

# AMDOCS Q3 2024 CONFERENCE CALL SCRIPT - FINAL

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5:00 pm

Matthew Smith, Head of Investor Relations

## **Slide 2: Disclaimer**

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

## **Slide 3: Today's Speakers**

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

## **Slide 4: Earnings Call Agenda**

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

On today's agenda, Shuky will recap our business and financial achievements for the third quarter fiscal 2024 and will update you on the continued progress we have made executing against our strategic growth framework, including Generative AI and our continued sales momentum in cloud.

Shuky will finish by discussing our financial outlook for the full fiscal year 2024, after which Tamar will provide additional details on our third quarter financial performance, our forward guidance, and our continued commitment to ESG.

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

**Slide 5: Shuky Sheffer, Chief Executive Officer**

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

**Slide 6: Q3F24: Solid Financial Results**

I am pleased to report solid results for our third fiscal quarter and would like to thank our employees globally for their commitment to helping our customers provide seamless connectivity and amazing user experiences to billions of end users each day.

**Slide 7: Q3F24: Record Revenue, Accelerated Margin Improvement & Robust FCF Generation**

The key financial highlights of the quarter can be found on slide 7.

- Q3 revenue was a record \$1.25 billion, up nearly 2% from a year ago in constant currency and in line with the midpoint of our guidance after adjusting for unfavorable foreign currency movements.
- Notably, non-GAAP operating margin of 18.6% was the highest in many years, rising by 80 basis points year-over-year and 20 basis points sequentially as we continued to benefit from our ongoing margin expansion initiatives.
- Non-GAAP earnings per share was \$1.62, consistent with the higher-end of our expectations, and
- We ended Q3 with record-setting 12-month backlog of \$4.25 billion, up approximately 3% from a year ago.
- Demonstrating our confidence in Amdocs' unique business model, and the future success of the company, we also increased our pace of buyback activity in Q3, repurchasing approximately \$169 million of Amdocs shares.

**Slide 8: Third Quarter Key Highlights**

Turning to the Q3 operational highlights on slide 8, demand for Amdocs' cloud solutions remains especially strong, highlighted by the significant 5-year cloud deal we recently announced with AT&T, and newly signed partnership agreements to support the long-term cloud migration journeys of TELUS in Canada and Vodafone Ziggo in Netherlands.

- Customer demand was also healthy across our broader strategic domains of digital modernization, 5G and fiber monetization, and network automation, as

reflected by significant new deal awards at AT&T and Charter in the US, A1 Telekom in Austria, and PLDT and Globe in the Philippines.

- As to Generative AI, I am happy to announce an important award with a leading global operator which has chosen to integrate Amdocs' Gen AI, telco-specific amAlz platform in its business operations.
- From an operational perspective, we delivered consistent execution and a substantial number of deployments, including major project milestones achievements with customers such as:
  - AT&T and US Cellular
  - Vodafone Italy, Vodafone Germany, and SES, a European satellite communications provider
  - PLDT in Philippines, and
  - Optus in Australia.
  - Among the highlights, we successfully transitioned CLARO Brazil's on-premises infrastructure to Oracle Cloud Infrastructure (OCI) for about 48 million subscribers, demonstrating Amdocs' capability to efficiently manage the type of large-scale customer projects that underpins our high market win rate and reputation as a dependable partner.
- Q3 was also a record quarter in managed services, reflecting the ongoing ramp of mission critical support activities at new logos and long-standing customers, such as Rogers where our newly expanded multi-year engagement is creating a pull-through of our latest cloud-native offerings like enterprise catalog and charging.

### **Slide 9: Strategic Growth Framework**

Now, moving to slide 9, let me add some color around our growth strategy, which to remind you is designed to provide the market-leading innovation and technology our customers need to:

- Accelerate the journey to the cloud
- Digitally transform the customer experience for consumer and B2B
- Monetize the future market potential of 5G standalone networks, fixed wireless access, and fiber
- Deliver dynamic connected experiences by streamlining and automating complex network ecosystems, and
- Simplify and accelerate the adoption of Generative AI

### **Slide 10: Progress in Strategic Domains (1/5): Cloud**

Starting with cloud on slide 10, market interest and sales momentum for Amdocs' cloud solutions remains strong, with a growing list of service providers choosing us as a primary technology partner to support their cloud migrations in core and surrounding systems alike.

For many service providers, cloud migration is a complex multi-year journey that is still in the early phases.

- Amdocs' cloud strategy is therefore designed to help service providers simplify and accelerate their journey to the cloud by offering an end-to-end suite of unique products and services delivered under a fully accountable cloud operations model.
- This journey typically begins with Amdocs' cloud consulting and planning expertise, in addition to which we also support:
  - Product deployment, including Amdocs' latest CES suite, or cloud enabled classic versions
  - The migration of Amdocs and non-Amdocs applications, including mainframe
  - Cloud managed services, or "CloudOps", and
  - The benefits of our intimate partnerships with Azure, AWS and Google Cloud.
- Furthermore, we consistently enhance our cloud services portfolio with a combination of organic investment and strategic M&A to provide additional beachheads from which to accelerate the industry's journey to the cloud. A prime example is last November's acquisition of Astadia, which contributed highly sophisticated mainframe-to-cloud migration capabilities that are now supporting the previously announced expansion of our cloud activities in a new domain at AT&T.
- Among other recently signed deals:
  - TELUS in Canada signed a multi-year managed services agreement with Amdocs to migrate its monetization operations to the cloud, and
  - VodafoneZiggo in Netherlands chose Amdocs to modernize and migrate its monetization engines to the public cloud, including both Amdocs and non-Amdocs applications.

### **Slide 11: Progress in Strategic Domains (2/5): Digital Modernization**

Moving to digital modernization on slide 11:

- AT&T has chosen Amdocs' ConnectX cloud-native SaaS platform, powered by AWS, enabling it to quickly launch new digital brands and services for different customer segments. Reflecting healthy market demand, this win adds to a growing list of ConnectX customers which includes Winity in Brazil and Melon in South Africa.
- Globe in the Philippines has chosen Amdocs to deploy its AI and Data Platform for their information data hub. The platform, hosted on Google Cloud, will enable Globe to access real-time business data from various sources and systems, and use it to enhance customer experience, optimize operations, and launch personalized services.
- In Australia, our B2B Amdocs Configure Price Quote (CPQ) platform, deployed together with Amdocs Catalog to support its enterprise business, will simplify and accelerate the sales journey for Optus agents, empowering them to offer innovative business solutions to enterprise, SMB, and wholesale customers faster than ever.

### **Slide 12: Progress in Strategic Domains (3/5): 5G, Fixed Wireless Access and Fiber Network Monetization**

Turning to 5G and fiber monetization on slide 12, A1 Telekom Austria recently selected Amdocs for a multi-year project to consolidate, upgrade and modernize its billing, charging, and catalog solutions, enabling faster time to market, new revenue growth, operational efficiencies, and improved customer experience.

- This key project will also support the launch of new services and products across all customer segments, including 5G, IoT, and other advanced services.

Amdocs' next-gen monetization offerings are also proving relevant to telcos and newly emerging fiber operators that are investing to accelerate the rollout of fiber networks in the US and internationally. Our capabilities include a full range of BSS and OSS offerings to support all aspects of the fiber customer journey, including fiber service creation, ordering and activation, billing, and customer support, as well as the planning and automation of the fiber network rollout itself.

### **Slide 13: Progress in Strategic Domains (4/5): Network Automation**

Moving to slide 13, I am delighted to name PLDT in the Philippines as the southeast Asian service provider that recently selected Amdocs' end-to-end service orchestration

solution, our key offering that was strengthened by our acquisition of TEOCO's service assurance business last year.

- As an important component of PLDT's OSS and cloud modernization program, Amdocs will deliver unified network inventory, service and network orchestration, and business process automation capabilities, operating on the public cloud.
- Notably, the agreement also includes the customer service solution for case management which is a component of the Amdocs Customer Engagement Platform we built in partnership with Microsoft.

#### **Slide 14: Progress in Strategic Domains (5/5): Gen-AI**

Rounding out my strategic review, I'd like to brief you on some exciting advancements in Generative AI, as illustrated on slide 14.

- As you're aware, Generative AI has been a top priority for Amdocs. We've progressed our Gen AI strategy by leveraging our amAIz platform to deliver generative AI super agents that directly address our customers' most pressing business imperatives and forging strong collaborations with industry leaders such as NVIDIA, Microsoft and AWS.
- I am therefore happy to share today's news that a leading global operator has chosen our amAIz platform to create new revenue opportunities, drive efficiencies and re-shape customer experiences.
- This important award, in partnership with NVIDIA, demonstrates our commitment to innovation and highlights Amdocs' unique role as one of the leading technology enablers in the telecommunications industry with the power to help service providers fully harness the potential of data and Gen AI to deliver real world value and savings.
- For instance, Amdocs is at the heart of helping our customers to accelerate Gen AI-driven technology disruption in their call center operations, and to re-imagine the care experience, as we showed in a recent production trial with a North American service provider that resulted in a remarkable 60%+ decrease in average call handling times for Bill Inquiry, achieving 90% successful case resolution and almost 100% accuracy.
- We continue to progress our active engagements, running many pilots globally, including with our large flagship customers, to enable important Gen AI use cases and smart agent capabilities of the future.

### **Slide 15: Current Operating Environment**

Now, moving to slide 15, I'd like to comment on our current market and operating position before discussing our fourth quarter outlook.

- First, we continue to operate in a challenging industry demand environment, the conditions of which are yet to improve.
- Nonetheless, we continue to see a healthy pipeline of opportunities across our strategic areas of focus, and we are positioned to maintain a high market win rate by leveraging our pedigree for innovation and technology, market-leading portfolio, best-in-class execution and highly talented people.
- I am especially pleased with our cloud-related activities, which last year exceeded 20% of total revenue, and which are on-track for double-digit growth in fiscal 2024.
- Our Gen AI strategy is gaining momentum as we begin to make the shift from production pilots to commercial customer awards, and
- Our commitment to operational excellence and ongoing efficiency initiatives is also bearing fruit, positioning us to achieve our targets for accelerated profitability gains in fiscal 2024.

### **Slide 16: Updating our FY24 outlook: On track to deliver double-digit expected total shareholder returns**

Wrapping everything together on slide 16:

- We are on-track to achieve the midpoint of our guidance for constant currency revenue growth in fiscal 2024.
- Additionally, we are reiterating the midpoint of our guidance for non-GAAP diluted earnings per share growth of roughly 9% in fiscal 2024, which is within a tightened range of 8.5% to 9.5%. Coupled with our dividend yield of more than 2%, we are positioned to deliver double-digit expected total shareholder returns for the fourth year in a row.

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

### **Slide 17: Tamar Rapaport-Dagim, CFO & COO**

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

### **Slide 18: Q3 FY2024 Financial Highlights**

I'm pleased with our solid financial results for the third fiscal quarter, as detailed on slide 18.

- Record Q3 revenue of approximately \$1.25 billion was up 1.8% year-over-year in constant currency.
- On a reported basis, revenue increased 1.1% from a year ago and was consistent with the midpoint of guidance adjusting for a negative impact from foreign currency movements of approximately \$5 million compared to our guidance assumptions.
- From a geographic perspective, North America declined slightly as compared with a year ago but grew on a sequential basis. Europe was weaker, mainly reflecting timing differences between the natural roll-off of completed projects, and the gradual ramp-up of new deal awards. Rest of World delivered another record quarter, with revenue growth of nearly 13% from a year ago.
- Shifting down the income statement, our non-GAAP operating margin was 18.6% for the third quarter, the highest in many years. Non-GAAP operating margin improved by 80 basis points from a year ago and 20 basis points sequentially, reflecting our continuous drive to improve operational excellence through disciplined resources management, automation, sophisticated tools and leveraging AI, including Gen AI, to push for more cost savings and higher efficiencies across the board.
- Interest and other expenses amounted to roughly \$7 million in the third quarter and reflected adverse foreign currency movements in the quarter.
- On the bottom-line, non-GAAP diluted EPS of \$1.62 was at the higher-end of guidance and included a non-GAAP effective tax rate of 16.7% which was consistent with the higher end of our annual target range of 13% to 17%.
- Diluted GAAP EPS was \$1.21 for the third fiscal quarter. This included a restructuring charge of approximately \$15 million, or 11 cents per share, without which diluted GAAP EPS would have been at the high-end of the guidance range of \$1.24 to \$1.32. I'll provide more context around the restructuring charge when I discuss our financial outlook later.

### **Slide 19: Leading Indicators and Business Resiliency: 12-Month Backlog**

Moving to slide 19, 12-month backlog was a record \$4.25 billion, up approximately 2.7% from a year ago and \$20 million sequentially. Our 12-month backlog reflects a positive mix of project awards, managed service renewals and expansions with existing customers and new logos and has traditionally served as a good leading indicator of our business.

As an additional point, note that 12-month backlog includes less than a full year impact from the significant new deal we recently signed with AT&T, reflecting the phased ramp-up of activities expected under the current plan of execution.

### **Slide 20: Leading Indicators and Business Resiliency: Managed Services**

Turning to slide 20, managed services revenue was a record \$741 million in Q3, up nearly 3% from a year ago and equivalent to roughly 59% of total revenue.

Managed services revenue was mainly driven by the ongoing ramp of mission critical support activities with new logos and long-standing customers, such as the extended multi-year engagement we announced with Rogers last quarter that included an expansion into new domains like data and testing services, and more.

Managed services growth is also supported by our customers' migration to the cloud, as proven by our recently signed agreements with TELUS and Vodafone Ziggo, and our previously announced 5-year cloud deal at AT&T which expanded our activities in a new domain while extending our existing consumer domain engagement through 2029.

As a further highlight, I am pleased to announce the multi-year extension and expansion of our hosting and managed services agreement with Charter, under which Amdocs will continue to provide Spectrum Mobile with hosting and operational support for its mobile billing systems, along with enhanced services to support the rapid growth of Spectrum's mobile and cable businesses, enabling innovative offerings for their customers.

### **Slide 21: Balance Sheet & Cash Flow**

Now, turning to the balance sheet and cash flow highlights on slide 21.

DSOs of 74 days decreased by 5 days year-over-year and by 2 days sequentially in Q3.

The sequential change in unbilled receivables net of deferred revenue was \$40 million in Q3, aggregating the short-term and long-term balances. As a reminder, the net difference between unbilled receivables and deferred revenue fluctuates from quarter to quarter, in line with normal business activities, as well as our progress on

significant, multi-year transformation programs we are currently running in North America.

We generated free cash flow of \$175 million in Q3, comprised of cash flow from operations of approximately \$191 million, less \$16 million in net capital expenditures. Adjusting for restructuring payments of approximately \$18 million, reported free cash flow would have been \$193 million in the third quarter.

Overall, we ended Q3 with a strong balance sheet, including a healthy cash balance of approximately \$502 million, and aggregate borrowings of roughly \$650 million.

We have ample liquidity to support our ongoing business needs while retaining the capacity to fund our future strategic growth.

### **Slide 22: Disciplined Capital Allocation**

Turning to capital allocation on slide 22, we increased the pace of buyback activity to roughly \$169 million in Q3, reflecting our confidence in Amdocs' unique business model and the future success of the company. Additionally, we paid cash dividends of \$56 million in the quarter.

Overall, for the year to date, we have already returned a total of \$601 million to shareholders through share repurchases and dividends, putting us on-track to return more than 100% of free cash flow before restructuring payments to shareholders in fiscal 2024.

For the full year fiscal 2024, we are reiterating our free cash flow target of approximately \$700 million before restructuring payments, equating to more than 90% of expected non-GAAP net income this year, and a healthy free cash flow yield of roughly 7% relative to Amdocs' current market capitalization.

### **Slide 23: FY2024 Revenue Growth Outlook**

Now, turning to our revenue outlook on slide 23, we are continuing to closely monitor the prevailing level of macro-economic, geopolitical, business, and operational uncertainty, which remains elevated in the current business environment. Thus, the fourth quarter and full year fiscal 2024 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.

On a constant currency basis, we are reiterating the 2.7% midpoint of our fiscal 2024 revenue growth outlook, which we have tightened to a range of 2.3% to 3.1% year-over-year, as compared to 1.7% to 3.7% previously.

Our annual outlook includes fourth fiscal quarter revenue within a range of \$1.24 billion to \$1.28 billion, which assumes an immaterial sequential impact from foreign currency fluctuations as compared to Q3.

On a reported basis, we now expect full year revenue growth in the range of 1.9% to 2.7% year-over-year as compared with 1.6% to 3.6% previously. This outlook assumes an unfavorable impact from foreign currency fluctuations of approximately 40 basis points year-over-year as compared to 10 basis points previously.

#### **Slide 24: Accelerated Profitability Improvement**

Moving down the income statement on slide 24, the gradual sequential improvement in our profitability over the last three quarters puts us on-track to deliver non-GAAP operating margins around the midpoint of our annual target range of 18.1% to 18.7% in fiscal 2024.

- As I discussed last quarter, we remain committed to improving the company's long-term cost structure and productivity by leveraging our unique business model, focus on operational excellence and implementing technology to achieve our goal of sustained, profitable growth.
- With Gen AI presenting a new wave of innovation and technology capabilities, we are proactively evaluating our portfolio of products, services and business lines in relation to our strategic investment priorities for fiscal 2025, rebalancing our workforce and sites strategy to meet our future needs, and optimizing resources such as technology infrastructure and workspace.
- Along these lines, we took additional actions under our latest restructuring plan during Q3 which resulted in the previously mentioned charge of \$15 million that was mainly comprised of employee severance and benefits arrangements.
- Looking out over the next several quarters, we expect to incur additional charges as we carry out our current restructuring plan, in respect to which we will provide further updates as we move along.

#### **Slide 25: FY2024 Non-GAAP EPS Growth Outlook**

Bringing everything together on slide 25, we are reiterating the 9% midpoint of our fiscal 2024 non-GAAP diluted earnings per share growth outlook, which we have tightened to a range of 8.5% to 9.5% year-over-year as compared with our previous outlook of 7% to 11%.

This full year guidance assumes a non-GAAP effective tax rate within our unchanged annual target range of 13% to 17% for the full year fiscal 2024, although we note that the rate is expected to be toward the higher-end of this range in Q4.

Overall, we are on-track to deliver expected double-digit total shareholders returns for the fourth year running in fiscal 2024, assuming the sum of our non-GAAP diluted earnings per share growth outlook, plus our dividend yield of approximately 2%.

**Slide 26: Committed to ESG**

Before handing it back to Shuky, I am pleased to highlight that today we published Amdocs' ESG & CSR report for 2023/24.

Among the many achievements listed in this year's report, I am especially proud of our significant environmental efforts which have resulted in a 55% reduction in Amdocs' Scope 1 and 2 CO2 emissions since fiscal 2019, far exceeding our Science Based Target commitments.

Additionally, Amdocs' global consumption of renewable energy approached 59% in 2023, way up from just over 19% in 2021.

Our progress was recently recognized by TIME Magazine which named Amdocs as one of World's Most Sustainable Companies in 2024, ranking us as one of only 500 inclusions out of more than 5,000 large companies initially assessed.

For additional information regarding Amdocs' recent ESG and CSR initiatives and achievements – including our commitments to Diversity, equity and digital inclusion – please refer to our report which is now available for download on our website.

With that, back to you, Shuky.

**Slide 28: Q&A**

Shuky Sheffer, Chief Executive Officer

Thank you, Tamar.

As I said earlier, I am pleased with our solid third quarter results, and while we continue to operate in a challenging demand environment, we remain well positioned to monetize a healthy pipeline of opportunities across cloud, generative AI and our other strategic domains by leveraging our market-leading portfolio, best-in-class execution and highly talented people.

With that, we are happy to take your questions.

Operator?