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PRESENTATION

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

Okay. Thank you. Thanks, Shuky. I'm the only one in the room that knows how to pronounce your name properly.

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

Yes, yes, yes. Shuky is a nickname for Joshua.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

I know. So I thought about it, how we're going to start our discussion. And as always, this is not about the quarter. This is about the long-term positioning of why would an investor want to hold Amdocs for the next 3 years. That's the purpose of our discussion.

QUESTIONS AND ANSWERS

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

And maybe I'll start with an easy one. I want to go over an overview of your product. For those that don't know you, we'll get much deeper. But I want to get to an overview of the products. And basically, the question that I'm asking you is what drives your sales, what drives your growth, what drives your positioning with customers?

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

Okay. So a little bit what is Amdocs and what Amdocs is doing because Amdocs is a bit pretty unique. So our target customer is obviously the service provider, the AT&Ts, the T-Mobiles of the world, these are target customers. And what we do for them is pretty much all the IT infrastructure, all what you call in terms of BSS/OSS. In simple terms, you can think about from the channels, it could be the website, more application to the call center, through the catalogue ordering system, all the financial system like billing, invoicing, general ledger, accounts receivable, et cetera, then down layer that actually started to touch the network like charging, rating policy, and then provisioning the services, [et cetera]. So it's an end-to-end portfolio. .

What is unique about Amdocs, usually you have 2 types of companies. You have software companies, Salesforce, and you have system integrators like Accenture, Infosys, and the rest. What is unique about Amdocs that we are both a software company, we obviously develop our products, and we do the implementation and the operation of our products, which creates a very unique accountability model. Usually, if you see in a bidding competition, it would be Amdocs and it will be a consortium of 3, 4 companies with some system integrators to try to stitch everything together.

Now I mean there was a big wall between, I think, started in 2010, between the best of rate and the best of [suite] of Amdocs. I think the best of suite of Amdocs won, and you can see that all the largest companies in the world are running Amdocs platform. So this is both the product and the services. And if another thing what's propelled the growth of engine, the growth of Amdocs, what has changed in Amdocs because Amdocs was traditionally for many years, in all the company for many years, what we call [steady Eddie], 2% growth, very consistent. And suddenly, in the last 3 years, we are growing, 2021, 7%, and then 10%, and then this year, we guided for 8%. So what growth is accelerated growth.

So first of all, I think we move from an environment pre-COVID that we have one large growth engine. It was digital transformation. Everyone wants to transform the business. And we move from an environment of one growth engine to 4 because right now, we're talking about digital transformation, which is here to stay, we're talking about cloud, the immigration to the cloud. We are talking about everything around 5G. We are talking about network automation, B2B, and this has actually changed the company from the growth trajectory. And we also increased our total addressable market, which was pre-COVID around $35 billion to close to $60 billion. So all these -- and this is the thing that are propelling the company growth.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

Got it. What is unique in your business, meaning -- why -- I see the same customers running with you for years, right? Basically, you never lost a customer, if you think about it at a high level. So what is so unique in this business model that is sticky to customers that are just -- once they have a relationship with you, the relationship either is the same or better?

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

So first of all, it's not a system that you would like to replace. We are talking about a mission-critical system. But I think Amdocs has done a relatively good job in reinventing the company. I mean we identified all the trends that are existing right now in the market as part of our strategy 4, 5 years ago. So we invested heavily in cloud, in automation. We are sitting in a position that we see what's happening around the world. And we talk about, for example, 5G monetization. So by the way, in the U.S., 5G monetization didn't even start. I mean -- so we -- from our position, we see a lot of innovation in APAC.

For example, 2 our customers are operating probably in the last -- I mean the 2 new countries that I know that have 5G full stand-alone deployment, which is Singapore and Korea. So we're getting a lot of experience. We continue consistently to invest in the product. So it's not that we are stuck and we are running a legacy system and it's a type of a masterless relationship. It's an environment that we are coming with new products, new services. We call it in the company, constant innovation.

We are not a start-up that's doing innovation. We're all the time trying to be ahead of the market. And I think at the end of the day, the customers see value, a very unique accountability model. So it's not like if you have a system integrator or something doesn't work, you would say it's the product, the product guys will say, the integration doesn't work well. This unique accountability model, taking ownership, and a very strong always deliver DNA. So customers know they can trust Amdocs. And this is the most important system for them. That's why they (inaudible).

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

And we are seeing -- across the board, we're seeing some slowdown. We're seeing budget cuts, even the big cloud companies, the big service provider companies, but your business is quite stable. What makes your business inherently more stable than other businesses within the software landscape?

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

So we don't -- first of all, I don't say we are immune. I believe that we have more resistance. So if you look at the how the Amdocs business looks. First of all, 60% of our business is managed services. This is when we run the large operations of the world, from AT&T to T-Mobile to Bell Canada to Vodafone, to Vivo Brazil. I mean we are running -- 60% of our business is managed services. Then about 75% of our business is recurring, managed services and additional projects which are recurring. And we have roughly 80% visibility, 12 months as well, 12 months backlog. But I think that if you look at what we do, and when we look at, for instance, in 2018 in the big crisis, the financial crisis, and also in the COVID. None of our projects were stopped. Because if you look at the Amdocs project, obviously, the operation is mission-critical, but what we do is in the heart of the strategy of our customers.

Everyone needs to monetize 5G, more than anyone else, how much money, billions of dollar people are spending on spectrum and rolling out 5G. So they must be able to monetize it. So I'm not sure that the first place to slow down investment is the new 5G monetization system. Everyone eventually will move to the cloud. It's just a question of time and how, and Amdocs built a lot of capabilities around this. And our -- what we would like to do is actually to move all our customers to the cloud in a different type of way that cloud migration journey to build for them.

Network automation is a must, giving 5G a stand-alone network. And I think digital transformation was there before COVID and actually accelerating today. So to answer the question, I guess that everything that we do for our customer is highly critical. Now I'm not saying that we don't see some slowdown here and there. But overall, this is a high critical project for them. We've done projects for AT&T as part of the -- they are now coming with their fixed wireless offering. We are supporting T-Mobile to get we were, I think, a good part of supporting the merger synergies. And we are doing a project now in Vodafone Germany to try to combine 4 companies together. So I guess it's the nature of what we do is highly critical. This is why -- while we see some, I would say, slowdown here and there, but for the most part, it continues to propel forward.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

Got it. One of the number -- I mean the number one question I'm always getting about you from those that don't know you is about the competitive landscape. Can you discuss competition at 2 levels, number one, competition with internal IT departments and competition with external vendors, other similar companies?

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

Okay. So there is no other Amdocs. So obviously, when there is like a competitive bid, it will be Amdocs on one hand, all the portfolio of the product end to end. And as I said, it will be several companies with some system integrator that try to glue everything together. So we have competitors in different domains. So in charging, it could be a company called MATRIXX. In contact center, it could be Salesforce. In billing, it could be Netcracker. So there is no -- or Ericsson, sometimes Oracle. So we -- there's no one that have the holder portfolio of Amdocs. And no one is doing the service like Amdocs. So from this perspective, I think we have a lot of advantage.

But as you rightly said, the major competition of Amdocs is internal IT. Because if you see usually we are -- and I'm not saying it in a bad way. We are replacing platforms, legacy platform that were managed and developed by legacy -- by IT. And this is our main competitor. This is why -- that even if you see the -- let's say that the spend of the IT, telco part, even if it's not growing, or flat, or growing 1%, it does not mean anything on Amdocs' growth. Because at the end of the day, we are replacing a part, that's money we spend on legacy system, and now the system of being modernized. So it's not like there's no growth, then there's no growth for Amdocs.

Another thing that I want to -- and we talked about this before, we are not connected to the CapEx cycle. So everyone is talking about a lot of CapEx slowing down. It's mainly impacting the Ericssons of the world. This is the guys because this is less CapEx-oriented business.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

So you spoke about 4 drivers of growth. And in the next few questions, I'll take you through the 4 drivers. And the first one is digitalization or digitization. Explain why Amdocs is benefiting from it and how you're helping your customers to handle this?

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

Okay. So when we talk about digitization in general, in North America, you asked how much of the engagement that you are used to do with Amazon or with any other one, which is pretty much almost -- when was the last time you called a representative from Amazon?

I mean it's -- and the idea is that eventually, that the industry will be able to serve its customers or consumer in a relatively likely great consumer experience like Apple have or Amazon have or other company. And most of our customers are not there. So elevating the way that you engage with the consumer or the B2B, this is what we call digital transformation.

Now in order to do this, you need to make sure being digital, it's not just having a nice mobile application. Being digital, and this is where the heavy lifting, is the ability to take a complex order of a consumer, that bundles, the fiber, 5 wireless devices at the home, maybe some other services, content, et cetera, and be able to completely fulfill this order completely automatically, from the order capture up to the network, this is the holy grail of digital transformation. This is where when we can do -- have a much better consumer experience. This is the way we can reduce a lot of the cost, a lot of manual work. And this is the holy grail. Now most of the companies are not there.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

And when the companies decide to do, all the companies go soup to nuts, meaning I have nothing, take me all the way down to the whole thing or do you see companies going step-by-step saying, okay...

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

We -- for this reason, we build different modernization journeys for our customers. There are customers that it makes sense to what we call rip and replace. Taking you have a legacy system, and they say it doesn't make sense. By the way, if you are trying -- it doesn't make sense to start to patch the legacy system, I'm going to stand up a completely new platform, latest and greater, cloud native, all the buzz words. This is one option that obviously we can do.

The other option, what we've done and when we build the new portfolio with the couple in a way that we allow you to do a gradual modernization. For example, if you want -- if time to market is the main business problem, you can start with a new catalog. Our [latest business] catalog, which can do drive things in weeks, now takes days. If you have an issue, we came with a platform it's called right now, this is the next-generation billing. It's called free-style billing. So if historically, remember, it was like postpaid, prepaid subscription. Now you can do everything.

You can start -- you can pay your bill, half subscription, half credit card, it's almost completely -- so completely free. You can say, consumer choose, you want to -- you start the month as a prepaid and you end up at a postpaid, I mean. So if someone thinks that is the domain, you want to create differentiation by introducing a new billing option, they can start with the billing. So we were able to move from like what we call rip and replace, or (inaudible), as you call it, to a completely modernization journey, which build on the business needs.

Now in this way, we are able to address all the different permutations of Amdocs customer, and it's very tailored. So you will not see almost like the same version from one customer to the other because what is relevant to Singapore Telecom is different in Vodafone Netherlands. So this is what -- by the way, we spent a lot to build the platform to allow this ways of modernization.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

The -- you have a partnership with Microsoft, and I'm trying to understand how you bring the cloud experience to this world, number one. And number two is, is AI and what we're seeing now, the trend with AI, does it help Amdocs? Does it hurt Amdocs? How do you...

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

Now just in AI, I can talk about 20 minutes...

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

I understand. But we have 13 minutes and 40 seconds.

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

Okay. Let's start regenerative AI, in general, and the partnership with Microsoft. We wanted to extend -- in our portfolio today, we do not have the parts of what you call CRM suite. On top of the contact center or call center, a CRM suite is campaign management, clean management, [software], many, many parts. So we, together with Microsoft, bringing what we call customer engagement platform that bring all these heavy lifting tools of Amdocs of catalog, ordering, management, et cetera, and all the tools of the Microsoft Dynamics tool of a contact center CRM or leader management, comanagement and automation and all the ecosystem of Microsoft Teams and everything [play] integrated. So this has become really the by far the most comprehensive value proposition in this domain. And by the way, there are other pillars for the partnership, but this is one. By the way, Amdocs still cloud agnostic. I mean our platform are running on Azure, on AWS, on Google, on Oracle. This is how we build the platform. So this is regarding the partnership with Microsoft, very new -- very strategic partnership is going very well. We see very nice funnel of opportunities.

Regarding OpenAI, in general, -- we are looking at it in 3 different domains. And this is, by the way, connected to the announcement we've done yesterday. The first one is internal, like any other company, we look at how we do finance, better legal, better HR, so then you can put all our skills management system in a way, and you can type a query. I want all the people that know this type of system for this, they know how to speak German, and this and this, and suddenly you get a list of employees. So it's getting -- this is more like internal stuff.

The second thing is how we are leveraging this in a different domain of the company. I will give you a couple of examples. If you talk about operation, today, we introduced a lot of automation to our operation. But think about this is every ticket that Amdocs have at any minute worldwide is going to be loaded to our large language models. So tomorrow, after this, it's starting to get some -- to be more mature. An Amdocs support employee writing to this machine will say, "I have this issue, immediately get an answer." We have the same issue in Vodafone last year, this is what was the issue. This is how it's resolved, and this is what you should do.

This is a completely -- it's a major jump on the current automation that we have today. So this is in a development. Also, we are looking to see can we develop code. I mean, by the way, we found out that we develop like small snippets -- parts of code, it's working well. When we have more complex codes, it's not working well. We took the decision that we don't want junior programmers to use it because there will never be developers. Eventually, you want the developer to be judgmental on the code that was generated. But all in all, we are looking to see how we can leverage this in programming, in scope definition, generating test cases, the whole development life cycle. This is more to Amdocs.

By the way, we -- and the third element is how we are integrated. This is where it connects to Microsoft also in our products to create different type of capabilities for our customer to get the consumer. So in our catalog, for example, we have billing capabilities. Let's say, you're a marketer in the San Francisco area. You can get -- you can -- getting from the graphic information uptake, 5G adoption, et cetera, it can create you different options for new offering for the catalog that it took a lot of time before. And everything is automated.

Now why we build our platform? Because while -- first of all, everything we do is carrier-grade. You know a situation that when open source is not working and you pick up the phone and call one -- an item open source to find out that no one is answering. So it has to be carrier-grade. It has to be highly secure. We need to make sure that we keep data privacy, that we aren't losing sight of data privacy. We want to make sure that we keep ours and our customer intellectual property. So in a situation like happen to Samsung and others, they dump a lot of code to the general OpenAI. Now everyone understand what is the code. So we build a framework that allows us to do it in a way that, as I said, carrier-grade, highly secured. We keep data privacy, and we keep all the intellectual property of Amdocs. So we are going to bring our own -- we're talking different open source to bring our own large language model and actually build it with the telco taxonomy. So we are going to build layers.

And obviously, the more the mature, there will be more effective. And build it in a way that every Amdocs programmer on operation will not just use it, you will not be able to use it, you will have to use it only through this framework. And this is I think what is the difference. It's not just -- when everyone showing will do this and that we are making sure it's going to be -- obviously, when we build it, our legal counsel was involved because there are a lot of issues there that you need to answer, and we announced it yesterday, and we're starting to discuss and discuss on that.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

Great. Thank you. Okay.

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

The short answer, I believe that Amdocs and our customer can benefit a lot from the OpenAI.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

Got it. So this was one trend, digitalization, the journey to digitalization. The second thing that you mentioned was journey to the cloud. And the question is, how is Amdocs benefiting and how is it enabling journey to the cloud?

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

Okay. So all our customers are going to move to the cloud. And we build infrastructure, how to move all our customers to the cloud. Moving to the cloud is not just -- it's not because of TCO reduction. It's -- you can get much more service agility, faster time to market, it's highly secured. You have elasticity. You know that most of our customers have tripled the hardware, they need only for Black Friday. In the cloud, you can buy just a couple of days capacity -- elasticity. So elasticity reduction.

So remember, eventually, all our customers are going to be in a situation, and we are ready to support it, of hybrid. If you are moving slowly of getting down from the old primaries and getting to the cloud. So we build our customer 2 type of journeys to move to the cloud. One is also connected to your first question, rip and replace. If you want to take the Amdocs latest and greatest, it's cloud native, agnostic, and then you build a completely platform.

But the other one we build them also here a gradual journey. So some of our customers that are running Amdocs 10 version, and which is like 4, 5 years old. I don't have appetite to do modernization. We build them for 10, 10 dot cloud. So suddenly, rather than do like a big jump from the current legacy system to the new cloud, we build them optionality.

Now we acquired a couple of companies in the cloud domain 2 years ago. And the reason that we are giving the whole life cycle to the customer, consulting, deciding what to do, then implementation of the platform, which is cloud-enabled or cloud-native, then migration and then operation. So we are the only one that actually build the whole -- and every Amdocs customer will go to the journey with Amdocs, doesn't make sense I mean to -- now the industry is really in early days. I would argue maybe 5% of the workloads on the industry are on the cloud. It will take time. We don't see a slowdown in the whole. Actually, we reported last quarter that the opposite. We see more deals, which are cloud related than before. And we believe that the industry will go there. It will take several years, and we are there to do it.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

And what kind of relationship do you have to have with the cloud companies Azure, AWS...

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

We have a strategic partnership with Microsoft, with AWS and also with Google. And actually, in some of them, Amdocs is buying the consumption directly from AWS and giving it to customers. So there is some opportunity for us to do FinOps in a good way, but we have strategic partnership with all of them.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

Got it. Okay. In the interest of time, I'm going to move to the third driver because I want to make sure that we cover it, 5G and next-gen network automation. Talk about -- same question. How do you -- what is the opportunity for you and how do you help your customers?

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

So 5G, everyone is moving to 5G. Everyone is spending billions of dollars on 5G. And the question how is -- the big question is how to monetize 5G. In order to monetize 5G, there are some basic element that you must do when you move to 5G. You need to change your rating system, your policy system. There are many things that you have to do because the architecture is completely different. The protocols are different, the interface, so you have to do it. So this is -- but at the same time, we are building capabilities to support the next-generation 5G use cases to be able to monetize 5G.

Today, when if you had a phone from AT&T or T-Mobile, all the -- there's no service level, everything is best effort. You can get one speed here. You move to the other [part of the town], a different one. Latency was very -- I mean there's no -- when you move to 5G stand-alone, when this will be deployed probably next year or in the next year, then you can sell quality of service. So you can buy a package, a premium package that we probably might be willing to pay more with guaranteed speed and latency. This is because of network size and other capabilities of 5G. So -- we are now building the platform for our customers to allow them to do this new monetization of 5G.

For example, a customer of Amdocs in Singapore, over there, standalone, is selling a 5G package with guaranteed speed, latency, game, it's a gamer package, game and the VR glasses. Everything is packaged in one. So -- but the use cases of 5G will emerge. And actually, what we build right now is the capabilities to monetize all the capabilities of the network when you'll be ready, 5G also connects network automation. Even historically, network, in general, was completely proprietary. You buy Ericsson, it comes with hardware and software, you cannot do anything.

Now when the network is software-defined, we have a role, a big role in ability to do network automation. An example is we've done an acquisition we announced last quarter. We always have the capability to do what we call service design and creation. Then we have to do service, the fulfillment on the services, service orchestration. The part we're missing is the service assurance. What is service assurance? If you are selling in the -- you are doing great and you're selling a lot of fiber in the neighborhood, you might don't have the capacity to deal with it. So fall prevention, fall detection, everything around service assurance. Now this historically was proprietary. Now the ability to give this type of a service, this is something which is completely new revenue for us in Europe.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

And how did you acquire this kind of capabilities? Because before that, it was in the hands of the telecom guys, the telecom companies.

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

So some of it we develop ourselves. Like we were always strong in service design and creation and service fulfillment. The part we were missing is the service assurance. TEOCO was a partner of Amdocs, but we saw more and more demand from customers that they won the supplier to own all 3, not just to partner. And now actually, we are integrating them to Amdocs and will come with a very strong offering that actually like this is what in the network called closed loop. I mean you can close the loop from. Now remember that what is unique about Amdocs, the same catalog that you are using for all the ordering and all the offering is the same catalog which is being used in the network. This is why it's completely integrated.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

Got it. I want to ask one more question, although we're running a little bit out of time. And the question is, you talk a lot about helping carriers to monetize 5G. What does it mean to help them to monetize 5G?

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

It means that to build capabilities in the system that will give them all the flexibility that every dream of every marketeer, even the [world] can be performed. Remember, it's not all the way. So if you have a 5G customer, it's not just -- it's not just buying the service, you needed to end the policy system that was in the network. Tal Liani, this is the service that he's getting. And this is the -- so it's all the way from how you purchase the offering in the catalog, create a very unique offering, to how to provision this automatically to the network.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

I understand. The red line is blinking. We ran out of time. Thank you very much, Shuky. It was great.

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

Thank you. Good to see you. Thank you. Thank you.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

Thanks so much.
