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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Q4 2020 Amdocs Earnings Conference Call. (Operator Instructions)

It is now my pleasure to introduce Head of Investor Relations, Matt Smith.

Matthew E. Smith ***Amdocs Limited - Secretary & Head of IR***

Thank you, operator. Before we begin, I would like to point out that during this call, we will discuss certain financial information that is not prepared in accordance with GAAP. The company's management uses this financial information in its internal analysis in order to exclude the effect of acquisitions and other significant items that may have a disproportionate effect in a particular period. Accordingly, management believes that isolating the effects of such events enables management and investors to consistently analyze the critical components and results of operations of the company's business and to have a meaningful comparison to prior periods. 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.

Also, this call includes information that constitutes forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be obtained or that any deviations will not be material. Such statements involve risks and uncertainties that may cause future results to differ from those anticipated.

These risks include, but are not limited to, the effects of general economic conditions, the duration and severity of the COVID-19 pandemic and its impact on the global economy and such other risks as discussed in our earnings release today and at greater length in the company's filings with the Securities and Exchange Commission including in our annual report on Form 20-F for the fiscal year ended September 30, 2019, filed on December 16, 2019, and our Form 6-K furnished for the first quarter of fiscal '20 on February 18, 2020, for the second fiscal quarter of fiscal '20 on May 18, 2020, and for the third quarter of fiscal 2020 on August 17, 2020. Amdocs may elect to update these forward-looking statements at some point in the future. However, the company specifically disclaims any obligation to do so.

Participating on the call with me today are Shuky Sheffer, President and Chief Executive Officer of Amdocs Management Limited; and Tamar Rapaport-Dagim, joint Chief Financial and Operating Officer. Finally, a copy of today's prepared remarks will be posted on the Investor Relations section of Amdocs' website following the conclusion of this earnings call.

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

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

Thank you, Matt, and good afternoon to everyone joining us for our fourth fiscal quarter earnings call today. I want to begin by reviewing our quarterly and full year operating performance, after which I plan to address some important strategic steps that we have taken to accelerate our long-term growth around 5G and the cloud. I will wrap up with a quick summary of our financial outlook for fiscal 2021, including our expectation for faster pace of revenue and non-GAAP diluted earnings per share growth in the year ahead.

With that, I'm pleased to report record fourth quarter results, which include the return to sequential revenue growth. Among additional operating highlights, we delivered consistent execution, accelerated our R&D investments, maintained stable profitability and achieved our best-ever quarter for cash collections. Amid the ongoing global pandemic, we are also pleased to see the acceleration in sales momentum as reflected in our record 12-month backlog, which grew $140 million sequentially and 3.7% year-over-year in the fourth quarter.

As to the full fiscal year 2020, revenue grew 2% as reported, while non-GAAP earnings per share was up 3% year-over-year, both of which were at the higher end of the revised guidance we provided in Q2. Our ability to generate modest revenue and earning growth during a global pandemic is a testament to the strength of our technology and our product-led services model and the visibility provided by our solid base highly recurring revenue streams. These recurring revenues accounted for roughly 3/4 of total revenue in fiscal 2020, a large portion of which flows from Managed Services engagements with customers under multiyear agreements.

As further proof to our stable business model and our ability to meet our customer commitments, we generated normalized free cash flow of $527 million in fiscal 2020, which exceeded our initial target of $480 million for the year.

Overall, I'm proud of our financial performance in fiscal 2020, which was made possible by our talented employees to whom I am grateful for their extraordinary professionalism and commitment throughout the ongoing pandemic. Additionally, let me again thank our customers for their continued trust in Amdocs as we partner to ensure the essential services the world needs in this difficult time.

Now let me provide some color regarding our regional business activities, beginning with North America. We finished a positive year, which included a better-than-expected growth at AT&T and contribution from M&A. Across the broader region, we supported the strategic activity of customer like Comcast Business where we open -- where our open modular BSS and OSS platform are being implemented to automate and streamline the scale end-to-end of customer life cycle.

Regarding the outlook in North America, regional market dynamics are favorable and supportive of growth. Service providers are continuing with strategic investments in digital modernization, media, 5G in the cloud including AT&T, where last quarter, we said that Amdocs started the program to modernize the consumer mobility domain. We are encouraged by positive signs of momentum in this area as demonstrated by today's news that AT&T has selected our 5G solution to quickly launch and monetize exciting new 5G services including gaming, mobile virtual reality, vehicle-to-vehicle communication, remote health and much more. This deal leverages 5G monetization capabilities from our recent acquisition of Openet and highlights the way in which we are collaborating with AT&T to bring innovative 5G experience for the future.

At T-Mobile, we continue our strategic partnership, working hard to demonstrate our ability to support T-Mobile's strategic domain of postpaid, media, enterprise B2B, 5G network and more. In respect to 5G, Amdocs is collaborating with T-Mobile and others as one of the founding partners of the 5G Open Innovation Labs, which is focused on helping service providers accelerate the wave of 5G advancements around cloud, edge computing, IoT and new customer experiences.

Finally, we have won a notable new project with a North American banking group, where we've been selected as a partner to accelerate customer experience and digital transformation across its operation. This deal leverages the proven capabilities of projekt202, which to remind you, is a digital consultancy we acquired in fiscal 2018 for its design and experience-driven methodologies across different verticals. Combined with Amdocs' transformation expertise, we look forward to teaming with this financial services leader to frame the design, development and delivery of the very best experience of their customers and employees.

Moving to Europe. We delivered our best-ever quarter, which include new deal wins and ongoing project activity with some of the region's largest service providers like Vodafone Germany or Orange Spain. During Q4, we maintained a high win rate that includes the digital transformation award at A1 Bulgaria, a cloud-based provisioning and 5G-ready converged charging deal at Sky U.K. and the signing of our first project and multiyear Managed Services deal at Three U.K.

This was a busy quarter in media. Vubiquity extended its partnership with Israel's Cellcom to provide content licensing and processing and was selected to provide content services under a multiyear agreement servicing LGI European affiliates. Vubiquity also successfully completed a significant and complex technology project for Sky and Virgin Media, whereby we processed over 1,200 hours of Sky 4K UHD content to Virgin Media's IP VOD platform via Vubiquity's AWS cloud. Regarding the year ahead, we expect to sustain growth in Europe by executing against our healthy backlog and further expanding our customer footprint throughout the region.

Turning to the rest of the world, sequential drag improved slightly in the fourth quarter. Demonstrating our technology leadership in 5G, we successfully deployed CatalogONE for KT Corporation in South Korea. Additionally, LGU+, one of the fastest-growing 5G telecom providers in South Korea, has selected Amdocs' CatalogONE cloud-native solution to accelerate the launch of new 5G services, enabling its end customers to benefit for more frequent services innovation and updated plans and bundles.

In Managed Services, we reached a new multiyear agreement with India's Airtel to migrate postpaid mobile and broadband customers to Amdoc's modern digital business system, while in Brazil, Telefônica Vivo extended our existing multiyear agreement with an expansion of scope to include the Amdocs data management solutions.

Regarding the year ahead, in the rest of the world, quarterly trends are likely to fluctuate, reflecting healthy activity in Southeast Asia, ongoing macro challenges in Latin America and the project orientation of customer activities across the entire region. To summarize my regional comments, I believe we extended our market leadership in the fourth fiscal quarter. Our many project wins reflect the unique innovation we are bringing in the strategic domain where our customers are focusing their spending.

One such domain is the telecom industry journey to the cloud, which we believe is approaching a tipping point as service provider invests to realize the increasing agility, speed of innovation, fast time to market and reduced cost of ownership that is needed to meet the business demand of today. As a trusted customer partner, Amdocs is highly differentiated by our technology and product-led services model, which uniquely position us to accelerate the industry journey to the cloud.

Amdocs BSS/OSS is in the very heart of the customer experiences of more than 350 communication service providers worldwide, providing us with an intimate understanding of the communication environment and the expertise we need to help service provider transform the way they work. Our carrier-grade cloud-native BSS/OSS products are best in class, and we are already investing to bring fresh innovation using DevOps teams and CI/CD approach that constantly enhance our platform, drive agility and shorten the customer time to value.

Amdocs has a holistic range of services with which we offer every customer a ready and tailor-made journey to the cloud. These services include consultancy, migration and modernization services for new and legacy Amdocs and non-Amdocs BSS/OSS application as well as supporting customers' cloud-native application development incorporating data and intelligence capabilities. Additionally, Amdocs offer end-to-end accountability for the customer cloud operation, including secure and optimized hybrid cloud operation packaged under multiyear next-generation cloud operations service agreement.

The pedigree of Amdocs' cloud offering is well proven in the market as demonstrated by AT&T's selection of Openet charging solution, which is designed to speed up its move to the cloud in addition to monetizing 5G. Additionally, many other new existing customers have already chosen to modernize on Amdocs' newest cloud-native products, including Globe Telecom, Orange Spain and Vodafone Germany.

Looking ahead, we see an expanding pipeline of opportunities as the world premium service providers formulate and accelerate their cloud strategies. This strategy will be implemented gradually in the coming years, over which time we believe Amdocs' addressable market for cloud services will grow to be billions of dollars.

To help accelerate the market potential and Amdocs' growth, we are today happy to announce a new multiyear strategic agreement with AWS to deliver integrated cloud-native BSS offering and to jointly build and promote a wide range of services to help customers migrate and modernize their system, utilizing best-in-class cloud capabilities. We look forward to working closely with AWS, as well with other partners like Microsoft Azure and Google Cloud, to ensure that we are providing a journey to the cloud for all current and future Amdocs customers.

As part of another move to focus on our strategic domains, we are today starting an agreement for the divestiture of OpenMarket and other subsidiary for $300 million cash with Infobip, a company which One Equity Partner is the primary institutional investor. Those of you who followed Amdocs for a while may know OpenMarket as a leading provider of mobile messaging solution to enterprises including global 1-way and 2-way SMS, MMS and other application-to-person messaging solution. With this transaction, Amdocs is divesting a nonstrategic asset and being laser-focused on our core strategic growth initiatives. We expect to complete the divestiture of OpenMarket within the next few months, and we plan to return the majority of the net proceeds to shareholders by way of our quarterly share repurchase program.

Turning finally to our outlook for the year ahead. Let me remind you that we remain in a time of great uncertainty regarding the spread and the severity of the COVID-19 pandemic, and its adverse effects on the global economy quite remains. Having said that, we expect our revenue growth in constant currency will accelerate to 3.5% to 7.5% in fiscal 2021, which is more than twice the rate of last year. Our confidence in the outlook supported by the visibility of our record 12 months backlog as well as the expanding deal pipeline we see across our strategic growth remains. Moreover, we are positioned to deliver expected total shareholder return of almost 10% in fiscal 2021, including non-GAAP earnings per share growth of 5% to 9% plus our dividend yield.

With that, let me turn the call to Tamar for her remarks.

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

Thank you, Shuky. Fourth fiscal quarter revenue of $1.05 billion was slightly above the midpoint of our expectations of $1.02 billion to $1.06 billion after adjusting for a positive impact from foreign currency of approximately $7 million compared to our guidance assumptions and a partial quarter from our recent acquisition of Openet, which was not yet included in the fourth quarter guidance range. On a reported basis, revenue performance included a positive impact of foreign currency fluctuations of approximately $11 million relative to the third fiscal quarter of 2020.

Our fourth fiscal quarter non-GAAP operating margin was 17.2%, above the midpoint of our long-term target range of 16.5% to 17.5% and consistent with our guidance that we will protect profitability despite COVID-19-related challenges.

Below the operating line, non-GAAP net interest and other expense was $7 million in Q4, the mix of which includes interest expense related to the short-term borrowing in a full quarter interest for the 10-year bond issue and the impact of foreign currency fluctuations. For forward-looking purposes, we expect that foreign currency fluctuations will continue to impact our non-GAAP net interest and other expense lines in the range of a few million dollars on a quarterly basis.

Diluted GAAP (sic) [non-GAAP] EPS was $1.23 in Q4, above our guidance range of $1.16 to $1.22. Consistent with guidance, our non-GAAP effective tax rate of 6.5% in the fourth fiscal quarter was below our annual target range of 13% to 17%. Diluted GAAP EPS was $1.01 for the fourth fiscal quarter, above the midpoint of our guidance range of $0.95 to $1.03.

Free cash flow was $145 million in Q4. This was comprised of cash flow from operations of approximately $205 million, less $60 million in net capital expenditures and other. Normalized free cash flow was $161 million in the fourth fiscal quarter. For the full fiscal year 2020, normalized free cash flow was $527 million. This exceeded our initial target of $480 million for the year and reflected a better-than-expected conversion rate of 108% relative to non-GAAP net income in the fiscal second half. Please refer to the reconciliation table provided in our Q4 earnings release for an explanation of the differences between normalized and reported free cash flow in the quarter and for the past period.

With a strong collection in Q4, DSO of 75 days decreased by 12 days year-over-year and down by 10 days as compared to the prior fiscal quarter. We remind you that DSO may fluctuate from quarter-to-quarter.

The sequential gap between unbilled receivables and deferred revenue narrowed by $2 million compared to the third fiscal quarter of 2020, reflecting a decrease in total EBIT receivable of $2 million, an immaterial change in total deferred revenue short and long term. Relative to a year ago, the gap narrowed by $28 million. Changes in this gap are primarily due to the timing of contract-specific milestones relating to transformation projects we are delivering for our customers. Moving forward, you should expect unbilled receivables and total deferred revenue to fluctuate from quarter-to-quarter, in line with normal business activities.

Moving on, our 12-month backlog was a record $3.62 billion at the end of the fourth fiscal quarter, up $140 million sequentially from the end of the prior quarter and equivalent to year-over-year growth of roughly 3.7%. This record-high sequential growth in 12 months backlog is mainly a result of new awards across existing and new logos and a benefit of a few dozen million dollars of Openet backlog in this number. As a reminder, we believe our 12 months backlog continues to serve as a good leading indicator of our forward-looking revenue, and we are pleased to see it supporting visibility of over 80% entering the new fiscal year.

I'm pleased to report another record quarter for Managed Services arrangements, which comprise roughly 58% of total revenue. This performance reflects high renewal rates, the growing adoption of our managed transformation model and the continued expansion activities within existing customers.

Our cash balance at the end of the fourth fiscal quarter was approximately $984 million, including aggregate borrowings of $750 million. Our September 30 balance sheet reflects the acquisition of Openet for a net consideration of roughly $190 million in cash. We remain comfortable with our balance sheet and believe that we have ample liquidity to support our ongoing business needs while retaining the capacity to fund strategic growth investments and when the right opportunities arise. Additionally, we are committed to maintaining our investment-grade credit rating.

During the fourth fiscal quarter, we repurchased $91 million of our ordinary shares under our current authorization. As of September 30, we had roughly $678 million of authorized capacity for share repurchases with no stated expiration date, which we will execute at the company's discretion going forward.

Now turning to the outlook. The prevailing level of macroeconomic and business uncertainty surrounding the magnitude and duration of the COVID-19 pandemic remains elevated. The midpoint of our revenue 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, and we remind you that our outlook may be impacted materially as our customers continue to evaluate their strategic business priorities and future pace of investment.

As an additional point, our Q1 and full fiscal year 2021 outlook still includes OpenMarket as the transaction is not yet closed. Where applicable, in our guidance remarks, we will provide pro forma revenue and non-GAAP earnings per share guidance, which excludes OpenMarket for the fiscal year 2020 and 2021. The divestiture of OpenMarket is expected to close within the next few months, following which we will update our full year fiscal 2021 outlook.

With that said, we expect revenue for the first fiscal quarter of '21 to be within the range of $1.055 billion to $1.095 billion. Our Q1 revenue guidance anticipates an immaterial sequential impact from foreign currency fluctuations. Regarding the full fiscal year 2021, we expect to deliver accelerated revenue growth in the range of 4% to 8% year-over-year as reported. This outlook includes the positive impact from foreign currency fluctuations of approximately 0.5 percent point (sic) [0.5%] year-over-year and roughly 1.5 points (sic) [1.5%] of growth from Openet.

To provide you with additional color on our growth projections, we expect the ramp-up of customer activity to contribute to an acceleration in the rate of year-over-year growth in the second fiscal half of the year. We are also pleased with the fact growth is expected to generate -- to be generated across all 3 of our key geographical regions.

On a constant currency basis, we expect to deliver total revenue growth in the range of roughly 3.5% to 7.5% year-over-year. We anticipate our non-GAAP operating margins to be consistent with the higher end of our unchanged target range of 16.5% to 17.5% over the full fiscal year 2021. As we continue to operate within the environment of the ongoing pandemic, we remain focused on protecting our profitability while maintaining consistent execution and increasing R&D investments to support our future growth strategy.

We expect the first fiscal quarter diluted non-GAAP EPS to be within the range of $1.09 to $1.15. With respect to Q1, we expect a non-GAAP effective tax rate to be slightly above the high end of the annual range of 13% to 17%. Our first fiscal quarter non-GAAP EPS guidance incorporates an expected average diluted share count of roughly 132 million shares. We excluded the impact of incremental future share buyback activity during the first fiscal quarter as the levels of activity will depend on market conditions.

For the full fiscal year, we expect to deliver diluted non-GAAP EPS growth of 5% to 9% year-over-year. We expect our non-GAAP effective tax rate to be within our annual target range of 13% to 17% for the full fiscal year 2021. The impact of Openet on Amdocs' non-GAAP diluted earnings per share is expected to be neutral in the full fiscal year 2021 and accretive thereafter. On a pro forma basis, giving the effect to the OpenMarket divestiture, we expect to achieve the same revenue and non-GAAP diluted earnings per share growth in fiscal 2021 assuming the majority of the net proceeds are used to accelerate our share repurchase program in the remaining quarters of the fiscal year post closing.

We expect normalized free cash flow for fiscal '21 of approximately $620 million, which is equivalent to a conversion rate of roughly 100% relative to our expectations for non-GAAP net income. We expect reported free cash flow for fiscal year '21 of approximately $470 million. Reported free cash flow includes up $100 million -- sorry, up to $150 million anticipated expenditures in relation to development of our new campus in Israel and other items. As an additional point, we expect fiscal year '21 to be a peak year of capital expenditure for the new campus.

Regarding our capital allocation plans, we expect to return to shareholders in the form of dividend and share repurchases the majority of our normalized free cash flow in fiscal 2021. Moreover, we will carefully assess the deployment of capital in fiscal 2021, having regard to the status of the COVID-19 pandemic, the outlook for M&A, financial markets and prevailing industry conditions.

Finally, we are pleased to announce the proposed 10% increase in our quarterly dividend to a new rate of $0.36 per share per quarter, which is approved by shareholders at the annual meeting in January. If approved in the annual meeting in January, it would yield about 2.4% on the current share price or yield. Taking the dividend increase into consideration, we expect some of our dilutive non-GAAP EPS growth midpoint plus dividend yield to equate to a total shareholder return of almost 10% in fiscal 2021.

With that, we can turn it back to the operator, and we are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Will Power with Baird.

William Verity Power ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Great to see the expectation for accelerated revenue growth next year. Maybe my first question is on just that. As you look at digital transformation, I wonder if you could just talk broadly about the trends you're seeing from the service providers, why now and what's driving those efforts. And what are the pieces that could get you towards the higher end of that revenue growth guidance versus some of the areas of potential caution that might lead to the lower end?

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

It's Shuky. I think the reason for the further growth, actually, we see a lot of demand in 3 different areas. First one, as you mentioned, data transformation. I think COVID-19 accelerated this. So we see pretty much it is consistent across all geographies. People want to change the whole way the engagement with the consumer to be completely digitized and with the best experience.

The second one is 5G, dominate by North America. Everyone is betting on 5G. 5G requires new monetization capabilities, obviously, new charging, policy systems. And so we believe that is required. And definitely with the Openet acquisition, we have the best product in the market.

And the third one is the journey to the cloud. This is something that, as I mentioned in the script, is accelerating. All our customers are either in the process or before -- or within the -- already in the migration process of moving to the cloud. We are coming with a very robust offering to the journey to the cloud for every end of system, both new system and legacy system, and we believe this trend of moving the whole system to the cloud will accelerate. And we see ourselves as a main contributor to this journey to the cloud. Obviously, it's going to be accelerated with our partnership with AWS that we announced today.

William Verity Power ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Okay. And maybe for my follow-up, just coming back to Openet, it seems like that's already generating some nice opportunities. So I'd just love to kind of hear what you're hearing from carrier customers now that it's been closed for a couple of months. How is the integration going? And as you look at that 1.5% revenue growth contribution for fiscal '21, does that include the new AT&T win? Just any more color there.

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

First, I think that everyone -- if you want to move to 5G and to actually to get the value of the 5G network, you need to upgrade your charging and possibly your policy system. And with Openet, we are bringing a cloud-native solution both for charging and together with policy. So we see a lot of demand. We had a very nice win rate in Q1. We announced some of it, sorry, in Q4. We announced some of it including AT&T, which probably is the largest one. We see ongoing demand across all regions for this type of product.

And to your question regarding if AT&T is in the outlook yet, the answer is yes. But we are very pleased with the PMI. We see immediate traction. We are able to bring the Openet solution to the -- all Amdocs customers. So it's a combination of a great product with a great incumbency and customer across the world prove to be very successful.

Operator

And our next question comes from the line of Shaul Eyal from Oppenheimer.

Shaul Eyal ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

Congrats on achieving some record milestones. Shuky, also on -- congrats on the many contracts you've announced. I wanted also to ask about specifically AT&T. Given it's the largest customer, where else can you go with your expanding product portfolio? Do you think there are some divisions or sales group at AT&T you can penetrate further or approach with your services that are currently not under service?

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

First of all, we are operating in many domains at AT&T, I mean, obviously, the consumer domain, in the broadband, U-verse, DIRECTV, AT&T Mexico, in the network domain, in the data domain. So we are in the media, obviously, with our activity award on media. So I think we see progress in all domain, but I think the main, I would say, opportunities that we see is, as we reported last quarter, that we started the consumer mobility transformation at AT&T. This is a strategic project for us. AT&T is buying our best and new products.

Now on top of it, with the announcement this quarter, we also -- they are going to use our charging solution and policy from Openet. If you can hear AT&T announcement, it looks like the 5G and mobility in general is the main growth engine for AT&T. And we are very happy to support AT&T in pushing this new solution to help them obviously to be very successful with the new 5G offering.

Shaul Eyal ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

Got it. And my follow-up is, I don't know, Tamar or Shuky, when we get the quarterly revenues, when we factor out, when we exclude the Openet contribution and even foreign exchange, so did revenues still grow sequentially?

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

Yes, absolutely, absolutely. And it was even ahead of the midpoint of guidance absent those reasons. So while this was the factor contributing nicely, even taking out Openet and taking out the positive impact of FX, we were ahead of midpoint of guidance range.

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

And as we said, return to -- after 1 quarter, we return to sequential growth. This is another record quarter for us.

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

So to make it simple, sequentially $20 million without Openet and without the FX, and the FX and Openet came on top.

Shaul Eyal ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

Understood. Congrats again on those milestones. Good job.

Operator

And our next question comes from the line of Ashwin Shirvaikar with Citi.

Ashwin Vassant Shirvaikar ***Citigroup Inc., Research Division - MD & Lead Analyst***

Congratulations on the quarter. I guess I want to get some clarification. The 4% to 8% growth is good to see. Is there any catch-up in that outlook from sort of the slowdown earlier this year? Or is that sort of more of a win rate based on -- more of a growth rate based on what you won and the bookings strength you've seen, in other words, based on some of these trends, which seem to be multiyear trends? Are you permanently ratcheting up to a solidly mid-single type of range?

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

So Ashwin, I don't think we can call it a catch-up in the sense that, as you know, most of our revenue is not such that you just deliver license and recognize for it. It's more of a fundamental change in the pace of signing and winning deals that is feeding now in multi-quarters, if not years. Some of these deals are multi-years. So we are very pleased to see this momentum across regions, which is very important.

Now looking into multi-year outlook, I think it's a bit premature given the environment that we're at to say, can we rerate on the consistent basis now revenue growth to the 6%-ish range? But we are definitely seeing the growth drivers there. When we look on the multiple growth drivers that we have and the fact that many of them are performing well, of course, it's a much healthier base of growth opportunity. And when we look on, for example, the cloud, it's just beginning. The tipping point is now we feel that the journey to the cloud of the communication service providers is accelerating.

So by law, product portfolio has been cloud native for some years now. So it means that everything that goes out of the R&D shop is by definition cloud native. We're continuing to see acceleration and the opportunities also helping the service providers move to the cloud, including legacy applications that they have, now incumbency, of course, and the pedigree that we have in helping them do that, including all the way to cloud operations, is a great opportunity with addressable market in the billions of dollars that we are just starting to tap into.

So I think it's a combination between more mature growth drivers like digital transformation that COVID is helping to accelerate. Then we have the 5G that, as Shuky mentioned, is way ahead of the curve in the North American market and South Korea, with Europe lagging. And then probably later on, we'll see that momentum coming in APAC and the cloud journey that is accelerating as we speak. So I think there's enough firepower for multi-year growth. Now guiding to specific numbers, maybe a bit too soon to do.

Ashwin Vassant Shirvaikar ***Citigroup Inc., Research Division - MD & Lead Analyst***

Got it. No, that color is very helpful. And then obviously, we've seen for a number of years industry consolidation and related uncertainty in the North American market. With the -- with T-Mobile's completed merger with Sprint, what sort of opportunities is at risk? I mean are you getting -- I know there's not full clarity, but are you getting incremental color or granularity with regards to the opportunity there. Can you perhaps discuss that?

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

So as we discussed before, today, we are -- obviously, the new T-Mobile is using our system to run what used to be Sprint, obviously, Metro and also the Magenta brand of T-Mobile prior to the merger. We were very active to support the premerger activity and help new

T-Mobile to get ready for day 1. So far, it looks -- it was a very successful transition.

And so I think -- and I think, as I mentioned before, we enjoy a very strategic partnership with the new T-Mobile. I think we have the right product and services to support them in all their main strategic goals as they clarified this a couple of weeks ago in the earnings release, obviously, which is continue to grow in the postpaid domain, continue to grow in the -- obviously, they want to continue to grow in the B2B. We are also having activity with them in the media domain. And definitely, as they are pushing hard to the -- building the 5G network, also, we are very active there.

We have good discussion with them about what is next for them. We'll be happy to report when we make more progress. But as I said before, we are enjoying a very strategic and productive relationship with them, and we have ongoing engagement with them about what will be the right for them for the future.

Operator

And our next question comes from the line of Tom Roderick with Stifel.

Thomas Michael Roderick ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD***

So Shuky, I'd love to hear a little bit more about the AWS partnership. I mean the cloud journey is very clearly a potential growth driver. We're starting to see telcos finally sort of embrace that for a variety of reasons, whether it's their data moving into the cloud or it's just trying to modernize. But would love to hear a little bit more just on the go-to-market aspect of this partnership. Can you talk about how you might be going to market with AWS, which products are sort of optimized today to run on top of that and then how you think some of your -- either whether it's Tier 1 or Tier 2s, think about the opportunity to move sort of quickly to that cloud-based partnership?

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

Okay. So I think that it's a combination of, obviously, of Amdocs that we have great incumbency. And every Amdocs customer in the world is looking in some shape or form to move to the cloud. As Tamar mentioned before, all our new portfolio is cloud native. And at the same time, we developed a migration path for every Amdocs customer regardless of the platform that he is using. And AWS, which I believe is probably the leader in this market so far, especially in the service provider, with the cloud capabilities, tools and engines.

Obviously, in this partnership, we are looking together and talking together to customers to see how both of us can bring the biggest value, as I said, leveraging all the AWS unique capabilities and now obviously, understanding of the market. And the go-to-market is a very holistic proposition -- value proposition that includes consultancy, [can flow] migration to the cloud, cloud operation. In most cases, we start with hybrid operation between on-premise and cloud after the -- what we call cloud operation, which is actually the next generation of Managed Services that we used to do on on-premise. So I think there is a great engagement between the teams, and I believe that both companies can actually -- when we say taking the industry to the cloud, I think that with this partnership, we definitely can accelerate it.

Thomas Michael Roderick ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD***

Yes. Outstanding. Looks really interesting. And then apologies, we're juggling a few things over here. So you may have talked a little bit more about this on the Q&A section. But the Comcast arrangement seems very interesting. You've been making great headway with -- I know they've been a long time customer. On the commercial side more recently, it seems like you've been making some great headway. Can you talk a little bit more about what's new and incremental as part of this updating of their BSS and OSS stack?

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

We are operating in Comcast in several domains today. We are operating Comcast Xfinity Mobile. So there is leverage on platform there, which is growing very nicely for Comcast. We are also operating there in the OSS domain, in the network domain. And the one that we actually discussed this quarter is obviously the next-generation B2B platform that we are building with Comcast and starting to deploy nationwide. The whole enterprise domain is a major growth engine for Comcast. And we are very happy in supporting them in this domain.

Thomas Michael Roderick ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD***

Excellent. Tamar, just really quick for you. I think you mentioned it on the call already, but I'm not sure I quite wrote it down properly. Openet contribution in the quarter for revenue and then just the contribution to the backlog this quarter as well. Did you reveal those?

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

So Openet's contribution in Q4 numbers was roughly $10 million, and that's for about 2 months since the closing. And within that, we have a few dozens of millions of dollars. So even if you take out the Openet contribution to the backlog, it's been extremely high from new deal awards, both in existing and new logos.

Operator

Our next question comes from the line of Jackson Ader with JPMorgan.

Jackson Edmund Ader ***JPMorgan Chase & Co, Research Division - Analyst***

First one on the AT&T 5G win with Openet. How should we think about the revenue recognition for these types of wins? Is it similar to a [price/time] subscriber where someone who is an AT&T subscriber and then they also are one of these gamers that uses one of the new 5G services? How should we think about this expanding the pie for you guys?

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

So when we think about the opportunity of taking Openet to our customer base, Openet on a stand-alone basis was more of a pure product play where they mainly made the revenue from license, maintenance and a bit of professional services. When we come to our customers, we can sell a much more holistic solution including additional capabilities around that.

So you should think about it over time as something that, yes, we will enjoy through the license pricing the subscriber volume and capacity that this license enables. But our opportunity to take a share of the wallet of spend by our customers around the product itself is much bigger for the services. And the whole opportunity is open to us with our capabilities. It could be the deployment itself, could be then all kinds of services around the migration from existing systems they would like to do so, all the way to full operations of the system on behalf of the customer. And accordingly, there will be the revenue. So again, it will depend on the type of the deal, the revenue recognition will follow.

Jackson Edmund Ader ***JPMorgan Chase & Co, Research Division - Analyst***

Okay. Great. And then just similar to Tom, just a clarifying question on the OpenMarket divestiture. Again, how much revenue maybe did that contribute to Amdocs in fiscal 2020? So we can get a sense for next year as well.

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

So to make life simple for you, we made it very clear that on a pro forma basis, if we take out OpenMarket in 2020 and in 2021, we can support the same growth outlook that we provided for '21, both on the top line and earnings per share. In terms of the revenue of the OpenMarket, we sold OpenMarket at roughly 1x revenue of the forward 12 months, again, based on our current expectations. And we think it's a good pricing, obviously, once we find that this will make sense.

But I think the most important thing from our point of view is that this is in the context of our whole focus and being laser-focused on our growth strategy that we define around cloud, 5G, et cetera. And OpenMarket, while being a great asset and one that's contributed to Amdocs for many years, was a noncore asset for us.

Operator

Our next question comes from the line of Tal Liani with Bank of America.

Tal Liani ***BofA Merrill Lynch, Research Division - MD and Head of Technology Supersector***

I want to ask a question on margins. I see that margins are coming down this quarter and next quarter. So first, I want to understand the reasons for the margin -- the slight margin pressure versus the Street. And then what's the outlook? How do you see margins kind of going forward...

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

What margin are you referring to?

Tal Liani ***BofA Merrill Lynch, Research Division - MD and Head of Technology Supersector***

Operating margin. Operating margin.

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

So we went up from 17.1% to 17.2% sequentially. And as we said all along, taking a look on margins, we think that the changes of 10 basis points up/down, it's not something we look with too much attention into. I think the overarching message is we believe margin should be at the higher end of the 16.5% to 17.5% in 2021. We continue to focus on protecting margins. And that's while investing more in R&D, which means that, that is going to be on account of efficiencies otherwise. So we are actually feeling very comfortable with the ability to maintain these kind of margins. So don't see it going down, definitely not.

Tal Liani ***BofA Merrill Lynch, Research Division - MD and Head of Technology Supersector***

Got it. Maybe my spreadsheet wasn't good, but gross margin was 34%. The Street was at roughly 35%, 34.8%. Is there -- so the question is, is there any -- of the new deals that you have and heading into a 5G cycle and some other deals that you spoke about this time and announced, are there any -- is there any structural margin pressure coming from the new deals or what you could see with 5G rollouts next year?

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

No. I don't think there's a structural margin change. Yes, you're right. Our gross margin is 34%. And as we've always said, we're more focused on the operating margin and gross margin stand-alone. But I don't see any structural changes in the way we look at it. It's usually more of a combination of how we are seeing ramp-up of new logo deals or new country penetration or first-time deployment of offering versus a more mature customer, more of a recurring revenue. That's kind of really generalizing it. So we don't think there's anything unique in the 5G per se, that the domain that should put any pressure on margins.

Tal Liani ***BofA Merrill Lynch, Research Division - MD and Head of Technology Supersector***

Got it. So my next question is maybe for Shuky or Tamar. It's a very general question. You've done great things on the P&L, buying companies, going after new businesses, et cetera. And the growth is still only 2%. The year-over-year growth for this quarter is only 2.2%. When you look forward and you look into the opportunities next year, some of the big customers are no longer cutting spending as they were in the last 2 years, et cetera. How do you think growth could look like in recovery times? And what are your targets for sustainable growth once we get into 2021, spending improves and you go into -- and you start benefiting from all the initiatives you're going after?

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

So Tal, thanks for the question. We mentioned in our prepared remarks that we actually expect a great acceleration in growth in 2021. The average mix point for the year is going to be 5.5% on constant currency, 6% reported basis. During the year, we expect acceleration. So you can understand from that, that we believe we'll exit the year 2021 on a high note. We see the backlog we entered the year with providing us strong visibility of over 80% in achieving that.

In addition to that, we see a strong pipeline. So we feel that we can more than double the growth rate of the year we just ended in the year that is coming ahead as a result of multiple growth drivers that we see around both continuation of digital transformation and the acceleration of that following COVID and a lot of customers around the world that understand the benefit of that, the 5G journey as well as the tipping point we're seeing...

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

So Tal, we were very bullish on accelerated growth of 6% midpoint on a bullish -- on a reported basis. So actually, as Tamar mentioned, we more than doubled the growth rate, and we feel very comfortable with the accelerated growth.

Operator

our next question comes from the line of Tavy Rosner with Barclays.

Chris Reimer ***Barclays Bank PLC, Research Division - Analyst***

This is Chris Reimer on for Tavy. I wanted to touch on Managed Services and you having reported record revenues this quarter. Looking at the driving forces behind that growth, is there a particular geography where customers are more keen or more interested in having you manage their transformation? And how would you quantify the opportunity to grow Managed Services among your client base?

Tamar Rapaport-Dagim ***Amdocs Limited - CFO & COO***

Thanks. We see managed services as a compelling model globally. It started originally with North America where we still have the largest base of Managed Services engagement. But over the last couple of years, we've expanded with the Managed Services model both in Europe and the rest of the world.

And the interesting part here is that while maybe in the prior years, usually to develop a Managed Services engagement with the customer requires many years of relationship, building the trust before we manage to win a Managed Services engagement with an existing customer relationship, in the recent 2 to 3 years, we're actually seeing that model that we call managed transformation as a very successful one also in penetrating new customers.

And what we mean by managed transformation is that we sell to a customer both the license to use a software product, deploying these products into the customer environment and then operating that for the customer. So it's a whole, I would say, valuable position of our great software portfolio as well as the accountability model we can provide on making the system going live as well as operating it under predefined KPIs, SLAs, et cetera. And that model has been successful in selling into several new logos in recent years.

A great example is PLDT in the Philippines. We've signed a deal recently with Three U.K., for example. That is a new logo for us, again, managed transformation. So that is enabling the growth in addition to the fact that we have a very high renewal rate of expansion within existing customers. So we believe Managed Services as a model should continue to drive growth for us.

Chris Reimer ***Barclays Bank PLC, Research Division - Analyst***

Okay. And just as a follow-up, just touching on M&A and your recent expansion into media. Have you identified maybe any other addressable verticals that might complement your existing portfolio?

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

Interesting question. So we announced this quarter a deal that we signed with a large financial institute in the United States. And actually, in this deal, we are leveraging our capabilities in digital consultancy of projekt202, a company that we acquired a couple of years ago. And over there, they really like the fact that we have a great, what we call, design-like capabilities, revealing the IT capabilities in the digital domain. So we are not saying that, obviously, we are divesting to the banking industry, but we see some traction also from other vertical to our digital consulting capabilities.

Operator

(Operator Instructions) I'm showing no further questions. So with that, I'll turn the call back over to Head of Investor Relations, Matt Smith, for any further remarks.

Matthew E. Smith ***Amdocs Limited - Secretary & Head of IR***

Yes. Thank you very much for joining our call this evening and for your interest in Amdocs. We look forward to hearing from you in the coming days. And if you do have any additional questions, please call the Investor Relations group. With that, have a great evening, and we'll wrap up the call. Thanks.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. You may now disconnect.