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CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

Dafna Kantor Sigal *Morgan Stanley - Head of Israel*

PRESENTATION

Dafna Kantor Sigal - *Morgan Stanley - Head of Israel*

Hi, everyone. I'm Dafna Kantor from Morgan Stanley, and I will be hosting today Shuky Sheffer, President and CEO of Amdocs. Thank you, Shuky, for taking the time to join us today.

Before I commence with asking -- before I commence with asking any questions, let me read the necessary disclaimer. For important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to the Morgan Stanley sales representative.

I'll take just a quick few words and hand over to Shuky to make an introduction on your end. So Shuky Sheffer joined Amdocs initially in 1986 and has been with Amdocs for over 30 years. He has been appointed as the President and CEO in October 2018, having previously served in several managerial positions within Amdocs. To give you one fun fact about Shuky, as mentioned, Shuky is a serious Dallas Cowboy football fan. He lived for 12 years in Dallas, working on the AT&T account for Amdocs, during which time he has developed that passion.

So with that, I'll thank you again for taking the time to join us, and I will hand over to you, and I believe it would be most helpful to start with a brief introduction by you of Amdocs for -- particularly for investors who may not know Amdocs that well. And then we'll go into other questions. So over to you.

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

Thank you, Dafna. We'll try to do it relatively fast because I'm passionate about Amdocs, I can talk about Amdocs for 2 hours. So I will try to explain what is Amdocs in 5 minutes.

So I think Amdocs is serving the service provider industry, which is all the AT&Ts, T-Mobiles of the world, also the cable companies, all the content companies like Comcast, Charter and also the media companies like Disney and others, WarnerMedia. What we do is mainly BSS, OSS solution, I will try to expire everything that you do with a service provider and goes from end of system. From the channels, the web application or the mobile application or website, et cetera, to all the ordering systems to the billing system to the charging system to the rating system. This is more in the BSS domain and also in the OSS, which all the provisioning systems, making sure that the order we provision to the network, inventory systems, orchestration systems and service order management system. So basically, whenever you as a consumer or an enterprise, if you touch with a service provider, you are going through Amdocs system.

We are a market leader by far. We are dominating North America pretty much between, obviously, AT&T, T-Mobile, Sprint, Verizon in -- obviously, in Canada, Bell Canada, all just tell us. We are also the #1 in Europe, our biggest customer in Europe, for example, Vodafone, which is obviously the biggest one in Europe. And we also, I think, by far, the market leader in APAC. It's biggest customer like Singapore Telecom, SingTel Group, et cetera.

We have a very unique business model. Unlike other companies that could be pure product companies or pure services companies, we are what we call product-led service company, meaning we develop our products, which were developed to the service provider industry. And by the way, if you go to any Gartner or any analyst, they well tell you about our product are far the best in the world. And we do all the services around our products. So we take the product and implement a product and then operate. So we are giving our customers a full accountability model. So there's

no finger pointing, the productive work, implementation will go well. So this is a very unique model from full accountability for product and services and operations.

If you look at our revenue, about 60% of our revenue is recurring, what we call managed services revenue, meaning that we are doing all the operation for our customers. And then the other part of the revenue is projects and other activities. Our 12-month backlog pretty much give us right now about 80% visibility already for next year. We are a October to September company. So we just started our 2021 fiscal year. We guided the market for accelerated growth. If traditionally, Amdocs scores was between 3% to 4%. We guided for a midpoint of 6% in reported and 5.5% in constant currency. This is the fastest growth guidance we gave for in the last 10 years. If I need to mention quickly, what are I think that the drivers that give us the confidence for this accelerated growth is that I think that we are now very busy in thing which are relevant to the industry and actually represent growth engine for us.

The first one is 5G. So we have a lot of activity around 5G, from network deployment to charging, rating system, monetization system, et cetera. The second one is the journey to the cloud. We are actively involved in all the cloud journeys of our customers. Actually, we see our rollers taking the industry to the cloud. And the third one is the digitization. Obviously, COVID-19 accelerated, given the fact that our customers needs to close the retail stores, need to shut down data centers, call center have become a problem. So being a digital company or digital company is something that we are at the forefront of helping our customer to do. All of these are very relevant and all of them, we see right now that our customer is accelerating the spend in this domain.

So we are very excited about what's going on right now and our position in the market. When I say we are a market leader is -- we say Amdocs is a B2B company. This is true. But if you look at the overall customers in the world, probably 50 to 60 customers represent probably 90% of the spend because you're talking about the AT&Ts and T-Mobiles of the world, the Vodafones or Singtel Group or Vodafone or others, these are the people that are spending the money. I would say that between these top 50, obviously, we have much more hundreds of customers, but also there are 3 to 4 and a smaller customer. But if you're talking about the main spend, I would say that around -- out of this 54 most customers with significant activity.

So I guess this is in short what Amdocs is doing.

QUESTIONS AND ANSWERS

Dafna Kantor Sigal - *Morgan Stanley - Head of Israel*

Yes. And indeed, perhaps let's double-click on a few of the topics that you've mentioned. Perhaps we'll start with 5G. Your 5G solution. I have 2 questions around that. One is very specific around AT&T and your latest deal with them and perhaps more broadly on the 5G journey and what you do with other customers as well and where you see that trend going for you.

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

Okay. First of all, United States is leading the 5G, I would say, journey. Europe is following and APAC a little bit behind, but everyone will go 5G. We have 3 activities in 5G in supporting the industry, the 5G domain. The first one, we have capabilities in network plugging and design and deployment. Everyone is deploying 5G, as you might know. Deploying 5G is much more complex than 4G, a different density issue, et cetera. So we are supporting our customers, T-Mobile is a big customer of Amdocs, for example, in this domain. The second domain is charging and policy. These type of systems, every customer of Amdocs that is moving to a complete 5G environment, needs to update the system because the protocols are completely different in 5G. And this is -- we have always solution this domain. I will get back to AT&T, to your question, definitely, with the acquisition of Openet, which are the best cloud-native solution in this domain. We also increase our, I would say, leadership in this domain.

The third area of 5G is monetization, how you need to upgrade your catalog and your commerce engine to support 5G. This is the reason that Verizon, as we speak, implement to cloud-native catalog. And we announced that we are doing -- we started the modernization journey of the consumer mobility AT&T. So everyone needs to upgrade their commerce solution to be able to support the new bundles and new offers that 5G

will offer. In specific to AT&T, AT&T as part of the whole modernization journey, the consumer mobility needs to upgrade the charging and policy systems and also the BSS system of the commerce system of the BSS. So we announced already last quarter that we started the monetization journey, AT&T in the BSS system. We announced this quarter that AT&T selected the Openet charging and policy for the 5G. AT&T always liked this solution of the technology of Openet, but they were a bit concerned about their ability to scale, given the size of AT&T.

I think that when Amdocs acquire Openet, it tick the box on the scale issue, the roadmap issue, everything that they had some concerns. And this is why it gives them the confidence to sign this with Openet, which now under Amdocs. So now this is the new offering, pretty much, we are giving all the 5G BSS, charging, rating policy solution for AT&A.

Dafna Kantor Sigal - Morgan Stanley - Head of Israel

Great. I'll ask you another question, which is kind of a broader industry trend and a very specific one. So perhaps about the impact of the completion of the Sprint T-Mobile merger earlier this year and how that affects your role with T-mobile? And then maybe also a broader comment on consolidation in the industry and what that means for Amdocs.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So I will start with the second question. Historically, consolidation represents some type of uncertainty initially. But over time, it represents for us bigger revenue opportunities. Back to T-Mobile Sprint. We are doing the managed services for Sprint for many, many years. A very strong incumbency in Sprint. We are doing the managed services, operating all the system of T-Mobile Metro. So if you know the Metro brand of T-Mobile also in Amdocs. And also the Magenta brand of T-Mobile is also running on Amdocs systems.

We had a good relationship, both with Sprint and T-Mobile pre-merger. We have done a lot of work for them to make sure that day 1 post-merger we work fine. I would say that in the last 18 months, we moved from a very good partner to a strategic partner. We are discussion right now with T-Mobile, what would be the next journey for them, consolidating the system of Sprint and T-Mobile systems. So I think that between the fact that we are the incumbent on all systems, and we -- I think it's not just be incumbent. We are seeing -- we earned after a lot of hard work to be their strategic partner. I see a lot of opportunities for us in the T-Mobile.

Dafna Kantor Sigal - Morgan Stanley - Head of Israel

Thank you. Perhaps you could talk about your agreement with AWS and the multiyear contract that was signed around the cloud-native BSS offering. And again, specific, if you could talk about the AWS agreement and whether that means you're going to have similar agreements with other potential partners around the cloud.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So the AWS agreement came to accelerate our capabilities to take the industry to the cloud. We want to -- the industry is a bit behind. All the industry is moving to the cloud. Given our incumbency in system and capabilities, we see ourselves as the one that can enable this journey to the cloud. And in this cloud, we are coming with a very holistic value proposition from consulting to implementation, to migration, to operation, cloud consumption. It's a very holistic value proposition. We are cloud native. So we have -- our system can run on AWS, Azure or GCP or other type of cloud vendors. But given AWS strong position and they are a bit ahead of the market, we decided to move this partnership rather than be opportunistic, be much more, I would say, strategic about this.

So this is not an exclusive relationship. But at the same time, from a technology perspective, from a go-to-market perspective, we are very working with them very closely. We see ourselves as the leader -- I would say, Amdocs is going to be the prime. It's giving all the services, leveraging the AWS tools, consumption, compute, storage, everything that AWS has to bring to the table, which is a lot. So we see this as another step of helping

us to be the leader in taking industry to the cloud. At the same time, we are enjoying also a very strong partnership with Microsoft, and with also Azure.

Dafna Kantor Sigal - *Morgan Stanley - Head of Israel*

Thank you. Perhaps around the potential to go into new verticals. We've noticed that you've made an announcement around the banking clients and the customer experience acceleration with that client. If you could talk a little bit about that contract and also tell us whether you think that is a trend that we will see more new customer agreements away from telecom.

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

So as you know, for many years, we are looking to think what would be our diversification move. We've done a lot within the domain of our industry. So we move to media. So several years ago, we didn't -- we did not have a Disney, Apple and WarnerMedia as a customer. So we move within our industry. And this banking deal, actually, about 2 years ago, we bought a digital consultancy agency in -- actually out of Dallas. Very strong. The company was called at a time projekt202, by the way, we keep this brand. And they developed a really unique capabilities in the domain of digital consultancy.

When we bought them, the majority of the other customer were on telco, non-service providers, a lot of enterprises, American Express, (inaudible), Southwest, (inaudible), it wasn't mainly -- there were many dealing with enterprises. And we actually took these capabilities and try to bring it to the service provider, which is very relevant, and we were successful in that. But at the same time, we did not stop them of doing what they used to do before we acquired them, meaning try to work with other verticals or other industries.

So the contact to the bank actually came through these capabilities. There are digital consultancy capability. The difference is that now projekt202, that usually, rather than it to be a very small few millions deals with our end of masses, our ability not just doing the consultancy. We've also development testing operation, it becomes a much broader deal given the fact that it's other average. Now what we decided to do is we don't want to look at this bank deal as a one-off. And by the way, it does not mean that we are going to the financial industry because it's more like we are taking our digital consolidated capabilities to be more like multi vertical. So we are strategic about this. We put leadership. It's a separate team. And actually, they are task to see if we can do it in other places, other verticals.

So it's not that we are starting to develop systems for banking industry, et cetera. It's more like very focused on digital consultancy and where we are going to see if we can penetrate other verticals on top of the service provider.

Dafna Kantor Sigal - *Morgan Stanley - Head of Israel*

Thanks. Perhaps you -- in your opening remarks, you spoke about the strong building backlog that was announced at the end of the last fiscal quarter, which was the end of your fiscal year 2020 and really congrats on a very strong quarter. Can you talk a little bit about kind of the cash flow generation, you beat the 2020 expectations with that very robust results there? What do you see kind of in light of the challenging macro environment, how do you see this evolving going forward? Specifically, on cash flow.

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

We guided next year that we're going to see 100% free cash flow conversion. I mean, we -- and by the way, our last quarter, Q4 was record collection quarter for the company ever. Now it's not -- just to me, it's not just an indication that we can collect their money. Customers don't pay, if not going to value. It means that we met all the milestones, we are able to increase customer and customer pay us. So this is another, I think, testimony to our capability to continue to deliver on demand services and on the project during the COVID-19. The majority of the company is still working from home. We develop capabilities, methodologies. So we continue to meet all the milestones. We continue to do a great, I would say, service level type, I would say, the best service level you can get from a managed services operation, with the majority of the company still working from home.

So I think we guided for a full 100% free cash conversion for next year, a normalized free cash flow conversion for next year. And we believe that we can do this.

Dafna Kantor Sigal - Morgan Stanley - Head of Israel

Great. I'm cautious of the time but I want to ask you. Perhaps last year on the decision to sell open market and create more cash. Is there rationale there in terms of specific use of proceeds? Is this -- and of course, in the context of the strategic state of that asset and why you decided to dispose of it.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So for those of you following Amdocs, this is the first time ever the company is doing divestiture. And I think we've done it for a couple of reasons, and mainly because of focus, and we want to focus on strategy, which is cloud, 5G, transformation, digital transformation, et cetera. The open market business, actually, we acquired this business like 15 years ago as part of a different acquisition. It was a point-to-point messaging solution. It's like whenever you buy something from Apple, you get like a 2-way authentication SMS. So all this messaging for enterprises for authentication was done by this company.

We -- it was not connected to Amdocs customers or to any of our offerings. So it was pretty stand-alone business within Amdocs. Now it was growing nicely. It had good margins. So we liked it. But in the last couple of years, we found that it become a more and more commodity business. It become also -- there was a pressure on the profit. So it was less than the standard margin of the company, the corporate margin. So we thought it's not strategic anymore. So then we decided to sell it. We sold it roughly for onetime revenue. By the way, this sale -- the closing should happen in like 4, 8 weeks, something like this. By the way, it's the fact that in a pro forma base, it's not going to change our guidance for next year from a revenue growth or EPS, et cetera. So we're going to keep the -- remember that between our EPS growth and the dividend yield, we are close to 10% total shareholder return from this perspective. We guided for next year.

So we decided to sell it. The intention is that when we close is to take all the net proceeds after tax and other stuff and to accelerate our buyback. So we want to take all the net proceeds and to accelerate buyback on top of our standard, I would say, very disciplined buyback plan, which we are doing every year.

Dafna Kantor Sigal - Morgan Stanley - Head of Israel

Yes. And that we've noticed the announcement around that indeed. Then perhaps, let's talk about deployment of cash, the campus build up in the new environment, where everyone is still working from home and the work environment in general, may have changed forever. How are you thinking about your new campus plans?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So generally speaking, the majority of the last file of investment going to happen to 2021. So we are entering to the last year that we are going to invest the most. And then in 2022, we are also already getting into the new companies. Actually, the new campus give us a lot of flexibility. I'm talking about the campus in Israel. By the way, roughly speaking, only 20% of the Amdocs workforces is in Israel, about 5,000 employees. And today, we are renting, leasing the current facilities. We have almost 0 flexibility. We are -- I'm probably -- we have 20% of our employees are in the office space, and we are paying 100% rent, 0 flexibility. The new campus, first of all, give us a lot -- TATA40 is a talent magnet. And we are in environment, we're competing with the Googles of the world.

In Israel, 5,000 start-ups, so it's a talent money. We have a lot of flexibility to use whatever we need and to lease whatever we don't need, comparing to a lease environment that we have a very little flexibility. I don't believe in a full working platform. By the way, I think I shared this with other big

companies, Microsoft told us. I think that this idea that everything will work from home, it doesn't make sense, people innovate together when they are in the office.

Well, we are going to get much more flexibility. So employees will have the flexibility to work from home, but we -- I don't think that -- so I think that we prepare with at least 50%, 60% of our employees will be in the office, while the other will have more flexibility. So this -- we think eventually, after we get out from this situation, we are going to stabilize something around this ratio. And definitely, after that, we get to the campus, obviously, from a free cash flow perspective, the fact that we are moving from leasing to owning, obviously, it will impact positively cash flow generation and also it's accretive from a P&L perspective.

Dafna Kantor Sigal - *Morgan Stanley - Head of Israel*

Okay. Great. And perhaps for a last question, what do you take with you from the COVID experience? You're saying work from home is not to stay in full form. What have you learned during COVID time that you do take with you forward?

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

Well, if you asked me 9 months ago, if Amdocs can work completely from home with 0 travel, I will tell you that you're out of your mind. I think that we proved that we can do, we'll be much more efficient regarding travel, which will help us in the future. We are not never going to go back to the start of travel that we had before. And I think that we are working in much more collaboration in a virtual way, internally and externally with our customer.

So we developed a lot of methodologies to do this and definitely help us a lot, and we are going to use them post COVID-19 situation. I can tell you that the company shined in what you call all the ESG environment. I think that the way that we contribute to the environment during the COVID-19 accelerated actually much more to the different communities in the world in different ways. And we like it, and I want to keep this level of contributing back to the community. In many cases, we develop applications. Some of it is software, some of it is donation of laptops, desktop to people, all the learning from home. Some of it is a call center to support the elderly when they don't know or how to connect to Zoom. So I think this is another domain that's accelerating Amdocs, and we really like it and want to keep it this way. So I would like to say that we are coming out as a better company, getting out of COVID-19, and we want to take this and leverage this in the future.

Dafna Kantor Sigal - *Morgan Stanley - Head of Israel*

Thank you. Unfortunately, that concludes our time and concludes our session today. Really many thanks for taking the time to speak to us. It was a pleasure.

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

Thank you, Dafna. See you soon.

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