. Everything we build is focused on -- well, let's look at the customer journey. It's not about here's one part, and let's build a system for this or here's another part, let's do this or we need to provision this, but we look at the entire customer journey. And if you look at this, and if you map out the communications customer journey, we have our platforms and our services interact in almost every part of the customer journey. And so today, if you're a new service provider and if you're standing up a new stack, you could come to Amdocs and you could get soup to nuts, A to Z in terms of everything.

But it's not just consumers, right? It's enterprise getting more complex and the demands getting better. we use the example of [Jewel de Palma], right? She has 6 lines. She has a small business, right? How do you serve her. You can't serve as a consumer because she has a few additional changes that she would like. And so we think of our systems and how do you cater for this. As opposed to the big enterprises like the Walmarts of the world, the Coca-Colas of the world, they are not exactly the same. And so this thinking about how you deal with it at the different journey points, how do you take the friction out? This is constantly on our mind as we design and deliver our products and services.

One of the things here I want to just dive down and double-click into here is around our catalog. I could have picked many examples to pull out. But our catalog has become the cornerstone of 5G. I would hazard a guess that every service provider in the U.S. is using or going to be using our 5G catalog, every large service provider in the world is either going to be or looking at using our 5G catalog. And that's because when we designed it, we designed it with 5G at the heart of it. We designed it with using the partner economy to power products and services.

For example, we had a customer that came to us and said, "Hey, we'd like to play around with a pilot that integrates the catalog from Etsy who I'm sure American audience is very familiar with, together with our service provider catalog. And we were able to just -- within a few hours, just pulling the Etsy catalog, be able to provide it to an offer to their own device catalog and be able to create an offer and launch it. These are some of the demands being placed on the market today.

The other thing is agility. It used to be that weeks and months were okay to launch a new product. It's not okay anymore, right? An amazing experience demands agility. And this is what we are delivering to our customers with this catalog. And so we have some customers using our catalog as their master catalog for the entire organization. We have some customers using our catalog to launch partner offers. And it's sometimes

the most, I would say, the exciting thing for me is to watch our technology and our platform being used for ways we never imagined. And our customers are brilliant at this, and I love hearing examples from all over the world. This example here on the right-hand side, you see his from Korea. And different regions, different areas are starting to use it because it's modular. It gives them the flexibility. And we are very excited about this.

The second one here, which I've spoken a lot, and you've heard Shuky talk about is around the cloud journey. Now we have crafted a journey for every one of our customers. It doesn't matter if you're on one of our older systems, one of our CES 8, 9 or 10 systems or our brand-new cloud-native system, we have a journey for you. Whether it's our SaaS platform offerings, whether it's our CES stack, we are able to provide a journey for you. And it depends on our customers. Some of them are, I would say, taking tiptoes and checking the temperature of the water. Others are whole scale. You've seen our own customers move not just their IT workloads, but also their network workloads to the cloud. And we believe that this journey is still beginning. There are many stats out there that show that this is a multiyear journey as we start to move not just our Amdocs portfolio, but our non-Amdocs portfolio. And with the skill set we've built, we can help them do both. And this is where we're positioned to do.

The last thing here I want to double-click is around what we call our MarketONE platform, which is an opportunity for digital growth. So many of our customers partner with many OTT companies such as the Netflix, the Spotifys of the world. We've built a SaaS platform running on AWS that everyone can consume. That basically takes all of these OTT partners, integrates them once and provides them to our customers. So their consumers, their customers can have a choice.

Because if you have kids, my kids have dozens of applications and services that they use, these need to be monetized, these need to be managed and subscribed. And so we see a big take-up of our customers around the world, benefiting from this platform and launching all sorts of interesting offerings. If you think of 5G and capitalizing on 5G, we'll see more and more of this power of the partner economy being used to drive the revenue growth.

Lastly, but not least here, I'd like to touch a little bit on our -- Shuky call it continuous innovation. And this is really something we subscribe to very highly, something we believe in, something that's in our DNA. And we continue to invest. It's not like we invested \$1 billion and said, "Okay, we're drawing a line in the sand now, go off and sell it." We're continuing to invest. We continue to increase our R&D invest year-on-year to make sure that we're capitalizing on these technologies, whether it be providing over 90-plus different payment methods, all from the table stakes of credit cards, all the way to crypto to bifurcated billing.

Maybe you want to pay different parts in different ways. Maybe you have an enterprise phone and a personal phone, and maybe it's a single phone and you want to split the bill. And so these are some of the things that we're constantly innovating in. And we have many patents that are filed around it. We just filed a patent around what we call omni monetization, to be able to monetize based on ad-based funding, based on a partner ecosystem, and we continue to invest because we know that one of the challenges our customers face is to make sure there's an ROI on the investment in 5G. The investment has already happened and is happening on an ongoing basis. We're into the monetization phase, and we need to capitalize on this.

Around edge compute. You've heard about this. Shuky mentioned about the focus on ESG. This is also something we're looking at. Can we reduce the footprint of our technology? Because remember, we're involved in moving and rating and charging so many bits and bytes on a global mega scale. So think about it, right? If you're touching 3 billion consumers worldwide, that's a lot of power globally. So we're constantly investing on driving down our footprint, how do we make it more green, how do we use edge to move workloads off to the edge so they don't have to constantly be transferred back and forth. And this is some of the things we're constantly innovating, and I believe that these are some of the reasons why our customers choose us.

We have a 5G lab that we've opened up in Seattle with several large partners where we have start-ups coming in. And we have a great agritech start-up. One of the other exciting start-ups I saw in there was we're monitoring a rail yard. We're using edge compute to detect humans that are crossing railway tracks and sending an alert versus the odd skunk or the yard badger that decides to cross, like why send that 4K image over when you can just detect the humans and only make sure that the needed data is sent over. So these are things we are working with partners and working with customers together to make sure we can deliver cutting-edge technology. But not just deliver cutting technology, but deliver in a way that can be -- add value to society and can be monetized.

And finally here, I want to talk about how we bring all of these together and what we call long-term value creation. Without a doubt, I think you're probably tired of me talking about technology now and our replatform and the fact that we've built this thing cloud-native. This is not like the other competitors we see in the industry. Tinkering around the edges and saying, "Well, yes, you can run this on the cloud." This is built from the ground up to leverage all the billions of dollars that Microsoft and AWS is investing on their clouds. And this is a cloud-native suite that really has got accolades and all our customers are gravitating towards.

Our workforce, we invest, and you'll hear Tamar talk about this more, we are very focused on investing in our employees. I know Amdocs has 28,000 employees, but each one of them is very much family to us. And we work in that way. So professional growth and investment in career, investment in development is super important. We have thousands of employees now that are cloud-certified. We have local presence, and we have various activities to make sure that this talent crunch, that space globally is something that we're dealing with.

We spoke about the best-in-class technology. We're working with some of the leading bodies, whether it's TIP together with companies like Facebook or 3GPP setting standards in terms of how 5G is rolled out or whether it's AWS, Google or Microsoft trying to make sure that all these technologies are built and tailored relevant for our industry. All of these also culminates in our deep, deep expertise in the industry. We understand the pain points. We know what works. We know about the integrations that need to be done in order to get something to work. We're not about short-term relationships. We're not about making \$1 here and moving on. Our customers are here for the long term. We don't lose customers. Our customers join us, and they keep partnering with us for the future, and we believe that every customer journey is an investment in a long-term journey.

And the other thing here is our unparalleled accountability model. I can't talk about it enough, and I know you heard Shuky talk about it at the beginning. And this is about bringing together both our products and services model to make sure we deliver an experience that is expected and works as designed.

And summarizing all of this, if you look at the capital infusion into our industry, if you look at the expansion of the strategic partnerships that you've seeing, and by the way, I know everyone can put out press releases and be excited about it, but sometimes it's important to look what's under a press release. If you look at these announcements of these strategic press releases, they're about adopting our new platform, about adopting our cloud platform, about powering 5G. And so we're super excited about this. And we can't thank our customers enough for trusting us on this journey.

And last but not least, we're developing horizontal competencies that are really adequate for other industries and more than adequate to serve the needs of other industries, whether it's customer experience, whether it's cloud competencies, whether it's autonomous testing and security, these are competencies that we believe can also serve outside of our industry.

So I hope you're still with me. I hope you heard a little bit of the passion of why I'm excited and why I'm looking forward to the future, and I'd like to hand it over to Tamar to continue this journey and talk about how we bring these -- all these foundational concepts together.

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

Hi, good to see you all. You've heard Shuky talking about the megatrends and how the company is positioning itself for great opportunities we see in the marketplace. You heard Anthony talking about the huge investments we've made in technology and the fact we are coming with cutting-edge capabilities to serve the market. And I want to build on that and talk about the strong foundation we have in our execution that is second to none, the talent we have, talk about the business consistency that is coming with this great customer relationship that lasts for many years, and on top of that, the fact we can generate from our customer engagements recurring revenue and ongoing relationship with opportunities to create visibility into the business model. And then how do we drive growth, both from existing customers from new logos, how do we expand the wallet share within our customer base. All of that converted eventually, of course, to profits and cash flow, and then how we deploy capital and do this capital allocation in a smart way where we fuel the future growth while return significant cash to our shareholders. And finally, the culture, the unique DNA of the company that makes it so unique in terms of how we go to market and what's the soul of the company.

So starting with the strong foundation and building on the execution capabilities of the company, I want to talk about the global delivery model of Amdocs. We have a great execution around the world that runs hundreds of projects, hundreds of deployment milestones, run mission-critical

systems for our customers 24/7. We'll talk both about the projects and the managed services that we run for our customers later on. I want to start with the global delivery model. What does it mean?

We have a framework that allows us scalability, access to talent around the world and the customer proximity that we need for certain skills and certain roles. So starting with the global delivery centers that are in Israel and India, where we have thousands of employees covering all the key competencies of the company. Then we have regional hubs that serve typically a certain region. For example, Guadalajara, Mexico that serves the Americas, or Manila in Philippines that serves APAC. And on top of that, dozens of sites around the world -- we are serving, to remind you, 85 countries, so dozens of sites around the world serving our customers, with skill sets that are interacting with the customers on a more daily basis and having that customer intimacy that brings additional value to our business. All of that enables us to run a 24/7 operation, hundreds of deployment milestones and do all of that running on 1 knowledge base, 1 center of excellence in terms of the competency that is spread through the world.

When we are thinking about all of this global delivery model, it all obviously depends on the great talent of Amdocs. And when you think about this unique business model that Shuky described before where we develop the software product and technology, then we deploy it to our customers and then we run it through IT operations, this creates huge opportunities for our employees to have a very versatile career opportunity and contribute by that to the continuous cycle of knowledge that goes with the company. So you see an employee, for example, who started in developing products. And a couple of years later, you move to a customer site, deploying these projects in the customer environment, you understand how operationally it all comes together. What is the real business value this brings to the customers. Coming back then to more of a development role later on, let's say, managerial role at this point, definitely you can contribute on understanding the customer proximity and the different attributes.

And it's -- we see huge mobility opportunities for career development for employees. And all of that is on top, of course, of continuous learning that is happening, whether it's technical certifications on the cloud, leadership skills that are built into the opportunity of employees to move up the ladder in managing and leading people, and anything, of course, around the different competencies we have in the company. So this continuous learning opportunity, the ability to have a versatile career is very unique to the employees of Amdocs and the passion for learning is huge.

And we see that in different metrics that we can measure. We see that 86% of our employees are proud to work in the company. It is rising from year to year. We've run an organizational health survey, run by a leading consulting company, that resulted in understanding that we are in the top quartile of companies, and they run this kind of survey for companies around the world. And way above benchmark for TMT and tech companies. And we obviously continuously push for bringing new talent and at the same time, retaining the existing employees and giving them opportunities, which results in 6 years average tenure in the company, bringing that expertise, bringing that experience to play in everything we do.

When we are thinking about all of that and how it translates to the record execution, you can see that 2 different aspects. One of them is how many project deployment milestones we have and you can see in the graph in the upper right-hand side that we've seen continuous increase in the number of deployments. In fact, in 2021, we broke another record where we deploy, on average, more than one key project milestone a day. And when I say project milestones, it's like consumer mobility for a certain customer, full system end-to-end. So those are meaningful projects.

In fact, even during 2020 when the whole world was under lockdown during the pandemic, we continued to deploy projects to our customers and bring that value. And at the same time, we run for IT operations, mission-critical systems to our customers around the world through the managed services model that we provide, which I will describe more about later. And we run it in huge volumes, supporting hundreds of millions of subscribers around the world. Moving around 30% of these processes to be fully automated or what is called zero touch in the industry, meaning it's automatically then to find a problem, defining the fix and putting that fix into production for a self-filling process.

And many automation tools that go into that, obviously, and a lot of innovation that goes into that to support thousands of automation flows, et cetera, et cetera. So all of that, 24/7, mission critical systems for top communication service providers in the world are run by the Amdocs capabilities of this excellence execution.

Obviously, we're happy to say that all of that translates to financial results and to the acceleration in revenue and the inflection we've seen in 2021 continuing into 2022, with 8% expected revenue growth on a pro forma basis. So we love to see the recurring revenue base that is generating by this long-term relationship and by the continued innovation we bring, the record 12 months backlog that we are coming into 2022 with robust

pipeline of opportunities across the globe, the strong sales momentum that continues and the multiple growth vectors, we believe we have ahead of us.

I want to talk about the business consistency and how this is enabled by the business model that we have and our capabilities and obviously, translated into the performance financially of the stable profitability, growing slightly but surely over time.

So when we look on our revenue base, roughly 75% of our revenue over the years is recurring in nature. So I want to talk about the customer life cycle that we have and how this is generating this 75% recurring revenue. We typically start a relationship with the customer through a project, what we call a transformation project, which includes selecting our software products, our technology, deploying it in the customer environment, what we call go-live. And then when it's running in the customer environment, already serving it and serving its customers, whether those are consumers or enterprises, this is run through ongoing support and maintenance.

And then after this successful project, we have an opportunity for an upsell. This upsell can be in the form of selling more of our products, more of our technology. It can be in the form of selling additional incremental services, consulting services, testing services. And it can be and often time, we would like it to be in a form of a managed services engagement, which I will talk about in a second.

So all of that is generating this ongoing support, the longevity of relationship with customers is for many years, we don't have a customer that is leaving us. And we have this upsell opportunity.

Now I want to talk about the new model that is called managed transformation, and I will elaborate that in a couple of slides. The managed services used to be coming after the project is deployed. Managed transformation is a different form of engagement, where we sell in the regional deal, both the project and the managed services altogether. Meaning we are taking the full accountability end-to-end for deploying the software stack of Amdocs into the customer environment and run it and we'll manage it. And we feel this is a great value proposition kind of the north so in terms of what we can bring to our customers as well as leveraging the financial opportunity for Amdocs.

I will talk about that in a couple of minutes. So managed services is a global practice for us. We started in North America many years ago, and we've seen adoption of managed services as a model across our global customer base. We already serve several dozens of our customers in managed services. Now that, by itself, is great, but if you compare it to the 350 customers that we have, you can understand that the opportunity to continue and expand with managed services to more customers is huge.

In fact, if we look just on the last 5 years, the number of customers internationally that adopted our managed services engagement has increased by more than 50%. So definitely, we see that opportunity running on a global level. And we've been recognized by leading industry analysts as a leader in that domain.

So by now, managed services represent already 59% of our revenue. And within that, we count in a customer engagement that is involving managed services, also the enhanced development, some projects that are happening, et cetera. And that has increased since 50 -- since 2016, where it was 52%.

We love to see the renewal rate, it's close to 100%. In fact, it's hard for me to tell even who did not renew, probably some kind of a customer consolidation. And we continue to see the evolution of the managed services into this managed transformation model that I mentioned before.

And you can see on the right-hand side, the evolution of customers that adopted the managed transformation model, very key logos, both in the U.S. market as well as internationally. Just recently, in 2021, we had 2 major announcements. One with T-Mobile in the beginning of the fiscal year, where we have been selected by T-Mobile to build their next-gen stack for both consumer and the business segment and to run it for them as part of the managed services model and later on expanded that to cloud ops, which I will talk about in a minute.

And also AT&T, a recent announcement, in fact, just this week, is that after AT&T has selected us earlier this year, again, to build their next-gen stack for the future in consumer mobility, the heart of their business, they now selected us also to support that over a multiyear managed services

engagement. And extended the Consumer Mobility managed services agreement we had for the full consumer business signed in 2019, extended now through 2026. Obviously, very meaningful achievement for us.

So when I look on the next generation of managed services, cloud operations is at the heart of it. We believe that our customers will shift to the cloud, but will be in some kind of a hybrid environment potentially as this journey to the cloud is not happening overnight. And we have the expertise both to run the IT systems on-prem as well as to run the new cloud-native stack on the cloud environment. So we are moving forward in selling the cloud operations as part of the next-gen managed services to our customers where they see great value in this proposition. Just 2 examples, AT&T, T-Mobile and there are others.

All of that is translated into a strong backlog. We report a metric of the next 12 months backlog because we believe this is providing the investors a strong leading indicator on the momentum of our business. And looking traditionally, the backlog, the 12 months' backlog represent visibility of roughly 80% of next 12 months' revenue. And you can see on the right-hand side of this slide, the acceleration we've seen in that metric of the 12 months backlog leading to the acceleration in growth and hopefully giving us, of course, the confidence of why we believe acceleration of 8% midpoint of 2022 is something that is definitely possible.

When we look on the backlog itself, sometimes we get questions, okay, what do you include in that? Given the fact we have high recurring revenue with key customers, there, we already have some track record of that recurring revenue, and we include that in the 12 months backlog. But for any new project, any new engagement with a customer or any new deployment of a product, we are counting in only the signed activity. So I believe it's quite conservative.

And all of that, in turn, is helping us having that consistent operating margin performance that you've seen over the years. We've been tracking quite significantly within the, I would say, upper end of the range we've provided over the years. We decided now to update the multiyear range to 17.2% to 17.8%. And we are aiming to track roughly at the mid of that range. Of course, we can move a couple of tens of basis points from quarter-to-quarter, but roughly speaking, tracking at the midpoint of that range, so roughly 17.5%.

And the reason we can provide you with such a strong execution that translates into this consistent profitability is lying on the fact that, a, we have visibility going into a year, we can plan. We have a global delivery model. We have access to talent and ability to mobilize talent between different projects, different activities that are happening. So as a certain project naturally ramps down and another one starts in another part of the world, we can obviously move resources around. And of course, very tight and disciplined focus on operational excellence, bringing new tools, new automation, different methods of how to do things more effectively and managing that while continuing to invest in growth. So if you look on 2021 as an example, while revenue was growing by 7%, we increased R&D investment by over 10% and still expanded margins year-over-year by 30 basis points.

I want to talk about some key drivers for growth when we look at it across our customer base. We talked about the industry megatrends. We talked about the great innovation and technology we bring. But then when we look about our incumbency already in the industry, it's a great vehicle to continue and grow. And we have many opportunities to grow within our existing customers as well, of course, expanding to new logos and new countries.

When we look on our existing customers, obviously, we want all our customers to adopt the greatest and latest technology and capabilities we bring to market. We've seen great success in such adoption and we continue to move forward, as Anthony mentioned. No customer will be left behind. We will build the right journey for every customer to adopt our recent capabilities and move forward with this and expand and grow -- while retaining, of course, expand and grow our presence in existing customers.

We can also grow within existing customers by selling more and more capabilities that are new. So for example, when we augmented years ago our capabilities to network automation, and everything around network optimization, that was the natural capability to go to all our existing customers and offer that and grow by data wallet share within the existing customers.

The second group here, customers that are Tier 1 customers. We have a foot in the door, but definitely huge room to expand by penetrating further. Those would be names such as Verizon. We are very excited about the relationship with Verizon, where we sold already a few deals in recent years.

After many years, we had hardly business with Verizon, but obviously, the opportunity ahead of us is much bigger, and we continue to push to bring value in Verizon.

Same goes in Charter. We are just in the first, I would say, a few years of relationship with Charter, continuously seeing growth in revenue, very excited about that and believe that we can grow further. And there are many other names.

The third group here would be other affiliates within galaxies that are having multiple affiliates around the world or new logos. Examples for that would be Three Hutchison Group. We started in Three Hutch in Ireland, did a wonderful project where we brought the value to the Irish affiliate and then expanded from there to Three in the U.K. Initially with the consumer deal, meaning modernizing their systems for the -- sorry, for the business domain and then recently expanded that into the consumer domain. By the way, under a managed transformation model that I mentioned before.

Same with Veon. Veon is a large group that is having a lot of business in Russia, in East Europe, in Eurasia. We had a very important win a couple of years back in Russia, where we are building under a managed transformation, a new stack in running managed services. And the recent announcement that we've shared with you this week is that we expanded the relationship with Veon also to Uzbekistan and Kazakhstan and now pushing that into Eurasia.

All of that is translated into the fact that we can add more and more countries and more and more new logos. And by that, diversify our base of business around the world. Just that as an interesting data point, the number of countries generating \$50 million or more for us, more than doubled in the last decade. Five out of the top 10 customers of Amdocs are international by now. A decade ago, it used to be two.

And it doesn't mean that we lost any customers. On the contrary, all our top 10 customers of the past are customers of Amdocs, continuing to do business with us and moving forward in getting the value that we can bring.

So when we look on the ability to take all of that great executions, the margin profile of the company and generate free cash flow, we believe we have a strong muscle of how to do that. And then, of course, we are focusing on how to allocate capital in a smart way that we can both fuel the growth of the future while returning ample levels of cash to shareholders.

So when you look at the capital allocation of the company, you can see at the right-hand side that over the past 4 years, we've been investing heavily into growth in the form of R&D, in the form of M&A, building a new campus to attract talent in the competitive talent market of Israel, and at the same time, returned roughly half of that capital to shareholders in the form of share repurchases and dividends that are increasing every year.

When we think about our capital allocation framework, we are focused on fueling the growth and returning cash in a balancing act. We are focused on maintaining a strong balance sheet because our customers care a lot about that as they are relying on Amdocs to run mission-critical systems under long-term engagements. We would like to maintain an investment-grade rating, which we have. And continuously, of course, manage the business with some working capital, but that doesn't require a lot, probably a few hundred million dollars alone.

And then the debt capacity is primarily left to fund M&A in the future. We are committed to M&A. We've mentioned the fact that we've done some bolt-on M&As in the past. We are very successful in our M&A strategy. We are selecting to do M&A primarily to augment innovation, sometimes to add to a new adjacent market or to expand our customer base. And all of that needs to start with the strategic framework in mind and to support our strategy, a cultural fit with the target company and obviously meet the financial thresholds.

Now I'm mentioning this cultural fit, and this is not just a phrase. One of the key aspects of succeeding and integrating the target companies that we acquire is focusing already in the diligence phase into due diligence, in the getting to know the target company on the engineering, on the cultural fit, which makes it all successful eventually as we integrate those companies into Amdocs.

When we're looking on the ability of the business to generate cash, we are committed to roughly 100% of earnings to cash conversion over time. We have a business model that enables us to do it. But some years have some investment in working capital. In some years, actually benefit more

than the 100% such as 2021 when we had 140% earnings to cash conversion. And unfortunately, we didn't find a pattern how to do it every year, but we are definitely committed to 100% over time. And in fact, for 2022, guided to be at 100% conversion rate.

When we are looking on the capital allocation over the years to our shareholders, you can see that we are very disciplined. If you look over the last decade, 98% of the cash flow we generated was returned to shareholders in the form of share repurchases and dividends.

I want to talk about the culture. We mentioned before the talent. We mentioned the ability of talent to develop how much people are in the center of what we do as a company. And we believe that our contribution to society is something that is in the soul of the company. We are in the midst of connecting societies all over of the world just in terms of what we do. That's our purpose. We have the ability in terms of our accessing 85 countries with 28,000 employees to contribute to many societies around the world, and we definitely have the value set to do so. So I want to talk about that a bit.

As a global company, we are focusing on that naturally through the access that we have to communities and the products we bring to the industry. So I will touch upon that in a minute. But definitely prioritizing that and putting that in focus is something that is really important. So it's not just that we happen to be there. It's very intentional, very focused in terms of the drivers that we focus on and how we are looking at these topics around the ESG.

I'm proud to say that we are recognized by leading rating agencies around the world for our achievements. For example, Dow Jones Sustainability Index North America graded us in the top 10 percentile in the last 2 years. Hopefully, the new rating will come out, and we will maintain that position. And Sustainalytics, for example, ranked us at the top 7%. So we are continuing to focus on doing it because it's the right thing to do, but great to see the recognition and the benchmark.

I want to talk about diversity and inclusion. It's in the heart of what we do. Again, having the 85 countries by definition, means that we have a lot of cultures, a lot of access to different kinds of people around the world, and we see our mission, not to just leverage that internally in terms of giving the right inclusion and the right opportunity, but leverage that to impact the environment we live in and the societies we live in.

So we are very focused on multiple vectors, the gender diversity, inclusion of people with disabilities and obviously, people of different ethnic backgrounds. Touching upon the point of gender diversity, I think we have a lot to be proud of. Tech by itself is challenging. The number of graduates out of STEM in universities in the different markets in which we operate is roughly 20%, 30% in good locations. And we are continuing to bring the focus to push for the percentage of employees we have from the female segment into Amdocs. So we have by now 31% globally, but in some markets we reach -- like Israel, we reached already 44%. And in fact, in the past year in which we were hiring a lot, we hired 50%, 50% in Israel, for example. And we would like to see that, of course, all over the world.

40% of our P&L is managed by female leaders. 27% of our managers in Amdocs is led by a female. And everything we do, every process that has to do with compensation, evaluation of employees, et cetera, we have real-time information presented to managers so they can make the right decision in context, in this moment of truth where they have to make decisions. They have all the information in front of them. And obviously, we monitor that from the management point of view.

And I'm very proud to say we were selected as Best Workplace to Work in India, for females in 2021. Obviously very important, given our strong presence in India. We have a lot of focus also on inclusion of people of different minorities. For example, in Israel, we are the #1 tech employer for Arabs. For those of you less familiar with the Israeli population, Arabs are less inclusive, usually in tech. And we feel that 2 different boot camps, different activities that we are doing and different access that we have enabled through digital training, et cetera, et cetera, we managed and continue to bring people to Amdocs from the Arab community.

We are also promoting people with disabilities. We had just recently finished a dedicated boot camp for people with disabilities and hired many of them into Amdocs, which is obviously great. And continuing to focus on people with different ethnical background around the world here in the States, in other places in terms of creating the right networking, the right opportunities for everyone to succeed in Amdocs. And all of that is happening also with the communities we are living in.

Just as an example, we are very involved in a great initiative that is happening in Israel to enable Jews women in Israel that cannot leave the village because of their tradition through education, through boot camps to work in tech and actually fulfill their potential. And this is just one of many examples.

Looking on digital inclusion, it's another vector that we are highly focused on. Naturally being a technology company at the heart of the digital transformation of our customers, we have a lot of skills, a lot of capabilities to help in that domain. So we do, obviously, the kind of the basic things, contributing equipment. But the less obvious things is that we contribute a lot of volunteering time into educating people, helping the elderly during COVID, just to live through access to different applications that they don't have a clue how to go into. So our volunteers are helping them do so.

We just finished a massive volunteering program in Philippines where many of our volunteers help students in rural villages to get access to digital education through different webinars. And there are many examples like that around the world that we are very proud of. And even the organizational health survey that I mentioned before, we leverage that opportunity. We said that every employee answering the survey will enable contribution of computers in Africa and Kenya, that was a great initiative as well.

And we are also protecting, of course, the environment we live in and push sustainability through the products that we have. Just a few examples. When we're thinking about simple bills that go out. We talk about millions of bills that go out every day. We are enabling with our products to move that from paper bills to electronic bills.

When you think about how you measure different things that have to do with car congestion in London and the car emission in London, our system enables the London citizens to be actually part of this clean car program. When we are thinking about how we encourage people in underserved world, part of the world in terms of banking services to have access to mobile banking. And of course, when we are thinking about that and how we measure ourselves, we are looking on distinguished rating agencies, whether it's EcoVadis or CDP and continuously improve from year-to-year in terms of how we measure, and we are committed to the science-based targets and improve that over time. And even our new Israeli campus is obviously looking to be LEED's strict green building. It will be very exciting to see that next year, by the way.

So I want to tie all of that together. When we look on the great innovation and technology, the megatrends that are happening in the industry, everything I talked about in terms of execution, consistent model, et cetera, we are very happy to see how all of that is connected now to acceleration growth to the inflection point we've already seen in 2021 with 7% growth and now looking into 2022 with 8% growth at the midpoint. And accompanying that with double-digit total shareholders' return as measured by EPS growth plus our dividend yield. Already for the consistent second year in 2022 coming with this double-digit performance, I think, is really exciting.

I want to invite you to come back for the wrap-up session, and then we will move to the Q&A. Thank you.

(Break)

Joshua Sheffer - Amdocs Limited - President, CEO & Director

Hi, everyone. So as you can see, I have Tamar and Anthony by myself. I'm sure -- I'm pretty sure that by now, you feel how excited we are about the position of Amdocs, our industry and the potential for Amdocs to accelerate growth in this evolving megatrends.

I want to recap -- take the opportunity to recap everything that we discussed today. So obviously, I think that this slide covers everything that we discussed today. Our strategy is very aligned with the megatrends of the industry. And we're supporting our customer in deploying 5G, digital journeys, journey to the cloud and more. And I think the fact that we are so aligned actually supported more our growth.

And we have the best customers in the industry. You heard it in my presentation, Tamar's and Anthony. We are working with the largest CSPs in the world -- and OSPs in all the world, and I think that this market presence and leadership position definitely support our growth. We have a very experienced leadership team. I'll get back to it.

We have unparalleled technology offering in the industry. This is obviously -- this is not what we are thinking. It's obviously our strong backlog shows and the fact that we are winning all the RFPs show that we have the leading technology definitely also as recognized by industry analysts.

Very systematic M&A approach. We always say that we are doing M&A for 3 reasons and the reasons are to support the strategy. One of them is to do bolt-on technologies, as we've done some lately. Some of them when we want to consolidate the competitor and some of them if we believe that we need to go to new domain. Network, for example, we've done some several years ago. So a very systematic M&A approach.

We have highly talented employees. Now I know -- and I want to go back to the experience leadership. I know that every CEO saying that his team and his people and his leadership are the best in the world. I can tell you, if you ask the customer, not Amdocs, they will tell you that the leadership team from Amdocs are the most professional ones. They will tell you the employee of Amdocs are the most committed and talented one. I hear it again and again. I can tell you that we got a lot of recognition from customer in the starting of the pandemic, how Amdocs, overnight, working from home, continue to serve the industry in a great way without any disruption.

Unique business model. I'm sure you heard enough between me and Tamar and Anthony about our unique business model that, together with our technology, people actually put us in a very, very, I would say, advanced competitive position comparing to the competitors, very focused R&D investment to support our strategy and innovative mindset in everything we do. So this is if I try to wrap everything that we discussed today so far.

Tying it all together. If -- I need to give you my last speech before we move to Q&A. I believe Amdocs have a very strong foundation for accelerated growth. We talked about operation -- operational access, unique business model. We talked about our technology, and I think that our competitive advantage. The industry megatrends that are happening, and as we said before, they just started. Our increasing SAM and actually the path that we support within the same today or the new path we supported is actually growing at accelerated pace.

Very solid business momentum is reflected. I think solid maybe we should use a great business momentum here on the slide and not solid, giving the -- what happened to our backlog in the last year. Strong execution. We are the only one that executing in the industry, we talk about transformation. Most of the transformation in the world are failing, it's not Amdocs involved, coupled with very growth-minded capital allocation.

Therefore, I believe that we are very well positioned to generate multi-year opportunity to drive revenue growth, accelerated revenue growth and double-digit total shareholder return. I think, at the end of the day, from everything you hear from us, this is why I believe that Amdocs is an exciting investment opportunity.

And now we'll turn the call to open to Q&A and answer your questions. Thank you very much.

QUESTIONS AND ANSWERS

Matthew E. Smith - *Amdocs Limited - Secretary & Head of IR*

Okay. So now we're going to move to Q&A. (Operator Instructions) Just while we're queuing up the calls, we're going to start with a question that we've received. And I think Shuky, this one is for you. Early on the call -- on the earnings call earlier this week, you announced that AT&T had selected Amdocs for cloud operations in support of its BSSe. This would seem to be a very important development. So can you share more about the significance of this deal and Amdocs' role.

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

Thank you, Matt. Definitely, as you sure you all know, we are serving AT&T for decades. I think that if I'm going to talk about this last deal, I want to go back first to 2019. At that time, we announced a very important deal with AT&T that actually extend our managed services support for AT&T Consumer Mobility system for the current system that AT&T is running and some new domain like in security and data.

About 12 months ago, as part of the progress with AT&T, we announced that AT&T selected Amdocs actually to build the BSSe program. This is complete modernization and simplification there, the consumer mobility platform, leveraging all this technology that Anthony was talking about before, the cloud-native technology of Amdocs under the Azure platform. Again, extremely important program that we are doing around for AT&T.

The last announcement that we announced early this week was about the fact that AT&T also selected -- there were 2 awards in this announcement, if you guys could see. One, that AT&T selected us for -- do the operation, the cloud operation of the new program that we are now in the process of implementing for the new Consumer Mobility platform for AT&T. And secondly, that we extended this agreement we've signed in 2029 in the consumer domain until 2026. Very important development. We continue to serve AT&T and we believe this is another further proof point for our continued relationship with them.

Matthew E. Smith - *Amdocs Limited - Secretary & Head of IR*

Thank you, Shuky. We're going to now take a question from the line, and this one comes from Jackson Ader at JPMorgan.

Jackson Edmund Ader - *JPMorgan Chase & Co, Research Division - Analyst*

Great. My two questions are actually kind of around the same thing, which is the expanded serviceable or expanded addressable market. The growth domains, do you current-- I mean, should we take serviceable to mean that you already have the products in place to go ahead and attack that market? Or are you going to have to supplement either with organic R&D or M&A in order to capture that whole additional market?

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

When we talk about -- Jackson, when talked about the SAM, you could see two parts in the slide. One of them is our traditional part that all the regular system that we deploy today. And on top of it, we put in a different color, the part which is accelerating today and we definitely like the journey to the cloud in 5G.

This SAM includes a system that we support today. It does not include the new domains that we might do in the future. So this is for your question. And the parts which are growing in a faster way are the parts that we have discussed all over the day about network automation, 5G, digitization, joining to the cloud, these are the parts that are growing faster with our existing -- with the new SAM that we presented earlier.

Jackson Edmund Ader - *JPMorgan Chase & Co, Research Division - Analyst*

Okay. And then on the one of the slides in the back, Tamar, when you're kind of breaking down the uses of cash, there wasn't a ton when you kind of left for maybe investing in sales and marketing. But given the additional markets that should be just laid out or the additional opportunity, will you need to maybe invest in some sales and marketing efforts or resources in order to kind of capture this new growth rate?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO & COO*

Jackson, we are investing, obviously, in sales and marketing and do it for some time to expand both globally. As you've seen, we've expanded significantly into new countries and new logos as well as continue to push into new domains. We don't feel there is a need for a re-rating of that investment level. We are investing. We are pushing forward. We are continuing to do that, both in terms of sales capabilities as well as marketing investments.

You may have noticed, for example, our recent campaign around the rebranding that make it amazing. So yes, that requires certain amounts of money, but I don't think it's moving the needle on the company overall. And while doing that, we are targeting to be at 17.2% to 17.8% profitability.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Thank you, Tamar. And thank you, Jackson. And the next question is from the line of Tim Horan at Oppenheimer.

Hoonshik Yang - Oppenheimer & Co. Inc., Research Division - Research Analyst

It's actually Edward Yang on behalf of Tim Horan. Thank you so much for this deep dive today. It's very helpful. Just on a basic level, Shuky and Tamar, can you tie everything back to a multiyear revenue CAGR? I'm surprised you haven't provided that. And a lot of talk about pretty powerful words, megatrends, inflection point. Your customers are obviously completely transforming. These are your words and need you more than ever.

So I guess on that point, qualitatively, is this the best operating environment that you've been in for a while? And in the context of that, the '22 revenue growth target, 8% at the midpoint, 10% at the high end. What are the opportunities for upside for that both in 2022, but also out to 2025 in terms of the growth -- the long-term growth outlook?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

I can start and Tamar can add. I think that you discover it right. I mean, yes, we gave a range. We believe that the company is very well positioned. And I think that the most important thing in what we are saying is that these megatrends are here to stay, and we used the early innings. So I think that we're looking forward to another year of accelerated growth. We believe that we are positioned to deliver it. And at the same time, we are trying to see what we can -- if they can do better, like we've done this year. Tamar, you want to add?

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

I think maybe to add some color. We've seen that backlog acceleration already for several quarters now. And looking just on the sequential \$100 million plus we've seen in Q4, we continue to see that broad-based, which is great. It's coming from different parts of the world. It's coming from different drivers of investments, new logos, existing customers. And I think the more robust the growth opportunity is in that manner that it's diversified across different kinds of drivers, the more likely we are to reach obviously the higher point of that range.

And as always, we talk about demand, but at the same time, it's about customer appetite for pace of execution. So while we have different deals in the pocket and ones obviously that we see in the pipeline, the combination of both the demand and signing the deals and the pace of execution that customers would like to move at is defining some of this kind of granularity of where exactly do we fall within that range. But as Shuky said, we're very optimistic. And also looking on the pipeline ahead, we see great opportunities there.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Thank you, Tamar. We'll take a question now from one of the chat submissions. Can you talk a little bit about competition, who keeps you awake at night, which ones have a business model that might be similar to Amdocs, if at all? And what are the factors that you really believe at the end of the day, help you to maintain such a good win rate?

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

Yes, I can start. Look, I don't necessarily think there is one competitor that keeps me up at night or keeps us up at night. In different domains, we compete with different people. So whether it's in the cloud domain or whether it's in the product domain, whether it's charging, whether it's network, this is why I think Amdocs is very unique when it comes to end-to-end offering. We don't see the same play in every different domain.

Now specifically, if you ask what keeps you up at night, it's making sure our workforce is ready and coming out of this pandemic and making sure we have the right talent resources, the upskill. Those are the things that we're working really hard on and to execute on this strategy. So there is

through bolt-on M&A, like Shuky said, increasing R&D and the acceleration of it. Those are the things we're really focusing on. But I can't say there's one competitor that we wake up every day and worry about.

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

I want to add to what Anthony said, that there is no other Amdocs in our industry. And as we -- and by the way, the list of competitors of Amdocs grew over the years, not because -- by the way, we killed many competitors in our domain initially. But at the same time, whenever we move to a new domain, definitely, it comes with competition. We move to network. Obviously, it comes with competition. Anthony talked before about our digital consulting capabilities, it comes with competition.

We respect competition, but I think that on top of our technology, unique business model, I think another thing that differentiate Amdocs is like this amazing winning DNA. And Amdocs to lose is not an option. I mean you look at our business team, you cannot find better people than that.

Matthew E. Smith - *Amdocs Limited - Secretary & Head of IR*

Thank you, Shuky. And our next question is coming from the line of Will Power at Baird.

William Verity Power - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Maybe 2 questions. A lot of discussion around 5G monetization, the significant opportunity there as 5G networks are rolled out around the globe. I wondered if you could help us just crystallize what that can mean a little bit more. I think it'd be helpful just to understand what are some of the real use cases that 5G is driving versus maybe what you saw with 4G or LTE. And when does that the revenue for both your partners and you all really start to ramp from those more unique use cases that 5G might enable?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. So I think it's a multiyear journey as we talk about. Today, we spoke about what we call non-stand-alone 5G, which is really just bringing speed to the table and a little bit more, but not really building the full functionality of 5G. So as you talk about these use cases, consumer is one thing. So we know about all of the experiences we see in the 5G VR headset and the classic examples.

But I think what the industry is excited about is really the ability to transform the enterprise space, whether it's in agriculture or health care or anything like that, all of a sudden, you can deliver low-latency edge computing, 5G-based services and really monetize that very differently.

So I think these are parallel streams. And I think as we look to the future, people are just being innovative. Use cases we didn't think about. I gave you the example of the lab out in Seattle. Every day, I see these use cases that we didn't even dream about, but people are stitching technologies together like eSIM, cloud, 5G, edge and all of a sudden, just building these amazing use cases.

William Verity Power - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And maybe just to dovetail on that, thinking about the 5G theme. I know you all have made a bigger push into network planning and optimization, partly through acquisitions over the past several years. Maybe just talk about the trends you're seeing there. How much is -- are these 5G network rollouts benefiting you from that standpoint in terms of helping actually plan the RF engineering and whatnot?

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

Yes. So getting in at really the beginning around the planning stage and how it's optimized and deployed based on whether you're using millimeter wave or C-band or wherever you are in terms of spectrum, that really gives us an insight into how the network is managed, how the traffic is managed. And as we do that to their customers, all of that intelligence goes back into our portfolio and how we design it.

Now using a real-world example of that, a recent use case with a customer we helped design, deploy and build a private network for around an organization that really wanted to have a stand-alone private network, and they use 5G as a technology basically to start to build out and roll out the network versus the connectivity medium.

So I think that has really helped us. It helped our ability and our skill set, helped infuse intelligence into our product. And I think in the future, open up more opportunities like private networking as more enterprises start to think about how they manage their own networks differently.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

I want to add also, Will, is that I think as Anthony mentioned today, when you move to 5G, before you get to this excitement, use cases, there is a basic. I mean the current charging and policy system that running 4G cannot run on 5G. So every Amdocs customer in the world, we have to upgrade this charging system and the policy. Then you want to be able to monetize differently, then this is why we see this investment cycle around the world, definitely in North America of upgrading all the operation system, monetization to support 5G.

This is even before you're talking about sophisticated support of edge compute of enterprise use case. So -- and this is what our customers are doing. The use cases are evolving. But more important is that since no one know exactly how every use cases will fall out in the future, all our customers want to have today a platform that can answer any demand and any offering in the future. This is why they're investing heavily today to make sure that when the use cases will evolve, they will be able to answer any competitive advantage and to come up with any innovation that they want to come in this domain.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Thank you, Will. So we'll go now to another question from the chat. And one question here that's kind of topical. How does inflation impact your business? So to the extent that you have long-term contracts, are you able to pass along any of the cost inflation increases before contracts renew?

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

So when we look at inflation, obviously, the contracts that are long term are looking into some kind of indexation, whether it's related to inflation or whether it's related to other specific metrics of country. When we look on our cost base, we are focusing on that from different parts of the equation, if you will. Obviously, we have labor cost. We have premises. We have different kind of costs.

So in every one of them, if I can broad the answer, it's not just about inflation, it's about different aspects that can change our cost structure, could be currencies, for example. Operating in 85 countries, you have to think about currencies and how it may impact us. So we're very focused on that in planning the global delivery scale that we have. We are thinking about the different macroeconomic parameters that can be at play. And we're trying to build that into operational decisions where possible.

And where operationally, it's not feasible to do so, we are looking into how to protect ourselves through different derivatives, et cetera, for example, the hedging program, thinking about the currencies. And going back to the inflation part, we don't feel that as of now as a meaningful part of the parameters that influenced the financials. Yes, everybody is talking about inflationary pressures. But frankly speaking, in most of the countries, we are operating in a meaningful way. It's not the case yet.

And there are some countries in the world where it always has been the case and very drastic, Argentina, for example. But we are equipped to deal with that and have to experience. Thank you for the question.

Matthew E. Smith - *Amdocs Limited - Secretary & Head of IR*

Thank you, Tamar. And I think we're going to go back now to Jackson, JPMorgan again, who has a follow-up question.

Jackson Edmund Ader - *JPMorgan Chase & Co, Research Division - Analyst*

Yes, just a quick follow-up. So Shuky, you just mentioned about the policy and the charging engine that Amdocs has for 4G and then it like simply can't work for 5G. Do you or Anthony, just mind spending couple of minutes really quickly, just explaining technologically why that is and why every Amdocs customer is going to need to upgrade as they move to 5G?

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

I can try, but I'm sure Anthony can do better.

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Let's see how you go.

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

Yes, go ahead.

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

No, I think...

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

No, no, go ahead, Anthony.

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Look, I think it's about the richness and the capabilities that 5G brings to the table. So if you think as 4G, think of it essentially as a monolithic effort, as a best effort in terms of delivering a service. And now you think of all of these capabilities that 5G brings to the table, right? I gave you the example for that I was telling you that I myself have 5 connections or 5 devices that are powered by my service provider, right, managing these 5 on a multiple relationship.

So as 5G is evolving, as the new standards are coming out, you have things like network slices that need to be rated, need to be charged differently. You have things such as latency. For example, if you have a health care device that needs 0 latency, that needs to be faster, maybe need to be rated and charged and provisioned in a different way than your regular phone or your regular iPad.

So these kind of -- they're not nuances, there are material changes that are happening on the network, you need to have a modern charging system. You need to have a modern policy system, and they need to be running on the cloud, so you can use cloud scalability. So these are the reasons that our customers are choosing to upgrade and we're getting into this upgrade cycle.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

In simple term, Jackson, this is in my level. If we are done doing this upgrade, you cannot enjoy the 5G advantages over 4G. So you will operate a 5G environment in a 4G type of capabilities. And I think after all our customers spending billions of dollars to be competitive in the 5G era, this is something that they cannot do. This is why they must upgrade.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Okay. Thank you very much, Jackson. And we now have another question. Tamar, this one might be for you. The Managed Services business has done very, very well over the last year or so, but we did see a sequential softening there in Q4 for the first time in several quarters. What was the reason for that? And is there anything that we should be thinking about in particular there?

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

So when we're thinking about managed services engagements that we disclosed as a separate revenue item, as I said before, we have many customers that we run the IT operations under a multiyear managed services engagement, but at the same time, we run development enhancements for them or we may be through a transformation project of sort. And when we have such a situation, that engagement as a whole is categorized as a managed services engagement that goes into that revenue disclosure item.

Therefore, you may see some discretionary fluctuations of this development work, this project worked as part of the managed services disclosed revenue. I don't think you should give any attention to this quarter-by-quarter changes. I think the vector over time is the one, frankly, you should be focusing on. And when you look on the last several years, you can see significant expansion of both the number of customers.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

I think you showed in your presentation, I think it was like 50%.

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

59% of revenue now.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

No, before.

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

It was 52% in 2016 of total revenue. And we've seen significant increase also the number of customers that are adopting the managed services. So as I shared in the presentation, still being excited about dozens of our customers having managed services engagement with Amdocs, given the 350 customers that we have, we see huge room for expansion. And even with the existing customers that already selected us for managed services, there is opportunity to continue to expand the scope of what we do for them under that.

And on top of that, cloud ops that is giving a new opportunity for a next-gen kind of managed services where we can help our customers under the managed services framework deal both with the on-prem systems that they have as they transition to the cloud, deal with the cloud ops, and we can do both, which is a great accountability model for them.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

I want to clarify something that we discussed today is about -- when we talk about SAM, we're talking only on external spend. We're not talking about IT. In most cases, when we do managed services, we are replacing IT.

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

The internal IT.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

The internal IT, so this was not included in the same and this is typically run by the internal IT. And in many cases, we are actually the internal IT is handing over us as part of the agreement.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Okay. Thank you very much, Shuky. And I believe we have a follow-up question from Tim at Oppenheimer.

Hoonshik Yang - Oppenheimer & Co. Inc., Research Division - Research Analyst

Yes, Matt. It's Ed again. Just can you comment on the increased level of promotional activity in North America and the U.S., in particular, between cable and some of your telco customers? And as a result of that, have you seen any change in the sense of urgency and tenor around the conversations around possible upsell opportunities on your end?

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

Yes. Look, I think, first of all, it's all good for us. They're all our customers. So we're here to support all of them, right? So let's start with that. But second, as a consumer, I think it's very interesting. The differentiation, whether it be sometimes it's based on the best network, sometimes it's based on the experience. Sometimes it's a combination of the two. And I think we'll see this continue. And back again to the multiple devices, the partnership ecosystem, we'll see different types of differentiation. But I think that, that competition is healthy and it's good for the market, and it will be here for a little while longer.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Okay. Thanks, Ed. And we'll go now to another question from the chat. And this one is probably for Tamar. Actually, this is a double-barreled question. Given the recurring revenue and the stability in the business, how do you think about balance sheet structure and the trade-off between growth investments and perhaps buyback acceleration? And then somewhat related to that is the campus. Could you provide an update on the status of the campus? How far are we in terms of the budget completion date? And what do you think are the ultimate benefits of the new building once it's completed?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO & COO*

Great. So starting with how we think about the capital allocation. As you've seen, we've invested heavily into the growth of the company both in terms of the R&D acceleration that we've had and investing over \$1 billion in the last couple of years. And for the M&A, the acquisitions that we've done, such as -- we're talking about 5G Openet, an acquisition we've done in the summer of 2020, which is definitely major in terms of our go-to-market, policy charging of 5G. By the way, the integration is going great.

So thinking about the growth investments, we're definitely investing in that. And at the same time, we have the capacity, given the strong cash flow coming from the business, to return very nice amounts to shareholders. And that's why I thought it's interesting to show that in the last 4 years, it's roughly balanced between how much we can invest in growth and -- invest heavily in growth and at the same time, retain cash.

Now the reason also that we've taken to consideration from the investment of a nonstrategic asset, their open market, the investment will return that cash to shareholders because that kind of was abnormal in the sense of cash generation beyond way and above our regular business cycle. But even if you look on our regular business cycle, we are committed to 100% conversion of cash from the earnings that we make and we'll continue to have this balancing act.

But it may change in terms of fine-tuning that. We are continuing to push for the mindset of majority of cash returned to shareholders, but we're not committed to a specific amount because we need to have that kind of flexibility to invest in M&A while we're returning cash. By the way, look in the last decade, you can see that commitment is translated into 98% of cash returned to shareholders from the cash we generated from the business. So we are very serious about that.

Talking about the campus, we are very excited. This has been a very important project, building the new campus in Israel, where we have thousands of employees and major parts of our R&D that are done in Israel, and we think it's going to be amazing attraction for talent. It's going to be completed in the summer of 2022. So 2022 is going to be the last year we have investments. And under the budget of up to \$350 million, we have \$130 million remaining to be invested in 2022. And to remind you, we didn't go into this just because it's financially attractive, but it is financially attractive to go into the new campus. So while we are going to enjoy great talent attraction, it's going to be also beneficial to 2023 in terms of the financial performance.

Matthew E. Smith - *Amdocs Limited - Secretary & Head of IR*

Thank you, Tamar. And I believe we have one more question from the chat, and this one relates to Europe. We did see some slowdown in Q4 on a sequential and year-over-year basis. What was the reason for that? And are we still comfortable that Europe can be a growth engine in 2022 for us?

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

I will start. The short answer, very much so, and I will hand it to Tamar.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO & COO*

So we're excited about Europe. In fact, thinking about that backlog acceleration, we see Europe...

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

A lot of it comes from Europe.

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

Very nice part and very happy about the evolving relationship we have with groups such as Three Hutchison, Vodafone, for sure has been a major customer in Europe and continues to be very important, Veon, et cetera. We -- the reason for that sequential weakness has to do with some natural ramp-down of some project activity and the fact that new programs that we've been winning recently are starting to ramp up. We are continuing with probably one of the largest transformations in the world, which is Vodafone Germany continuing very successfully. So I think it's nothing to be -- to pay attention to and we are very focused on seeing the trajectory of growth continuing in 2022.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Thank you, Tamar. And I think we have one final question. This one is in relation to the SAM. We showed that it's growing at high single-digit kind of CAGR through 2025. And understanding that things can change if the SAM materializes in that way, what is the confidence level that Amdocs will be able to grow at least in line with the SAM over the next few years?

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

I think what we've seen over the years and definitely plan to continue to do is take market share. So while we are serving the end markets and focusing on pushing our capabilities into the higher growth areas of cloud and digital transformation, et cetera, beyond that, we are taking market share by a very high win rate. And as a company, if you look at our history, decades, 2 decades, we've always been growing faster than the market that we are at. So we plan to do so. We believe we have the right tools in terms of the innovation, the right people, the right global scale, definitely great customer base and we'll grow faster.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Thank you, Tamar. We're not showing any other questions at this time. So Shuky, I'll hand it back to you.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So first of all, thank you for joining us this Friday morning. I'm pretty sure that by now you feel how excited we are about the future. We believe that Amdocs is well positioned to capture this opportunity. And like we always do, we'll continue to execute on our strategy. And I believe that this is really an inflection point of accelerated growth for Amdocs. Thank you very much.

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