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# EDITED TRANSCRIPT

DOX.OQ - Amdocs Ltd at Bank of America Global Technology Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Tamar Rapaport-Dagim** *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

## PRESENTATION

### Unidentified Participant

(audio in progress) If I say 30 years, I probably -- I don't exaggerate. And I always -- because I also speak Hebrew, I always get the people that think that I know something special, so I'm going to tell you, I don't know anything more than what they say publicly, but I know the company really well. That's what I told you before.

So I'm going to basically use this session to discuss the growth drivers and discuss what drives -- what causes revenue growth to accelerate, decelerate, and kind of long-term potential and things. So because we're a small group, if you have any questions, in the middle, just raise your hand, we have a mic, we can make it interactive.

So Tamar, thank you, and what I wanted to ask is if you can -- the main discussion I always have with investors is they ask me, what are the drivers for growth for the next three years? Kind of big picture kind of trends. And I want to understand, where are you positioning your company for growth? What are the areas? What are the target markets? If you can give us even a little bit of history, so we know how you get from where you are today or where you started a few years back.

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**Tamar Rapaport-Dagim** - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

Sure, we'll do that. But before that, I have to share that because you said, I know you. It's his birthday. (laughter)

### Unidentified Participant

I want to say something about it. Today, two other great people were born. One is called Angelina Jolie, and one is called Bar Refaeli. It's a model. And that's why there is not enough beauty in the world. I was last in line, so at least I was there for the brain. (laughter)

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**Tamar Rapaport-Dagim** - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

Nice group. All right, so let's talk about Amdocs. Great to be here. We are providing software and services to help telecommunication service providers around the world to provide services to you, to businesses. We're running it in 90 countries. We've been doing it for several decades. And over the years, we've expanded our addressable market by adding more and more offerings.

The company is coming with a very unique business model, i.e. this combination where we provide both the best software stack as well as take the full capability to deploy that software successfully in our customers' environment. And beyond that, we also offer our customers that we can run it for them based on a model where we can run under a multi-year engagement we call Managed Services. There are systems for them, including enhancements, including committing to certain KPIs, et cetera.

And looking on the company growth over the recent years, we've focused on a couple of significant growth investment domains for our customers. And before we go into the details of what these are, we'll say that we are running a company that is generating revenue of roughly, let's say, \$4.5 billion expected this year in an addressable services market of -- services and software market of \$60 billion, six zero. So we feel we have a very large room to grow by taking more wallet share, even in domains that we're activating. Roughly speaking, about half of that global spend that is relevant for us is still done by the in-house organizations, the in-house IT organizations of our customers. And we are there to provide them value both as they modernize and they're looking to enhance revenue, as well as reduce their cost footprint and improve their operational excellence.

Major growth drivers we've identified in the last several years, and of course, it's something that is evolving. First, the shift to the cloud. Our industry, the telecom industry is moving a lot of their software and workloads from their own data centers to the cloud. This is not an easy undertaking. We're talking about mission-critical applications, very large-scale complex environments.

And we are coming to our customers both with the advisory around the what's the right journey for that specific customer to take when they're moving to the cloud, the software stack that will actually run in a cloud native environment with all the great features and functions, the ability to help them migrate to the cloud, all the way after the new system is up and running, run it in Managed Services on the new cloud environment.

Cloud activities already comprise 25% of our revenue in the last fiscal year '24, growing double digits very nicely, and we expect to continue and grow double digits this year. A lot of the new transformations, the setup of new systems around the world are driven, among other reasons, by primarily with the shift to the cloud.

We also realized that we want to help our customers move to the cloud not only with our own application, but also helping them migrate from legacy applications that they have to the cloud. We are, for example, helping AT&T, as we speak, move hundreds of applications from mainstream to cloud. And this is based again on a technology driven approach. We've acquired the company that is delivering this through a very sophisticated tools.

So everything we do in Amdocs is about helping our customers. When we talk about the services that we provide, they're already embedded around our products, but also driven by technology. And this is another example for that.

Another growth pillar is the ability of our customers to go and digitize and automate the business processes they have for the business segment. We've been talking as the industry about digital transformation for many, many years, and we've been -- Amdocs historically, been very focused on helping our customers go through the digital transformation for the consumer segment.

Another vector we've been seeing in the recent years that many of them identify the business segment as a growth area, one that has been run more based on manual business processes, semi-automated business processes. And we are helping customers around the world address that challenge by automating and providing our software stack, addressing the opportunities that they have to grow their business segments. And I'm talking about customers like Comcast in the US, Hutchison in Europe, PLDT in Philippines, and there are many other examples out there.

Another vector we've been seeing is the networks have become more and more virtualized, more and more software-defined. We are not a network equipment provider. We are the software that runs on top of that that enables our customers to better manage the inventory of the network, and it's a hybrid network that includes both physical as well as virtual elements to optimize how you actually service a new opportunity, meaning let's say a customer comes in, they want a new service, you need to understand how to activate certain elements in the network and how to fulfill that service. Then you need to ensure the quality of service. All of that is run by software that we can provide our customers and that -- some might call it the NextGen OSS or service orchestration and fulfillment, all different names out there. But eventually, it's all about running for software a better use plan -- planning and usage of the network.

The last thing I would say is that everything that has to do with monetization. Amdocs historically, for those who knew us in the early days in the 90s, started with billing, the monetization of the services to customers. And since then, we've expanded significantly with many business support systems that go much beyond billing. But eventually, everything the customers that we have invest in, whether it's 5G networks, fiber rollout, they want to monetize. We help them actually with the monetization.

And of course, it's evolving over time. So today, monetization may be for launching over-the-top services as part of this bundled service they're providing. Monetization can be by providing new services that are taking a -- some partnership ecosystem, let's say a gaming company that they want to offer to the younger customers. It can be anything, really, and the sophistication of what we provide is that when they invest billions and billions of dollars into enabling new networks, new ways of connectivity, new ways of monetization, we are there actually to provide them this kind of flexibility.

Now overarching all of that, generative AI. Of course, like any other tech company out there, we are seeing an amazing opportunity taking generative AI, embedding it in our software products, also helping our customers in providing a much better capability from the data structure. We understand the data structure very well, a lot of this data is coming out of our software applications, and we can help our customers with tools and services to prepare for the Gen AI era.

And we're also proposing to our customers a very unique platform that we call amAlz that could help them actually launch to market different use cases. Again, some of these use cases are about generating more revenue, some of these use case is about how to reduce cost, but eventually, the power of the relationship we built with industry leaders such as Nvidia, et cetera is to come with amAlz as a platform and help our customers generate fast launch of use case and make money out of that.

So that's been very sure, and the company has been targeting, for the full year 2025, a year-over-year growth rate of roughly 3%, but if you look through the year, we are showing acceleration. So we started the year on a slower pace, accelerate, and we have a leading indicator we call 12-month backlog that we publish every quarter. And our 12-month backlog as of March 31 already showed 3.5%, so you can understand that we are on a path to such an acceleration. Very excited about all these opportunities and of course, we push forward to make sure that we translate a very solid pipeline to continue and fuel that growth.

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## QUESTIONS AND ANSWERS

### Unidentified Participant

Historically, there was some correlation between CapEx and your growth. Going forward, do you think that there is going to be much correlation between CapEx and growth? And the reason why I'm asking is because CapEx is not expected to grow on the carrier side, on service providers side. How can you grow within an environment where spending overall, the overall pie is not growing?

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### Tamar Rapaport-Dagim - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

Yeah, so that correlation you mentioned that was maybe right in the past, the distant year is no longer the case. Actually, 75% of our revenue is generated from recurring revenue because over the years, we've added a lot of engagement of what we call the Managed Services in which we actually run the system for our customers. So out of three quarters of our revenue being recurring, already, we reported, for example, in our second fiscal quarter that ended in March, that 66% of total revenue of the company is Managed Services engagement, so we definitely see that as the more recurring aspect, the more consistent long-term engagement, those are typically multi-year agreements that run between five to seven years. So that's the piece that looks very differently on what kind of budget from our customers this is being paid for. This is operating expenses for our customers.

At the same time, when we look on new transformation projects, the rest of the 25% of revenue, this is typically more of a CapEx spend. Now we are a small part of the overall CapEx spend of our customers, but typically, the majority of which is going for the network equipment guys, et cetera.

But, okay, so we don't have direct correlation. Having said that, of course, from our point of view, we need to see that our customers are investing in the domains that we are focusing on, and this is something that is obviously getting traction for, first of all, the POs that we are seeing signed, but also a lot of the dialogues we're having with our customers to make sure that our prediction and our strategy is aligned with theirs in terms of how they're thinking about the future, such is the example I gave of the focus on the business segment and the fact that we have the right tools and software to provide them around that and other things.

So short answer, no direct relation to CapEx. Of course, when we look at our serviceable addressable market and the definition of what we see as the growth domains, those growth strategic pillars, they're very much focused to see where they're going to invest their money.

**Unidentified Participant**

I want to look at growth maybe from a different angle. You disclose kind of customer concentration every year in your report, and you have about five, six customers that are more than half of revenues, and the other part of the world is the other half or 40%. Can you discuss about growth in that kind of two buckets, meaning what are -- outside of the very large customers that you have, what are the trends in the other parts of the market? What kind of customers you have? What kind of opportunities do you have? Is there a difference between the projects here and the projects there?

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**Tamar Rapaport-Dagim** - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

So it's a great point. First of all, for anyone who knows telecommunication, it's a pretty concentrated industry. Eventually, if you look on the customers that make the end market revenue, it's probably less than 100 that make over 80, so pretty classical Pareto kind of thing.

Having said that, from our point of view, there are a couple of important things. First of all, the customers we serve, we need to do a great job and continue to bring them value so our renewal rate keeps close to 100% like it has been in the past.

Second, we continue to invest in innovation that we'll bring also to new customers, of course. And over the years, we've expanded significantly, both into new buying centers within existing customers. For example, I mentioned network automation. Historically, the company was more in BSS, which is an IT spend. When I'm talking about network automation, it's more of the CTO tower. It's more of the -- a different buying center that is making this decision.

And then of course, new logos. We've expanded to new logos both in our largest market, which is North America. So for example, in the last several years, we've expanded significantly our relationship with Charter. We've penetrated Verizon. It was not a customer. Last quarter, we announced a new logo, a smaller name, Consumer Cellular, 4 million subs as an MVNO.

And having the focus to continue and expand in North America, we also expanded internationally in a very meaningful way. So just to give you a couple of data points, if you look on our top 10 customers, a decade ago, we had two names that were international. The other 8 were North American. If you look at it today, 6 out of 10 are international names, not because we lost any North American customer. On the contrary, we expanded our business with them. First of all, the threshold of being a top 10 just went up. And I'm glad to say that we developed strong, recurring relationship with groups like Hutchison Group, Telefonica, PLDT in Philippines. So those are meaningful groups or carriers out there in the world that we are seeing now as top customers.

And we continue to see how we continue and expand to new countries. By way of example, Japan. Recently, a recent success story for us. We've been trying to penetrate Japan for a while. Now we have NTT. We have a new modernization project in JCOM, a cable operator in Japan. With Paramount, a media company in Japan. So we're continuing to see opportunity to go into new countries and expand more and more beyond just North America that has been more of a traditional market for us.

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**Unidentified Participant**

Is there a different growth profile between North America and other parts?

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**Tamar Rapaport-Dagim** - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

I wouldn't say it's a different growth profile as much as where the base of business is relative to us. Yes, so we are going to North America even though it's such a long-term market for us, and we're doing it with existing customers as well as some new, as I mentioned.

But if I'm looking from a geographical point of view, first of all, Europe, great success in the recent years for us. We're coming with a very unique business model, as I said before, providing both the software and services. Historically, the European customers were more inclined to buy separately

the software, the technology from the services. We showed them that our model and the success rate we can bring is bringing a very different value. And over the years, more and more European customers adopted the Amdocs model and selected us to be their partners, and we continue to see the momentum. Our second fiscal quarter that was just reported, was a very strong quarter for Europe.

APAC continues to be a great goal for us. And I would say the weaker point within the international map is probably Latin America where we've seen less success.

So yes, growth patterns, varying, and but it's also related to what our base of business was, because our relative market share in Europe was lower to begin with. Now we are accelerating and picking up much more market share via recent wins.

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### Unidentified Participant

I want to talk about visibility. Can you address kind of your revenue composition in terms of Managed Services? What kind of business dealings do you have that gives you this great visibility and backlog that supports next year revenues?

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### Tamar Rapaport-Dagim - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

Yeah, so in very simple terms, if you look on our 12-month backlog as a leading indicator for the next 12 months' revenue, visibility is roughly 90%, so that's a pretty good visibility. And again, don't take it mathematically as an accurate metric, but generally speaking, definitely. And by backlog, I mean things that are already secured or accounting for many years, et cetera, so it's pretty -- a stronger metric.

I would say that Managed Services, being already 66% of our overall revenue, is definitely a very important part of the business because this is like the north star of the value proposition we can bring to our customers, that we help them both modernize, deploy successfully systems into production, and then continue to run it and commit to a service level, commit to certain KPIs, and continue to bring them innovation along those years. So it's not that we just sell something and then we wake up before renewal to come and talk about, okay, let's talk like what's the new deal. We continue to bring new innovation, and therefore, you will often see announcements from Amdocs about extension and extension of Managed Services engagement way before the endpoint is reaching because we are continuing to bring this kind of innovation.

So yeah, the visibility is pretty good. Of course, it's not all secured. We need to continue and sell, and we therefore are very focused on the pipeline and how we convert it to deals. But this kind of predictability also gives us good base for planning our execution, and again, that's connected more to efficiency gains and how we plan the cost and the margins, but definitely, the model lends itself to this kind of, I would say excellence in terms of how to plan ahead.

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### Unidentified Participant

Operating -- when I look at other services companies, if I can call them system integrators, they have volatility of margins. You have an extremely stable margin structure for years and years. What gives you this kind of visibility or this able to manage expenses in a way that stabilizes margins? What's the difference with you and another system integrator?

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### Tamar Rapaport-Dagim - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

So I will not say I'm an expert on how they run it, they can talk about us and how we do it. First of all, it's about really having the visibility on the top line, the business, as I described a minute ago. Understanding the nature of the deals, for example, the transformation project has a certain pattern of how you ramp up. You start with the design and the scoping sessions, and only then you ramp up the resources for the full deployment cycle.

Managed services, you go through a very thorough discovery process with the customer to understand what we are taking over so we can plan very well. It's great that you have a contract signed, but you need to understand very well, how are we going to execute? What is required for us to execute and commit to certain KPIs while maintaining, of course, the cost structure and estimations we have in mind? So all of this is very important as we go and plan ahead.

And of course, many things we do around planning of resources, and we've developed over the years very strong methodologies, and I would dare to say even IP, in terms of how we are actually going and doing it, including sophisticated tools and methodologies of how we do it internally in terms of, for example, there's a job to be done to execute to a new customer in Germany. What are the skills that are required? On the other hand, there is talent in the company. What's the gap analysis? How do we upskill the employees? Mobility, geographically wise, is sometimes required. What kind of talent we need sometimes to recruit from the outside? Like all of this is a very dynamic yet sophisticated model that eventually creates the discipline to be able to generate the margin expansion all the time, but to have that kind of consistency.

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**Unidentified Participant**

Yeah, and what about free cash flow, free cash flow generation, your ability to grow it over time? What are the puts and takes for free cash generation?

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**Tamar Rapaport-Dagim** - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

So I would say it starts with the combination. First of all, we have a strong customer base. Yes, of course, we go through credit worthiness analysis all the time and make sure that they'll continue to be strong, but overall, when you look on the telecommunication service providers, and we are serving the biggest in the market, they have the ability to pay.

And then it goes to what is the kind of things we do for them and the fact that we execute on our commitment. Of course, not everything is perfect. There are always issues, but eventually, we make sure that there is alignment between our commitment and the fact that we want to push forward this kind of deliverables, and at the same time, that we're getting paid. So first of all, it's about collection and a lot of focus we have in the company to make sure that we provide the inflow.

The outflow is more predictable, as I said before. It's something that we -- sometimes, there is some seasonality. For example, we pay annual bonuses for prior fiscal year in our second fiscal quarter, but that's a known fact and we always remind investors about that. But when you look from an annual point of view, we are seeing over the years a conversion rate of roughly 100% of earnings to cash. Specifically this year, we're talking about 90%-plus. There are some years in which it was over 100%, so it depends on specific deals and how they'll -- where they are in the cycle, but we're very focused on that.

And part of the focus of the company is beyond the earnings to cash conversion, is of course to make sure that we are reinvesting in growth and so on, because there's a massive in order to be innovative and bring to the market new things all the time. There is a significant investment in R&D and sometimes augmenting that with M&A. But the majority of cash is returned back to shareholders. So that consistency in generating the free cash flow is also allowing us to continue and have the balanced approach on the cash flow allocation later on, both to growth and returning cash to shareholders.

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**Unidentified Participant**

One general question is you generate good cash, you generate good margins, but your growth rate is -- we talked about 3.5%, 3%. Will you consider to be more aggressive on acquisitions in order to accelerate growth, going into new areas, new markets, new products? Or are you going to continue with your conservative approach that you have taken for the past kind of 20, 30 months?

**Tamar Rapaport-Dagim** - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

We're not limiting ourselves of taking acquisitions if they make sense, okay? So I'll give you two examples. One acquisition was done in the recent -- I think it was the recent quarters was a small company of data scientists and software engineers that is helping us accelerate our data Gen AI journey, okay? That was not something that is dilutive to margin, but it was a very smart, I would say small-sized deal.

At the same time, we could see interesting ideas, to your point, that they can accelerate even faster the overall growth, bigger opportunities that may have some margin dilution. We will come and share, of course, in the market, the rationale for doing it, so we're not holding ourselves back from doing the right M&As that fit strategically with the company just because we are religious about the margin. But it needs to make sense.

And the fact that is most important, even before we talk about the financial impact in the short term, is the strategic fit and the cultural fit. We're talking about technology companies, so from my point of view, if I'm hearing the engineering teams are getting along, the understanding is aligned in terms of what we're trying to achieve, this is the first step, of course, after making sure that the strategic idea of why we're making this deal. And then we get of course into the financial discipline of what is the future opportunity here? What is going to bring out? And yes, if there will be some kind of a short-term dilution, we're not shy about explaining why it makes sense.

The recent years have been more of a small-, medium-sized deals, not because of conservatism, but because those are the right targets that we found to be relevant for what we needed. But of course, in certain other years, if you look like back in the days when we penetrated OSS, for example, we did a medium-sized deal where we decided to go into an adjacent market of media back in the days.

So typically, the type of deals we would do is either accelerating some technology or some product rollback that we want to have by someone that is already more advanced and have a great solution already, so that would be one reason. Another reason would be we want to go into adjacent market. A third one, we don't do as much, but when it makes sense, consolidation, enjoying the synergies and the benefits of something that can add to our customer base but not necessarily contribute to our software product offering.

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#### Unidentified Participant

I'll take two seconds to tell you a story. 1998 or 1999, I worked at Bank of America Merrill Lynch. They sent me on a plane with the management of Lucent and Sienna. Lucent was supposed to buy Sienna. Sienna is buying tickets first class. Lucent is in the cargo, sitting with me in the back seat, middle seat. And I called my boss back then, I told him, man, it's not going to fly. The cultures are completely different. (laughter) The market collapsed, and it didn't go through, but that was a culture feed, a story about culture feed.

Okay, we have only two minutes left. I want to ask you about journey to the cloud because it's important. What exactly are you doing? When you talk about cloud, it could be so many things. What exactly are you doing in what you call journey to the cloud?

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**Tamar Rapaport-Dagim** - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

It's a great question. Let's start with the fact that a software product, in order to run in the best way on a cloud environment, has to be written as a cloud native software application. So everything we invested in our R&D shop and went out to market in recent years is cloud native by design to really benefit from the opportunity of running this kind of application on the cloud.

Now it doesn't mean that the customer adopting it needs to run it on the cloud. If they want, they can still run it on their own private cloud, we've always said that. By the way, there is a lot of talk these days about sovereign clouds. That's okay too. So when we say cloud, could be private cloud, public cloud, sovereign cloud, any kind of cloud, just to be clear.

Another thing we realized that many of our customers do not necessarily want to take it in one big bang and rip out legacy and move everything to build the new stack, so we created a gradual pattern to enable them to do that, taking our most popular older versions and make it cloud enabled, like a first step to move to the cloud. And later on, they can do the full next step to go to the cloud native application.

We also help our customers migrate to the cloud. It takes a project of, okay, you have the -- let's say you have the new stack ready on the cloud, you have the old one, now you need to take millions of subscribers, sometimes tens of millions, even beyond 100 million, and migrate them to the cloud without the customer feeling it. You, as the consumer, do not have to feel anything. Of course, in the back end, you're moved from a data center to a cloud. So our expertise on how to do it in an accurate manner, in a seamless manner from the end customer point or et cetera, that's the service by itself. And then to run the new stack under the Managed Services engagement when it's running on the cloud.

So from our point of view, the fact that customer's used to run it on their own data center and now they want to run the software application on a cloud environment, that's great. We know how to do it in the Managed Services on the new cloud environment, including all the attributes that I described before. All of these are part of our cloud related engagements.

Now naturally, since we're in the beginning of the cycle of the move to the cloud, most of the revenue we see these days from this is in the initial modernization, initial set up of the systems and migration. And as time will go by, we'll see more of the Managed Services on the cloud once those systems are going live. But definitely, it's a big opportunity.

If you measure from the industry point of view, the estimations are that less than 10% of the workloads of the kind of applications we support is on the cloud, so many of them just started the journey. And hopefully, we have a big advantage of the market leader, as the one that is coming with all those solutions that I just described to be their partner when they move to the cloud.

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#### Unidentified Participant

Great. We ran out of time. Thank you.

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#### Tamar Rapaport-Dagim - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

Thank you. Thanks, everyone.

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