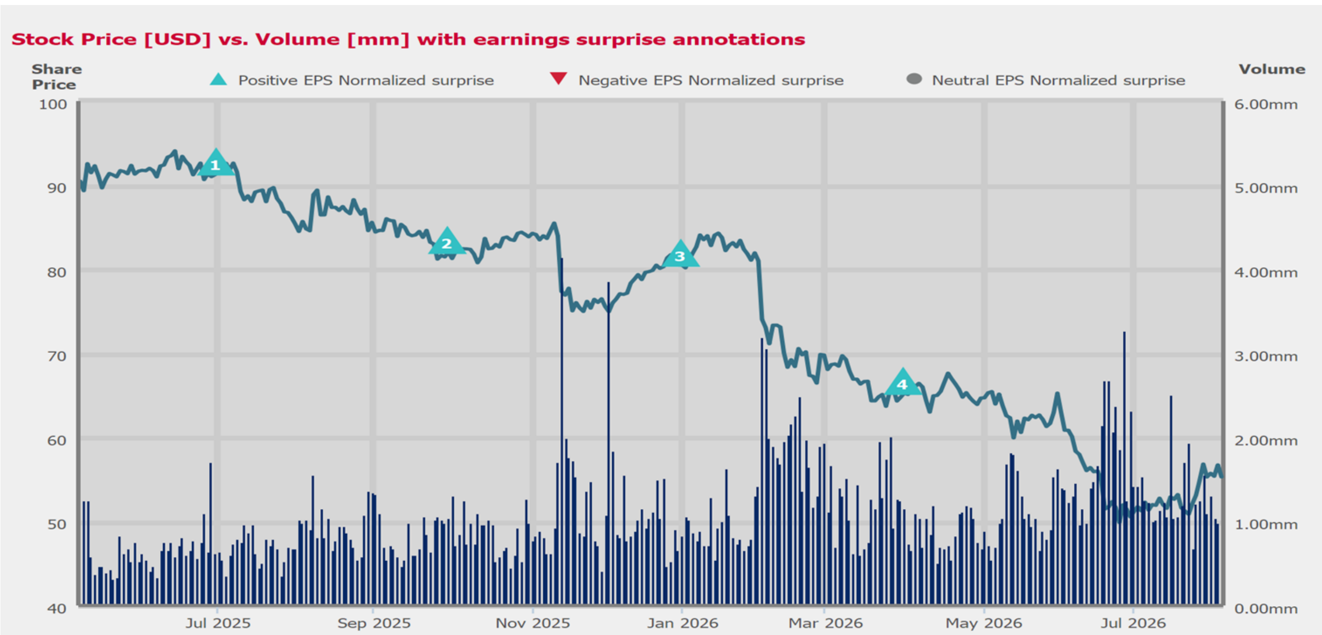
S&P Global
Market Intelligence

Amdocs Limited NasdaqGS:DOX
FQ3 2026 Earnings Call Transcripts
Wednesday, August 5, 2026 9:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.76	NA	NA	1.84	7.41	NA
Revenue (mm)	1166.11	NA	NA	1173.13	4688.53	NA

Currency: USD
Consensus as of Jul-19-2026 3:27 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	1.71	1.72	1 0.58 %
FQ4 2025	1.82	1.83	2 0.55 %
FQ1 2026	1.76	1.81	3 2.84 %
FQ2 2026	1.76	1.78	4 1.14 %

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Call Participants

EXECUTIVES

Matthew E. Smith
Secretary & Head of Investor Relations

Shimie Hortig
President, CEO & Director

Tal Rozenfeld
Chief Financial Officer

ANALYSTS

Devin Au

Timothy Kelly Horan
Oppenheimer & Co. Inc., Research Division

Presentation

Operator

Thank you for standing by, and welcome to the Amdocs Third Quarter 2026 Earnings Conference Call. [Operator Instructions] As a reminder, today's program is being recorded.

And now I'd like to introduce your host for today's program, Matthew Smith, Head of Investor Relations. Please go ahead, sir.

Matthew E. Smith
Secretary & Head of Investor Relations

Thanks, Jonathan. Before we begin, I need to call your attention to our disclaimer statement on Slide 2 of the presentation. It notes that some of our comments today may be forward-looking statements and are subject to risks, uncertainties and other important factors. Another important factor is including, as described in Amdocs' SEC filings, and that we will discuss certain financial information that is not prepared in accordance with GAAP. 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.

Participating on the call with me today are Shimie Hortig, President and Chief Executive Officer of Amdocs Management Limited; and Tal Rozenfeld, Chief Financial Officer. To support today's earnings call, we are providing a presentation which can be found on the Investor Relations section of our website. And as always, a copy of today's prepared remarks will also be posted immediately following the conclusion of this call.

On today's agenda, some Shimie will recap our financial achievements for the third fiscal quarter 2026 and full year outlook, after which he'll present the future strategy for Amdocs in the Agentic era. Tal will then provide additional details on our third quarter financial performance and guidance for the full fiscal year 2026.

So with that, I'll turn it over to Shimie.

Shimie Hortig
President, CEO & Director

Yes. Thank you, Matt. Good afternoon to everyone joining Amdocs Fiscal Third Quarter 2026 Earnings Call. I'm pleased to join you today from Amdocs New Jersey offices and provide an update on the significant progress we have made on our strategy as well as the meaningful commercial wins from the past few months.

Today, I would like to focus most of my remarks on Amdocs strategy and provide you with more color and insight on our long-term direction. Before that, let me briefly review our solid financial and operating performance for the third fiscal quarter. As shown on Slide 7, Q3 revenue of $1.175 billion and non-GAAP diluted earnings per share of $1.84 were consistent with the midpoint of guidance. Non-GAAP operating margin improved by 20 basis points from a year ago as we balance our growth investments with intentional strategic efforts to reshape our cost structure and drive efficiency. Managed Services delivered a record quarter, accounting for 67% of total revenue, and we closed the quarter with 12-month backlog of $4.26 billion, up 2.7% from a year ago.

With these results, I'm happy to say that we are reiterating the midpoint of our full fiscal 2026 financial outlook, including revenue growth of 3% in constant currency and non-GAAP diluted EPS growth of 6%.

Additionally, we are on track to generate free cash flow of roughly $720 million before restructuring payments in fiscal 2026, consistent with the midpoint of our target range.

Building on our strong financial performance, I'm proud to share an important moment in our Agentic journey. We signed a new large-scale multiyear partnership with Liberty Latin America to manage and transform their entire end-to-end IT ecosystem. This is a true flagship engagement and a major proof point of our Agentic transformation strategy, which I will cover in more detail shortly.

Additionally, we continue to see good sales momentum across our core products and services with wins at many of the world's leading providers, including Lumen, TELUS in Canada, Swiss Scandinavia, Telefonica Vivo in Brazil, PLDT and Optage in Japan.

At the same time, we remain focused on delivering consistent operational execution in Q3, successfully achieving a high number of milestones in support of project activities for customers such as AT&T, T-Mobile, Optimum, TELUS, Bell, A1 Austria, Globe Telecom and Telkom South Africa.

To elaborate on a few of them. At T-Mobile, we have made significant progress with the large U.S. cellular integration project, and we are on schedule to complete it. For A1 Austria, we completed a billing, charging and catalog transformation deployment following a multiyear transformation. At Globe in the Philippines, we completed a major modernization of their network policy to support cloud-native 5G.

Now let me provide an update on Amdocs strategy. So over the last few months, we have continued to advance our strategy, and I would like to share more details about the plans to lead Amdocs forward. Last quarter, I shared my excitement about the Agentic era and the long-term opportunity this presents to help out industry and customers fundamentally transform their IT and network domains. Our vision is to be the primary partner of choice to accelerate this Agentic transformation and unlock its value for our customers.

Today, I want to introduce our new 4-pillar growth strategy, as shown on Slide 12. Pillar 1 and the core of our strategy is aOS, the Agentic Telco Operating System, designed to fundamentally transform the way our customers operate their business. Pillar 2 is new vertical expansion where we plan to leverage our deep engineering pedigree, combined with our transformational expertise to accelerate Agentic modernization in another industry. Pillar 3 is emerging growth providers, where we intend to capture and solve emerging needs driven by the Gen AI revolution in our customer base and beyond. And Pillar 4, relates to the internal transformation of Amdocs to become an Agentic first organization as a key enabler to support our future growth.

Let me take some time to discuss each of these pillars in more detail. Starting with Pillar 1. AOS, the Amdocs Agentic Telco Operating System. In this pillar, our mission is to accelerate the transformation of each and every 1 of our customers to the Agentic era in a risk-mitigated and cost-conscious manner. In doing so, we will enable our customers to unlock the value of the Agentic era by simplifying complexity, reimagining end-to-end workflows, accelerating the launch of new offers from months to hours and significantly reducing their cost structures.

To that end, we are bringing to market aOS Amdocs Agentic Telco Operating System, which we have designed to be the leading technological framework for enabling our customers to be successful in their Agentic journey. This framework includes all the components and capabilities needed for our customers to identify their business and IT operations. We plan to continuously enhance this framework and its capabilities to lead our customers to a fully Agentic and autonomous future. We firmly believe that now is the time for our customers to embark on this journey.

We also understand that each customer has a different starting point and our role as the market leader is to design a tailored road map for each 1 of them. Giving our deep industry expertise, engineering heritage, transformational capabilities and outcome-based model, we believe our customers will trust us in the -- as their primary partner on this journey.

Along these lines, let me share more details about the significant large-scale engagement that we signed with Liberty Latin America. In this 10-year strategic engagement, Liberty Latin America is trusting Amdocs to manage and transform its entire end-to-end IT ecosystem, leveraging aOS, Amdocs Agentic Telco Operating System. These engagements moves beyond traditional IT operation into an AI-driven model designed to accelerate time to market, increase product innovation, enhanced customer and employee experience and deliver significant cost savings. This deal is also a meaningful expansion of Amdocs footprint in CALA region, and it's a major demonstration of our ability to handle high complex mission-critical operations across multiple markets.

Beyond this flagship agreement with Liberty Latin America, aOS is gaining encouraging market traction. As highlighted last quarter, AT&T Cricket, Lumen, EchoStar, Bell and PLDT were among the first to adopt aOS which is already in production and delivering value for several of them. More recently, Verizon, TELUS, Sunrise Switzerland, Swiss Scandinavia and a Tier 1 provider in Asia Pacific have signed initial aOS deals.

To provide some color, TELUS in Canada has seen encouraging early results of a customer digital twin engagement, demonstrating the power of aOS to deliver personalized experiences across customer service and sales interactions. As another example, Amdocs is partnering with Verizon on an Agentic AI initiative to automate RF design workflows with a program in active development. This reflects the broader industry shift towards AI-driven network operations and showcases Verizon's continued investment in AI and network quality. We believe that these initial engagements are a great indication of the aOS capabilities we are bringing to market, and we expect that will evolve into a larger and more meaningful journeys on which Amdocs will become the primary partner of our customers for their Agentic transformation.

Turning to Pillar 2. We believe that our proven track record of successfully executing major core system transformation. Coupled with our Agentic offering, are especially relevant in other high-volume mission critical and strictly regulated industries, where complexity presents a major challenge for core system transformation. We are, therefore, evaluating the potential to expand our addressable market by targeting additional vertical, positioning ourselves as a new market entrant with a disruptive Agentic approach.

Moving to Pillar 3 of our strategy, the emerging growth horizons. As we work closely with our telco customer, it is apparent that the Gen AI revolution is creating a clear demand to solve technological gaps and needs that did not exist before. We therefore see the potential to be the first to market with disruptive technologies designed to address these issues and expand our offering. As we scale through these potential opportunities, we plan to incubate and scale the ones with the greatest potential to become future new growth drivers for Amdocs.

Finishing up with Pillar 4, we are accelerating our internal transformation to make Amdocs an Agentic-first company with the right foundation to support our future growth.

To that end, we are implementing agent capabilities across software development, service delivery and operations. We already see the maturing with high levels of employee adoption.

What makes our story unique is that we are transforming internally with the same technology we deliver to our customers. We are our own customer zero and believe that running our operation on Agentic AI, while delivering it commercially at scale will provide the essential foundation to being an Agentic-first organization.

To bring it all together, the Agentic revolution presents an exciting opportunity for Amdocs, and I believe we have the right strategy to seize the moment with our Agentic Operating System, aOS. Our flagship deal with Liberty Latin America is an important proof point to show that we can tailor specific Agentic journeys for telco customers, lead large-scale Agentic transformation and expand our addressable market. Our system transformation expertise, coupled with Amdocs Agentic offering present a potential opportunity to expand beyond telco to other vertical and grabs the opportunity of emerging horizons. Although we understand we are dealing with constantly evolving landscape that could present uncertainty, we believe we have the right leadership, talent and skills necessary to quickly adapt and drive us forward.

With that, let me hand it over to Tal for his financial review. Go ahead, Tal.

Tal Rozenfeld
Chief Financial Officer

Thank you, Shimie, and good afternoon, everyone. Thank you for joining us. To Echo Shimie remarks, we are pleased with our solid financial performance for the third fiscal quarter. Q2 revenue was approximately $1.175 billion, up 2.7% year-over-year as reported and in line with the midpoint of our guidance with a negligible impact from foreign currency movement versus our guidance assumptions. In constant currency, revenue was up 2.2% from a year ago.

Moving down the income statement. Non-GAAP operating margin was 21.6%, up 20 basis points year-over-year and 10 basis points sequentially as we continue to balance our Agentic growth investments with internal cost and efficiency gains.

As a reminder, our non-GAAP operating margin may fluctuate slightly on a quarter-to-quarter basis.

Interest and other expenses amounted to roughly $14 million in Q3 and consistent with our prior quarter.

On the bottom line, our GAAP diluted EPS of $1.84 was in line with the guidance midpoint. Diluted GAAP EPS of $0.59 was below the guidance range of $1.39 to $1.47. This was due to a restructuring charge of roughly $0.91 per share, resulting from the acceleration of our internal transformation and our strategy to become an Agentic-first organization, as Shimie discussed a moment ago. Adjusting for this charge, GAAP diluted EPS would have been above the guidance range.

I'd also like to highlight that we generated free cash flow of $193 million before restructuring payments in Q3. This was driven by a healthy earnings to cash conversion in the period demonstrating that the core business is performing well as we continue to consistently execute for our customers.

As we measure our visibility and business resilience, Managed Services delivered record revenue of $791 million in Q3, up 2.5% from the prior year. Managed Services accounted for roughly 67% of our total revenue in Q3 and renewal rates remain consistently high as we continue to expand our engagement under the multiyear agreement.

In the U.S., a premier provider of digital television entertainment has signed an agreement with Amdocs to execute its strategic building migration program by leveraging Amdocs Agentic Operating System and AI-driven migration capabilities. The provider is modernizing its billing environment to streamline operations, improve efficiency and support long-term business growth while further strengthening its strategic relationship with Amdocs.

In Brazil, Telefonica Vivo expanded its collaboration with Amdocs by extending expanded services agreement to support its customer growth and OSS modernization with Amdocs customer experience fleet.

Additionally, we signed a multiyear Managed Services agreement with a leading South American provider, which will leverage Amdocs full OSS stack supported by AI-driven application management, operation services and software factory expertise.

Moving to the balance sheet and cash flow highlights, DSO of 78 days increased by 2 days from a year ago and 5 days sequentially. And this receivable net of deferred revenue increased by $98 million versus a year ago and by $68 million sequentially in Q3, aggregating the short-term and long-term balances.

As a reminder, the net difference between unbilled receivables and deferred revenue fluctuate from quarter-to-quarter, in line with normal business activities as well as our progress on multiyear engagement.

As mentioned, free cash flow before restructuring payment was $193 million in Q3, highlighting strong free cash flow for the year so far, we've already achieved nearly 75% of our fiscal 2026 target. Including restructuring payments of $21 million, reported free cash flow was $172 million in the quarter.

Overall, we ended Q3 with a healthy cash balance of approximately $206 million, an aggregate borrowing of roughly $930 million, including our $650 million senior note maturing in June 2030 and short-term financing arrangement of $280 million.

As of June 30, 2026, there was a $200 million outstanding notes under the commercial paper program and $520 million remains available on the revolving credit facility.

Overall, we have ample liquidity to support our ongoing business needs while retaining the capacity to fund our future strategic growth.

Switching to capital allocation, this quarter we repurchased $143 million of our shares, leaving us with $560 million of remainder repurchase authority as of June 30, 2026. We paid cash dividend of $60 million in the third fiscal quarter.

Looking to fiscal 2026. We are on track to generate free cash flow of between $710 million to $730 million, not including payments we expect to make under our current restructuring program. Our free cash flow equates to a conversion rate of roughly 90% relative to expected non-GAAP net income.

Regarding our capital allocation for this year, we expect to return the majority of our free cash flow to shareholders.

Moving on, 12 months backlog was $4.26 billion at the end of Q3, up 2.7% from a year ago, but down $20 million sequentially. We continue to believe 12 months backlog remains a good leading indicator of our business and forward visibility.

Now turning to our revenue outlook. We are continuing to closely monitor the preventing level of macroeconomic, geopolitical business and operational uncertainty, including our customer spending behavior in the current business environment. The fourth quarter of fiscal year 2026 financial guidance reflects what we consider to be the most likely outcomes based on the information we have today, but we cannot predict all possible scenarios. For the full fiscal year 2026, we expect revenue growth within a tighter range of between 3.2% and 4% as reported, the midpoint of which is unchanged as compared with our prior outlook of 2.6% to 4.6%. Our guidance assumes foreign currency tailwinds of roughly 0.6%, consistent with our previous assumption.

Consistent with our prior guidance, we expect that roughly half of the expected books in fiscal 2026 will be inorganic in nature.

On a constant currency basis, we expect revenue growth within a tighter range of between 2.6% and 3.4% for the full fiscal year, the 3% midpoint of which is also unchanged as compared with our previous guidance.

As to the fourth fiscal quarter, we expect revenue of between $1.175 billion to $1.215 billion.

Moving down the income statement. We are on track to deliver non-GAAP operating margin within our target range of 21.3% to 21.9% in fiscal 2026. The midpoint of which is roughly 20 basis points higher than the prior year of 21.4%.

As we discussed last quarter, our profitability outlook reflects a decision to accelerate our investment in Gen AI and our Agentic Operating System, aOS, including R&D, sales and marketing, balanced by our internal transformation initiatives to become an Agentic-first organization. We continue to expect our non-GAAP effective tax rate to be within an annual target range of 16% to 19% for the full fiscal year 2026.

Tying everything together, we now expect non-GAAP diluted earnings per share growth within a tightened range 5.5% to 6.5% in fiscal year 2026, the 6% midpoint of which is unchanged.

With that, back to you, Shimie.

Shimie Hortig
President, CEO & Director
Yes. Thank you, Tal. And I think with that, we are ready to take your questions. Operator?

Question and Answer

Operator

[Operator Instructions] Our first question for today comes from the line of Timothy Horan from Oppenheimer. .

Timothy Kelly Horan
Oppenheimer & Co. Inc., Research Division

Congratulations. I guess the elephant in the room really is Agentic AI, how you deploy both internally to improve your productivity and service offerings and your customers. Can you give us -- it seems like it could be really, really impactful for both internal and for your customers. Could you give us a rough sense of the next few years, what type of productivity improvements or service quality improvements -- you can do both internally and what can you do for your customers? Do you think you can improve productivity 10%, 30%, just a high-level sense of what you're seeing now?

Shimie Hortig
President, CEO & Director

Yes. Thank you, Tim. So as I explained, when I described the strategy, the 4-pillar strategy, the main growth pillar that we see going forward for Amdocs is around the Agentic transformation that we are planning to partner with our customers and to lead them in this journey over the next several years. We see that there is a huge opportunity to unlock the potential of, as you mentioned, the Agentic capabilities and fundamentally change the way they run and operate their IT. And for example, we just announced the Liberty Latin America strategic engagement. In this engagement, liberty LatAm is basically giving Amdocs the entire IT operations and partnering with us so we can transform their entire IT leveraging our aOS and to deliver major business benefits and significant cost savings for our customers throughout this year. So definitely, to your question, we believe that we can bring a significant reduction in cost for our customers throughout this transformation. And the main -- the key to do that is mainly by expanding the scope of responsibility that Amdocs will have, because the main benefits are coming from an end-to-end processes, end-to-end Agentic processes, end-to-end operational process with exactly what we're going to do with Liberty LatAm. So I believe there's definitely a potential to improve the cost structure of our customers.

The same goes for us internally, and that's the fourth pillar of the strategy. We believe that this Agentic transformation by implementing internally everything that we're also partnering with our customers, the Agentic as you see, the Agentic corporation, changing the way of working and so on, will also provide us with efficiencies within the company.

At this stage, we are balancing between the efficiencies that we know that we can gain internally with the investment that we are doing in order to build the airways and the future Agentic offering of the company. We're also monitoring very carefully the cost of the technology and the cost of the token, which is somehow unknown right now for the future. So somehow between the 3 forces, we believe that over time, we will definitely see Amdocs much more profitable going forward in the next several years.

Timothy Kelly Horan
Oppenheimer & Co. Inc., Research Division

So you think this will be very, very impactful to your customers like transformational like -- yes, we're trying to get a sense of how transformational you think this can be for your customers and for yourself. I mean can you reduce expenses internally substantially and automate your own internal operations? And where are you in your own process?

Shimie Hortig
President, CEO & Director

Yes. So internally, yes, we're making good progress. Again, we are using some of these efficiencies right now to invest in the future and to support the strategy. But long term, we believe it's going to bring us more efficiency.

In terms of our customers, it all depends on the appetite of the customers. But yes, customers that will be willing to go all in and to partner with us and to help them to transform their entire IT operations, for example, Liberty LatAm, Latin America, that went all the way, they will definitely see significant service. Other customers will partner with us in a smaller scale because they are not ready at this point to take a broader move. But we believe that over time, you will find us partnering with 200 customers all over the world. And for each and every 1 of them, we're going to tailor a specific transformational program, and we'll take them ahead them to leverage the potential of Gen AI, for sure.

Timothy Kelly Horan
Oppenheimer & Co. Inc., Research Division

Yes, that's really encouraging. And for Liberty, are they going to be spending a lot more with you than they were previously? And do you have a sense on the return on invested capital that will be seen for this?

Shimie Hortig
President, CEO & Director

Yes. It's again, without going into specific details about specific customers, but it's a major expansion of what we did before with Liberty LatAm. We had a very small footprint. This is a significant expansion of our partnership with Liberty LatAm.

Timothy Kelly Horan
Oppenheimer & Co. Inc., Research Division

That's really helpful. And just lastly, on the other 2 pillars. Can you just maybe -- are there any new industries you're thinking of entering? And secondly, I know the -- you highlighted new growth opportunities within the existing industry. Could you just elaborate on that a little bit more examples for both?

Shimie Hortig
President, CEO & Director

Yes, sure. So as I mentioned before, we believe that what we do right now in telecommunication and this deep understanding on how to transform to do Agentic transformation of [Michigan Data Systems] is something that we can help also additional verticals to support them. We gained a lot of experience transforming the industry, and I think it's going to be very relevant. If you combine it with the new offering that we are coming right now, aOS and tell it could definitely help accelerate this transformation in other verticals. So this is where I had is right now and this is part of our strategy for the future.

The other thing that we see that there are many -- and Gen AI is generating completely new needs and challenges that were never there before. And we see it when we talk to our customers about their journey and we see it when we do it internally and implementing the same tools internally with Amdocs, there are new challenges and new opportunities that we have the capability to solve. And what we plan to do is some of them that we are serving right now for our customers to incubate and scale them and it could be potential growth engines for the company going forward, which we didn't have these opportunities before. So there are some specific ideas and specific challenges that we are solving right now for customers that we believe that over time has the potential to become growth engines for the company.

Operator

[Operator Instructions] Our next question comes from the line of Devin Au from KeyBanc Capital Markets.

Devin Au

Kind of a multipart question to start. It's great to see the new aOS wins that you have secured in the quarter. maybe for the customers that are still hesitant on moving to aOS today or customers that are still in pilot, what are the top reasons or constraints that are preventing them from adopting aOS? And if you could also touch on your internal sales efforts, how are you enabling your sales team to convert more customers from pilots into commercial agreements?

Shimie Hortig
President, CEO & Director

Yes, thank you for the question. First of all, very happy with the progress that we have seen. Remember, we launched aOS in the beginning of March, we are in August. 5 months after that, we already -- we have 10 engagements with customers. Some of them is small, of course, but 10 engagement already with customers, which is a great, great momentum. And on top of it, I think the best proof point right now and the biggest, obviously, achievement of aOS right now is this partnership with Liberty Latin America. We could have not taken this challenge to transform the entire IT of Liberty Latin America without the aOS capabilities. So I think, first and foremost, we are very happy with the progress so far.

I think it's just a matter of time. To your question, what is slowing us right now, the customers of what is -- it's just a matter of time. Everyone is experimenting, once they see the technology, they see what we can bring them. They're getting excited. We're getting into production. They see the impact. And then the discussion is evolving to something more significant than the initial engagement that we had. And I can tell you that we're having some other meaningful discussions with customers as we speak. So we believe that the small engagement that started a few months ago will soon and over time, evolve to something more meaningful in just a matter of time.

Devin Au

Okay. Got it. No, that's helpful. And then maybe just a quick follow-up. Could you provide maybe more context on the sequential downtick in backlog? And does the backlog figure include some of the new aOS deals you have announced and also the big win at Liberty Latin in the quarter?

Shimie Hortig
President, CEO & Director

Yes. So overall, the backlog is a snapshot at a certain point of time. So some fluctuation always happen. The large deal with Liberty Latin America is partially included in these numbers already. But overall, we see a good, healthy pipeline right now, especially around the aOS so far.

Tal Rozenfeld
Chief Financial Officer

Just to add, Shimie, the backlog grew year-over-year by 2.7%. So we are still growing our backlog year-over-year. Yes.

Operator

[Operator Instructions] And this does conclude the question-and-answer session of today's program. I'd like to hand the program back to Matt for any further remarks.

Matthew E. Smith
Secretary & Head of Investor Relations

Thanks, Jon, and thanks very much for everyone joining the call. If you do have any other questions, please reach out to us here in the IR team. And with that, have a great evening.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.