

AMDOCS Q2 2025 CONFERENCE CALL SCRIPT - FINAL

May 7, 2025

5:00 pm

Matthew Smith, Head of Investor Relations

Slide 2: Disclaimer

Thank you, operator. 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 and uncertainties, 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.

Slide 3: Today's Speakers

Participating on the call with me today are Shuky Sheffer, President and Chief Executive Officer of Amdocs Management Limited and Tamar Rapaport-Dagim, Chief Financial and Operating Officer.

Slide 4: Earnings Call Agenda

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, Shuky will recap our business and financial achievements for the second quarter and full fiscal year 2025 and will update you on the continued progress we have made executing against our strategic growth framework, including Generative AI and our continued sales momentum in cloud.

Shuky will finish by discussing our financial outlook for the full fiscal year 2025, after which Tamar will provide additional details on our second quarter financial performance, and our forward guidance.

As we communicated previously, Shuky and Tamar will compare certain financial metrics on a pro forma basis which adjusts prior fiscal year 2024 revenue by approximately \$600 million to reflect the end of certain low margin, non-core business activities which were substantially already ceased in the first quarter of fiscal 2025.

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

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Slide 5: Shuky Sheffer, Chief Executive Officer

Thank you, Matt, and everyone joining us on the call today.

Slide 6: Good Q2 Financial Results, Consistent with Guidance

Starting on slide 6, I am pleased to report good results for our fiscal second quarter, credit for which belongs to Amdocs' global base of employees who are executing our strategy to deliver the next-gen cloud, digital, and AI-based solutions our customers need to ensure amazing experiences and seamless connectivity for billions of people each day.

Among the second quarter financial highlights:

- Revenue of \$1.13 billion was above the midpoint of guidance and increased by 4.0% from a year ago in pro forma constant currency
- Profitability improved by 10 basis points sequentially, reflecting ongoing internal efficiency gains
- We generated robust free cash flow of \$181 million excluding restructuring-related payments, supported by healthy customer cash collections, and
- Non-GAAP earnings per share was \$1.78, above the guidance range, primarily due to a lower-than-expected non-GAAP effective tax rate in the quarter

Additionally, we closed the second quarter with 12-month backlog of \$4.17 billion, up by 3.5% pro forma from a year ago.

Slide 7: Second Quarter Key Highlights

The healthy increase in 12-month backlog was supported by strong pipeline to deal conversion, as shown on slide 7.

Among the highlights:

- We strengthened our relationship with AT&T's Cricket Wireless through payment solutions, dealer commissions and expanded IT services
- Consumer Cellular, a new logo for Amdocs in the US, has selected our connectX SaaS solution to introduce new digital brands, and
- We benefited from healthy customer demand for our fiber deployment, orchestration, and digital infrastructure management offerings.

Strong sales momentum in cloud also continued this quarter:

- We are working with Microsoft to migrate Amdocs and non-Amdocs applications to the Microsoft Azure platform for a leading Tier-1 European operator, and

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- In Philippines, we signed an agreement to support the next phase of PLDT's cloud modernization project.

As to our project execution this quarter, we successfully achieved a high number of major milestones for many of the world's largest operators.

- At AT&T, we are progressing the mainframe to cloud migration using the Amdocs agentic migration paradigm, which entails migrating applications and operational ecosystem to operate on the cloud.
- We also reached a notable milestone in Japan, a strategic market for Amdocs, where we delivered an advanced cloud-native platform to enable NTT InfraNet to modernize and migrate its IT operations systems to the cloud. This achievement continues our momentum in Japan, where we are now supporting three flagship customers, including JCOM and Paramount in addition to NTT Infranet.

Rounding out the operational highlights, we delivered another record quarter in managed services which contributed roughly two thirds of total revenue. Renewal rates also remained very high in Q2, as we signed new multi-year managed services agreements that expand Amdocs' scope of activities with Telia Norway, PLDT, and M1 in Singapore.

Slide 8: Strategic Growth Framework

Moving now to slide 8, let me address our multi-pillar growth strategy which is designed to provide our customers with the innovation and cutting-edge technology they need to:

- Accelerate the journey to the cloud
- Digitalize the customer experience for consumer and B2B
- Monetize investments in next-generation networks
- Streamline and automate complex network ecosystems, and
- Simplify and accelerate the adoption of Generative AI

Slide 9: Progress in Strategic Domains (1/5): Cloud

Beginning with cloud on slide 9, Q2 was another strong quarter of sales momentum and best-in-class project execution.

- Working with our strategic partner Microsoft, I am excited to announce that Amdocs was selected to play a critical role in facilitating the migration of both Amdocs and non-Amdocs applications to the Microsoft Azure platform for a Tier-1 European service provider.
 - Under the Microsoft- umbrella, Amdocs is heading the delivery of a number of workstreams, pivotal to the operator's strategic transition to a cloud-first architecture, which will enhance performance, accelerate innovation, and improve operational efficiency across its markets.

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- Amdocs has also successfully completed the first phase of its cloud modernization project for a leading Philippines' service provider, PLDT and its wireless subsidiary Smart, migrating PLDT's business-critical systems and legacy applications to AWS. We also signed a new agreement to upgrade and migrate PLDT's data platforms and additional core systems in the next phase.
- Additionally, Telstra in Australia has engaged Amdocs to consolidate its segment-specific Amdocs service order management solutions to a single cloud platform servicing all segments, which will provide the operator with faster time-to market for new services, greater business agility, and improved customer satisfaction.

I believe our ability to win deals and execute projects in the cloud is a testament to our expertise and end-to-end cloud offering. Moreover, we remain on track to deliver another year of double-digit growth in cloud-related revenue in fiscal 2025.

Slide 10: Progress in Strategic Domains (2/5): Digital Modernization

Moving to digital transformation on slide 10, I am delighted to announce that Consumer Cellular, a US wireless provider, has become the latest in a growing list of customers to select the Amdocs connectX cloud-native SaaS platform to support the launch of innovative new digital brands.

- As a new client of Amdocs, we look forward to partnering with Consumer Cellular to help them rapidly create and deploy new plans, achieve operational excellence, and boost customer satisfaction for their roughly 4 million subscribers.
- Amdocs MarketONE – a SaaS-based and scalable platform that enables service providers to rapidly monetize OTT and digital consumer services experiences – is also generating healthy customer demand.
 - MarketONE was recently selected by CK Hutchison to equip participating group companies such as Three Ireland and Wind Tre in Italy with the ability to grow their digital ecosystem, capture new revenue streams and deliver enhanced customer experiences.
- Another of our SaaS platforms, Amdocs eSIM cloud, was recently ranked number one in the Global eSIM orchestration landscape for the third year running by Counterpoint Research. The accelerated adoption of eSIM globally is creating opportunities for Amdocs. For instance, Amdocs is working with Telcel, the largest mobile operator in Mexico and a subsidiary of América Móvil, to bring innovative eSIM technology to millions of Telcel users.

Slide 11: Progress in Strategic Domains (3/5): Monetization of Next Generation Networks

Turning to slide 11, Amdocs continues to be recognized as a global market leader in overall monetization platforms.

- Illustrating our domain strength, Comcast has renewed its multi-year commitment to Amdocs Bill Experience as the bill presentment platform for its residential and business

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customers, and we recently modernized A1 Bulgaria's convergent charging platform to reduce billing processing times and speed-up customer-facing interactions.

- In Latin America, we signed an agreement with Movistar El Salvador for a full BSS modernization to enhance its current prepaid platform.
- Amdocs was also recently selected by Botswana Telecommunications to modernize its convergent charging and billing platform.

Slide 12: Progress in Strategic Domains (4/5): Network Automation

Moving to network automation on slide 12:

- Amdocs has extended its network policy platform agreement at Claro Brazil for multiple consumer lines of business, and
- We have secured a multi-year extension of our OSS engagement with Costa Rica's Grupo Ice, reinforcing our long-standing collaboration and commitment.
- I'd also like to highlight a recent milestone at PLDT in Philippines where we partnered with Microsoft to deliver the successful go-live of the Amdocs Customer Engagement Platform. This enterprise B2B platform was seamlessly integrated with Amdocs' Intelligent Networking Suite to connect customer service needs directly to underlying network performance in an automated, end-to-end manner.

Beyond wireless, Amdocs is well positioned to meet strong demand for fiber deployment, orchestration, and digital infrastructure management as global service providers accelerate their fiber expansion investments to launch converged, broadband and mobile service offerings.

Slide 13: Progress in Strategic Domains (5/5): Amdocs and NVIDIA - Transforming the Future of AI in Telecom

Turning to slides 13 and 14, Amdocs' top strategic priority is to accelerate the telco-industry's adoption of GenAI. Our critical role was recently recognized at NVIDIA's GTC event during CEO Jensen Huang's keynote address, where Amdocs was spotlighted as a key partner in driving the next wave of AI innovation in telecom.

Slide 14: Progress in Strategic Domains (5/5): Gen-AI

This quarter we continued to evolve the Amdocs amAlz platform in close collaboration with NVIDIA and our other Gen AI partners.

As part of the newly introduced amAlz platform offerings:

- We launched our innovative Network agents, supporting both network design & deployment, as well as network operations. These agents leverage our deep OSS and mobile network design and deployment expertise, coupled with NVIDIA's AI Enterprise, NVIDIA Omniverse Digital Twin capabilities and Amazon SageMaker to support

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accelerated network design, planning and deployment, network troubleshooting and healing.

- Additionally, we launched Amdocs AI Factory, which is designed to help service providers monetize surging enterprise customer demand for AI-driven infrastructure such as GPU as a Service, LLMs and vertically tailored applications, enabling them to unlock significant new revenue streams. The offering marries Amdocs' amAlz platform, agentic experiences and Monetization Suite with NVIDIA and Dell infrastructure to provide the full ecosystem of capabilities needed to create innovative new services.
- As to our commercial progress, we are running multiple PoC's with several of our flagship customers, many of which are in a relatively mature stage and producing highly compelling results.

Adding to the expanding pipeline of opportunities, Amdocs is naturally well positioned to meet the new wave of demand for the data-related services needed to support GenAI adoption. Amdocs is already playing an expanded role in supporting GenAI-related data requirements for several customers, such as AT&T and Globe in Philippines.

As another example, Amdocs recently supported a tier-one operator in Canada, which launched a unified customer profile as part of their data and AI strategy, creating a single, integrated view of each customer across worldwide operations.

Slide 15: Current Operating Environment

Now, to address the current operating environment on slide 15.

- The level of global macroeconomic uncertainty has clearly risen in recent months, but we believe Amdocs is relatively well positioned to navigate the present environment due to our unique business model. As a specialist software and services provider to the global communications and media industry, Amdocs is not currently directly affected by the announced tariffs.
- Across our serviceable addressable market of nearly \$60 billion, we continue to see a rich and encouraging pipeline which we are working hard to convert to new deals by leveraging our technology leadership, project and operations expertise, and our proven ability to support customers' industry consolidation initiatives.
- Having said that, no company is completely immune to operating environment, and we are of course closely monitoring for any indirect impacts of macro conditions on us and our customers' spending behavior.

Slide 16: FY 2025 Outlook: On-track to Deliver Expected Double-Digital Total Shareholder Returns for the 5th Year Running

- Bringing it all together, considering our strong first half performance, and current level of visibility provided by our 12-month backlog, we are reiterating the midpoint of our fiscal 2025 pro forma revenue growth outlook of 2.7% in constant currency, albeit within a tighter range of 1.7% to 3.7%.

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- We are also on track to achieve our target of double-digit expected total shareholder returns for the fifth consecutive year, supported by significantly improved profitability and robust earnings to cash conversion.

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

Slide 17: Tamar Rapaport-Dagim, CFO & COO

Thank you, Shuky, and hello everyone. Thank you for joining us.

Before I begin, in today's comments I will compare certain financial metrics on a pro forma basis which adjusts prior fiscal year 2024 revenue by approximately \$600 million, to reflect the phase-out of certain low margin, non-core business activities which were substantially already ceased in the first quarter of fiscal 2025. To further assist your modelling, the regional mix of this revenue was similar to the overall company, and it contributed roughly \$150 million per quarter.

Slide 18: Q2 FY2025 Financial Highlights

Now, picking up on Shuky's earlier comments, we delivered a good set of results for the second fiscal quarter, as detailed on slide 18.

- Q2 revenue of approximately \$1.13 billion was up 4.0% year-over-year in pro forma constant currency and was above the midpoint of our guidance, despite a negative foreign currency movement of approximately \$2 million compared to our guidance assumptions.
- We are pleased with the stronger pace of growth in Q2, which reflects robust sales, the ramp-up of previously signed engagements, and recent acquisitions.
- Reflecting the phase out of certain business activities, reported revenue declined by 9.4% from a year ago.
- On a regional basis:
 - ✓ North America was slightly up sequentially, and up 1.4% from a year ago in pro forma constant currency
 - ✓ As anticipated, Europe rebounded from the weakness of the prior quarter, benefiting from the ramp-up of new deal activities and a contribution from the previously completed acquisition of Profinet
 - ✓ In Southeast Asia, healthy customer activity was offset by mixed trends in Latin America, resulting in a sequential decline in Rest of World.
- Shifting down the income statement, non-GAAP operating margin of 21.3% improved by 10 basis points sequentially, supported by the ongoing adoption of automation, AI, and other sophisticated tools within our operations.
 - Compared with a year ago, non-GAAP operating margin jumped by 290 basis points, primarily reflecting the end of low margin business activities and efficiency gains.

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- Interest and other expenses amounted to roughly \$8.5 million in the second quarter.
- On the bottom-line, non-GAAP diluted EPS of \$1.78 was above our guidance range. This was primarily a result of a lower non-GAAP effective tax rate in the quarter which included a tax benefit that materialized earlier than planned in the year.
- Similarly, diluted GAAP EPS of \$1.45 was also above our guidance range due to a lower than expected effective GAAP tax rate in the second quarter.

Slide 19: Visibility & Business Resiliency: Managed Services

Turning to slide 19, revenue from managed services was a record \$747 million in the second fiscal quarter, up 3.7% from a year ago.

Revenue from multi-year, managed services engagements accounted for 66% of total revenue in Q2, supporting our visibility and underscoring the importance of managed services as a key measure of business resiliency for Amdocs.

Our renewal rates for managed services engagements have historically approached 100% and typically include an expansion in our scope of activities. To provide a few recent examples:

- We are extending our long-term strategic relationship with Telia Norway through 2030 to deliver enhanced managed services. This continued collaboration will improve Telia Norway's operational efficiency, empowering them to offer more streamlined and effective services to their customers.
- We are also expanding our managed services in PLDT with our current long-term engagement to cover non-Amdocs applications, and
- We recently extended a multi-year managed services agreement with M1 Limited in Singapore to manage this customers' new cloud-native charging platform.

Slide 20: Balance Sheet & Cash Flow

Turning to the balance sheet and cash flow highlights on slide 20, DSOs of 77 days fell 4 days sequentially and rose by 1 day year over year, reflecting normal fluctuations in business activity.

Unbilled receivables net of deferred revenue declined by \$25 million sequentially in Q2, aggregating the short-term and long-term balances. As a reminder, the net difference between unbilled receivables and deferred revenue fluctuates from quarter to quarter, in line with normal business activities, as well as our progress on significant, multi-year transformation programs we are currently running in North America.

Reflecting strong execution, free cash flow before restructuring payments was \$181 million in Q2. Including restructuring payments of \$25 million, reported free cash flow was \$156 million. As expected, Q2 free cash flow was affected by payment of our annual bonuses for the prior fiscal year, the timing of which occurred as it normally does in the second fiscal quarter.

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Overall, we ended Q2 with a healthy cash balance of approximately \$324 million, and bond borrowings of roughly \$650 million, providing ample liquidity to support our ongoing business needs while retaining the capacity to fund our future strategic growth.

Slide 21: Disciplined Capital Allocation

Turning to capital allocation on slide 21, this quarter we repurchased \$135 million of our shares under our current authorization of which there was roughly \$258 million remaining as of March 31, 2025.

Reflecting our confidence in the future success of Amdocs, and the Company's ability to generate cash, our Board has today authorized a new share repurchase plan of \$1 billion with no stated expiration date.

Between the two authorizations, we have up to \$1.26 billion of remaining repurchase authority as of March 31, 2025.

Additionally, we paid cash dividends of \$54 million in the second fiscal quarter.

Looking ahead, we are reiterating our free cash flow target of between \$710 million to \$730 million in fiscal 2025, which is before restructuring payments. Given the previously mentioned seasonality relating to the timing of second quarter bonus payments, with roughly 40% of fiscal year 2025 free-cash-flow target already achieved in the fiscal first half, we are well on track to deliver our annual free-cash-flow target.

Our annual free cash flow outlook equates to a conversion rate of more than 90% relative to expected non-GAAP net income and translates to a healthy free cash flow yield of roughly 7% relative to Amdocs' current market capitalization.

Regarding our capital allocations in fiscal year 2025, we expect to return the majority of our free cash flow to shareholders.

Slide 22: Leading Indicators & Visibility: 12-Month Backlog

Moving to slide 22, 12-month backlog was \$4.17 billion at the end of Q2, up 3.5% pro forma from a year ago, and \$30 million sequentially.

We expect 12-month backlog to represent roughly 90% of forward-looking revenue, further underscoring the importance of this metric as a leading indicator of our business.

Slide 23: FY2025 Revenue Growth Outlook

Now, turning to our revenue outlook on slide 23, we are continuing to closely monitor the prevailing level of macro-economic, geopolitical, business, and operational uncertainty in the current business environment. The third quarter and full fiscal year 2025 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.

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On a pro forma, constant currency basis, we are reiterating the 2.7% midpoint of our fiscal 2025 revenue growth outlook, which we have tightened to a range of 1.7% to 3.7% year-over-year, as compared to 1% to 4.5% previously.

As a reminder, our annual guidance includes another year of double-digit growth in cloud and some contribution from inorganic deal activity this year.

As to the third fiscal quarter, we expect revenue of between \$1.110 billion to \$1.150 billion, which assumes a positive sequential impact of roughly \$4 million from foreign currency fluctuations as compared to the second quarter of fiscal 2025.

Slide 24: Accelerated Profitability Improvement

Moving down the income statement, we are on-track to produce non-GAAP operating margins within our guidance range of 21.1% to 21.7% in fiscal 2025, the midpoint of which equates to a substantial increase of roughly 300 basis points as compared with the prior fiscal year.

- As previously stated, the midpoint of our full year margin outlook assumes roughly 230 basis points of improvement from phased-out business activities, and another 60 to 70 basis points resulting from our continued focus on operational excellence, automation and the gradual implementation of Gen AI.

Below the operating line, foreign currency fluctuations and hedging costs are expected to impact non-GAAP net interest and other expense by roughly several million dollars on a quarterly basis.

As indicated at the beginning of the year, we expect our non-GAAP effective tax rate for fiscal 2025 to be within an annual target range of 15% to 17% for the full fiscal year 2025.

Slide 25: Targeting Double-digit Expected Total Shareholder Returns for the 5th Year Running in FY2025E

Bringing everything together on slide 25, we are reiterating our non-GAAP diluted earnings per share growth outlook of 6.5% to 10.5% in fiscal 2025. Considering our strong first half earnings per share performance, and the midpoint of our Q3 EPS guidance, we expect that by the end of Q3 we will have achieved roughly three quarters of our full year target for non-GAAP diluted EPS growth.

Overall, we are on track to deliver double-digit expected total shareholder returns for a fifth consecutive year in fiscal 2025, including our dividend yield of more than 2%.

With that, back to you, Shuky.

Slide 26: Q&A

Thank you, Tamar.

I am pleased with our performance in the first two quarters, and we are entering the second half with a strong backlog position and rich pipeline of opportunities. With our market-leading offering and proven ability to execute, we believe we are well positioned to achieve our

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targets for the full fiscal year while of course monitoring the current macro environment closely.

With that, we are happy to take your questions.

Operator?