

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

DOX.OQ - Amdocs Ltd at Oppenheimer 5G Summit: Wireless and Cloud Convergence Begins (Virtual)

EVENT DATE/TIME: DECEMBER 14, 2021 / 2:05PM GMT

CORPORATE PARTICIPANTS

Anthony Goonetilleke *Amdocs Limited - Group President of Media, Network & Technology*

Matthew E. Smith *Amdocs Limited - Secretary & Head of IR*

CONFERENCE CALL PARTICIPANTS

Hoonshik Yang *Oppenheimer & Co. Inc., Research Division - Research Analyst*

PRESENTATION

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

Good morning. Welcome to Oppenheimer's 2021 5G Summit. I'm Yang Research Analyst in Oppenheimer's Cloud and Communications team. The theme of this conference, and we've also published the white paper in conjunction is that communications networks are converging with cloud, creating entirely new wireless applications and food chains that are transformative. With that in mind, we gathered the most important companies and thought leaders on the forefront of this change and certainly Amdocs and Anthony Goonetilleke fits that bill. Anthony is Group President, Technology and Strategy at Amdocs; and we also have Matt Smith, IR. Anthony, good morning, and thanks for spending some time with us.

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Thank you. Thanks for having me Edward. Great to be here.

QUESTIONS AND ANSWERS

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

Maybe you could start by providing some background on Amdocs, how your software and services help carriers modernize, automate and digitize.

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. So we are a company that has been around for several decades and really our goal is to help empower the service providers of the world. I mean, we work with all the largest service providers around the globe. All the big names in North America use our systems and our unique model of providing our products and services to kind of deliver value.

At the end of the day, we're not just another software services vendor. That sounds like it because at the end of the day, what we deliver is mission-critical, carrier-grade software that especially in today's world really connects the world. And I love the title of your white paper because I think this is -- at the end of the day, this is what we do, right? All of these technologies are now converging to create a connected world.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

And your Analyst Day last month was titled Enter the Future. So what message did you want to convey? And then you did point out the 3 big drivers, 5G, cloud and digitalization.

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. Look, I think that kind of message I bought in is, look, we all know that technology is accelerating at a rapid pace, right? Like no one questions this, that has been happening for the last 20 years will continue to happen. In the last 10 years since kind of the 2000 acquisition, we saw business models being completely disruptive. All over the place, you see the Airbnbs of the world, the Ubers of the world is completely disrupting these business models.

What we see in the last 18 months is what I call the disruption of human behavior. The way we adopt and the way we use technologies and the way we gravitate towards it. And kind of the red thread through all of this connectivity, right? I mean, you and I are very comfortable doing even these investor calls now on Zoom or Teams or whatever it is, right, instead of having to fly over in person and do it all there. My doctor's appointments are on some type of FaceTime app, and we're very kind of used to this hybrid methodology that's going to stay.

But this is now going to -- these 3 things kind of colliding are going to generate some very, very interesting business models and change in human behavior that I think that's going to go on for the next 10 years.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

So obviously, Amdocs touches I mean to your scale is staggering, 1.5 billion wireless and Internet subs, 300 million daily customer interactions. What kind of opportunities does 5G open up for you?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

I think it opens up, I would categorize it in 2 different ways. Firstly, there isn't one customer that I know of that doesn't have some type of 5G strategy. Now they're all over the place in terms of the continuum, someone just starting. Some are already rolling out what they call stand-alone 5G, which is kind of the most mature type of 5G. But there's somewhere in the continuum, right? So that straightaway is an opportunity for us.

At kind of the same time, 5G is used as a technology, right? So it's not just we -- if you use the word 5G, just kind of in layman's term outside on the street, people like, oh, yes, 5G, just gives me faster speeds. But 5G is a set of technologies that come together that can empower an enterprise right?

We work with a big university recently on one of their kind of private network deployments, right, that they're using these types of technologies because it's secure, it can provide better service, it provides a better backbone. There's all these kind of functionality that 5G brings us a technology that I think will be leveraged not just in the telco space, but in the broader enterprise space.

And you kind of see the market evolving. You see the market starting to kind of think about that and you see factories being outfitted, you see kind of the, I would say, the explosion of what we call smart industries through connectivity, right? So you see all of these very, very interesting opportunities. Now these are all still very nascent and they're still evolving, but I think we'll see this accelerate really in the next kind of 3 years.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

And you just touched on this, but can you explain the difference between 5G stand-alone and versus, I guess, 5G nonstand-alone? And where are we in terms of 5G evolution and services that can be offered?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Sure. Sure. It's a good question. So basically, non-stand-alone, the only thing you get is a little bit of a speed bump. That's it, right? So you'll see 5G on your phone, I've got 5G or works maybe a little bit faster, right? That basically means you've upgraded kind of your radios and you can get a bit of a speed bump. But your core network is still not upgraded 5G.

5G stand-alone basically means your entire network suit do not can support all of the 5G functionality, right? So all the great things, you see Verizon talking about all of the 5G currencies, right? You see AT&T coming out with all of these different kind of enterprise use cases. You see T-Mobile talk about all sorts of things that 5G enables them. Many of these things really benefit from what we call the stand-alone. Once the full network is upgraded to 5G, right, this is when the power is kind of released.

Now this is also kind of that segue into cloud, right? Because 5G, I say like it's the first G, born on the cloud, right? All of the other Gs weren't born in the cloud. You basically would be -- you would find it very hard to go to 5G without using kind of cloud technology. So this is where kind of the 2 dovetails.

And then that releases all sorts of interesting things, right? So now you start talking about mobile edge computing, right? Now you have all of these capabilities of IoT that 5G supports that we didn't have in 4G and 3G in terms of proliferation of devices. So as you start rolling out 5G stand-alone, it starts to open up very interesting revenue opportunities for a lot of people.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

And you mentioned 5G and cloud kind of go hand in hand. And obviously, you have very strong relationships with both carriers and all the major hyperscalers. It seems like it's a very nice position to occupy with 5G.

So Amazon recently introduced a very interesting product that introduced an enterprise 5G service. It's Turnkey, Spectrum Agnostic, allows any business to operate their own scale down -- essentially a scale down private cellular service, and they say you can do it within days. Maybe you could help us understand how that service works? And is Amdocs involved in the provisioning of this service?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. Look, we have a very close relationship with AWS. Actually, Shuky and myself had a session with the executives last week. There is a lot of things -- yes, they showed that 1 slide, but there are a lot of kind of planning and road map and discussions behind that 1 slide in terms of what comes to it.

But this is just -- this is an example of kind of what I've been talking about in the last 10 minutes, right? 5G is not just the connectivity thing, it's about a technology that can be used in very interesting ways.

Now if you look at the cloud guys, it's not just AWS, right? So you have Microsoft that gone and went and purchased things like a firm in terms of a Pack 4 and things like that to kind of build some of these network capabilities. Because at the end of the day, they would love to have not just the IT workloads move to the cloud, but some of the network workloads move to the cloud, right?

At the end of the day, the webscalers are about a couple of things, right? They're about -- How do I drive usage in my computing power, in my storage power, right, and in my scale, right? So what better place to focus on than the network space, where we know there are petabytes and terabytes of data being transferred, right? Huge resourcing, right? Geolocation, multi-special topologies rolled out. So there is no doubt that this will be a big play.

And so this is why about 2 years ago, we decided it was very, very important to work very closely with them, build the strategic partnership. And hopefully, in the next several months, you'll see some very interesting things come out from both of us together. And you already see some of that applications available on, for example, on the Microsoft Azure marketplace. You can get charging, you can get policy and you can get rating.

Because for example, policy today may not just be relevant for a telecommunication service provider, right? Your policy is very relevant to a factory outfitting themselves as an enterprise. So we're working, to your point, we're working very closely with them to try and accelerate this journey as well on the webscale side.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

I think the announcement by Amazon took a lot of people by surprise. And can you speak maybe theoretically how this service would actually work practically? I mean does it require licensed spectrum? Or is it just CBRS? If it's unlicensed, is there a risk that users get kicked off the network? And how do you ensure priority? Can you talk

through some of the technical aspects of this because they obviously did not go through a great amount of granularity how this will be provisioned?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. So as I said, some of these things without going into details due to NDAs and stuff, some of these things are still being planned out and evolved and things like that. But you're spot on, right? So if you use CBRS, for example, right? So we are a CBRS provider, and we manage CBRS on behalf of the government that kind of we won that application for.

And you're right, right? It's a -- you provide it, and there may be times when you need to pull it back, right? But then you can go on and look at -- we have an application at the moment around 60 gigahertz, right? So kind of looking at that area of the spectrum, which is not -- which is kind of like this free unlicensed spectrum. So that's something that may not be pulled out.

And I think if you look at the future, I think there is a marketplace for dedicated spectrum, meaning the service providers partnering with unlicensed spectrum, partnering with the 6 gigahertz spectrum, and it's like this mesh that comes together to deliver your solution.

Now if you are a mission-critical factory, you cannot do this, right? Like you can't depend on unlicensed CBRS to work. So there's always going to be a place for the service providers. They're always going to provide value. The last mile is not something that the Amazons of the world, the Microsofts of the world are focused on. They're much more focused on the enterprise space, for example.

So I think there is a very good place in terms of coexistence and how these things can work together. But the most important thing is that this is a paradigm shift in terms of the way connectivity technology used and it has kind of bubbled over from just the service provider space, right?

So this is why a lot of our software, the way we're building it, the way we're using it is not just saying, well, we are providing a fund service for telecommunication provider because tomorrow, it could be an enterprise that's using it. I gave you the use case of a university that deployed it. So there's some very, very interesting opportunities that potentially could become part of our addressable space.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

Well, I think what was so interesting about the announcement is the 3GPP standards were introduced almost 5 years ago, and we've all been looking for the killer app. And I think people have always spoken in theory what the killer app would be. And then all of a sudden, you have Amazon come out and have something very tangible potentially.

And you mentioned the spectrum side and how the carriers will always have a place. But DISH is partnered with AWS, for example, and they have a lot of spectrum. So would that be potentially an avenue that could help provision the service and make it more carrier grade?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. And maybe I can split that question into 2 parts. The first part around the killer app. I'm strong believer that there's not a single killer app that's ever going to say, okay, like everyone is looking for this like the magic gold of 5G, right? It's not one thing, but it's just the change in the way society works and change in the way people work, and there'll be many things to many people, right?

This is why we don't say smart cities, we say connected industries, right? Because we are working on a pilot, for example, right now where drones are like flying over a farm in agricultural pest space, taking high-definition photos of an orchard, moving them to an edge compute facility that, by the way, it stood up in a band then uploading the relevant information to a cloud using AI, sending that information back and directing people on what they need to do in which area, right?

So is that a killer use case? Absolutely. That's an amazing use case, but that's not the 1 killer. There are many things like that, right? There are cities that are looking at kind of how do I upgrade my infrastructure. We're working with a local ISD, for example, they're saying, well, maybe I can have this ubiquitous connectivity for all my students, no matter if they are at home or at school. We know, for example, during the pandemic, there were some like low income areas in Dallas, where you saw photos of kids sitting outside Starbucks because they didn't have good broadband on, right? So that's why I don't think there's 1 killer app, but I think this is a paradigm change.

In terms of kind of the Amazon announcement and kind of how that goes in terms of spectrum and the DISH thing. I think you will see a lot of partnerships, right? So yes, I mean, DISH needs to do something with their spectrum. It makes sense. But I think you will start to see a lot of partnerships. You already see by the way, you already see the edge partnerships, right, around mobile edge computing. You see AT&T, Verizon, Vodafone, because they have these points of presence. They have tens of thousands of points of presence more than the web scale guys will ever have.

So when you think of Edge rollout, like the telcos are well, well positioned and already there in terms of provide that functionality. So I think the future is more of this it's the coming to life of the hybrid world, right? It's going to be this co-petition environment. It's going to be best of breed. In some instances, you will see competition. In other instances, people will still buy backhaul from others. So I don't think it's necessarily clear cut saying that, okay, you're now going to have one we know and it's going to be the web scale guys or one, we know you're going to be the telcos. But at the end of the day, the way we position ourselves is to make sure we serve kind of this whole spectrum.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

That's very helpful. And maybe just touch on why technically, WiFi is not the answer, best answer versus these scale down 5G cellular networks, these private networks.

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. I think it's a combination, by the way. I think, by the way, going back to kind of the -- around the 6 gig frequency, you can potentially have WiFi adding going now [2.x], 5, 6 being added to it as well, right? Potentially in the future, you'll see that roll out. I think you will see a combination of both.

So one of the kind of the private networks we help build out we had cellular service running to WiFi spots, WiFi 6 spots, right? So the topology could be a combination of the two.

Now if I look in a crystal ball and look in the future, the future is ubiquitous connectivity, and you should not have to worry about do I have a SIM card, am I connecting with WiFi sometimes. At some stage, this is going to converge, right?

In the same way that go back, whatever, 20, 30 years ago, you had to have your modem and switch it on and connect to connect on the Internet. Today, you don't think about it, right? You just whatever device you on your connected the Internet.

Fast forward 5, 10 years from now, you will not have to think it's at WiFi, it's at 5G, you're going to have this ubiquitous connectivity and every device will standardize on being able to just connect.

But I think what we're starting to see at the first phase is the 2 working hand in hand where you kind of have the 5G topology and infrastructure handing off to WiFi edge points.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

And I think everything we touched on in the 5G area, it just seems like there's a more urgent need to outsourced to a company like Amdocs, in-sourced versus outsourced OSS BSS today? I mean, do you see that trend continuing?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. I would even see it maybe accelerating a little bit because when we looked at managed services, as we call it, which kind of you refer to outsource, right, there was always had to be some compelling event, right? So, hey, like I want to change my cost structure. I want to do some reorg. There had to be some compelling event. My contract is up. But now moving to the cloud generates that compelling event.

So when I move all my infrastructure to the cloud, when I'm using the Amdocs cloud-native stack that runs on AWS, well, it makes more sense to use kind of the Amdocs intelligent operations, right, and bundle it in and managed services. And let me go focus on the business. So we think this is a great opportunity for us. It's absolutely this kind of -- we call it cloud managed services model or the cloud MSP model. We think this is really an opportunity for us in the next several years to capture probably more of a share of the market in this space.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

And at your Analyst Day, you significantly increased the size of your SAM from \$36 billion to \$57 billion by 2025. I mean that's about a 10% CAGR. But when I think about 5G, cloud and digitalization, those are all -- I think those are all growing faster than that 10%. So -- now how do you look at that market and that SAM and what's driving that CAGR growth?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

First of all, we like to deliver on all our promises, right? We don't like to miss out on anything. So when we give you something, we stand behind it 100%. But look, we have definitely left that low single-digit neighborhood in terms of growth, right? We are now in the high single-digit neighborhood. Like on a pro forma basis, we're looking at kind of the midpoint around 8%. I think Matt, correct me, our pipeline is around kind of 10%.

Matthew E. Smith - *Amdocs Limited - Secretary & Head of IR*

Correct

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. And so we are definitely in that neighborhood. Now this is -- remember, 18 months ago, we kind of completely redid our strategy, and you already see the fruits of that labor coming into play, right? So Edward, give us a day or 2 to enjoy this neighborhood. But there's nothing to say, we're working on some very exciting stuff.

And look, our goal is to look at not just -- so it's not just the SAM, right? This is also the reinvestment. Shuky mentioned several times about we're reinvesting back into our R&D to accelerate our footprint not just to have a cloud service -- cloud native stack for our telecom providers, but to expand that footprint to address different areas, right?

So now we have something called the 5G value plan, right, that not just service providers can use that enterprises can use around rating, around charging that we think helps us take some of the money that's in this kind of serviceable space. And so we're busy. We're very, very focused, and we were excited about the future because we're happy to be in this neighborhood. And of course, like everyone else, we're constantly looking at other neighborhoods and looking at how do we do better in all places, including executing on our strategy.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

And I think at the Analyst Day, Shuky mentioned that there's no other Amdocs essentially, but who do you compete against?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Well, we compete against many people but in different areas, right? So with services, if it's a services only play, maybe it's some of the SI's, right? If it's a product-only play, maybe it's like the net crackers of the world, on the BSS side or the Ericssons of the world, Huawei is pretty much a no play or no show right now.

But if you look at all of the major transformations going on in the world, like all of the Tier 0, Tier 1 carriers, every one of them has chosen our cloud-native stack replatform.

Now we took a big chance, a big risk, about 3.5 years ago to completely replatform and built from the ground up a cloud native stack, right? Now you could have said, "Well, let's just wait and see how the market evolves." No one knew COVID was coming. But COVID kind of bought people to a point and said, okay, let's do this and let's do this fast. And we were ready. We were there in time.

So if you look at the transformation with AT&T or T-Mobile or Verizon or Vodafone's biggest OpCo, these are all the leading players in the world, and they've chosen our stack. So I think on a product side, it's kind of unparalleled.

And then we're also bringing together. So if you choose Amdocs, you are able to build a stack where you don't have to go and kind of duct tape and get duct tape and glue and stick stuff together, right? You don't have to pay some SI to come and figure out how to integrate this stuff. If you create an order at the beginning, we make sure it's delivered on the network and provision. And it's very hard to find this from anyone else.

So if I was a service provider, I want to focus on how I get my new office to market, find those use cases that are going to give me the biggest value for money. I don't want to spend my time on all of these SI work and integration work and making sure my order flows through and things like that. Leave it to someone that's done it for decades and knows how to do it. And that's kind of the value we read to the table of these products and services model that's very unique.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

And you touched on this, but Amdocs, I believe Google are also applying to operate the spectrum management systems for the unlicensed 6 gigahertz band. And I mean what's your thought process behind that? Is that to serve with? Or what is your interest in that part of the business?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. I think I would separate Amazon and Microsoft and Google a little bit differently. I think Google does a little bit of a foray to every little thing. If you look at all the businesses, they have a domain name business, which is like -- so I have lots of little businesses that kind of like tiptoe into.

But it makes sense. I mean, if there's spectrum out there, you can apply for it and potentially use it, it makes sense. But at the end of the day, they are not in the play of designing and deploying networks, right? So -- and it also doesn't make sense with the WISPs like why would you go to Google and then get the 6 from them, for example, if you're a WISP, I would go get it myself, for example.

So I think I wouldn't put too much weight on kind of why Google do this. I can give you like 30 things that Google does that you may scratch your head, but they're big enough that they can do that.

Hoonshik Yang - Oppenheimer & Co. Inc., Research Division - Research Analyst

Okay. And obviously, again, you're very close with the cloud companies, but also the carriers. And if you look at their different approaches, what do the telcos have to do to win in 5G? And what did the hyperscalers have to do to win in 5G?

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

So I think this is a situation where both [win-win] right? In terms of the telcos, they will need to continue to invest and accelerate their rollout and accelerate the deployment of stand-alone networks, right? So we see, for example, South Korea is doing some amazing stuff. We're working with some of the guys, the Korean telecom providers, South Korean telecom providers over there. And you see some really interesting things kind of evolving in that space.

So I think when you think about North America, I think just roll out the network, get stand-alone because it's very hard to compete. Like there's no one that can compete with that, right? Think of all the points of presence, think of the coverage, think of the billions of dollars that spent on spectrum, right?

That's like saying I'm going to buy \$1 billion in bricks and cement and motor and just leave it sitting on my driveway not do anything with it, right? So they're going to have to build that house, right? And that's what stand-alone is. And so I think for the next several years, they will build that.

And once you build it, guess what? You have to either lease it out, sell it, make sure there's an ROI, monetize it correctly, right? And that's where we can help you build in the house, and we can also help you monetize it, which is at the core of kind of what Amdocs does.

Hoonshik Yang - Oppenheimer & Co. Inc., Research Division - Research Analyst

And it's been about 6 months since AT&T announced its 5G core deal with Microsoft. And obviously, AT&T is a big customer of yours. What were they trying to do with that partnership? And have you seen them operate in a different way since they've gone down that path?

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

No. I mean, first of all, we -- the 3 of us work very, very closely together. We are in meetings together. We're in planning sessions together, the 3 companies, on road map sessions together. So I think it's a multiyear journey for all 3 of us, right? Our stack, our 5G stack that we're launching on AT&T is based on Azure, right? And it's going to be stood up on Azure and will be the biggest telco stack stood up on Azure, for example.

So I don't think there is any major change other than what's kind of expected. You will have different workflows move to the cloud. So we're helping AT&T move. I think we announced that maybe, I don't know, maybe 9 months ago, 12 months ago, that we're moving several big AT&T workloads, even non-Amdocs workloads to Azure just because of our cloud capabilities. And it's a great partnership, we kind of the Trinity, I would say. And we look forward to great things. I don't think necessarily there's any surprises or what they're doing.

It's just a matter of -- the only -- the big difference is up until that announcement, pretty much the focus has been on IT workloads, right? That announcement changed the paradigm to network workloads as well. That, I would say, is the major change.

Hoonshik Yang - Oppenheimer & Co. Inc., Research Division - Research Analyst

Got it. And AT&T also announced an MVNO with DISH. And can you expand beyond that to a more extensive store of network and spectrum sharing? And is that something that Amdocs could potentially assist in?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. So clearly, we're on the Boost side, and we're on the AT&T side, and so we know both ecosystems very, very well, and we're already assisting them and helping them. So definitely, we're in the middle of all those discussions on both sides. And DISH is DISH and they're looking at how to maximize their value, which I don't blame them for. And I think the AT&T partnership made a lot of sense, right?

And I think it's back again to the first comment I made in terms of you're going to see some very interesting partnerships that you hadn't seen before. Like before, historically, the legacy thinking is, well, there is service provider X and they're going to compete with service provider Y. I think the future will be this co-petition model even between service providers, right?

Think of Vodafone, for example, sling their telco company, and potentially other providers can use some of the Vodafone towers, right, to put their radios up, right? So if you went back 20 years ago, you would say, "Oh, no, but this is like my differentiating point, why would I share this with 1 of my competitors." I think the world is very different today.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

I think you will get a new product, and Tamar talked about this at another conference, MarketONE. And I guess that's an example where you're trying to develop use cases for 5G to kind of move the market along. Can you talk about that and the monetization model there? How that might differ from the traditional Amdocs model?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Yes. So MarketONE is a -- very humbly very proud of MarketONE. I think we developed this. It's a completely SaaS offering, running on AWS today. And so what we do is we're bringing a whole bunch of OTT players like the Netflix, the Spotifys of the world, right, and a huge long tail of ones you've never even heard of based on local geographies and things like that. We onboard them once, and we expose those capabilities to service providers so they can offer them to their customers, right? So if you think about how it works previously, every OTT would involve an integration project, a 6-month effort and millions of dollars to make sure you onboard them and integrate them. Today, you connect to Amdocs once and all of these capabilities are available.

And even more than that, you could go into, for example, you could go into service provider X and define your family unit. And that family unit can be propagated to like a Spotify, for example. So you don't have to recreate that family unit in every person.

Also, think about like if I look at myself today, my subscriptions are on my iTunes account or my credit card or my PayPal or my Amex card, like I have 17 places where I'm being charged different subscription for. And this is a place where you can go and look at all your subscriptions on 1 dashboard, select it, unselect it.

Because we also see this human behavior changing, right? Previously, you may have thought, "Well, I subscribe to a service, and I will stay there for 12, 18, 24 months or 5 years or whatever." Today, you may stay there for a season because you watch succession and you loved it to subscribe to service or you may subscribe to Netflix for 6 months and you may change and move around and this dynamic nature is really what consumers at different levels do. And so this provides a holistic way to do it.

So it's flying off the shelves. We have some very interesting projects. T-Mobile is one we announced. We had some big European carriers that also jumped on board. We have South America carriers that have jumped on board. We have carriers -- think of the carriers in APAC, right, to go and create these agreements and deals with the OTTs are difficult sometimes, right?

So suddenly, you can onboard yourself onto the Amdocs platform and suddenly, you kind of get access to these. So we're very excited to a fully SaaS ARR model. So it's exciting.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

Next question is on the metaverse. And obviously, very topical. You're seeing real estate being sold in the metaverse. And I would think that...

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

I own a piece of Fiji, by the way.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

What's that?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

I own a piece of Fiji.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

Okay. There you go. Great. And I was just only talking with you, Anthony, because you can make some of this bleeding edge technology more accessible. And metaverse, what kind of opportunities that opens up for Amdocs?

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Sure. Hang on a sec, let me just put my -- I'm kidding, I'm kidding.

Hoonshik Yang - *Oppenheimer & Co. Inc., Research Division - Research Analyst*

And we did not script this before, though. So I guess you have your headset on your table.

Anthony Goonetilleke - *Amdocs Limited - Group President of Media, Network & Technology*

Believe it or not, it's on my desk because I do use it sometimes because we're always testing -- so let me go back, and I'll -- in the end to understand why it's on my table. So split the metaverse into 2, okay? Split the metaverse into productivity and entertainment. Okay. So let's talk about the first part. Let's talk about productivity.

Productivity with the metaverse could involve collaboration, right? Could involve -- think about people interacting, right? In this -- this is one of the new Oculus headsets by the way. And on this Oculus headset, you can not only see what's inside, but you can also see what's outside, right? So using kind of this augmented reality methodology, you could be in a meeting with someone, you could be interacting. You see the Microsoft commercial, for example, where you could be building an architecture diagram and moving pieces together with someone that's based in Kuala Lumpur or whatever, right?

So there's a lot of AR productivity use cases for the metaverse coming together where we can physically be in the same room and interact with each other and move things. Think about white boarding, right? This hybrid workplace is great. It's fantastic. People have learned how to work.

But if you listen to Apple and Tim Cook, and I completely agree with what he says, One of the things that we struggle with in this kind of Zoom world is innovation because innovation comes together when people together, brainstorming ideas, throwing things at white board. So the first

part of the metaverse is about bringing together collaboration, augmented reality, think of technicians out in the field, right? Think of some company walking me through how to attach my cables to my new audio sound system, those are some great use cases.

The second one is an immersion, right? So you think of worlds such as Minecraft, such as Roblox, right? I mean, if you have kids, if you're ever going to look at it, they've built entire worlds and entire lives in, right? And people connect by this tribe mentality. And this tribe is not separated by -- I'm in the United States, you're in Korea, you're in Sri Lanka or whatever. But it's based on -- we both like this, right?

And so the world will be divided into almost like with alternate personality, right? I'm Edward today. I can be John Smith tomorrow in the metaverse, and this is what my personality and profile is like. And that's okay, right? That's like some fun we do on the site.

But even in that second space, there is a lot of monetization opportunities, right? So there is a lot of blockchain technologies that are huge, right? So I don't want to make this a [buzzler] session, but think of all the NFTs that people are going to be selling in the metaverse, right? You now have a unique skin that you can't buy. Think the subscription, think of the real estate fees, right? Think of leasing it back, right? So there's all sorts of very interesting monetization opportunities that we're playing around with.

Vindicia is one of our subscription companies. We're looking at how to enable, for example, NFT payments. We're already starting to look at enabling crypto payments in different ways, using Ethereum around smart contracts. So these are some kind of very interesting things that I think will be very interesting to the people looking at this because this is also going to evolve very connected. And by the way, I think the telcos will have a part to play in it.

Hoonshik Yang - Oppenheimer & Co. Inc., Research Division - Research Analyst

Got it. And then we only have 2 minutes. But talking about the telcos, there's been a highly promotional atmosphere telcos versus cable and they're competing very vigorously with each other. And I mean, does that benefit Amdocs your pipeline and your backlog, the fact that there is all this promotional activity in.

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

Always. Always. Always. It's just jobs to be done, right? More marketing offers, more changes, hey, what about this? What about this innovation, right? So I mean, competition, it sounds bad, but competition is good because it just means there's more work to be done in more places and globally.

Hoonshik Yang - Oppenheimer & Co. Inc., Research Division - Research Analyst

And how quickly do we see that being reflected in your backlog in your revenue?

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

You guys may have started to see that, but I think we've started to see that build up over in the last several quarters. I mean, you saw with our projections changing and things like that. It's not just 5G, right? It's about new handsets, new ways you buy the headsets, new models, bifurcated billing. So you're starting to start to see that come in a very near term, not necessarily the long term.

Hoonshik Yang - Oppenheimer & Co. Inc., Research Division - Research Analyst

Well, fantastic. Thank you, Anthony. That's all the time we have, but thank you for attending our conference.

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

That's potent. First of all, thank you for having me, and I just want to say we're very, very excited about kind of this 8% growth and double-digit return to shareholders, and we're looking forward to delivering on our promises. Matt, anything you want to add?

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

No, no. Just excited about the longer-term growth outlook, stable business model with the recurring revenue streams, stable profitability, great cash conversion.

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

100% earnings to cash conversion.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

And returning the majority to shareholders. So with that, as Anthony said, targeting double-digit total expected shareholder returns with EPS growth and dividend yield for the second year running this fiscal year and focused on keeping it going.

Hoonshik Yang - Oppenheimer & Co. Inc., Research Division - Research Analyst

Well, that's perfect, Matt. Thank you, Anthony. Appreciate the time.

Anthony Goonetilleke - Amdocs Limited - Group President of Media, Network & Technology

No worries. Thank you.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Thank you.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2021, Refinitiv. All Rights Reserved.