

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

DOX.OQ - Amdocs Ltd at Oppenheimer Technology, Internet & Communications Conference (Virtual)

EVENT DATE/TIME: AUGUST 12, 2020 / 1:40PM GMT

CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

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

PRESENTATION

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

Thank you. Good morning, everybody. Thanks for joining us. My name is Shaul Eyal. I'm the research analyst covering communications software at Oppenheimer. We're very pleased to host Tamar Rapaport-Dagim, the CFO of Amdocs. We're also joined by Matt Smith, the VP of IR. We will start off the session in a fireside chat format, leave some time for Q&A. (Operator Instructions)

So with that, guys, thank you so much for joining us this morning. Tamar, great to have you with us.

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

Hi, Shaul.

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

Yes, sure. Thank you.

QUESTIONS AND ANSWERS

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

Yes, Tamar, I want to kick it off. In terms of the fiscal '20 revenue and EPS guidance, you guys had a very healthy quarter. You lifted guidance, slightly tightened the ranges. Other than the fact that fiscal year-end is closer, are there any other indications from an industry perspective that, in a way, improve your confidence level in Amdocs' near-term outlook?

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

Yes, absolutely. Thanks for the question, Shaul. When we got it, like the rest of the world, by the pandemic and faced this big surprise, obviously, the world was trying to understand what's going on, including our customer base. And the months of March, April were quite difficult in understanding where things are heading. So when we came in the beginning of our fiscal Q3, which was the point of giving guidance was early May: a, we decided to give guidance as our business model does provide visibility in a relatively healthy way; but at the same time, we have to guide for numbers sequentially down, given some slow path of project signing.

I'm glad to say that beginning with May and accelerating since then is a positive momentum where we see improvement both in signing of deals, and we see a very healthy pipeline. We see new opportunities coming into the pipeline. We see that the themes that we invested in pre-COVID-19, digital transformation, the Journey to the Cloud of the industry, 5G are continuing and even in an accelerated path, given the new demand environment. So we came now and guided with our earnings call last week for a positive inflection point where we are resuming growth.

We came with better results in Q3 than the midpoint. We are guiding for growth sequentially in Q4. And we feel that there is enough indication and enough -- I would say, good positive signs, including our 12 months backlog that has been sequentially up to give us this positive, I would say, cautious optimism because still COVID is there. Obviously, uncertainty is there, but we are cautiously optimistic that things are turning around, and the engines are working very well again.

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

Got it. Got it. Tamar, I want to go back to last November. Shuky mentioned a significant managed services agreement with AT&T, I think also it was revisited on the third quarter earnings call. We should mention that you have started a program to modernize AT&T's consumer mobility domain. I want to ask about what do these projects mean for Amdocs? And what do these engagements indicate about your ongoing relations with AT&T given it is your top customer?

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

Yes. So obviously, we're looking on different ways in which we can serve existing customer, and AT&T being our largest customer is, obviously, on high focus of making sure they enjoy all the investment we make in innovation and in new product capabilities. So already going back to the fall, we signed in September '19 a multiyear 4-year agreement that stabilized the relationship through managed services and additional activities around data analytics, customer experience support we provide to AT&T, expansion into security domains, et cetera. And that was a very good foundation to talk about stability in the numbers going into 2020. Since then, we expanded our business. We announced that we're supporting AT&T in moving some applications to the Azure Cloud. So we are part of the cloud journey of AT&T. And we were very pleased to announce that now we are starting a program, as you indicated, of modernizing the consumer mobility part of the business, which is obviously the big piece of AT&T business. .

We've been working with AT&T for many years around the consumer mobility domain and very happy to see AT&T moving forward and adopting exciting innovation we bring now. So more will come later in terms of information, et cetera. We are a bit constrained of the details we can provide at this point, but very pleasing positive directions evolving and also the numbers are looking better than originally expected for the year.

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

For sure. For sure. Tamar, you've had really long-term relations with both T-Mobile on the one hand, Sprint, on the other hand, that goes back decades. In light of T-Mobile's acquisition of Sprint, can you talk about your competitive positioning at T-Mobile? And looking ahead, what will enable you to emerge as T-Mobile's main partner?

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

So Shaul, as you indicated, our relationship with both T-Mobile and Sprint run a long way as being enablers of both Sprint and T-Mobile on a stand-alone basis in many of their initiatives and go-to-market. We've been supporting both Sprint and T-Mobile under a long-term managed services agreement in operating their systems. And as we were part of the readiness programs for the merger, of course, we're behind a lot of activities that enabled day-1 launch. August 2, they launched a new brand together and obviously talked about the fact that now they can serve both Sprint and T-Mobile customers in a seamless way regardless of what the touch point and channel they are using. And we've been behind a lot of these activities, and we're very pleased to see the good results. And at the same time, of course, having a very active dialogue with T-Mobile around what is the next-gen journey, how we can continue and be the strategic partner. Moving forward, I would just add and say that, in general, we've been supporting a lot of consolidations in the industry in the past. We believe we have very strong competencies in helping service providers as they consolidate and building their new strategies of go-to-market. We've also done so in the past, specifically in T-Mobile when they acquired Metro PCS, which is considered to be a good experience, both, obviously, in terms of the success record of T-Mobile and also in terms of the relationship of T-Mobile and Amdocs. And we feel we have a lot of tools and capabilities with our product portfolio, all cloud native, open, dynamic,

very ready for the future that T-Mobile have in mind. So we'll come with more information as soon as we can provide more details, but I believe that we are on the right track there.

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

Absolutely. And while we are on the topic of consolidation and consolidating network, Tamar, I'm certain that you've been getting that question so many times. We've been getting that for sure. On the one hand, consolidation of networks, would be viewed as a potential concern, maybe a potential risk. On the other hand, if history is any guide, when we look back even more than kind of a decade, speaking about AT&T Wireless, Cingular, SBC, that's on the one hand, Sprint Nextel on the other hand, Telefónica O2 on the third hand, actually, it does bring up some incremental opportunities. So how do you guys think about network consolidation? Is that a concern to you? Or actually, are you capitalizing on some of those opportunities?

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

So the way we look on the consolidation is not necessarily just the network consolidation, not just obviously an infrastructure consolidation, where we can help service providers do that in an efficient and seamless way. It's about what kind of value proposition, the service provider that is now the merged company would like to bring to market and how we can support these kind of initiatives. And indeed, in the past, often times, what happened is that we leverage the opportunity by providing new tools, new capabilities with our software stack and services for the merged company to come and go-to-market with a much better offering.

When we are looking on specifically, also in T-Mobile, just to give you some example, the way we are expanding our potential addressable market, even just looking on T-Mobile as the market, is by coming in more and more capabilities that we've built over the years that are relatively new. So for example, we expanded last summer our capabilities around planning and design of 5G networks through the acquisition of TTS Wireless. TTS Wireless is already working with T-Mobile. And naturally, as T-Mobile is pushing forward the 5G journey, we are going and planning to be part of that enablement.

Same goes for the entertainment. T-Mobile announced that they would like to provide incremental opportunities for their consumers by bringing partners and onboarding OTT partners, and we've been part of this journey by being awarded by T-Mobile with our MarketONE platform that helps onboard and monetize in a seamless way new OTT partners. So Quibi, for example, and other partners that T-Mobile is launching to market is based on the MarketONE platform.

We are also engaged in T-Mobile in their content management and distribution with our Vubiquity asset. So there are many opportunities that we have in serving T-Mobile in their go-to-market strategy, which opens for us many new opportunities. At the same time, as you indicated, naturally, when they look on just doing kind of 1 plus 1, they would like to see some synergies on similar domains. And we are trying to see how we can provide them these synergies, but by enhancing the wallet share of Amdocs over time by giving more value to T-Mobile.

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

Got it. Got it. Given that you brought Vubiquity, maybe can you also talk about some of the encouraging signs of demand that you have been seeing everything relating to your media offering in recent months?

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

So when we decided to go and kind of expand into this adjacent opportunity of media, we saw a couple of opportunities. One, many of our more traditional customers that have considered themselves as being communication service providers, looked for opportunities to expand and add entertainment, such as the example that you just gave of T-Mobile.

Second is the global reach that Amdocs has around the world that we felt we can take and leverage based on that global reach and relationship with 350 service providers selling more capabilities around media.

And the third part was the fact that the media providers, the content owners themselves, would like to go more directly to consumers. And as being experts in customer experience, we felt there is a value-add we can bring to that direction.

The beachhead of our media strategy has been the acquisition of Vubiquity. About 2 years ago, we've added to that additional asset, some of which acquired such as Vindicia that is providing subscription billing and UXP that added identity access and identity management, additional engines that were developed organically, and we created what we call now Amdocs Media. And indeed, we've seen the materialization of these, I would say, strategic themes in the form of global expansion, helping many service providers as they're launching either OTT partnership or more of an entertainment strategy through M&A and also looking now to see how we can accelerate also the part of helping the media companies as they go direct-to-consumer.

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

Understood. Understood. Tamar, maybe switching kind of gears a little bit. Can you talk to us about some of the differences you are seeing from a geographic demand trend perspective? I think you highlighted some of that during the quarterly results, but I think it will be helpful for the audience if you can also kind of recap that and maybe elaborate a little bit about what you're seeing out there from a global perspective.

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

Sure. We are looking on the world through kind of North America, Europe and rest of the world. When we look at North America, we are seeing a positive and very good momentum looking especially year-over-year. Sequentially, we did see slight decline, but I think it's temporary, and we are in a good momentum with some large customers we have. We talked about some recent wins beyond the discussion you and I just had around the AT&T, also in Bell Canada, another important customer that we have, also good momentum that we've seen, winning a new logo in North America. Unfortunately, I cannot mention it by name, given their commercial sensitivity, but a large new logo that was won last -- and announced last quarter. So North America is performing well.

In Europe, Europe, for us as a region, is more based on project activity. So given the fact that in the month of March and April, we've seen a bit of hesitation in signing new deals, we did see sequentially the ability to report, I would say, almost flat and year-over-year flat, but I believe it was a temporary blip. And any way, we are continuing now to see, as I mentioned before, the signing of deals acceleration, additional opportunities in the pipeline. So I believe Europe will continue to be a growth opportunity for us. To remind you, we won a couple of large transformations heading into this fiscal year. We talked about Vodafone Germany, which is probably the largest transformation going on in the industry or in Spain, a new logo for us. So we are very excited about the opportunity in Europe.

In rest of the world, we are seeing contrast between APAC, which is the larger part for us in rest of the world, and between Latin America. While Latin America is the smaller part in rest of the world, it is underperforming. So in APAC, momentum is positive. Now, yes, they were hit first by COVID, but they're also first to get out, and we are seeing the momentum back. We just gave a couple of examples last week of new awards and also in the last couple of weeks. So we're continuing to see positive momentum in countries such as Philippines, Malaysia, et cetera, moving forward, completed very successful postpaid consolidation and migration of subscribers for Vodafone Idea in India. So things are tracking well in APAC.

On the other hand, in Lat Am, we are seeing slow activity. It's a combination of 3 factors. One, the macroeconomic situation in some of the countries in Lat Am was not that great to begin with even before COVID-19. Secondly, COVID-19 hit the region quite hard, I would say, with some challenges in being ready, and we do see Brazil as being a country that is highly affected, et cetera. And the third piece is more of a customer-specific one. One of the 2 large groups in Lat Am is Telefónica. It's Telefónica and America Movil. And in Telefónica case, they announced publicly they have plans to divest some of their assets in Lat Am. Their biggest asset is in Brazil under the Vivo brand. There, everything is fine. We are continuing with a lot of transformation activity. Business, kind of almost as usual, even despite COVID-19. But at the same time, the rest of their affiliates in countries

in which they have plans to divest. Naturally, they're under-investing these days, which -- we see the impact of which as well. So that's kind of the global map tour of the Amdocs performance.

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

Got it. Got it. Still kind of sticking with COVID-19 impact. So can you talk about how COVID has been impacting the pace of your customers' pace of digital transformation and I think the overall transition to the cloud? Have you seen an acceleration or a deceleration? I think what we have been seeing pretty much across the board is some sort of kind of a genuine re-acceleration. All the plans that they have already over the course of the past 2 years are getting a little bit of a tailwind here, which is not -- does not appear to be abating anytime soon.

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

So we've seen a natural reaction in the beginning of the COVID-19 pandemic, where everybody was focused on the right here and now, how do we cope with business continuity, how do we enable new services, what do we do with the retail stores being closed, and how do we move call center representatives to work-from-home. All of these were the problems that our customers had, and we supported as much as possible these initiatives. At the same time, we tried to continue, of course, the dialogue, "Okay, now after you deal with the immediate and urgent needs, what's next?" And I'm glad to say that we are already in that phase, where, obviously, it's clear to everyone that the digital transformation mindset that started even before COVID-19 just needs to be accelerated. Obviously, if you had open retail stores in the past in which you can sell new handset and services, and now you don't or you partially have them reopen, you need to shift gears much more into the digital channels. So all of that is accelerating the dialogue and discussions around the digital transformations in the industry.

Cloud, again, a phenomenon that started before. The Journey to the Cloud has been only accelerated in the understanding of everybody, how it can elevate the dependency on on-prem operations. And that is obviously something we are seeing very strongly and glad to say we even strengthened our capabilities based on the Openet acquisition we announced and closed yesterday of charging policy and data management capabilities that are accelerating our Journey to the Cloud.

And we are continuing to see also the shift to 5G. So for a short while there, 5G rollout was a bit delayed. But now we continue to see the momentum building up again, especially in North America, where they had -- of course, Korea is very advance. But other than Korea, where we serve, by the way, Korea Telecom, we are seeing very strong momentum in North America on 5G, we're seeing RFPs, et cetera, et cetera, which will probably build more of a revenue acceleration.

I'm really glad to say, and I think it's part of the equation here that, well, maybe in the beginning, customers had some hesitation about our ability to execute, et cetera. They've been highly complimentary of the success we showed them. Our execution rate has been 100% this quarter -- these recent quarters. We had a record high in the year in terms of deployment milestones, supporting managed services operations in a very good way, et cetera, et cetera. So of course, when they see we can do the execution in a remote manner, and we can take them through the journey of embarking on new projects in such a manner, it's building the confidence also of the customers, not only that they have a need, but it's feasible to move forward, start projects, continue with projects, which is highly important. And I have to say that our employees have been just incredible in taking us through these months and making sure everything is continuous seamlessly with the great performance to our customers.

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

Got it. Got it. Given that you started to front run my questions a little bit on both 5G on the one hand and Openet on the other hand, without a doubt, you sound very positive. And we have heard it, by the way, across the industry, about one of the 5G rollouts taking shape, taking place within the U.S. Talk to us a little bit about how Amdocs thinks about 5G. You guys, without a doubt, a crucial ingredient when we look at it from the front-end perspective. That's on the one hand. And on the other hand, as we've indicated, you just closed yesterday the acquisition. So can you let us know kind of what is that adding to Amdocs, that kind of what piece that was missing that you didn't have in the past?

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

So when we think about the 5G opportunity, for us, there are 3 layers of opportunity, and they come in a bit of a different time cycle, given the investment cycles in 5G. The first one and the earlier one in the investment is planning and design of the 5G networks. And here comes into play our acquisition of TTS Wireless last summer that has a lot of capabilities in this domain, have already incumbency into key customers in the North American market, and we definitely see that as kind of the earlier part in the cycle of investments.

Then comes investment in charging, and here comes into the story the acquisition of Openet. Charging is, in a way, kind of the connection between the network events and the ability to create charges to customers in a very simplified way. Given the change in topology and architecture of 5G networks relative to the past networks, you need new 5G charging-dedicated engines. Now these kind of capabilities for us was, I would say, more of kind of a natural make or buy decision. Yes, we could have bought 5G charging engines. We found Openet. We knew Openet as a competitor. We were highly impressed with the technology, the product, the skill of the teams or we could decide to invest it ourselves. Given where things are in the market, given the fact that we see such a great product in the Openet portfolio and the fact decisions are being made, it felt like the right time, the right opportunity to go and acquire Openet. And I'm glad to be in a position to say this deal is closed. And now we're starting, of course, with the merger and integration activities. And we see great feedback coming from customers about this acquisition. Everybody sees that as a natural fit to our portfolio, something that is very complementary to our cloud-native software stack, adding now a very strong charging engine.

The third part of the 5G opportunity for Amdocs is monetization. And clearly around 5G, the whole idea is that based on those huge investments in the network, service providers can come and be innovative and agile in building new use cases and new opportunities for them to monetize different activities, whether it's monetizing directly with their end customer -- again, can be a consumer or an enterprise or all kind of what we call omni-monetization models where the value can come with sales partners, third-party partners that they partner with. Think, for example, of a package where you sell a consumer gaming, could be the devices, i.e., partners that -- of consumer electronics. The partner can be Fortnite. The partners can be anyone that is part of the ecosystem. And we are providing also a lot of engines around monetization that can create this omni-monetization, whether you want to monetize it directly with the customers or through settlement of some sort of their value share with different partners that the service providers will have in their ecosystem.

The idea is that we don't have to guess or identify exactly which use cases will prevail or will be the most successful. Our job to be done is to provide the enabling tools and platforms for the service providers to have the capabilities to monetize 5G in the best way. So this is our thinking. We are providing the tools, the platform, the solutions. It's up, of course, to the service providers to have the flexibility in the marketing ideas, how to go-to-market and utilize that.

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

Got it. Got it. Tamar, we have our initial question from the audience. So I'm going to read it straight from the chat box. How competitive are the opportunities they're seeing? Are competitors bidding more aggressively?

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

So I think that our competitors have been bidding aggressively forever. I don't think they're more aggressive or less aggressive.

Look, our competitors, just to remind everyone, since we are coming with a unique business model, where we are providing both the software stack and the deployment capabilities and taking the full accountability to get the system up and running and then offer the customers if they would like so to operate the system under a multiyear contract that we call Managed Services. So the type of competitors we see can be software vendors, sometimes large software vendors, historically more Oracle, for example, nowadays, you can say, more Salesforce and others, can be also larger size or niche players. For example, Openet as a stand-alone company, that now acquired by Amdocs, used to be a niche player, selling only software for charging and policies. So we see different kind of competitors, and many of them have been quite bullish in trying to bid aggressively on pricing, and we are always focused on bringing the best value to customers, not necessarily the cheapest price. I would dare to say, oftentimes, we are not the cheapest price. And the fact we can hold that is because we invest so heavily in innovation because we hold a very high level of

track record of delivery capabilities and really bringing the customers to the finish line in an industry where there is very high statistics of failure rate.

So when we come and pitch the value of Amdocs, it's about the best software stack, great delivery capabilities. We will bring it to the finish line. Yes, you can engage with us also in operating new systems. And we continuously invest in innovation and building the capabilities you deal a customer will need in the future. So it's not a onetime off opportunity. It's something that we are committed to build capabilities for many years to come in terms of the needs of our customers.

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

Got it. Got it. And Tamar, you have been mentioning before that the whole adjustment period of getting used to the new COVID-19 era, how did COVID-19 impact your staffing plans, hiring plans?

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

So when -- as soon as COVID-19 hit us, of course, the way we have to think is -- to remind you, when we started the year, we guided for accelerated second half and prepared for that, of course, and then came COVID-19 and we needed to think, "Okay, what are we doing both in terms of making sure that we are being cautious and conservative in managing our cost against a very uncertain period, and at the same time, being ready to ramp up many awards we already had in our backlog and expectations to continue the positive momentum?"

And if I learned one thing from the experience of the financial crisis of 2008 and '09 is that you need to run multiple scenario analysis because nobody knows exactly what the outcome will be, and nobody knows when exactly inflection points are coming in. So we tried to build out all kind of flexibility in different decisions. For example, be very selective on hiring but continue hiring. Don't stop hiring, continue to focus actually on the opportunity to bring very strong talent in because maybe other companies are in a more difficult situation. Invested heavily in re-skilling and continuing the training programs for the new domains, cloud, micro services, dev ops, et cetera, et cetera. We re-skilled during these months thousands of employees on new capabilities, built virtual capabilities to recruit and onboard. As we speak, we are onboarding in a virtual way hundreds of new employees into the company. To do that effectively, obviously, you need to build very strong capabilities and tools. Things around collaboration. It's not my magic that you move one day a company of 25,000 employees to work from the office to working at home. You can say luck was a bit involved because we decided as a company already in January to move to 1 day a week from home. So some of this thinking started already in readiness for this 1 day a week from home, but it's very different than moving all the time to work from home in a hybrid situation where most of the work is from home. So a lot of investment and acceleration, not only in thinking about the right staffing decisions, but what tools do we bring in, how do we accelerate significantly implementation of collaboration tools, co-development tools.

Again, this by itself is a subject for many hours. And as you can see, I'm very passionate about it. But I think what we've had is a lot of focus on making sure we're building the capabilities to make sure that, a, we cope with the COVID-19 situation, but we are making the right investments to come stronger. And I'm glad to say the inflection point came very quickly, and now we are seeing this inflection point to the positive direction. And I'm glad with all these investments we made, and now we are ready to continue and move forward.

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

Absolutely. Tamar, we have another question from the audience. So again, I'm going to read it straight from the chat box. Given momentum in digital transformation in 5G, why such low growth rate for a key enabler like Amdocs?

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

I think it's a great point, and it has to do -- and obviously, we are challenging ourselves with the same question: can we accelerate growth and how do we accelerate growth? So first of all, I can assure you we are very focused on accelerating the growth rate and making sure that the engines

that we've built that are the right engines and the ones that we continue to invest in are now going to bring the returns and that we can see this accelerated path.

At the same time, I want to acknowledge the fact that we are in a business where sales cycles are longer than just selling Amdocs software that is plug and play. And also, once we have the sales and the closure of the deal, the path of revenue recognition takes time. So take Vodafone Germany, which I mentioned as an example of a large transformation, it starts with design session and scoping, and this is relatively slow in terms of life and commission. And then you start to create the massive development phases and the different iterations of development and delivering the value to the customer, and then you start seeing the pickup in the revenue recognition. So it's also a combination of the conversion between pipeline to signing of deals and once you sign a deal, how you recognize projects. But having said all of that, I believe we should start seeing acceleration of growth. During COVID-19 fiscal year 2020, we are growing. Okay, we are growing 2%. And obviously, it's a very low growth rate, but we are still growing. We believe we should see the ability to accelerate growth now that things are getting better.

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

Got it. Got it. And the NFV opportunity, that was something that you might recall, when we discussed in great details back in 2017, 2018 to an extent, just to get the latest on the NFV opportunity, are you seeing that also as a long-term engine? Are you seeing some acceleration with everything, which is touching on network functionality virtualization? Or is it just kind of part of the overall transition to the cloud that some of your customers are going through?

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

So when we are looking on NFV, just to be clear, what Amdocs is playing is around orchestration layer. So NFV is a whole domain. We are focusing on the orchestration of the functions of the network. And what we are seeing now is an opportunity to build orchestration engine as part of the next-gen OSS, which includes much broader scope than that, that goes into the service creation and delivery, that goes into how you manage inventory of network elements in a hybrid environment because the hybrid environment that includes both physical network as well as virtual elements of the network will prevail for many years. This transition will take time. So the ability to manage and orchestrate different network elements, both in a hybrid and continuously virtualized environment is extremely important.

So now when we look at it, we don't look at it just as NFV, which is kind of a more narrow path. We look at it as part of the next-gen OSS journey that we feel we are very well equipped to push forward.

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

Got it. Got it. Tamar, we have another question from the audience. I know you might have answered that before when we talked about Openet, but let me also read that to you. So about the recent acquisition announced, Openet, how does Tamar see potential portfolio complementary and overlapping such as with existing Amdocs assets with policy and charging? So probably Openet and whether you guys have any engines, any products, any assets and probably what's the overlap between those?

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

So our software stack includes, on the BSS side, and of course, there's the OSS side, includes everything from the ability to get a new order and sell, the commerce side and the interaction with the customer, capture the new order, handle this new order, charge for it, and of course, ability to collect the money, kind of the revenue management of all of that.

We invested a lot as a company. Given the digital journey the industry is going through, we invested a lot in the parts of the commerce, the order handling and capture, et cetera. We also have a very strong engine called Turbo Charging that is specializing in the ability to charge and monetize

for all of this in a multi-play environment. The requirements of charging for 5G are very specific, very unique given, again, the characteristics of the networks in 5G.

So the charging engine that now we have from Openet, again, very much to how we define the overall stack, open, modular, cloud-native, is going to fit in and be very complementary to everything else we have in the software stack of Amdocs.

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

Got it. Got it. And maybe kind of just to wrap it up as we are getting close to our kind of finish line, but when we think about like 5G, without a doubt, represents a great opportunity that kind of brings along some cutting-edge technologies. But maybe beyond 5G, what are the capabilities, which technologies do you view as cutting edge or next generation for the service providers that could also have an impact on you guys, so maybe that you can also contribute from your stack, your R&D capabilities, pretty much everything that you're kind of hearing from the customer base, cable, media and telecom, of course, from a cutting-edge perspective?

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

So when we see the different opportunities out, the -- first of all, it's important to say 5G is obviously a very important theme and direction that is evolving into our benefit. But it's only part of the story. The other engines that we are seeing in terms of the dynamics, the Journey to the Cloud, the digital transformations are holding themselves separately to 5G. So in many countries in which we don't see that 5G evolving in such a speed, such as we see in North America, still, the Journey to the Cloud, the digital transformations are very important vectors that we see in terms of the demand environment and our capability in addressing those needs.

Now looking forward into technology and what our customers are looking for -- and again, first of all, have to be modest here. I'm not a technology expert. Having said that, I think the important aspect of what we see is that customers would like to have speed, and I'm very -- I know I'm generalizing, but at the end of the day, it characterize everything. They want to have speed. They want to have technologies that enable the agility to make decisions fast, launch fast and be very much focused on operational excellence. And that kind of captures everything in a very generic way. Now underneath that, will it be this kind of technology or that kind of technology? I'm sure it's really important. But with all modesty, I think we have better people in the company to give you the details on that.

What I'm focused on, looking kind of from the opportunity of how we capture the demand and capture the business and financial opportunity is to make sure we are coming with these right solutions in a way that the go-to-market will fit in. And this is what we are very focused on and making sure that whatever the technology is, and we have great technology and invest close to \$300 million a year in R&D in making sure that while we are already a market leader, we continue to be ahead of the curve. And there's a lot of innovation going on. At the same time, we want to make sure that all this innovation fits in terms of the go-to-market with how the customers would like to consume it and also leveraging the unique business model that we come with, which brings not only the technology and innovation but brings with it a very unique accountability model and value to the customer in how they deploy this technology effectively, how they can take this technology and really make money from these technological shifts.

So again, I'm not sure if that exactly was the angle of the person who asked the question, but trying to connect it to the business dynamics and the financial benefit also for Amdocs.

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

That's great. Tamar, Matt, we want to thank you for joining us this morning. Thank you for the audience as well. Keep it up. A lot on your plates. Congrats again on the recent results and improved guidance. And we will talk to you soon. Thank you, everybody.

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

Thank you very much, everyone. Thanks, Shaul. Bye-bye.

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

Thank you. Bye now.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2020, Refinitiv. All Rights Reserved.