AMDOCS Q1 2025 CONFERENCE CALL PREPARED REMARKS

February 4, 2025

5:00 pm

Matthew Smith, Head of Investor Relations

Slide 2: Disclaimer

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

Slide 3: Today's Speakers

Participating on the call with me today are Shuky Sheffer, President and Chief Executive Officer of Amdocs Management Limited and Tamar Rapaport-Dagim, Chief Financial and Operating Officer.

Slide 4: Earnings Call Agenda

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

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 have made executing against our strategic growth framework, including Generative AI and our continued sales momentum in cloud.

Shuky will finish by discussing our financial outlook for the full fiscal year 2025, after which Tamar will provide additional details on our first quarter financial performance, and our forward guidance.

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

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

<u>Slide 5: Shuky Sheffer, Chief Executive Officer</u>

Thank you, Matt, and everyone joining us on the call today.

<u>Slide 6: Solid Start to Fiscal Year 2025</u>

Thanks to the commitment and dedication of Amdocs' employees around the world, fiscal 2025 got off to a solid start as we continued to deliver the cloud, digital and Gen AI-based solutions that service providers need to:

- Grow revenue
- Improve efficiency, and
- Drive immersive, next-generation customer experiences in the agentic era for millions of consumers 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 were more than we anticipated
- Profitability jumped by 310 basis points year-over-year and 250 basis points sequentially, reflecting the phase out of certain non-core, low margin business activities and our ongoing initiatives to drive efficiency gains
- Non-GAAP earnings per share was $1.66, exceeding the midpoint of guidance, and

- We closed Q1 with healthy 12-month 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

Slide 7: Fourth Quarter Key Highlights

Our 12-month backlog position reflects, among other, 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 a billing systems consolidation at Bell Canada and recently began collaborating with DreamWorks Animation.

- On the international front, we saw continued sales momentum in cloud. Adding to the 5-year modernization and BSS migration deal we announced with Vodafone Italy last quarter, we recently secured a new cloud ops agreement with Vodafone Ziggo in Netherlands and a modernization and cloud migration award with CT Montenegro, a Deutsche Telekom subsidiary.

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

I was also proud of our managed services operation which delivered flawless, mission critical support for customers over the peak retail volume periods of Black Friday and the holiday season.

To remind you, managed services support a high level of business visibility for Amdocs, reflecting the combination of multi-year customer engagements, recurring revenue streams and renewal rates of close to 100% over time. Along these lines, we recently extended our managed services agreements with Comcast Xfinity Mobile, Comcast Business and Claro Chile, as Tamar will reference in her remarks.

Slide 8: Strategic Growth Framework

Moving now to slide 8, let me provide some recent examples regarding our multi-pillar growth strategy which is designed to provide our customers 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
- Deliver dynamic connected experiences by streamlining and automating complex network ecosystems, and
- To simplify and accelerate the adoption of Generative AI

Slide 9: Progress in Strategic Domains (1/5): Cloud

Beginning on slide 9, cloud continues to drive strong sales momentum as the market increasingly recognizes Amdocs' unique ability to support complex, multi-year cloud journeys.

- For instance, at VodafoneZiggo in the Netherlands, we are providing cloud operations services and FinOps as an expansion of the modernization and 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 its existing Amdocs charging, ordering, and CRM systems.

We believe cloud will remain an important growth engine for Amdocs in the foreseeable future as 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 leading position, strong end-to-end cloud offering and a rich pipeline of opportunities.

Slide 10: Progress in Strategic Domains (2/5): Digital Modernization

Moving to slide 10, supporting the digital modernization requirements of our customers remains an important growth engine for Amdocs, as demonstrated by 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-serve app.
- Optus, one of Australia's largest telecommunications providers, has enhanced its enterprise customer experience 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 resale, demonstrating continued trust in Amdocs' ability to drive modernization and monetization.
- I'm also pleased to announce DreamWorks Animation is collaborating with Amdocs on an advanced platform that will streamline production workflows, ease complexities, efficiently manage hundreds of thousands of digital assets, enabling DreamWorks Animation to better meet the demands of its production pipeline.
- Additionally, we remain delighted by the rapid adoption of connectX, our cloud-based "telco in a box" solution powered by AWS.
- To enable digital experiences for its MVNE and MVNO services, connectX was recently chosen by Systegra, a Nigerian service provider. This deal adds to connectX's existing customers, such as AT&T and Rizz Wireless in the US, Winity in Brazil, and Melon Digital in South Africa.

Slide 11: Progress in Strategic Domains (3/5): Monetization of Next Generation Networks

Turning to monetization on slide 11, Amdocs is delivering cutting-edge technology to help service providers monetize next-generation network investments, including wireless 5G standalone, fixed wireless access and fiber.

In Canada, I am pleased to report that Amdocs is collaborating with Bell to unify their billing systems into a single, cohesive platform.

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

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

Slide 12: Progress in Strategic Domains (4/5): Network Automation

Moving to network automation on slide 12, Amdocs is supporting the design and buildout of fiber network investments 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 that a leading provider of fiber optic internet services in the US had chosen Amdocs to effectively manage and streamline complex fiber rollouts.

As a further example of our growing recognition in the market, Brightspeed, a US-based fiber, broadband and telecom provider, has selected Amdocs Resource Manager to operate its network inventory, improving their processes.

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

Slide 13: Progress in Strategic Domains (5/5): Gen-AI

Turning to slide 13, Amdocs is laser-focused on helping service providers to unlock the transformative potential of Gen AI.

- To start, Amdocs recently introduced additional copilot capabilities for B2B, customer care and commerce in our latest CES quarterly release; we have also unveiled enhanced Generative AI capabilities in the amAIz platform, featuring Gen AI Agents to support next-level customer engagement and agentic capabilities across care and sales domains.
- To further extend our position as a leader in data, AI and Gen AI, we recently completed the acquisition of Profinit, a data science, engineering and intelligence company based in the Czech Republic. This acquisition is an important building block in our offering, particularly our Data and GenAI services capabilities, helping us to address the rapidly growing demand for data, AI and Gen AI services in telecom and beyond.

- As to our sales progress, e& is a flagship customer of our amAIz platform and we continue to work with them to expand their use cases and deploy them to better support their customers, including in billing care, knowledge management and more.
- Similarly, AT&T, who we are supporting as a long-standing partner to create improved experiences for their customers, is leveraging our generative AI 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 Philippines. The adoption of generative AI has created a new wave of demand for data-related services spanning data readiness, to bespoke Gen AI use case development, to proofs of concept. This quarter we successfully executed more than 10 generative AI POCs at global providers, 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 re-imagine what's possible for our customers. This facility will allow us to host our global customers and showcase the leading capabilities that can transform businesses.

Slide 14: Current Operating Environment

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 resilient business model, including managed services which supports highly recurring revenue streams and strong levels of business visibility under multi-year customer engagements.

Additionally, we believe we retain 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 a rich and encouraging deal pipeline in front 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 for innovation
- Telco-specific Gen AI solutions
- Consistent track-record of execution

- Mission critical operations expertise, and
- An unrivalled ability to support our customers growth, efficiency and industry consolidation strategies as a trusted IT partner

Slide 15: On-track to Deliver Expected Double-Digital Total Shareholder Returns for the 5th Year Running in FY 2025

Wrapping everything together on slide 15:

- We are reiterating the midpoint of our fiscal 2025 revenue growth guidance of between 1% to 4.5% on a pro forma, constant currency basis, which includes another year of double-digit growth in cloud.
- We are also on-track to deliver double-digit expected total shareholder returns for the 5th 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 over to Tamar for her remarks.

Slide 16: Tamar Rapaport-Dagim, CFO & COO

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, non-core business activities which were substantially already ceased in the first quarter of fiscal 2025.To further assist your modelling, the regional mix of this revenue was similar to the overall company, and it contributed roughly $150 million per quarter.

Slide 17: Q1 FY2025 Financial Highlights

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 end of December.
- On a regional basis, North America and Rest of World delivered year-over-year growth in pro forma, constant currency. Europe was weaker, mainly reflecting timing differences between the natural roll-off of completed projects, and the gradual ramp-up of new deal 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 2 cents 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 $1.20 to $1.29.

Slide 18: Leading Indicators and Business Resiliency: Managed Services

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 multi-year cloud ops deal with VodafoneZiggo 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 and managed services engagements across Comcast Xfinity Mobile and Comcast Business. We also recently extended our managed services engagement with CLARO Chile.

Slide 19: Balance Sheet & Cash Flow

Turning to the balance sheet and cash flow highlights on slide 19, DSOs of 81 days increased by 6 days year-over-year and 7 days sequentially, reflecting normal fluctuations in business activity.

The sequential increase in unbilled receivables net of deferred revenue was $33 million in Q1, aggregating the short-term and long-term balances. As a reminder, the net difference between unbilled receivables and deferred revenue fluctuates from quarter to quarter, in line with normal business activities, as well as our progress on significant, multi-year 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 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.

Slide 20: Disciplined Capital Allocation

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 through 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, 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.

Slide 21: Leading Indicators and Business Resiliency: 12-Month Backlog

Moving to slide 21, 12-month 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 an additional data point given the significant foreign currency movements impacting this quarter, 12-month 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 a pro forma, constant currency basis from Q2.

Following the phase out of certain business activities, we expect 12-month backlog to represent roughly 90% of forward- looking revenue, further underscoring the importance of this metric as a leading indicator of our business.

Slide 22: FY2025 Revenue Growth Outlook

Now, turning to our revenue outlook on slide 22, we are continuing to closely monitor the prevailing level of macro-economic, geopolitical, business, and operational uncertainty, which remains elevated in the current business environment. Thus, 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 assumed a revenue contribution from inorganic deal activity this year, some of which we already completed in Q1.

As to 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 rates prevailing at the end of our first fiscal quarter 2025 on December 31.

Slide 23: Accelerated Profitability Improvement

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 phased-out business activities, and another 60 to

70 basis points resulting from our continued focus on operational excellence, automation and the gradual implementation of Gen 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.

Slide 24: Reiterating our FY2025 Non-GAAP EPS Growth Outlook

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 a fifth consecutive year of double-digit expected total shareholder returns when including our dividend yield of more than 2%.

Slide 25: Included in 2024 S&P Dow Jones Sustainability Index 6th year Running

Before turning it back to Shuky, I am proud to announce that Amdocs has been included in the 2024 S&P Dow Jones Sustainability Index (North America) for the 6th year in a row!

With over 3,500 companies reviewed globally, we believe this achievement underscores our efforts and focus on the 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.

Slide 26: Q&A

Shuky Sheffer, Chief Executive Officer

Thank you, Tamar.

With our fiscal 2025 off to a solid start, we are reiterating our full year revenue guidance based on our healthy 12-month backlog position and the rich and encouraging pipeline of opportunities ahead of us. We are also on-track for ongoing margin improvement and robust earnings to cash conversion, further supporting our commitment to deliver another year of double-digit expected total shareholder returns.

With that, we are happy to take your questions.

Operator?