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DOX.OQ - Q4 2025 Amdocs Ltd Earnings Call

EVENT DATE/TIME: NOVEMBER 11, 2025 / 10:00PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Operator

Thank you for standing by, and welcome to the Amdocs' Fourth Quarter 2025 Earnings Conference Call. (Operator Instructions) As a reminder, today's program is being recorded. And now I'd like to introduce your host for today's program, Matt Smith, Head of Investor Relations. Please go ahead, sir.

Matthew Smith - *Amdocs Ltd - Head of Investor Relations, Company Secretary*

Thanks, operator. Before we begin, I need to call your attention to our disclaimer statement on Slide 2 of the presentation. It notes that some of our comments today may be forward-looking statements and are subject to risks and uncertainties, including as described in Amdocs' SEC filings and that we will discuss certain financial information that's not prepared in accordance with GAAP. For more information regarding our use of non-GAAP financial measures, including reconciliations of these measures, we refer you to today's earnings release, which will also be furnished with the SEC on Form 6-K.

Participating on the call with me today are Shuky Sheffer, President and Chief Executive Officer of Amdocs Management Limited; and Tamar Rapaport-Dagim, Chief Financial and Operating Officer. To support today's earnings call, we are providing a presentation, which you can find on the Investor Relations section of our website. And as always, a copy of today's prepared remarks will be posted immediately following the conclusion of this call.

On today's agenda, Shuky will recap our business and financial achievements for the fourth quarter and full fiscal year 2025, and we'll update you on our strategic progress, including our continued sales momentum in cloud and recent commercial developments in generative AI and data services. Shuky will finish by previewing our financial outlook for the full fiscal year 2026, after which Tamar will provide additional details on our Q4 financial performance and our forward guidance.

As we communicated previously, Shuky and Tamar will compare certain financial metrics on a pro forma basis, which adjusts prior fiscal year 2024 revenue by about \$600 million to reflect the phaseout of certain low-margin noncore business activities, which was substantially already ceased in the first quarter of fiscal 2025.

And with that, I'll turn it over to Shuky.

Shuky Sheffer - Amdocs Ltd - President, Chief Executive Officer, Director

Thank you, Matt, and everyone joining us on the call today. Starting on Slide 6. I want to express my sincere appreciation to our global team as we close out another year of important progress. Your dedication and commitment have driven solid financial results, consistent with our guidance, and you did it while executing our strategy to support our telco customers with cutting-edge cloud, digital and AI-based solutions.

To briefly recap fiscal 2025, revenue grew up by 3.1% in a pro forma constant currency, which adjusts for our decision a year ago to phase out certain low-margin noncore business activities to sharpen Amdocs' strategic focus while also resulting in a stronger business visibility.

Among the many highlights, we delivered double-digit growth in cloud, which contributes over 30% of total revenue this year. Share of revenue for long-term managed services reached a record 66%, further supporting Amdocs's already strong business resilience. Profitability improved by 300 basis points, including 60 basis points from ongoing business transformation and efficiency gains. And we maintain our commitment to technology, innovation and product leadership, tailoring our investments to serve our customer key business imperative.

These include B2B modernization, next-gen monetization, fiber networks and of course, generative AI, where this year, I'm proud to say we made a successful transition from proof-of-concept trials to winning actual generative AI-related deals. Overall, we delivered non-GAAP diluted earnings per share growth of 8.5% in fiscal 2025 and achieved our target to deliver double-digit expected total shareholder return, including our dividend yield.

Now let's take a close look at our fourth quarter performance, beginning with the financial on Slide 7. Revenue of \$1.15 billion was above the midpoint of guidance and up 2.8% from a year ago in pro forma constant currency. Profitability improved by 20 basis points sequentially. Non-GAAP diluted earnings per share was \$1.83, slightly above the guidance midpoint, and we finished the quarter with 12-month backlog of \$4.19 billion, up \$40 million sequentially and 3.2% from a year ago.

Growth in 12 months backlog was driven by strong sales momentum this quarter, contribute to our overall long-term book of business. As Slide 8 shows, pipeline to deal conversion was well balanced across our key operating regions and strategic domains, showcasing Amdocs' proven ability to scale our customer activities by continuously delivering fresh innovation over time.

In cloud, we signed a multiyear managed services SaaS agreement with AT&T to deliver entitlement server capabilities via our eSIM cloud platform, and we won new cloud modernization and migration awards at Lumen Technologies in the US and TELUS in Canada. We expected our recent momentum in generative AI domain with -- we extended our recent momentum in generative AI domain with an exciting new award at Telefonica Germany, and we expanded our international footprint with new monetization and digital modernization awards at BT-EE in the U.K., Altice SFR in France, Telia in Finland, KT in South Korea and Claro Brazil.

Several deals this quarter were struck among under long-term managed services agreements, further deepening our customer relationship. This includes an exciting landmark multiyear strategic agreement with PLDT in the Philippines, which expands our long-term-standing managed service engagement to accelerate its IT modernization and streamline business processes through AI and generative AI capabilities. Rounding on operational highlights, Amdocs is engaged in the execution of complex mission-critical transformation projects, closely working with our customers as key partners. Q4 was another quarter of consistent execution in which we achieved important project milestone at AT&T, Comcast, Bell Canada, BT Everything Everywhere, Vodafone and Vodafone 3, PLDT and e& UAE. I'm also proud to say that Amdocs ensured smooth customer operation during the high-volume launch on Apple's iPhone 17 in September.

Now turning to Slide 9. I would like to provide some additional color with respect to our growth strategy, which is designed to deliver the (inaudible) product and services our customer needs to, accelerate the journey to the cloud, maximize the value of generative AI and data across our customer footprint, digitalize customer experiences for consumer and B2B, monetize next-generation network investments and streamline and automate complex network ecosystems.

Beginning with cloud on Slide 10. Demand for our cloud-native solution and proven ability to accelerate public, private and hybrid cloud migration remains strong as we continue our strategy of moving mission-critical system, workloads and applications that enable innovation, agility and cost savings for all our customers.

In the US, Lumen Technologies selected Amdocs to support its cloud transformation, moving mission-critical BSS application to Google Cloud to strengthen its digital foundation. TELUS in Canada expanded its multiyear managed service agreement with Amdocs to migrate on-premise wireless monetization operation to Google Cloud, enabling the faster launch of new consumer and enterprise offerings, improve customer experience and reliability and reduce operational costs. And Bell Canada, in collaboration with Amdocs is migrating existing system to the cloud to enhance scalability, resiliency and achieve operational efficiencies.

Our SaaS-based platforms, including Amdocs eSIM, Amdocs Market One and Amdocs ConnectX are also contributing to growth with rising customer adoption. To provide a few examples, we signed a multiyear managed services SaaS agreement with AT&T to deliver entitlement server capabilities via our eSIM cloud platform. This continued to expand our eSIM SaaS platform momentum, adding over 100 million devices to it. Additionally, Amdocs ConnectX has already more than 15 customers, including consumer cellular and PLDT, who are deploying the generative AI native platform to quickly launch existing new digital brands.

Adding to the list, I'm pleased to announce that Orange Belgium has selected Amdocs to lead key modernization initiative on their prepaid stack, leveraging our ConnectX platform. This project includes real-time charging and next-generation scalable architecture designed to support their needs. It will drive efficiency while transforming the user experiences with modern digital-first journeys that will redefine engagement for Orange Belgium prepaid subscribers.

Looking forward, cloud will remain a primary focus for Amdocs, as we continue to support our global telco customer base, many of which are only just getting started on their multiyear cloud journeys.

Now let's talk about generative AI and data on Slide 11. Following the generative AI-related deals we recently announced with e& UAE, Altice Optimum and Consumer Cellular, I'm excited to report that Telefonica Germany, one of the country's largest quad-play service providers, has selected Amdocs to extend its billing platform for both consumer and enterprise services.

As part of this expanded multiyear collaboration agreement, Telefonica Germany will deploy new generative AI use cases, leveraging Amdocs' amAlz Sales Agent to enable the efficient promotion of new products and to automate the upsell of personalized offers to drive higher ARPU. This award with Telefonica Germany is another proof point that shows that we are starting to see trial POC conversion to actual generative AI projects, and we are excited about the initial results we are seeing.

For example, one of the first service provider to integrate generative AI was e& UAE, a customer which is already achieving double-digit improvement in Net Promoter Scores after deploying amAlz agents. Such progress reflect Amdocs' core telco platform and data services expertise built on our vectorized amAlz platform, which we have deployed in collaboration with NVIDIA and other generative AI leaders. Moreover, I believe our recent success demonstrating the pivotal role Amdocs is playing as an IT player in helping accelerate generative AI adoption in telecom industry.

In addition to cloud and generative AI, we secured important wins in the strategic domain this quarter as highlighted on Slide 12. As previously announced, we finalized a significant 10-year digital modernization and managed service agreement with BT-EE in the U.K. to deliver a modern B2C mobile platform for its prepaid and postpaid segments.

We signed a multiyear strategic agreement with Telia Finland to build its next-generation digital BSS enhanced and with advanced AI capabilities. And AT&T Mexico closed a new digital program with Amdocs to enhance self-service experiences, expanding its digital selling capabilities.

Here in the US, we signed a multiyear software and IT service agreement with Fidium, a next-generation American fiber Internet and network service provider and a new logo for which Amdocs will modernize and manage its IT operation while supporting its broader digital transformation strategy. Elsewhere in the US, a leading Tier 2 operator selected Amdocs for additional five-year renewal of their BSS ecosystem.

Service providers are also adopting next-generation monetization solution to support their wireless and fiber infrastructure elements. Amdocs recently signed an expanded multiyear billing transformation agreement with Altice, France's SFR to consolidate multiple billing operation to a unified cloud-ready platform. And we signed a new agreement with South Korea's telecom operator, KT, to upgrade and modernize its charging system to accelerate time to market and to boost operational efficiency.

This quarter was also -- we also expanded our activities with the two largest operators in Brazil. First, Amdocs entered an agreement with Claro Brazil to implement a real-time billing platform designed to enable full-scale converge across its multiple line of business. Claro also extended its multiyear service contract with Amdocs.

Second, in the network domain, we signed a modernization agreement with Telefonica Vivo to provide a future-ready foundation for ongoing operation by deploying our latest OSS products. Further underlying Amdocs expertise and growth potential in the network domain, we have expanded our managed services agreement with Globe in the Philippines to include network strategy and planning, mobile access engineering and optimization to enhance service quality and operational agility. Additionally, we delivered a successful go-live of Amdocs advanced network inventory platform for Vodafone Ireland and continue to expand our network activities with Vodafone Greece.

Before discussing our fiscal 2026 outlook, I wanted to circle back on generative AI to share our thoughts with respect to our strategy and investment plans as presented on Slide 14. Over the past couple of years, we've shared our belief that generative AI holds immense potential to transform the telecom industry. We've been working closely with our customers to deliver tangible improvement in critical areas such as customer care and network operation while building out generative AI capabilities in our amAlz platform.

As the technology matures, the industry advance and we see the progression from POCs to production, we believe there is now the potential to unlock even greater opportunities to enhance experiences, agility and efficiency. To fully capture this potential for Amdocs and for our customers, we are accelerating our generative AI investment, which we expect will open new pathway for future growth across our entire customer base, irrespective of their BSS or SS version. This included fast tracking the development of what we call a Cognitive Core, a next-generation platform built on the solid foundation of Amdocs amAlz.

It integrates advanced generative AI capabilities such as agent-to-agent MCP technologies, our vectorized telecom expertise and the enablement of agentic services. In the coming quarters, we'll share more about our vision for AI-powered telecom operating system. For our customers, this investment in generative AI may represent a substantial shift in how they will adopt future software and services. Notably, we believe it promises to simplify and accelerate their digital transformation and journey to the cloud delivered under our outcome-based model.

Overall, with focused and intentional investment, we expect Cognitive Core to emerge as a long-term growth engine for Amdocs by enabling us to better serve our full spectrum of customers from those running current platform seeking cost-effective line of business modernization to top-tier innovators already modernizing on Amdocs' next-gen platform to lead with future-ready digital experiences.

Now let me comment on the current operating environment and our outlook for fiscal year 2026. We are entering fiscal 2026 with a healthy 12-month backlog visibility and a strong overall book of long-term business supported by a recent win momentum. With our unique tech-led and outcome-based accountability model, Amdocs is strongly positioned within our serviceable addressable market of nearly \$60 billion to monetize a rich pipeline of opportunities across cloud, digital network and generative AI and data. That said, we are closely watching for any impact of the uncertain global macroeconomic environment on us and our customers' demand and spending behavior.

Tying everything together with our outlook on fiscal -- on Slide 16. We expect revenue growth in the range of 1.7% to 5.7% as reported and 1.0% to 5.0% in constant currency for the full year fiscal 2026. As to our profitability, we expect a non-GAAP operating margin to increase by roughly 20 basis points year-over-year at the midpoint on our target range as we balance our strategic long-term growth investment with the benefits of ongoing cost and efficiency gains across the business.

All up, we expect to deliver a non-GAAP diluted earnings per share growth of between 4% to 8% in fiscal 2026, the midpoint of which equates to an expected total shareholder return in the high single digits, including our dividend.

With that, let me turn the call over to Tamar for remarks.

Tamar Rapaport-Dagim - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

Thank you, Shuky, and hello, everyone. Thank you for joining us. Before I begin in today's comments, I will compare certain financial metrics on a pro forma basis, which adjusts prior year fiscal year '24 revenue by approximately \$600 million to reflect the phaseout of certain low-margin noncore business activities, which were substantially already ceased in the first quarter of fiscal 2025. To further assist your modeling, the regional mix of this revenue was similar to the overall company, and it contributed roughly \$150 million per quarter.

To begin, I'm pleased with our solid financial performance for the fourth fiscal quarter as detailed on Slide 18. Q4 revenue of approximately \$1.15 billion was up 2.8% year-over-year in pro forma constant currency. Revenue exceeded the midpoint of our guidance with no impact from foreign currency movements as compared to our guidance assumptions. Reflecting the phaseout of certain business activities, reported revenue declined by 9% from a year ago.

On a regional basis, North America improved more than 2% sequentially, posting its strongest quarter of the fiscal year. Europe declined, reflecting normal business fluctuations following a record quarter in the previous quarter. Rest of the world was slightly lower on a sequential basis, reflecting mixed trends. With our strong sales momentum, we have clear visibility to continued growth in Rest of the World, but quarterly trends may fluctuate given the project orientation of our customer activities in this region.

Shifting down the income statement. Non-GAAP operating margin of 21.6% improved by 290 basis points from a year ago, driven by the announced phaseout of low-margin noncore business activities and the benefit of ongoing efficiency gains within our operations. Non-GAAP operating margin improved by 20 basis points sequentially. Interest and other expenses amounted to roughly \$10.3 million in Q4.

On the bottom line, non-GAAP diluted EPS of \$1.83 was slightly above the midpoint of guidance. Diluted GAAP EPS of \$0.88 included a restructuring charge of \$0.60 per share, resulting from certain transformational actions we have taken to optimize our workforce allocation, technology mix, infrastructure, workspace and other resources as we prepare to accelerate the internal adoption of generative AI in fiscal 2026. Excluding this restructuring charge, diluted GAAP was at the high end of the \$1.41 to \$1.49 guidance range.

To quickly summarize our full year 2025 financial performance, results were consistent with the original guidance we provided a year ago, as shown on Slide 19. Revenue was up 3.1% in pro forma constant currency, above the midpoint of guidance. On the bottom line, we delivered non-GAAP diluted earnings per share growth of 8.5% in fiscal year 2025, consistent with the midpoint of guidance and driven by sustained revenue growth, a 300 basis points improvement in non-GAAP operating profitability and the benefits of our share repurchase activity.

Turning to Slide 20. This year, we delivered double-digit growth in cloud, which exceeded 30% of overall revenue as compared with roughly 25% in the prior year. Further highlighting the ongoing diversification of our business and growing traction in international markets, half of our top 12 customers are international customers, two of which are new logos added in the last 10 years, as Slide 20 shows. Additionally, we continue to expand our footprint with long-standing customers and new logos in North America.

A great example is Charter, with which we had limited business a decade ago, but is now one of our top 10 customers. Over the years, we have also added new logos in North America, such as Consumer Cellular and Fidium in fiscal 2025.

Turning to Slide 21. Managed Services revenue was a record \$3 billion in fiscal 2025, up 3.1% from a year ago. Managed Services as a share of overall revenue also reached a new high of 66% in fiscal 2025, further strengthening our business resilience as we maintained high renewal rates and expanded our customer activities under long-term agreements. As Shuky alluded to earlier, several of our key deals signed in the fourth quarter were struck under multiyear managed services engagements, the most significant being our landmark agreement with PLDT from the Philippines, for which Amdocs will manage its complete IT services requirements, covering architecture, implementation, operations and performance outcomes with end-to-end accountability.

Additionally, we expanded our managed services agreements with Globe in the Philippines to include network operations and TELUS in Canada to cover the migration of its wireless monetization operations to Google Cloud. Managed Services can also be a spearhead to winning new customer logos, such as the case with Fidium in the US for which Amdocs will serve as the primary and exclusive partner to maintain and operate its ID fiber operation across multiple applications while supporting its IT transformation as a preferred development partner.

Moving to the balance sheet and cash flow highlights on Slide 22. DSO of 74 days was down by two days sequentially and unchanged year-over-year, reflecting normal fluctuations in the business activity. Unbilled receivables net of deferred revenue rose by \$62 million sequentially in Q4 and was relatively flat compared to a year ago, aggregating both the short-term and long-term balances. As a reminder, the net difference between unbilled receivables and deferred revenue fluctuates from quarter-to-quarter, in line with normal business activities as well as our progress on multiyear transformation programs.

Driven by a strong fourth quarter, free cash flow before restructuring payments was \$735 million in fiscal 2025 and above our guidance range of \$710 million to \$730 million. Including restructuring payments of \$90 million, reported free cash flow was \$645 million for the year. Overall, we finished fiscal 2025 with a healthy cash balance of approximately \$325 million and an available \$500 million revolving credit facility, providing ample liquidity to support our ongoing business needs while retaining the capacity to fund our future strategic growth.

Switching to capital allocation on Slide 23. This quarter, we repurchased \$136 million of our shares. We had up to \$1 billion of remaining repurchase authority as of September 30, 2025. We paid cash dividends of \$58 million in the fourth fiscal quarter. Looking to fiscal 2026, we expect free cash flow of between \$710 million to \$730 million, not including additional payments we expect to make under our current restructuring program.

Our free cash flow outlook equates to a conversion rate of roughly 90% relative to expected non-GAAP net income and translates to a healthy free cash flow yield of roughly 8% relative to Amdocs' current market capitalization. Regarding our capital allocations for the coming year, we expect to return the majority of our free cash flow to shareholders. This includes dividends for which we are pleased to announce a proposed 8% increase in our quarterly cash payment to a new rate of \$0.569 per share, subject to shareholders' approval at the Annual Meeting in January 2026.

Moving to Slide 24. 12-month backlog was \$4.19 billion at the end of Q4, up 3.2% from a year ago. We expect 12-month backlog to represent roughly 90% of our forward-looking revenue, further underscoring the importance of this metric as a leading indicator of our business.

Now turning to our revenue outlook on Slide 25. We are continuing to closely monitor the prevailing level of macroeconomic, geopolitical, business and operational uncertainty in the current business environment. The first quarter and the full year fiscal 2026 financial guidance reflects what we consider to be the most likely outcomes based on the information we have today, but we cannot predict all possible scenarios.

For the full fiscal year 2026, we expect revenue growth of between 1.7% and 5.7% as reported and between 1% to 5% in constant currency. We expect our strong sales momentum in fiscal 2025 to contribute to fiscal year 2026 revenue growth, and we assume a stronger second half to the fiscal year as we ramp up activities on recently secured deals. On the other hand, our fiscal year 2026 revenue guidance assume a revenue decline at T-Mobile due to reduced discretionary spending. Our annual guidance also incorporates some contribution from inorganic deal activity. As for the first fiscal quarter, we expect revenue between \$1.135 billion to \$1.175 billion.

Moving down the income statement, we expect non-GAAP operating margins within a new and improved target range of 21.3% to 21.9% in fiscal 2026, the midpoint of which is roughly 20 basis points higher than the prior year. Our profitability outlook reflects an intentional decision to accelerate our R&D, sales and marketing investments with respect to generative AI and next-generation Cognitive Core platform while balancing this with ongoing cost and efficiency gains resulting from our continued focus on operational excellence, automation and the internal deployment of generative AI-based tools across our business. Our margin outlook excludes additional restructuring charges we may take.

Wrapping everything together on Slide 27, we expect to deliver non-GAAP diluted earnings per share growth of 4% to 8% in fiscal 2026. This outlook assumes pressure from below-the-line items in the year ahead. We anticipate a moderate increase in our non-GAAP effective tax rate to a rate for fiscal year 2026 of between 16% to 19%, primarily driven by a combination of regulatory changes, including the implementation of the Pillar 2 global minimum tax and other evolving international tax requirements. In the first fiscal quarter of 2026, our non-GAAP effective tax rate is expected to be above the annual range.

Additionally, we anticipate higher finance costs this year, resulting from a reduced cash balance and funding of our strategic long-term growth plans. Overall, we expect to deliver high single-digit expected total shareholders' return in fiscal 2026, assuming the 6% midpoint of our non-GAAP diluted EPS growth outlook plus our dividend yield of roughly 2.7% based on the new dividend payment we announced today.

With that, back to you, Shuky.

Shuky Sheffer - Amdocs Ltd - President, Chief Executive Officer, Director

Thank you, Tamar. I'm pleased with our solid financial performance and continued strategic progress in fiscal 2025, and I'm excited by our technological leadership and potential to open new growth opportunities by accelerating our generative AI investment in the year ahead.

With that, we are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

Timothy Horan, Oppenheimer.

Timothy Horan - Oppenheimer & Co Inc - Analyst

Thanks, guys. Shuky, you've had a lot more experience with AI at this point. Can you just talk about maybe qualitatively how impactful you think it will be to the telecom industry? And how much can you think improve productivity over time and generate kind of new services? And related to that, I guess the same thing internally, how much can it improve your own productivity internally? I realize you are reinvesting a lot of that productivity in R&D and in investing for longer-term growth?

Shuky Sheffer - Amdocs Ltd - President, Chief Executive Officer, Director

Thank you, Tim. We are evolving our offering in the in the GenAI domain. Internally, as you mentioned, we are using more and more generative AI capabilities in the software development life cycle and operation. And this is improving gradually, and we see more and more, I would say, benefits. It's not just to cost, to quality, to speed, many items that we see using this technology.

From the offering perspective to customers, the initial offering that we have and which we are deploying and now successfully converting POCs to actual deals was more, I would say, add-ons on top system, some agents in the call center for care and for commerce and things like these type of capabilities, which now we are doing with many customers we mentioned and are pretty successful.

The next, I would say, GenAI capabilities is what we discussed today, what we call Cognitive Core. The idea is to add a layer on the top of our BSS systems or the different one that we are supporting today and actually create a new model that can support agentic activity, agent to agent and actually completely disrupt and change the way we are running this operation today.

Part of the investment that we discussed that we are going to accelerate this year is to build this layer. I think it's going to be -- it will take some time to deploy it. We believe it's going to be extremely exciting and give completely new capabilities to our customers in the agentic area. And we definitely believe that this will be another very important growth engine for Amdocs for the years to come.

Timothy Horan - Oppenheimer & Co Inc - Analyst

And do you have a rough idea when that will hit the market?

Shuky Sheffer - Amdocs Ltd - President, Chief Executive Officer, Director

Mid '26.

Timothy Horan - Oppenheimer & Co Inc - Analyst

Thank you very much.

Operator

George Notter, Wolfe Research.

George Notter - Wolfe Research LLC - Analyst

Hi, guys. Thanks very much. I guess I wanted to just probe the decision to kind of reallocate more capital into the business from an R&D perspective. I heard certainly what you said about building more agentic capability. I guess I'm just looking for sort of the puts and takes, right? You're implementing AI internally. You've been on a path of generating 60 or 70 basis points of efficiency each year.

The coming year, it's going to be more like 20 basis points. Is that the amount of the investment, that incremental 50 or so basis points. Is that the right way to look at it? And -- or are there some other kind of growth factors we should look at?

Tamar Rapaport-Dagim - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

Yes. Most of the margin story here is this intentional decision to invest more into this opportunity that we see as an exciting one. So at the same time, as you said, that we are continuing to enjoy the productivity gains. We do want to reinvest in making sure we are capturing this growth opportunity. It's not just R&D.

It's also in the sales and marketing aspects, the go-to-market, how we are going to support and accelerate our coverage of the different opportunities in the pipeline. So I would say it's both.

And definitely, we would like to see that keeping and accelerating the momentum we think we can bring on that aspect. We talked in the last two quarters about the fact that we are moving from proof of concept and feasibility to actual commercial deals. We continue to see that with the examples of Telefonica Germany we mentioned now and etisalat is much more mature and adding more and more use cases. PLDT as part of a large mega deal that we just signed is going to include adoption of our amAlz platform. So we are continuing to see more and more commercial pickup on that aspect and think that there's a great opportunity there.

George Notter - Wolfe Research LLC - Analyst

Got it. Okay. And then also, I just wanted to ask about your conversations with customers. Obviously, the company prices its contracts, its businesses on outcomes, not billable hours times rate model. I get that.

But I assume your customers do expect that you're using AI internally to improve efficiency. And I'm wondering if there's some expectation from customers to get better pricing or contract prices from you guys as part of that realization. I'd like to hear more about how those conversations are going. And at the moment of contracting with customers, are you seeing that pricing impact or pressure roll down on to Amdocs or not?

Shuky Sheffer - *Amdocs Ltd - President, Chief Executive Officer, Director*

So this is not new. I mean, yes, now I think the most discussed item is generative AI, but this -- we have the situation pretty much in every renewal situation. Over then, we changed technology, we moved to the cloud. So technology is evolving. Definitely, there is discussion like this with GenAI.

What we are trying to do, obviously, is, a, our business model is, for the most part, as you mentioned, is outcome-based. So this is helping a bit. And I think what is more important that whenever we renew or sign a new agreement, we are doing a lot of effort very successfully to completely change the scope of the agreement by adding transformation to the cloud, generative AI capabilities and other automation and other products that we have.

So yes, there is pressure. Customers expect to see savings. But as you mentioned, because we are not in a rate cut type of relationship as part of this discussion, on one hand, we show the customer efficiencies; on the other hand, we're expanding the scope of our activities. We're adding new products and new services and GenAI capabilities. So between the two, I think we are doing a pretty good job in minimizing the impact.

Tamar Rapaport-Dagim - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

And just to add on that, George, our offering is very rich. And typically, what happens is as we get into these dialogues with customers looking on their own on total cost of ownership, how they want to achieve this kind of savings or what benefits they're looking for in terms of improving customer experience and other pain points they have. So engaging in this dialogue, we have a lot of tools to go into this -- to go back to Shuky's point of mentioning additional scope.

So we can take a bigger wallet share of what they need to invest in and give them the benefits that they're looking for. So it's not just a dialogue on, "Okay, what do we do for you right now and how are we pricing it moving forward?" It's a whole different dialogue that is emerging. And we've seen this quarter a lot of Managed Services expansion and extensions, and that has been part of this discussions. And as you can see, we're expanding the 12 months backlog beyond that. I feel very good about the fact that it's expanding our book of business beyond the 12 months that we are including in the backlog.

So I think the method works. We can bring them that value while giving them the TCR reduction they're looking for and looking how to bring more and more of our offering to support their needs.

George Notter - *Wolfe Research LLC - Analyst*

Thank you.

Operator

(Operator Instructions)

Tal Liani, Bank of America.

Tal Liani - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Hi, guys. I have like five questions. So stop me when I'm going through too much.

Cash flow is down next year. Why is it? And then I have -- I'm not asking the question in any order. Maybe I'll ask two at a time. But also the growth, if I take your midpoint on a constant currency basis, the growth is not showing much acceleration from this year.

It's actually below -- slightly below Street expectations. What are the puts and takes in the growth because you also made the disclosure that T-Mobile is going to be down in 2026. So can you kind of elaborate on the good parts and the parts that are maybe more flattish and declining? I thought after some discontinuation of businesses, growth should somewhat accelerate from where we are or where we were?

Tamar Rapaport-Dagim - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

Thanks, Tal. So I'll address the cash flow first. We ended the adjusted cash flow for 2025 of \$735 million, but we started the year with exactly the same guidance range that we are starting now, \$710 million to \$730 million. We want to be appropriately conservative. So I don't see that as a cash flow decline.

We are more or less at the same level.

When we are looking into the question into the revenue growth, as you rightfully articulated, we are seeing, on the one hand, an amazing sales quarter, finishing 2025. Very happy about the deals we've signed. A lot of that momentum on the sales will contribute more into the second half of the year as it's naturally taking us more time to ramp up deals that we are capturing. So that's why we said that within the fiscal year '26, we will see a stronger second half growth. At the same time we see this positive aspect, we do see the pressure of lower discretionary spending in T-Mobile, and this is why we feel we want to be absolutely transparent about the decline we expect there.

It is a major customer.

I just want to give some context. T-Mobile has been a long-term relationship for us. We are supporting their billing activities across all their key brands, Magenta, MetroPCS, now UScellular. And this is obviously a core activity of what we do for them, and we are very focused on continuing to bring value. But at the same time, we need to acknowledge the fact that they are reducing some discretionary spend.

So yes, there are positives, there are some negatives. But I believe that overall, looking on the sales activity and how strong we finished 2025, we feel good about our future.

Tal Liani - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Tamar, can you elaborate on your top 10 customers? That's number one. This is kind of -- you normally give this time of the year, you give the disclosure in the K, if you have the data. And then just on T-Mobile, they announced they made a disclosure that they are starting to transfer customers to a new billing system, and they made a few days ago.

And the question is, is this kind of an end of a project? That's why revenues are going to be down? And is this normal for big transformational projects that at the end, you start to see a decline? When you say discretionary spending, it looks like things are being pushed out. And I'm wondering if it's really things that are being pushed out or being deprioritized versus the big contract that is basically done?

Tamar Rapaport-Dagim - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

So Tal, to the point on the top customers, we are typically giving this information in our annual report that is coming out in December, and we'll do the same this year. I will just say that, as I mentioned on the prepared remarks, we are happy to see the customer diversification evolving in a positive way with more customers entering, I would say, the high thresholds of our business, including many international names that we've added, including relationship that a long time ago, were relatively small like Charter and are now a top customer.

And we -- when we look into our relationship with T-Mobile, we cannot comment on the specific project or specific program plans, et cetera, on a single customer basis. But I can definitely tell you that we've taken all the reasonable assumptions in terms of the outcomes that we are seeing with relations to us into the guidance that we've given. So more to come, of course, in terms of what we can release moving forward. But I feel that we have taken everything we know as of today into the guidance.

Tal Liani - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Got it. Last question. I promised you five questions. So last question. You -- in the last year, you implemented AI in order to save -- to improve margins in order to reduce costs, and you've done it very successfully.

And now you are talking about increased costs. Tell us about the margin trajectory, meaning on one hand, you are reducing expenses. On the other hand, you are spending more. What drives the increase in spend? And how soon could it translate into accelerated growth?

Shuky Sheffer - *Amdocs Ltd - President, Chief Executive Officer, Director*

Tal -- by the way, congratulations on the award, if we speak. The best way to tell it, if we did not have all the tools of capabilities we developed with generative AI in our software development life cycle, all the engineering activities in the company, including operation, in a year like this that we accelerate investment in developing our next generation, I would say, GenAI capabilities around the core system, you could see even a situation there is some pressure on the margin.

The reason that we are able, on one hand to accelerate the investment in GenAI and still to generate maybe a moderate but still 20 basis points of increasing the margin is because we have all these capabilities that we develop and continue to see progress of actually doing everything much faster and better and with higher quality.

Tal Liani - *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Got it. So if I take a step back for investors that are long term and looking at Amdocs as a kind of safe, relatively low-risk investment for the long term. The question that I'm asking is you've had tremendous success in the last one or two years with big projects with big customers, you are doing great in cloud. You're doing good. We start to see signs of GenAI.

But the growth is still the same in a sense that even before you decided to discontinue some operations, you were growing between 3% to 4%. Now the guidance is for the same growth, maybe it accelerates second half, but we're still in the same neighborhood of growth.

The question is, if you look out, without giving us guidance for growth, like specific guidance, but when you look out and you say where you want to position the company as a CEO a few years down the road, do you think that what you're doing today and your activity in cloud and your activity in GenAI, could it change the growth profile of the company? Meaning can you grow sustainably above the current 3% to 4% going into new markets and new TAMs? So sorry, it's a long-winded question, but I'm just trying to understand kind of the longer term, what you have in mind, the longer-term goals for the company in terms of growth.

Shuky Sheffer - *Amdocs Ltd - President, Chief Executive Officer, Director*

I think the answer will be shorter than the question. But I think in the last couple of years, the main growth engine for Amdocs was the cloud. In order for us to break this 3% and to go to a mid-single digit that we would like to be, we need more than one growth engine as big as it is, it's become already 30%. So we really believe that with the investments we do and with unique offering, we are going to have more than one significant growth engine like cloud, and we believe that what we develop right now in GenAI will be another one. And the answer to your question, I think in the mid, we established two, three growth engines, then we can be there, and this is our intention.

Unidentified Participant

Got it. Great. Thank you.

Operator

Shlomo Rosenbaum, Stifel.

Unidentified Participant

This is Adam, on for Shlomo. What is the organic constant currency growth implied in the guidance for fiscal 1Q '26 and full year '26? There's some commentary around some contribution from inorganic deal activity. If you could talk about that, please.

Tamar Rapaport-Dagim - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

We expect to have roughly half coming from inorganic. When we started 2025 as well, we talked about some inorganic contribution and eventually, it was less than half of the growth. So we leave some flexibility for that, of course. And if you look back on the -- just on the type of deals we signed even this quarter in Q4, we already see direct relation to past acquisitions and the benefit it's bringing. So we feel this is a very important way for us to capture strategic growth opportunities, whether it's fiber -- some of those small deals that we've done in 2025 was around the fiber growth opportunity as an example.

So we want that lever to stay open and contribute to the company.

Unidentified Participant

Okay. And the change in AI spend, where are you seeing customers put their budgets and capital? And how does that match up to the areas where you're stepping up investments in GenAI?

Shuky Sheffer - Amdocs Ltd - President, Chief Executive Officer, Director

So far, most of the investment we're building agents and use cases to support, as I said, to improve activities in the call center, both for our digital application, both for commerce and care. What we've built right now -- and by the way, the other thing we talked about is actually GenAI is all about data, so how to prepare the data to be available in real time to support the agents.

What we are talking right now, it's a completely different scale. It's meaning that we are going to augment our core billing systems or core monetization system with the cognitive core layer that will, as I said, will allow agent to agent and all the capabilities of agentic options. This is a different scale of capabilities, which is relevant for every Amdocs customer everywhere. So we believe that from a scale perspective, it's much bigger from what we've done so far.

Unidentified Participant

Okay. And there was some commentary about some pressure from below-the-line items just on the modeling side. What areas specifically you're referring to and what's driving that?

Tamar Rapaport-Dagim - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

Referring specifically to tax rates as we see more regulatory changes around the world, like the Pillar 2 minimum tax as well as other countries that are putting some new regulations. We elevated the effective tax rate range from 15% to 17%, to 16% to 19%. So that would be one point. And the other one is financing costs. As we are starting the year in the lower cash balance and continue to have plans to invest in some strategic growth areas, we will see some higher finance expense costs.

So that's what we refer to as items below the operating income line.

Unidentified Participant

Yes. Thank you. Thanks.

Operator

This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Matt Smith for any further remarks.

Matthew Smith - Amdocs Ltd - Head of Investor Relations, Company Secretary

Okay. Thanks, operator. Thanks, everyone, for joining the call tonight. If you've got any additional questions, please call the IR group here. And with that, have a great evening. Thanks a lot.

Operator

Ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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