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DOX.OQ - Q3 2022 Amdocs Ltd Earnings Call

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OVERVIEW:

DOX reported 3Q22 revenues of $1.16b and diluted GAAP EPS of $1.04. Expects FY22 YoverY pro forma constant-currency revenue growth to be approx. 9.6-10.6%. Also expects 4Q22 revenue to be $1.145-1.185b.

CORPORATE PARTICIPANTS

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

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

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

CONFERENCE CALL PARTICIPANTS

Tal Liani *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

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

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Q3 2022 Amdocs Earnings Conference Call. (Operator Instructions)

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

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

Thank you, operator. Before we begin, I 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 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.

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.

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 be also 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 2022 and will update you on the continued progress we have made executing against our strategic growth framework.

Shuky will finish by commenting on our financial outlook, after which Tamar will provide additional details on our third quarter financial performance and guidance.

As a reminder, our comments today will refer to certain financial metrics on a pro forma basis where applicable to provide you with a sense of the underlying business trends excluding the financial impact of Open Market, which we divested on December 31st, 2020.And with that, I'll turn it over to Shuky.

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

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

I am happy to report a solid third quarter financial performance, reflecting strong demand for our products and service expertise across our core strategic growth pillars of 5G monetization, cloud adoption, digital modernization, and network automation.

As you can see from the highlights on slide 6, we delivered record revenue of $1.16 billion in Q3, which was at the midpoint of guidance despite unfavorable foreign currency headwinds as compared with our assumptions. Adjusting for currency, revenue was up 10.8% year-over-year. Additionally, we maintained robust sales momentum which translated to record 12-month backlog of $3.95 billion, up 10% from a year ago and the fifth consecutive quarter of roughly double-digit year-over-year growth in this key leading indicator. On the bottom-line, we delivered non-GAAP earnings per share of $1.27 which was better than the midpoint of guidance.

Overall, we successfully achieved our financial targets for revenue, profitability, and non-GAAP diluted earnings per share for the quarter, despite volatile foreign currency markets and inflation-related cost pressures, which we successfully navigated with a continued focus on operational excellence across all aspects of our business.

Now turning to Slide 7. Let me address the key operating highlights of our Q3 performance. To begin, our global business activity was strong, led by yet another record quarter in North America. While we're closely monitoring the uncertain global macroeconomic environment and potential headwinds, we believe our customers remain committed to their most strategic initiatives, central to which is the innovation of Amdocs is delivering in respect to digital modernization, 5G and fiber rollout and monetization, the journey to the cloud and network automation.

In addition to North America, we continue to view Europe as a strategic long-term growth engine for Amdocs. Adjusting for currency movements, Europe showed signs of second half acceleration as projects awarded in recent quarters started to ramp up at customer like PPS Group, 3UK and various Vodafone Group affiliates.

Q3 was also another quarter of robust sales momentum. We strengthen relationship with large and long-standing customers like T-Mobile and AT&T's Cricket Wireless, where we are happy to say that we expanded our managed services engagement for an additional 5 years, as Tamar will touch on later.

Additionally, we further grew our footprint with other major operators, including Vodafone Germany, which has selected Amdocs for follow-on digital transformation project.

Consistent operating execution was another Q3 highlight. We successfully deployed many project milestones on behalf of our customers, including the migration of more than 27 million customers as part of a multiyear managed digital transformation project for XL in Indonesia, which enables them to launch innovative digital services and enhance customer experiences.

Additionally, we reached millions of Brazilian subscribers across all cities covered by Telefonica VIVO. In relation to the full BSS quad play transformation, we are executing to enable them to combine multi-lines of products in order to deliver more variable customer interactions.

Reflecting our commitment to continuously bring fresh innovation to our customers, we further increased R&D investment on our cloud platforms in Q3. Additionally, we announced a definitive agreement to acquire MYCOM OSI for $188 million cash, detail of which are on Slide 8.

Headquartered in the U.K., MYCOM OSI is expected to expand Amdocs' network portfolio to include end-to-end service and network orchestration by brining key SaaS-based assurance platform capabilities to power the next generation of networks.

Service assurance is a key ingredient in the race to deliver differentiated experiences within 5G. MYCOM OSI therefore represents a growth move that complements our other recent deals in the network and cloud space, while executing on 3 of our core strategic pillars, intelligent network automation, 5G and cloud.

MYCOM OSI is on track to close in the first quarter of fiscal 2023, and we look forward to combining our own expertise with that of the highly talented MYCOM OSI team to create a unique and broad range of complementary and innovative platforms.

Now let's take a closer look at our recent progress executing against our 4-pillar growth strategy of cloud, 5G, digital and network automation as shown on Slide 9.

Beginning with Cloud Services, we secured the multiple new wins with North American customer this quarter. At AT&T's Cricket Wireless, we further expanded our operations, development and testing, leveraging our cloud-native technology.

T-Mobile USA extended Amdocs' Digital Bill Presentment product to its enterprise customers. Our cloud-based service provides a cost-effective solution to help personalize the message to each business customer, boosting engagement and increasing satisfaction, all while driving to an eco-friendly footprint. Additionally, Amdocs was selected by Dish and AWS to support Dish's 5G ORAN rollout. This enables Dish to drive towards a more intelligent, open, virtualized and fully interoperable mobile and cloud network.

In 5G, we recently completed an exciting proof of concept with A1 Telekom Austria Group, during which we showcased the ability of 5G stand-alone networks to unlock the metaverse and other next-generation Web 3 experiences with on-demand connectivity for consumer and enterprises. Moreover, our collaboration with A1 demonstrates the monetization potential of such new revenue streams for telcos by significantly reducing the launch time to market with new and innovative commercial models.

Switching to Digital. We are excited to announce that Vodafone Germany has shown Amdocs to further accelerate its digital transformation under a multiyear deal that will harmonize the customer experiences across all touch points and improve operating efficiency by consolidated technology across different lines of businesses. This project follows an initial production launch under the last strategic transformation project we won with Vodafone Germany in 2019 and further strengthens and deepens Amdocs' existing relationship with this major operator. Additionally, we are happy that Comcast is expanding Amdocs' Bill Presentment solution to support its business service customers.

Moving to network automation. We experienced our scope of activity with some of the world's largest operation during Q3. As multi-orbit satellite operator, we continue to deliver enhanced form of connectivity, we're excited that SES selected Amdocs to provide end-to-end service orchestration solution across additional lines of business, allowing more SES customers to benefit from faster turnaround time for orders, reduce handover time and improve access to the operators' new product services and tools. Additionally, America Movil selected Amdocs to deliver its latest Policy & Charging products in several countries in Latin America.

Finally, let me quickly comment on AmdocsMedia, which recently collaborate with a major U.K. content provider to launch a new subscription streaming offering that is powered by a cloud-based SaaS MarketONE platform. MarketONE will enable the delivery of personalized, flexible and seamless access to vast catalog of a premium on-demand content for this customer, which is the latest in a growing list of operators that have chosen the flexibility and the scalability of this platform, including Virgin Media O2, T-Mobile USA, NTT Mexico, XL com and others.

Among other AmdocsMedia deals, this quarter Vubiquity expanded its multiyear content service agreement with Oi Brazil and signed a multiyear deal with Edison Interactive to provide licensed premium content for the hospitality industry, including major hotel brands, hotel ownership groups as well as gaming and resort properties.

Additionally, Vindicia is collaborating with ACI Worldwide to provide subscription-based merchants with turnkey integrated payment solution.

Now turning to our financial outlook on Slide 10. As I mentioned before, while we are closely monitoring the uncertain global macroeconomic environment and potential headwinds, we are confident in our unique business model that enables mission-critical products and services, aligned with the strategic needs of our customers, highly recurring revenue streams and long-term customer engagement. More broadly, we believe that connectivity continues to be a cornerstone of society, essential to supporting hybrid environments to work, education, entertainment and much more. We believe that services provider are still in the early stages of a multiyear 5G and cloud-driven investment cycle, at the heart of which is Amdocs as a key technology enabler.

In fact, as service provider look for new growth opportunities in the 5G area, we believe Amdocs has been in better positioned as a highly relevant and trusted partner to help them achieve this goal. Our industry-leading product and services cloud portfolio delivers amazing customer experiences, reduces cost and improve efficiency, helping service providers around the world to delight their customers and operate more sustainably.

Consistent with this view, we continue to see a strong demand environment of rich pipeline of opportunities is supported by the many customer visits and top-level management interaction we have recently seen.

Tying everything together on Slide 11, we remain well on track to deliver accelerated revenue growth of roughly 10% on a pro forma constant currency basis for the full fiscal year 2022, our visibility to which is underpinned by a record 12-month backlog and a strong year-to-date financial performance.

Similarly, we are on-track to meet our guidance for pro forma non-GAAP diluted earnings per share growth of roughly 10% for the full fiscal year 2022. And with our dividend yield of roughly 2% on top, we are positioned to deliver a double-digit expected total shareholder returns for the second year running.

Before handing over to Tamar, let me highlight our new 2021 to 2022 Corporate Social Responsibility in ESG report which we use as the platform for our first-ever ESG webinar for analysts and investors following its publication in June. As you know, we take our responsibility to our customers, their end user, our employees and the wider community and of course, our investors very seriously.

Given our corporate purpose to enrich lives and progress society with creativity and technology, we focus on delivering sustainable products and drive digital inclusion, which we believe promote diversity and inclusion and improve the well-being of our employees and the people in our communities.

AmdocsMedia recently provided a great example, where Vubiquity is working with signed studios to provide a complete end-to-end technology solution for a new streaming platform that exclusively provides premium quality sign language content to the deaf and hard of hearing, representing a worldwide community of over 430 million people. This innovative work includes Vubiquity's unique creative and technical designing of the platform, curation of the content and the innovative personalizing of the user experience.

I would like to take this opportunity to acknowledge and thank all of our customers, partners, shareholders and communities for together working to create a better connected world.

I particularly like to call out our global and diverse base of incredibly talented employees and thank them all for their amazing devotion to turning the boldest ideas into reality. With that, let me turn the call to Tamar for her remarks.

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

Thank you, Shuky, and hello, everyone. Thank you for joining us. As a reminder, my comments today will refer to certain financial metrics on a pro forma basis, which exclude the financial impact of OpenMarket, which we divested on December 31, 2020.

Turning to our financial highlights on Slide 15. I'm happy with our third quarter results, which follow a very strong first half performance we already delivered. Record Q3 revenue of $1.16 billion was up 8.8% year-over-year as recorded, primarily driven by yet another record performance in North America.

Q3 revenue was at the midpoint of guidance despite an unfavorable impact from foreign currency movements of approximately $7 million compared to our guidance assumptions and relative to the second quarter of fiscal 2022. Additionally, revenue was up 8.58% (sic) [10.8%] in constant currency from a year ago, marking the fourth consecutive quarter of better than 10% revenue growth on a pro forma constant currency basis.

During Q3, foreign currency headwinds primarily impacted our performance in Europe, adjusting for which, revenue showed initial signs of acceleration as the ramp-up of recent project awards kicked in.

Moving down the income statement, our Q3 non-GAAP operating margin of 17.6% was consistent with the prior quarter and year ago period as we offset the effects of accelerated R&D investments and a competitive labor environment with our relentless focus on operational excellence—including the ongoing implementation of automation and other sophisticated tools designed to continuously improve efficiency.

As a reminder, our foreign currency hedging program is designed to protect our profitability and free cash flow generation rather than revenue, and we are once again pleased that this strategy has proven effective through the volatile currency markets of Q3.

On the bottom-line, non-GAAP diluted EPS of $1.27 was above the midpoint of our guidance range. Diluted non-GAAP EPS included a non-GAAP effective tax rate of 20.6%, which as we expected was above the high end of our annual non-GAAP effective tax rate guidance of 13.0% to 17.0% for the full fiscal year 2022.

Diluted GAAP EPS was $1.04 for the third fiscal quarter, which was towards the high end of the guidance range of $0.97 to $1.05.

Moving to Slide 16. Robust sales momentum during the third quarter translated to a record high 12 months backlog of $3.95 billion, which was up 10% from a year ago. On a sequential basis, 12 months backlog was up by $60 million as compared to the second quarter.

Given the overall nature of work included, our 12 months backlog has traditionally served as a good leading indicator of our business, having consistently averaged around 80% of forward-looking 12 months revenue over the years.

Turning to Slide 17. Managed Services delivered a record quarter in Q3. Revenue of $718 million was up roughly 10% from a year ago and accounted for about 62% of total revenue. Our multi-year managed services engagements underpin the resiliency of our business with recurring revenue streams, high renewal rates and expanded activities, which may sometimes include transformation projects with existing customers.

A prime example of our proven ability to successfully renew and expand our customer relationship is AT&T Cricket Wireless, as Shuky highlighted earlier. This new agreement extends our longstanding relationship with Cricket for an additional 5 years. Moreover, the deal expands our relationship to include incident management and next-generation digital catalog, leveraging our latest cloud-native technologies to ensure the best possible experience for Cricket's business and customers.

Turning to the balance sheet and cash flow. As you can see on Slide 18. DSO of 82 days increased by 3 days year-over-year and 1 day sequentially in Q3. The increase in DSOs primarily reflects a large number of successful milestone deliveries achieved in North America in the quarter and timing differences between the subsequent invoicing of customers triggered by those milestones and payments by the customers. Additionally, the net positive difference of deferred revenue and unbilled receivables improved by $62 million as compared with the year ago.

We generated normalized free cash flow of $144 million, positioning us to achieve our target of $650 million for the full fiscal year 2022.

Overall, we ended the quarter with a strong cash balance of approximately $850 million, including aggregate borrowings of roughly $650 million. Our balance sheet remains strong. And with a liquidity, we expect to be in a good position to continue to support our ongoing business needs, while retaining the capacity to fund our future strategic growth investments. Along those lines, we expect to close the acquisition of MYCOM OSI for roughly $188 million in cash in the first fiscal quarter of 2023.

Turning to capital allocation on Slide 19. As you can see in the first chart, we repurchased $100 million of our shares in the third quarter, including cash dividend payments of $49 million, we returned $149 million to shareholders in Q3, equating to more than 100% of normalized free cash flow. Taking into consideration our quarterly cash dividend payments and ongoing share repurchase program, we now expect to return slightly more than 100% of our normalized free cash flow to shareholders for the full fiscal year 2022.

While we are experiencing strong growth momentum in our business, our expected normalized free cash flow outlook of $650 million in fiscal 2022 equates to a conversion rate of roughly 100% of non-GAAP net income. It also represents a healthy free cash flow yield of roughly 6% relative to Amdocs' current market capitalization.

Over the long term, we remind you that the range of normalized free cash flow conversion may fluctuate slightly above or below our long-term average of 100% in any given year. As an additional point, our fiscal 2022 normalized free cash flow outlook now excludes anticipated CapEx of about $110 million in relation to the development of our new Israel campus. This is less than our previous guidance of roughly $131 million, primarily due to the timing of payments which have moved into fiscal year 2023. Accordingly, we've raised our reported free cash flow outlook for fiscal 2022 to $520 million.

Now turning to our outlook on Slide 20. As Shuky mentioned earlier, we are closely monitoring the prevailing level of macroeconomic business and operational uncertainty, which remains elevated including with respect to the magnitude and duration of the COVID-19 pandemic. The fourth quarter and full year fiscal 2022 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 are on track to deliver full year fiscal 2022 revenue growth of roughly 10% on a pro forma constant currency basis, in line with the midpoint of our new guidance range of 9.6% to 10.6%. Additionally, we continue to expect growth on a constant currency basis in each of our 3 operating regions of North America, Europe and rest of the world in fiscal 2022.

Our annual outlook includes fourth fiscal quarter revenue within a range of $1.145 billion to $1.185 billion, the midpoint of which represents the most likely outcome based on our internal analysis. On a reported basis, we expect full year revenue consistent with the midpoint of our guidance range of 6.2% to 7.2% year-over-year which now anticipates an unfavorable foreign currency impact of approximately 120 basis points year-over-year as compared with our previous expectation of 80 basis points.

Moving down the income statement, we anticipate non-GAAP operating margins to track roughly in line with the midpoint of our annual target range of 17.2% to 17.8% in the fourth fiscal quarter. This outlook continues to assume an accelerated pace of R&D investment, in line with our strategy, balanced with our constant focus on operational excellence.

Below the operating line, we anticipate 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.

As previously anticipated, we expect that our non-GAAP effective tax rate in the fourth fiscal quarter will be above the high end of our annual target range of 13% to 17% million. For the full fiscal year 2022, we expect our non-GAAP effective tax rate to be within the annual target range.

Bringing everything together, we are on track to meet our guidance for pro forma non-GAAP diluted earnings per share growth of approximately 12% for the full year of fiscal 2022, roughly consistent with the midpoint of our guidance range of 11.2% to 12.5%. On a reported basis, we expect non-GAAP diluted earnings per share growth in line with the of our guidance range of 9.6% to 10.9% year-over-year.

Overall, we are firmly on track to deliver double-digit total shareholders' return for the second fiscal year running in 2022 assuming the midpoint of our pro forma non-GAAP earnings per share growth guidance of roughly 12% plus our dividend yield.

With that, back to you, Shuky.

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

Thanks, Tamar. As you can probably tell from our remarks today, we are pleased with our sales momentum and overall level of execution in Q3, and we remain confident in our strategy and ability to deliver on the full year financial targets. With that, we are happy to take your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Tim Horan with Oppenheimer.

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

Good quarter. Could you talk a little bit more on the cloud? Maybe if you can quantify a little bit more of the savings that you think you can provide your customers with flexibility? And just maybe what's competitive intensity like for you within cloud now? .

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

Tim. I think that when we talk about cloud, it's not about TCO reduction only. I think that when we look at the holistic value moving to the cloud, it's much more beyond that. You are coming to a much more resilient environment, much more secure. Time to market is much faster. Ability to come with new innovation is much faster. And obviously, much more capabilities for disaster recovery. And there is also opportunity for cost reduction.

So when we talk with our customer on the journey to the cloud, we are not just talking about cost reduction. It's all of the above, as I also mentioned, and the value proposition is by far a much broader than just TCO reduction.

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

And can you talk about the competitive intensity like who do you compete with these products?

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

I'm trying to be extremely humble. And I can tell you that when you talk about existing Amdocs customer, we are, by far, the market leader and the first choice for all our customers. Because if you -- I think that the migration to the cloud in an Amdocs customer is actually moving from one platform of Amdocs to a different platform of Amdocs, which is cloud-enabled or cloud may be -- all this integration, it's something that we are doing the best, and I don't I don't see any Amdocs customers thinking about taking the other partners to do this.

I think both because of our capabilities, because of our relationship, I think we are the only one that understand and know our system. When we talk -- as we mentioned before, we do also a cloud activity in non-Amdocs systems. Over there, obviously, there is competition, This is (inaudible) [Accenture over the world, Infosys over the world]. I think we are coming with a very strong know-how based on organic know-how that we have. On top of it, you can add all the consultant capabilities that we acquired with top-notch consultant. So I think that we are very, very competitive also in non-Amdocs application, but in Amdocs application, I think that we are extremely well positioned to take the industry to the cloud.

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

I just want to clarify that in addition to what Shuky said about migrating existing applications to the cloud, everything we bring out of our R&D shop is cloud native. So whenever a customer goes through a modernization by definition selecting Amdocs is making them cloud-native already and -- it's their call whether they want to deploy first on-prem, on private cloud or the public cloud, but it's all cloud native in terms of the software architecture whenever they go to modernization with our product.

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

It's a very good comment. All the transformation you do in AT&T, in the new mobile and consumer platform, in T-Mobile, in Vodafone, all of them are, by design, cloud native platforms. So all this transformation there are going to the cloud.

Operator

Your next question comes from the line of Ashwin Shirvaikar with Citi. (Operator Instructions) Our next question comes from the line of Tal Liani with Bank of America.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

Can you hear me, Houston? I don't have a question on the quarter because it's straightforward. I have a question on the environment. Some of the questions we're getting about Amdocs is what is the historical correlation between any economic slowdown and the business you have with customers. So if you can address things like in previous downturns, have you seen cancellations or pushouts of orders? Or what's the correlation between new orders and kind of economic cycle? And then maybe speak about your own view on the environment, the spending environment.

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

I will start and Tamar will add if I forget something. If I want to simplify it, we have 2 main activities with our customers. The first one, a very large one is all the managed services operation on our current systems. These are mission-critical systems. This is not something that you can stop or hold. I mean this runs all the monetization of the organization. So this is extremely solid, I don't recall ever, even in the biggest downturn of pandemic, 2008, that this business was impacted.

At the same time, as we announced and also reflected in our backlog, we have the highest number of projects in the history of the company. Now as I mentioned before in different discussions, the projects we are doing today are not discretionary projects, meaning that you can say that every spend is discretionary, but when you do projects on the 5G monetization, network automation, digital transformation, these projects are so strategic to our customers that I'm not saying that they are 100% immune, but at the same time, probably they are the last one by far to be touched. So I can tell you that right now, while we see some customers that are much more cautious on the spending, this strategic program continues as they are so strategic to the growth and to the future. Tamar...

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

Yes, just we've been in cycles of downturns in the last 20 years. If I'm looking on the Financial Crisis, 2008 and '09. While our Managed Services portfolio has been much smaller, we've seen exactly the phenomenon that Shuky talks about and now we are even more incumbent with more customers with Managed Services. Meaning this is pretty mission critical and everything that Shuky mentioned. On top of that, we have not seen cancellation of projects.

What happens typically is the projects that have been secured already have been continued. There was a slower pace of signing new projects out of the pipeline. To give everything a quantification, revenue was down back then in the financial crisis 1 year alone. And in this year, it was down 9% on reported basis, 6% constant currency, only because there was a slower pace of getting in new projects.

Pandemic, same story, only for 1 quarter, though, not even full year. One quarter was slower in terms of signing new projects. But all the projects we have in the pipeline have been continuing. Managed Services, we have close to 100% renewal rate for many, many years, including in tougher situations. So I feel that the combination...

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

No, that's what. I mean, as we mentioned, we got another record backlog, which is 10% year-over-year. So we see a very strong momentum in sales.

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

So I think the combination of what we do for our customers around mission-critical systems, the fact that a very high portion of our revenue is recurring in nature and the fact that customers are investing with us in their strategic domains of 5G, move to the cloud, et cetera, is creating a unique business model for us and also, I would say, a more sustainable investment thesis for our investors.

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

This was the short answer, Tal.

Tal Liani - *BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst*

The second question -- final question is what do you do with your hiring? Are you -- can you talk to us about kind of hiring this year? What are your planning for hiring? Is any plans to slow down just to address maybe economic uncertainty? Or do you continue to hire according to plan?

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

So we are continuing to grow our staff and frankly speaking, I prefer that this growth will come with lower attrition and less people that we need to hire in order to achieve this net growth, but the bottom line is that we are growing our staff. We are very focused while we talk about the global picture, also to balance in terms of where we are growing.

And I think we talked about it in the past in terms of our global delivery model and how we are thinking about where do we have access to talent vis-à-vis where do we need to provide proximity to customers, the cost structure, et cetera. Many considerations that go into where do we hire, which skills, how do we on-board effectively employees and make it as fast as possible to productiveness. So these are all considerations we continue to focus on. With the hope that the current conditions on the macro aspect will help us reduce attrition and improve by that the retention rate that we have with employees. Like many other companies in the tech world, this has been a challenge in the last 18 months, and we hope that will come down a bit.

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

But we did not stop hiring.

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

No, we did not stop hiring, for sure. We are growing. If you noticed, we actually reported on a higher number of employees this quarter versus the prior one.

Operator

And I'm showing no further questions at this time. So with that, I'll hand the call back over to Head of Investor Relations, Matt Smith, for any closing remarks.

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

Thanks, everybody, for joining the call today and for your interest in Amdocs. We do look forward to hearing from you in the coming days. And as always, please reach out to us here in the Investor Relations group with any additional questions. And with that, we'll conclude the call. Have a great evening, everyone.

Operator

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