Financial outlook & investment thesis

Amdocs 2018 Analyst & Investor Briefing

Tamar Rapaport Dagim
Chief Financial Officer & Chief Operating Officer
December 11, 2018
Forward looking statements

This presentation and our remarks contain forward-looking statements (within the meaning of The Private Securities Litigation Reform Act of 1995) that involve substantial risks and uncertainties, including statements regarding our expectations and beliefs about our business, strategy, and future operating performance. These forward-looking statements are only predictions and may differ materially from actual results due to a variety of factors, including, but not limited to: changes in the overall economy; changes in competition in markets in which we operate; our ability to derive revenues in the future from our current research and development efforts; changes in the demand for our products and services; the loss of a significant customer; consolidation within the industries in which our customers operate; changes in the telecommunications regulatory environment; changes in technology that impact both the markets we serve and the types of products and services we provide; financial difficulties of our customers; losses of key personnel; difficulties in completing or integrating acquisitions; litigation and regulatory proceedings; and acts of war or terrorism. Please refer to our filings with the Securities and Exchange Commission, including our Annual Report on Form 20-F filed on December 10, 2018, and our Form 6-K furnished for the first quarter of fiscal 2018 on February 12, 2018, the second quarter of fiscal 2018 on May 21, 2018 and the third quarter of fiscal 2018 on August 13, 2018 for a discussion of these and other important factors.

You can identify forward-looking statements by words such as “expect,” “anticipate,” “believe,” “seek,” “estimate,” “project,” “forecast,” “continue,” “potential,” “should,” “would,” “could,” “intend” and “may,” and other words that convey uncertainty of future events or outcome. Statements that we make in this presentation that are not statements of historical fact also may be forward-looking statements. Forward-looking statements are not guarantees of future performance, and involve risks, uncertainties, and assumptions that may cause our actual results to differ materially from the expectations that we describe in our forward-looking statements. There may be events in the future that we are not accurately able to predict, or over which we have no control. You should not place undue reliance on forward-looking statements. Although we may elect to update forward-looking statements in the future, we disclaim any obligation to update do so, except where applicable law may otherwise require us to do so. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this presentation.

In addition, this presentation and our remarks include certain non-GAAP financial measures, including diluted earnings per share, free cash flow, non-GAAP operating margin, non-GAAP net income and non-GAAP diluted earnings per share growth. These non-GAAP financial measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP financial measures used by other companies. In addition, these non-GAAP financial measures are not based on any comprehensive set of accounting rules or principles. We believe that the presentation of these non-GAAP financial measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operations, as well as the net amount of cash generated by its business operations after taking into account capital spending required to maintain or expand the business. Additionally, we believe that non-GAAP financial measures have limitations in that they do not reflect all of the amounts associated with Amdocs’ results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures.

Please refer to the explanation of these non-GAAP financial measures under the heading “Non-GAAP Financial Measures” in Exhibit 99.1 to our Form 6-K filed with the U.S. Securities and Exchange Commission on November 8, 2018, and to the Reconciliation of Selected Financial Metrics from GAAP to Non-GAAP tables included therein.
Agenda

- Report card on fiscal 2017-2019 performance
- Growth drivers: offerings, regions, managed services
- Adjustment to disclosure practices
- Corporate social responsibility
- Three-year outlook and drivers fiscal 2019-2021
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### Report card

Three-year outlook fiscal 2017-2019 tracking roughly in line with midpoint

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Progress$^{(2)}$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue CAGR (2017–19)</strong></td>
<td>2.0%–5.0% organic constant currency</td>
<td>3.0%–4.0% includes M&amp;A constant currency</td>
</tr>
<tr>
<td><strong>Non-GAAP operating margin$^{(1)}$</strong></td>
<td>16.4%–17.4%</td>
<td>16.5%–17.5% Tracking at higher-end</td>
</tr>
<tr>
<td><strong>Non-GAAP EPS CAGR (2017–19)$^{(1)}$</strong></td>
<td>4.5%–8.5%</td>
<td>5.2%–6.5%</td>
</tr>
<tr>
<td><strong>Capital allocation</strong></td>
<td>Returned a majority of FCF to shareholders while investing in M&amp;A</td>
<td></td>
</tr>
</tbody>
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$^{(2)}$ Incorporates the fiscal 2019 outlook range provided on November 8, 2018 and contributions from M&A activity completed during the three year period.
Amdocs non-GAAP EPS growth vs S&P 500
Consistently delivering mid-to-high single digit growth in non-GAAP EPS

Tax reform accounts for approx. half of the S&P500 CY18 EPS growth

Source: FactSet, Amdocs IR
Revenue performance
Consistent growth in the core business, drag from Directory finally abating

<table>
<thead>
<tr>
<th></th>
<th>Directory ($ Millions)</th>
<th>amdocsONE ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2013</td>
<td>$3,186</td>
<td>$160</td>
</tr>
<tr>
<td>FY2014</td>
<td>$3,435</td>
<td>$128</td>
</tr>
<tr>
<td>FY2015</td>
<td>$3,543</td>
<td>$101</td>
</tr>
<tr>
<td>FY2016</td>
<td>$3,630</td>
<td>$88</td>
</tr>
<tr>
<td>FY2017</td>
<td>$3,809</td>
<td>$58</td>
</tr>
<tr>
<td>FY2018</td>
<td>$3,930</td>
<td>$45</td>
</tr>
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</table>

Total Revenue: +3.5% CAGR

amdocsONE: 4.3% CAGR
Revenue bridge fiscal 2017 to fiscal 2018
Strong organic growth plus M&A more than offsets AT&T revenue decline

Core Growth ex-AT&T: Organic + M&A

AT&T
-15% Y/Y

FY2017

$3.9B

$3,867

$3,975

$4.0B

FY2018

+2.8% Y/Y

+11.5% Y/Y

AT&T

$60

FY2017

Core Growth ex-AT&T:
Organic + M&A

$3.9B

+12% Y/Y

AT&T

-15% Y/Y

FY2018

$4.0B

+2.8% Y/Y

+11.5% Y/Y

AT&T

$60
Operating margin performance (non-GAAP)

Margins have consistently tracked at the high-end of the guidance range.

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<th>Year</th>
<th>Guidance Range</th>
<th>Non-GAAP Operating Margin %</th>
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- **Growth drivers:** offerings, regions, managed services
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Key strategic engines: Media & pay TV, network
Already at scale and contributing to growth

Expect Network + Media & Global Pay TV revenue to grow at 3-year CAGR of 8-10% FY2019-2021

- Network: 12% CAGR FY2016-2018
- Media & Pay TV: 8% CAGR FY2016-2018
- Vubiquity pipeline expanded 3X since acquisition closed in February 2018
Diversifying our business into new geographies and new logos

Improved customer diversification over last several years, despite continued customer consolidation

- 18 countries individually generated greater than 1% of revenue in FY2018 versus only 8 in FY2010
- Revenue from Top 10 customers was 66% of total in FY2018, versus 75% in FY2010
Diversifying our business into new geographies and new logos
Percent of total revenue across regions and average growth rate, FY2010-FY2018

Our expansion initiatives have resulted in faster growth outside North America.
Leveraging Amdocs’ unique business model through managed services

Design & develop better experiences
Modernize IT and move to the cloud
Leverage data for insight and action
Automate IT and business operations
Effectively manage hybrid operations
SmartOps value proposition leading to continued success with managed services offerings

- Market leader with Smart Operations
- Single point of accountability
- Committed to reduced and predictable TCO
- Innovation based on experience
- Mitigate risk
- Long term partner

Committed to reduced and predictable TCO
Innovation based on experience
Mitigate risk
Long term partner

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Visible and highly recurring revenue stream
Growth in Managed Service arrangements underpin resilient business model

Managed Services Arrangements
Revenue Growth & Percent of Total

Projects lead to future recurring service revenues
Managed services model was proven initially in North America and is now proving highly applicable in Europe and ROW
Majority of our customers are still a potential to adopt managed services

Growing Appetite for Managed Transformation Activity

High visibility: 12-month backlog averages about 80% of forward 12-month revenue
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Adjustment to disclosure practices

Directory revenue

- Ceasing quarterly and annual disclosure
- Year-over-year revenue headwind is no longer material
  Directory revenue is only 1% of total revenue

Normalized free cash flow

- Adjusting quarterly FCF for non-recurring, unusual items, including:
  - Israel campus: ~$50 million in FY2019
  - Legal dispute settlement: $55 million in first half FY2019
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Corporate social Responsibility 2017

“…As a company, we can be proud of our success, not just in terms of the positive economic, social and environmental impact of our products and services, but also of our social and environmental programs…”
“Shaping a better future through inclusion”

**Passionate People**
- To create a diverse and inclusive talent pool
- Presence in over 85 countries
- Gender diversity: Inspire Program
- ‘Mind the Gap Campaign’
- ‘Shine in all colors’ campaign
- High employee engagement

**Valuable Products & Services**
- To redefine the concept of value for our products and services, to address the world’s challenges
- Connecting people globally
- Promoting sustainability: NFV, BriteBill etc.
- Driving financial inclusion: MFS

**Supply Chain**
- To increase sustainability in our supply chain
- Supplier Code of Conduct
- Green procurement

**Business Conduct**
- To continue integrating ethical conduct into everyday actions and behaviors
- 100% compliance in the annual education process
- ‘Do the right thing’ campaign

**Community Commitment**
- To maintain our commitment to diversity, employability and empowering the younger generation
- 35,000+ hours of volunteering
- 270 community partners
- Joint social initiatives with customers

**Environment, Health & Safety**
- To reduce GHG emissions
- 10% reduction of relative emissions (per employee)
- Won 2017 ‘Environmental Project of the Year’
- ACR News Award
- Advanced road safety program
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(2) Reconciliation of the Three-year Non-GAAP EPS guidance to Three-year GAAP EPS guidance is not available at this time without unreasonable effort; the impact of acquisitions, including the timing and amount of integration costs, make it difficult to provide meaningful and comparable GAAP guidance.
(3) Defined as Non-GAAP EPS growth plus dividend yield of ~1.7% (assumes the new quarterly dividend rate of $0.285 is approved by shareholders at the annual meeting in January 2019; yield calculated on Amdocs’ closing share price as of November 8, 2018).
Revenue and non-GAAP operating margins
Key Drivers of 3-Year Revenue and Margin Outlook

**Organic Revenue**
- **Potential Upsides**
  - Digital transformations acceleration
  - New opportunities at AT&T-Warner Media
  - Monetization of Pay TV, media pipeline
  - Open Network: 5G, NFV
  - Expansion of scope in managed services
  - Geographic expansion

**Organic Revenue**
- **Potential Inhibitors**
  - Slower execution of projects
  - Industry and macro trends impacting discretionary spending in our key accounts
  - Pricing

**Non-GAAP Operating Margins**
- **Potential Upsides**
  - Accelerating new technologies and methodologies
  - Global delivery model
  - Continued automation
  - Consistent project execution
  - Scale at incumbent accounts

**Non-GAAP Operating Margins**
- **Potential Inhibitors**
  - Expansion to new logos and domains
  - Accelerating investment in innovation
  - Complex transformation projects

**Industry consolidation activity**
- **Foreign currency volatility**
- **Potential regulatory changes on various fronts**
Tax outlook and considerations
Non-GAAP tax rate guidance range unchanged at 13%-17% in FY2019E

Tax guidance updated annually

Current tax structure reflects deliberate long-term planning and execution

Growing economic and political pressure in many jurisdictions and from multinational organizations to increase tax revenue

Future taxation changes are largely outside of our control

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(2) FY2019E assumes midpoint of guidance range of 13% to 17%
Free cash flow expected to improve in FY2019

Note: Free Cash Flow (FCF) defined as cash flow from operations less net capital expenditures and other; normalized FCF excludes capital spending related to new Israel campus investment and other nonrecurring cash items.

Normalized FCF ($ Millions) - Normalized FCF as a % of non-GAAP net income

$60M collection shift from Sept 2018 to FY19
Capital structure allocation framework

Long-term capital allocation philosophy remains unchanged

Strike rough balance between capital return and strategic growth investments
Debt capacity primarily reserved for strategic M&A
Preserve investment grade debt rating to ensure customer confidence

Flexible approach to capital return in short term

Capacity to return the majority of normalized free cash flow in FY2019,
subject to M&A requirements, financial markets, prevailing industry conditions
and other relevant factors

Quarterly dividend is an important component of total shareholder returns

Proposed dividend increase of 14%, subject to shareholder approval
Future dividend changes subject to periodic review, and tied to factors
such as the growth rate of the underlying business
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Summary of the Amdocs investment opportunity
## Three-year outlook fiscal 2019–2021

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Amdocs investment thesis

- Improving revenue growth rate
  - Market high win rate: best-in-class product and service offering
  - Core leadership, leveraging growth in network, Pay TV & media

- Recurring, highly visible revenue base
  - Long-standing customer relationships
  - High managed services renewal rates + new engagements
  - Unique technology-led services model

- Margin stability
  - Consistent operational execution
  - Disciplined investment to sustainably accelerate growth

- Robust FCF and balance sheet
  - Improving FCF conversion, returning a majority to shareholders
  - Optionality to execute M&A, utilizing debt as appropriate

- Attractive total shareholder return
  - Expected 6%-10% total shareholder return (2019-21)¹
  - Additional upside potential of long-term growth initiatives

- Experienced management team
  - CEO transition was smooth
  - Deep leadership bench ensuring business continuity

¹ Defined as Non-GAAP EPS growth plus dividend yield of ~1.7% (assumes the new quarterly dividend rate of $0.285 is approved by shareholders at the annual meeting in January 2019)
Thank you