AMDOCS Q4 2022 CONFERENCE CALL SCRIPT
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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 fourth quarter and full year fiscal 2022 and will update you on the continued progress we have made executing against our strategic growth framework.

Shuky will finish by commenting on our financial outlook for the full year fiscal 2023, after which Tamar will provide additional details on our fourth quarter financial performance and forward guidance.

As a reminder, our comments today will refer to certain financial metrics on a pro forma basis where applicable to provide you with a sense of the underlying business trends excluding the financial impact of OpenMarket, which we divested on December 31st, 2020.

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

<u>Slide 5: Shuky Sheffer</u>

Shuky Sheffer, Chief Executive Officer

Thanks, Matt, and good afternoon to everyone joining us on the call today.

<u>Slide 6: A Huge Thank You to our Employees</u>

Let me begin by saying how extremely proud I am of Amdocs' achievements in fiscal 2022, which in many respects was a **landmark** year for the company.

With our industry-leading portfolio of technology and services, and global reach, we **delivered** on our **objective** to **sustain accelerated** and **profitable** revenue growth, and we did so while playing a major role in serving the **mission critical** needs and strategic requirements of the global communications and media industry, which has without question become even more the **backbone** of society post the global pandemic.

Of course, **none** of this would be possible without the **dedication** and **commitment** of our global and diverse base of more than 30,000 talented employees, to whom I wish to extend my huge gratitude for making fiscal 2022 an **amazing** year by **providing market-leading innovation** and **exceptional** service to our customers.

<u>Slide 7: Record Annual Financial Performance</u>

Turning to slide 7, we wrapped up a **strong** fiscal 2022 financial performance with **solid** Q4 results that were in line with our guidance, **despite persistent** foreign currency headwinds and inflationary pressures throughout the quarter.

Recapping the full year highlights:

- **Record** revenue of approximately $4.57 billion increased 10.3% on a pro forma constant currency basis and was **consistent** with the **high-end** of our outlook for 6% to 10% growth as provided at the start of the fiscal year.

- Reflecting **healthy** sales momentum, we finished fiscal 2022 with **record**-**high** 12-month backlog of $3.97 billion, up approximately 8% from a year ago, and

- We achieved **record** non-GAAP diluted earnings per share of $5.30, up 12.1% on a pro forma basis as we delivered on our targets for **accelerated** and **profitable** topline growth.

- To further add, our earnings to cash conversion exceeded 100% in fiscal 2022, resulting in better-than-expected normalized free cash flow of $665 million, of which we returned more than 100% to shareholders via share repurchases and dividends.

Slide 8: FY2022 Operational Highlights

To provide additional color in respect to Amdocs' full year financial performance, **all three** of our core operating regions **grew** revenue on a **pro forma constant currency** basis in fiscal 2022, as shown on slide 8.

This **broad-based** growth across geographies demonstrates that our strategy to bring product and services innovation across 5G monetization, cloud, network automation and digital is **highly relevant** and **well aligned** with the needs of our customers worldwide.

- For instance, North America delivered a **record** year, driven by 5G and cloud transformation projects. In addition to **AT&T** and **T-Mobile,** revenue grew across the broader North American region as we continued to expand activities with many customers such as **Comcast**, **Charter**, **Dish**, **Verizon**, **Bell Canada, and Rogers**.

- Our efforts to further **expand in Europe and Rest of World** were also apparent in fiscal 2022. We won important strategic awards with **longstanding** customers like **Vodafone, A1 Telekom, Globe, PLDT**, and **XL Axiata**, and **new logos** like **PPF Group, Vodacom,** and **Azercell,** which altogether demonstrate Amdocs' impressive global reach.

Fiscal 2022 was also a year in which we solidified our unrivalled reputation for execution.

- Driven by our consistent focus on operational excellence, we achieved a **record** number of project milestone deployments in the fourth quarter and full year fiscal 2022, including **major go-lives** in Q4 at **Verizon**, **Three UK, Vivo** and **XL Axiata** to name a few.

As to our growth investments, we **accelerated** R&D in fiscal 2022 to **further extend** our technological leadership, as recognized by various industry analysts throughout the year. Moreover, we now have dozens of accounts using the latest versions of our cloud-native CES suite, which I believe is a testament to the rapid cadence and industry-leading capabilities of our platform.

Additionally, we remain committed to M&A as a lever to accelerate our growth strategy by augmenting our R&D investments.

- During fiscal 2022, we accelerated the post-merger integration of **DevOpsGroup** to strengthen our cloud consulting expertise, and we acquired **Roam Digital** to expand our digital experience capabilities.

- We also initiated a move to add service assurance to our network automation portfolio with the planned acquisition of **MYCOM OSI,** which subject to certain regulatory approvals, we expect to close before the end of fiscal Q1.

Slide 9: Committed to Making a Positive Impact

Turning to slide 9, let me also say a quick word about Amdocs's approach to corporate social responsibility which is **tightly interwoven** with Amdocs' business strategy.

Since Amdocs is **crucial** to empowering our **increasingly** connected world, I believe we have an obligation to provide sustainable products that help our customers to advance the interests of the **environment** while also taking responsibility to enable **digital inclusion** wherever we can.

A **great** example is our work with **Winity Telecom,** which is rolling-out 4G and 5G networks across remote communities in Brazil, bringing connectivity to more than 600 small municipalities and public schools to help close the gap in the digital divide.

Slide 10: Progress in Strategic Domains

Now, let me update you on our framework for strategic growth, the key pillars of which are shown on slide 10.

As a reminder, our growth strategy is **clear** and **simple**: **enable** our customers to **drive** growth, **improve** cost-efficiency and **provide** an **amazing** experience to **consumers** and **enterprises** by bringing **market-leading innovation** in respect to:

- End-to-end **cloud** platforms and services
- **Creating** seamless **digital experiences** by transforming IT operations
- **Monetizing** new 5G services, and
- **Delivering** dynamic connected experiences with real-time, **automated networks**

During Q4, we made additional progress executing against each of these growth pillars.

Beginning with **cloud**:

- I am delighted to announced that **AT&T Mexico** has selected us to **migrate** its Amdocs systems from **on-premises** to the **cloud**.
- This **five-year** agreement will enable **AT&T Mexico** to **quickly adopt** the latest 5G innovations, **facilitate** new business models and allow **unmatched flexibility** and **capacity** by ensuring the right IT service infrastructure to support its network evolution and growing business needs.

Additionally, I am proud to say that Amdocs is working with **Rogers** to move existing Amdocs services and applications to Rogers' private cloud.

Moving next to **digital transformation**, we have expanded our work **with T-Mobile** as they implemented Amdocs' AI and Data Platform on the cloud to unlock business insights for an improved customer experience.

- Additionally, we signed a multi-year strategic managed services agreement with **Telefonica Hispanoamerica** to deploy new BSS and cloud-native OSS modules on the public cloud for Telefonica's entities in Argentina, Chile and Peru, enabling cost reduction, faster time to market for new services, advanced digital capabilities and an improved customer experience.

- I am also happy to announce our first digital transformation engagement with **Azercell**, an Azerbaijan-based operator. Amdocs will modernize Azercell's BSS and OSS infrastructure with a cloud-native platform to improve time-to-market for new products and services while increasing efficiency by digitizing and streamlining processes.

Moving on to 5G monetization, at **Verizon** we recently went into production with Amdocs' CatalogONE, our cloud-native platform designed to rapidly create and launch new 5G service offerings.

Earlier in Q4, we also launched our next-generation Amdocs Charging, which combines the industry-leading charging and BSS capabilities of both Amdocs and Openet to support rapid time to market and the monetization of innovative new services across standalone 5G networks and beyond. Leading service providers, including **two tier-one** operators in North America, are already using Amdocs Charging, and we are busy working with many others as they explore ways to make a return on their 5G investments.

To learn more about the significant market potential of future 5G use cases, we invite you to join us for a webinar on December 12 where we will share global perspectives and insights highlighting 5G's growing contribution to innovative services, the potential economic impact across industries, as well as real-world examples Illustrating Amdocs' critical role in bringing 5G to life.

Switching to **network automation**, we have continued to broaden and strengthen our relationship with SES, a leading operator of multi-orbit satellites to deliver enhanced forms of connectivity. Amdocs recently signed an important new **managed services** agreement with SES under which we will provide anomaly detection, monitoring, diagnostics, and remediation across SES's new satellite communications system.

- Amdocs is also seeing increased customer demand for private enterprise networks as society becomes more reliant on ubiquitous connectivity. As an example, Amdocs is now working with **EAF**, a new Brazilian communications service provider, to build a private network for the Brazilian government.

Finally, I'd like to quickly acknowledge AmdocsMedia where we are proud to say that Juice, which is part of Vubiquity, earned a Netflix Preferred Fulfillment Partner of the Year award, for the Americas region. This is Juice's third NPFP of the year win - the most of any partner since this program launched.

- Additionally, Vubiquity was recently selected by Cellcom in Israel to ensure a personalized digital content experience for Cellcom's FiberTV viewers under a newly extended agreement.

Slide 11: FY23 Outlook: Expect revenue growth in line with our 6%-10% constant currency long term target

- Now, moving to our fiscal year 2023 outlook, as presented on slide 11.
- As you'd expect, we are closely monitoring the global macroeconomic environment which has become even more complex since we spoke last quarter.
- While Amdocs and our global customers are not immune to macroeconomic cycles, we are confident in our unique and relatively resilient business model, which results in highly recurring revenue streams and strong business visibility from the mission critical systems we support under multi-year engagements.
- We are **already** working with our customers to **optimize** their plans to address the complex macroeconomic situation, helping them to improve customer experience, accelerate cost reduction, and increase efficiency by bringing our highly relevant capabilities in digital, cloud, and automation.
- We continue to see a **rich pipeline** of opportunity which I believe reflects Amdocs' position as a **key technology enabler** situated at the **heart** of the 5G monetization and cloud-related investment strategies that we believe our customers will **continue** to execute in the next several years.

Slide 12: FY23 Outlook: Expect Growth In Line with our 6-10% Long Term Revenue Target

- Tying everything together on slide 12, we expect to deliver full year revenue growth of between 6% to 10% on a constant currency basis in fiscal 2023, consistent with the long-term guidance range we provided previously.
    - Our visibility is supported by **record** 12-month backlog entering the fiscal year.
    - We expect **all three** of our core operating regions to grow on a constant currency basis in fiscal 2023, with Europe and Rest of World **enjoying a**

stronger year compared with fiscal 2022 as recent projects awards continue to ramp-up.

- On the bottom line, we expect non-GAAP diluted earnings per share growth of roughly 8% to 12% in fiscal 2023.
    - This outlook assumes an increased level of profitability as compared with the 2022 fiscal year, mainly resulting from ongoing efforts to improve operational excellence through automation and other sophisticated tools which are now yielding benefits. Additionally, we expect cost savings enabled by our move to the new campus in Israel.
    - Additionally, we expect earnings to cash conversion to remain at around 100% in fiscal 2023, supporting another year of strong free cash flow generation, the majority of which we plan to return shareholders.
- To summarize, we expect to deliver **double-digit** expected total shareholder returns for the **third** straight year in fiscal 2023, assuming our non-GAAP diluted earnings per share growth guidance, plus our dividend yield of about 2%.

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

<u>Slide 13: Tamar Rapaport-Dagim</u>
Tamar Rapaport-Dagim, Chief Financial Officer & Chief Operating Officer

Thank you, Shuky, and hello everyone. Thank you for joining us.

As a reminder, my comments today will refer to certain financial metrics on a pro forma basis, which exclude the financial impact of OpenMarket, which we divested on December 31, 2020.

<u>Slide 14: Q4 FY2022 Financial Highlights</u>

Turning to our financial highlights on slide 14, I am happy to report solid fourth quarter financial results, rounding out a **remarkable** full year fiscal 2022.

Record Q4 revenue of approximately $1.17 billion was up 9.5% year-over-year in constant currency.

On a reported basis, revenue increased 7.3% and was **slightly** **<u>above</u>** the midpoint of guidance **<u>despite</u>** unfavorable foreign currency movements of roughly $9 million compared to our guidance assumptions.

Moving down the income statement, our non-GAAP operating margin was 17.6% in Q4, **consistent** with the prior quarter and up 10 basis points from a year ago. During Q4, we continued to balance accelerated R&D investments and a competitive labor environment with our initiatives to improve operational excellence and efficiency through the ongoing implementation of automation and other sophisticated tools.

Additionally, I would like to remind you that our foreign currency hedging program is designed to **protect** our **profitability** and **free cash flow** generation rather than revenue, and we are once again pleased that this strategy has proven mostly effective through the volatile currency markets of Q4.

On the bottom-line, non-GAAP diluted EPS of $1.29 was at the midpoint of our guidance range and included a non-GAAP effective tax rate of 20.6% which as expected was **above** the high end of our annual non-GAAP effective tax rate guidance of 13% to 17%. For the full fiscal year, our non-GAAP effective tax rate of 15.7% was within our annual guidance range.

Diluted GAAP EPS was $1.05 for the fourth fiscal quarter, which was at the **higher** end of the guidance range of $0.98 to $1.06.

<u>Slide 15: Full Year Fiscal 2022 Highlights</u>

Summarizing fiscal 2022 on slide 15, we delivered revenue growth of 10.3% on a pro forma constant currency basis, slightly above the high-end of the 6% to 10% guidance range we provided at the start of the year.

As Shuky mentioned, **all three** of our core operating regions grew on a pro forma constant currency basis for the full year. Our growth in North America was very strong, both at our **top two** customers as well as rest of the region.

In Europe, revenue declined as reported, but **realistically** the region **grew** on a pro forma constant currency basis as **new project activities** ramped-up through the fiscal second half.

Additionally, Rest of World grew in both Southeast Asia and Latin America in fiscal 2022.

To provide some further datapoints highlighting the results of our global diversification initiatives, **six** of our top 10 customers were located outside North America in 2022, despite strong growth in North America. **Three** of these six customers were **new** logos added in the last ten years.

Additionally, the number of countries in which we generate annual revenue of **more than $40 million** has almost **doubled** over the ten years, which is a result of our intentional geographic expansion.

On the bottom-line, we achieved double-digit non-GAAP diluted earnings per share growth of 12.1% on a pro forma basis in fiscal year 2022, driven by the strong topline performance, a slightly better non-GAAP operating margin, and the benefits of our share repurchase activity.

Slide 16: Leading Indicators and Business Resiliency: 12-Month Backlog

Moving to slide 16, 12-month backlog was a record-high $3.97 billion, up 7.6% from a year ago as strong sales momentum continued in the fourth quarter. On a sequential basis, 12-month backlog was up by $20 million as compared to the third quarter.

Our twelve-month backlog has traditionally served as a **good leading indicator** of our business, having consistently averaged around 80% of forward-looking 12-month revenue over the years.

Slide 17: Leading Indicators and Business Resiliency: Managed Services

Turning to slide 17, I am delighted to report a **strong** fourth quarter and our **best-ever year** in managed services.

Fourth quarter managed services revenue of $715 million was up 12.1% from a year ago and accounted for about 61% of total.

During Q4, we continued to expand our list of managed services customers with new multi-year deals, including those with **Telefonica Hispanoamerica** and **SES,** which Shuky referenced earlier.

Additionally, **Charter** and Amdocs have signed an expansion to our managed services agreement, providing ongoing support for **Charter's** growth of Spectrum mobile.

These deals add to an already impressive year for managed services renewals, including with customers such as Bell Canada, PLDT, Cricket Wireless, and BT, in line with our track-record of a nearly 100% renewal rate.

Additionally, it is worth noting that we have virtually **doubled** our number of managed services accounts over the last 10 years.

To remind you, our managed services engagements underpin the **resiliency** of our business with **recurring** revenue streams, **high renewal rates** and **expanded** activities, which may sometimes include **transformation projects** with existing customers.

<u>Slide 18: Balance Sheet & Cash Flow</u>

Now, turning to the balance sheet and cash flow highlights on slide 18.

DSOs of 74 days **declined** by 8 days sequentially in Q4, reflecting **healthy** customer collections in the period.

Additionally, the net difference of deferred revenue and unbilled receivables declined by $7 million year-over-year.

We generated normalized free cash flow of $176 million in Q4 and $665 million for the full fiscal year 2022, exceeding our target of $650 million. On a reported basis, full year free cash flow was $530 million including capex of $116 million in relation to our new campus in Israel. I am very excited to report that as we speak, our employees in Israel are starting the process of moving in to the new premises.

Since the Israel campus is now substantially complete, we plan to **stop** disclosing normalized free cash flow starting next quarter, and only free cash flow will be provided moving forward.

Overall, we ended the year with a **strong** balance sheet and a healthy cash balance of approximately $0.8 billion, including aggregate borrowings of roughly $650 million.

Moreover, we have ample liquidity to support our ongoing business needs while retaining the capacity to fund strategic growth. This includes the acquisition of MYCOM OSI which, subject to certain regulatory approvals, we expect to close before the end of Q1 for approximately $188 million cash.

Slide 19: Disciplined Capital Allocation
Turning to capital allocation on slide 19, we repurchased $108 million of our shares in the fourth quarter and paid cash dividends of $48 million.

Overall, we returned a total of $694 million to shareholders through share repurchases and dividends in fiscal 2022, equating to roughly 104% of normalized free cash flow.

Looking ahead to fiscal 2023, we expect free cash flow of approximately $700 million, which represents a healthy free cash flow yield of about 7% relative to Amdocs' current market capitalization.

Our outlook assumes a conversion rate of approximately 100% relative to non-GAAP net income.

Regarding our capital allocations in fiscal year 2023, we expect to return the majority of our free cash flow to shareholders. This includes dividends, for which we are pleased to announce a proposed increase of 10% in our quarterly cash payment to a new rate of 43.5 cents per share, subject to shareholder approval at the annual meeting in January.

Overall, I believe fiscal 2022 was a remarkable year for Amdocs, which included record-high revenue, slightly better profitability, strong free cash flow generation and double-digit growth in non-GAAP diluted earnings per share.

Slide 20: Q1 & FY2023 Outlook
Now, turning to our outlook on slide 20.

As Shuky indicated earlier, we are closely monitoring the prevailing level of macro-economic, business, and operational uncertainty, which remains elevated in the current business environment. Thus, the first quarter and full year fiscal 2023 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.

With that said, we are positioned to deliver revenue growth in line with the midpoint of our long-term guidance range of 6% to 10% year-over-year on a constant currency basis in fiscal 2023. Visibility to this outlook is supported by our record 12-month backlog and the strong pipeline we see. Our revenue growth for fiscal 2023 includes a contribution of about 60 basis points from MYCOM OSI given our expectation that, subject to certain regulatory approvals, this deal will close before the end of Q1. This is similar to the inorganic growth contribution that was assumed in the guidance for FY2022.

Additionally, we expect to deliver revenue growth across **all three** operating regions of North America, Europe, and Rest of World on a constant currency basis for the full year fiscal 2023.

Our annual outlook includes first fiscal quarter revenue within a range of $1.155 billion to $1.195 billion.

On a reported basis, we expect full year revenue growth in the range of 4% to 8% year-over-year, which anticipates an unfavorable foreign currency impact of approximately 2% year-over-year.

Moving down the income statement, we anticipate quarterly non-GAAP operating margins around the **midpoint** of a **new** and **improved** annual target range of 17.5% to 18.1%, reflecting the benefits of our ongoing initiatives to improve operational excellence through automation, other sophisticated tools, and disciplined resources management as well as expected cost savings resulting from our move to the new campus in Israel.

Below the operating line, we anticipate that foreign currency fluctuations and cost of hedging will continue to impact our non-GAAP net interest and other expense line in the range of a few million dollars on a quarterly basis.

We expect that our non-GAAP effective tax rate will remain within an unchanged annual target range of 13% to 17% for the full fiscal year 2023. Specifically, our non-GAAP effective tax is expected to be **above** the high-end of the annual range in the first fiscal quarter.

Bringing everything together, we expect non-GAAP diluted earnings per share growth in the range of 8% to 12% for the full year fiscal 2023.

Overall, we expect to deliver double-digit total shareholders returns for the **third** year running in fiscal 2023, including our outlook for non-GAAP earnings per share growth, plus our dividend yield of about 2% based on the newly proposed quarterly cash payment to be approved by shareholders at January's annual meeting.

With that, back to you, Shuky

Slide 21: Q&A

Shuky Sheffer, Chief Executive Officer

Thank you, Tamar.

As you can probably tell from our remarks today, I am very proud of achievements for the fourth quarter and full year fiscal 2022, and I believe we are in strong shape to deliver another year of profitable growth in 2023. With that, we are happy to take your questions. Operator?