

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

DOX.OQ - Amdocs Ltd at Barclays Global Technology, Media and Telecommunications Conference (Virtual)

EVENT DATE/TIME: DECEMBER 10, 2020 / 1:30PM GMT

## CORPORATE PARTICIPANTS

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

## CONFERENCE CALL PARTICIPANTS

**Tavy Rosner** *Barclays Bank PLC, Research Division - Head of Israel Equities Research*

## PRESENTATION

**Tavy Rosner** - *Barclays Bank PLC, Research Division - Head of Israel Equities Research*

And I believe we are live. Great. Hi, everyone. I'm Tavy Rosner from Barclays Research in Israel. I'm pleased to host today Amdocs, represented by Tamar Rapaport-Dagim, CFO. Tamar, thanks for being with us today.

---

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

Thank you, Tavy, for hosting us.

---

**Tavy Rosner** - *Barclays Bank PLC, Research Division - Head of Israel Equities Research*

Before we head to Q&A, I just want to remind investors that they can e-mail me questions for Tamar at tavy.rosner@barclays.com. On Bloomberg, Tavy Rosner ID. Tamar, let's give people 2 minutes to send questions. So perhaps you could take this opportunity, for those investors who are less familiar with Amdocs, to give just a very brief intro in 2 minutes, very big picture, and then we'll just jump right through it.

---

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

Great. Hi, everyone. Good day. Good to have you. So we in Amdocs are providing the technology products and IT services to enable communication and media companies primarily to provide their services to their end customers, whether those end customers are consumers, small, medium business, all the way to the large enterprises.

Among our customers are very familiar names such as AT&T, T-Mobile, Vodafone, Singtel, América Móvil, Telefónica, MGM and Disney on the media side. So those are very familiar names, I'm sure, to everyone. We've been in business for almost 30 years, public company for over 20, revenue of roughly \$4.2 billion in the fiscal year 2020 that just ended end of September for us.

We are expected to grow at a midpoint of 6% top line growth in 2021, which means an acceleration from -- of growth from our point of view, driven primarily by 2 to 3 engines. One is the continuation of digital transformations that are happening around the world. COVID naturally just emphasized to everyone how the digital touch points are so critical in every customer life cycle these days. The second one is the industry buildup of 5G that we benefit from. I can talk about that in more details later. And the third one is the journey to the cloud. As a market leader, we believe we can be the one facilitating the journey of the communication media industry to the cloud and be an enabler of accelerating that journey.

In terms of global spread, we are in almost 90 countries. North America is our largest regions, but the other regions internationally are growing very nicely for us with expansion into many new countries and many new logos. We are, at present, also from workforce point of view across the globe with 26,000 employees located in many centers. And we are continuing to push for the conversion of our business model, which has highly recurring revenue, good conversion of earnings to cash, and then through the capital allocation of returning majority of cash flow to shareholders, yet being acquisitive in parallel. We are generating an earnings per share growth in the mid- to high single digits, that in conjunction with the dividend the yield of slightly over 2% is expected to generate in 2021 close to 10% total shareholders' return as defined by EPS growth plus dividend.

I'll take a short break now, Tavy, and see what questions are coming in. Continue, Tavy. No? Not yet?

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

Now are we here?

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

Yes. Thank you.

## QUESTIONS AND ANSWERS

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

Yes. Okay. I just wanted to spend some time on COVID-19. So looking back past couple of months, we saw trade shows being canceled, GSMA, Mobile World being canceled. How has it been impacting your go-to-market? And then -- and did the different lockdowns around the world kind of put pressure on your supply chain?

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

So clearly, since March, I would say, we all felt, across the world, the pandemic hitting the world and its implications. From our point of view, it meant that in the first few months, our customers have been extremely busy, naturally so, in their business continuity. And we've been a part -- and a critical part, I'm proud to say, of helping them cope really fast in dealing with the basics, providing communication services, providing media services, attending to any care or problems that their customers have. Continuing to charge for services.

So the first couple of months have been very busy in making sure we are running the production environments of our customers in a great way. And we are managing many of our customers in what we call Managed Services environments, which we actually operate the systems for them. So this is highly critical. This is really running mission-critical system production for our customers.

And then, of course, making sure that we continue to support our customers in any changes that they needed. First of all, ad hoc to make sure that they are addressing the new needs. In that period, the focus was execution. The focus also, from our point of view, was supporting our customers in an excellent way, while we globally, move our 26,000 employees to work from home. And execution has been wonderful. And I have to say now, already with many months ahead, we've been having actually during the pandemic a record-high year of deployment milestones.

So we manage, not only to stabilize productions, et cetera. We've been doing a lot of deployment of new projects and a record high year for us in a number of deployments for our customers. At the same time from the sales momentum point of view, in those initial months, March, April primarily, we've seen some pause in the assignment of new deals and the award of new deals. Other customers were busy in their business continuity. But as things got back more to okay, how are we investing and what does it mean in terms of investment cycles and the investment teams? We've started to see a pickup in the closure of deals.

So as soon as the June quarter, we already see a pickup in backlog. And in fact, our fourth fiscal quarter, the one ending September '20, was the highest sequential increase in 12 months backlog I can remember. And we entered '21, not only with the projection for acceleration of growth of the revenue, but also with a strong visibility presented by a 12-month backlog of over 80%, which is good. So we are continuing to see now the sales momentum, execution wise. We're very happy, yes. We all want to go back to normal. Naturally, it will be better. So we hope the pandemic will be solved for globally and for the industry and for ourselves.

But I believe we are positioned very well, both in terms of the investments and the themes. We are ready. And in fact, we accelerated R&D in the last several months and intend to continue to do so in 2021. So, not only we were right in terms of the things we came to market with, but feel that

we have an opportunity to stay and continue to take even a bigger gap and staying ahead of the curve relative to competition in the areas that we are focused on.

---

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

So looking ahead to next year, so you recently introduced guidance for revenue growth, which show a pickup in the level of activity, and you also have a record high backlog. So I guess, can you run us through some of the assumptions about what's driving the growth? Is there a particular industry trend that you're seeing? Any particular geography or vertical that is driving that growth overall?

---

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

So the good news is that it's spread across geographies, which is excellent. So all of our -- we report our numbers every quarter by the 3 key regions of North America (inaudible) us. The fact that we have seen modernization cycle in North America is extremely important for us in terms of absolute numbers, of course. And we are seeing a good momentum with important customers such as AT&T, for example. We talked about the fact that AT&T have shown growth already in 2020, and we've had a couple of announcements coming out. Our announcement of starting the modernization program for AT&T Consumer Mobility, their largest and most prominent segment within AT&T.

We just announced a couple of weeks ago a new award by AT&T, where we are going to support them on 5G charging and policy with the Openet product, an acquisition we've completed several months ago. Good momentum in T-Mobile and other customers. So North America, driven by continued modernization around digital. 5G is definitely a driver and the shift to the cloud.

The rest of the world, as I said before, is also working well for us. The driver is maybe a bit different. So for example, in Europe, it's still a lot of investments are done around the convergence. The fact that many service providers are looking how to bundle multiple lines of business that they have. For example, a big transformation we are running in Europe is with Vodafone Germany. Vodafone Germany is one of the largest, if not the largest, profit-making affiliate within the Vodafone Group. And we are running a large transformation there, helping them actually converge multiple lines of business of broadband, fixed, wireless cable. Vodafone Germany have been acquisitive in the several years that elapsed. And we are helping them create one customer view, one offer to market in terms of how to bundle that effectively. Of course, while modernizing the systems to create a much faster time to market and a better total cost of ownership.

We've seen other examples like that across the European region. And for us, Europe has been underpenetrated for many years. So we are seeing good growth momentum in Europe, while we enter more and more countries that we haven't been doing business in the past in any meaningful way. For example, in the last several years, we've entered Italy, we've entered Ireland, et cetera. So we are happy with the momentum we are seeing.

And within the region we call Rest of the World. For us, within that, Southeast APAC is the largest portion. Continuing to do well. We have a very strong market presence there with good wins across different logos and different groups. Very proud about our momentum in South Korea. Everybody knows South Korea is the leading global marketing in 5G commercial deployments. We are working with Korea Telecom. We announced recently a new deal with LG Uplus. So this is giving us not only obviously great revenue, but also very important experience and referencability in the 5G area.

And we're continuing to expand in Southeast APAC in other logos and other countries. 5G specifically is lagging in this region, except South Korea, but we believe that cycle will come as well. And globally, we are seeing the shift to the cloud as a driver. So when we are looking on what's happening in our industry, yes, everybody is talking about cloud for years, but the shift of the more complex application, the ones that we are engaging, the BSS, the OSS, those are mission critical, more complex applications. The shift of this to the cloud is actually reaching a tipping point now where we believe this will be accelerated.

All of software portfolio has been cloud-native for several years. So everything new that comes out of our R&D shop is obviously cloud-native and every customer that is modernizing these days is deploying our new cloud-native products. But many customers have an installed base of applications that were put in over decades. And not necessarily the ROI will be there to rip and replace everything with the new applications. So our ability and

our intimacy of knowing the customer base and having such an incumbency across the industry, we can take every customer and build a tailored journey, how they can move to the cloud.

And what will be the most effective way to do that? We can do that through consulting through the migration services. And of course, deploying, in some cases, new products. In some cases, creating a cloud-enabled layer over existing versions. And obviously, taking that into the managed services, cloud ops model, where we can help customers run those environments. And by the way, it's not going to be an overnight jump. So not necessarily everybody will be moving just to run on a public cloud. And many occasions will have some kind of a hybrid model where they will still run systems on-prem, some systems will be done on a public cloud. Sometimes they would want the flexibility to partner with multiple public cloud.

So we are building also the partnership ecosystem. And for example, we've announced a very strategic agreement with AWS recently. But we are building the ecosystem of partnership with all the leading hyperscale cloud providers in order to make sure that we are catering to the desires of different customers and tailoring for each one of them the right journey to the cloud.

---

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

And to just conclude on the cloud part, do you feel that the pandemic has kind of brought awareness to the CTOs of the need to kind of go to the cloud, especially for the kind of OSS, BSS type of product? So do you feel that if you look at the pipeline now compared to before the pandemic, do you feel that there is more of an appetite to go to the cloud, although the timing can be uncertain, but is there a willingness there?

---

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

Yes, I believe so. Some of it, I think, has been accelerated by the pandemic and some realizations that came with that. And some of which came just as a matter of where we are in the maturity cycle of the shift to the cloud. And naturally, you start with easier applications, e-mail exchange, ERP, not to dismiss those. I don't want to call it easy, but easier relative to the BSS and OSS domains, et cetera. So some of it is this natural maturity cycle that is happening, but definitely COVID accelerated things on the realization of the benefits of moving to the cloud.

---

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

Okay. And I guess moving to 5G. I mean, that's been a recurring theme throughout the conference. Can you remind us the value proposition of Amdocs or how the acquisition of Openet fit into that? And yes, I have a few follow-ups, but let's start with that.

---

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

Sure. So it's interesting, because when we think about 5G, it just sounds like, okay, 4G to 5G is probably what 3G used to be moving into 4G. No, it's not the same. 5G is creating a whole new opportunities. We are not a network company. We are not providing the equipment, but we are enjoying tremendously the 5G given the amazing opportunities that 5G rollouts are providing.

And we can enjoy and monetize from 3 different angles. One, which comes usually earlier in the cycle, is helping the service providers plan and design the 5G networks. This capability has been expanded significantly for us with the TTS acquisition done in the summer of 2019. TTS, as a company, has been specializing in helping companies do that and has many strong customers, primarily in North America. Naturally, the 5G early deployments are happening there, but we can obviously expand that and take that internationally.

The second layer is charging and policy. Charging and policy, just to simplify it in very kind of in a nutshell, it's the glue between the network and the BSS. And in order to really enjoy the benefits presented by the 5G architecture and topology, one needs to replace and put in new charging and policy that are fitting the 5G network. This is where Openet acquisition comes into the story. We realize that Openet has the leading product

and technology in the market and a very strong engineering team, and we acquired Openet several months ago. And now with Openet acquisition, we are seeing an acceleration of the pipeline.

Before that, they were competitors. So obviously, we tried to block them. Now the outlook's reached to many customers and the strength of the product technology and the engineering know-how. We are moving fast to the market and I already see great momentum in terms of the pipeline that is building up with AT&T, as I mentioned, just announced as a new deal selecting us.

And the third layer of the opportunity of 5G is monetization in general. Everybody is talking about what will be the use case that will justify the investment in 5G. I don't think necessarily there will be one. And I don't think that it's our job to bet which use case will create the best monetization opportunity. We are providing the service providers with the right engines to do so. And the flexibility as they move along to take those marketing ideas into market and into service offerings and the right price plans and the right launch to market in a fast way. And those engines that we are building are providing the service providers the ability to monetize them effectively for 5G.

So from our point of view, all the breadth of offering that we have from the catalog that is the product within the Amdocs portfolio that can help the service providers define their offering and how then they are priced all the way to charging for it, et cetera, that will enable the service provider to have the right monetization capabilities. So we can enjoy from those 3 domains, planning and design of the networks, charging and policy, all the way to the whole monetization holistic view and the engines we can provide the service providers.

---

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

Great. And then I wanted to .

---

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

Tavy, continue again.

---

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

Is it better now?

---

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

Yes.

---

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

On a -- on the recent earnings call, you mentioned a new project with a North American banking group. Can you talk a little bit about this?

---

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

Yes. It's a very interesting deal as it takes capabilities that we have from an acquisition we've done in fiscal '18 of digital consulting firm in the U.S. market called projekt202. Very specialized firm that help customers around different verticals. Actually, when we acquired projekt202, they had no telecom customers. They had customers like Mercedes-Benz, to banks, to FedEx where they're helping design and fulfill the customer journey around the digital touch points.

We've taken these capabilities and pitched it to a meaningful bank in the U.S. market. And found it to be very compelling and very relevant. Now with the Amdocs broader capabilities of development, of testing, et cetera, we've actually expanded the deal, realizing the needs of that bank, extended the deal to be bigger than just a consulting engagement and a multiyear deal. So it's a great opportunity from our point of view to take those synergies between the digital consulting firm of projekt202, a company under our wings, with the bigger Amdocs capabilities of providing additional IT services and connected it into the deal that we announced.

Now we are not developing, just to be clear, we're not developing now another software portfolio stack for the banking industry. That's not the case. But we are definitely taking this opportunity and the realization of the success of this deal in a strategic way and intentionally looking to see how we can leverage that to more potential deals like that.

---

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

Got it. And then to talk on the last vertical, which is the media where you're expanding through Vubiquity. How has been the traction? And what kind of growth you expand -- you expect in this end market?

---

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

So [in this] media has been one of those directions where we saw almost a natural adjacency to communications with many service providers from the communications sector seeing how to add, looking into how to add entertainment capabilities. Some have done it through acquisitions, some have done it through establishing OTT brands. Some just want the flexibility to onboard and offboard different partners, where we provide the answers to all of those go-to-market approaches.

Vubiquity has been the beachhead of our media strategy, not the only part of it. So now under Amdocs Media, we have Vubiquity, which has specialized and still, of course, specialize in content management and distribution and the processing of the content, all the way, by the way, for smaller customers that would like the full end-to-end package including content licensing with the Hollywood Studios, et cetera.

We added to that also identity and access management, subscription billing and different capabilities that enable us to provide the answer to the different needs. That's when we look on the communication service providers, our target customers, at the same time, of course, we would like to serve the media companies, and we are all experiencing ourselves as individuals the trend of many media companies going directly to consumers.

So when we look on that, things like customer experience come to matter, how do you create a billing or subscription relationship, et cetera. So we are looking also how to monetize this opportunity from our point of view in helping the media companies go directly to consumers, and we have some early successes in that side. So in the sense, COVID did put some pressure on the -- obviously, media industry, not a lot of new content productions have been done during the last several months, now starting to come back again. From our point of view, we are less present in theatrical. So it wasn't as influential to our numbers, but at the same time, of course, we are looking forward to see how the media industry as a whole is gaining momentum again.

And from our point of view, looking into this opportunity, a, it's the market trends that I described; and b, is taking the capabilities that we've acquired with Vubiquity that was primarily focused in the North American market, taking it internationally, which have been very nicely successful for us. A couple of recent examples have been an LGI expansion of relationship to multi-affiliates. We've been talking about adding capabilities for Vivo in Brazil. And there are other examples. We will be taking those kinds of capabilities and expanded them internationally.

---

**Tavy Rosner** - Barclays Bank PLC, Research Division - Head of Israel Equities Research

Great. I think we're running out of time. So 25 minutes is very fast. If we can grab 1 last minute, is there any concluding message that you want to pass on to investor?

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

I think the main message is that we are seeing a tipping point of acceleration of growth. We believe that multiple drivers join together. Those are multiyear drivers. We don't think it's just a 2021 phenomenon. It's not just about catching up for some pent-up demand. Those are fundamental changes, the 5G, the cloud, et cetera. So we are excited about the opportunity to take that momentum and accelerate top line and accordingly convert that, of course, to earnings and cash. Thank you, Tavy.

**Tavy Rosner** - *Barclays Bank PLC, Research Division - Head of Israel Equities Research*

Thank you, Tamar.

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

Thank you, everyone. Bye-bye.

**Tavy Rosner** - *Barclays Bank PLC, Research Division - Head of Israel Equities Research*

Speak to you soon. Bye.

**DISCLAIMER**

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

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

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

©2020, Refinitiv. All Rights Reserved.