AMDOCS Q4 2026 CONFERENCE CALL SCRIPT - V17

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5:00 pm

Matthew Smith, Head of Investor Relations

Slide 2: Disclaimer

Thank you, 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, uncertainties, and other important factors, including as described in Amdocs' SEC filings, and that we will discuss certain financial information that is 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.

Slide 3: Today's Speakers

Participating on the call with me today are Shimie Hortig, President and Chief Executive Officer of Amdocs Management Limited and Tal Rozenfeld, Chief Financial Officer.

Slide 4: Agenda

To support today's earnings call we are providing a presentation which can be found on the Investor Relations section of our website, and, as always, a copy of today's prepared remarks will also be posted immediately following the conclusion of this call.

Today, Shimie will review Amdocs' recent strategic progress, our fiscal 2027 guidance outlook and expectations for fiscal 2028.

Tal will then provide further details on our fourth-quarter and full-year fiscal 2026 financial results and our fiscal 2027 guidance.

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

Slide 5: Welcome & Opening Remarks

Thanks, Matt, and good afternoon, everyone.

I'm happy to join you from our New Jersey office.

Today, we announced solid fourth quarter and full year fiscal 2026 results, consistent with our guidance, and I'm grateful to our employees around the world for their hard work, focus and commitment in making it happen.

My plan today is to cover our recent strategic progress, our fiscal 2027 guidance and our expectations for fiscal 2028.

Slide 6: Moving Fast Executing our New Strategy

I took over as CEO two quarters ago with a clear mission to prepare the company for the agentic revolution which I believe represents an amazing opportunity for us.

The telco industry will need to transform and change their operational model to realize the benefits of the AI revolution. For them to be successful, they'll need a trusted partner to transform their mission critical systems – one with deep industry expertise, engineering pedigree, and transformation capabilities who can help them adopt disruptive technologies in a responsible manner.

We believe that Amdocs is uniquely positioned and will be this strategic partner.

To make this happen, we've moved fast to develop a new overall strategy for the company which we've been busy executing.

The core pillar of this strategy is aOS, Amdocs' Agentic Operating System for telco, which is quickly gaining traction in the market.

Slide 7: Strategic aOS Agreement with AT&T

Today, I'm delighted to announce a major milestone for our aOS strategy. We signed an eight-year strategic agreement with AT&T, our largest customer. The strategic agreement is designed to accelerate the transformation of their business by adopting our agentic technology in combination with AT&T's leading AI capabilities.

Building on decades of trust and our long-term partnership with AT&T, we are proud to embark on this first-of-its-kind journey which we believe should be the leading approach for AI adoption in the telco market.
In this partnership, we are bringing together the shared expertise of AT&T and Amdocs to simplify complex work, improve efficiency, and bring new products and experiences to customers faster.

AT&T and Amdocs will work as one delivery team, combining AT&T's technology environment and business priorities with Amdocs' telecom and engineering expertise.

We will share responsibility for delivering projects faster while reducing the total cost of modernizing and operating critical systems.

AT&T's forward-looking approach to AI and its ambition to rethink technology delivery and operations is exactly the kind of journey Amdocs' aOS was built to support.

Slide 8: Three New Strategic aOS Agreements

On top of AT&T, we are also happy to announce another three major strategic aOS deals this quarter across Europe, Eurasia and Southeast Asia.

We signed a 10-year agreement with VEON, a global digital operator. Amdocs will leverage aOS to agentify VEON's operations, customer experiences and digital services. This strategic collaboration deepens our relationship with the VEON Group and presents an opportunity to further expand our business with them and across the Eurasia region.

At Globe in the Philippines, we signed a multi-year agreement to modernize core business platforms and strengthen IT operations by leveraging Amdocs' aOS. The agreement also expands our scope of work to include agentifying Globe's business workflows.

In the UK, VodafoneThree selected Amdocs to support an upgrade of its B2B business support systems on a new agentic enterprise platform. Powered by aOS, the program will consolidate and upgrade multiple legacy systems onto a single Amdocs enterprise technology stack, and deliver agentic capabilities across delivery and operations.

These key aOS deals with AT&T, VEON, Globe, VodafoneThree and the 10-year deal we announced with Liberty Latin America last quarter are great examples of how aOS is enabling Amdocs to expand its activities and become the trusted partner of choice for our customers. They also demonstrate the large-scale potential of aOS as a leading solution for the telco market all around the world.

Slide 9: Strong Sales Momentum

In addition to these large aOS deals, we also see healthy demand and strong sales momentum across Amdocs' broader products and services with customers globally.

In the fourth quarter, we won many significant deals.

To highlight a few:

- Comcast renewed its multi-year managed services agreement with Amdocs across both Xfinity Mobile and Comcast Business

- We signed a multi-year managed services agreement with Millicom Chile designed to simplify technology operations and increase business agility

- We expanded our collaboration with Airtel in India to modernize its enterprise B2B monetization and billing ops, and

- In Hungary, Magyar Telekom selected Amdocs to deliver billing transformation and catalog modernization

Slide 10: New Vertical Expansion: Amdocs Entering Insurance Industry

- As I shared a few months ago, one of the pillars of our new strategy includes diversification into a new vertical. After thorough review, we decided insurance is the right vertical for Amdocs.

- Insurance is a large and growing market, and shares many of the same characteristics that have defined Amdocs' success in telecommunications: highly regulated operating environments, complex and mission-critical platforms, and data-intensive workflows.

Similar to telco, insurance providers will also need to transform and adopt AI capabilities across their core operations and business workflows.

We intend to become their partner of choice, leading them in this agentic journey.

In order to do that, we are planning to create a differentiated offering leveraging Amdocs' aOS technology, Amdocs' scale, our unique transformation capabilities and our well-proven accountability business model.

Slide 11: New Vertical Expansion: Acquisition of EIS

Executing on our strategy, I'm pleased to announce today that Amdocs has acquired EIS for $340 million in cash

- EIS is a leading provider of an agentic insurance core system platform spanning policy, billing, claims and customer engagement. The company has deep multi-line expertise in both Life & Annuities and Property & Casualty.

- Headquartered in San Francisco, EIS serves dozens of leading insurance carriers globally, including household names such as Aflac, Allstate, AAA, Desjardins and BNP Paribas Cardif.

- The acquisition is an important step into the insurance software industry and represents a strategic move to develop a new growth engine for the company.

- We are planning to combine EIS' advanced technology, deep vertical expertise, and strong customer base, with Amdocs' aOS technology, scale, engineering pedigree, transformation track-record and accountability model.

- Overall, I'm very excited about this acquisition and believe that our strategic move to the insurance software vertical will significantly expand our addressable market, creating a great long-term growth opportunity for Amdocs.

Slide 12: Sharpening Amdocs' Strategic Focus

Moving to slide 12, focused strategy is also about deciding what not to pursue.

In the past six months, as part of our strategic process and formalizing our new strategy, we conducted a comprehensive review of our business and product and services offering. The purpose was to focus and rationalize the company's activities, align them with the new agentic growth strategy, and reallocate our budget and investments accordingly.

This review resulted in the following:

- Optimizing our products and services portfolio and deciding to end or minimize our investment in certain legacy products. Some of these products are results of acquisitions executed over many years, and which still exist within the company, while some are no longer relevant given our new strategy.

- We further ceased certain non-strategic business activities that cannot be converted into new agentic offerings, such as the resale of certain hardware

- We sold our media business, which was no longer part of our strategy, selling Vubiquity to Premier Digital

- Finally, we decided to cease or minimize our business and operations in certain territories

These initiatives are all designed to focus the company and build a healthier, stronger new base for our agentic strategy.

To reflect some of these changes, we are providing full year fiscal 2027 revenue growth guidance in pro forma constant currency so that you have a base for comparison with the prior year.

Slide 13: Accelerating Internal Transformation

As to our own internal transformation to become an agentic organization, we've made meaningul progress over the last six months, advancing aSDLC across our development and operations units with secured context, harness and workflows. We already see significant productivity gains.

As part of this, we completed the rollout of a new agentic way of working which has reached 10,000 employees and 800 hubs, putting AI-enabled practices into use across our teams.

We are building an agentic culture and DNA, with hands-on experience, training, certification and knowledge sharing.

On token-economics, we've established the foundations for allocating AI usage and optimizing consumption.

We're also extending the program into knowledge work beyond engineering, starting with early adopters in other parts of the business.

Together, these initiatives support a broader change in our operating model. Our objective is a more productive and agile Amdocs, with AI embedded in everything we do.

Altogether, we are seeing great momentum in our strategy and with the progress we've made to date I'm confident we are on track to generate significant new business and expand our footprint across both the telco and insurance verticals.

Slide 14: T-Mobile Update

At the same time, we are facing major headwinds due to the situation we have with T-Mobile.

This is an isolated situation with a large customer, resulting in a significant decline in our revenue and profitability outlook for next year.

- As you are aware, we've seen revenue decline due to T-Mobile's reduced discretionary spending with us.

- In fiscal 2026, we've also completed the large-scale, one-time integration project of the UScellular customers into T-Mobile.

- Moreover, we are also facing a dispute concerning our recently signed agreement with T-Mobile, which escalated into a legal dispute during the last quarter. Due to the confidential nature of the dispute, I will not get into more details, other than to say that we are prepared to fiercely defend our positions, including in arbitration.

- These circumstances have been taken into consideration in forming our conservative guidance assumptions for fiscal 2027, which reflect our best estimates as of this date, including in case of termination of our agreements with T-Mobile by either party.

- This is an isolated situation involving one customer. As clear from my previous remarks, this does not reflect the rest of the business, which is expected to grow in the mid-single digits this year.

Slide 15: Fiscal 2027 Outlook

Given the size of the challenge at T-Mobile, and despite the great momentum we have in the rest of the business, we expect fiscal 2027 to show a decline in revenue and profitability.

After adjusting for the sale of our media business and the exit of certain non-strategic business activities, we're guiding revenue to decline between 7.0% to 11.0% in pro forma constant currency this year, incorporating our conservative best estimates for the T-Mobile situation as of this date.

- Outside of T-Mobile, the rest of Amdocs' business is robust and expected to grow mid-single digits in fiscal 2027.

- The T-Mobile situation will also significantly impact profitability this year. We therefore expect non-GAAP operating margins to decline by roughly 200 basis points in fiscal 2027 at the midpoint of our guidance, and non-GAAP diluted earnings per share to decline by between 26.0% and 30.0%.

- As to our dividend, our board has today authorized a 3% increase in the quarterly cash payment subject to shareholder approval.

- Overall, although 2027 will be financially challenging, it will also be a year of strategic transition, setting us up for long term success and growth.

Slide 16: Fiscal 2028 Expectations

As we look to 2028 and beyond, we believe the growing momentum behind:

- Large-scale aOS wins in telco
- Insurance, with its sizable addressable market and strong growth potential, and
- Our internal transformation efforts

Will put us on track to return to growth and stronger profitability.

Based on this, we expect to enter fiscal 2028 positioned for mid-single digit revenue growth, high single digit growth in non-GAAP diluted EPS and a steadily rising dividend.

Moreover, I’m confident Amdocs will be an even stronger, more focused company, and well positioned to lead in the agentic era for years to come.

With that, I’ll hand it over to Tal for the financial review. Tal, over to you.

Slide 17: Financial Review & Outlook

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Slide 18: Q4 FY2026 Financial Results

Thank you, Shimie and good afternoon everyone.

Starting on slide 18, we delivered a solid fourth-quarter financial performance.

Q4 revenue was approximately $1.194 billion, up 3.8% year over year as reported and in line with the midpoint of our guidance on a constant currency basis.

In constant currency, revenue was up 4.0% from a year ago.

- Non-GAAP operating margin was 21.6%, unchanged from the previous quarter.
- Interest and other expenses amounted to roughly $14 million in Q4, consistent with recent quarters.
- Non-GAAP diluted earnings per share was $1.98, a cent above the guidance midpoint.
- Diluted GAAP EPS of $1.35 was below the guidance range of $1.48 to $1.56, primarily due to a restructuring charge of roughly 22 cents per share resulting from the acceleration of our internal transformation and our strategy to become an agentic-first organization. Adjusting for this charge, GAAP diluted EPS would have been above the guidance range.
- Demonstrating consistent operating execution in the core business, earnings to cash conversion was also healthy this quarter, reflecting healthy free cash flow generation of $202 million before restructuring payments.

Slide 19: FY 2026 Financial Results

Summarizing our full fiscal year 2026 performance on slide 19, revenue of $4.697 billion was up 3.6% as reported and 3% in constant currency at the midpoint of our guidance.

Geographically, North America grew approximately 0.6%, while Europe was up approximately 8% and Rest of World up approximately 11%.

Non-GAAP operating margin of 21.6% improved by 20 basis points for the year, consistent with the midpoint of our guidance as we balanced our agentic growth investments with internal cost and efficiency gains in the year.

Free cash flow before restructuring payments was $729 million, in line with the high-end of our guidance of $710 million to $730 million.

On the bottom line, non-GAAP diluted earnings per share grew 6.0%, in line with the midpoint of the original guidance we provided at the beginning of the year.

Slide 20: Managed Services

Turning to slide 20, revenue from managed services increased by approximately 1% in fiscal 2026.

Q4 included several key managed services deals.

Notably, the major aOS wins with AT&T, VEON, Globe and Liberty Latin America were secured as part of multi-year managed services engagements under which Amdocs takes full accountability for delivering measurable business outcomes to the customer.

As a key highlight, we signed a multi-year managed services agreement with Millicom Chile which will leverage Amdocs' full-stack BSS and OSS to streamline technology operations and respond more quickly to evolving business and customer needs.

Additionally, we've signed managed services engagements under new multi-year agreements with Comcast and Airtel India.

Slide 21: Balance Sheet & Cash Flow

Moving to the balance sheet and cash flow highlights, DSO of 83 days increased by 9 days from a year ago and 5 days sequentially.

Unbilled receivables net of deferred revenue increased by $95 million versus a year ago, and by $61 million sequentially in Q4, aggregating 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 multi-year engagements.

As mentioned, free cash flow before restructuring payments was $729 million in fiscal 2026, in line with the higher end of guidance.

Including restructuring payments of $167 million, reported free cash flow was $562 million for the year.

Overall, we ended Q4 with a cash balance of approximately $197 million, and aggregate borrowings of roughly $950 million, including our $650 million senior note maturing in June 2030, and $300 million outstanding notes under the commercial paper program.

After the quarter:

- We completed the divestiture of Vubiquity for cash proceeds of roughly $66 million
- We secured two term loans for an aggregate amount of $500 million, and
- In November, we completed the acquisition of EIS for $340 million in cash.

Slide 22: FY2027 Revenue Outlook

Now, turning to our revenue outlook on slide 22, we are continuing to closely monitor the prevailing level of macro-economic, geopolitical, business, and operational uncertainty, including our customers' spending behavior in the current business environment. The first quarter and full fiscal year 2027 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.

With that, let me take you through the revenue outlook for fiscal 2027.

To begin, as Shimie mentioned, after a thorough review of Amdocs' business and offering over the past six months, we've taken some actions to focus and rationalize the company's activities.

Therefore, to help you calculate our fiscal 2027 revenue growth versus fiscal 2026 in a comparable manner, we are providing an adjusted pro forma number based on our assessment that revenue from the exit of the non-strategic business activities relating to the resale of hardware activities, and the divestiture of the media business, were roughly $360 million in fiscal 2026. These activities substantially already ceased in Q1.

Turning to the guidance:

- We expect revenue to decline by between 14.3% and 17.9% as reported in fiscal 2027, roughly 760 basis points to reflect the exit of non-strategic business activities relating to the resale of hardware activities, and the divestiture of the media business.

- Adjusting for this, we expect revenue to decline by between 7.0% and 11.0% in pro forma constant currency this year, the mid-point of which is well supported by our 12-month backlog.

- The pro forma outlook incorporates conservative assumptions to reflect the unique situation at T-Mobile based on what we know today.

- Isolating for T-Mobile, the rest of Amdocs' business is expected to show mid-single digit growth in fiscal 2027.

As to the first fiscal quarter, we expect revenue within a range of $955 million to $995 million, which assumes a favorable sequential impact of $1 million from foreign currency fluctuations as compared to Q4.

Slide 23: 12-Month Backlog and Forward Visibility

Moving to slide 23, 12-month backlog was $3.5 billion at the end of Q4. Adjusting for Vubiquity and the exit of the non-strategic business activities I just referenced, 12-month backlog was down 9.6% both sequentially and compared to a year ago.

The decline in 12-month backlog on a pro forma basis primarily reflects an adjustment for the major headwinds we are seeing at T-Mobile and the conservative best-estimate revenue assumptions we've taken based on the situation with this customer on this date.

Isolating for T-Mobile, fourth quarter 12-month backlog for the rest of Amdocs' business grew by mid-single digits from a year ago on a pro forma basis, led by the aOS related awards we've announced, and healthy win momentum across our core portfolio of products and services.

Looking ahead, 12-month backlog equates to roughly 90% our fiscal 2027 revenue growth outlook and thus remains a good measure of our forward visibility.

Slide 24: FY2027 Profitability Outlook

Turning to profitability, the T-Mobile situation is significantly impacting our fiscal 2027 outlook.

We expect non-GAAP operating margin within a range of 19.2% to 19.8%, the midpoint of which is roughly 210 basis points lower year-over-year.

At the same time, our decision to accelerate the internal implementation of agentic capabilities is already driving significant productivity and efficiency gains in our business which we expect to continue.

Profitability this year will also benefit from the sale of our media business and the exit of the non-strategic business activities.

We are also continuing to invest in R&D, sales, and marketing to accelerate aOS, our agentic growth strategy and our investments to expand in the insurance vertical.

To provide some additional color to help with your modeling, we expect non-GAAP operating margin will begin the year well below the 19.5% midpoint of the annual guidance but will consistently improve as the year progresses such that by Q4, our profitability will be at the higher end of our annual guidance range.

Slide 25: FY2027 Free Cash Flow Outlook & Capital Allocation

Turning to capital allocation, we returned $142 million to shareholders through share repurchases and dividends in the fourth fiscal quarter.

Looking at fiscal 2027, we expect free cash flow before restructuring payments in the range of $440 million to $500 million.

Our free cash flow outlook equates to a conversion rate of 85% relative to non-GAAP net income which primarily reflects the timing of milestone payments in connection with large deals we've recently won.

Regarding our capital allocation plan for fiscal 2027, we expect to return the majority of our free cash flow to our shareholders.

- We remain committed to dividend growth and are pleased to announce a proposed 3% increase in our quarterly cash payment to a new rate of 58.6 cents per share, subject to shareholder approval at the annual meeting in January 2027.

- We continue to believe in share repurchases as a mechanism for returning cash to shareholders, but we expect a slower pace of buyback activity in fiscal 2027 as we prioritize our investments to support our long-term growth strategy.

Slide 26: Financial Outlook: FY2027E

Bringing it altogether, we expect non-GAAP diluted earnings per share to decline by between 26.0% to 30.0% in fiscal 2027, as shown on slide 26.

This outlook assumes higher financing costs in fiscal 2027 resulting from our M&A activity, and a non-GAAP effective tax rate within a range of 16% to 19% which is unchanged from the prior year.

Slide 27: Fiscal 2028 Expectations

Looking ahead to fiscal 2028, while we aren't providing formal guidance at this point, we believe our strategic momentum will position us for a return to growth and improved profitability.

With aOS for telco showing momentum, an increasing pipeline of significant customer opportunities and expansion of our addressable market to the insurance industry, we have expectations for mid-single digit revenue growth in fiscal 2028.

Moreover, our internal transformation initiatives should support significantly better profitability, underpinning high-single digit growth in non-GAAP diluted earnings per share
and a steadily rising dividend.

With that, back to you, Shimie

Slide 28: Q&A

Thank you, Tal, and with that, we are happy to take your questions.

Operator?