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Q1 2021 Amdocs Ltd Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Q1 2021 Amdocs Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Matthew Smith, Head of Investor Relations. Please go ahead.

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

Thank you, operator. Before we begin, I would like to point out that during this call, we will discuss certain financial information that is not prepared in accordance with GAAP. The company's management uses this financial information in its internal analysis in order to exclude the effects of acquisitions and other significant items that may have a disproportionate effect in a particular period.

Accordingly, management believes that isolating the effects of such events enables management and investors to consistently analyze the critical components and results of operations of the company's business and have a meaningful comparison to prior periods. 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.

Also, this call includes information that constitutes forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be obtained or that any deviations will not be material. Such statements involve risks and uncertainties that may cause future results to differ from those anticipated. These risks include, but are not limited to, the effects of general economic conditions, the duration and severity of the COVID-19 pandemic and its impact on the global economy, and such other risks as discussed in our earnings release today and at greater length in the company's filings with the Securities and Exchange Commission, including in our annual report on Form 20-F for the fiscal year ended September 30, 2020, and filed on December 14, 2020.

Amdocs may elect to update these forward-looking statements at some point in the future. However, the company specifically disclaims any obligation to do so.

Participating on the call with me today are Shuky Sheffer, President and Chief Executive Officer of Amdocs Management Limited; and Tamar Rapaport-Dagim, Joint Chief Financial and Operating Officer. And finally, a copy of today's prepared remarks will be posted on the Investor Relations section of Amdocs' website following the conclusion of this call.

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

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

Thank you, Matt, and good afternoon to everyone joining us today on today's call. I would like to preface today's remarks by referring to the previously announced divestiture of OpenMarket, which we successfully completed on December 31.

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My comments on this call will therefore refer to certain financial metrics on a pro forma basis, when applicable, in order to provide you with a sense of the underlying business trends, excluding the financial impacts of OpenMarket.

I'm pleased to report a strong quarter to start our fiscal year 2021. Among the highlights, we delivered a record high revenue, which was up 4.3% year-over-year as reported and above the midpoint of our guidance even without the benefit of foreign currency movements, with our best-ever quarter in North America and Europe. We maintained a high win rate, including significant new multiyear strategic partnership agreement with T-Mobile U.S.A., and we generate a robust normalized free cash flow of $385 million for the quarter.

During Q1, we focused on accelerating our growth by monetizing the strategic answers we've built to meet our customer requirements for digital modernization, 5G, the journey to the cloud and next-generation OSS platform that accelerate innovative 5G network service in the cloud era. I'm happy to report that we are seeing some encouraging signs of market traction as we [execute us on] our strategy.

Our first quarter sales momentum was strong as reflected in our pro forma 12 months backlog, which grew by a record amount of approximately $150 million sequentially and 5.6% year-over-year. The mix of the new awards was also well balanced across our product portfolio and include also several new wins for Openet's 5G charging and policy solutions.

Now let me provide you some color regarding our regional performance during Q1.

Beginning with North America. We delivered a record quarter as we ramp up customer activities to support their strategic investment in next-generation 5G customer experience solution we delivered on the cloud. At AT&T, for instance, we are accelerating a program to modernize the consumer mobility domain by including the deployment of 5G monetization solution, leveraging Openet's capabilities as we announced last quarter.

As I mentioned in opening remarks, we are today delighted to announce that Amdocs has been selected to modernize and accelerate the T-Mobile digital a transformation and journey to the cloud by signing a new multiyear agreement, which further strengthens our long-term strategic partnership. As part of the engagement, T-Mobile will implement the AmdocsOne product portfolio to support next-generation communication and media services for its consumer and business customer. Additionally, Amdocs will provide extended next-generation hybrid cloud operation in the form of a multiyear managed services engagement for T-Mobile digital platform, covering automation and operation and continued support for T-Mobile as it navigates through a complex integration process.

A milestone after the first quarter highlights, Charter selected Amdocs for a multiyear managed services agreement in support of its Spectrum mobile business. Additionally, a pay TV provider has chosen our cloud-based monetization platform to support enterprise and wholesale services in its next-generation 5G network.

To summarize North America, we are pleased with our Q1 sales momentum, which we believe reflect the strength of our next-generation 5G customer experience solution and our ability to accelerate our customer journey to the cloud.

Moving to Europe. We delivered a second straight quarter of record revenue. During Q1, we continue to win new logos such as WINDTRE, one of the largest mobile operators in Italy, which has chosen to deploy and Amdocs Optima to the public cloud to provide a modern 5G-ready monetization platform for its postpaid, consumer and enterprise customer across all lines of business.

An emerging theme in the communication industry is a shift from physical to software-based SIM cards. This trend has been accelerated by the global pandemic and is translating to growing demand for the Amdocs Cloud-based eSIM platform, which has already been deployed, adopted by Telefónica in Brazil and Chile and which is recently chosen by Cellcom Israel to be deployed on Microsoft Azure for its commercial launch of eSIM-enabled devices like smartwatches, cellular phone, laptops, tablets and more.

We are also delighted to be growing our presence in Russia, where projekt202, our digital experience group, has been selected by MTS as a consultancy partner in its plans to take its customer ecosystem and retail experience to the next level and to help identify new business revenue stream and opportunities.

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Amdocs Media offering also continuing to get traction. In Eastern Europe, Vubiquity strengthened its footprint at A1 Telecom Austria Group by renewing its multiyear partnership with A1 for [IT] to provide transaction-based offerings for premium studio content as well as end-to-end content management, which includes marketing localization and processing services.

Regarding the outlook of Europe, we are focused on our project execution and on winning new business opportunities that will further expand our regional customer footprint for the longer term.

Turning to the rest of the world. Q1 revenue improved on a sequential basis. Among the highlights of the quarter, we continue to strengthen our relationship with long-standing strategic customer across the region. A good example is the Telefónica Group, where we recently expanded our existing multiyear services agreement with Movistar Perú and to modernize and accelerate its wireline corporate enterprise transformation.

Additionally, we signed a multiyear extension and expansion of our managed services agreement with Telefónica Movistar Chile to include the launch of our cloud-based digital eSIM solution, which I mentioned before.

To add out my regional comments, I am pleased with our first quarter performance. Excluding OpenMarket, we are on track to deliver a full year of growth on a pro forma basis in each of the 3 geographical regions in which we operate in fiscal '21, although we remind you that sequential trends may fluctuate across regions due to foreign currency movements and sizing and timing of project activities and other factors.

Our confidence in the outlook is supported by recent sales momentum and our ability to monetize the strategic engines of growth we built to support our customer needs for digital modernization to enhance customer experience, 5G, the journey to the cloud and a next-generation OSS platform that accelerate innovative 5G network services in the cloud era.

We are seeing strong interest in Openet's 5G charging and policy solution, which naturally complements the multiplay capabilities of our charging platform and 5G monetization and order handling offerings. The integration of these technologies has strengthened our market offering and helped us to win new awards with AT&T and several other service providers in the past months.

This award includes 1 of America's largest prepaid, no contract wireless provider, which has recently selected Amdocs Openet's 5G policy management system running on AWS Cloud to enable management and control of 5G and all other wireless services.

Over in Europe, we've expanded our partnership with A1 Telekom Austria Group with a multiyear deal to provide digital monetization using Openet's 5G charging and policy products and services. And at Globe Telecom in the Philippines, we have successfully implemented the Amdocs Openet Solution on AWS Cloud to support Globe's fully digital telecom brand.

Overall, we are pleased with Openet's recent progress and its proven ability to support the future charging and policy needs of the world's service provider if they accelerate their 5G investments.

To wrap up, I'm pleased with the strong start we've made to the fiscal year, especially amid the great uncertainty regarding the spread and severity of the COVID-19 pandemic, which continues to adversely affect the global economic outlook. We remain on track to deliver accelerated growth in fiscal 2021 on a pro forma basis, consistent with our present guidance, and we continue to expect a stronger second half as we execute on our strategy and ramp up recent customer awards.

Our confidence in the outlook is supported by the visibility of our backlog, our proven ability to execute, the accountability we provide to our customer and our focused strategy, which we believe is aligned with the needs of the market. With our commitment to profitability and disciplined use of cash, we remain well placed to deliver total shareholder return of almost 10% in fiscal '21, including a slightly improved outlook for pro forma non-GAAP earnings per share growth of 7.5% at the midpoint of our new guidance range plus our dividend yield.

Finally, I would like to take a moment to thank our employees for supporting our social responsibility and related activities, including our

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mission to the right connectivity and digital inclusion in the many communities in which we operate worldwide. So at the global pandemic, people's ability to interact, access services, live and work has been essential. Our focus on enabling digital inclusion runs across our offerings but also extend to our communities, from Internet connectivity and accessibility, to digital literacy and advanced skill training. For example, we are connecting 4 schools in Kenya to the Internet, giving the opportunity to more than 7,000 children to use this window to the world collaboration with Safaricom Foundation.

In addition to donating thousands of computers to underrepresented population, many of our employees are also teaching different population how to access the Internet, providing tailor-made digital skills training and helping future generation to become more employable in the tech sector.

We are committed to the journey towards digital inclusion. We will continue to serve societies where they need us the most.

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

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

Thank you, Shuky. Since we completed the divestiture of OpenMarket on December 31, 2020, our reported numbers for the income statement and cash flows in the first quarter of fiscal 2021 still include OpenMarket, but the reported balance sheet as of December 31, 2020, and the 12 months backlog metric already excludes OpenMarket.

In order to provide you with a sense of underlying business trends, my comments today will refer to certain financial metrics on a pro forma basis, which excludes the financial impact of OpenMarket from the current fiscal year and comparable fiscal year periods.

First fiscal quarter revenue of $1.86 billion was above the midpoint of our guidance range of $1.55 billion to $1.95 billion, both on a reported and constant currency basis. Revenue include a positive impact from foreign currency fluctuations of approximately $5 million relative to the fourth fiscal quarter of 2020 and $6 million relative to guidance.

On a year-over-year basis, our first quarter revenue grew by 4.3% as reported and 3.7% on constant currency. Our first fiscal quarter non-GAAP operating margin was 17.3%, above the midpoint of our long-term target range of 16.5% to 17.5%, and slightly better on a sequential and year-ago basis.

Non-GAAP operating margin was consistent with our guidance that we will protect profitability despite the COVID-19-related challenges. Below the operating line, non-GAAP net interest and other expense was $5.3 million in Q1, the mix of which includes interest expense related to our short-term borrowings and 10-year bond and the impact of foreign currency fluctuations.

For forward-looking purposes, we expect that foreign currency fluctuations will continue to impact on that GAAP net interest and other expense line in the range of a few million dollars on a quarterly basis.

If you look at non-GAAP EPS, it was $1.16 in Q1, above the high end of our guidance range of $1.09 to $1.15. Our non-GAAP effective tax rate was 16.3% in the first fiscal quarter, consistent with our annual target range of 13% to 17%. Diluted GAAP EPS was $2.28 for the first fiscal quarter, well above the high end of our guidance range of $0.85 to $0.93 due to a net gain of $1.42 per diluted share realized on the divestiture of OpenMarket, which was not included in the original guidance for the quarter.

Free cash flow was $366 million in Q1. This was comprised of cash flow from operations of approximately $416 million, less $50 million in net capital expenditures and other. Free cash flow reflected a healthy level of cash collections with our customers and included the benefit of the new multiyear strategic agreement we signed with T-Mobile during the first fiscal quarter.

Normalized free cash flow was $385 million in the first fiscal quarter. Please refer to the reconciliation table provided in our Q1 earnings release for an explanation of the difference between normalized and reported free cash flow in the quarter and for past periods.

DSO of 78 days decreased by 10 days year-over-year and increased by 3 days as compared to prior fiscal quarter. To remind you, the

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DSOs may fluctuate from quarter-to-quarter.

As of December 31, total deferred revenue exceeded total unbilled receivables by $140 million. This reflects a substantial increase in the total deferred revenue of $224 million as compared to the fourth fiscal quarter of 2020, slightly offset by an increase in total unbilled receivables of $10 million.

The increase in total deferred revenue is primarily related to the new T-Mobile agreement as well as many other new activities signed during Q1. Changes in our billed receivable and total deferred revenue are primarily due to the timing of contract-specific milestones. Moving forward, you should expect these items to fluctuate from quarter-to-quarter, in line with normal business activities.

Moving on, our 12-month backlog was $3.49 billion at the end of first fiscal quarter and reflects already the exclusion of OpenMarket following its divestiture as of December 31. On a pro forma basis, excluding the financial impact of OpenMarket, our 12 months backlog had a record increase of approximately $150 million sequentially from the end of the prior quarter and was up roughly 5.6% year-over-year. As a reminder, we believe our 12-month backlog continues to serve as a good leading indicator of our forward-looking revenue.

I am pleased to report another record quarter for managed services agreement, which comprised roughly 57% of total revenue. This performance reflects high renewal rates, the adoption of our managed transformation model and continued expansion of activities within existing customers. To clarify, OpenMarket business was not classified as managed services, and therefore, its exit will not impact moving forward our revenue from managed services.

Our cash balance at the end of the first fiscal quarter was approximately $1.5 billion, including aggregate borrowings of roughly $750 million and gross proceeds of roughly $300 million realized from the divestiture of OpenMarket. Given our plans to use the majority of OpenMarket consideration for accelerated share buyback in the next several months, we expect our cash balance to be lower at the end of fiscal Q2.

We remain comfortable with our balance sheet and believe that we have ample liquidity to support our ongoing business needs while retaining the capacity to fund strategic growth investments as and when the right opportunities arise. Additionally, we are committed to maintaining our investment-grade rating.

Now turning to the outlook. The prevailing level of macroeconomic and business uncertainty surrounding the magnitude and duration of COVID-19 pandemic remains elevated. The midpoint of our revenue guidance reflects what we consider to be the most likely outcome, based on the information we have today, but we cannot predict all possible scenarios. And we remind you that our outlook may be impacted materially as our customers continue to elevate their strategic -- to evaluate their strategic business priorities and future case of investment.

We expect revenue for the second fiscal quarter of 2021 to be within a range of $1.015 billion to $1.055 billion. Our Q2 revenue guidance anticipates a positive sequential impact of approximately $4 million from foreign currency fluctuations.

Regarding the full fiscal year 2021, we expect pro forma revenue growth of approximately 3.5% to 7.5% year-over-year on a constant currency basis, adjusting for OpenMarket. This outlook is in line with our previous guidance for [expected] pro forma revenue growth on a constant currency basis.

On a reported basis, we are adjusting our full year fiscal 2020 revenue outlook to reflect the divesture of OpenMarket as of December 31, meaning that OpenMarket is included in the first fiscal quarter numbers only. We, therefore, expect reported full year revenue growth in the range of negative 0.3% to plus 3.7% year-over-year as compared with our previous range of 4% to 8% year-over-year. The adjusted revenue outlook on a reported basis anticipated positive impact from foreign currency fluctuations of approximately 1.2% year-over-year as compared to a positive impact of 0.5% previously.

As a reminder, our initial outlook at the beginning of fiscal 2021 had anticipated revenue growth of 3.5% to 7.5% on a constant currency

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basis, including a full year contribution from OpenMarket. Additionally, we expect the ramp-up of customer activity to contribute an acceleration in the rate of year-over-year revenue growth on a pro forma basis in the fiscal second half. Moreover, we expect all 3 geographical regions to deliver pro forma revenue growth in the full year fiscal 2021.

As a final point to further help in your modeling, we remind you that we originally planned for OpenMarket fiscal 2021 annual revenues in the range of approximately $300 million, which represented more or less the same growth year-over-year to the rest of the company. OpenMarket generated roughly 75% of its revenues from North America, with Europe accounting for the balance.

Regarding profitability, we now anticipate quarterly non-GAAP operating margins to track roughly in line with the high end of the annual target range of 16.5% to 17.5%. This improvement, relative to the levels of the past several quarters, reflects the benefit of ongoing cost and efficiency improvements and the divestiture of OpenMarket for which operating margins were below the corporate average, tracking in the low double digits.

We remain focused on protecting our profitability while maintaining strong execution during the ongoing pandemic and increasing R&D investments to support our customers and future growth strategy. We expect the second fiscal quarter diluted non-GAAP EPS to be in the range of $1.09 to $1.15. Our second fiscal quarter non-GAAP EPS guidance incorporates an expected average diluted share count of roughly 132 million shares. We excluded the impact of incremental future share buyback activity during this second fiscal quarter as the level of activity will depend on market conditions.

Regarding the full year fiscal 2021 outlook, we expect non-GAAP diluted earnings per share growth of 5.5% to 9.5% on a pro forma basis, which is slightly better than the original pro forma guidance of 5% to 9% we provided for the year. On a reported basis, we expect to deliver our full year diluted non-GAAP EPS growth of 4% to 8% year-over-year. This outlook includes the impact of OpenMarket for the first quarter only and compared with our previous outlook of 5% to 9% year-over-year, which still included OpenMarket for the full year of fiscal 2021.

We expect our non-GAAP effective tax rate to be within our annual target range of 13% to 17% for the full fiscal year 2021. I am pleased to report we are raising our outlook for normalized free cash flow for the year 2021 to approximately $800 million compared to $620 million previously. The new outlook is equivalent to approximately 8% of our Amdocs current market capitalization and represents a conversion rate of roughly 130% relative to expectations for non-GAAP net income.

As a reminder, we expect free cash flow to convert at a rate more on par with our expected non-GAAP net income over the long term. Along similar lines, we are raising our outlook for reported free cash flow for fiscal year 2021 to approximately $600 million as compared to roughly $470 million previously. Our reported free cash flow outlook anticipates expenditures of roughly $140 million in relation to the development of our new campus in Israel, $40 million of capital gain tax to be paid in relation to the divesture of OpenMarket and other items.

As previously stated, we expect fiscal 2021 to be the peak year of capital expenditure for the new campus. Additionally, the gap between expected free cash flow on a normalized and reported basis has widened primarily due to the tax to be paid on the capital gains of OpenMarket. Additionally, we remind you that free cash flow in the second fiscal quarter is typically lower due to the timing of annual bonus payments.

During the first fiscal quarter, we repurchased $90 million of our ordinary shares under our current authorization. Regarding our capital allocation plans for the rest of fiscal 2021, we expect to return cash to shareholders in the form of our regular quarterly dividend and share repurchases at levels roughly similar to that for fiscal Q1, subject to factors such as the status of COVID-19 pandemic, outlook for M&A, financial markets and prevailing industry conditions.

In addition to our regular quarterly share repurchases, we also plan to return the majority of the net profits from OpenMarket to shareholders by way of our share repurchase program over the course of the next several months. As of December 31, we had roughly $588 million of authorized capacity for share repurchases with no stated expiration date, which we will execute at the company's discretion going forward.

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Overall, we are on track to deliver accelerated pro forma revenue growth, improved profitability and better-than-expected free cash flow in fiscal 2021, the combination of which supports an outlook for total shareholders' return of nearly 10%, including the 7.5% midpoint of our pro forma non-GAAP earnings per share growth guidance plus our dividend yield.

As a final comment, I'm proud to say that Amdocs has been recognized once again for its commitment to sustainability and corporate responsibility by earning a place on the prestigious S&P Dow Jones Sustainability Index for North America for the second consecutive year.

I would like to join Shuky in acknowledging our employees for their dedication, commitment to best practices and ability to work together with our partners and customers, without which these achievements would not have been possible. With that, we can turn it back to the operator, and we're happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Ashwin Shirvaikar with Citi.

Ashwin Vassant Shirvaikar ***Citigroup Inc., Research Division - MD & Lead Analyst***

Good quarter. Congratulations. I want to start off maybe with a question on T-Mobile. First, it's great that we step beyond any contractual uncertainty that might have existed there due to the merger. But does the new contract supersede the separate contracts that you had before? Is it basically incremental functionality? Is there a move to eventually convert the full relationship to a managed services deal, just like on the Sprint side?

Any thoughts on the evolution of this relationship?

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

Ashwin, the contract covers many activities. As you mentioned and rightfully so, we have managed services in Sprint, we have managed services in Metro under T-Mobile, and we had other managed services activities also on the Magenta brand. But the overall contract or agreement is comprised for transformation to the new Amdocs platform post-consumer business, it also includes managed services in the new form of cloud operation and a lot of activities that should support the complex integration that T-Mobile and Sprint are going to execute.

So overall, I believe that you can see some pickup in the activity during the -- probably the next couple of years. And we believe that there is a lot of activities for us to support T-Mobile in many activities they do.

So overall, we are very positive of this agreement, and we believe it definitely can protect our activity and actually enhance our activity with the strategic relationship that we form, which is translated to this new agreement.

Ashwin Vassant Shirvaikar ***Citigroup Inc., Research Division - MD & Lead Analyst***

Got it. Got it. And then the other question, actually, a couple of clarifications. You had good cash flow in the quarter. I did not fully understand why there should be a benefit from the T-Mobile contract signing. Did they prepay you for services? And if so, can you size that impact?

And then the clarification is on the net proceeds from OpenMarket for buyback. I know you don't normally put buyback in your forward expectation, but since you've explicitly said, in this case, that you'll use it for buyback, are you putting that in your EPS?

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

So, Ashwin, on the first point, the collection this quarter has been very strong in general. And the T-Mobile agreement also contributed by the fact that there was some payments related already to this new agreement given some initial milestone in this multiyear

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agreement. But I have to say, I was pleased with collections in general, not just related to T-Mobile.

As to the second question, on the buyback, you're absolutely right that we are expecting to take the majority of the net consideration from the OpenMarket sale and put it into play in the next several months in buyback. We just don't want to get into technicality of including this already in the Q2 EPS guidance. But within the overall year guidance of earnings per share, it is expected. And actually, just given how it works and the fact that any buyback is impacting EPS through weighted average share count, anyway most of the impact of this activity will be in play in the second fiscal half of the year.

Operator

Our next question comes from Tom Roderick with Stifel.

Thomas Michael Roderick ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD***

There we go. Let's try that again. Congratulations on a nice start to the year. So I'd love to kind of go a little step further just on -- not just on T-Mobile, but more broadly on what you're seeing with 5G adoption of net new services and how carriers are thinking about that? So you have a little bit of visibility into it in the North American market and what your customers are thinking talking about. How is that translating into demand for Amdocs, demand for net new services? And then Shuky, can you kind of give a little bit of an offset in terms of how that impacts the historical NFV vision? I would love to hear if that's eating into that at all or if it's purely complementary.

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

Okay. So NFV, actually, it's an older term. I mean it's evolved today to next-generation networks, actually, which we have a lot of activity and pretty much aligned with our next-generation OSS offering.

But back to your 5G question. All our customers in North America are now building the next-generation 5G platform, both for consumer and both for business, B2B. Our offering actually addresses the whole variety of system that needs to support this from -- obviously, from the ordering system, from catalog, from charging and rating and all the monetization activity, and also in the network domain.

So I think that -- and everything basically is on the cloud. So I think that if you look at our strategy, which actually to support the 5G -- a 5G offering on the cloud, it's very much aligned with ongoing in North America, which is leading the world in 5G adoption. So I think that we have -- with the right time, with the right offering, and every one of our customers right now in North America investing in 5G.

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

Let me just add another point on that. It's that in the other market in the other side of the world, which is South Korea, definitely leading the way on 5G as well, we've also been very successful, both with Korea Telecom and the more recent win with LG Uplus, gaining a lot of experience and good references from these wins as well.

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

And back to your NFV comment, so now we see a lot of demand for our network offering. It's -- as I said today, it's called next-generation OSS, it's the orchestration, service design and creation, everything cloud-native. And I think that now that the 5G network offers so much capabilities for monetization, the integration between our BSS and OSS system is very relevant.

Thomas Michael Roderick ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD***

Wonderful. Really helpful. And Tamar, this is probably still a little bit early in influx given the world is changing so much right now. But as you put together, as you complete a new campus, a beautiful new campus. And in the middle of all that, the world is changing with respect to where employees can sit and the advancements of virtual and work-from-home environment. Does any of what we've seen in the last year changed the way you think about the long-term margin structure and where your employees sit? Or do you expect that everyone will sort of be back in the office by the end of this year whenever the -- when the time is right?

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

So in general, we believe that working from the office provides a lot of advantages that are missing when everybody is at home. But naturally, we believe, and felt the same before COVID, that some kind of flexibility of a hybrid environment is advisable and good for

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employees and creating the good value. To remind you, in January of 2020 before we all knew COVID is coming up, we actually moved to work 1 day a week from home globally.

And now with all the learnings and experiences, of course, with this recent year, enforced on us with the pandemic, we realized that there is an opportunity to build a hybrid model where we give flexibility to employees to work some days from home, but naturally want them to come back to the office.

Now relative to timing, that depends in each country and each region, sometimes even specifically per city, what's the overall situation because, of course, we are keeping the first priority the health and safety of our employees. So I cannot commit relative to timing when we are going back to this new normal situation.

Connecting it back to your point about the capital, we've built a lot of flexibilities in the design and thinking in this campus in terms of seating layout, in terms of how much we can sublease to others. Because naturally, we build a campus that is there to stay for decades, not just for the next year or 2. So we talk about all those things. And given the different learnings in the last year, we've added, of course, different points of consideration to how we are thinking about seating layouts and things like that. But I think the fact that we're actually going to own the campus gives us a lot more flexibility to decide how much space we use versus sublease vis-à-vis the current situation where we are a tenant ourselves.

Operator

And your next question comes from Shaul Eyal with Oppenheimer.

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

Congrats on the ongoing healthy execution. My first question is [the VAT] also on T-Mobile over that expansion. When you look at the number of subscribers that you've addressed several years ago when you compare that, maybe even contrast that with the recent expansion, is there a significant number of subscribers addition under the currently expanded engagement?

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

Shaul, I don't think the thing here is the number of subscribers. It's more the depth of the adoption of our next-gen product portfolio. And the fact that we are going to support a wider footprint in cloud ops and managed services rather than counting subscribers. And the agreement is taking us to the next level, both in terms of this footprint as well as positioning us for further growth given the strategic relationship that is now in force with this agreement.

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

Got it. Got it. This is fair enough. And I have an additional question. So now that OpenMarket is fully divested, can you talk to us about the OpenMarket contribution that you've had during fiscal '20? I know you might have alluded to being that onetime revenue, give or take, but wanted to see if you could provide us with slightly more color about it now that you have it in the rear mirror.

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

Yes. So as you said, we were expecting roughly $300 million, which is 1x of the consideration that we received in 2021. And it was growing more or less like the rest of the company. So if you take it back to 2020 number, roughly $280 million. So when we look now on carving it out, I think it's very, of course, kind of natural that we try to get more color around what the pro forma numbers look like so people can understand the underlying business direction, which is very positive. And every quarter during 2021, since the reported numbers will be apples and oranges, we'll continue to give pro forma color for people to understand the real trend that is going on. So I hope that's going to be helpful.

Operator

Your next question comes from Jackson Ader with JPMorgan.

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Jackson Edmund Ader ***JPMorgan Chase & Co, Research Division - Analyst***

Excellent. The first one is on Openet. Few charging 5 -- or I'm sorry, charging 5G wins announced in the last couple of quarters. I'm just curious were these deals in the Openet pipeline prior to the acquisition announcement or being closed? Or are these actually brand-new deals that Amdocs has kind of sourced alongside Openet?

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

I think it's pretty much almost half and half. Half of the deals were actually started -- the sale cycle started when Openet still was a stand-alone company. But many deals were added when they were joined Amdocs, and we're able to take them to a lot of customer worldwide. I can tell you that now that -- actually, the pickup that we see already this quarter and for the rest of the year is coming from a new pipeline that does not exist in the Openet stand-alone pipeline.

Jackson Edmund Ader ***JPMorgan Chase & Co, Research Division - Analyst***

Okay. And then just another follow-up on the T-Mobile announcement. You guys have talked a lot in the past about kind of the idea that Amdocs and the AmdocsOne platform and different things that you can do being layered on top of maybe some legacy systems, and then ripping and replacing those legacy systems is kind of on to come in the next quarters or years down the pipe. Is that a similar way that we should be thinking about this particular partnership?

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

No. This is more like a -- the idea is to take the full AmdocsOne on platform, build it and then slowly migrate all the consumer and B2B customer of T-Mobile to this new platform.

Operator

Our next question comes from Will Power with Baird.

William Verity Power ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Okay. Congratulations on the results. I guess a first question pertains principally to AT&T, I guess, maybe to a degree to T-Mobile, but we just had a very big spectrum auction in the U.S. And I'd love to get kind of your perspective on how you assess any potential risk from slower spending as that comes together, and the carriers, particularly AT&T, figures out how when to deploy that spectrum versus the medium and longer-term opportunities for you all around network planning with that spectrum, 5G opportunities, et cetera. Any kind of early thoughts as to how that could impact the AT&T opportunity?

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

Actually, I think it is the opposite. It means that our customer, all of them, are fully focused on 5G deployment. In order to deploy 5G definitely needs Spectrum to build a network, but they must upgrade all their BSS system, their charging and policy system. So I think it's another evidence that all the North America carriers are committed to the 5G journey. And I think it's actually good news for us because it means that while there are others in the network, they must also update the IT systems, the BSS systems, policy, charging and everything that touches 5G.

William Verity Power ***Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst***

Okay. Yes, that makes sense. All right. And I just -- I also just wanted to ask, Tamar, really nice growth in backlog. Any other color you're able to share on that? How much of that perhaps was related to T-Mobile versus, I don't know, other factors you might call out?

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

So T-Mobile was a significant number, but definitely, if you look at the -- just even the wins we could announce, not to mention many others that we were not able to mention by name, it was a very strong signing quarter. So I'm very pleased with many, first of all, new logos. We mentioned, for example, WINDTRE, one of the largest operators in Italy. And we've been speaking there for a while about our success in Italy, a country just several years ago, we didn't have any business in. And then we signed Vodafone Italy and then Telecom Italia and then Sky Italy. And now WINDTRE. So we are very happy about the momentum, right?

North America, we gave a couple of examples, Charter. We gave an indication that we signed another important deal in North America

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with the pay TV player that is moving into 5G. We signed another prepaid customer with a 5G policy. So really, it's been a great quarter. Yes, T-Mobile contributed definitely, but many other deals.

Operator

(Operator Instructions) Our next question comes from Tavy Rosner with Barclays.

Chris Reimer ***Barclays Bank PLC, Research Division - Analyst***

This is Chris Reimer on for Tavy. Just looking at managed services and last year being a record year and the strong performance this quarter, what would you say were the driving forces behind customers who choose the managed services?

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

I think the driving force is that actually managed services is evolving. The new name is a cloud operation or cloud managed services operation, That in all the new deals, and T-Mobile is a good example. It's -- the deal has many aspects and many pillars. One of them is the deployment of a new transformation to our new AmdocsOne platform, but to operate the new cloud environment in the cloud managed services operation. So I think that the same value that we are able to prove in the managed services, which was on-premise, we can even have a bigger value in the cloud operation. And I think given the full accountability that we have that always was the main differentiator for us in the managed services, we see the same phenomena, the same differentiation in the cloud managed services operation and this is why we expect this to continue to grow.

Chris Reimer ***Barclays Bank PLC, Research Division - Analyst***

Okay. And can you talk about the traction you're seeing for Amdocs Media and some of the content service that you provide?

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

When we look on the Media space, to remind you when we entered this adjacent market, we saw a 3-pronged strategy. One was to take the Media business we acquired and then broaden it internationally, which, at the time in our acquisition strategy, was Vubiquity, mainly focused back then in North America. And we've had major success in taking it to many new logos in Europe, in Latin America, in APAC, et cetera.

The second layer was the convergence that is happening between connectivity and entertainment. We've seen many communication service providers adding entertainment services, whether through M&A or launching over-the-top brand, and we've seen the success there.

And the third layer, which is the slower to evolve from our point of view, is to penetrate the larger media companies as they go directly to consumers. We are seeing this phenomena this day, it's happening with the big guys, but we also targeting mid-sized media companies as they are moving forward and providing direct customer experience as they're launching their brand to consumers. And we are hoping to see that part evolving as well from our point of view.

Now COVID has put obviously some challenges on everyone producing content these days, given there is more difficulty in launching new productions and new content into the market. But we believe that this will be, obviously, overcome as soon as the pandemic is over and also new and more new content will be launched into the market, which is always positive for the Media business.

Operator

Thank you. And I'm not showing any further questions at this time. I would now like to turn the call back over to Matthew Smith for any further remarks.

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

Yes. Thank you very much, everyone, for joining our call this evening and for your interest in Amdocs. We look forward to hearing from you in the coming days. If you do have any additional questions, please call us in the Investor Relations group. And with that, have a great evening, and we'll finish the call. Thanks.

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Operator

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

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