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DOX.OQ - Amdocs Ltd at Citi TMT Conference

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Shuky Sheffer** *Amdocs Ltd - President, Chief Executive Officer, Director*

## CONFERENCE CALL PARTICIPANTS

**Michael Rollins** *Citibank Cameroon SA - Analyst*

## PRESENTATION

**Michael Rollins** - *Citibank Cameroon SA - Analyst*

This session is for Citi clients only. Welcome back to Citi's 2025 Global TMT Conference. For those of you I haven't met, I'm Mike Rollins, and I cover communications services and infrastructure for Citi. Disclosures are available at the back of the room, and if you don't have access or would like another copy, please email me at michael.rollins@citi.com.

We're pleased to welcome Shuky Sheffer, President and CEO of Amdocs. Shuky, thank you so much for joining us today.

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**Shuky Sheffer** - *Amdocs Ltd - President, Chief Executive Officer, Director*

Great to be here.

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**Michael Rollins** - *Citibank Cameroon SA - Analyst*

For those maybe in our audience that are less familiar with Amdocs, can you share with us what Amdocs does and what the strategy is for the company?

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**Shuky Sheffer** - *Amdocs Ltd - President, Chief Executive Officer, Director*

Okay. Everyone is using connectivity, it's become definitely the backbone of society. Broadband become, if you ask my kids what is more important, running water or broadband, it will be broadband. And so when you get service, if you look about the -- our customer, like the AT&T, T-Mobiles of the world, they have -- obviously, they build networks.

It could be a fiber network or obviously, mobile network, and then they need to monetize all these network assets and spectrum. All the monetization is done by Amdocs. So if you think about telecom environment that you work maybe with the mobile application, you are in the retail store, you are accessing the website, and then you have all the commerce platform. That defined the catalog which defined the offering and all the commerce platform and then you think about all the billing components, could be billing, AR, invoicing, general ledger.

And then you have all the fulfillment system to actually take the service and fulfill it to the network and then all the system that touches the network like charging, rating, policy, policies system actually tells the network what type of service you should get. Amdocs have all this stuck end to end. So I think that in most of the places in the world today, and excluding China, if you open a phone, Amdocs will be behind it from the monetization and IT capabilities.

Another thing which is very unique about Amdocs is you can split the world between the software companies like the Salesforce of the world and system integrators like Accenture, Infosys, and other.

Amdocs is what we call product-lead services company. We create a product, a product by far the best in the market. We implement the products, and we operate the product. So it's a very unique accountability model because when it's split, usually, if something goes wrong (technical difficulty)

the product doesn't work. So this is a very unique accountability model from -- we are operating, as I mentioned, all over the world obviously in North America, very strong market for us.

Everyone from T-Mobile to AT&T, to Charter to Comcast, to Bell Canada, to Rogers, to Telus, US Cellular. Everyone is our customer in North America. Very strong in Latin America, Europe by far the market leader in APAC. So, very, very thick, and nice spread around the world. Another fundamentals of the company is that we are dealing with mission-critical system. So it's not something that you decide you can switch off.

Even if you look at stress tests like 2009 financial crisis, or COVID, none of them, the project will stop, maybe slow down. This is the backbone. The network is the backbone. All the revenue for our customers are going through our system. I think this is mission-critical, come with a lot of accountability because we need to make sure that everything is (technical difficulty) this is mission-critical.

If you look at this, we have long-term agreement with our customers. 70% of our revenue is managed services, roughly 80% is recurring, and we have 90% visibility in our 12 months backlog. Very disciplined capital allocation between the dividend and the buyback. We pretty much returned the majority of the free cash flow to our shareholders.

Regarding growth engine, because you mentioned this, sorry for that.

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**Michael Rollins** - *Citibank Cameroon SA - Analyst*

No, please.

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**Shuky Sheffer** - *Amdocs Ltd - President, Chief Executive Officer, Director*

There is different cycles. I mean if you look at the last -- customer wants to engage with our customers much in digital way, rather than the call centers, and others want to make it much. And I think the third one, and the very important is the journey to the cloud. We are now actively working with many, many, tens of customers of Amdocs actually to move from the on-premise environment and take it to the cloud. I think there are some other but between the three, these are the three main growth engines.

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## QUESTIONS AND ANSWERS

**Michael Rollins** - *Citibank Cameroon SA - Analyst*

So maybe to put some perspective around the cloud migration for example, cloud's been around for some time. Where are customers in this journey?

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**Shuky Sheffer** - *Amdocs Ltd - President, Chief Executive Officer, Director*

The vast, vast majority of the industry is on-premise. Yes, we have many customers, maybe two or three which are relatively small, or mid-sized, completed this journey. This is not a simple journey. I mean, if you want to move to the cloud, you need to start with obviously planning, then you need to build the cloud environment side by side to the on-premise, and then you need to move all the customers, or consumer, the enterprises, from the on-premise to the cloud environment. This project take years.

Now, we gave our customer options to do it in two ways. One of them is what we call completely rip and replace. You are building a cloud-native platform from zero, taking all our new cloud-native products, and you are building something completely new one, and then you are doing slowly. These are very complex projects. You get all the value because you install the latest, and greatest. But this is very complex and takes time.

We gave our customer another option which is relatively cheaper and faster, is to take the version of product that they're running right now, and to move from this version to the cloud version of this product. So this is again, you're talking about between 18 to 24 months project, but (technical difficulty) after the journey. But if you think how many of them completed the journey, this activity is here to stay for the next five, seven years. And as we speak right now, as I said, the vast majority of our customers are still now moving to the cloud.

This is not about TCO reduction. Actually I can tell you in many cases it's even more expensive. You are moving to the cloud because you have a better environment which has a much more secure, time to market is better, and you have elasticity, and I'll give example, it used to be that the number one retail day for customers used to be Black Friday. Today by the way, it's retail day. United States is a big iOS market. So, this became the number one retail event.

Now in the on-premise environment, let's say that you have double the transaction, so you need to build to buy double the hardware just for two, three days a year between Black Friday, Cyber Monday, and this. When you are in a cloud environment, you can take resources before the holidays return, and after. So as I said, time to market, highly secured elasticity, and many, many other things that make it make sense, not necessarily a TCO reduction.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

So when you think about the product pipeline, where does AI play for you and your customers?

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**Shuky Sheffer** - Amdocs Ltd - President, Chief Executive Officer, Director

Okay, when we look about Gen AI in general, I think we took a bit different approach. Most of the tools that you see today right now in agents in GenAI are what I call multi-vertical tools. The same capabilities Salesforce, and other that they build, you can use them in financial services, in insurance, in utilities, and telco. So it's much more complex to adjust them to the telco environment.

When we build our platform, it's virtualized for telco. I will give an example, the most common question to the call center today is, why my bill this month is higher than last month? This is by far the number one question, and it's not a simple question to answer.

So sometimes the average handling time could be even 10 minutes until -- so you can take a very simplified approach, more generic one that we did not, and they say, okay, I will take the PDF of December, and the PDF of January, I will send them to OpenAI, and I will get a result what is the difference. A, the accuracy was terrible, less than 30%. B, latency was terrible because you are sending huge files, and it's extremely expensive because OpenAI are paying by tokens, and this is a lot of data.

When we look at it, and say, okay, all the system, all the monetization is running by Amdocs. So we understand that this event can happen because of different reasons. You have the promotion in '25, it's not repetitive in '26. You are not even aware. Your kids subscribe to Disney+ and Amazon Prime. Suddenly you pay more. In December you call the call center, you were upset, they gave you \$20 rebate. It's not repetitive.

So when we are doing this, we are bringing the relevant data in real time, and this is why, and we can understand immediately why this has happened, and we actually published -- by the way, NVIDIA is our biggest partner, also Microsoft, but NVIDIA is the biggest partner, and we have done a POC with NVIDIA that we show that we can -- when we do this, zero latency, high 90s accuracy with fraction of the cost because we are taking the different agents and take all the [masses].

It was based to telco. It can understand telco taxonomy, it understands the data, understand which data you need to, based on the agent, based on the activity, which data you need to bring from the system in real time. Most of the data is now in system, and this is how it's become much more accurate, and much more efficient. Now this is one option.

Obviously, we build the GenAI capabilities in our product, in our product catalog, which is where the marketer define all the different offering you can write. I want to create a new offer for the Dallas area for millennial under 25 that are students that are likely to buy a new phone, and it'll

create you immediately options. So GenAI capabilities, if you want to do a nationwide connectivity order, which is very complex because no one have nationwide (technical difficulty) visibility and sometimes you need to buy from other providers.

So it used to take days to prepare the offer. Now using GenAI, we can do it in minutes. So this is where we bring value to our customer, by taking our deep knowledge in the industry, and apply it when we use it in Gen AI.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

So one question. When we (technical difficulty) your addressable market and become a competitive alternative to Amdocs?

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**Shuky Sheffer** - Amdocs Ltd - President, Chief Executive Officer, Director

I think -- first of all, there's always risk, but I think that I don't think we are immune, but I think we are in better position (technical difficulty) with always outcome-based and value-based. So we don't have a rate card relationship, it's not a time and material type of relationship. When we sell a minute services, we commit to system uptime, security. There is a lot of parameters, and this is how the engagement, so it's much more outcome based. So it's not like they're not buying from Amdocs 100 people. And then if you can apply GenAI, and do it for 50, the price drop.

But I think overall the way we work with (technical difficulty). So you can say that everyone is talking now, I am listening to all the system integrators that are changing the way they talk from a time and material consulting type to outcome base. This is how Amdocs is doing business in the last 30 years. So this is the standard.

Now obviously when we are creating these capabilities and efficiencies, we are sharing some of it with our customer as we should. At the same time some of it we contribute to our margin. But overall, I think since we are always, as I said, outcome-based, and value-based business model, I think we are positioning better from this perspective. It's about value. It's not about you are buying for Amdocs. GenAI data is key, and how you arrange the data, and of the data is ours. We are helping our customer to manage the data and to make it ready for use of GenAI tools.

There are certain areas that we did not do before that now we are looking at. We are never in the BPO business. We are not about, what you call mess for less. It is not a labor arbitrage type of work. So for example, activity like order fallout. We are generating millions of orders, there's some fallout, and you need to fix the fallout.

So today the typical model is to send it to some place in the world that labor is cheap, and then you have hundreds, or thousands of people that are working, and fixing the orders manually. Now we did not -- we were never in this business. Now, because we understand the data because actually our system are the one that creates the fallout, we can create agents (technical difficulty) Amdocs. So now we can play in domains that before were not attractive to us and commoditize low margin business. So now we can say okay now because we are best place to come with these capabilities. So now we are looking at this type of activities and expanding.

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**Michael Rollins** - Citibank Cameroon SA - Analyst

So earlier you were talking about revenue mix. Just remind our group here today, what percent of the revenues currently come from the communications, the global communications vertical?

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**Shuky Sheffer** - Amdocs Ltd - President, Chief Executive Officer, Director

The majority, I mean, the majority. We have some business in financial services, insurance mainly. First of all, we want to tap and see to have our feet wet a little bit about these type of industries. We've done M&As historically that brought us -- the same company brought us, we bought companies in UI/UX. So we have many customers in Telco but we have financial services, see if we can grow this too. But the vast majority of the businesses is Telco.

**Michael Rollins** - Citibank Cameroon SA - Analyst

Yeah, I was going to ask if that's going outside of communications or telco and leveraging the skills of the company, is that an opportunity to take this to other vertical?

**Shuky Sheffer** - Amdocs Ltd - President, Chief Executive Officer, Director

This is an opportunity. It's not a simple move. When we look at it, we look at it, okay, where do we have a right to play? Where is the culture of DNA, they say that culture eats strategy for breakfast. Where is our capabilities? And you talk about mission-critical systems, lots of data, always-on environment, highly regulated.

It's not like banks. I mean, so there is some obviously difference. So this is something that we are looking into. I don't say that we are enough maturing in it, but definitely we are looking to see what type of capabilities and abilities of the company can be relevant for other verticals.

**Michael Rollins** - Citibank Cameroon SA - Analyst

And maybe shifting gears a little bit, if you talk about the digital modernization opportunity in the B2B enterprise segments, why telcos are focused on this, and your competitive?

**Shuky Sheffer** - Amdocs Ltd - President, Chief Executive Officer, Director

B2B is a growth engine to all our customers (technical difficulty), one.

Second, if you compare, I think Amdocs have done with our support of our customers a pretty good job in automating completely the B2C experience. Today you can upgrade and download eSIM and do everything almost in the consumer domain. The majority of the flows, even complex flows like complex broadband, fixed wireless, mobile bundle, most of them automated a lot with the support of Amdocs in our products.

The B2B domain, in a way, was left behind. And over there, you can see that if you want to do an order, I want to buy 100 mobile phones for the organization, and I want this, and this, takes time. It's very difficult to change, Excel-based. The whole experience is relatively -- not relatively, it's not good. So we spend it because we see that it's a growth engine for our customer. We invested a lot in R&D in the last three, four years to automate this.

And by the way, in the last couple of years we also had GenAI capabilities to it. So again, if you'll ask what is the difference between us and Salesforce, they've also -- Salesforce automation tool, what you call CPQ, Configure Price Quote, they have good tools to do with it. But it's very difficult to adjust them to work within the telco environment.

And given that we understand network and we understand what are the different offerings, and the catalog is ours, and the monetization platform is ours, we are bringing this. So now we are focusing a lot how to automate and make the enterprise experience when these buying these services much more simpler.

Now sometimes it could be very complex. If you want to do a nationwide order for connectivity, it's complex order because none of our customers have a nationwide presence, so it needs to buy from others. It's a very complex, so how to automate this and then move from a preparing offer from weeks to days, I mean, this could change the environment and the business itself.

**Michael Rollins** - Citibank Cameroon SA - Analyst

What are other examples of projects that you're able to speak about or (technical difficulty) with?

**Shuky Sheffer** - Amdocs Ltd - President, Chief Executive Officer, Director

So there is the core business, how you modernize the core business system, and there is how you are moving to the cloud. And when you talk about moving to the cloud, it's beyond the Amdocs platform. It's Amdocs platform and also non-Amdocs platform. For example, in AT&T, we are doing with them a very significant project of taking all their main form application and moving all the main form application to the cloud.

So we develop a lot of capabilities in cloud capabilities to move application. By the way, again, we are using a lot of tooling to be more sophisticated and mainstream to the cloud. We acquired a company a couple of years ago that actually come with automation. How you move application like 40, 50 years old cobalt application that no one knows even how to customize them. You cannot find a programmer, and how you are automatically convert them to Java C in the cloud environment.

So moving to the cloud is another, I would say, domain that we are getting stronger and stronger. There is, I would say, a new cycle (technical difficulty) how you monetize the fiber. This is another area that (technical difficulty). I think that the main differentiation of Amdocs is that I think that people will tell you they're expensive, they're opinionated, but they always deliver. Seeing our capability to take these extremely complex projects with huge customer tons of data and actually to move them from a legacy platform or a new platform. I think this capability is something that (technical difficulty).

Now we are also starting as you mentioned, the GenAI, I would say, journey with our customer. The low-hanging fruit are the different, I would say, use cases in the call center, but there are many opportunities. So this is something that we work in partnership with many, many customers. So how to move to the GenAI area, this is obviously another domain, and obviously how to make sure that the core business is intact when everyone is vacationing towards the end of December, if you think about the retail season of – I'm not talking about obviously the iPhone launch, but Black Friday holiday, all the holiday season, this is like the high season for us.

So making sure that the business environment is flawless and working all the time. This is I think another huge value that Amdocs can bring.

**Michael Rollins** - Citibank Cameroon SA - Analyst

Maybe shifting gears to the margin front, can you discuss the margin [expansion]?

**Shuky Sheffer** - Amdocs Ltd - President, Chief Executive Officer, Director

(technical difficulty) continued several \$700 million that were low margin or strategic, but on the top of it we show a very nice uptake in margin like 60, 70 points. I think our ability to improved margin is built on the foundation that we do both the product and the services. So it's meaning with – if there is – I gave the example of order fallout, so maybe a competitor will try to stitch the fallout, to fix it. In Amdocs' case, the operation guy will go to the product guys, and say, guys, we are having this order fallout. Maybe you will fix the root cause in the product itself.

I think that this combination creates unique capabilities to create automation and tools that allow us to do things faster and cheaper. And the way we look at it is -- and this represent for us -- by the way, we were doing it for many years. You can see more evidence of this in the last three, four years.

And the reason is that in '21 and '22, it was a crazy market, and the labor market was crazy. So all the efficiency that we created actually create all the pressure on labor costs, which was at the time like unheard of. Now when the labor environment is much more stabilized, we can use this automation and capabilities we build all the time to margin expansion.

And as I said before, I think the way we look at it, some of it we share with our customers, I think that they should enjoy all our investment, and some of it we are taking to our margin expansion. GenAI, it's a new wave of capabilities, that is early days, but we see a lot of opportunities also from this regard.

**Michael Rollins** - Citibank Cameroon SA - Analyst

And then maybe one other question, how do you think about the opportunities to accelerate your scale or your growth?

**Shuky Sheffer** - Amdocs Ltd - President, Chief Executive Officer, Director

(technical difficulty) and sometimes we consolidate competition. So there's a competitor, we believe it's makes (technical difficulty). And another thing is what we call the – the second reason is bolt on technology. We develop the majority of the product by ourselves, but when we look and see a product that we believe that we need, we want to be able to give a full coverage of cloud transformation to our customers.

We did not have any tool to support mainframe. We could build it internally. It's a buy versus build, so we decided to buy a company that covers these capabilities. So this is mainly bolt-on products, the core products is done by ourselves. And the third reason is when we start to go to domains that we don't have enough knowledge.

Couple of examples, when we started to move to (technical difficulty) both couple of companies that bought us capabilities. When we start our cloud journey in 2020, it was impossible to recruit cloud people. So we bought a couple of boutique companies and we got an injection of 400 top-notch cloud people. So this is where it is mainly definitely supporting the strategy.

You're talking on mid-sized, small acquisition, and I think if we look at the overall capital allocation of Amdocs, as I said, it's very disciplined. We can do M&A, but at the same time very disciplined about buyback, returning the majority of the free cash flow to the shareholder between our dividend, which today roughly probably 2.5% between increase double digits every year, and the buyback that we are doing all the time.

**Michael Rollins** - Citibank Cameroon SA - Analyst

Thank you so much for joining us today.

**Shuky Sheffer** - Amdocs Ltd - President, Chief Executive Officer, Director

Thank you. Good to see you.

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