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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Second Quarter 2021 Amdocs Earnings Conference Call. (Operator Instructions) Also please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Mr. Matt Smith, Head of Investor Relations. Thank you. Please go ahead.

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 of 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, 2020, filed on December 14, 2020, and our Form 6-K furnished for the first quarter of fiscal '21 on February 16, 2021. 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, Chief Financial and Operating Officer. And 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.

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 on the call today. I'm pleased to report another strong financial performance in our second fiscal quarter. My comments today will refer to certain financial metrics on a pro forma basis, where applicable, to provide you with the sense of the underlying business trends, excluding the financial impact of OpenMarket, which we divested December 31, as previously announced.

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Revenue in fiscal Q2 was well above the midpoint of our guidance and up 5.7% for a year ago on a pro forma constant currency basis. Operating profitability exceeded the high end of our target range as we balance accelerated R&D as a percent of revenue with continued focus on operational excellence. Free cash flow generation was also robust, driven by the successful delivery of project invoicing milestone and healthy cash collection with customers.

During Q2, we returned a record quarterly cash amount of more than $400 million to shareholders by the way of share repurchases and dividends. This includes the net proceeds from OpenMarket, in line with the commitment we made to shareholders in the prior quarter. This was another strong sales momentum led by growing demand for our digital 5G offering. Additionally, we solidified our market leadership in the public cloud domain by utilizing our strong balance sheet to acquire Sourced Group, a leading global cloud consultancy business, for a net consideration of roughly $75 million in cash.

Before moving on, let me take a moment to address the situation in India, where the COVID-19 pandemic has recently escalated. My thoughts are with our Indian employees, their family members and the community at large during this extremely challenging time. To those who have suffered personal loss, I would like to express my deepest sympathies. And to those whose health has been impacted by the virus, I offer my warmest wishes and hope that you quickly make a full and speedy recovery.

Our priority is the health and well-being of our employees, and we are investing resources to provide support for those most affected by the pandemic, which include making vaccination available faster, wherever possible.

From an operational perspective, we can leverage the scale and the flexibility of our global delivery model and our extending capabilities in other parts of the world such as the U.S. and the U.K., where the state of the pandemic is much improved, and our co-development and delivery centers in Israel, where activities are pretty much back to the offices. We are monitoring the situation in the daily to ensure business continuity for our customers.

I am proud of our employees, and I want to thank them for all their dedication and commitments throughout the pandemic and their ability to collaborate within and support one another during this difficult time.

Now let me provide some color regarding our regional performance during Q2. Beginning with North America, we delivered our best-ever quarter on a pro forma basis as a healthy level of customer activity continued throughout the region. As North America emerges from the pandemic, 5G network and fast and secure broadband connectivity has become recognized as a backbone of society. Service providers investing heavily in fiber and 5G deployment as witnessed in the many billions of dollars they allocated in the recent C-band spectrum auctions. To monetize their investment and maximize ROI, service provider must bring exciting new 5G offers and services to their consumers and enterprise customers.

To meet this need, our customers are in a multiyear investment cycle in digital and 5G system modernization, cloud migration and next generation OSS platform for networks, all of which Amdocs is well positioned to support with our cloud-native products and IP-based services.

Let me take you through a series of example to show how we are supporting our customer as they build the capabilities to address these market dynamics. At AT&T, we are executing a wide scope of activities under the 4 years managed services deal we announced in November 2019, on top of which, we are accelerating new programs to modernize its consumer mobility domain, support the journey to the cloud and deploy 5G monetization solution leveraging open charging and policy capabilities.

In T-Mobile, we are accelerating the digital transformation under strategic multiyear agreement we announced last quarter, implementing the AmodcOne product portfolio to support next-generation communication services for its consumer and business customer and next-generation hybrid cloud operation in the form of multiyear managed services engagement.

At Verizon, we are implementing Amdocs CatalogONE, our cloud-native platform designed to rapidly create and launch new 5G services offering. And we are now progressing an additional program in the network domain, which leverages Amdocs NEO, our cloud-native

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next-generation OSS 5G platform for services and network automation. NEO allows service providers to harness the power of cloud-based virtualized network that are more dynamic, agile and scalable.

Around cable and media, we are also busy. We just completed successful subscriber migration for Altice USA following its requisition of service electric cable TV last year, and we are continuing to implement our BSS and OSS platform for Comcast Business. At Charter, we are deploying our system to support Spectrum Mobile under a multiyear managed services agreement we announced last quarter, and we were recently selected by Dish to provide the cloud-based billing for enterprise and wholesale customers on its next-generation 5G network. Amdocs Media's Vindicia also extended its long-term engagement with Vimeo, which will continue to use Vindicia cloud-based SaaS solution to enhance monetization of its substation and onetime purchase services.

Moving to Europe, we delivered healthy year-over-year revenue growth on a pro forma basis as we continue to program digital transformation project to support improved customer experience, operating efficiency and multiple convergence strategies for our customers. During the quarter, we saw continued demand for Openet's 5G charging and policy solution, which a major Tier 1 operator in the U.K. recently implemented on the AWS public cloud to support its global lo T platform.

In Italy, we expanded an existing relationship with Fastweb, which selected Amdocs to modernize its mission-critical inventory system as part of a transformation to create a 5G-ready platform to grow and differentiate its business, and we expanded our relationship with SES, a world-leading content connectivity solution provider which selected Amdocs' end-to-end testing framework to automate its flow validation process.

Turning to the rest of the world, revenue grew over year, and we began to see early but encouraging sign of recovery in Latin America. Amdocs was selected by America Movil to deliver a digital transformation in Claro, Chile and Claro, Puerto Rico. And Amdocs has signed a 3-year agreement with Claro, Brazil to support Claro's postpaid business and to provide services and solutions for its digital transformation.

In Chile, Vubiquity extended its long-term relationship with VTR part of the Liberty Global and we signed a multiyear agreement with Telefonica Hispam to provide content, licensing and processing for Movistar Play service in the 5 markets, including Argentina, Chile and Peru.

In Southeast Asia, Globe Telecom in the Philippines implemented our next-generation cloud-native CatalogONE and DigitalONE platform for its enterprise business, which we will operate and maintain under a multiyear managed services contract.

We strengthened our partnership with India's Airtel, where we completed a seamless migration of Airtel wireless postpaid customer to Amdocs Modern Digital Business System, and we signed a new deal to provide Openet's charging for the data management product on Microsoft Azure for M1 Limited in Singapore.

Moving on, let me update you on the strategy to grow by accelerating the communication industry journey to the cloud. As we outlined a few quarters ago, Amdocs bring a full range of products and services with which to offer every customer a ready and tailor-made journey to the cloud. I am pleased to report that we see an attractive and expanding pipeline of opportunities, which we hope to accelerate with the recent step we have taken to solidify our leadership in this domain.

First, we are today pleased to announce the acquisition of Sourced Group, a leading global technology consultancy specializing in large-scale cloud transformation for sophisticated high-end enterprise customer in different industries such as communication and financial services across North America, Asia Pacific and Australia. Sourced Group is part of our wide cross-company investment in the cloud and brings a proven cloud migration platform deployment and landing zone framework and trusted design processes alongside its deep partnership with AWS, Microsoft Azure and Google Cloud.

This acquisition also complements our portfolio of cloud-native products and services and further expands and diversifies our customer base, allowing us to implement cloud at scale. We are delighted the innovative Sourced team is joining Amdocs. We are proud to bring such a great professionals and practices to our industry.

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Second, I am pleased to announce an expanded strategic collaboration with Microsoft to widen the availability of our portfolio on Azure. The collaboration will enable service provider to transfer with cloud-native solution and cloud services and deploy 5G networks in the cloud with Azure for operators. Automated by the Amdocs NEO suite and monetized by Amdocs Charging. We have also extended our multiyear strategic agreement with AWS to include Vindicia's subscription management portfolio provided on AWS Global Cloud.

To wrap up, let me briefly comment on the outlook for the remainder of our fiscal year 2021. We are raising our guidance for the full year revenue growth to reflect our solid performance in the first 2 quarters and our expectation for a stronger second half. Our confidence is supported by the visibility of our 12 months backlog, which is up more than 9% from a year ago on a pro forma basis. And I believe that there is a rich pipeline of opportunities across our operating regions which we are working hard to monetize by executing on our growth strategy.

With our focus on profitability and the disciplined use of cash. We now expect to deliver a double-digit total shareholder return in the fiscal 2021, including an improved outlook for a pro forma non-GAAP earnings per share growth plus our dividend yield.

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

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

Thank you, Shuky. Let me start with a quick housekeeping item with respect to open market, which was included in our reported numbers for the income statement and cash flow in the first fiscal quarter of fiscal 2021 but is excluded for the second fiscal quarter of fiscal 2021, following the completed divestiture of this asset on December 31, 2020.

To provide you with a sense of the underlying business trends, my comments today will refer to certain financial metrics on a pro forma basis, which exclude the financial impact of open market from the current fiscal year and comparable fiscal year period.

Second fiscal quarter revenue of $1.49 billion significantly exceeded the midpoint of our guidance range of $1.15 billion to $1.55 billion. Revenue includes a positive impact from foreign currency fluctuation of approximately $3 million relative to the first fiscal quarter of 2021 and a negative impact of $1 million relative to guidance. Additionally, Q2 revenue included a small amount of less than $2 million from 2 acquisitions, which we closed in the month of March, Sourced Group, the cloud consulting company Shuky mentioned, and another small one, which I will describe later.

On a pro forma basis, revenue grew by 5.7% year-over-year in constant currency in the second fiscal quarter. Our second quarter revenue as reported grew by 1 -- sorry, by 1 -- by 0.1% year-over-year and was down 1.4% in constant currency, given the comparable quarter of last year still included OpenMarket results.

Our second fiscal quarter non-GAAP operating margin of 17.6% exceeded the high end of our long-term target range of 16.5% to 17.5% and was up 30 basis points sequentially and 40 basis points from a year ago. The non-GAAP operating margin improvement reflects the divestiture of OpenMarket as well as initiatives of operational excellence while accelerating our R&D investment in our strategic growth domains of digital, 5G and the cloud.

Below the operating line, non-GAAP net interest and other expense was $3.9 million in Q2, the mix of which includes interest expense related to our short-term borrowing and 10-year bond 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 non-GAAP EPS was $1.13 in Q2, slightly above the midpoint of our guidance range of $1.09 to $1.15. Our non-GAAP effective tax rate was 18.2% in the second fiscal quarter, yet we are on track to meet our annual target range of 13% to 17%. Diluted GAAP EPS was $0.91 for the second fiscal quarter, in line with the midpoint of our guidance range of $0.87 to $0.95.

Normalized free cash flow was $133 million in the second fiscal quarter, up significantly as compared to $76 million a year ago. On a

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reported basis, free cash flow was $70 million in Q2. This was comprised of cash flow from operations of approximately $120 million, less $49 million in net capital expenditures and other, and included the annual cash bonus payment to our employees in January for the prior fiscal year 2020, consistent with our guidance last quarter.

Please refer to the reconciliation table provided in our Q2 earnings release for an explanation of the difference between normalized and reported free cash flow in the quarter and for past periods.

DSO of 79 days decreased by 3 days year-over-year and increased by 1 day as compared to the prior fiscal quarter. We remind you that DSOs may fluctuate from quarter-to-quarter. As of March 31, total deferred revenue exceeded total unbilled receivable by $167 million. This reflects a decrease in total unbilled receivables of $19 million and an increase in total deferred revenue of $8 million as compared to the first fiscal quarter of 2021. Changes in unbilled receivables and total deferred revenue are primarily due to the timing of contract-specific milestones. Moving forward, you should expect these items to fluctuate from quarter-to-quarter, in line with normal business activities.

Moving on. Our 12 months backlog was $3.54 billion at the end of the second fiscal quarter, up approximately $50 million from the end of the prior quarter. On a pro forma basis, our 12 months backlog was up roughly 9.3% year-over-year. As a reminder, we believe our 12 months backlog continues to serve as a good leading indicator of our forward-looking revenue.

I am pleased to report another record quarter for managed services arrangements, which comprised roughly 61% of total revenue. This performance reflects high renewal rates, the adoption of our managed transformation model and continued expansion of activities within existing customers. To clarify, the OpenMarket business was not classified as managed services, and therefore, its exit does not impact our revenue for managed services.

Our cash balance at the end of the second fiscal quarter was approximately $1.2 billion, including aggregate borrowing of roughly $750 million. Our balance sheet reflects the acquisition of Sourced Group, a leading global technology consultancy, for a net consideration of roughly $75 million in cash. Additionally, we recently completed 2 small acquisitions, 1 in March, but still within fiscal Q2 and the second in April. In the first small acquisition, projekt202, our Digital Experience Group subsidiary acquired ADK for a net consideration of roughly $14 million in cash. Based in Boston, ADK is the user experience and application development company which complements projekt202's capabilities, and has a diversified list of global enterprise customers, including Santander Bank, Mercer and Brown-Forman.

Clearbridge Mobile is the second small acquisition for a net consideration of roughly $15 million in cash, targeted to further expand our digital portfolio capabilities. Clearbridge is a Toronto-based mobile app development company, which provides user-centric design and engineering service for telcos, such as Bell Canada and Rogers and non-telco customers like YES Network and TD Bank. For all 3 recent acquisitions, additional consideration may be paid later based on the achievement of certain performance indicators.

As additional color on use of capital, in early May, we repaid the $100 million of short-term bank loan we took on during the early part of the COVID-19 pandemic last year. This repayment was executed according to schedule under the original terms of the loan agreement. 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 our future strategic growth investments as and when the right opportunities arise. Additionally, we are committed to maintaining our investment-grade rating.

Now turning to the outlook. The prevailing level of macroeconomic business and the operational uncertainties surrounding the magnitude and duration of the COVID-19 pandemic remains elevated, including the recently escalated situation in India. 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. We expect revenue for the first fiscal quarter of 2021 to be within a range of $1.040 billion to $1.080 billion. Our Q3 revenue guidance anticipates a negative sequential impact of approximately $3 million from foreign currency fluctuations. Additionally, our guidance incorporates the benefit of the recently completed acquisitions I just discussed.

Regarding the full year 2021, we are raising our outlook for revenue growth on a pro forma basis to a new range of approximately 5% to 8% year-over-year in constant currency as compared to our previous range of 3.5% to 7.5% year-over-year. The new outlook equates to

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an improvement of roughly 100 basis points at the midpoint of the range, about half of which is attributable to core business and the other half from recently completed M&A.

On a reported basis, we now expect full year revenue growth in the range of 1% to 4% year-over-year as compared with our previous range of negative 0.3% to plus 3.7% year-over-year. The adjusted revenue outlook on a reported basis anticipates a positive impact from foreign currency fluctuations of approximately 1% year-over-year as compared to a positive impact of 1.2% previously. Additionally, our outlook remains consistent with our previous guidance for an acceleration in the rate of year-over-year growth on a pro forma basis in the first -- in the -- sorry, the second fiscal half. Moreover, we still expect to see all 3 geographical regions to deliver revenue growth on a pro forma basis for the full year fiscal 2021.

As a final point, to further help with your modeling, we remind you that we originally planned for OpenMarket to contribute revenue in the range of $300 million for the full year fiscal 2021, roughly 75% of which was expected from North America, with Europe accounting for the rest.

Regarding profitability. We continue to anticipate quarterly non-GAAP operating margins to track roughly in line with the high end of the annual target range of 16.5% to 17.5%. This outlook assumes accelerated R&D investment as a percent of total revenue to support our customers and future strategy, balanced with our continued focus on delivering operational excellence. We expect the third fiscal quarter diluted non-GAAP EPS to be in the range of $1.14 to $1.20.

Our third fiscal quarter non-GAAP EPS guidance incorporates an expected average dilution share count of roughly 128 million shares. We excluded the impact of incremental future share buyback activity during the third fiscal quarter as the level of activity will depend on market conditions. Regarding the full year fiscal 2021. We are raising our outlook for non-GAAP diluted earnings per share growth to a new range of 7.5% to 10.5% on a pro forma basis as compared to 5.5% to 9.5% previously. The improved outlook is mainly the result of better business fundamentals. On a reported basis, we expect to deliver fully diluted non-GAAP EPS growth of 6% to 9% year-over-year as compared to 4% to 8% year-over-year previously.

As a reminder, this outlook includes the impact of OpenMarket for the first fiscal quarter only.

We expect our non-GAAP effective tax rate to be within the annual target range of 13% to 17% for the full fiscal year 2021. We now expect normalized free cash flow for the fiscal year 2021 of approximately $820 million, which is slightly improved from our prior guidance of $800 million. The outlook is equivalent to about 8% of our Amdocs market cap and represent a conversion rate of roughly 130% relative to our expectations for non-GAAP net income.

As a reminder, we expect free cash flow to convert at the rate more on par with our expected non-GAAP net income over the long term. Additionally, we now expect slightly better reported free cash flow for fiscal year 2021 of approximately $620 million as compared with $600 million previously. Our reported free cash flow outlook anticipates expenditures of roughly $140 million in relation to the development of our new campus in Israel; $40 million of capital gain tax in relation to the divestiture of OpenMarket; and other items.

As previously stated, we expect fiscal 2021 to be the peak year of capital expenditure for the new campus. Note that the gap between the expected free cash flow on a normalized and reported basis has widened primarily due to the tax in relation to the capital gain of OpenMarket.

During the second fiscal quarter, we repurchased $360 million of our ordinary shares under our current authorization, including roughly $260 million funded by the net proceeds from OpenMarket, as we committed it to in the previous quarter. Roughly $100 million of our share repurchases in Q2 were executed as part of the regular share repurchase program.

Regarding our capital allocation plans for the rest of fiscal 2021. We expect to return a majority of our normalized free cash flow to shareholders in the form of a quarterly dividend and share repurchase programs subject to factors such as the status of COVID-19 pandemic, the outlook for M&A, financial markets and prevailing industry conditions. As of March 31, we had roughly $228 million of authorized capacity for share repurchases. Additionally, our Board has today authorized another share repurchase plan of $1 billion,

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which we will execute at the company's discretion going forward.

Overall, we remain on track to deliver accelerated pro forma revenue growth, improved profitability and strong free cash flow in fiscal 2021. The combination of which now supports an outlook for double-digit total shareholders' return of roughly 11%, including the 9% midpoint of our pro forma non-GAAP earnings per share, growth guidance plus our dividend yield.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Ashwin Shirvaikar from Citi.

Ashwin Vassant Shirvaikar ***Citigroup Inc. Exchange Research - MD and lead Analyst***

Congratulations. It's a very solid quarter, a healthy outlook raise. And that's actually my first question is with regard to the outlook, I get the half of the improvement is because of acquisition, but the other part, the inorganic piece. In which areas has sort of the velocity of client demand risen? Are you seeing bigger project sizes or the speed of signed work coming in faster? What's been the important change that you observed?

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

So actually, it's a combination of all our growth pillars, none of them in particular, but that's actually very exciting because in general, we are seeing very positive momentum across 5G, cloud, digital transformation. So we are continuing to see that momentum building up. We try to give some color to the prepared remarks on the momentum we are seeing in North America, very broad-based, including key existing customers like AT&T and T-Mobile, all the way to new logos such as Verizon. Very happy also with the fact that Europe is continuing to play well for us, starting to see policy charging awards happening in Europe in conjunction with continued digital transformations. And also rest of the world, that has grown for the third quarter in a row sequentially and back to year-over-year growth. That's very important. And with some even encouraging signs in CALA, which has been more of the slower part of the regions in the recent pandemic year. So it's very encouraging, both from a regional point of view as well as the growth pillars that we're seeing.

Ashwin Vassant Shirvaikar ***Citigroup Inc. Exchange Research - MD and lead Analyst***

Got it. Understood. And then with regards to Sourced and the other 2 smaller acquisitions, they have non-telecom clients, including, say, financial services, for example. Is the intent to keep those clients? Grow the non-telecom piece incrementally? Any thoughts on that?

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

So you are right, both Sourced and the other acquisitions brought some financial services customer. Definitely, the main reason that we acquired the companies will support our strategy, Sourced to support our strategy for the journey to the cloud. They are really top-notch consultant. We got a lot of knowledge, top knowledge consultants see capabilities in AWS, Azure and Google, then definitely, we are going to leverage in our -- taking the industry to the cloud of the comms and media industry.

Having said that, they bought some financial services customer. We are going to continue to support this financial services customer. And at the same time, we are evaluating if we can obviously push this domain. And actually, this customer can get some other additional service from Amdocs. At this point, it's more opportunistic, rather than strategic, but we are evaluating this opportunity.

Operator

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

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

I wanted to ask you about, first of all, just a general question. Is there any disruption to your business given what's happening in the country? Number one.

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And number two, I want to ask about the spending environment and your participation in 5G. I'm asking this question every quarter because I know you should be getting some upside from it. And I wanted to know if you start to see any movement on carriers spending on 5G, spending with Amdocs on 5G and what kind of projects you're seeing.

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

So for your first question, there is no impact. I mean there is some -- people are working from home a little bit, but as you know, in the last 12 months, the majority -- the vast majority of the company, because of the pandemic, work from home. So I can tell you, clearly, there's no impact.

Regarding the second question, we are definitely enjoying the 5G trend. All our -- and the cloud, which are very much tightly connected. All our new projects are in North America or the big ones are related to 5G. This is the consumer mobility modernization in AT&T. This is all the modernization that we do in T-Mobile, which you know is pushing 5G. And definitely, Verizon selected our catalog mainly to support their new 5G offering. This is true also for Europe and develop APAC. So we see a lot of activity.

And I think we said before that actually 5G initiated a new modernization cycle in the monetization systems. And we feel that we have the right product and services to support this new wave of investment in the 5G. This is true not just for our -- obviously, our ordering solution and billing solution. This is true also for our network solution. As we mentioned, we are doing in 5G, project with Verizon and other customers. So because as we discussed before, in order to be able to deploy 5G services in the best way, you need all the monetization system. Obviously, you need a very sophisticated catalog. And you need to make sure that all the provisioning of the services to the network is smoothly from the ordering system down to the network. So we are very happy with this trend. And I would say that definitely, North America, the vast majority of our projects are related to 5G.

Operator

Your next question comes from the line of Tim Horan from Oppenheimer.

Timothy Kelly Horan ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

The bookings look really strong. Can you give us a sense of maybe just how that's trending? And any expectations then? And does this suggest a pretty good correlation to what revenue growth for next fiscal year on kind of what we're seeing with bookings now?

And then maybe just secondly, I know you touched on Verizon. Any more color on their thoughts here for more outsourcing?

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

I didn't understand the second question, but I think I'll start with the first one. We are very happy with the momentum. This is why we were excited to raise the guidance for revenue for this year. So we see accelerated growth. And this is a further growth is because the spending trends that we see and the fact that we came very well prepared with our product and services. And we see a very, very good alignment from the market trends of journey to the cloud, 5G convergence, B2B and other domains. So there is a very good alignment, which will support our growth, and this is why we see a very strong second half of accelerated growth, and we were able to raise the guidance. We are not giving, at this point, any guidance for the next fiscal year. But you can see and hear from our tone that we are very excited about the momentum.

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

Two points to add here. Our 12 months backlog definition covers the next 12 months. So it is an important leading indicator for what we see ahead of us. Again, it cannot translate that one for one with expected revenue growth, but it's a good indicator. The other point...

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

And it raises 9.3%.

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

Yes, and it's 9.3% year-over-year on a pro forma basis.

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And the other point I would say is that we are continuing to see a strong momentum in our managed services revenue, which is kind of the underlying recurring revenue base of our relationship with customers on top of which we bring the new deals. So I think it's very important that this growth from the new pillars is coming on top of a very robust and strong base of business that we are continuing to shift into more lengthy, I would say, and robust managed services engagements with our customers.

Timothy Kelly Horan ***Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst***

And my second question was just around Verizon, their propensity to outsource more, do you think? And how do you think you're positioned with the ability to kind of gain more of that outsourcing, if they do so?

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

It's still early stages. I can see you that we are enjoying a very good relationship with Verizon. I think there is a lot of appreciation in Verizon for our products and services. As I mentioned, in my opening remarks, they are leveraging our next-generation CatalogONE, is our cloud-native platform to support all the offering. This is going to be the master product catalog authorize. We have a lot of activity in the network, in the service design and create and services around it. So still -- I think so far, it's moving very well ahead. I believe that if we continue to show value to Verizon, we can even expand the relationship.

Operator

Your next question comes from the line of Tom Roderick from Stifel.

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

So Shuky and Tamar, I really appreciated the mid-quarter call. You're getting a lot of questions from clients, and there was some skepticism that I appreciated you taking some time to answer some of those questions. One of the themes that seem to be up for question when we did that last call was the durability of your relationship with some big Tier 1s, particularly AT&T at the heart of it. When I listened to your remarks today, Shuky, it seems very, very clear that not only is North America growing, but AT&T as a particular customer, seems to be on very solid footing.

So I'd love to hear just your perspective on the durability and sustainability of the projects that you're working on. As you look at these type of projects, are they recurring revenue in nature and long-standing that will extend beyond just 2021? Tell us about the strategic nature of what you're doing there and getting tied into their future as opposed to catch-up projects and band-aid fixes that might only be for, say, 2021?

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

Okay. So as I mentioned, there are certain pillars to our relationship with AT&T., besides the fact that we have a strong partnership with AT&T, probably more than 20 years. So there is the first pillar of a very significant managed services that we announced in late 2019 that we signed for 4 years. And this is managed services for many, many systems of AT&T. Some of them are Amdocs system. And by the way, some of them are not Amdocs system.

On top of it, we discussed about the fact that we have started the modernization journey of AT&T consumer mobility. Now if you look at AT&T, AT&T is doing very well, definitely in the mobility domain. Consumer mobility is in the heart of AT&T strategy and the fact that we were selected to do this project with AT&T, it means that this is a very strategic project for us and AT&T. And definitely, this is not a plaster or something like this. It's a very long-term activity that we do for AT&T, and this will be the next-generation cloud-native system of AT&T for the years to come.

Additionally, we are very involved with AT&T journey to the cloud. We are working together with Microsoft and taking different application to the cloud, not -- the vast majority of them are not even Amdocs. And this is a very significant activity that we do with AT&T. On top of it, as you might know, we are pretty much running the AT&T Cricket, AT&T Mexico. We are doing a lot of data-related activity and security activities. So I would say that our partnership with AT&T is strategic than ever, and we are working with AT&T and the most strategic domains of AT&T. I hope that was clear enough.

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

Really helpful and very clear, Shuky. Tamar, now that we have some of the numbers on the balance sheet behind the quarter and ability to kind of comment a little bit further on some of the questions around liquidity, can you kind of take us through a little bit more on your philosophy on your strategy regarding liquidity? Any recent needs to draw on the revolver? I know it's a question you've been getting from some investors. But maybe bigger picture, if I look at this share buyback of $360 million in the quarter, that would be a pretty tough thing to do if you were having liquidity issues. So again, if you can kind of highlight some of those strategies and then repeat what you talked about with respect where the share buyback goes from here.

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

Sure. Thanks, Tom. So I think we need to start with the fact that our business model is one that generates consistent and healthy margins then converged into cash flow. So as we always say that our business model should generate on par the earnings to cash conversion over time. Some years slightly less, some years more. Specifically 2021, we are at 130% earnings to cash conversion. So while this is not necessarily sustainable for many years, obviously, it's a good place to be at.

Now taking that in terms of the use of cash. We've always been looking on a balanced approach where we can do both return of cash to shareholders, and I believe we've been very consistent about that, where the majority of our free cash flow over the years have been returned to shareholders with a dividend that has been introduced already 6 or 7 years ago, increased every year in double-digit growth and a share repurchase program that has been running for many years and again, authorized again an upload of additional $1 billion to that program. So we've been consistently returning cash while continuing to fund the M&A strategy of the company.

Looking specifically into the question of the recent drawn facility, during the peak of the pandemic, beginning period where liquidity stress was all over the markets, we decided as a short-term move to draw some money in the facility, which has been returned pretty quickly. And then as the more strategic move, we enjoyed the historically low interest rates in the market, probably the lowest I've seen in the last 14, 15 years and issued a public bond for 10 years at $650 million. That's adding to our capacity, something that is good to have. We declare we are continuing to maintain an investment-grade rating. And we are going to use this cash if and when the right strategic opportunities present themselves.

In terms of return of cash to shareholders. We've been returning over the last 5 years, about $0.5 billion every year to shareholders. This year, obviously, it's going to be much more. Just this quarter, we returned over $400 million. And over the overall fiscal year 2021, we indicated we're going to return the majority of the $800-or-so million generated as normalized free cash flow. So clearly, we are returning a lot of cash to shareholders, both specifically in 2021 and in a consistent manner over the last 5 years.

Operator

(Operator Instructions) Your next question comes from the line of Jackson Ader from JPMorgan.

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

So Shuky, on the Sourced acquisition, I think a lot of us think of DOX as being able to handle complex digital transformations or moves to the cloud. So just curious, what expertise does the Sourced Group have that maybe would be complementary to DOX?

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

Jackson, Sourced Group have over 150 of top professional that understand the cloud environment extremely well, develop their own tools, landing zone, other capabilities. When you search in the market today for client capabilities, it's not easy to get talent. What we were able to get really, top-notch talent with the Sourced Group that actually -- we are, obviously, at the same time, we are reskilling our employees. We have thousands and thousands of employees which are cloud certified AWS, Azure and more. And this is a great addition, but more from the consultancy perspective that we added to our capabilities. So it complements our cloud-native system implementation capabilities, operation capabilities. Now we have also a very strong consultancy armed with top-notch experts.

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

Okay. Great. And then, Tamar, just as a quick clarification for my follow-up. The acquisitions in the quarter. Any commentary you can give on how much they contributed to the backlog number, the ones that were actually closed before quarter end? And then any margin color you can give on those?

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

So it's very little. Usually, what happens when we acquire those more of a consulting and development arms, their visibility of the business, the way they used to run it is pretty low. So we are very, of course, conservative as we acquire them in terms of how much we add to the backlog, basing that just on size and very high visibility business. So most of the $50 million sequential increase has nothing to do with those acquisitions.

I believe that what we're seeing in terms of the pattern of the backlog, we've seen 2 very strong quarters before Q2, where we've had $140 million sequentially and then $150 million sequential addition to a 12-month backlog. As we said before, this is not sustainable, unfortunately, in this space necessarily every quarter. But definitely, with $50 million, I feel very good. If you remember our past track record, it used to be mainly quarters of $20 million, $30 million sequential increases in 12 months backlog. So having another strong quarter with a $50 million sequential addition is definitely an indication of the strong business momentum we're seeing.

Operator

Your next question comes from the line of Will Power from Baird.

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

I guess, first, a clarification. And then I have a second question. I guess in the press release, you indicated the revenue was down, I think, $37 million sequentially. It sounds like that was principally OpenMarket. But I just want to be clear, I think OpenMarket by itself would have been a fair amount more than that, right? And so that would imply some offsets. So I guess just maybe just a little clarification on that first.

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

Yes, absolutely. OpenMarket, as we've indicated, was expected to generate around $300 million in fiscal '21. So if we assume for simplicity linearity, let's say, $75 million a quarter. So absolutely, we've seen a positive momentum, and that's why when we are indicating the pro forma performance. We are talking about 5.7% year-over-year growth in Q2 pro forma constant currency. So the momentum is strong in real terms.

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

Okay. All right. And then my second question. I think Shuky had said that the North America pro forma revenue was a new record. I don't know if we got an update on the other 2 geographies. But I guess I'd just be curious, pro forma without OpenMarket, if you look at Europe, rest of the world, how are those 2 trending? What are some of the puts and takes year-over-year there?

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

So as we said, about 1/4 of the OpenMarket revenue was coming from Europe. So you can see that also if we take Europe, the performance has been strong on a pro forma basis. Some of that, a little bit of that has to do with currency. But even if I take out the currency impact, it's been a strong quarter for Europe year-over-year as well.

And just to clarify, in the Rest of the World numbers, there was no impact of OpenMarket. So the OpenMarket revenue was about 3/4 going into North America and 1/4 going into Europe.

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

And yes, it's like the 3rd sequential growth in Rest of the World.

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

In Rest of the world, yes, third quarter in a row in which we are growing. Yes.

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Operator

There are no more questions at this time. Turning the call back to Mr. Matt Smith for closing remarks.

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

Yes. Thank you, everyone, for joining the call today and for your interest in Amdocs. We look forward to hearing from you in the next few days. And if you have any additional questions, please call the Investor Relations group. And with that, have a great evening. Thank you.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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