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# EDITED TRANSCRIPT

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## CORPORATE PARTICIPANTS

**Anthony Goonetilleke** *Amdocs Limited - Group President of Media, Network & Technology*

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

## CONFERENCE CALL PARTICIPANTS

**Tal Liani** *BofA Securities, Research Division - MD, Technology Analyst*

## PRESENTATION

**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

So thanks very much for joining us. I know that we are standing between you and the drinks, happy hour. So we're going to make it as fun as possible. I'm pleased to host Amdocs. I've been covering -- Amdocs is my longest coverage company. I've been covering Amdocs almost since 1995, 1997, something like that. So many years of coverage. And I'm pleased to host Anthony, you're going to help me with your last name.

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Goonetilleke.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Goonetilleke, exactly. Sorry, I apologize. I'm really bad with pronunciations. Matthew Smith is so easy, by the way.

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

You got it.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

I got this one.

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

We'll bring you the 2 opposite ends of names.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Anthony is the Group President of Technology and Head of Strategy, and Matt, of course, is Head of Investor Relations. So we're going to make it interactive.

(Operator Instructions)

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## QUESTIONS AND ANSWERS

**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

And I want to start with a high-level question. We've seen recently -- so Amdocs was considered to be, for a long time, a slow growth company. And for many years, the growth was low single digit. And suddenly, we are seeing consistent acceleration. What's driving it? And how -- first, I'll ask you what's driving it, and there's probably a lot of things to discuss, and then I'll ask you how sustainable is it?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Sure, sure. So it's always funny being on the other side of the fence like when people say, "Oh, suddenly, all of a sudden, you guys are doing this." The suddenly was a lot of years of planning and thinking about it. About, I would say, 3.5 years ago, almost 4 years ago, we decided to completely re-platform the company and build a product set that is born in the cloud, it lives in the cloud because we kind of saw this new world of cloud and 5G coming into the fray. And so as we did this, we saw all of our customers really just embrace this around the world.

In North America, every one of the customers are using it. We see the big OpCos in Europe, Asia using it. So this is a key driver, I would say. The other thing that happened was a couple of years ago, we initiated an internal strategic process to say, okay, what are the big areas we want to focus on, and how do we increase our addressable market, right? So out of this process came some key kind of thinking. One of it was clearly digitization. The cloud network and really helping our customers grow revenue. So all of these combined really take us from the neighborhood, which we were in, which was kind of the low single digits to more of the high single digits of where we are right now.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Yes. How sustainable is it?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Look, we believe that the pillars and the foundations we've built are multiyear journeys. These are not fly-by-night technologies that are coming in and out. So if you think of things such as cloud, right? Cloud is -- our customers have just started embarking on this journey. This is like a 5- to 10-year journey of moving their workloads to the cloud. Once they finish their IT workloads, they start on their network workloads, right?

Then we've got the edge to deal with. So it's a multiyear, multi-cycle journey. When you start thinking of experience, an experience is not a one-hit wonder, right? I mean today, the next generation, we're competing with apps like Uber and Amazon and things like that. So taking friction out of the experience, making things more automated and digitalized. This is an ongoing process. Then you think of 5G. 5G comes in multiple cycles, right?

You have nonstand-alone, which just gives you speed and nothing else. And then you have standalone, which gives you all the amazing power that 5G comes with, and then we're already talking about 6G. And so the ROI on it, how do you get that return in terms of monetization for our customers. So these are multiple cycles that come into play, and the network, right?

The network is moving from hardware to virtualize. Again, this is hardware that's built on decades of infrastructure that's suddenly being virtualized. So again, we feel pretty good about it that the pillars we've built a multi-cycle, multigenerational pillars that will be there for a while. And kind of undercapping all of that is our customers. We're dealing with Tier 1, Tier 2, the best of the world in terms of our customers, right? These are not small companies that are going to go bankrupt or go out of business. These are platinum Goldstar customers. So we feel like the investment cycle, coupled with our customers and the areas we're focused on really holds us in good stead for a multiyear journey.

**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

We'll talk in a second, we'll talk about kind of we'll drill down to talk about the trends, the underlying trends. But I want to ask maybe Matt, I want to ask you talk a lot to investors. What do you think is not understood with the case of Amdocs. What is kind of big misconception maybe that investors have that you spend time to explain?

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

That's a good question. I mean we spent a lot of time explaining just the last 2 quarters, exactly the questions you've just asked about, this acceleration in the growth. And for so many years, we've been a low single-digit grower. I think people are beginning to sort of wake up a little bit and pay attention to the improved outlook that we've provided. But it's really just a question, I think, of helping people to understand Amdocs as a company. It's traditionally not a well-understood company in terms of where we fit within the markets that we play in, helping them to understand the complexity of the business model, the revenues and so on. And then I think lately as well trying to educate them about why it is sustainable, and why we think the 6% to 10% revenue growth range that we're in now is we can keep on delivering that for the next few years.

**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

In your last -- on your last call, you spoke about improved outlook for second half of the year for the fiscal year and as well as 2024. What are the drivers for the better outlook for the second half?

**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Look, I think we had a very good first half, delivery execution, beginning with that to our sales milestones being met. And so we feel very, very good about this year, right? So we know our backlog, our managed services portfolio. As we look to the second half of the year, we feel very, very good about it. As you said, we're coming in at the 8% to 10% for this year towards the high end of that number.

And that extrapolates -- we've given the 6% to 10% guidance for the next couple of years, that extrapolates to that. Now clearly, we want to see the sales momentum continue. And clearly, we don't have control over macroeconomic factors that could influence it based in the U.S. or whether kind of the other dramas happening in other places, but generally, we feel pretty good about what we see and the insight we have. And again, these are customers that are not signing short-term deals with us, right? These are long-term multiyear deals. So we have very good visibility.

**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

I asked the same question -- I asked -- one question I ask kind of all the companies to understand the historical correlation between economic cycles in your business, what do you think is the impact? If there's going to be any slowdown, et cetera. On one hand, there is the historical correlation. On the other hand, traffic is growing certain things that are happening in the industry that are different. So what's your view on your sensitivity to an economic cycle and economic slowdown?

**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Sure. Look, I mean, we're not 100% separated from it. And clearly, what happens with inflation, what happens with the economy, it does have some impact on us. But on the other hand, we are insulated in a way that connectivity today has become the cornerstone of society, right? I mean I hear people joking around. They'll skip a meal rather than cancel their cellphone plan or their connectivity to their house.

So this, combined with the fact that the type of customers we're working with, to the type of deals and constructs that we have in place to this multiyear journey gives us some level of insulation from this. When we had the issues, and I think you and I spoke about this once before when we had the trade issues going on with China and things like that, we were kind of insulated from that. As we look at kind of the talent workforce crunch,

we have a global site strategy. So we have centers in Guadalajara in Mexico, in the Philippines, so we're not just dependent on talent in India. We have Tel Aviv in Israel. So we try to like build a company basically that not only can focus on accelerated growth but sustained growth.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Got it. I want to focus on the 4 areas that you highlighted as growth areas. And I just want to mention them and then we'll drill down digitalization, journey to the cloud, 5G and next-gen network investment and entertainment and media. So let's start with digitalization. This is your digital BSS segment. If you can -- first of all, for those who don't know the company, if you can tell us what's included here? And why is this a growth driver?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. So when we think of digital to different people means a lot of different things. When we talk about digital, we say digital is 3 things. Firstly, it's an amazing, frictionless, seamless experience. on the front end. And this is usually what people associate digital with. But then we had 2 more factors. We say the second one, digital means automated. Digital doesn't mean that when you do something there needs to be 20 people in the background, getting your order to work.

Like digital means you click a button, that happens. And the third thing means it's real time. I hate when I go and do something or a click a button it says, come back and check in 24 hours. That's not digital to me, right? So these 3 things to us mean there is a lot of work to be done, not just in providing you with a frictionless experience, but making sure that order flows through the system gets handled, gets provisioned, and you get the service delivered to you as you expected, right?

In today's society, we're used to apps like DoorDash, right, where you can see the guy picking up the food, you can see him coming into your neighborhood, you can see it delivered. This is the same type of experience our customers expect when they order a service, when am I going to get it delivered, Am I going to get it tomorrow, not in 3 weeks' time. So digitalization to us means a lot of things, not just the front end. So self-service, the app, ordering, order handling, passing the information to the network so it can be provisioned. So all of these things kind of come into that play.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Is this a single project? Meaning does -- I'm making (inaudible), right? Does Verizon call you and say, do digitalization for me? Or are these -- or is this a very long-term journey of building blocks that eventually you get together, you get to what you want to get?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. So I always say it's like a set of LEGO blocks, right? So there's component. So what does it include? So let's take the catalog, right? So we have a big Tier 1 customer in North America that said, "Hey, we want to take your catalog and take 100-plus catalogs we had and integrated into one.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

I think you disclosed the name, by the way.

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Maybe we did, did we Matt?

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

I'm not sure.

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

But then this is a digitalization project, right, because it takes manual work out, it takes friction out. So that's one. Then we have another customer that says, "You know what, I want to reimagine my retail stores. How do I work in retail stores," right? We have Globe in the Philippines that sells clothes in their retail stores as well as (inaudible), right? So how do I work with that? So digitalization comes in many forms.

Another form of digitalization may say, "I want to take cost out of my back end, right?" So we can help you do that by moving some of these functions, automating, digitalization. So how they like -- how they approach digitalization, the entry point could be for many different directions. But then you also get customers that say, hey, like I want to do this full transformation, and I want to change the way my company is. And so those are like the full transformation projects. But we also see, especially now digitalization is not one project, but I would say it's a continuous improvement.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Is it -- so what I'm trying to understand, digitalization is about connecting existing front end and all the services, all right? Companies have been investing in it for many, many years. Take, for example, AT&T or big customers. 10% customers, disclosed 10% customers. Do you have the same scope of opportunity with these customers versus other customers that may be smaller, et cetera, so what I'm trying to understand is whether on the road to digitalization, do you have to start everything from scratch, or what you have done in the last 10 years or 5 years, if you were an Amdocs customer, then half of it is already done. 70% is already done.

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

I'll answer that question by giving you an example. So if you -- you've been covering Amdocs for a long time, so you understand this, we used to bring out a product every 18 to 24 months. That used to be our release cycle, right? Today, we're releasing our product every quarter, right? Internally, we're doing it every 3 weeks, which we call Sprint, which we're releasing a product suite.

Our customers now are taking our new latest and greatest product set every quarter, for example, right? So we're adding new features, new functionality. Look, the market is so dynamic. I could not tell you or neither could any service provider tell you what is going to be there in 12 months because just partnerships, the way we deal with partnerships things that are going viral, the way we deal with connectivity are so constantly changing.

So we introduced new building blocks, maybe think of it as different shapes, right, to be able to build the model differently, and we're continuously doing this. We also feel that this allows us a continuous engagement with our customer versus if you think of like more of a traditional, like a hardware network provider, that would deliver you some hardware and then come back what they used to call network equipment refresh cycles, right, come back every 5 years.

So we change paradigm a little bit. So it's a constant engagement of delivering new functionality. Hence, our investment in R&D, right? We continuously keep on investing in it because we feel that, look, you're not competing with the traditional players anymore, right? You're competing with OTTs, with pure plays, so you continuously need to improve your experience.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Why now? Digitally -- the reason why I keep focusing on digitalization is because it touches a lot of your legacy areas. Why now and not 3 years ago? Why now and not 5 years from now? Meaning, why now there is such a push to go and invest in digitalization?

**Anthony Goonetilleke** - Amdocs Limited - Group President of Media, Network & Technology

Yes. I think there are multiple factors that drive it. First thing, like I said, the competition, AT&T competition may not necessarily be T-Mobile. T-Mobile may not necessarily be Verizon or Comcast and so forth, right? Because think of the enterprise space, you're competing with some of the web scale guys now, right? You're competing with small players, you're competing with private networks.

So there is a pressure of saying, "Hey, I need to deliver the best seamless experience I can do." So there is that pressure. But the second pressure is, I think COVID kind of like brought this to a head that connectivity just became the center of everything, right? You cannot afford to have a slow connection in your house anymore, right? I cannot afford to go somewhere, not have connections, right?

My kids -- when we go on vacation somewhere, we have hired an Airbnb, the first question they always ask me is, does it have WiFi, right? My daughter the other day, she was flying somewhere, she asked me, she's like, does the plane have Wi-Fi, right? I said I don't know, get on the plane and find out. But this is what the next generation wants to know, right? We have this notion that I always talk about that maybe it's a little bit ahead of its time, but ubiquitous connectivity, right?

I want to be connected no matter where I am, I don't care how I'm connected, just connect me, right? And I think when you say why now, this is the why now? These things are colliding, right? So it doesn't matter if it's the metaverse, doesn't matter if it's Netflix, doesn't matter if it's your Tesla, it doesn't matter if it's your phone, there is one common denominator, seamless connectivity, right, take the friction out and connect me now and connect me the way I want it to be connected to all of these encompass digitization. So this, I think, is almost a wake-up moment for the industry.

**Tal Liani** - BofA Securities, Research Division - MD, Technology Analyst

Got it. Any differences you see, and that's maybe my last question for this topic. Any difference you see between types of customers, meaning the appetite to do it on the telco side versus cable side or any other customers?

**Anthony Goonetilleke** - Amdocs Limited - Group President of Media, Network & Technology

I think they're coming at it from different reasons, right? So you take some of the big North American players, they've gone back to like almost like a back to basics, right? So you saw the divestiture of kind of Warner Media. You saw the AOL assets being taken -- moved away, and they've gone, okay, we want to be the best connectivity player we can be. So I think when you kind of look at this kind of holistically, I think it changes from region, right?

So I take Europe, for example, Europe is going through a cycle that maybe the U.S. went 5 to 10 years ago in terms of consolidation. So you have Spain doing consolidation. You have the U.K., you have Germany all in-country consolidation, by the way, which is also great for Amdocs, right? Meaning wherever there's work to be done, we're talking about APAC with someone from South Korea before, and in APAC, you see this kind of skip level, meaning they've gone from 4G to LTE from 4G to 5G. So you have different regions almost reacting in like slightly different ways.

**Tal Liani** - BofA Securities, Research Division - MD, Technology Analyst

Got it. So my next question is really what I wanted to ask is different appetite between regions, meaning what do you think it -- how do you rank U.S. as a growth driver, North America, I should say, as a growth driver versus Europe versus the parts of your -- parts of APAC, et cetera?

**Anthony Goonetilleke** - Amdocs Limited - Group President of Media, Network & Technology

It depends. It depends, I would say there's different types of costs, right? So we see growth. I think we've experienced growth from all of our regions in the last few years. And clearly, North America is driving it with stand-alone 5G. But Europe is really trying to -- especially Western Europe, trying to leapfrog that, right? So as the consolidations come into play, as 5G comes into play, they're trying to leapfrogging.

We see this trend in Eastern Europe, by the way, completely re-platforming, right, which we haven't seen this probably 10, 15 years, right? Many Eastern European players going, "Oh, we want to look at re-platforming our systems and coming together." Something else that I've seen is countries in Africa pop up, which really, they were happy to sit on their legacy systems and trying to do bits and pieces, suddenly, they're buying 5G policy from us, right? And so I think different regions and the growth appetite clearly, America is still a big driver, and we'll continue to drive it. But we see it in Europe, we see it in APAC, but for different reasons.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

You've actually said that we expect growth on a pro forma constant currency basis across every region (inaudible) fiscal year. So we covered 1 out of your 4 growth drivers, digitalization. The second one is journey to the cloud. Explain us, please, first, the historical position in the cloud and your current position, and what drives the growth?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Sure. So I would say service providers were very slow to move to the cloud, not necessarily because they didn't want to or they didn't have the capabilities, but they had massive data centers, while they had data centers that hosted apps like Uber, for example, in their own cloud data centers. Over the last, I would say, 4 to 4.5, 5 years, they've decided that, okay, you know what, this is not our core competency.

Let's look at moving to the cloud. Clearly, COVID also accelerated some of this thinking. So as leases come up for premises, as old hardware needs to be replaced, there's a decision point that comes into play that says, do I now invest in this? Because if I invest in this, I'm going to have to stay here for the next 5 to 10 years, right, to make my money back or do I move to the cloud. So that's one decision point. The second is just leveraging the capabilities of the cloud, right? If I am on AWS, I can flip zones in a second, right?

If I want to add more hardware, a developer can click a button, they're going to spin up a terabit of data, right? These flexibilities in order to compete in a world like today, you have to utilize the cloud. So we see ban on every one of our customers having a cloud strategy. Now there's still, I would say, early in the strategy, some are more advanced than others, clearly, but they're starting to move workloads to the cloud, right? You saw AT&T and the announcement of Microsoft starting to move a network workload to the cloud, which is one of the first announcements.

So here, we feel like we can really help. We've done several acquisitions like the Source Group, where a bunch of like amazing cloud experts. Clearly, with migration I mentioned we kind of re-platform and build a cloud set of products. So all of these kind of come together to provide you a set of tools to be able to move to the cloud. And we feel like this will be at least a 5- to 7-year journey of moving to the cloud.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

So the customer is, in this case, joining to the cloud, the customer is a telecom provider?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Yes.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

And you basically have tools to help them to migrate to the cloud?



**Anthony Goonetilleke** - Amdocs Limited - Group President of Media, Network & Technology

Yes.

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**Tal Liani** - BofA Securities, Research Division - MD, Technology Analyst

What makes Amdocs good at doing that?

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**Anthony Goonetilleke** - Amdocs Limited - Group President of Media, Network & Technology

First of all, a lot of them are using our systems. So we're moving them from one of our existing systems to one of our new cloud-native systems, right? So in a way, it's like heart surgery, right? So you need to do this without number one, having any downtime, so you need business continuity. Number two, you need to do it in the most efficient manner. Number three, you need to have the skill set to be able to get into the bowels and do this. And so Amdocs is positioned very well to do this, right?

So because we also invested in a new cloud platform, it also makes it an easier decision to kind of go from the left hand to the right hand. Now of course, when we do this, we're also looking at other opportunities to expand, right? So service providers are not just moving the Amdocs applications. Like in the case of AT&T, they're moving other applications as well, and we're helping them move that as well. So it's clearly our #1 focus is our application stack and moving to the cloud. But as we do this, a lot of our tools are relevant human for non-Amdocs applications to help them migrate.

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**Tal Liani** - BofA Securities, Research Division - MD, Technology Analyst

And you have agreements with AWS and Azure, what are these agreements?

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**Anthony Goonetilleke** - Amdocs Limited - Group President of Media, Network & Technology

What are these agreements. So we look at these guys as very, very strategic partners for the future. right? So the AWS agreement was put together single handedly by Shuky and Andy Jassy at the time that was really leading AWS, right, because for the cloud guys, it's about all of these compute power and network workloads that's going to use their computing resources, right? For us, it's about number 1 being relevant in the future. Number two, being the best cloud platform product set that service providers can use. And number three, we're also in partnerships with them because the cloud guys in a way, could potentially be some of our customers in the future in different areas as they launch out and sell different things, they're using some of our services. So it's a, I would say, very, very strategic relationship. We have our R&D teams that meet together, that share road maps. I'll give you another example, and I won't mention the cloud provider's name but we moved some of our charging platform to the cloud. And the cloud provider, one of the biggest ones, couldn't keep up with the rate. Why it sounds strange, right, for a big cloud scale provider. But the reason they couldn't keep it up because think of telcos, you're managing so many petabytes of data and billions of events coming in so fast, then you have to have an amazing set of hardware on the cloud. right? So we work with them with the hardware manufacturers to really kind of build a step that works really well for service providers. So these types of partnerships go a bit more beyond than just signing an agreement and saying, "Yes, we have a partnership, right? It's a very entrenched agreement."

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**Tal Liani** - BofA Securities, Research Division - MD, Technology Analyst

The third driver is 5G, next-gen network. How do you participate in the build-out of 5G?

**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

So all the way from monetization, so charging our rating, our catalog and things like that, all the way to things like 5G policy. So we have the world's leading 5G policy at the moment. And we have all of the deployment of the 5G network. So we acquired an asset several years ago called TTS Wireless that focuses on how do you deploy 5G. So we -- I don't care or we don't care if it's Ericsson, Samsung, Nokia, you name it, who does the radios, we can do the integration and deployment of the 5G network on top of it. So all the way from care and ordering. Two, how do I dream of a new 5G product set? I spoke about catalog before, right? You can model a new 5G product set and see what that looks like. So all the way from the front end, all the way to the back end, 5G brings in new behaviors. And so we want to just cater for this and make sure we deliver on this.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

This is a very strategic position because at the end of the day, you oversee the entire flow which, at the end of it, there is a service that carriers sell to customers. Do you have -- do you see a challenge in carriers giving you so much power basically?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Look, I think when much is given, much is expected. So clearly, it's not a vendor relationship. It's a partner relationship. Our relationship with carriers are multiyear. We don't lose customers, right? So this is a multiyear journey, very, very close relationships all the way from the executive level, like I don't know almost every executive has all of our cellphone numbers right from Shuky down to myself to all the other heads of the groups. And so it's a very close relationship, but this is because of -- we also have a very unique accountability model, right? We don't just give you our products and say, "Hey, good luck pal, just go and run it." We make sure it runs. We make sure it operates, and look, I think they continue to push us, but it's a good thing. I think that it makes us better.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Right? I want to go back to a question that I always had in mind, it's carriers invest a lot in 5G from auctions, spectraenology, spectrum, everything, how do you help them to monetize it?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. And that's at the heart of what we do, right, because I have not seen, if I'm being frank with you, I have not seen a business case that said Here's how we monetize 5G, and we're tracking perfectly to it, right? So for the next number of years, it will be a monetization game and the monetization, we're focusing on a couple of areas. So in the consumer space, we see some monetization, but it's not a paradigm shift, right? You are not going to pay twice your phone bill just because you're getting 5G. But on the enterprise space, for example, we clearly see an opportunity there. So we're working with a company over in Seattle in an orchard that they've built out with a 5G network and drones monitoring the orchard and things like that. It sounds really interesting, but those are the use cases that are going to bring the monetization for the future. I would say. And so our job is to build software like the LEGO example is a good example. Give us all the LEGO blocks so we can play with it because I'm not really sure of which use case is going to stick right? So I'm going to have to change it, build new ones in the future. And so that's basically what we do.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

I don't know if this is the right place or not the right place to ask the question because I'm not sure it's just related to 5G, but we have a multiyear agreement with T-Mobile and AT&T, and these are very big customers for you. Can you give us an update on, first of all, the nature of the agreement and where it is?

**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. And it's different for all of them. Clearly, I mean, in terms of what we publicly announced, yes, it's a multiyear agreement. In the case of T-Mobile, we were encumbered both in T-Mobile and Sprint, but as they came together, we also had an opportunity to add value and help that relationship grow in new areas that we weren't participating before. With AT&T clearly looking at the new stuff we're doing in terms of the new 5G stack and helping them really double down and make connectivity a premium service is kind of where we're focused on together with Microsoft, by the way, doing it on Azure. With Verizon, they weren't a customer for the longest time. They're now a customer. We're very, very happy with it. We need to deliver. And as we deliver, they keep on saying, "Hey, what about this product? Hey, can you run a POC for this," which is exactly where we want to be, right? So we want to deliver and as we deliver, we hope that relationship will grow.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Got it. Is 5G in terms of an opportunity for Amdocs, et cetera, is it different from previous generation?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Yes, it's different from the perspective of -- I don't think we paid any attention going from 2G to 3G to 4G, right? Because it was a hardware equipment change and everything that kind of stay the same. 5G, #1 is the first G that was born in the cloud. It's really the first G that was software driven, right? And it's the first G that gave you capabilities that applications can use before -- like if you think of 4G, it was the best effort like, "Hey, my connectivity is the best I can provide to you where you are." 5G delivers the promise that I can control latency, I can control speed, I have better security, I have better capabilities for IoT. So this is why there is the excitement and the spend over going to what they call stand-alone 5G because there's a promise of a lot more capabilities to be exposed on the network.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

I want to switch to the last driver, which is entertainment and media. And this used to be a bigger focus for the company. That's at least my feeling and I spoke to the company before ubiquity and others were highlighted. Now, it seems like it's taking a little bit of a backseat in your emphasis. Can you tell us, first of all, give us an update on the business and then tell us how much of a growth driver is it? What are the puts and takes?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. So media is an interesting one for us. So clearly, there's been some landscape changes in media, right? So whereas all of our customers and service providers kind of double down, it doesn't matter if it's AT&T or T-Mobile or Verizon in the media space and earning the content, they not necessarily want to earn the content right now. So what they would rather do is partner with people. So our media strategy shift from yes, we still deliver content. But rather than owning and delivering the content from studios to we launched something called Market One, which is our content partnership platform because this is what more customers want to do more now. So there's been that kind of subtle shift and change. It's also the behavior, right? So for example, there's a decline in things like TVOD, which is transactional video because today, you don't really order a video or an on-demand video from a cable provider. Most people will either buy it from or rented from Apple from iTunes or watch something on Netflix or Disney+ or something like that. versus that. So that's kind of been the macro shift. And the way we've adjusted to it is that, okay, fine, we understand it. So maybe that's not a driver, but then this kind of partnership angle of media has taken off. So today, on the platform, we have about 100 partners. So Netflix, Spotify, Google, Apple, and I think we announced the T-Mobile one, AT&T Mexico, Sky in the U.S., Virgin Media, O2 in the U.K. really wanting to give their customers the choice of adding multiple partners. And so this is more where I focus on, whereas before, we were kind of aligning more with our service providers in terms of content delivery and then monetizing content directly.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Why is this business synergistic to Amdocs?

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

It's synergistic based on where our customers are going, right? So I would say, if the content side was less synergistic now, where else maybe 3, 4 years ago, we thought it was more synergistic. I would say the partner piece of the Market One piece is much more synergistic now if I compare it to right? So I think there's been that change in the macro environment.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Got it. Before I ask some questions, I have some questions for Matt. I want to ask you just 1 last question is do you think Amdocs from a growth driver's point of view, do you think you have everything you have or you need? Or do you think you'll continue to find the fifth area, in the sixth area, et cetera, are you on a quest to continue and expand the horizon or the scope of growth? Or are you more focusing on execution within the 4 areas?

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

I think he's asking you.

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Matt.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

No, I said Matt.

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**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Sure Look, first of all, we are constantly looking, right? As part of kind of the steady had a strategy I were, I always call our strategy the always-on strategy, meaning before -- if every 3, 4 years, we did the strategy process and now we go and execute on it, forget that. right? The strategy isn't going to draw anyway. It's an always-on strategy. So number one, we are constantly looking at areas, right? So we announced the North American financial services company that signed a deal with us almost 2 years ago. that's a piece we're looking at and exploring and seeing if there's any value because we're starting to see some industry similarities like moving to the cloud, digitization, automation in that space. So the simple answer is absolutely. We're constantly looking at not just expanding the SAM within our space, right? So 3 years ago, we were really predominantly only focus on the BSS space. Today, we're very focused on the network space and new buying towers that we were. And also, as we look at that, we build these capabilities and say, maybe they're relevant, not just in the telecommunications space, maybe they're relevant in other areas. So we're always trying to look for that, and we'll adjust as we go. You won't have to wait for 3 years to find out, by the way.

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**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Good. I want to finish with some questions on numbers. And the first question is, just philosophically, cash flow, focus on cash flow, focus on profitability. What happens to your cash flow? What are the puts and takes of cash flow over the next few years?

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

Yes. I mean, look, what we've set of historical trends is that the free cash flow generation of the company should convert roughly on par with the non-GAAP net income that we're generating right now. Some years, it's going to be better than that. Some years, it's going to be worse than that. But generally speaking, over time, it should convert roughly on par. So for this fiscal year that we're in, we're on track to deliver \$650 million of normalized free cash flow, which is roughly 1 to 1 with the non-GAAP net income of the business. By the way, the reason for the normalization is because we're in the final year of building out our campus in Israel. So this will be the biggest year of CapEx and then hopefully, going forward, we're done, and we're moving into that new facility. So we should see the...

**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

By the way, how much was the...?

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

That was a net investment of roughly \$350 million over 5 years, I think it was 4 or 5 years. So we're coming to the end of that, it will be great when we get to move in. I think obviously, there will be some financial benefit as a result of that just in terms of lease payment savings and these sorts of things. But more importantly, I think it will be great for just the -- an exciting new place to go and work. That will be important for talent retention and the retraction. And hopefully, some positives in terms of productivity gains and so on in terms of the business. So...

**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Great. Why no the -- the #1 question I'm getting on Amdocs when people don't know the company is that how the hell can they maintain such a flat margin? Like what's behind -- and some people even question the integrity of it, right, the reports, right? So I'll ask you the question like this the same way I'm getting it is what why is margin managed so well? How can you achieve it? What could happen, for example, that will take you away from this trajectory?

**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Well, I can maybe add some color on that Matt can continue. Look, this is a little bit of a DNA thing, right? So as Shuky gave us this mandate of accelerated growth in the company and to drive the accelerated growth. Straight after that is with the sustained levels of margin, right? We are not sacrificing 1 for the other. We believe in this because a good healthy company should be able to do this. Now behind the scenes, maybe there are multiple levers here, right? Maybe there's one stage an acceleration in R&D, but maybe that's offset by some savings we can get by automating things and driving efficiency. So there's all sorts of levers pulled in the background. We don't take it for granted, but we believe that we should be delivering on this promise for a good company. So this is something, out of 30,000 employees, funnily enough, if you go and talk to the majority of them, everyone will talk to you about EBIT, right? This is a very common thing. It's not uncommon to be spoken of in every meeting as you talk about, what's your cost structure, what's your cost structure of people, where your resourcing, it's very common dialogue, and I think this is built into our culture. And so that's why no one wants to come and say, "Oh, yes, I can bring you growth, but I'm going to lose x amount of money," right?

**Tal Liani** - *BofA Securities, Research Division - MD, Technology Analyst*

Right.

**Anthony Goonetilleke** - *Amdocs Limited - Group President of Media, Network & Technology*

Exactly. So I think it's a very, very focused effort starting all the way from Shuky, and it goes all the way down to every employee.

**Tal Liani** - BofA Securities, Research Division - MD, Technology Analyst

Got it. Is there any structural stability. For example, I know you have good visibility? Or is there anything that is more structural in this ability to have better or more stable margins than other companies?

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

I mean 75% of the revenues are recurring in nature.

**Anthony Goonetilleke** - Amdocs Limited - Group President of Media, Network & Technology

I think -- I mean, it's our customers at the end of the day, right? The long-term contracts, Tier 1 gold star customers. And we have visibility because you don't switch Amdocs on and off with one switch, right? So we have very, I would say, based on our backlog, based on projects, based on history, we kind of know what we're doing in that space.

**Tal Liani** - BofA Securities, Research Division - MD, Technology Analyst

Great. So we ran out of time. We're actually 1 minute into the drinks now. Thank you so much.

**Anthony Goonetilleke** - Amdocs Limited - Group President of Media, Network & Technology

No problem.

**Tal Liani** - BofA Securities, Research Division - MD, Technology Analyst

Thanks. And if there is any question about Amdocs. This is the one company I can tell you that I can -- I know all the answers. So you can always approach me. Thank you.

**Anthony Goonetilleke** - Amdocs Limited - Group President of Media, Network & Technology

Thank you.

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