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DOX.OQ - Q1 2025 Amdocs Ltd Earnings Call

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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Matthew Smith *Amdocs Ltd - Secretary & Head, Investor Relations*

Shuky Sheffer *Amdocs Ltd - President & Chief Executive Officer*

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

CONFERENCE CALL PARTICIPANTS

George Notter *Jefferies - Analyst*

Tim Horan *Oppenheimer - Analyst*

Tal Liani *Bank of America - Analyst*

Shlomo Rosenbaum *Stifel - Analyst*

PRESENTATION

Operator

Thank you for standing by. Welcome to the first-quarter 2025 Amdocs 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 - Secretary & Head, Investor Relations

Thank you, Jonathan. 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 and 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.

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 can be found on the Investor Relations section of our website. And as always, a copy of today's prepared remarks will also be hosted immediately following the conclusion of this call.

On today's agenda, Shuky will recap our business and financial achievements for the first quarter and full fiscal year 2025 and will update you on the continued progress we've made executing against our strategic growth framework, including Gen AI and our continued sales momentum in cloud. Shuky will finish by discussing our financial outlook for the full year fiscal '25, after which Tamar will provide additional details on our first quarter financial performance and our forward guidance.

And as we've communicated previously, Shuky and Tamar will also compare certain financial metrics on a pro forma basis, which adjusts prior fiscal year 2024 revenue by approximately \$600 million to reflect the phaseout of certain low-margin non-core business activities which was substantially already ceased in the first quarter of fiscal '25.

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

Shuky Sheffer - *Amdocs Ltd - President & Chief Executive Officer*

Thanks, Matt, and everyone, on joining us on the call today. Thanks to the commitment and dedication of Amdocs employees around the world, fiscal 2025 got off to a solid start as we continue to deliver the cloud digital Gen AI-based solution that service provider needs to grow revenue, improve efficiency, and drive immersive next-generation customer experiences in the agentic area for millions of consumer and business enterprises every day.

Reviewing the financial highlights on slide 6. First-quarter revenue was \$1.11 billion, slightly above the midpoint of guidance adjusting for negative foreign currency movements, which are more than we anticipated. Profitability jumped by 310 basis points year over year and 250 basis points sequentially, reflecting the phaseout of certain noncore low-margin business activities and our ongoing initiatives to derive efficiency gains.

Non-GAAP earnings per share was \$1.66, exceeding the midpoint of guidance. And we closed Q1 with a healthy 12 months backlog of \$4.14 billion an acceleration of roughly \$80 million sequentially and an increase of approximately 2.7% from a year ago on a pro forma basis.

Our 12 months backlog position reflects, among others, several key wins this quarter, as highlighted on slide 7. In North America, we expanded our activities with AT&T in data and intelligence and increased support for AT&T Cricket. We are also leading the billing system consolidation at Bell Canada and recently began collaborating with DreamWorks Automation.

On the international front, we saw continued sales momentum in cloud. Adding to the five-year modernization and BSS migration deal we announced with Vodafone Italy last quarter, we recently secured a new cloud office agreement with VodafoneZiggo in Netherlands and the modernization and cloud migration award at [CT Montenegro] at Deutsche Telekom subsidiary.

From the standpoint of execution, we are supporting a large number of customer projects, including some of the largest transformation globally. Demonstrating our best-in-class deployment capabilities, we continue progressing major transformation of customers like AT&T, T-Mobile, Bell, Rogers, Comcast, Telefonica Chile during Q1 and supported successful platform launches for M1 in Singapore and Optus in Australia.

I am also proud of our managed service operation, which deliver flawless mission-critical support for customer over the peak retail volume periods of Black Friday and the holiday season. To remind you, Managed Services supports a high level of business visibility for Amdocs, reflecting the combination of multiyear customer engagements, recurring revenue streams, and a renewal rate of close to 100% over time.

Along these lines, we have recently extended our managed service agreement with Comcast Xfinity Mobile, Comcast business, and Claro Chile, as Tamar will reference in the remarks.

Moving to slide 8. Let me provide some recent example regarding our multi-pillar growth strategy which is designed to provide our customer with the market-leading innovation and technology they need to accelerate the journey to the cloud, digitally transform the customer experience for consumer and B2B, monetize the future market potential of next-generation networks, and deliver dynamic connected experiences by streamlining automation, complex network systems, and to simplify and accelerate the adoption of Generative AI.

Beginning on slide 9. Cloud continues to drive strong sales momentum as the market increasingly recognize Amdocs' unique ability to support complex multiyear cloud journeys. For instance, in VodafoneZiggo in the Netherlands, we are providing cloud operations services and FinOps as an extension to the modernization of the cloud migration project we announced last year.

Amdocs has also been selected by CT Montenegro, a Deutsche Telekom subsidiary, to upgrade and migrate to the cloud in its existing end of charging ordering and CRM system. We believe cloud will remain important growth engine for Amdocs in the foreseeable future, as the most service providers are yet to fully adopt the cloud and many more are still in the evaluation stage of the journey. Overall, we are on track to deliver double-digit growth in cloud again this year, supported by our market unique position, strong end-to-end cloud offering and rich pipeline of opportunities.

Moving to slide 10, supporting the digital modernization requirements of our customer remains an important growth engine for Amdocs as demonstrated of many recent awards. In Canada, Amdocs is working closely with Public Mobile, one of TELUS Mobility brands, to enhance the digital experience of their self-service application.

Optus, one of Australia's largest telecommunication providers, has enhanced its enterprise customer experiences by offering a more agile and responsive way to engage and support customers through the deployment of Amdocs' customer experience suite.

AT&T Mexico extended its agreement with Amdocs for the MarketONE platform, expanding capabilities to include a new marketplace that will accelerate OTT resell, demonstrating continued trust in Amdocs ability to drive modernization and monetization.

I'm also pleased to announce that DreamWorks Animation is collaborating with Amdocs on an advanced platform that we streamline production workflows, ease complexities efficiency, manage hundreds of thousands of digital assets, enabling DreamWorks Animation to better meet the demand of its production pipeline.

Additionally, we remain delighted by the rapid adoption of connectX, our cloud-based telco-in-the-box solution, powered by AWS. To enable digital experiences in its MVNE and MVNO services, connectX was recently chosen by Systegra, a Nigerian service provider, this deal adds to connectX existing customers such as AT&T and Rizz Wireless in the US, Winity in Brazil, and Melon Digital in South Africa.

Turning to monetization on slide 11, Amdocs is delivering cutting-edge technology to have service providers monetize next-generation network investment, including wireless for stand-alone fixed wireless access and fiber. In Canada, I am pleased to report that Amdocs is collaborating with Bell to unify their billing system into a single cohesive platform.

We also extended our collaboration with Odido, one of Netherlands' largest telecom providers. Under this long-term agreement, Amdocs will transform this customer charging system into a fully converged and cloud-based charging solution, enabling Odido to rapidly introduce new and innovative services to their end users.

These awards add to our existing lead of modernization projects, including our previously announced five-year deal to transform the mobile and fixed line of B2C billing system of Altice SFR, one of France's leading telecom provider.

Moving to network automation on slide 12. Amdocs is supporting the design and build out of fiber network investment in the US and globally with our next-generation fiber offering. This includes ProCom Consulting and other expertise we have acquired to grow our capabilities and strengthen relationships with existing and emerging fiber customers alike.

Last quarter, we said a leading provider of fiber optic Internet services in the US has chosen Amdocs to effectively manage and streamline complex fiber rollouts. As an example of our growing recognition in the market, Brightspeed, US-based fiber broadband telecom provider, has selected Amdocs resource manager to operate its network inventory, improving their processes.

As an additional highlight, Amdocs successfully completed the lab certification of Sapphire Rapids for vRAN enabling Verizon to increase capacity and reduce compute power consumption during rollout.

Turning to slide 13. Amdocs is laser focused on helping service provider to unlock the transformative potential of Generative AI. To start, Amdocs recently introduced additional copilot capabilities for B2B customer care and commerce in our latest CS quarterly releases.

We've also unveiled enhanced Generative AI capabilities in the amAlz platform, featuring Gen AI agents to support next level customer engagement and agentic capabilities across scales and sales domain.

To further expand our position as a leader in data, AI, and Generative AI, we recently completed the acquisition of Profinit, a data science engineering and intelligence company based in Czech Republic. This acquisition is an important building block in our offering, practically our data and Gen AI services capabilities, helping us to address the rapidly growing demand for data and AI and Gen AI services in telecom and beyond.

As to our sales progress, in Etisalat in the UAE is a flagship customer of our amAlz platform, and we continue to work with them to expand their use cases and deploy them to better support the customer, including in billing care, knowledge management, and more.

Similarly, AT&T, we are supporting as a long-standing partner to create improved experiences for the customer is leveraging our generative capabilities to improve customer care. Amdocs has historically provided data and AI services to many of our customers, including T-Mobile and Globe Telecom in the Philippines.

The adoption of Generative AI has created a new wave of demand for data-related services spending data readiness to bespoke Gen AI use cases development to proof of concept. This quarter, we successfully exited more than 10 generative POCs at global provider, thereby adding to our expanding pipeline of deal opportunities.

Finally, we have launched our generative AI experience center in Dallas, together with NVIDIA and Microsoft to showcase and reimagine what's possible for our customers. This facility will allow us to host and our global customer and showcase the leading capabilities that can transform the businesses.

Turning to slide 14. Let me say a few words about the operating environment which has remained challenging and mostly unchanged over the last several quarters. To begin, we remain extremely confident in our relatively relative business model, including Managed Services, which support highly recurring revenue streams and strong level of business visibility under a multiyear customer engagements.

Additionally, we believe we retain an ample room to improve our long-term revenue growth within our large addressable market of nearly \$60 billion in size. I am also excited by the reach and encouraging deal pipeline in front of us.

This pipeline includes several large and mature business opportunities, which we are working hard to accelerate and convert to formal awards by leveraging our pedigree of innovation, telco-specific Gen AI solution, consistent track record execution, mission-critical operation expertise, and an unrivaled ability to support our customer growth, efficiency, and industry consolidation strategies as a standard IT partner.

Wrapping everything together on slide 15. We are reiterating the mid of our fiscal 2025 revenue growth guidance of between 1% and to 4.5% on a pro forma, constant currency basis, which included another year of double-digit growth in the cloud.

We are also on track to deliver double-digit expected total shareholder return for the fifth year running in fiscal 2025, assuming the midpoint of our non-GAAP diluted earnings per share outlook of between 6.5% to 10.5% plus our dividend yield.

With that, let me turn the call to Tamar for her 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 fiscal year 2024 revenue by approximately \$600 million to reflect the phase-out of certain low-margin, noncore business activities, which were substantially already seized 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. Now, echoing Shuky's sentiments, I'm pleased with our solid financial results for the first fiscal quarter as detailed on slide 17.

Q1 revenue of approximately \$1.11 billion was up 1.7% year over year in pro forma constant currency, and was slightly higher than the midpoint of our guidance after adjusting for negative foreign currency movements of approximately \$6 million compared to our guidance assumptions.

Reflecting the phase out of certain business activities, reported revenue declined by 10.9% from a year ago. Revenue from recently completed acquisitions, including Profinit, was immaterial this quarter as Profinit closed at the end of December.

On a regional basis, North America and rest of the world delivered year-over-year growth in a pro forma constant currency basis. Europe was weaker, mainly reflecting timing differences between natural roll-off of completed projects and the gradual ramp-up of new dealer awards. So we expect Europe to go back to growth next quarter.

Shifting down the income statement, we are proud to report a significant jump in profitability this quarter. Non-GAAP operating margin of 21.2% was up 310 basis points year over year, and 250 basis points sequentially, primarily reflecting the end of low-margin business activities and the ongoing benefit of our operating improvement initiatives.

Interest and other expenses amounted to roughly \$0.4 million in the first quarter, reflecting a gain on the sale of an equity investment, mainly offset by adverse foreign currency movements. As a reminder, our foreign currency hedging program is designed to protect our profitability and free cash flow generation as long as it is cost effective to hedge.

On the bottom line, non-GAAP diluted EPS of \$1.66 was \$0.02 above the midpoint of guidance. It included a non-GAAP effective tax rate of 19.6% which, as we expected, was this quarter above our annual target range of 15% to 17%. Diluted GAAP EPS was \$1.33 for the first fiscal quarter, above our guidance range of \$1.2 to \$1.29.

Turning to slide 18. Revenue from Managed Services was \$729 million in the first fiscal quarter, up 0.9% from a year ago. Reflecting the phase out of certain business activities, Managed Services increased to roughly 66% of total revenue in Q1, thus, improving our level of business visibility and resilience.

During Q1, we continued to sign new Managed Services agreements, including the multiyear cloud Ops deal with VodafoneZiggo in the Netherlands, which Shuky referenced earlier, while also maintaining our historical renewal rate of close to 100% with existing Managed Services customers. As an example, Amdocs renewed the development in Managed Services engagement across Comcast Xfinity Mobile and Comcast Business. We also recently extended our Managed Services engagement with CLARO in Chile.

Turning to balance sheet and cash flow highlights on slide 19, DSO of 81 days increased by six days year over year and seven days sequentially, reflecting normal fluctuations in business activity. The sequential increase in unbilled receivables, net of deferred revenue was \$33 million in Q1, aggregating both 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 significant multiyear transformation programs we are currently running in North America. This quarter's increase is primarily attributable to the ramp-up and execution of our mainframe to cloud deal in AT&T, which we announced last May.

Reflecting strong execution, free cash flow before restructuring payments was \$101 million in Q1. Including the restructuring payments of \$23 million, reported free cash flow was \$78 million. Overall, we ended Q1 with a healthy cash balance of approximately \$349 million and aggregate borrowings of roughly \$650 million providing ample liquidity to support our ongoing business needs, while retaining the capacity to fund our future strategic growth.

Turning to capital allocation on slide 20. We repurchased \$144 million of our shares in the first quarter and paid cash dividends of \$54 million. Overall, we returned a total of \$198 million to shareholders on share repurchases and dividends in Q1.

Looking ahead, we are reiterating our free cash flow target of between \$710 million to \$730 million in fiscal 2025, and which is before payments under our current restructuring program. Our annual free cash flow outlook equates to a conversion rate of more than 90% relative to expected non-GAAP net income and translates to a healthy free cash flow yield of roughly 7% relative to Amdocs current market capitalization. Additionally, we remind you that free cash flow in the second fiscal quarter is typically lower due to the timing of annual bonus payments.

Regarding our capital allocations in fiscal year 2025, we expect to return the majority of our free cash flow to shareholders.

Moving to slide 21, 12 months backlog was \$4.14 billion at the end of Q1, an acceleration of \$80 million sequentially and up 2.7% from a year ago on a pro forma basis. To provide you with additional data point given the significant foreign currency movements impacting this quarter, 12 months backlog was up 3.5% from a year ago on a pro forma constant currency basis, supporting our expectation for an acceleration in quarterly year-over-year revenue growth on pro forma constant currency basis from Q2.

Following the phaseout of certain business activities, we expect 12 months backlog to represent roughly 90% of 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 22. We are continuing to closely monitor the prevailing level of macroeconomic, geopolitical business, and operational certainty, which remains elevated in the current business environment. That's the second quarter and full fiscal year 2025 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.

Beginning with the top line, we are reiterating our guidance for revenue growth of between 1% and 4.5% on a pro forma constant currency basis for the full fiscal year 2025. including another year of double-digit growth in cloud.

As a reminder, our annual guidance already assumes revenue contribution from inorganic deal activity this year, some of which we already completed in Q1. After the second fiscal quarter, we expect revenue of between \$1.105 billion to \$1.145 billion, the midpoint of which equates to a healthy acceleration of roughly \$15 million sequentially. This is despite an assumed negative sequential impact of roughly \$3 million from foreign currency fluctuations, as compared with the rates prevailing at the end of our first fiscal quarter 2025 on December 31.

Moving down the income statement. We are on track to produce non-GAAP operating margins within our guidance range of 21.2% to 21.7% in fiscal 2025. The midpoint of which equates to a substantial increase of roughly 300 basis points as compared with the prior fiscal year.

The midpoint of our full-year margin outlook assumes roughly 230 basis points of improvement from phaseout of business activities and another 60 to 70 basis points resulting from our continued focus on operational excellence, automation and the gradual implementation of generative AI.

Below the operating line, foreign currency fluctuations and hedging costs are expected to impact non-GAAP net interest and other expense by roughly several million dollars on a quarterly basis. We expect our non-GAAP effective tax rate for fiscal 2025 to be within an annual target range of 15% to 17% for the full fiscal year 2025, and for Q2, specifically within this annual range.

Bringing everything together on slide 24, we are positioned to deliver non-GAAP diluted earnings per share growth of 6.5% to 10.5% in fiscal 2025, the midpoint of which supports the fifth consecutive year of double-digit expected total shareholders' return when including a dividend yield of more than 2%.

Before turning it back to Shuky, I'm proud to announce that Amdocs has been included in the 2024 S&P Dow Jones Sustainability Index North America for the sixth year in a row. With over 3,500 companies reviewed globally, we believe this achievement underscores our efforts and focus on principles of ESG and the continual integration of sustainability throughout our organization.

We are proud to stand among the best-in-class in our industry. And on behalf of Shuky and myself, we'd like to thank our dedicated employees for the way they support our customers and our communities each day.

With that, back to you, Shuky.

Shuky Sheffer - Amdocs Ltd - President & Chief Executive Officer

Thanks, Tamar. With our fiscal 2025 off to a solid start, we are reiterating the full-year revenue guidance based on our healthy 12-month backlog position and they reach an encouraging pipeline of opportunities ahead of us. We are also on track to deliver for ongoing margin improvement

and robust earnings to cash conversion, further supporting our commitment to deliver another year of double-digit expected total shareholder return.

With that, we are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

George Notter, Jefferies.

George Notter - Jefferies - Analyst

Hi, guys. Thank you very much. I wanted to ask, Shuky, you were talking about, I think at different points in your monologue, the pipeline of projects that are significant that are out there. Is there something changing in the marketplace that's driving that pipeline? And could you talk about the genre of customers or types of projects that you're seeing? Any more details on that would be great. Thanks.

Shuky Sheffer - Amdocs Ltd - President & Chief Executive Officer

Yeah. I'm not sure that we can declare now that there is a change in the market, but the reality is that the pipeline is very rich, mature deals, and this is across all geographies and the different growth engine domain of Amdocs.

And I think that we are now putting a lot of effort to close this deal, translate into deals in a way that we can close them, and start to ramp up and recognize revenue this year. But we do -- but we are encouraged by the pipeline and the fact that it's not limited to one geography and it's across all the areas we are operating.

George Notter - Jefferies - Analyst

If I go back to the fall, I think in talking with you guys, you were talking a bit more about how it was getting hard to close deals and get customers to commit and get projects moving. It sounds like there's been a change in the environment. I guess, I'm just pushing back here.

I'm wondering what's changed that's just driving that improvement? Or is that something that indeed is not the case? Like what can you tell us there? Thanks.

Shuky Sheffer - Amdocs Ltd - President & Chief Executive Officer

I think we -- I can answer this question better in the next quarter. But definitely, the pipeline is very encouraging.

George Notter - Jefferies - Analyst

Thank you.

Operator

Tim Horan, Oppenheimer.

Tim Horan - *Oppenheimer - Analyst*

Just back on the pipeline question. Are you seeing an improvement in spending on some of the legacy projects that had kind of slowed down a lot last year? Or is it more on the cloud side where that's kind of accelerating? Yeah.

Shuky Sheffer - *Amdocs Ltd - President & Chief Executive Officer*

No, it's more on the new stuff. It's cloud, or sales projects, BSS transformation, digital modernization. So it's not on the legacy. It's much more on the new stuff.

Tim Horan - *Oppenheimer - Analyst*

Do you think the legacy might kick back in at some point or is everyone's pretty committed to the new stuff?

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

Just to remind you that when we said legacy at the time, we talked about the level of enhancements of existing systems in the same customers that are investing in transformation and building the next gen with us. So we are not counting on the fact that they will start accelerating investment in the current system of record, while they're building the future system, right? We prefer and we always said that, that they invest in their future with us.

So our focus is on selling the new stuff, bringing all the great offerings we have and the innovation we are investing into our R&D and bringing that to the table when we have the dialogue with customers. This is where the focus is, and this is where we want to see the conversion of this pipeline to additional deals.

Shuky Sheffer - *Amdocs Ltd - President & Chief Executive Officer*

But to your question, the pipeline is by far for all the new stuff.

Tim Horan - *Oppenheimer - Analyst*

And you mentioned, I think, 10 proof of concept projects for AI. Can you give a little maybe more update? I guess, Shuky, what do you personally think AI could do for the carriers? Can it materially lower their expenses over time and improve quality and maybe drive some new revenues and what's it kind of take to implement it?

Shuky Sheffer - *Amdocs Ltd - President & Chief Executive Officer*

So what we see right now is acceleration more in the foundation, meaning, as we discussed this before and shared it with you, in order to make the best use of Generative AI technology, you need to make sure that we have the right data in place. So we see more activities in this domain in a large customer, preparing all the data for all the generative use cases.

Generative use cases, I mean, we see different, it's related to care to commerce, upsell. So we are trying -- I said we are trialing with our customers. And we hope we'll see a more closure of new deals in the next quarters.

Operator

Tal Liani, Bank of America.

Tal Liani - *Bank of America - Analyst*

My question is about general growth, and it's more specifics about breaking down the growth. When I look at your numbers, and I tried to take kind of a bird's eye view 1.7% growth on a like-to-like is good, but it's just not that this kind of the momentum we would like to see.

And the question is, first of all, if I break it down and I try to understand, okay, cloud contributed and what happened with service providers, what happened to big customers versus smaller customers, can you break down this 1.7% to better understand what are the components of it so that we can link it to the future?

In the future, the question about the future is what could change such that your growth could be on a sustainable basis at a higher level? And what are the things that you're working on today that could change the growth trajectory? Because 2% is kind of the low average. It's not even the midpoint average of the company --

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

So, Tal, it's a great point. And if you think about Q1, specifically, the growth in pro forma constant currency was 1.7%, but we are already indicating through different leading indicators.

For example, the 12-month backlog, and this is why it was important for us to give the color on the real growth of the 12-month backlog being 3.5% because this is indeed leading to the fact we can start seeing acceleration of the growth.

And if you look at the midpoint that we're guiding for with \$15 million sequentially up. But if I'm adding back the currency impact, it's more like \$20 million up or close to \$20 million up. So you can definitely see the beginning of an acceleration of that growth to 3%-point-something.

You're right that overall midpoint for the year is 2.7%. But if you look on the trend during the year, how we are seeing it, we are seeing -- starting to see the pickup. And this pickup and acceleration in the growth that we should see through the quarter is coming from these new things. The ramp-up of new deals that we won as well as expectation more in the second half of the year, of course, to continue and close more deals. So with 90% visibility that the backlog presents, yes, a lot of that, we know exactly how it's going to happen.

And it's a matter of converting the deals we already have in hand, executing on them and recognizing revenue. And some of that will come from additional conversion from the strong pipeline into new deals and executing on them.

Cloud continues to perform very nicely. We feel very good about the ability to continue with double-digit growth in cloud. So that momentum is there. And as we said before, we believe that we will start seeing some pickup from all those great POCs and great, I'd say, early deals with customers, also starting to see some G&A activities.

I don't think that's going to be a huge number in 2025, but definitely, they start contributing to revenue growth as well.

Tal Liani - *Bank of America - Analyst*

Great. Thanks so much. The second question I have is about just to understand your large customer exposure. So you spoke about implementation of the deal that you wanted, AT&T. As much as you can provide numbers kind or trends within your big customers, can you talk about any concentration you had in the past?

And any projects that are ending projects that are starting kind of -- if I focus on the big customers that you have and that represent -- I don't remember the current number, it used to be about 60% of revenues, what are the trends within that group, the group of giant service providers?

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

First of all, we definitely see across our large customers, different buying centers. I just want to remind that. It's not one monolithic contract that drives the business. We are active, for example, in AT&T across multiple activities, modernizing their next-generation consumer stack, building new capabilities around Cricket, doing stuff in AT&T Mexico. So the list goes on.

So it's more diversified than just a name. Of course, eventually AT&T is a big name. But for us, it means many activities with different decision-makers different buying centers there.

I want to add that beyond our top two customers with whom we are building significant new transformations and seeing the activity. We are continuing to push forward on moving into new geographies, new names.

We mentioned last quarter, for example, a significant win with NTT in Japan. That's a new country in which we are building our business. It's a very big market. But for us, it's a new market. So we're continuing to look beyond North America, how we're expanding geographically.

Now, back to North America, beyond the fact that we have two large customers, we are continuing to penetrate and expand relationship with other significant big names. For example, Charter, that we continue to see the momentum with. And we feel there is opportunity to grow within North America.

We mentioned in the prepared remarks a new consolidation project of the billing activities of Bell Canada. Bell Canada is a meaningful customer. And we are very proud to be the ones that are consolidating for them, the different platforms.

So definitely, the list goes beyond just the two largest names that we continue to work very, very nicely with in expanding the type of business that we have with customers. And to remind you, we are also continuing to look into ways to expand our Managed Services portfolio, while having nearly 100% renewal with existing customers we serve under Managed Services.

We continue to push forward in adding more and more customers into this offering, which I think is really important, because that brings us an edge in terms of both providing them the value proposition; the full accountability of Amdocs, of not only providing new innovation and deploying it, but then supporting them in ongoing IT operations and cloud Ops, which is another good example of how we expanded in Vodafone Netherlands. For example, after completing a successful transformation into the cloud, now moving and expanding with Managed Services into cloud ops.

Just to give you some flavor of how we are thinking about expanding our existing customer base, as well as moving forward, with more new logos such as entity in Japan. But back to two large names, yes. We have been working for many years with those two large customers and continue to see opportunities to support them in their new needs.

Operator

Shlomo Rosenbaum, Stifel.

Shlomo Rosenbaum - *Stifel - Analyst*

Hi, thank you very much. Shuky, I just want to ask you again about the growth in the backlog, and it seems great that we have kind of a leading indicator that something is stepping up. But it's a backlog. We're kind of stripping out some of the exited business, I believe.

And is there anything unusual that we should think about this backlog? The way to think about the backlog after you're exiting some of the business? Is there any more pronounced seasonality in any of it?

And then just the step up in backlog, were there some particular types of contracts that drove the growth sequentially, moving it up \$80 million? Or just is there any more color you can give into the growth in this backlog?

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

Thanks, Shlomo, for the question. I'll try to give some additional color there. We don't have typically seasonality on a regular basis in the backlog.

Specifically, this quarter, the \$80 million sequentially. First of all, it's comparing apples to apples. So both of this is on a pro forma basis after the phase out activity. So it's comparing to apples to apples in terms of the sets of numbers.

When we look on the composition of the increase in backlog, it's a combination of several new deals of the fact that we are enjoying now in the 12-month backlog, a full year already of dimension to cloud deal of AT&T that we are ramping up on execution. And before that, it was just lower than the full 12 months. And the fact that we have some contribution to backlog coming from profile, the recent acquisition.

So I would say, taking all of that into consideration, I'm very happy with the composition that we see in there. And also broad-based in terms of the geographies that contributed to the backlog, which is always great to have.

Shuky Sheffer - Amdocs Ltd - President & Chief Executive Officer

And the [\$80 million] does not -- luckily, we have some headwinds.

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

[\$80 million] is after a headwind from currencies. That's why we are saying the constant currency pro forma number is 3.5% rather than the 2.7%, that is unfortunately absorbing that currency impact. So if you want to compare to the 2.7% midpoint of growth on revenue, 3.5% obviously being higher is a sign of acceleration.

Shlomo Rosenbaum - Stifel - Analyst

Okay. And just on the acquisition, the Profinit acquisition. As we're looking at the organic growth in the business, if you factor in both the currency and the Profinit, would the midpoint of the revenue guidance be going down if you did not have that acquisition? And how much is that acquisition adding to the backlog, so we can kind of look at things a little bit on an apples-to-apples basis?

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

So as we said in the beginning of the year, we factored regi into the initial guidance for the year, some acquisition. And this is part of kind of fulfilling on that promise. So I just want to emphasize, it's not incremental to what we thought in the beginning of the year. It's actually now putting a name to the plant.

And in terms of the contribution to the backlog, it was part of the contribution. I don't think it's such a big part of it. Less, I would say -- probably less than half is coming from the impact of the M&A and the rest is organic.

Shlomo Rosenbaum - *Stifel - Analyst*

Okay. And then if I can squeeze in one more. Just on the AI side, there's a lot of POCs and what do you think is the gating factor to kind of landing a big deal? Is it the readiness on the client side? Is it getting more comfortable with what's offered? Is it proving out enough return on investment, given the risk in terms of changing some their ways that they operate? Can you just talk a little bit about that?

Shuky Sheffer - *Amdocs Ltd - President & Chief Executive Officer*

It depends. I mean, first of all, as I said, we see some acceleration in the data domain. By the way, this was the rationale also of the acquisition of Profitit. Because preparing the data in a way that can support general use cases, this is a lot of work. So here, we see a lot of progress. We mentioned that we do a lot of it in AT&T and other large customers.

The adoption, I mean, some of it, there was a lot of activities in the call center. Sometimes call center are unionized. So it's not as simple to -- I think it's starting to get the maturity level that you can put a tool like this and know that it works 100% accurate because you start to -- when you put it in the hands of customer care representatives to make sure that it's effective. It works very precise.

So we start to feel some maturity and we believe we will see some acceleration in signing deals. The deals that we already signed, we see that they are expanding. For example, we mentioned etisalat. We started with a couple of use cases; it becomes a much more broader deal than that. So we see there, whenever we are lending a deal, it's working well and we see some acceleration.

Shlomo Rosenbaum - *Stifel - Analyst*

Okay. Thank you.

Operator

Thank you. 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 - Secretary & Head, Investor Relations*

Thanks, Jonathan, and thanks, everyone, for joining us this evening. If you do have any additional questions, just reach out to us here in the IR group. And with that, have a great night. Thanks a lot.

Operator

Thank you, 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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