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PRESENTATION

Ashwin Vassant Shirvaikar - *Citigroup Inc., Research Division - MD & Lead Analyst*

Thank you, and good morning. And good afternoon to folks in EMEA. I'm Ashwin Shirvaikar. I'm Citi's payments, processors and IT services analyst. Thank you for joining our technology conference day 1.

And I'm very happy to host Amdocs for our next session. From Amdocs, we have Shuky Sheffer, who is President and CEO; and Tamar Rapaport-Dagim, who is the CFO and COO. Shuky, Tamar, good to see you both again, and thank you for doing this.

Joshua Sheffer - *Amdocs Limited - President, CEO & Director*

Good to see you. Sure.

QUESTIONS AND ANSWERS

Ashwin Vassant Shirvaikar - *Citigroup Inc., Research Division - MD & Lead Analyst*

Yes. So I thought maybe perhaps we could just kind of kick off with a high-level question because there are always newer investors in group meetings. So maybe a couple of minutes on high-level points, what Amdocs does. Talk a bit about competition and where in the telecom services spectrum you work.

Joshua Sheffer - *Amdocs Limited - President, CEO & Director*

In 2 minutes, okay. This is difficult, but I'll do my best. So first of all, Amdocs is a market leader in the telco domain. I think that we come with a very unique business model. So in the world, there are product companies, there are a services company. Amdocs is what we call product-led services. We develop the products for the industry and then we deploy the products and then we operate the product, which creates a very unique and successful accountability model.

And our systems support everything within the telco domain, from the channels, call center application, retail store application. This is all the ordering type of application where you can change and put orders. Then, all the billing system, all the financial services system from general ledger to billing to accounting to everything, up to the network, so we -- our systems are also provisioning the services to the network.

Now this is a very unique, I would say, scope of portfolio because you can see that when talking about competition maybe later, there is no like another Amdocs. There are people that are competing with us in the channel, in the billing, in the provisioning, but no one has the end-to-end stack like Amdocs have.

If you look at -- this is our product portfolio. We serve the largest customers in the world. So we are now -- probably the majority of us are in North America. So everything in AT&T consumer mobility end to end is Amdocs. The same for T-Mobile. We have a lot of activities with Comcast, Charter, Altice, lately with Verizon, so we are serving the largest customer in the world.

We work across all geographies, very successful in APAC, Latin America, Europe, et cetera. And if we need to classify our services, we have 2 type of -- on top of the products, we have delivery capabilities of deploying the product and managed services capabilities, which is running the operation of our customers. And this is basically what Amdocs is doing. And I believe that we are the market leader in our domain.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Okay. Ordinarily, the second question that I ask on a session like this is talking about demand because that's what investors are most interested in. But I did want to ask you -- because your operating performance has been quite strong recently relative to expectations, but the stock seems to still be lagging. What feedback do you normally get from investors? Is there something you feel the company can do incrementally with regard to closing the gap in stock performance relative to operating performance?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So first of all, I agree with you. We are going to finish our fiscal '21 in a couple of weeks at the end of September. And the company did perform well. I mean we still need to report Q4, but from what we reported so far, the company did perform well from every perspective.

I mean we guided the market last quarter for a close to 7% constant-currency pro forma growth year-over-year. We had a double-digit total shareholder return. Our backlog grew 11% year-over-year, our 12 months backlog. And we show good progress in every parameter from -- we had an amazing earning-to-cash conversion of 130%, I mean. So cash was very strong this year. And we are able to do very important M&A to support the -- so overall, we were very pleased.

And last but not least, we are still operating under the COVID situation with majority of the close to 30,000 employees around the world in 85 countries are working from home. And still, we were able to develop -- to deploy record-high deployments in the quarter; continue to do, our managed services team, I think, the best maybe we can. And customers are very happy with the performance.

So I can tell you, back to your question that the company is performing well, we definitely intend to keep with this momentum. And back to your question, I think that Tamar and myself and the rest of the company is spending a lot of time with investors in general in conferences like this to make sure that people understand the change in Amdocs.

I agree with you, the operating performance from all aspects, from sales, backlog, margin expansion that we have this year, all parameters are better than when we guided the market about 9 months ago or a little more. And so we are spending a lot of time, putting a lot of effort to make sure that people understand the change in Amdocs.

We were a low single-digit growth company. We plan to be high single-digit company -- growth company. This is where we put our efforts. And I think that the strategy that we laid out is working out. So we spend a lot of time to explain that -- what is the strategy, why it is working and more important, why this is not like a one-off and the trends that are actually supporting the growth of Amdocs are here to stay.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Yes. No, that's good to hear, and I appreciate those comments. So in some ways, it continues to be about...

Joshua Sheffer - Amdocs Limited - President, CEO & Director

By the way, one quick comment. I forgot that as a company, we leveraged the attractive stock price this year to accelerate the buyback because we believe that the stock price was very attractive.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Yes. So I think the point was you can continue to deliver at this higher level. It doesn't necessarily need anything dramatic or game changing, just continue to perform at a higher level, and we hope the stock performance follows. Is that basically a fair way to characterize?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

I think that the trends in the market position -- that we see in the market can support our business.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Okay. Okay. Yes. So moving to demand. You already sort of mentioned a bit about the healthy demand trends that you're experiencing currently and the fact that it is sustainable. What I would like to ask is whether it is possible to disaggregate the demand across, say, 5G, cloud, digital transformation projects, managed services demand.

You have, over the last few quarters, mentioned each of these as a good driver of demand. It ultimately is what takes you from low single to high single. But is there any standout in any particular area? For example, you announced the contract today that is a 5G monetization contract. Any thoughts?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

I think it's not that easy to classify. I'll give you one example. We are now, we mentioned it, doing a very big project with AT&T. Actually, we are building a completely new consumer mobility platform for AT&T. Now on one hand, this is 5G related because this is to address the next-generation 5G services. On the other hand, we are deploying our next-generation cloud-native. So it's cloud. And it includes managed services part of this deal to run the system. So it's very difficult to say what is what.

But back to your comments, the main trends right now that we see that's supporting our growth is the 5G. By the way, 5G is a bit ahead of the rest of the world in North America comparing to Europe and APAC, for example, but it will get there soon.

The second one is the journey to the cloud. This is pretty consistent across geography. And by the way, the industry just started to move to the cloud. So when I mentioned that these trends are here to stay, I think that maybe the industry is maybe 5%, 7% there if you somehow try to measure. So the journey to the cloud for all our customers, this is something that just started, everything of leveraging the fact that 5G is a software-defined network and the ability to provision services to the network in an automated way, which are based on software.

And another thing that was accelerated in the pandemic is the digitization. So all our customers were in some type, shape or form of digital transformation before the pandemic. But given the fact that -- the impact on the call center, on the retail store and others, so everyone is pushing more. These trends vary. So Europe is a bit different than the U.S. But overall, they are pretty consistent, and we think that they are here to stay for the next number of years.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO & COO*

Yes. Ashwin, if I may add just 2 points on that. One is that the quality of growth in terms of regional diversification is very good because we are growing in all regions, both revenue-wise and when we look on the backlog as a leading indicator, that is growing very fast, again, across all regions.

And also, all this offering and those market dynamics are relevant for existing customers. We can give the example of AT&T. And many of our existing customers are going for major modernization cycles, T-Mobile as well and others. And at the same time, we're continuously pushing into new logos. We just announced, for example, Three/Hutchison in the U.K. as a new logo where we're going to build all their capabilities to consumer -- for the consumer business line.

And the other point I want to add is that managed services continues to be a very important part of our business. We are already at 60% of our revenue coming from managed services engagements. That means these are customers who deployed our product stack and we are running the products for them and operating it for them.

And the fact that we are continuously pushing the managed services as an offering on top of the leading software stack and the deployment services means we are creating a continued recurring revenue that is very, obviously, important to the business model and the monetization and also longevity of relationship with our customers. Whenever you have a managed services engagement, the definition means you work on the multiyear engagement, day in, day out, working with the customers, understanding their pain points, et cetera.

And it's a great opportunity to give them a continuous value but also for us. And many of the new logos that we've added over the recent couple of quarters are under managed services engagement. So that means we are seeing a very good prediction also for managed services continuously moving forward.

Ashwin Vassant Shirvaikar - *Citigroup Inc., Research Division - MD & Lead Analyst*

Right, right. So when you're adding these new logos or for existing logos you're adding new work, is there a way to sort of characterize the urgency of the clients? I mean one of the things we've seen in other verticals, other parts of the IT services spectrum is what we've kind of called compressed transformation. It's sort of -- maybe previously 5 to 7 years was an acceptable time line to move steadily towards digital and now it's 3 to 5 years, right? Are you seeing this also?

Joshua Sheffer - *Amdocs Limited - President, CEO & Director*

I'm not sure that -- I think that there is definitely a race to be ready for 5G. And this is something that we can see between our big customers, not just to be ready from a network perspective but to be ready from innovation of the offering and the use cases. Because, at the end of the day, I think everyone will have 5G network, and the question is do we monetize it the best. So to find the unique ways to monetize the 5G network is something which is the kind of a race.

By the way, Europe, they're actually different. Europe right now -- unlike North America that you don't see a good bundle between content and connectivity, actually you can see the opposite, in Europe, it's different. For example, when we do a big transformation in Vodafone Germany, it's bringing content, cable content and connectivity together and mobile. So in Europe, this is the main thing, what used to be called, legacy name, quad play or whatever is economically used still, this name.

So for example, this is the main driver of transformation. Now in Europe, 5G is deployed. So it's a bit different. But you're right, in some cases, when our customers see what would be a potential differentiator in the market, they are pressing forward.

Another thing, the technology and automation allow to do things faster. So what used to be, as you said, transformation can take 5 years, now with the current next-generation cloud technologies and implementation capabilities and automation, we are able to deploy things faster.

Ashwin Vasant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Okay. Got it. You mentioned AT&T. Obviously, it's area of interest for any investor in Amdocs given the size of the contract and -- the size of the relationship, I should say. It's not one single contract. The one question we've been getting more recently is investors try to figure out how to frame recent actions by AT&T with regards to either DIRECTV on the one hand or sort of WarnerMedia side of things. How does that either change or modify your relationships on this important account?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So in the media, there is 0 impact on us, minimal impact. We worked with WarnerMedia before. I don't think it will change where -- if WarnerMedia would be fully owned by AT&T or partially. So there is no impact. And in the DIRECTV case, we are at the same time -- part of DIRECTV, we are running on our new system. Part of it, we are running on the legacy system which are also owned by Amdocs. So I don't think that we see in the near term any impact from this decision.

On the other hand, I think that what is more important is this is the purpose of AT&T. So if historically -- remember the years that we have some headwinds in AT&T when AT&T was trying to go all over. They're trying to go to content, DIRECTV, WarnerMedia. And part of it impacted Amdocs.

But now actually, Amdocs is working in the heart of the strategy of AT&T, which is consumer mobility and fiber rollout. So we actually like to be in this position. The center of the attention and the center of the focus of the business is where we are the most -- bringing the most value to AT&T.

So to some degree -- I mean this is AT&T decision. I don't go into their decision process for what is right and what is wrong. But I can tell you that we very like to be right now in the center of the activity of AT&T, which is around consumer mobility, about -- and obviously, broadband, fiber rollout. These are the areas that we are supporting AT&T. And I think that we enjoy the fact that the center of the strategy of AT&T is back to this domain that we are supporting AT&T for many years and bringing them a lot of value.

Ashwin Vasant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Yes, yes. No, that makes sense. In terms of just growth areas, and this is something we've talked about in the past but always good to level set because I don't think it is necessarily fully understood, the breadth of your 5G solution, like all the different things you do. So if you can just sort of lay it out in terms of the various things that you do. And in terms of just the Openet and TTS acquisitions, I would think that these have more than lived up to the initial promise given -- just looking at the number of press releases that you're making. But do you need more M&A to...

Joshua Sheffer - Amdocs Limited - President, CEO & Director

Okay. So first of all, you are right, the breadth of offering in 5G is very wide. One area is monetization. In the 5G domain, the network gives you so much capabilities. You need to be able to be very flexible in the ordering capabilities of the 5G services.

Now for this, we have -- for example, we are deploying our catalog in Verizon because Verizon saw that our catalog is the most developed, the most agile catalog that we can define the next-generation offering for 5G. We are deploying a completely new ordering system in AT&T and in T-Mobile. So this is the area more on the monetization system to support 5G.

At the same time, you mentioned Openet. When you deploy a new 5G stand-alone network, you need actually to add new charging and policy to support the next-generation platform of 5G, which is completely different protocols. And this is where the Openet acquisition, as you mentioned, came into play. Very successful acquisition, very successful win rate, and the business is growing very well for us.

And by the way, we are always doing M&A to support our strategy. In this case, it was a classical buy-versus-build decision. We could probably build it by ourselves like we do the majority of our R&D., but we saw a very good product, cloud-native, ready to market. And this is why we decided to

acquire Openet. And 5G charging and policy, every customer of Amdocs or not Amdocs will have to change this system in the next 3 to 5 years. So this is another domain.

When we talk about TTS, this is in a domain of network deployment -- actually of network optimization deployment of 5G. 5G is more complex to deploy comparing to 4G because of density. We have a lot of capabilities in this domain even before TTS. TTS actually accelerated. We have hundreds of RF engineers in North America supporting the network deployment. So this is another domain that I think we are leveraging the boost of the 5G network rollout.

And another domain is what we call the OSS, all the -- what's under the software-defined network capabilities that we have. The whole idea in 5G is that you provision the services in an automated way by software. This is another domain that we are coming very strong in our strategy and creating provisioning systems that can take all the direction for the monetization system and actually provision them in the network. So this is another domain.

Overall, you can see the breadth of the services is pretty wide. In some customers like T-Mobile and AT&T, we're doing everything. Some of them, we are doing -- in Verizon, we are doing catalog and software-defined network capabilities. So it's varied, but it's very wide 5G capabilities.

The last thing I will mention is that we enjoy the fact that we are running 5G supporting system in South Korea for the last 2, 3 years. As you know, South Korea is by far the first in the world in deploying 5G, and all the -- everything that we gain -- all the knowledge that we gain in South Korea help us a lot to be market leader in this domain coming to North America and other regions.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Yes, yes. No, that was very, very comprehensive. One of the things I've always thought is that as more 5G gets deployed, the ability of your customers to broaden their customer base out will increase, right, get into more industrial customers, more automotive. The applications are just a lot more. Are you beginning to see the benefits of that?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

We are involved both in different labs with different customers trying to develop what you call the next-generation 5G service. By the way, there is a difference between consumer and the enterprises. Each one of them -- by the way, today, there are even more use cases in the enterprise domain. Today, you can deploy a fully fledged factory with 5G network that -- with low latency that can operate the whole factory.

In the consumer domain, you can start to exercise and we see our customers starting to model what will be -- how they'll handle the edge compute, how they can sell to their customers -- to the consumer. On top of connectivity, they can sell compute and storage, for example. So all these models are starting to evolve. And we are under NDA with different customers, working in different labs trying to build what will be the next-generation services. And this is a work in progress. And I think this will -- you can see this more and more growing as 5G is being deployed.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Got it, got it. So the related point, journey to the cloud. Back in May, you made the acquisition of Sourced. You already have, obviously, cloud deployment capabilities. What additionally did Sourced add? What had been the initial experience with the acquisition?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So in these days, it is very difficult to get talent especially when we talk about high-quality cloud engineers. So we have a lot of capabilities to build products. All our products today are cloud-native, so we had a lot of capabilities. We have a lot of capabilities to operate our products and to deploy our products in the cloud environment.

What we thought we could accelerate was our consulting capabilities because, at the end of the day, every customer might have a different tailored journey to the cloud because of different systems, different needs, business priorities. What Sourced brought us is over 150 topnotch cloud engineers that actually can excel our consulting capabilities. And usually, if you look at all the cycle of cloud transformation, it starts with consulting. You are currently -- you're evaluating the business needs, evaluating the -- what the customer needs, evaluating capabilities, what are the legacy systems and what will be the right journey to the cloud. So it's actually increased -- we had this capacity before, but it accelerate our capacity of cloud consulting with topnotch engineers.

I think I gave this example before. There is a status of AWS ambassador, which is considered the toughest -- topnotch of AWS title you can get. And we got like -- there are 100 people in the world that have this title, and we got 10, something like this with the Sourced acquisition. So we are very happy with the acquisition. I think it strengthens our capabilities in the cloud. And this is another example of how we are doing M&A to support our strategy. In this case, the cloud -- taking the industry to the cloud.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Okay. Yes. I want to just get a little bit deeper into the talent question because both the previous responses, both 5G and journey to cloud, you mentioned, first, the number of RF engineers you've got. Now you've mentioned the cloud engineers you've got. So just broadly speaking, the availability of talent. We know that supply of talent is an issue. Can you talk a bit about how Amdocs is evolving, particularly in a tough situation of COVID background in multiple countries where you operate?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

I will ask Tamar to answer this.

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

So I think, Ashwin, it comes from a couple of dimensions. First of all, it's about, generally, all these new technologies and capabilities we bring to the industry. So naturally, it's about re-skilling, on the hand, existing employees in massive volumes to those new technologies and capabilities and investing a lot in developing and educating our existing workforce on these technologies. And it's a process we've started obviously a couple of years ago and continuously moving forward. And at the same time, hiring those new capabilities, whether organically or combining some M&A talent that we'd bring onboard and how we are actually creating the synergies and leveraging that to accelerate further that learning capability.

And then there's the aspect of availability of talent and how we tap into talent markets all over the world. And we've built years ago already the mindset of the global delivery model where we have development centers around the world, some of which are global development centers, some of which are more regional nearshore centers, some of which are customer-dedicated centers and balancing that in terms of, A, tapping the right talent; B, where do we need them to support the demand. The demand itself is growing, but also underneath, of course, there are many changes.

And also, looking into aspects like attrition, wage, et cetera. So it's a very complex model. I don't want to try and simplify that, but I think we are continuously enhancing the way we are looking at it and trying, of course, to stay ahead of the curve in terms of adjusting to the different dynamics we see in the world.

The other thing that I would add, and that's related to COVID, it's coming then -- on the one hand, kind of in the short term, we proved ourselves very fast as COVID erupted into the world that we can move to have all the workforce of Amdocs work from home and still run managed services tightly, deploy projects, productivity was the high, et cetera, et cetera. But at the same time, naturally, as time goes by, people will understand, and we see it as well, the engagement, the innovation is much better when you work together at the office. So we are trying as a company to see -- where possible and where safety and health allows us, to push back to this hybrid model where people will work both from the office and from home.

And of course, we adjusted in different regions in a different way, given what the COVID situation is. But we are continuously looking into ways to create this level of innovation, engagement and the way people interact with the channel and connect also in a way that is different when you are working in the office. It also allows us, at the same time, more flexibility, of course, in terms of how we can tap into contingent workforce and allow more flexibility in terms of where people support activities from. So we're trying to take the good things out of it as well.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Okay. Okay. So agreed on the ability to continue to meet demand even as you're going from the previous low single to the upper single. The other side of the talent question obviously is on margins and costs. As we move to sort of maybe a new hybrid post-pandemic workforce, are there any margin impacts that we should think about or even CapEx impact given you were building a campus, what the implications are for campus down the road?

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

So I don't -- I mean bottom line is I think those changes that are happening, and some positive and some are negative, are managed in terms of continuously pushing overall the margin trajectory we've seen over the years improving. But of course, the challenges to overcome, wage pressure in certain places, so how do we mitigate for that, pushing forward, for example, a lot of automation, a lot of new methodologies, et cetera, et cetera, to improve margins while maybe the unit cost of an employee is rising. We can do the same activities more efficiently. There are many things that we're looking at in terms of the hybrid environment of how do we want to work, of course, taking cost into consideration.

And you mentioned the CapEx investment. We still believe the investments we are making in the Israeli campus is a worthwhile investment and one we are moving forward. We have taken a lot of decisions already in the design phase to create the right flexibility. We are very happy about that, and we see that actually serving us very well now in this COVID era, where we can decide how we want to design our use of the campus versus how much, for example, we can sublet to others, how much we want to enjoy the public areas.

We've said there's a lot of -- everybody is talking now about the workplace as a community. How do you leverage the opportunities that people actually come to the office not just to sit at their own single place and do a video call but actually interact with each other? So the whole design of this campus was to have a lot of public areas and engagement with people. So I think we are ready for that.

Joshua Sheffer - Amdocs Limited - President, CEO & Director

It's going to be a major talent magnet.

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

Sorry?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

It's going to be a major talent magnet .

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

Absolutely, absolutely. Major talent magnet, major change in terms of productivity of how you engage with each other. So we still believe and stay behind the decision that this is a good thing to have and have the right -- and just to remind you, beyond the fact it's going to be a talent magnet

and improve productivity, et cetera, even just looking straightforward, financially direct savings relative to our existing situations of leasing our facilities, it makes sense. It's going to save costs, it's going to save -- and be accretive to EPS.

So we will see that later in 2023, as we actually expect to enter the campus in summer of 2022. So I believe, Ashwin, that to sum it all up, I think those items and those changes are something we're putting a lot of focus on, but it's manageable in terms of protecting the margin.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Got it. Understood, understood. One question I wanted to ask was with M&A. And of course, we have already talked about some of the M&A that you've done over the last couple of years. But Shuky, I think we talked about this last time in terms of maybe the optionality that some of these acquisitions came with -- in terms of non-telco non-media clients, right? And I just want to see if there's any kind of an update with regards to your ability to expand beyond the traditional market. How much of a focus are you putting on that?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So we put a lot of focus. Obviously, the main focus was and will be always the core business. But as I mentioned to you before, is that as part of the acquisitions, we got, for example, a lot of activity in financial services. And we won a large deal last year -- actually, at the beginning of this year with a large bank in the U.S. So we found out that some of the services that we are doing in the telco, like the journey to the cloud, implementation, quality engineering and many are very relevant.

Now -- so we have a team which is working on this, and we are trying to build some type of offering to the financial services market and some other markets. It's still nascent. It's not still -- I'm not in a position to tell you that this is the new strategy of Amdocs. But we are looking to see if we can be much more strategic about this rather than opportunistic. It's still early stages. I believe that probably in like 3 to 6 months, we'll know better where we are going in this domain.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Understood, understood. I've got a question from an investor saying, "Could you ask about T-Mobile?" So let me ask about T-Mobile. And that contract -- I mean you had T-Mobile relationship with predecessors of T-Mobile I think going back to 2000. But can you talk about the contract and how it's progressing? And to what extent is there -- I mean can T-Mobile become like AT&T has been all these years, incorporating more and more areas, doing more with managed services, things like that?

Joshua Sheffer - Amdocs Limited - President, CEO & Director

So I need to be very careful because I cannot share the T-Mobile strategy, although we are in the details. But back to the contract, as you mentioned, before the contract, we were running the Sprint managed services, Metro managed services. And actually, T-mobile, their Magenta brand, we partially managed services. The new contract actually is about how we can help T-Mobile to take -- and actually build them a migration path to run one consumer -- one B2B platform in the future that will consolidate, obviously, as part of the merger, all the different units or the different brands into one platform.

This project has started. I don't want to give more details, but it's going well. But it's not only this -- the project itself. Today, we are doing a lot of managed services in T-Mobile, but actually, these next-generation managed services that's going to replace in the future will be consistent in what we call cloud operation, which is much more automated, much more -- I would say a lot of new capabilities.

So actually, we are going to continue the managed services that we are having today in T-Mobile by the next form -- next shape or form of cloud operation, which will be the next-generation system that's implemented. I can tell you that the relationship is very strong and very strategic for us at Amdocs. We are moving very well ahead with them, and we continue to work with them.

I know that at the time, there was some question and some, I would say, shadow about what will be the Amdocs relationship with T-Mobile post merger. I can tell you that on top of the contract, which was very important for the next several years, I think that we are enjoying a very, very strategic relationship with T-Mobile today. And we are supporting all their initiatives in the market.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Okay. That's good to know. As we run out of time here, I'm going to close out with a cash flow question, and I want to connect it to the probably multiple years of large transformational deals that you've signed. Now obviously, when you started doing this, I think, 4, 5 years ago, you kind of went initially through that phase of little bit use of cash for those. And part of -- are you now past that? I mean should I look at this year's cash flow performance as indicator of...

Joshua Sheffer - Amdocs Limited - President, CEO & Director

We see cash flow of -- earnings to cash conversion of 130%. This is not sustainable. But Tamar, please answer.

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Yes, yes.

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

I think Ashwin, as we said, we have the years back -- 3 years in a row of over 100%, then a couple of years of working capital investment as we were ramping up some large transformation. And then we always said that this business model is one that is converting over time on par. And if you look indeed like decades, you will see that cash conversion is very solid.

Now the [context] here is that it really depends on specific milestones of deals. And for example, in a new deal like Vodafone Germany, where we won one of the biggest transformations, if not the largest transformation outside the U.S. market, we said when we won it, yes, there will be some setup investment at first. We built the site in Dusseldorf, et cetera. But overall, it's a great deal, of course. We're going to see great, great value from this new relationship. So even if in the short term, we've had some quarters or periods in which we have had this investment, I think it was clear to us that it's a worthwhile one.

Now I cannot say for sure there will not be another year in which we will see, I don't know, 80% conversion. There could be some years like that over time. But I don't think it's an area of concern given the quality of customers we have, the mission-critical nature of performance and systems we do for them and the fact we're delivering great value over the time. Our customers are very happy with the value we bring them and of course, it comes into...

Joshua Sheffer - Amdocs Limited - President, CEO & Director

I want to add another point here, is that I agree with everything Tamar said. At the same time, I think that we are building today a business model that we try to avoid this type of situation. And I think this is important. I cannot say it's 100%, but I think that we were able to develop a business model with customers that we deploy this phenomenal [equipment].

Ashwin Vassant Shirvaikar - Citigroup Inc., Research Division - MD & Lead Analyst

Okay. No, that's great to know. It's a good note to end this session on. I know we are a couple of minutes past, so I appreciate your hanging on and answering that last question.

Shuky, Tamar, always a pleasure speaking with both of you. Thank you very much for doing this.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO & COO*

Thank you.

Joshua Sheffer - *Amdocs Limited - President, CEO & Director*

Thank you, Ashwin. Good to see you.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO & COO*

Bye-bye.

Joshua Sheffer - *Amdocs Limited - President, CEO & Director*

Bye-bye.

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