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Q3 2021 Amdocs Ltd Earnings Call

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PRESENTATION

Operator

Good afternoon, everyone. Thank you for standing by, and welcome to the Q3 2021 Amdocs Earnings Conference Call. (Operator Instructions) As a reminder, this conference call may be recorded.

I would now like to turn the conference over to Mr. Matt Smith, Head of Investor Relations. Please go ahead, sir.

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

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

Accordingly, management believes that isolating the effects of such events enables management and investors to consistently analyze the critical components and results of operations of the company's business and to have a meaningful comparison to prior periods. For more information regarding our use of non-GAAP financial measures, including reconciliations of these measures, we refer you to today's earnings release, which will also be furnished with the SEC on Form 6-K.

Also, this call includes information that constitutes forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be obtained or that any deviations will not be material.

Such statements involve risks and uncertainties that may cause future results to differ from those anticipated. These risks include, but are not limited to, the effects of general economic conditions, the duration and severity of the COVID-19 pandemic and its impact on the global economy and such other risks as discussed in our earnings release today and at greater length in the company's filings with the SEC including our annual report on Form 20-F for the fiscal year ended September 30, 2020, filed on December 14, 2020, and our Form 6-K furnished for the first quarter of fiscal 2021 on February 16, 2021, and for the second quarter of fiscal 2021 on May 24, 2021. Amdocs may elect to update these forward-looking statements at some point in the future. However, the company specifically disclaims any obligation to do so.

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

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

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

Thank you, Matt, and good afternoon to everyone joining us on the call today. I'm pleased with our Q3 performance, which I believe reflects the positive impact of the strategic initiatives we executed this year to accelerate Amdocs' long-term growth.

My comments today will refer to certain financial metrics on a pro forma basis where applicable, to provide you with a sense of the underlying business trends, excluding the financial impact of OpenMarket, which we divested on December 31 as previously announced. Revenue was above the guidance midpoint, up 9.4% from a year ago on a pro forma constant currency basis and consistent with our expectation for a stronger second half.

Profitability remained slightly above the high end of our target range and we generated robust free cash flow, of which we returned the majority to the shareholders by way of quarterly share repurchase and our dividend program. The strong sales momentum we've seen in the recent quarters also continue in Q3. On a pro forma basis, 12 months backlog was our highest ever and up 10.8% from a year ago.

Additionally, our growth engines are contributing to new business awards, including digital and 5G system modernization, cloud migration and net generation of sales platforms for networks. The demand is a positive sign that our growth strategy is well aligned with the ever-evolving needs of our customers and our ongoing commitment to innovation.

Over the past several quarters, we increased our R&D investment as a percentage of revenue and extended our lead in what we define as the 5G value plane. The 5G value plane integrates key capabilities such as charging, policy and monetization as well as multi-access edge computing and software-defined networks to support the upcoming rollout of 5G stand-alone networks that will allow service providers to drive premium 5G services offering an innovative business model.

Overall, Amdocs is executing well for Q3 and the fiscal year-to-date, the credit for which belongs to our thousands of employees worldwide. Many of our people were subject to the recent escalation of the global pandemic in certain operating regions, yet as a company, we have maintained consistent execution and delivered great value to our customers.

Globally, we are encouraged to see some positive sign of improvement as vaccination programs are rolled out. And I'm happy to welcome back different teams to the offices in those parts of the world where we're able to gradually reopen. That said, we continue to monitor the global pandemic closely and the health and the well-being of our employees remains our priority.

I'm proud of Amdocs people everywhere, and I thank them all once again for their ongoing dedication and commitment to Amdocs. Now let me provide some color with respect to our regional performance in Q3. Beginning with North America. We delivered another record quarter on a pro forma revenue basis, reflecting healthy activity levels with many customers across the region. As we said last quarter, North American service providers are accelerating multiyear investment cycles focused around major industry trends, including: digital transformation and system modernization aligned with 5G rollout with a focus of monetizing and delivering new services utilizing charging and policy platforms;

and rollout of 5G mobile, fixed wireless and fiber network to support fast and highly secure broadband connectivity, which we deliver on the cloud and provisioned on next-generation platforms as we continue to see how connectivity has become a critical backbone of our society in our new hybrid work and home settings.

Further to this, we see a future being powered by a partner economy, which leverages technologies such as multi-access edge computing and private networks while being able to bring together a rich partner ecosystem that expands monetization opportunities. We believe that our next-generation offerings are at the heart of many of our North American customers' investment plans and as well as partner -- as well as a valued partner, we believe we are well positioned to expand our scope of activities and deliver even more value to our customers.

This quarter, AT&T selected Amdocs' quality engineering services under a multiyear services deal to provide agile, scalable and DevOps based quality assurance. QA is integrated into every step of the development process for a faster time to market with new services and builds on our existing activity supporting the monetization of AT&T consumer mobility domain.

Additionally, we are progressing well at T-Mobile, where our zero-touch service operation were recently selected for a program to implement next-generation automation, leveraging machine learning and AI tools. Across our broader North American customer base, activity levels are also healthy. At Verizon, we're implementing CatalogOne, in addition to which we are now deploying our cloud-native, next-generation OSS 5G platform for service and network automation.

At Altice, Comcast, Charter and DISH, we are executing our previously announced programs while continuing to demonstrate the long-term value we can bring to this customer as they crystalize their future investment plans. Additionally, in the media segment, Adobe recently signed a multiyear agreement with Amdocs to support customer retention efforts by implementing Vindicia's cloud-based subscription billing solution, part of the Amdocs MarketONE platform.

Tying it all together, Amdocs is in the heart of North America's initiatives to advance 5G and the cloud, and we look forward to further supporting our customers in what we believe is a multiyear investment cycle.

Moving to Europe, revenue grew sequentially as our customers progressed digital modernization investments to support improved customer experience, better operating efficiency and multi-play convergence strategies. Expanding our relationship with multinational groups has been -- has long been a part of Amdocs' international growth strategy. Europe's Three Group is a good example of how we started the customer relationship by delivering value through a modernization project at the Irish affiliate, expanded to Three UK in the business-to-business domain, and now Three expanded -- now in Q3, Three expanded to the consumer sector with a new multiyear managed transformation award to provide Three UK subscribers with next-generation digital experiences and 5G services.

This quarter, we also strengthened our long-standing relationship with Vodafone Group, where we were selected to provide inventory and next-generation OSS capabilities to support Vodafone mobile, fixed and cable offering in Germany, Romania and Czech Republic. Additionally, we expanded our agreement with Vodafone Spain to modernize its CRM system ready for the 5G era.

Among other customer highlights this quarter. BT Group, Bridge Telecom Group, implemented Amdocs' BriteBill platform to deliver easy-to-understand billing communications to its tens of millions of customers across the United Kingdom, and Amdocs Media's Vubiquity extended its multiyear content-as-a-service engagement with German language IPTV provider, Ocilion.

Turning to the rest of the world. Revenue improved sequentially for the fourth straight quarter. In Latin America, our activities included the ramp-up of the previously announced digitalization programs at Claro Brazil, Chile and Puerto Rico. Additionally, SETAR, Aruba's national telecom provider recently filed a 5-year extension with Amdocs to continue supporting the postpaid billing efforts for the business and consumer offerings through 2026.

In Southeast Asia, we've been awarded a multiyear cloud managed transformation agreement with True Corporation in Thailand to upgrade their monetization platform to the new cloud-native and 5G ready Amdocs CES21 suite enabling True to launch, manage and monetize innovative new 5G services.

Before wrapping up, let me highlight some of recent developments in our strategy to accelerate the communication's industry journey to the cloud. First, the market-leading capabilities of our next-generation cloud-native CES portfolio were recently recognized by AWS, which named Amdocs winner of the Best Telco Solution award. We are honored by this recognition, which we see as another example of the strong partnerships we are forging with the leading cloud provider in the industry. We continue to work very closely with Microsoft, where we have recently expanded our strategic collaboration to widen the availability of our portfolio on Azure.

Second, I can report the post-merger business integration of Sourced Group is progressing well. As a leading global technology consultancy specializing in large-scale cloud transformations for sophisticated,high-end enterprises, the expertise that we have acquired at Sourced is already translating to new business opportunities in cloud operations and services.

To wrap up, I'm happy with our performance for Q3 and the fiscal year-to-date. We expect year-over-year revenue growth to accelerate on a pro forma constant currency basis in fiscal '21, supported by the positive contributions from all 3 regions in which we operate.

Our confidence in the outlook is supported by the visibility of our 12-month backlog, a growing pipeline of opportunities and our market-leading offerings which are well aligned with the customer's needs for digital modernization, 5G and cloud migration and next-generation OSS platform.

Overall, we are raising our fiscal 2021 outlook for non-GAAP earnings per share growth on a pro forma basis by 80 basis points at the midpoint of the range, and we believe we are firmly on track to deliver expected double-digit total shareholder return for the full year, including our dividend yield.

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

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

Thank you, Shuky. Let me start with the quick housekeeping item with respect to OpenMarket, which was included in our reported numbers for income statement and cash flow in the first quarter of fiscal 2021 but is excluded for the second and third quarters of fiscal 2021, following the completed divestiture of this asset on December 31, 2020.

To provide you with a sense of the underlying business trends, my comments today will refer to certain financial metrics on a pro forma basis, which exclude the financial impact of OpenMarket from the current fiscal year and comparable fiscal year period. Third fiscal quarter revenue of $1.07 billion was above the midpoint of our guidance range of $1.04 billion to $1.08 billion.

Revenues include a positive impact from foreign currency fluctuations of approximately $3 million relative to the second fiscal quarter of 2021 and a positive impact of $5 million relative to guidance. On a pro forma basis, revenue grew by 9.4% year-over-year in constant currency in the third fiscal quarter.

Our third quarter revenue grew by 3.9% year-over-year as reported and was up 1.9% on constant currency. Our third fiscal quarter non-GAAP operating margin of 17.6% remains slightly above the high end of our long-term target range of 16.5% to 17.5% and was up 50 basis points from a year ago.

Non-GAAP operating margin was unchanged on a sequential basis. The improvement in non-GAAP operating margin from a year ago reflects the investiture of OpenMarket and operational excellence initiatives while accelerating our R&D investment in our strategic growth domains of digital, 5G and the cloud.

Below the operating line, non-GAAP net interest and other expense was $1.2 million in Q3, the mix of which includes interest expense related to our short-term borrowing and 10-year bond, offset by a favorable impact of foreign currency fluctuations in the quarter. For forward-looking purposes, we expect that foreign currency fluctuations will continue to impact our non-GAAP net interest and other expense lines in the range of a few million dollars on a quarterly basis.

Diluted non-GAAP was $1.35 in Q3, above our guidance range of $1.14 and $1.20, primarily due to a lower-than-anticipated non-GAAP effective tax rate of 7% in the third fiscal quarter, which is below our annual target range of 13% to 17%. Our Q3 tax rate reflected the favorable impact of certain tax optimization strategies in some of our operating jurisdictions, which we were able to complete in Q3 rather than the fourth quarter as originally planned.

Therefore, our expectations for the full year fiscal 2021 non-GAAP effective tax rate remain unchanged. But specifically, in Q4, tax rate will be higher than this annual range. Diluted GAAP EPS was $1.14 for the third fiscal quarter, above our guidance range of $0.91 to $0.99, also primarily due to a lower-than-expected effective tax rate.

Normalized free cash flow was $179 million in the third fiscal quarter, up approximately $10 million as compared to $169 million a year ago. On a reported basis, free cash flow was $140 million in Q3. This was comprised of cash flow from operations of approximately $190 million, less $50 million in net capital expenditures and other. Please refer to the reconciliation table provided in our Q3 earnings release for an explanation of the difference between normalized and reported free cash flow in the quarter and for past periods.

DSO of 79 days decreased by 6 days year-over-year and was flat as compared to the prior fiscal quarter. We remind you that DSO may fluctuate from quarter-to-quarter. As of June 30, total deferred revenue exceeded total unbilled receivables by $148 million. This reflects a decrease in total deferred revenue of $17 million and an increase in total unbilled receivables of $2 million as compared to the second fiscal quarter of 2021.

Changes in unbilled receivables and total deferred revenue are primarily due to the timing of corporate specific milestones. Moving forward, you should expect these items to fluctuate from quarter-to-quarter, in line with normal business activity. Moving on. Our 12-month backlog was $3.59 billion at the end of the third fiscal quarter, up approximately $50 million from the end of the prior quarter.

On a pro forma basis, our 12-month backlog was a record high for the company and up roughly 10.8% year-over-year. We believe our quarterly 12-month backlog continues to serve as a good leading indicator of our business, having consistently averaged around 80% of forward-looking 12-month revenue over the past many years.

For your forward-looking modeling purposes, however, we remind you that revenue for all quarters in fiscal 2020 and for the first fiscal quarter of 2021 still included OpenMarket, the effect of which should be taken into consideration in a year-over-year revenue growth comparison for the fourth fiscal quarter 2021 and the first fiscal quarter of 2020.

I am pleased to report another record quarter for Managed Services agreements which comprised roughly 61% of total revenue. We continue to see the value of our Managed Transformation model brings to our customers with additional new deal awards this quarter such as Three in U.K. and True in Thailand. Our Managed Transformation model combines the deployment of large-scale digital transformation projects with the operational benefits of our Managed Services model.

We see high renewal rates and expansion with existing Managed Services customers. To clarify, the OpenMarket business was not classified as Managed Services, and therefore, its exit does not impact our revenue for Managed Services.

Our cash balance at the end of the third fiscal quarter was approximately $105 (sic) [$1.05] billion, including aggregate borrowings of roughly $650 million. We remain comfortable with our balance sheet and believe that we have ample liquidity to support our ongoing business needs while retaining the capacity to fund our future strategic growth investments as and when the right opportunities arise.

Additionally, we are committed to maintaining our investment-grade rating. Now turning to the outlook. The prevailing level of macroeconomic business and operational uncertainty surrounding the magnitude and duration of the COVID-19 pandemic remains elevated. The midpoint of our revenue guidance reflects what people feel to be the most likely outcomes based on the information we have today, but we cannot predict all possible scenarios.

We expect revenue for the fourth fiscal quarter of 2021 to be within a range of $1.065 billion to $1.105 billion. Our Q4 revenue guidance anticipates a negative sequential impact of approximately $1 million from foreign currency fluctuations. Regarding the full fiscal year 2021, we are raising the midpoint of our outlook for revenue growth on a pro forma basis by 30 basis points to a new range of approximately 6.3% to 7.3% year-over-year constant currency as compared to a previous range of 5% to 8% year-over-year.

On a reported basis, we also expect a 30 basis point improvement relative to our previously guided range. We now expect full year revenue growth in the range of 2.3% to 3.3% year-over-year as compared with the previous range of 1% to 4% year-over-year. The adjusted revenue outlook on a reported basis anticipates a positive impact from foreign currency fluctuations of approximately 1% year-over-year consistent with our previous expectation.

As previously anticipated, our outlook expects an acceleration in the rate of year-over-year revenue growth on a pro forma basis in the fiscal second half and we still expect all 3 geographical regions to deliver revenue growth on a pro forma basis for the full fiscal year 2021.

As a final note to further help with the revenue modeling, we remind you that we originally planned for OpenMarket to contribute revenue in the range of $300 million for the full fiscal 2021, roughly 75% of which was expected from North America and Europe accounting for the rest.

Regarding profitability, we continue to anticipate quarterly non-GAAP operating margins to track roughly in line with the high end of the annual target range of 16.5% to 17.5%. This outlook assumes accelerated R&D investments as a percentage of total revenue to support our customers and future strategy, balanced with our continued focus on delivering operational excellence.

We expect the fourth fiscal quarter diluted non-GAAP EPS to be in the range of $1.13 to $1.19. Our fourth fiscal quarter non-GAAP EPS guidance incorporates an expected average diluted share count of roughly 128 million shares. We excluded the impact of incremental future buyback activity during the fourth quarter as the level of activity will depend on market conditions.

Regarding the full year fiscal 2021, we are raising the midpoint of our outlook for non-GAAP diluted earnings per share growth by 80 basis points to a new range of 9.1% to 10.5% on a pro forma basis as compared to 7.5% to 10.5% previously. On a reported basis, we expect to deliver full year diluted non-GAAP EPS growth of 7.6% to 9% year-over-year as compared to 6% to 9% year-over-year previously, which also equates to an increase of 80 basis points at the midpoint.

As a reminder, this outlook includes the impact of OpenMarket for the first fiscal quarter only. We expect our non-GAAP effective tax rate to be within our annual target range of 13% to 17% for the full fiscal year 2021. We continue to expect normalized free cash flow for the year 2021 of approximately $820 million. This outlook is equivalent to about 8% of Amdocs' market cap and represents a conversion rate of roughly 130% relative to our expectations for non-GAAP net income.

As a reminder, we expect free cash flow to convert at a rate more on par with expected non-GAAP net income over the long term. Additionally, we increased our outlook for reported free cash flow for fiscal year 2021 to approximately $650 million. The improvement of $30 million relative to our prior view is related to a shift to next year of payments related to our investments in the new campus in Israel. Our reported free cash flow outlook, therefore, anticipates expenditures of roughly $110 million in relation to the development of our new campus in Israel, $40 million of capital gains tax in relation to the divestiture of OpenMarket and other items.

During the third fiscal quarter, we repurchased $90 million of our ordinary shares as part of our share repurchase program. Regarding our capital allocation plans, we remain on track to return a majority of normalized free cash flow to shareholders in the form of our quarterly dividend and share repurchase program in fiscal 2021. As of June 30, we had roughly $1.1 billion of authorized capacity for share repurchase remaining. This amount includes $1 billion authorized under the new share repurchase plan, which was approved by our Board in the prior quarter, and which we will execute at the company's discretion going forward.

Overall, we remain on track for pro forma revenue growth acceleration, improved profitability and strong free cash flow for the full year fiscal 2021, the combination of which firmly positions us to deliver double-digit total shareholders return of roughly 12%, including the midpoint of our new pro forma non-GAAP earnings per share growth guidance plus our dividend yield.

Before we go to Q&A, I'm pleased to say that we have just published our new Corporate Social Responsibility report, which covers the year 2020 up until June 2021. The report details how, despite the pandemic, we have managed not just to maintain but to grow our extensive CSR initiatives worldwide, many of which have to be quickly reinvented as we adapted to the restrictions around us.

Examples of essential pandemic-related initiatives to support communities in which we live and work includes donating medical equipment, computers for remote learning, food for the needy as well as establishing a call center to assist thousands of isolated senior citizens to connect with their love ones online.

The report also highlights our increased focus on diversity and inclusion as well as our successful sustainability efforts with leadership ranking from EcoVadis and CDP, the Carbon Disclosure Project as well as being included for the second consecutive year in the S&P Dow Jones Sustainability Index North America.

With that, we can turn back to the operator, and we are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We have our first question from the line of Jackson Ader from JPMorgan.

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

First question is around how we should be thinking about the kind of pro forma growth in the backlog number relative to what we should be thinking about how that flows into growth in revenue once we get past kind of all this divestiture of Openet and everything moving forward.

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

So Jackson, Tamar speaking. Just to clarify, when we talk about the backlog and the fact that it's growing 10.8%, this is already on a pro forma basis. So we made sure to take out the noise, if you will, of OpenMarket from the comparable number of last year so you will see the actual real trend in terms of the 12-month better.

Very happy with the business momentum we are seeing. We've signed actually business across all key regions. So not -- I cannot say that it's coming just from 1 specific place. Actually very happy to say it's balanced across many accounts, many regions, we talked about several examples during the prepared remarks. So we'll be happy to elaborate.

And I believe that we are enjoying now the relevance of our offering to the industry investment cycle in cloud, 5G, digital transformation. We are continuing to -- to continue to see very well fit between what we prepared in terms of our offering, in terms of our products and in terms of the customer demands. And as we've always said, backlog is a good leading indicator, but you shouldn't take it literally as the 1:1 ratio necessarily for revenue growth.

And in general, when we are looking on backlog, it's adding to the visibility of the business. The whole meaning of the backlog is to give you some confidence about what we have already as signed business or the business that we have high level of predictability on. So we're very encouraged to see the improved visibility as represented by the backlog.

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

Okay. Great. And then Shuky, in your remarks, you mentioned signing a Vindicia deal with Adobe and that's just an interesting vertical if we think about, right, companies like yourselves, software company with subscription revenue models. So can you give us any kind of an idea of maybe outside of your peer telecom or media, how big the opportunity might be for Vindicia and the technology or software market?

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

So as you mentioned, Vindicia is a very robust subscription billing SaaS model. Adobe actually is going to use it for the subscription model for the product and services. Vindicia is tightly integrated to our MarketONE platform. And the whole idea is to give our customers and also, obviously, a customer like Vindicia, the ability to leverage from the OTT economy, which usually is subscription based. So we have like a full solution base to support any over-the-top type of sales that also bring integration, like the Netflix of the world, Spotify and others and to bring additionally subscription billing capabilities.

There is in some places of the world that the subscription billing is also adopted on top of the postpaid or traditional prepaid models. And I can tell you that this offering is being used not just by our telco customers, but some other customers like Adobe.

Operator

We have another question from the line of Ashwin Shirvaikar from Citi.

Ashwin Vassant Shirvaikar ***Citigroup Inc. Exchange Research - MD and lead Analyst***

My question was with regards to -- Shuky in your remarks, obviously, you spoke about demand due to digital modernization, 5G, cloud, next-generation OSS, these are factors that obviously helped you for a few quarters here. Is there a geographical look you can provide? Is it different by North America versus EU versus Rest of World? And then the follow-up question to that is, is the Europe and Rest of the World growth sustainable?

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

Is the Europe what?

Ashwin Vassant Shirvaikar ***Citigroup Inc. Exchange Research - MD and lead Analyst***

The Europe and Rest of the World growth, can it be sustainable at higher levels?

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

So let me start with the second question. Very, very much so. We have a very, very good pipeline in Europe, additional large deals, so we are very optimistic that we are going to sustain this incremental growth in Europe. And for the first question, I think that when we talk about the 3, 4 trends. So I think that in the journey to the cloud and digital modernization, and I think that pretty much it's consistent across geographies.

As relates to 5G and next-generation networks, I think the U.S. is leading. Europe is a close follower and then APAC and Latin America. So this is where we see more, I'd say, activity of moving to stand-alone 5G networks in North America. It's a bit ahead of the Rest of the World. But Europe is a very close follower. APAC is the same. So I think that eventually, in like, I don't know, 18 months, pretty much the trend will be completely very much balanced across the different regions.

There are some countries like, I think, the most advanced country in 5G stand-alone is actually South Korea, which we are operating and supporting both areas there and give us a lot of know-how in this domain. But to your question, I think that the 5G rollout in the U.S. is ahead of the Rest of the World. But I think it's going to be there in the next, I don't know, 9 to 18 months, everyone probably will see some balanced activity in this domain, too.

Ashwin Vassant Shirvaikar ***Citigroup Inc. Exchange Research - MD and lead Analyst***

Understood. And then the other question was with regards to just the delivery and other companies in the services space, you obviously talked about talent being difficult to find and so on and so forth. What's your view with regards to the supply of talent that you need for your particular set of services. Can you comment a little bit on your delivery stack, if you will. And if that presents potentially an opportunity if you can continue to provide digital transformation expertise and 5G expertise where others cannot.

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

I can start, and Tamar will add. First of all, as I mentioned, we are very proud with our capabilities. With all the issues around pandemic, I think we have thousands [and thousands] of employees at [Chrysler award] are doing a great job. I think that Amdocs represent a lot of unique opportunities to talent. And I think that we are doing well in recruiting new talent in all domains, 5G, cloud, et cetera. We have a very robust site strategy. So I think that if we have some pressure on 1 site, we can obviously balance with other sites.

And so I think that like everyone else, we see that there is a lot of demand for the new skills, cloud and others, but I think that we are doing pretty well in being able to recruit in this domain. Tamar, do you want to add?

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

I just want to add that our access to many talent pools around the world is obviously giving us a lot of levers in terms of where we are reporting, how we are onboarding employees, ability to attract talent in different places of the world from Guadalajara, Mexico all the way to the East Philippines and India and everything in between. So that provides, obviously, great flexibility.

Another point is that the internal career opportunities in Amdocs, having the unique model of doing both the software development and cutting-edge technologies, latest and greatest on the planet. And at the same time, having real-time experience in delivering projects to leading customers around the world is a very unique career opportunity that we can provide our target employees as well as existing employees, that translates to high level of internal mobility that adds to the capability of people to find their career and move within the company.

Operator

Our next question comes from the line of Tal Liani from Bank of America.

Tal Liani ***BofA Securities, Research Division - MD and Head of Technology Supersector***

Congrats on a great quarter and guidance. I have a question on the negatives or potential negatives. The first 1 is your software sometimes depends on equipment that is being installed by carriers, whether it's 5G base stations or even switches and routers. And how much of an impact do you see from the supply constraints that your customers are seeing? We are hearing from the equipment vendors that they can't ship what they are being asked to ship and the question is, does it cause any delays on your end to deploy the software?

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

Tal, the answer is very short. There's no impact. The majority of implementation of software implementation and the monetization system are on the cloud. So there is no -- obviously, you know that there's no impact there. In the network deployment, we are mainly doing planning. So it's not -- we don't -- I don't think we see any impact on the equipment itself. So to tell you the truth, before you asked this question, I was not even aware that there was an issue. So I don't think there's any impact on us.

Tal Liani ***BofA Securities, Research Division - MD and Head of Technology Supersector***

Good to be on the good side on the software side. Second question is another negative, potential negative, which is the delta variant. We are seeing the return of restrictions cross the board and worldwide. Does it have any -- does it impose any risk to your ability to deploy? Or did you factor in anything in your guidance?

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

Actually, the majority of the Amdocs employees worldwide are still working from home and definitely in India, which we have a large workforce. So we want to bring the employees back to the offices because this is the right thing to do. By the way, we advanced a lot in the last quarter with the vaccination program. The vast majority of our employees in India were vaccinated this quarter.

So I don't think -- I think that -- the only thing that impacts us, that we are more bullish on getting back to -- the employees back to the office and start to innovate together within the offices. So this probably could slow down a little bit, given the delta impact. But other than this, I mean, we deployed this quarter, the record high deployment over 100 production implementations without issues doing -- while the vast majority of the employees are working from home.

We have the right capabilities, methodology. So as I said, the only impact that we saw that we can get the employees faster back to the office, but there was no impact on our ability to deliver the services.

Tal Liani ***BofA Securities, Research Division - MD and Head of Technology Supersector***

And the fact that there are, again, travel restrictions and maybe even meeting restrictions with customers, it also doesn't have any impact?

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

I can tell you that although the vast majority of our customers are still not yet meeting. Obviously, in the cities, we work together on customer site so I don't think there is an impact. I mean we are working on this environment for the last 18 months. So we became very good at that. We said we thought that we can bring employees faster to the office. We do still -- we do meet customers even in this environment. I think that this quarter, there is increase in face-to-face customer meeting comparing to before.

So again, obviously, we like to meet our customer face-to-face, we want to bring employees back to the office. And I think delta probably will slow it down, but I don't think there's an impact on our business.

Operator

(Operator Instructions) We have another question from the line of Tim Horan from Oppenheimer.

Unidentified Analyst

This is actually Edward Yang on behalf of Tim Horan. Shuky, I know it's early days, but could you provide an update on the Verizon relationship. I think they were taking the CatalogOne and NEO product from your portfolio? How has experience been there and the opportunity to expand that business?

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

I can show some this deal but I can tell you that the programs are going well. I think that we continue to create trust, and I think that Verizon likes both our products and our people. And without giving more information, I can tell you that -- why we are doing that. There is some discussion about other opportunities. When it will be more mature, we'll gladly share this with you. But overall, it's moving well.

Unidentified Analyst

Perfect. And as a follow-up, could you comment on some of the announcements that AT&T has had this quarter some pretty significant strategic moves, their agreement with Azure for operators, for instance, and also their MVNO agreement with DISH. What are the puts and takes and the effects on Amdocs business?

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

Most of them don't have, I think, an impact on Amdocs and maybe some type of potential. As you're well aware, we are partnering today with Microsoft and AT&T, and we are obviously doing a lot of activity of translating and moving a lot of hundreds of AT&T applications to the cloud, this partnership with Microsoft to the Microsoft Azure platform. I think I cannot tell you right now specifically, but I think this agreement between AT&T to Microsoft in the network domain, probably creates some opportunities for us given the fact that we have a very good understanding of the environment in AT&T, given our experience of developing ONAP together with AT&T. So I don't see any headwind and if anything, I see some opportunity.

Operator

We have another question from the line of Tom Roderick from Stifel.

Matthew VanVliet

It's Matt VanVliet on for Tom. I want to start kind of following up with that and just thinking about the AT&T and T-Mobile opportunity. You mentioned quite a few wins or agreements with them this quarter. But just how much room is there left to grow with that relationship in kind of the merger going on?

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

So I think I can give you a couple of answers. A, everything that we are doing right now both in AT&T and T-Mobile is just very initial stages. We just -- we talked about the modernization cycle, both in AT&T and in T-Mobile, and obviously in Verizon that started last year, and we are enjoying this tailwind because we were selected by both to be the main monetization system for the consumer platform and T-Mobile also in the B2B platform.

So these projects are just starting. So the vast majority of the activity is still ahead of us. On top of it, I think that there's a lot of opportunities on top of the existing activity. A good example is that we announced a deal with AT&T of the quality engineering testing environment that we have -- this is above and beyond we were doing so far. We are doing the same with T-Mobile and getting additional business on top of the -- in this one, I think this time, we discussed the zero-touch operation environment and others. So there is -- so the answer is yes, there is a room -- there is very much room to grow the existing activities.

And additionally, the activities that we mentioned, which is huge, the modernization of all the consumer business and both in T-Mobile and AT&T, and in T-Mobile also the B2B, this project just started. This is really initial stages, and we see a lot of growth ahead of us.

Matthew VanVliet

Got it. And then just thinking about that and 5G being led by the U.S., how should we look at the geographic growth going forward? I think you said that OpenMarket was predominantly a U.S. business. So there's been kind of a depression there. But should we expect a surge in U.S. activity to kind of catch up to the growth that you're experiencing in Europe and the Rest of the World?

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

So just to clarify, when we are providing our pro forma indications, it's taking out the OpenMarket from the comparable period in order to talk about the trends. So the underlying trend after doing the pro forma adjustments for the comparable periods in which we had OpenMarket. So in order to compare apples to apples, we are seeing growth in all key regions. We are seeing growth in North America, in

Europe and in the Rest of the World and are all performing also this quarter also, if you look -- if you can see sequentially, all 3 regions will -- if you would do the year-over-year on a pro forma basis, all 3 regions grew. So we're very happy about the growth overall being balanced on the key regions.

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

And just to add, I think that, generally speaking, we are very happy with the Openet acquisition. We always had a lot of respect to Openet before we acquired them. Now that they are part of Amdocs, I don't think there is any solution in the market that is even close to the policy and charging solution cloud-based offering. Really, this is the #1 top notch offering in the market. There is a lot of demand, and I think it's going very well for us.

Operator

There are no further questions at this time. I will now turn the call back to Mr. Matt Smith for closing remarks. Sir?

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

Yes. Thanks, everybody, for joining the call this evening and for your interest in Amdocs. We do look forward to hearing from you in the coming days. And if you have any additional questions, please call the Investor Relations group. And with that, have a great evening, and we'll wrap up the call. Thanks.

Operator

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