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PRESENTATION

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

In the audience, people who are not familiar with the -- Amdocs there necessarily, I thought maybe if you could take 2 minutes just to describe what is your -- that you guys do, and then we can get [dipping in].

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

Sure. Tavy, thanks for hosting us today, and welcome, everyone. So Amdocs is a player providing IT and technology solutions for the communication and media industry. We've been active in many domains of that industry along the years and expanded our offering to support many of the business processes of service providers in the communication and media space as well as helping them expand themselves into diversified offering. So for example, around shifting from just being connectivity providers to providing more media solutions, et cetera. Our model includes both developing and selling and deploying our software stack in an open and modular portfolio, which is the first in the market in terms of capabilities and functionality as well as the services to deploy this software into production in the customer environment and also operate the software on behalf of the customer. And a multiyear model that we call Managed Services.

We serve customers around the world. With about 60-something percent of our business in North America and the rest internationally. We've been expanding and diversifying our customer base over the years to more and more customers in countries outside the U.S. and Canada, with many new countries added up in recent years. And we are also continuing to push the boundaries on our addressable market by the fact that we started originally more in the business support systems and expand it to operational support systems. And then in the last decade, to the digital and the commerce layer as well as the network-related software activities as well as, as I said before, the media space.

When we look on our revenue model, roughly speaking, 3/4 of that is recurring in nature. And about 1/4 of that is coming from new transformation purchase activity. And roughly 60% of our revenue is under Managed Services engagement, which are multiyear agreements in which we operate and enhance systems for our customers. Our customer base includes top-notch names such as AT&T, T-Mobile, Rogers, Bell Canada, et cetera. In North America all the way to Europe with groups like Vodafone and Veon and the Three group and Orange, all the way to APAC with SingTel, Axiata Group and Telstra and others. And in Latin America, América Móvil, Telefónica, et cetera. And on the media side, the blue-chip names like Warner Brothers, AT&T Media and HBO brands, et cetera, as well as MGM and many others.

Investment basis-wise, you should think about us as a very solid and recurring path in terms of revenue, top line growth, about 4% constant currency growth, again, not now in the COVID-19 level, but in terms of general periods. So 4% top line constant currency translated into EPS growth, quite consecutive usually in performance between -- and consistent between 5% to 8% to that 2% dividend yield. That brings us to mid- to high single-digit total shareholders' return as measured by EPS growth plus the dividend yield.

So I will stop here, Tavy, and back to you for some additional questions.

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QUESTIONS AND ANSWERS

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

I wanted to spend a few minutes talking about COVID-19 because it's obviously a key concern across, I guess, every industry. So I have a few subquestions within that. And I guess starting with the comments you made last week on your earnings call, you talked about a strong execution in March, you guys being able to deliver on project milestone, I guess, how is your organization adapting to the working from home? And being based in Israel with a lot of your R&D being in Israel, with Israel having already reopened a lot of offices and employees being allowed to return to work, how are you guys adapting on a daily basis at the moment?

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

So clearly, Tavy, the major area of focus for all of us was how do we cope with this disruption and pandemic of COVID-19 and make sure that, a, we keep our employees safe; b, make sure that we support our customers in many production environment because for the Managed Services, we are operating the systems on a daily basis for many of our customers and, of course, continue to deploy new project milestone; and c, continue to manage the operational excellence and productivity of the company. And I believe we've done a good job on all 3 aspects. We have workforce that is spread with employees all over the world, with more than 40% of our workforce in India, roughly 20% in Israel, a large presence in the U.S. and Canada, in Europe, in Latin America and APAC, which obviously started to feel the COVID-19 even before. So we're very proactive in making the decision to move all of our global workforce, except for small cases where really activities had to be done on site, on premise, either customer premise or our own. The vast majority of our employees moved to work from home mid-March. And we managed to do that in a very smooth way without missing a beat on the production and productivity. And in the month of March and April, we deployed close to 50 go-live milestones in different projects around the world, and we continue to focus very much on, of course, making sure our customers are supported in a good way. And I have to say that it's not very magic, meaning it's a lot of effort that was done around tools, methodologies, accelerating the implementation of different collaboration tools and an amazing commitment of our employees around the world that made all of that possible.

When we are thinking about how do we go back to -- let's call it the new temporary normal. I don't even want to call it the new normal because we don't know -- I think the whole world doesn't know what the new normal looks like. We need to think about it as well under the same principles. So we are thinking about the gradual approach. And of course, this gradual framework that is going to run globally will be applied differently in each country, subject to where that country is in terms of allowing to go back. And of course, how it allows to go back to the office and working in moving to regular environments. So we define this gradual approach. We have started to apply that already in Israel, which have lifted some of the lockdown limitations already. And we will continue to monitor whatever happens globally in every way, thinking how to do it. Of course, in close alignment with our customers because we work very closely in many places in the world, what we call customer sites. And working closely with the customers means that it's not only our gradual way of returning to work at the office but how we do it with them. And in terms of the business situation itself, I feel that, a, supporting the customers in such a strong way through their business continuity management and making sure production runs smoothly and taking them for -- and together working on those deployments is obviously creating the confidence, first of all, that it's so important that customers will have that we can deliver. And we can continue to deliver. So that's very important in selling new things, whether those are enhancements or a new transformation project.

What we've seen mainly from selling point of view is that through the month of March, again, not surprisingly because everybody was so busy in their own business continuity management and seeing how they keep the basic operations running, people had less attention to commit to a new engagement, a new transformation project. So we've seen some of the signings slip from the month of March forward. Since then, some of these already happened. So for example, we're very glad the -- with the new logo award, the major player in North American market where we won the catalog, which is a major model in our product offering to [allow the] commerce layer. We announced the Globe -- helping Globe, a leading provider in the Filipino market, modernize their enterprise segment and its managed services. Those are examples of those kinds of signings that happened, while we were going through the COVID-19, and we definitely hope to see more of those deals being closed. So I would say May is delayed in signing new engagements. We haven't lost those opportunities, and we continue to work on making them move from pipeline to conversion to finalization of the deals.

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

Yes. You touched on actually my next question, which was if you can run us through some of the slippage on -- in the pipeline that you talked about with investors kind of delaying the investment decision. I guess what's kind of the -- I would call it a pushback, but I guess it's a natural reaction where customers prefer to kind of hold on to near-term investment decisions. So are they saying, "Let's talk again in 3 months" or are they saying, "Right now, we have no visibility. We'll call you back whenever we think that we're back to normal." I guess what -- how is the conversation going with the key customer?

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

So I think we need to differentiate, first of all, between ongoing activities for customers that we already serve and enhancements to these kind of activities. And many of those enhancements were actually supporting in coping with the new requirements that came in through the COVID-19 situation. So we've been trying to be very proactive in coming and discussing with customers what do they need right now and being very, obviously, responsive to those needs. So that's with existing customers and ongoing activities, where we continue to see more or less the same pace. And in fact, our 12 months backlog, which is an important leading indicator, has held on constant currency stable sequentially, reporting for Q2. The major challenge of the slippage of deal was with new engagements. Could include both new project engagements with new logos as well as existing customers that are going into a major new transformation. And this is where -- naturally where people are busy with running the short-term operations smoothly. They are less inclined to put their focus and attention to committing to significant new activities. So what we are seeing there is a different behavior. It really depends also on country and customer and where they are in the cycle with coping in the -- with the situation of COVID-19. So some of them already, kind of, after the initial shock of saying don't worry, but we can't talk about that for a few weeks, already came back. And as I said, even some signing since, et cetera. Some of them are still in -- don't worry, we will go back to the discussion but please wait patiently because we are not there yet. And so we are definitely continuing to be very attentive to this situation and understand. And I think what's important is that if we kind of step back and look at the big picture, the market themes for which we invested and that we came to market with solutions for are very relevant and even more than before. So by that, I'm talking about, a, digital modernization. A lot of our wins in the past couple of quarters as well as the relevance of our CES20 portfolio is around helping customers digitize their business processes, their touch points with their customers, et cetera. And I think it's clear to everyone. And why this is becoming even more relevant these days. Second, consumption of media and content from home is becoming, again, during this period, even more evident, why this is relevant. And we're very happy to say that even before COVID-19, we started seeing maturity of the pipeline of our Amdocs Media solutions, and they're both signing internationally as many new deals as well as the North American logos, such as MGM, for example, helping T-Mobile -- launching Quibi on our MarketONE platform, et cetera. And that definitely will continue. And 5G rollout, we think, will happen. We think it's clear why a great broadband connectivity to the home as well as great capacity and service level required on the wireless networks. So 5G will happen even if physically, it's a bit more difficult to do network all in these days, it's just a matter of timing. We feel these opportunities are going to happen as well. So the market themes we've been building for are definitely there. And in fact, we're actually looking how to leverage the situation even to create a bigger gap between us and competition by accelerating some of the R&D investment by making sure that we're leveraging on those opportunities.

So those that are more hesitant -- to your point on customer being more hesitant to make investment decisions, it's natural. We definitely understand that. We want to make sure that people feel comfortable with the direction and that they feel they have ability to move in a gradual way. And we made a conscious decision, a very important decision, architectural decision on our portfolio already a couple of years ago that it's going to be an open and modular portfolio, which is very relevant always, but especially in times like that. Because it means that the customer can start the journey of modernization and not necessarily commit upfront for all the product models that are required because they have flexibility to decide what is the main pain point or main area they want to focus on, commit to that, knowing that they have the optionality to continue with Amdocs as their partner for additional parts of that. So for example, when we have these discussions with this important North American logo that we won, what we saw right now, what the customer committed for is the catalog model. The catalog is where all of the offering is being defined and the pricing and the go-to-market approach, et cetera. So it's a very important part of the commerce layer of any digital modernization. So by selecting the catalog, they have the optionality to continue with Amdocs and other parts, but they don't have to do so. So again, this is an example of a gradual approach.

Same goes, by the way, when we sold to Korea Telecom. We announced it already a couple of quarters ago that we sold to Korea Telecom, which is known to be a market leader in the industry for 5G rollout and the charging model. And then a couple of quarters later, the catalog model. Again,

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another example of a path that can be gradual. And obviously, we pitch for the bigger picture. And we prefer that customers will embark with a bigger commitment, but it can also be done gradually, which is very important, especially in a period like that where people want to take, sometimes, the decision step by step.

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

That's helpful. And I guess to close the COVID chapter, the question we get systematically every quarter from investors is to kind of try to assess how much of your revenues are related to -- I guess you can call it discretionary spend and how much of it is business-critical? Because there's no question that you play a business-critical role for a lot of your customer. So I guess looking at the picture, is there a way for us to kind of answer these questions? Or -- you talked about recurring revenues. How can we kind of answer the question in a way that, I guess, assess how much of your revenues are, we call it, corona-approved? But I guess less likely to be impacted to the next crisis.

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

So I think it's a very important point. And actually, one of the strengths in our business is the longevity of relationship with customers and the fact we help them run mission-critical business processes and systems, which means that, practically, we are there on a daily basis supporting their activities that are essential to running and managing their business, which translate to the fact that this recurring revenue that we're talking about, which is roughly 3/4 of the overall revenue -- I wouldn't say it's guaranteed because that will be an overstatement. But it's highly -- I would say recurring, highly secured in the sense that it's essential for running the business. Now you can say every customer, if they're trying to manage their expenses, et cetera, priorities, they can try and prioritize things a bit, et cetera, but it's kind of in the edges, I would say. And to remind you, almost 60% of our revenues under Managed Services engagements, which means it's not only recurring, it's under long-term contracts in which we operate the systems for the customer. The more discretionary part is the project activity, the new investments, what we call the 25%. Project activity is new investments that they make in building new capabilities. And this is more of a discretionary investment. One can say, look, if they have -- if they're not making these investments, they're losing their competitive edge. They may be disadvantaged relative to others in the market, et cetera. So it's not fully discretionary. But I think based on what you're trying to differentiate here, this is more of where they can time their decisions. This is more where they can decide how much they want to invest and where. And I think to that goes the point I explained before on the gradual approach, which I think is extremely important.

Another important data point is with the facts we come with a unique business model, where we provide both the software capabilities as well as deployment and running the systems under Managed Services, we come to market with a model that we call managed transformation. It actually has been a very successful model in terms of our sales in the last 2 years. We've seen an acceleration in the managed transformation deals that we've sold. The managed transformation includes selling at the same deal, both the transformation project, setting up the new system as well as supporting the system under Managed Services. Why am I emphasizing that in the context of your question? Because this model allows customers to make this decision to invest in a new capability with a model that -- of the Managed Services in which we can provide them, a, of course, the service level and the performance indications -- the indicators that they would like us to commit to. But even more importantly, in the context of costs, is a very predictable cost structure and one that can commit to savings upfront from their point of view. So they can still invest in the future. And get a partner as strong as Amdocs to help them run smoothly their operations in a very predictable and affordable cost structure.

Lastly, the point related to your question would be the financial crisis of 2008 and '09 as just a comparison point. The company had less Managed Services engagement back then. And even so, that was the case, and we were less spread from diversified customer base, et cetera. During the crisis of 2009, revenue decline of Amdocs on constant currency was 6% year-over-year. So that was like 1 year of decline. That was the worst situation back then, and then we start to see the recovery. And also back then, we have not seen project cancellation. We have not seen reduction almost in the ongoing activities and the recurring activities and mainly [this is the time frame] because of not seeing enough new projects coming in. So again, it was over a decade ago, but just as another kind of test case of the world hitting the wall at the time from a financial recession point of view and how it impacted us. And by the way, protected margins over time, et cetera. So I think it's a good example of how we manage to cope with a crisis situation globally.

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

Yes. You touched on Managed Services, and that's something that we -- we've been looking at. And I guess we spoke about it last quarter. When you look back at 2019, it's been a record year for Managed Services for you guys. And if I'm not mistaken, it's over half of your revenue. So you gave a good rationale behind the business case for you guys, I guess. Is there a way to quantify the opportunity, I guess, within your own portfolio, I guess, to convert some of your customers that aren't yet as part of the whole managed transformation? And is there also a particular geography where customers are more keen on having you guys manage their transformation? Or it's just -- it's uniform across every region?

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

So I believe that Managed Services is indeed a major differentiator and something that is very relevant to all regions. Tavy, can you still hear me?

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

Yes, yes, yes.

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

Okay. Thank you.

So very relevant to all regions. And we've seen the success in Managed Services coming from a couple of directions. First of all, our ability to provide the combined model of managed transformation, as I explained before. Secondly, our ability to continue and provide value to existing Managed Services customers and how we enhance this value over time rather than stand still, which is very important, of course. So when we come and have a dialogue with existing customers is -- already using our Managed Services as the engagement model, how we obviously come successfully to discussions of how we expand and help them modernize and improve on the one hand, but extend the duration of demand services engagement. And we've had, for example, last year, many extension and expansions of Managed Services existing engagements with customers around the world. Another point that is very relevant is the fact that still -- going back to your -- part of your question, is there opportunity to continually expand within existing customers? So first of all, to put it into context, only a few dozens of our customers have engaged us in Managed Services, while we have over 300 customers. So yes, there is a high correlation between those who selected us already for Managed Services and their size, but I think the opportunity is significant to continue and sell Managed Services to more and more customers among our existing customers. And also continue within those that we have already Managed Services. It's not a [generic] situation. Either we have Managed Services on everything that they do or none. Oftentimes, it's a situation where we already support a customer in Managed Services but we can expand and do more. So when we are working with any customer, obviously -- let's take AT&T as an example. We perform certain activities under Managed Services with AT&T already for some years, across the consumer side of the house, Cricket is the brand, et cetera. And in the September deal that we announced, the 4-year Managed Services deal, we expanded the scope of the deal to run over additional new domains that we didn't do before. So this is an example of an existing customer in which we were running Managed Services for a long period and still have to expand the scope of work we are doing. A more recent example is the announcement of Globe, again. Now we're modernizing the enterprise segment for Globe. And again, we will support it under Managed Services. Well, before that, the focus was on the consumer side of the house.

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

Yes. That's helpful. Last quarter, you talked about having to make investments in order to require the new awards. And that was a key focus on your investor call. And I guess has COVID impacted these investments? I mean as the -- kind of the focus shifted a little bit in terms of where you had to invest in terms of R&D. And I guess more about the business model. When you look at the big picture, can you run us through the economics of different stages of a typical relationship with the client? I'm thinking the transformation project part, the Managed Services part and so on.

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

So when we're looking on the -- thinking about the R&D and priority of investments -- in terms of the R&D focus areas, and again, it goes back to the discussion of what are the market themes that we prepared for and what are the offerings that we prepared, we feel they're very relevant. And in some cases, even more so. So we are actually taking the opportunity of the current era to see where we want even to accelerate on some of these R&D initiatives. We didn't feel any one of them became irrelevant. On the contrary, we feel that they're very relevant, and we want to see how we accelerate on some of them.

Investments in other things that are relevant to COVID-19 were not necessarily in features and functions and capability of the software stack, but the capabilities of the company to deliver remotely, which I think, again, we accelerated and continued to push the envelope on that in terms of how you deploy remotely a project, what kind of collaboration tools are required practices, et cetera, which I think are very important. And as I said, already proved to bring the results in what we've seen in deployments in March, in April and already into the May month. But we will continue to do so because we see this as extremely important.

And in terms of the cycle with the customer, I'll try to give a typical example but there is no one typical example, so you know what, maybe I will try to give a few typical examples. First of all, our mindset and our success today has been we enter a relationship with a new customer in order to make it a long-term relationship. And long-term is not just few years, long-term for us is decades. So whenever we have the opportunity and the privilege to support a new customer, obviously, success is not just doing good one deal and deploying that successfully. Success for us is delivering wonderful value in this first deal. And continuing from there, to do more and bring more of our offering. And we have a very rich offering. So oftentimes, when we're selling to a new customer, it's not that we sell everything at once. So we start from a specific -- usually a specific project, in which we build new capabilities for the customer and show the value and extend from there. Now we need to remember in this industry, there is quite a large presence of different groups or different galaxies that include [multifix]. So many times, this value is happening in one of the affiliates. And then from there, we can continue. And the aspiration is to move on. So for example, if we look on the recent win we've announced with Orange Spain. Spain is an important affiliate within the Orange Group. But of course, the Orange Group has many affiliates around the world. And the -- as much [when we happen], we make sure everything in our power to bring the value in Spain, the dream scenario is that we continue and bring other ideas and other offerings across the Orange Group and other affiliates as well. And this is a recent example where we just penetrated the Orange Group.

More, I would say, long-term examples that we can go backward and look at is Vodafone. Vodafone is an important customer of ours in Europe. We've entered the relationship with Vodafone Group many years ago and still continue to expand within the Vodafone Group to more affiliates, to more countries. So if I'm looking on the last couple of years, our relationship with Vodafone Italy is a new one and the recent award we've had with Vodafone Germany. We had some presence in Vodafone Germany before, but not in that magnitude. And now with a very big transformation that we're doing across lines of business in Vodafone Germany, that's a new level of relationship. So again, there are many other examples, but we see this as a very important way to continue and expand.

And now that's in terms of the different affiliates on the -- what do we do for the customer? The more we invest in innovation, the more offering we can bring to the market and then we have obviously more to sell and take potentially a bigger wallet share out of the customer spend. So if we work with an existing customer and sold into that customer, for example, BSS solution and then we expanded as a company to provide solutions for the network software virtualization or for the media side of the house and this customer is having opportunities -- and this customer now presents new opportunities for us. So another way to grow within an existing customer is by the fact we ourselves are continuing to bring new innovation and new capabilities that is catering to other buying centers, other parts of that same customer.

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

Moving on to 5G, you talked about it in your opening comments, and we've been talking about 5G and NFV for a long time. So I guess I have 2 questions on that. In terms of new business models and opportunities for Amdocs, how much does 5G represent? And to put that into the context of the recent contract win you guys announced for CatalogONE with the North American logo, can you comment a little bit of what that means for Amdocs? And how much you can replicate that down the road?

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

So 5G indeed is an important opportunity. We see the opportunity from 3 different dimensions. One is around network planning and design. We enhanced significantly our capabilities around this with the TTS Wireless acquisition last summer. TTS Wireless provide us know-how and proof -- a proven track record of doing so and doing so successfully with leading North America -- North American customers such as T-Mobile, Verizon, et cetera. So -- and of course, with the acquisition, we got hundreds of skilled professionals that are bringing the capacity to do so. So this is definitely one very important dimension. And obviously, the plan is not just to do it in North America, although the North American market is ahead of the curve with Korea in the 5G rollouts, but obviously to take it internationally. The second part is the charging engines that will be require in order to support the 5G networks, and we're a player in that domain as well. And the third part is monetization in general. I mean, obviously, service providers are investing heavily in 5G rollouts and the whole idea is what kind of new monetization ideas and what new use cases they can bring to market to monetize and create the returns on this investment. And we believe we can bring a lot of ideas and good opportunities for them to be ready for that. And it's not that we need to necessarily make a better today, which use case will be the prevailing one, what will be the killer app in a way of the 5G use cases? We need to provide them with the tools and capabilities and the agility to address those needs and cater to them as they move forward and have the flexibility to do so. So from our point of view, definitely, 5G is a good thing, and we are trying from 3 different dimensions to address that. And we are working with some of the industry early adopters for 5G and very happy about that. And in some cases, we're trying to be also -- I mentioned monetization. In some cases, service providers can start adopting those capabilities even before 5G rollout and just enhance it and use that agility as they move along. So I think a good example is the new catalog win with a major new logo in North America, where this new catalog has been recognizing the industry as a leading offering to enable the offering -- the leading offering of Amdocs to enable the service providers define, in a very agile way, their different packages of how they go to market, how they price it, bundle, not bundle, the flexibility is enormous. The same catalog solution has been adopted by many other service providers around the world. And we believe, again, this is one of those cases where this catalog will serve them not only in 5G but across multiple use cases that exist already tomorrow or in a couple of months. But definitely, one of the criteria for the selection process was that they wanted a very strong catalog that will be 5G ready and will enable them the flexibility and the capacity that they need under the 5G era. So I think it's a great example. I'm very proud, of course, about this win. And I think it's -- every new logo, as I said before, it's hopefully a beginning of a long-term relationship. We definitely excited about having this new major logo award in North America. But beyond that, I think it's another proof point to the relevance of -- and the strength of our software solutions as we go-to-market and win more of these deals.

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

And the fact that you couldn't name the new logo, is it for them to keep kind of a strategy edge over the competition?

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

Yes. The different customers sometimes have certain, I would say, preferences about them and when to announce, how to announce investing with Amdocs because it provides them some kind of a commercial edge, some kind of a statement to the market. And obviously, we need to respect that, and we're doing the same here.

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

Fair enough. Moving on to AT&T. I mean historically, they've been your largest customer. We've been talking about them on every single call. The -- you've seen some slowdown with them across the past 2 years. But then in late 2019, you announced a multiyear contract win. So I guess putting it back into kind of a big picture, where are you with them now? Is there anything you can talk to us about the different dynamics that you're seeing within AT&T in the context of them as being a major part of your revenue?

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

So AT&T is definitely our #1 customer and the relationship runs over decades, and I'm proud to say that. And over the years, we expanded our relationships with AT&T across multiple sides of the house, in a way. We're serving consumer. On the postpaid side, we're serving the Cricket brand. We are serving AT&T Media. We're serving AT&T Mexico. We are there on the BSS side. We are there in the network optimization and -- et cetera. So again, I will not give the whole list. And I think very important to remind people that the decline in revenue we've seen in AT&T in 2018 and '19 was primarily their decision to cut back on discretionary spend. While we kept our strong partnership position, it was not about having competitive losses or being pushed out of things that we do already. And we're very pleased to sign this multiyear deal in September 2019. And to talk about 2020 already as the year of [destabilization] in the revenue performance, which means that if year-over-year, we're talking about flat revenue. In fact, it means that the trend is positive because we started '19 on a high point, then continue to see decline through 2019, and now it's the recovery base. So we are on track. We are continuing to take over the new responsibilities that were part of the new scope of activities we took over with this September deal, executed well on the transition. On top of that, I got to say, we secured additional new activities such as supporting AT&T in their journey of shift to the Azure cloud, where we're helping them not only with our own applications, but with [cell party] applications that -- we are helping them with additional services around that. And I believe this is another interesting example of how we can extend our offering within AT&T, this time inside of providing additional services. So we are very focused on continuing to bring value, including talking to AT&T about our new product offering. As we talked before, many of the industry leaders have adopted already to CES20, which is the software stack, the next-gen software stack we came to market with. And we believe AT&T can enjoy many more of this offering. So the dialogue is very active around that as well.

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

Great. And talking about your large customers, a lot of the conversation in the past has been around T-Mobile and Sprint and the scenarios about what happens if the merger doesn't close. If you remember, for months, that was a key topic. I guess since both of these companies have been top 10 customers of yours, what kind of impact can we expect but -- on the revenues, I guess, short term and near term? Historically, every time there was a merger, you said, in the beginning, it can be a bit lumpy. But over time, it's typically more than just the sum of 1 plus 1. Is that also the case here? Or is it too early to tell?

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

So in general, we're working in an industry that is quite concentrated, and we've seen actually a very positive impact of many consolidations that happened in the industry over the years. Because oftentimes, when the consolidation happens, it's just not -- it's not just to create synergies. Let's take 2 CFOs and make them as one or whatever the synergies are. It's about creating a new value proposition to the market. And this is where we come into being a very relevant partner for many of those consolidations in the industry, providing them the capability to come with new capabilities to the market. We have the experience of supporting large scale. We have specific experience in helping service providers go for the consolidation, et cetera. Specifically in Sprint, T-Mobile, we've been working with Sprint and with T-Mobile for many, many years very closely. Both of them have been -- actually, smoothest 2 years in which they were in a very complex situation of kind of a wait-and-see whether the merger will get approved or not. We've been working with both of them on new capabilities and providing them new tools, whether it was in Sprint with a digital layer activity, in T-Mobile helping them with a new -- a lot of new initiatives around the "uncarrier" strategy all the way to their media strategy, such as the MarketONE platform adoption. Helping them onboard new OTTs, the network virtualization, et cetera. So I think we are definitely positioned to be their partner for the future, but it's not guaranteed. We need to do a great job in showing them the value moving forward.

So there's, I would say, probably 3 layers to look at it. One, we need to do -- continue to do a great job in supporting them in the ongoing activities. Obviously, they cannot miss a beat. And while this integration and merger is happening with COVID-19 in the background, we need to continue to maintain the highest standards of providing value and ongoing activity. Secondly, help them through immediate activities that are needed in order to create what they call day 1, day 1 of the merger. Starting to sell to the market as the new T-Mobile in the summer, okay, so there are many activities that are required, just to make sure that they're ready to do that. And then there's the whole discussion around what's the next modernization path. What's the new -- what's the next-gen capabilities that they need? And obviously, we want to be very -- we want to be at the center of all of that and to be the partner for this kind of virtualization. So this is where we said these kind of discussions can take a couple of quarters. Nothing is guaranteed, but we are positioned very strongly and will continue to show the value of our offering. Now will there be a situation of 1 plus 1 equals

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how much and when exactly? I think it's too early to tell. But I think that the overarching message, we have been a great partner for both sides separately, and we're definitely positioning ourselves to be the partner of choice for the next path together.

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

And I think we only have time for one more question. I guess M&A, I noticed that in every prepared remarks, every time on your conference call, you remind investors that M&A is a key part of the story. And I even think that this quarter, you said would be -- I mean you've said it before, that you'll be willing to even take debt if you saw an interesting target. And to add a twist to that, I guess, the same way that you entered media through the acquisition of the Vubiquity, have you guys identified any new addressable vertical, I guess, that would be complementary to your existing portfolio or take you guys into a slightly different direction?

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

So we got permission -- I'll take it maybe to the bigger topic of capital allocation, which connects both the M&A and cash return to shareholders. And the reason we are making this commentary on both sides is the fact that we see the strength of our business model in generating healthy cash flows as an enabler to do both. And in high level, it shouldn't be one or the other. It should be a balancing act between both of them. So we're returning a majority of our free cash flow to shareholders through the form of a committed dividend, about 2% yield and the share repurchase program. And at the same time, we've been active on the M&A in a very strategic and disciplined way. So some years have been more active than others because, obviously, it's hard to exactly plan and execute M&A, if you want to be disciplined. So it's not necessarily coming every quarter or in a linear way.

Now talking about that in the example you've provided, definitely our expansion into new domains and sometimes our acceleration of build versus buy kind of decisions is happening for M&A as a vehicle. And the comment was made just to make sure people understand, given the circumstances right now, we continue to hold a view that we can be acquisitive. And even if needed, we can take debt to do that. It wasn't a signal that, guys, something big and huge is happening. Not at all. I think it was more of a signal that it remains a relevant vehicle. We've been quite successful with many of those M&A initiatives. I will not say 100% success rate because M&A is very challenging, and I don't think we're magicians. We do have a very strong PMI methodology, and we are very conscious about planning the post-merger integration or the pre-deal decision. And we continue to be -- naturally looking -- when I say strategically, it's, first of all, in the growth domains that we've identified. You're right to say, okay, what about adjacent markets? In a way, the media expansion was a clear example of adjacent market because the media capabilities we have help us -- help communication service providers as they expand and launch entertainment capabilities of some sort but also help us address now a new type of customers, which are the content creators and the media companies themselves. We're not in a position now to announce anything new. So just -- we have a decision, and we're just not in a position to tell you. It's just that we have different strategic processes, thinking and evaluating different ideas. And obviously, when things mature, we'll be able to share them. But in general, I would say that we've been successful in doing so in the past. And therefore, we'll continue to see how we expand our addressable market by evaluating this kind of strategic directions, but nothing concrete now to talk about.

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

Great. Thank you so much, Tamar. I guess that concludes our conversation. Thanks for taking your time.

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

Thank you. Tavy. And thank you, everyone.

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

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

Keep safe.

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

Likewise. Speak to you soon.

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

Bye-bye.

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