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EDITED TRANSCRIPT

DOX.OQ - Amdocs Ltd at Oppenheimer Technology, Internet & Communications Conference (Virtual)

EVENT DATE/TIME: AUGUST 12, 2025 / 12:00PM GMT

OVERVIEW:

Company Summary

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PRESENTATION

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Good afternoon, everybody. Tim Horan, the cloud communications and digital infrastructure analyst here at Oppenheimer. My pleasure to be hosting Amdocs for probably the fourth year in a row here. We have Head of Investor Relations, Matt Smith, and Head of Strategy and about four other roles at Amdocs, Anthony. I'm just going to call you G. But I -- but you guys all get it.

QUESTIONS AND ANSWERS

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Anthony, maybe as Head of Strategy, what is -- can you describe what the company does in your mind and what your strategy is to grow the business and how that's evolved over time?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, sure. I mean, obviously, we've been around for a little while and we focus primarily around customer experience. And that doesn't just mean on the front end, all the way through taking orders, provisioning it all the way to the back end, on the network. So we're primarily focused on the telecommunication sector. We live, breathe, eat this. And we go very, very deep in terms of our platforms. We're very, very vertical and we go very deep.

And we work globally. So obviously, it's pretty difficult in the US to make a phone call these days without touching some Amdocs system in any shape or form, but we also Europe, APAC. Kind of our little brag card, if you like, used to say that we're in some shape or form. We're touching over 3 billion consumers worldwide in some manner because they're accessing some component of our systems. And obviously, in this day and age, there are some key technologies like migrating to the cloud. providing seamless experience and, of course, generative AI where we believe it's an absolute game changer and we can help our customers do some amazing things.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Very, very good. And so you said, I think your basically your focus is on customer experience largely within the communications industry customer experience is how you would define it. And how much of that now do you think is done in-house versus outsourced? And in your experience, how much better is the customer experience if it's outsourced to you guys do you think?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, so when we -- so just to clarify there, when we say customer experience, we essentially mean three things. So usually, when someone says customer experience, they're just thinking about a front end, or an interaction point, or a channel such as a mobile app or a web page or something like that. And it's about the experience you receive from that front end.

When we say customer experience, it has three pillars. The first pillar is obviously the front end, the interaction, the order capture, the customer care, how you interact with an enterprise system. The second component of it is that it needs to be automated. So it's not just about taking an order, but it's about making sure the order gets fulfilled and automated, gets provisioned on the network, doesn't fall out, your device gets delivered to your house, to your workplace, ports get lit up, you have service assurance.

So when we're thinking about a digital experience or a customer experience, we're thinking about the entire customer journey. And the third pillar of that is that it's real time. Meaning, there's nothing worse than you going on a website or an app and clicking something and then saying, oh, please check back in 24 hours, right? I mean, that's not the world we live in. The world we live in is you order Pizza Hut and you're, oh, my pizza is in the oven. The driver's picked it up, my driver is in the neighborhood. Like that's the expectation we have today, and that is the expectation that the next generation is evolving with. And so we're building systems and platforms to kind of adhere to this, I would say, the new norm of behavior.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

That's a great point. So we're basically trying to migrate from legacy, telecom, customer experience systems to more digital cloud-based that are incorporating AI. I guess when you look at the cutting edge of the new systems, like, is there any way to compare and contrast to the old systems in terms of productivity improvements or quality improvements at all?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, I think definitely. I think, on one hand, it's a little unfair I think on the Toco space because they have to deal with so much infrastructure. So there's always this continuum of legacy hardware, network components. There are still wireline. I think I read something, I don't know if this is true or not, but that AOL was shutting down their dial-up lines like two days ago. And I was like, somebody's still using dial-up to call AOL for internet access, right? I mean, there is this heritage of decades of legacy infrastructure and components that needs to live in a hybrid world with the new stuff. And that's not going away anytime soon.

So that's why when you talk about modernization, whether it's on the BSS side, the OSS side, or even utilizing generative AI, you need to be able to live in this hybrid world, take all the data from your current systems, from your new systems, from your legacy systems, bring it all together to form a holistic customer journey.

Very, very rarely, and there are very few, completely greenfield telcos in the world that just woke up yesterday and said, hey, I'm going to build a national or network that has full national coverage, right? Because it's not an easy job. It's a tough job, and I don't envy the job of any of the big carriers definitely in the US.

Huge geographical span, huge CapEx investment. You need to make sure that you adhere to regulations. And I always give this example of kind of -- sometimes I'd love to be, Zappos, right. So you're calling in and you're like, hey, I would like this pair of shoes in this size. Fantastic, let me ship it to you. Versus at Toco, hey, I would like a phone. Oh, do you want a handset? Do you have an existing handset? Oh, you need me to put your number? Oh, you're on a family plan, or you're removing it, or let me give you early termination. Oh, there's a proration because you're getting a new device. Like there's all of this complexity in the back end that essentially in the industry.

And we need to mask for the consumer because they don't care. They just want their next iPhone in September, and they want to switch it on, and it needs to work, right? Your eSIM needs to be deployed, it needs to be turned on. And by the way, the moment you switch off your old phone, switch off your new phone, the new phone needs to work with your new number. And masking all of that complexity is really what a digital experience entails.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

A great point. So I mean, key catalyst now is generative AI. I know you've been working on it intensively for a few years, done a bunch of proof of concepts. Are you actually seeing commercial deployments at this point? And are you seeing applications using it?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, we've had. So the last quarter has been -- was really nice for us. We saw several of the POCs actually turning to projects. And these are kind of ongoing projects, right? So if you have one of our initial customers that signed up, [Etisalat], they took our platform and they focus very vertically on a specific customer care engagement in terms of an agent serving customer care in their territory. And then they moved on to several different ones that we're working on them with.

So I think getting this beachhead and getting this cornerstone is very, very important to us from a strategy perspective. Because you are going to live in a, I would say, a world where you're going to have multiple agents maybe built in-house, maybe built with us, maybe coming from us. And they're all going to have to cooperate together.

And so we want to make sure that when it comes to obviously the future of our company and the strategy of our company, number one, we are a relevant player in the field. Number two, we are adding real value in ROI, not just science experiments. And number three, that we can work in an ecosystem in collaboration with our customers who, like you mentioned before, do want to build stuff and play with staff and build their own agents. And it's okay, the both can coexist and both facts can be true.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Great. So you just I think won a very major contract from BT in the UK for digital modernization. Can you talk about how you want that? What will it entail? And how much more better will the company be operating post modernization yet?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, I mean, it's still -- without going to like too many details, obviously, it still early days. And we're just getting into it. So but obviously, BT is a very strategic customer to us for the region, for the area. They are a key player. In many aspects, the brand, the logo -- I mean, we've worked with them obviously for a little while in different areas. But I think BT taking a step like this on a major transformation I think is almost the leading indicator that the technology that's there today, whether it be cloud native or generative AI or having data pipelines from all of your assets can really unlock key capabilities, not just in cost savings but also revenue growth.

And I think if you look at both the consumer side and the enterprise side, I always say that a lot of effort and money has been spent on the consumer experience. Not the same amount of money has been spent on the enterprise side of the house, right? So you take the average handling time of an order for an enterprise order, this is still maybe 30, 40 days. I mean, I was just talking to a client actually in APAC, and we were talking about migrating from a legacy system to a modern system. And they were talking about their in-flight orders.

And I said, okay. But in-flight, I mean, worst case scenario, talking about maybe three weeks. They're like, oh, no, no, no, we have some in-flight orders that were five months. And I was like, what? You have an order that was ongoing for five months? I mean, those types of scenarios, right?

It's unconscionable. Imagine, Jim, you going and buying something, anything, and the provisioning of it takes five months, right? And there are cases like that. So I think there is amazing opportunity for us in the B2B space. We see many European carriers looking at transformation in the B2B space. And I think also on the consumer side, there is a high level of expectation using generative of AI.

So I always say now, if you're using IVR, it's a legacy tool, no one wants to talk to an IVR. Like my kids my kids hate calling someone and talking to them. The second worst thing is for them to talk to an IVR, right? And you don't need to do that because you can have the context of why you're calling, you can verify and authenticate a person very fast. And you can direct them and give them an answer very fast. You don't have -- you don't need this kind of legacy mechanism anymore. So I feel like companies like BT are really kind of grabbing the bull by the horns and saying, look, we are going to transform, we're going to put the building blocks in place rather than just say, look, we're just going to modernize the channel.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

I mean, I got to believe almost every telco's got to be wanting to digitize the business and use AI. I know you've signed quite a few deals. But like why isn't everybody signing these deals? Like what's the bottleneck at this point?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, if everyone's in a different place, right? Meaning, based on their strategy, some might say, it was in Japan a few weeks ago and the customer was talking to me there about retail stores, right? And if you've been to Japan, you'll understand that every retail store is an experience. You don't just go into a store just because you want to buy something. It's an experience.

And so they are reimagining what their retail stores look like because they want to drive Gen Alpha and Gen Z traffic through the retail stores. And they want to make it an event for them to come to the retail stores, right? So like that's their hill that they want to try and conquer, and they believe that that's their direction.

On the other hand, like I mentioned, some others are looking at the enterprise space and saying, look, in terms of revenue growth, maybe the consumer segment is fully maxed out. But there's a lot more space on revenue growth, and there's a lot of SMBs and enterprises coming to the market these days. And so I can capture that.

And then on the consumer space, I would kind of say we have customers that are like, I think you and I spoke about this before, rather than traditionally look at KPIs like Net ads or APU as an indicator, start to look at SaaS metrics like LTV. What's the lifetime value of map? So I always give myself as an example, although it's probably not a typical example. I have an Apple Watch, I have a corporate iPhone, I have a personal iPhone, I have an iPad, and I have a laptop, and I have a car. So you have six things here with eSIMs in them.

Right so what is the lifetime value of Anthony is not the APU for my mobile device, it's the LTV for all the ways I can monetize the way he wants to connect. And then you just get my family, each of them has an Apple Watch, an iPad, an iPhone, that's three eSims each. And this number is only going to get bigger.

So I think even on the consumer side, making this experience transparent, simple, how easy is it to just add an additional Apple Watch or add an additional eSim for your -- I got a bunch of cameras for the backyard the other day that has connectivity built in, right? SIM card. So can I just add it very easily to my mobile plan.

So I think connectivity -- I think this paradigm of moving from a one to one connection from a wireless device to how do I provide basically your ecosystem of connectivity. Another -- not to segue to a different topic, but this other kind of paradigm I've been talking about is around ubiquitous connectivity. Our kids don't care how they get connected, whether it's LTE, 5G, 6G, LTE Advance, fixed wireless, fiber, D2C with low orbit satellites. Like I don't care. Connect me via the best broadband mechanism you can wherever I am and wherever I'm traveling to.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

And I know you have a new SaaS-based platforms for -- if I wanted to set up a virtual mobile company and probably many other products and services. But that almost seems to be -- like if I'm a carrier, do I almost like start over and say, look, I'm probably better off with using Amdocs connectX product, which is virtual cloud-based, SaaS-based, uses AI, and start porting customers onto that instead of trying to support all these

legacy systems. Or does it just happen organically where new startups, or new MVNO, and those are using this and operating so much more efficiently?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, in some cases, both are true, right? So if you have your premium brand and you have 20,000 products and you want all sorts of mechanisms in play, you do want the premium and the best of the best, right? Like you can think of it -- like I'll give you an analogy that maybe your audience may be very comfortable with. If you think of networking gear, right? If you think of your enterprise office, and you want to get a router for it, you are not just going to go out and buy a simple WiFi 7 router that gets delivered to your house to connect your house, right?

Now, can both of them connect you to Wi Fi? Absolutely. Can both of you let you watch a video on YouTube? Absolutely. But there's a different purpose for a high-end Cisco router in your enterprise and a WiFi gateway in your house. And I feel like connect X is, in a way, kind of that differentiation. So I think both can exist and both can be true.

In some cases, our customers take both because they maybe want to launch multiple digital brands quickly. And they want to try it, see it, does it work, does it not work. And we initially when we thought about this idea, we saw -- and people almost kind of laughed at me when I was talking about it initially. But we saw this like appetite for influences, an appetite for communities to use connectivity as a red thread to connect their community, to connect their ecosystem, to connect their digital brands.

So if you're an influencer that sells multiple digital brands on multiple platforms, well, what is the one thing that you can own because you don't own YouTube, you don't own Instagram, you don't own TikTok, you can publish content on there? But what if you have a one type of connectivity medium that you can now sell tickets for your concert, early release if you have your ex-whatever mobile phone for it? What if you're launching digital products on it and you get a better deal? And suddenly, connectivity could have the potential to be the red thread that glues all of these different services and digital goods together and form your community.

And we're finding that more and more people are thinking about it. Now, it's to be seen on how it matures and if it actually works out. But I can pick a couple of big influencers or singers or names that potentially, if the person launches something on Sunday, by Monday, they're going to have 5 million users on their platform. I mean, you can fill in the blank here in terms of names.

But I think in the next couple of years, this will be a very interesting play. And for the telcos, I don't think it's a negative, why? Because you may not be the best at going after Gen Z in terms of the brand, in terms of who you are. So why not allow someone else to do the marketing, get the users as long as they're using your network? Now you are building more capacity, you're building more bandwidth, you can monetize it better. Just allow -- it's like direct and indirect channels at the end of the day/

Now this used to happen before. But the way people thought about it was kind of sub-brands and maybe lower socioeconomic brands that you would have in the market. Oh, you would buy a prepaid phone. That would be an NBN. But now what we're seeing is premium brands coming into the market and saying, wait, wait, wait, this is not a sub-brand or a low socioeconomic brand. This is a premium brand that you get all these additional things if you get it. And so this I think is another interesting business disruption, I would say, in the business sense that's happening in the industry right now. And by the way, it's happening globally.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

You bring up a good point. I mean, if a musician is popular enough and if you get the phone and they have every song they've ever recorded, or for free, maybe thousands of other songs. But what other additional services are you seeing as -- that people are thinking about with something like a connectX or other bundles?

Anthony Goonetilleke - Amdocs Ltd - Group President - Technology and Head of Strategy

So we're seeing some interesting use cases. So definitely, we've been speaking to several influences, large name influences that are thinking about it that want to evolve to it. We are seeing enterprises wanting to have their own employees use their own connectivity devices, for example, we have a bank that's one of our customers right now. We're seeing community groups wanting to have like their own service that wants to do it. And we're just seeing telcos that want to launch multiple brands and see what sticks and what works, and they want to do it cheap, fast, quickly.

The cool thing about the platform, it's gen AI native. So you're not going -- it's not like a CRM screen that has 16 dropboxes, and you need to pick and choose and know what to do. Like you're literally sitting there going, hey, I want to launch a MVNO brand that targets this market in the Dallas metro area that targets this demographic. And it'll build everything for you, from the framework of the app to generating the logos to all sorts of plans that you basically say yes, no. And within an hour, you can have a tenant stood up.

I mean, we've definitely not in the Amdocs realm or any other realm have we had anything like this. Now, in a way, I think I had a interesting call earlier this morning with another investor that asked us a question going, well, how does that kind of sit with your other products? Does it disrupt it? Does it overlap? Like how do you see it? But I think there's a place for both of them.

And yes, there may be some minor overlap in certain areas. But there's still a place of the enterprises that want the heavy grade that they have multiple products. They want to run it, configure it in a million different ways versus the influencer that just wants to launch three products in a very simplified manner and just use the community thread to stitch everyone together.

Timothy Horan - Oppenheimer & Co Inc - Analyst

And how important are -- just how important are eSims for this whole new process. And how ubiquitous like are eSims? When they started to be deployed like in the United States and globally eSims? And how how ubiquitous are they now?

Anthony Goonetilleke - Amdocs Ltd - Group President - Technology and Head of Strategy

Yeah. I think it was the silent game changer I think in the industry because -- for good or for bad in some examples. Because I think you can so easily -- the adoption of any technology at the end of the day is in direct correlation to the friction or the barrier of entry into the ecosystem. So now, when you have a physical sim -- I'm sure we remember in a generation from now, no one will remember that we had to have that special pin that used to fit, and you had to poke it. You had to take the card out, then you had to put it in the right way, make sure it fit correctly. Oh, it's a wrong size sim. Oh it's -- all of these -- I mean, that's all friction, right? That's all complexity and friction.

Now, it's like a QR code. I'm sure when you fly to countries, you see, hey, you want an eSim, scan the QR code, and you download the eSim and off you go. And I think that's just for phones. But the -- allowing us to reimagine what's possible in terms of putting connectivity to almost anything, I saw a chip vendor put an eSIM on a coffee cup, a disposable coffee cup with a very, very cheap bill of materials.

And the reason they did it, it wasn't because you needed an eSim on a coffee cup. It was just to show that the world's your oyster, you can add connectivity to anything. I have -- I don't know -- over, kind of sad, but over 100 different connectivity devices in my house. Anything that I can automate, I automate and get it connected.

And now every time you get a device, you need to get download the app, figure out, connect it to Wi Fi, put the password in and things like that. Imagine just getting, I don't know, a water sensor or getting a camera or whatever, and you like just turn it on. And it's just automatically connected and off you go and you don't have to worry about connectivity or anything like that. Like that is really the future that eSim enables. And I think a lot of the things we're seeing is driven by this like lowering of the barrier of being able to come into this ecosystem now because of these things.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Yeah, that's a great point. So I use T-Mobile, so I don't have to -- when I go to a country, I have free roaming generally. And I'm getting most of my over the top television or video content through them also. What are kind of other new offerings that you're seeing? I mean, will I buy my future theater or concert tickets on this new type of MVNO device that may be one of the more popular musicians is sponsoring?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah. So it's an interesting point you raised. So we are seeing obviously, not just us, but there's a little bit of subscription fatigue, right? There is so many things you need to subscribe to, so many services. I mean, I have lost count of the number of things I'm subscribed to on an ongoing basis. And I feel like, if you look at it, we got away from kind of, quote unquote, the traditional cable set top box.

And now we're like, oh, hang on, that wasn't actually a bad idea. Because now, I'm a tennis aficionado and I need just to watch the Grand Slams, the four different Grand Slams, I need six different services. And it's kind of annoying. So I feel like there is an opportunity for carriers.

We have a platform called Market One that basically we onboard dozens of different digital properties from the big ones like Netflix, Spotify, things like that, to the smaller ones. And then our customers basically has one integration point to the platform, and then they can have whatever respective commercial agreements they want with these providers. And they can offer it directly to their customers however they want to offer it.

So I think there's definitely an opportunity there coming back to. Maybe you won't go back to a set up box that everything is there because you know we're still used to transacting on a, as needed, ala carte basis. But maybe you can have everything in one place and have a look at it.

I mean, it's kind of -- I'm almost shameful to admit this, but my subscriptions are across four different credit cards. It's across Apple Pay, it's across PayPal. It's like -- I was like, I need to do an audit, and I hate to even start the audit because I need to check like six different places on where I'm being charged.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Well, my -- totally, but then my problem is my wife or children will decide to do something. And oftentimes, we have two or three of the same.

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

100%. Yeah, I was carrying a Disney Plus account for like a year and a half. I was carrying two accounts because we just didn't realize it.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Yeah, it's so incredibly aggravating. So maybe -- so how do you monetize everything kind of going on here? I know you have an outcome-based revenue model for many of your customers and managed services. How does this accelerate growth there? And how do you deploy generate AI internally to also improve your own margins?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, lots of great questions. Yeah. So our monetization, we've always been a company that really we weren't about butts on seats or time and material or anything like that. So in a way, we are not new to the field, right? Like we always looked at, well, what are the milestones, what are the outcomes that you want to achieve? And our monetization model was loosely tied to an outcome-based model.

I think this is now taken to the next level where people are so much more focused on outcomes rather than, hey, like, give me 10 people or give me 15 people or give me a scrum team or whatever. So I think this is a very easy flow on for us because this is the way we think anyway, whereas I remember an example with one of our customers where they had a problem. And they had a BPO vendor that basically the worse their problem got, the more money this vendor got, which is kind of a horrible model, if you think about it, right?

So the more fallout our customer had, this BPO vendor basically had to put more people on and was able to charge more the bigger the problem. So like where is the incentive in that to reduce any cost? So we've always come at this at a very different -- from a very different angle around automation, around using ways to introduce technology to take cost out versus the opposite.

So I think we're in a pretty good place from that. So there's that and then, of course, we have our platforms like connectX and Market One and eSIM that that are SaaS-based platforms that we monetize on an ongoing basis. Different mechanisms whether it be eSIM downloads or number of subscriptions and things like that. And of course, we still have our managed services, which is really based on an accountability model that our customers tend to like.

And so I feel like these models will potentially evolve, especially under generative AI. So if you take something like a managed services model, of course, there's going to be a fixed and variable component. Because wherever you use generative AI, if for example you're providing a customer with certain transactions using generative AI, there could be variable components added to it. So there will be tweaks to it, but this is essentially the way we kind of look at the world anyway.

So I don't necessarily think it's like a complete paradigm change. And we don't work in the BPO space. We don't really do anything in that space, so that really doesn't -- all the (multiple speakers)

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

And just to be clear like, so what is your typical managed service? And to be clear, the business model is you charge your customers per a fixed amount based on the number of customers. Or what you think the fixed amount is? And if you can reduce your expenses on that, you get to keep the profit on it. So it incentivizes you to be as efficient as possible. And you're also saving the company money theoretically with the managed services to begin with, but maybe just describe it a little bit more.

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, so the managed services, obviously, is a longer term. And sometimes the way we would like, obviously, doesn't always happen. But if there is a transformation and then we go into a managed services, the profiles may change from the beginning to the end obviously. And it's a mixture. But we believe that introducing technology, obviously, we can take cost down.

Now, it may not be on day one, it may be on year two or whatever. But we believe we can optimize and start to take cost down, and we take that responsibility on ourselves. And generally, with managed services, there are fixed components, there are variable components because there's also sometimes a discretionary spend in terms of additional stuff that they would like to get done.

So I wouldn't say it's necessarily like one size fits all. But generally, they are longer term, they are secure, they are fixed and variable components both added into the deal. And generally, what they also get from us is the investment we do for an R&D perspective on an annual ongoing basis versus, if you're picking just the standard SI company and they're giving you some type of managed services, okay, you're getting the people, you might get some technology, but you're not getting the R&D investment of what we do and the products and things like that. So a lot of our customers that with us for multi-years enjoy the benefit of the next version of the product. All of the R&D investment that we do, they tend to enjoy the benefit of that as well.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

And what percentage of your revenues now on managed services?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

You want to grab that, Matt?

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

Yeah, it's about, as of the last quarter, 67%, which is actually a high for the company.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Got it. And what would a typical managed service be? I mean, would it include customer care, billing, provisioning? Could it include like all the services end to end?

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, it's a spectrum, right? I mean, obviously, Utopia would love to do end to end. And we also do obviously some managed services around products that are not Amdocs. And we have some customers like that.

And other customers, maybe a specific area, maybe a line of business. It may be a vertical such as mobile or fixed wireless or something like that. And it's kind of everything in between. There's not -- I wouldn't necessarily say it's one specific thing, and this is a cookie cutter other than it's a longer-term agreement.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

So how are you using Gen AI now internally to improve services, reduce expenses? And are you starting to see real momentum there now? I know you've been working on it for a few years.

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Yeah, so we really -- I would say, a couple of years ago, we really embraced it wholeheartedly. Clearly, we're starting to see -- I think I read it yesterday, the new term we've gone from -- I love all these terms that the industry gives it, the great resignation, the great hiring, and now it's the great flattening of organizations. And I think there is a real opportunity when it comes to organizational hierarchy.

You take things like -- a simple example, you may have had a product manager, a kind of a product PDO that kind of executes it, then you may have another product person that's involved in, taking that set of instructions and making sure it goes into the epics or the function points. Basically, in today's world, you can flatten that into one role. And you can use generative AI as an augmentation of their role.

So if I'm drawing it on a chart, I may not have three humans, I may have one person and two agents helping them. Same with migration. So we have a migration agent that we're working obviously very closely with both AWS and Microsoft on these ones as well because a lot of the migrations are to the cloud.

And the migration agent may be doing the job of what three people were doing before. So it's not a -- I wouldn't say it's a complete replacement. But it's really a flattening of like big hierarchies of teams and things like that where we see -- and of course, especially around SDLC, software development life cycle.

Now, we are building software for that's carrier grade, that's mission critical, that it needs to be architected and built in a very thorough way. So it's not like you're just waking up and you're using Cursor AI to build a mobile app and going, hey, here's my nice mobile app. You're building mission critical enterprise software which is a little bit more complex.

So maybe the path is not as fast as just building a vibe coding and building a mobile app. But definitely, we see, in double digits year on year, kind of savings and investments. And I think if you look at the timeline in terms of how fast technology is changing, we had this conversation a year ago, I'm in a very different place in my head in terms of what we can do and what we can use gen AI in the software development life cycle than I was a year ago.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

So Matt, we're down to 3 minutes and I'm probably missed like 5 of the questions I should have asked Anthony. But what is the key one I didn't ask, one or two or key point you'd like to make?

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

Key points. Like I think that we're in a strong position, both in terms of the market and our technology leadership. I think we're very much at the forefront of the industry's shift to the cloud, which is a major thing. We're sort of leading in that regard.

And I think we're demonstrating with the recent gen AI related deals that we're able to sort of make this transition from all of the POC work that we've been doing into a real tangible rewards with our customers that provide us with a strong foundation for future growth, a strong foundation on which to scale and prove our capabilities and then ultimately scale. So I think we're executing well. I think the market opportunity is a big one, and we need to sort of stay focused on converting deals, executing, driving that margin improvements, accelerating the investments, generating the free cash flow, and so on. And if we can do that, we can sustain, solid bottom-line growth. And that's the thesis.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Yeah. No, I couldn't agree with you anymore. I mean, the story is gen AI is working. It's working for you guys, it's working for your customers. There's a lot of examples of it. Now it's time to implement. I mean, theoretically, this should help move the needle on revenue growth at some point.

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

Yeah. No, I think it should. But we need more proof points, I think, just to see exactly how the growth will evolve over the coming quarters. But certainly, the size of the market opportunity is there. And there's plenty of room for us to expand. We just need to execute it and maybe get a little bit of help from the broader macro environment as well, and I think the opportunity is there. I don't know if there's anything you'd add to that, Anthony.

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

No, I think you covered it well.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

Great point, guys. I really appreciate the time. We will talk soon. Have a good rest of the summer. I'm glad to see there's no tornadoes behind you there. That was like -- I was like, Anthony, look behind you.

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

That was as much a relief for me as it was for him.

Timothy Horan - *Oppenheimer & Co Inc - Analyst*

All right, thanks, guys.

Anthony Goonetilleke - *Amdocs Ltd - Group President - Technology and Head of Strategy*

Thanks, Tim.

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