

# Amdocs Supplemental Investor Presentation

*This presentation contains supplemental information and background for Amdocs investors on the global business operations and compliance infrastructure built to support Amdocs' customers*

April 8, 2021



## Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures, including non-GAAP operating margin, free cash flow, normalized free cash flow and non-GAAP net income. Free cash flow equals cash generated by operating activities less net capital expenditures and other. Normalized free cash flow, a measure of our operating performance, is further adjusted to exclude net capital expenditures related to the new campus development, payments for non-recurring and unusual charges (such as capital gains tax to be paid in relation to the divestiture of OpenMarket), and payments of acquisition related liabilities. 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. Amdocs believes 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 Amdocs' results of operations in conjunction with the corresponding GAAP measures. Please refer to the appendix for a reconciliation of these metrics to the most comparable GAAP provision.

## Forward Looking Statements

This presentation includes information that constitutes forward-looking statements made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995, including statements about Amdocs' growth and business results in future quarters. 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, Amdocs' ability to grow in the business markets that it serves, Amdocs' ability to successfully integrate acquired businesses, adverse effects of market competition, rapid technological shifts that may render the Company's products and services obsolete, potential loss of a major customer, our ability to develop long-term relationships with our customers, and risks associated with operating businesses in the international market. Amdocs may elect to update these forward-looking statements at some point in the future; however, Amdocs specifically disclaims any obligation to do so. These and other risks are discussed at greater length in Amdocs' filings with the Securities and Exchange Commission, including in 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.

# Agenda

- 1 Recap: Amdocs overview
- 2 Strong financial foundation
- 3 Legal entities & auditors
- 4 Cash position
- 5 Q&A



# Recap: Amdocs overview

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# Amdocs Is the Leading Provider of Software and Services to the Global Communications and Media Industry

Supporting the industry's **ever-evolving business needs** globally with constant **innovation** & unrivaled **execution** capabilities



**\$4.2 billion**

FY20 Revenues

**3 billion**

People touched by  
our platforms

**26,000**

Employees

**1.7 billion**

Daily **digital** journeys

**85**

Countries

**350+**

Customers including  
the **world's leading**  
service providers

**\$527 million**

FY20 normalized free  
cash flow

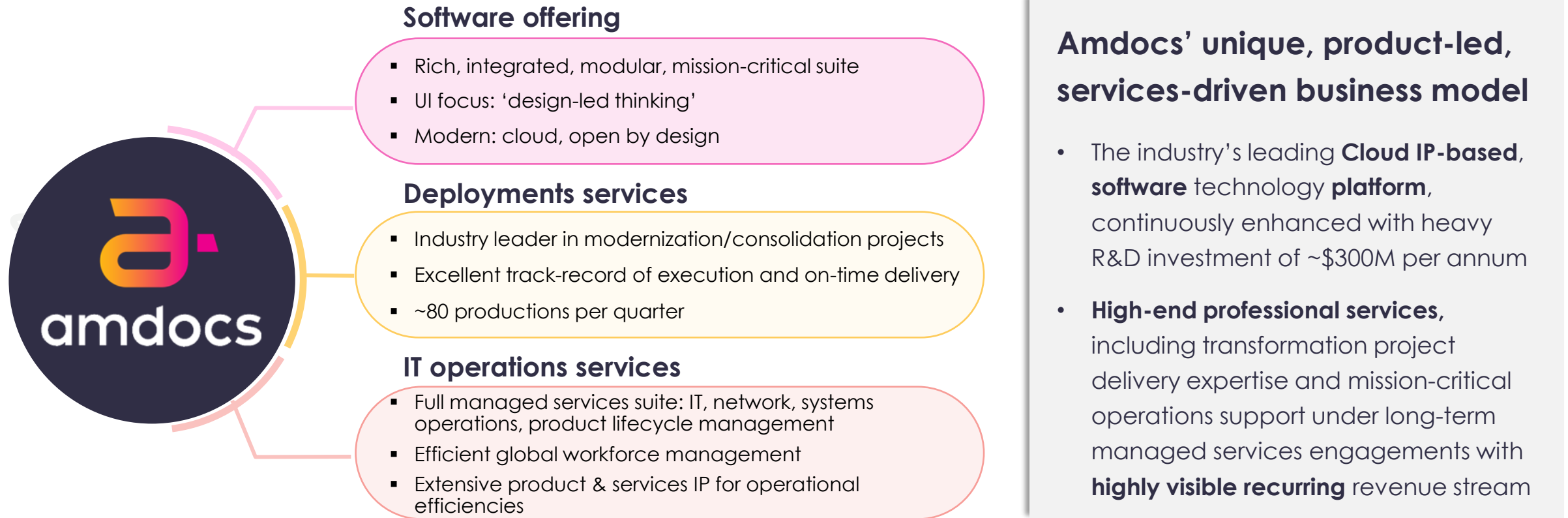
**500+**

Video service providers



# Amdocs is a Leading Cloud IP-Based, Software Technology and Services Company

**Well positioned** to continue to benefit from major secular trends: **5G** technology adoption, journey to the **cloud** and digital transformation



Amdocs' product-led, services-driven business model and end-to-end offerings make it the partner of choice for global service providers, and supports a superior operating margin profile and value proposition compared to one dimensional Business Process Outsourcing (BPO) firms



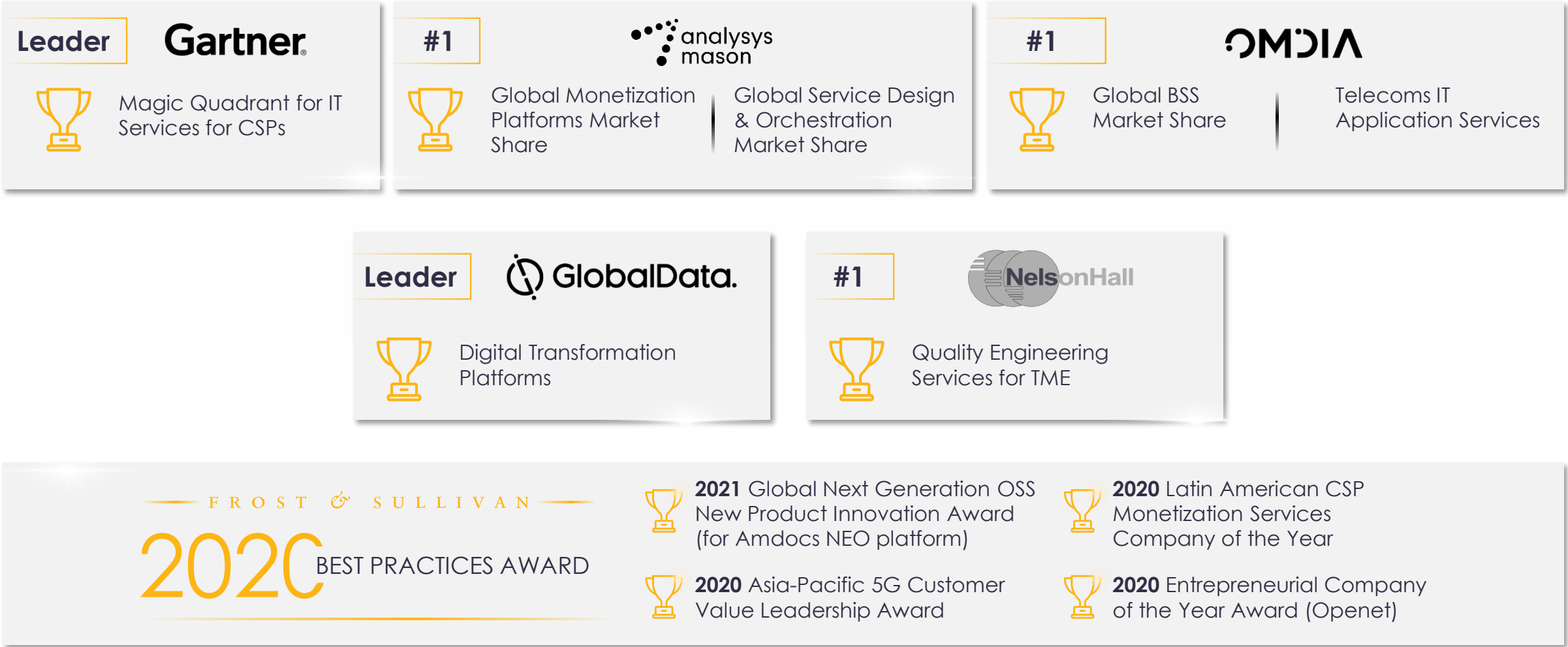
# Amdocs Leverages Internal Global Assets to Support its Customers

Rich portfolio of software products and services is delivered via global supply assets, which is comprised of 155 legal entities in 85 countries<sup>1</sup>





# Industry Analyst Perspectives on Amdocs Leadership<sup>1</sup>



# Long-Lasting & Expanding Relationships Across Major Global Customers

Expanding our global footprint by entering new regions and winning new customers



Amdocs continues to benefit from strong momentum with key customers such as AT&T and T-Mobile USA

## AT&T

- **AT&T selected Amdocs' 5G solution** to quickly launch and monetize exciting new 5G services, leveraging 5G monetization capabilities from Amdocs' recent acquisition of Openet (Nov. 2020)
- Initiated program to **modernize AT&T's consumer mobility domain** (Aug. 2020)
- Partnered with Microsoft Azure **to support the migration of AT&T's IT systems to the public cloud** (Feb. 2020)
- **Extended collaboration** with AT&T to **modernize and upgrade AT&T's digital business support systems**, structured under a new multi-year managed services agreement (Nov. 2019)



## T-Mobile USA

- **New multi-year strategic partnership agreement** signed with T-Mobile USA to modernize and accelerate digital transformation and next generation hybrid-cloud operations (Feb. 2021)
- **T-Mobile to implement the amdocsONE product portfolio** to support next generation communication and media services for its consumer and business customers (Feb. 2021)
- Amdocs will provide extended next generation **hybrid-cloud operations** in a **multi-year managed services engagement** for T-Mobile's digital platforms covering hosting and automated operations, and continued support for T-Mobile as it navigates through a complex integration process (Feb. 2021)

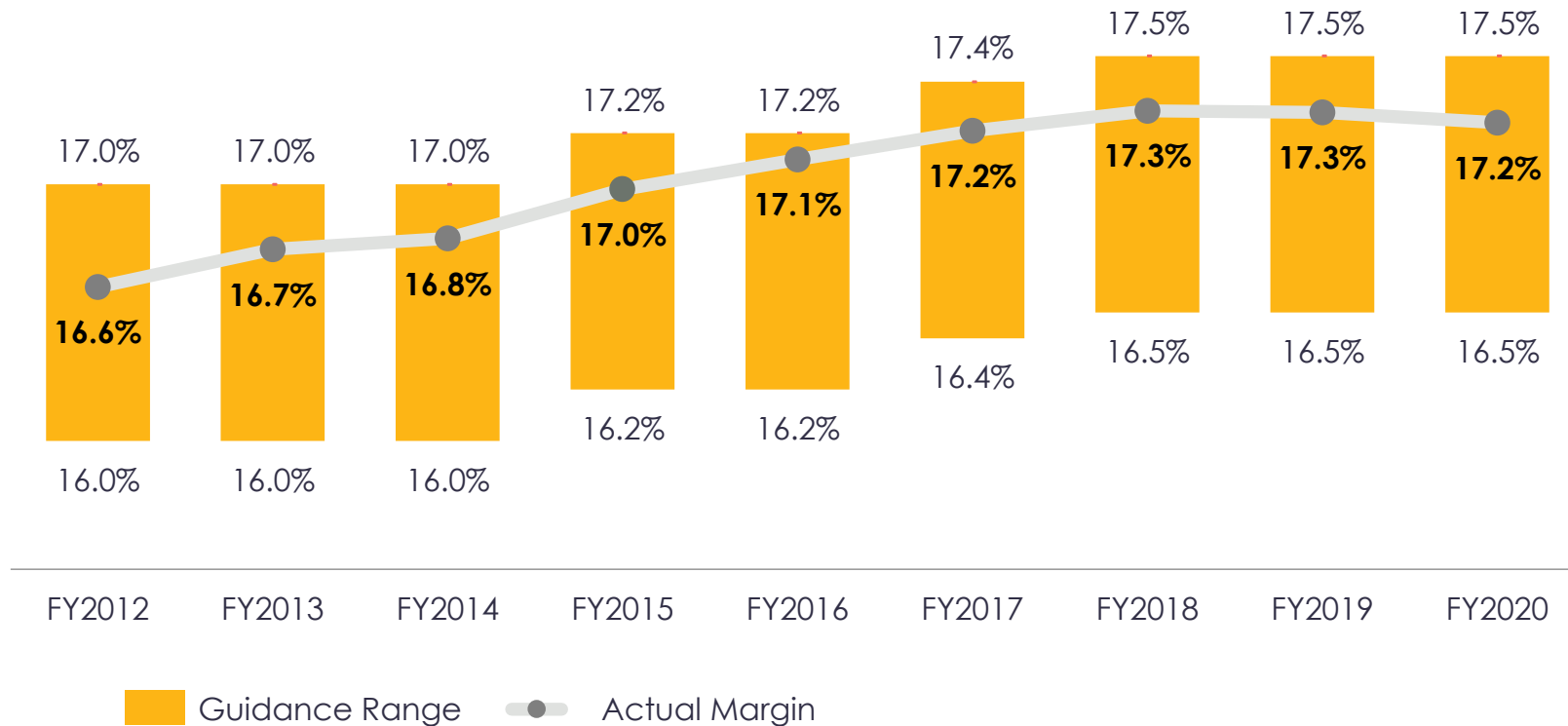


# Strong financial foundation

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# Strong Financial Profile Provides Consistent Margin Performance Over Time

## Operating Margin Performance (Non-GAAP)



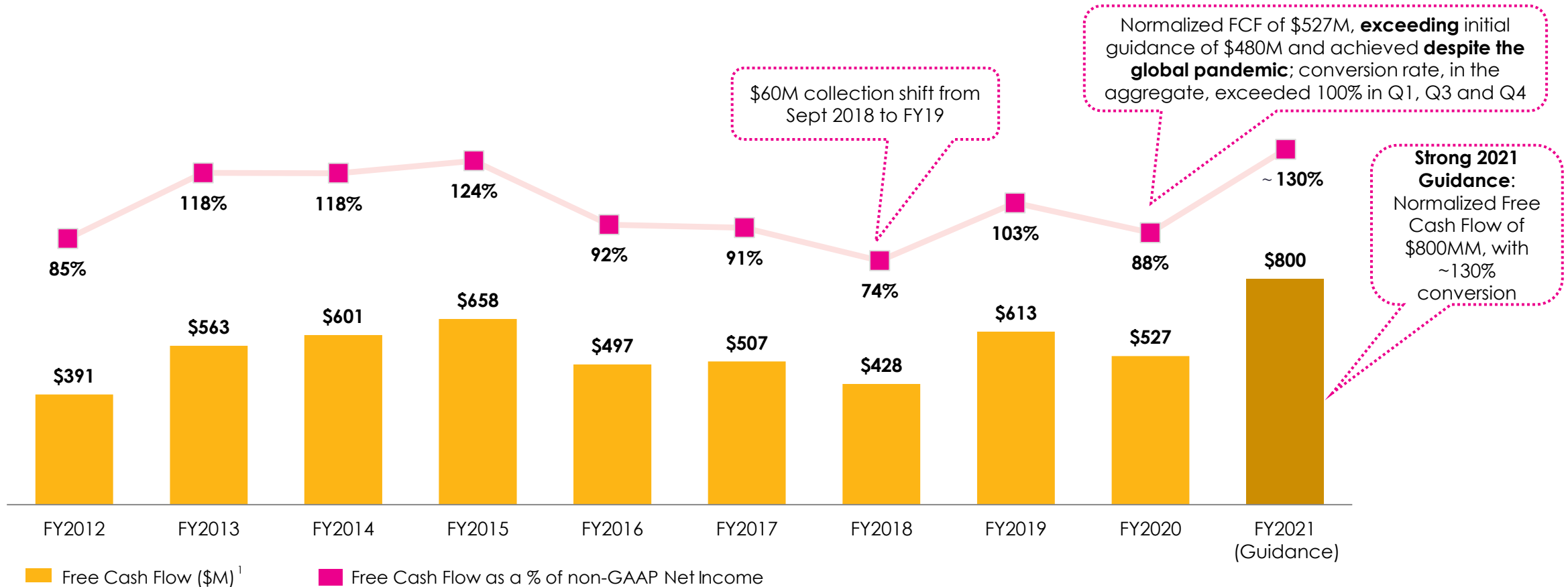
**Our consistent margin performance over time is a function of:**

- 12-month backlog visibility, which over the years averages about 80% of our forward 12-month revenues
- Highly recurring revenue streams
- Scalable global resource allocation model
- Constant drive to improve operating efficiency while fine-tuning our discretionary investments



# Amdocs Has a Proven History of Converting Consistent Margin Performance into Strong Free Cash Flow

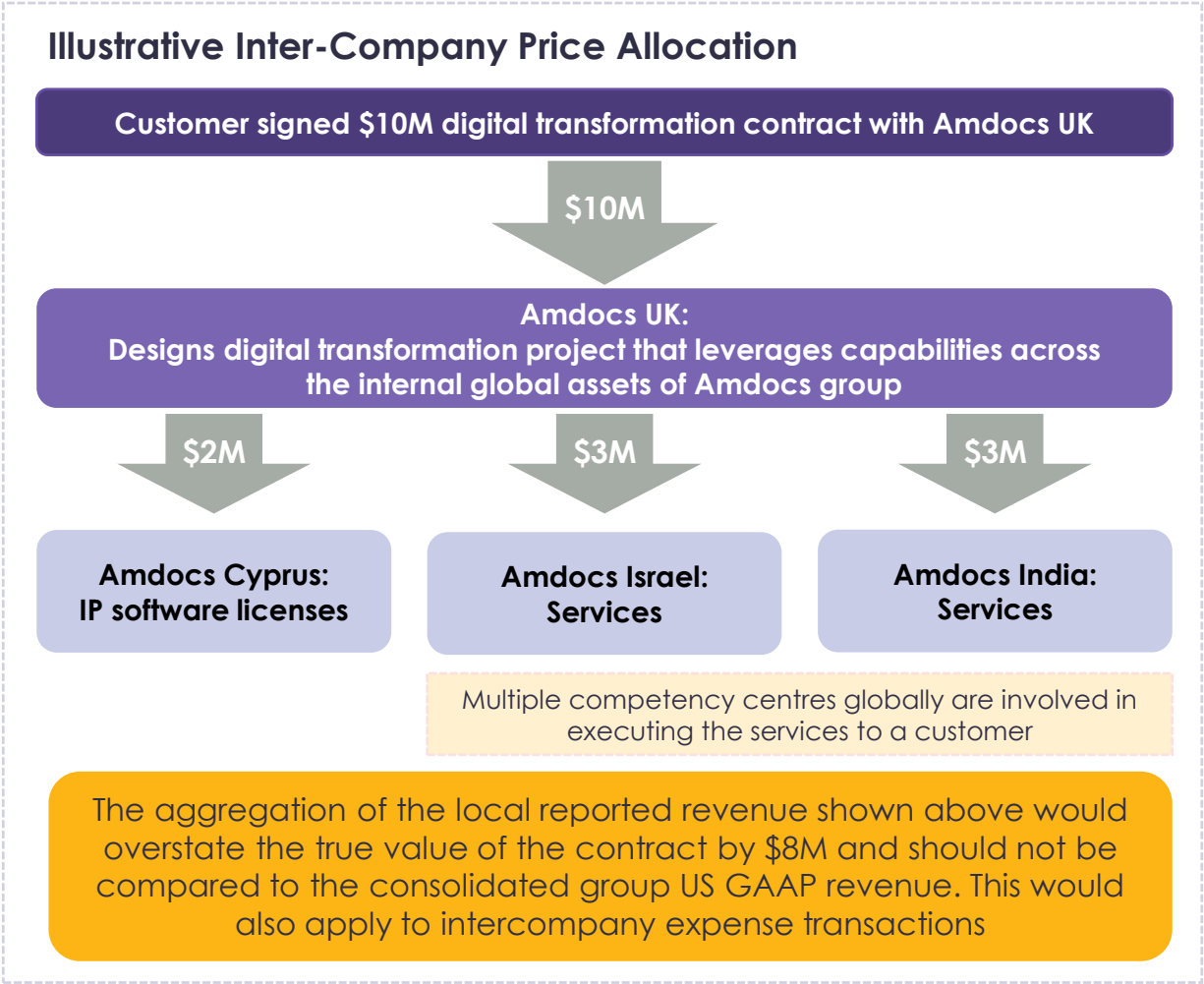
Normalized FCF converts roughly on par with the consolidated non-GAAP net income over the long-term which can serve as a cross-check for Amdocs' margin profile



# Business Performance is Best Represented by Consolidated Group Financials

Consolidated group financials cannot be established through the aggregation of local statutory reports of specific subsidiaries

	Group consolidated results as filed with the SEC
Group Scope	Includes all legal entities
Inter-company transactions within the group	Eliminated as per US GAAP
Accounting Standards	US GAAP
Fiscal Year End	September 30



# Legal entities & auditors

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# Amdocs Optimizes its Legal Entities Structure to Support its Global Business

## Legal structure supports business needs

- In order to run **business or operational activity** in a certain country it is typically optimal to **establish a legal entity** in that country
- We operate in 85 countries
- With M&A many more legal entities are added non-organically as we assume the legal entities of the acquired businesses

## Ongoing optimization of legal entities to drive further efficiencies

- Amdocs **consistently** explores **driving efficiencies** in the group, including in its legal structure
- In the past few years, Amdocs has **rationalized dozens of legal entities**, when appropriate, by liquidating or merging them with other Amdocs entities in the same jurisdiction
- This **effort** was partially **offset by M&A** in this period of time (e.g. only the recent Openet acquisition brought into the group 12 new legal entities)



# Amdocs Group and Subsidiary External Auditors

## Local Subsidiary Audits

- Amdocs engages with **local** external auditors **for local compliance purposes only**
- **None of our subsidiary level external auditors initiated their resignation.** We, at our own initiative, conducted an RFP in 2018 for audit services in EMEA in order to rationalize 27 audit firms down to a select few
- The successful outcome of this process resulted in **Big 4 local affiliates remaining the auditors for our key EMEA business subsidiaries**, including those in Ireland, Cyprus and the UK, while we have moved to non-Big4 firms for the remaining subsidiaries
- In accordance with local practices and regulations in certain jurisdictions, auditors may formalize our initiated replacement with a resignation letter

## Group Financials Filed with the SEC

- Amdocs' consolidated financial statements, as filed with the SEC, are audited in accordance with US GAAP
- The New York office of Ernst & Young LLP ("EY") is our independent registered public accounting firm since 1988 for the audit of the consolidated financial statements as filed on Form 20-F with the SEC
- Responsibility for the EY audit is not divided which means **EY foreign affiliates, as well as other local audit firms, are not relied upon in the consolidated audit**
- **EY's audit opinions** on Amdocs consolidated financials have been **unqualified**

# Cash position

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# Amdocs Maintains a Strong Balance Sheet and a Disciplined Capital Policy Framework

## Guiding Principles

- Maintain a strong balance sheet and investment grade rating
- Ensure continued customer confidence
- Retain sufficient cash for working capital purposes

## Operational Considerations

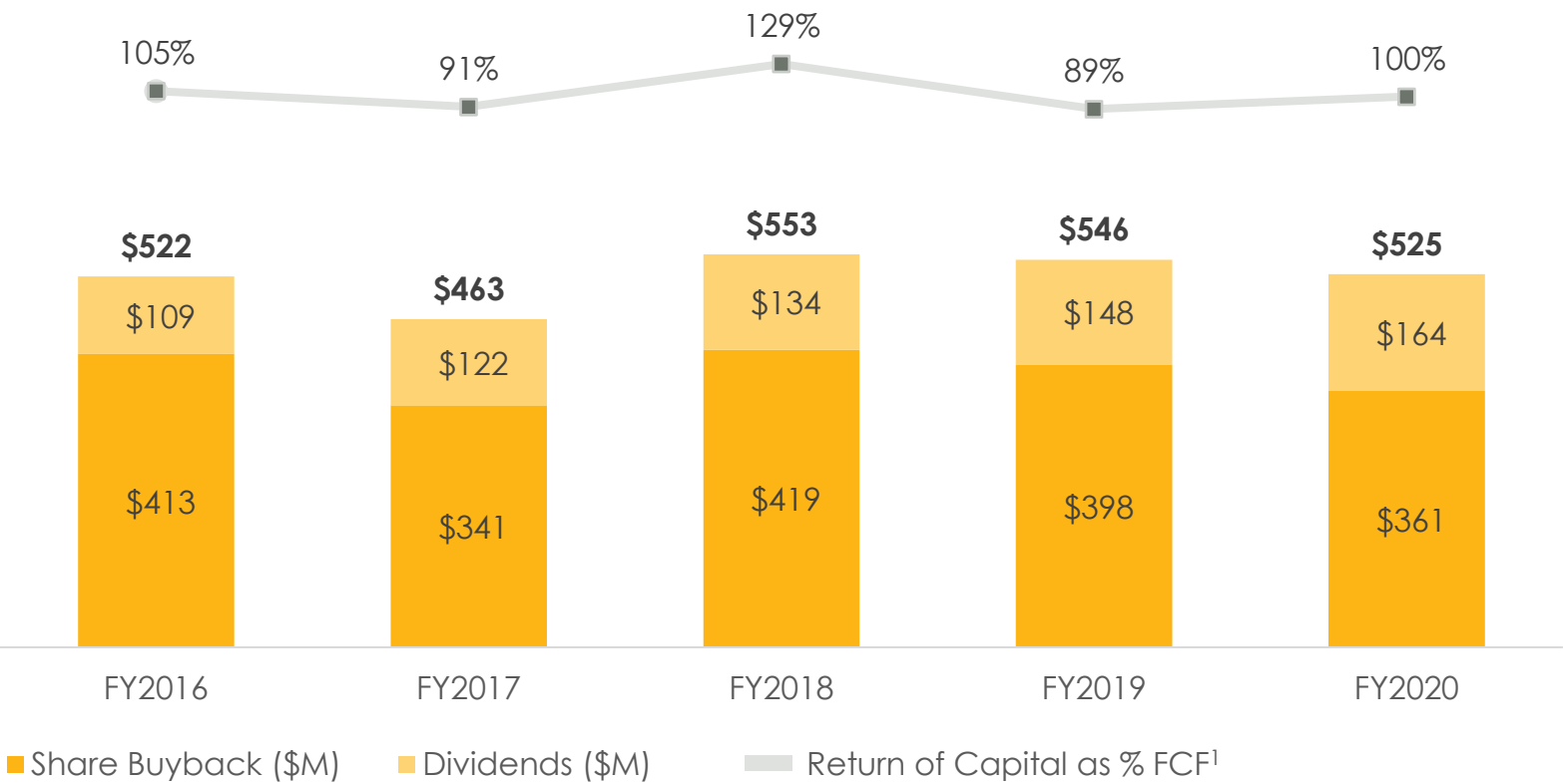
- As a global company operating in 85 countries we continuously optimize our cash at the group level
- Insignificant level of “trapped cash” (~\$60m), which if used, would result in a tax cost equating to less than 1% of group cash balance
- No external requirement to maintain a minimum cash level
- Excess cash is invested conservatively as detailed in 20-F and held at highly rated securities as well as several global Tier 1 banks


## Additional Sources of Liquidity Beyond Cash Generated by the Business

- June 2020 10-year bond raised \$650M at an historically attractive rate of 2.538%; provided capacity to fund strategic growth investments as the right opportunities arise
- \$500M credit revolver used as tactical vehicle to optimize cash efficiency across global entities
- Factoring program implemented in 2018 as alternate liquidity vehicle; program was immaterial in 2018, and usage has been further reduced since then
- OpenMarket: gross proceeds of \$300M from non-strategic asset sale in November 2020; On February 2<sup>nd</sup>, 2021 we stated that the majority of net proceeds from the sale will be allocated towards share repurchases over the next several months

# Proven Track Record of Returning Capital to Shareholders

Disciplined capital allocation





Amdocs 1Q'2021 Earnings Call

February 2, 2021

“Regarding our capital allocations plans for the rest of fiscal 2021, we expect to return cash to shareholders in the form of our regular quarterly dividend and share repurchases at levels roughly similar to that of fiscal Q1, subject to factors such as the status of the COVID-19 pandemic, the outlook for M&A, financial markets and prevailing industry conditions.

In addition to our regular quarterly share repurchases, we also plan to return the majority of the net proceeds from OpenMarket to shareholders by way of our share repurchase program over the course of the next several months.”

*Tamar Rapaport-Dagim, Amdocs CFO*

Over the last five years, Amdocs returned an average of +\$500M per annum to shareholders through share repurchases and cash dividend payments, reflecting 101% of the total normalized free cash flow generated during this period





# Q&A

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**Thank you**

# Non-GAAP Reconciliation<sup>1</sup>

Figures in \$M											
	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Revenue	2,984	3,178	3,247	3,346	3,564	3,644	3,718	3,867	3,975	4,087	4,169
GAAP Operating income	410	404	442	482	496	516	483	517	428	570	595
Amortization of purchased intangible assets and other	87	73	52	38	58	70	110	110	108	97	78
Equity-based compensation expense	44	37	43	40	45	45	43	45	47	39	42
Changes in Certain Acquisition Related Liabilities Measured at Fair Value	-	-	-	-	-	(25)	-	(7)	18	2	-
Restructuring & Non-recurring charges	-	-	-	-	-	13	-	-	85	-	-
<b>Non-GAAP Operating Income</b>	<b>542</b>	<b>514</b>	<b>538</b>	<b>560</b>	<b>598</b>	<b>619</b>	<b>636</b>	<b>665</b>	<b>687</b>	<b>708</b>	<b>715</b>
<b>% Margin</b>	<b>18.1%</b>	<b>16.2%</b>	<b>16.6%</b>	<b>16.7%</b>	<b>16.8%</b>	<b>17.0%</b>	<b>17.1%</b>	<b>17.2%</b>	<b>17.3%</b>	<b>17.3%</b>	<b>17.2%</b>
Depreciation	112	114	107	105	105	108	114	105	105	111	118
<b>Adjusted EBITDA</b>	<b>654</b>	<b>628</b>	<b>646</b>	<b>665</b>	<b>704</b>	<b>727</b>	<b>749</b>	<b>770</b>	<b>792</b>	<b>819</b>	<b>833</b>
Net Cash Provided by Operating Activities	685	535	514	671	709	773	620	636	557	656	658
Purchases of property and equipment, net	(87)	(110)	(122)	(107)	(112)	(121)	(130)	(133)	(231)	(128)	(206)
Other	-	-	(1)	(1)	4	6	7	5	-	-	-
<b>Free Cash Flow</b>	<b>598</b>	<b>425</b>	<b>391</b>	<b>563</b>	<b>601</b>	<b>658</b>	<b>497</b>	<b>507</b>	<b>326</b>	<b>528</b>	<b>453</b>
Payments for legal dispute settlement	-	-	-	-	-	-	-	-	-	55	-
Payments for previously expensed restructuring charges	-	-	-	-	-	-	-	-	6	16	2
Net capital expenditures related to the new campus development, net	-	-	-	-	-	-	-	-	96	7	63
Payments of acquisition related liabilities	-	-	-	-	-	-	-	-	-	8	9
<b>Normalized Free Cash Flow</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>428</b>	<b>613</b>	<b>527</b>
*Normalized FCF disclosed as of FY2018; some figures may not sum due to rounding											