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DOX.OQ - Q3 2025 Amdocs Ltd Earnings Call

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## OVERVIEW:

Company Summary

## CORPORATE PARTICIPANTS

**Matthew Smith** *Amdocs Ltd - Head of Investor Relations, Company Secretary*

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

**Tamar Rapaport-Dagim** *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

## CONFERENCE CALL PARTICIPANTS

**George Notter** *Wolfe Research LLC - Analyst*

**Shlomo Rosenbaum** *Stifel, Nicolaus & Company Inc - Analyst*

**Timothy Horan** *Oppenheimer & Co Inc - Analyst*

**Kevin Brunner** *Bank of America - Analyst*

## PRESENTATION

### Operator

Thank you for standing by, and welcome to the Amdocs third quarter 2025 earnings conference call. (Operator Instructions) As a reminder, today's program is being recorded.

And now I'd like to introduce your host for today's program, Matt Smith, Head of Investor Relations. Please go ahead, sir.

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### Matthew Smith - Amdocs Ltd - Head of Investor Relations, Company Secretary

Thanks, operator. Before we begin, I need to call your attention to our disclaimer statement on slide 2 of the presentation. It knows that some of our comments today may be forward-looking statements and are subject to risks and uncertainties, including as described in Amdocs SEC filings, and that we will discuss certain financial information that is not prepared in accordance with GAAP.

For more information regarding our use of non-GAAP financial measures, including reconciliations of these measures, we refer you to today's earnings release, which will also be furnished with the SEC on Form 6-K. Participating on the call with me today are Shuky Shaffer, President and Chief Executive Officer of Amdocs Management Limited; and Tamar Rapaport-Dagim, Chief Financial and Operating Officer.

To support today's earnings call, we are providing a presentation which can be found on the Investor Relations section of our website, and as always, a copy of today's prepared remarks will also be posted immediately following the conclusion of today's call.

On today's agenda, Shuky will recap our business and financial achievements for the third quarter and full fiscal year 2025, and he'll also update you on our strategic progress, including our continued sales momentum and cloud and recent commercial developments in generative AI and data services.

Shuky will finish by discussing our financial outlook for the full fiscal year 2025, after which Tamar will provide additional details on our third quarter financial performance and forward guidance. As we've, communicated previously, Shuky and Tamara will compare certain financial metrics on a pro forma basis, which adjusts prior fiscal year 2024 revenue by approximately \$600 million to reflect the end of certain low margin non-core business activities, which were substantially already seized in the first quarter of fiscal 2025.

And with that, I'll turn it over to Shuky.

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

Thank you, Matt, and everyone joining us on the call today. Starting on the on slide 6, Amdocs delivers solid financial results and achieve important business milestones in Q3 is our global team of amazing people continue to support the strategic business imperative of our customers with innovative cloud, digital and AI based solutions.

Touching on the quarterly financial highlights, revenue of \$1.14 billion was up 3.5% from a year ago in a pro forma constant currency, exceeding the mid-point of our guidance with sequential growth in all regions and a record quarter in Europe. Profitability improved by 10 basis points sequentially, delivering my internal efficiency improvements. Non-GAAP diluted earnings per share was \$1.72, \$0.01 above the midpoint of our expectation, and we wrap up the quarter with a healthy financial backlog of \$4.15 billion up 3% from a year ago pro forma.

Jumping to slide 7. Q3 features several important wins, which showcase Amdocs market and technology leadership in our proven ability to power the mission critical needs of our telco customers. We have continued to see positive sales momentum in cloud where we have recently won key modernization immigration deals which expand our long standing partnership with Elisa in Finland, Claro Brazil, and a leading Eastern European operator leveraging our end to end cloud offering in telco vertical expertise.

In the emerging domain of generative AI and data services, I'm encouraged to say that our tech leadership and key partner collaboration with NVIDIA and Microsoft are bearing fruit as we start to convert previously discussed POCs into commercial success. Notably, we recently won strategic GenAI related deal with three customers, including a leading US service provider, Consumer Cellular and E& UAE, and I believe this will provide a foundation to which we demonstrate Amdocs GAI capabilities to further expand our customer activities over time.

Turning to project execution. Amdocs is engaged in complex mission-critical transformation closely working with our customer as a key partner. During Q3, we delivered near record number of deployments, achieving key outcome milestones at AT&T, Comcast, Vodafone, Italy and Netherlands, Philippines and others.

Among the highlights, Bell Canada and Amdocs set a new benchmark by moving critical billing system to the cloud, simplifying thousands of daily operation and interfaces in the process. We also supported the go live of our B2B platform in Optus in Australia and completed BSS modernization supporting 25 million subscribers in telecom South Africa.

Rounding out operational review. Q3 was another record quarter in managed services. Moreover, we have recently strengthened our managed services engagements with several key customers, including a leading service provider in the US, BT in the UK and Telstra in Australia.

Turning to slide 8. I'd like to elaborate on our growth strategy, which is built to address our customer strategic business imperative and investment need to accelerate the journey to the cloud. Simplify and accelerate adoption of generative AI and data services, digitalize customer experience and consumer -- of consumer and B2B and monetize next-generation network investments, and streamline and automate complex network ecosystem.

The execution of our growth strategy is enabled by Amdocs unique tech-led business model, which integrates cutting-edge technology across platform and solution, project deployment and IP-based IT operation support. By continually investing in innovation to further extend our tech-led offering and capabilities, we are consistently able to bring value to our customers.

We see every engagement as an opportunity to showcase our value position and gradually scale activities within our existing customers as well as new ones. A great example of our model at work is the way which we help our customers on their journey to the cloud.

As we can see on slide 9, more customer opportuning Amdocs as the primary partner for public, private and hybrid cloud migration using our comprehensive cloud solution and telco expertise. We are happy to announce the expansion of our partnership with Elisa in Finland to modernize their B2B platform using Amdocs US digital suite deployed on Google Cloud DCP. This transformation will enable Elisa to accelerate time to market, streamline the lead to order journey and deliver a unified experience across mobile and fixed services, all on a single converged digital platform. It's marked a significant step forward, enhancing agility, improving customer engagement and supporting Elisa long-term growth in the B2B space.

We are pleased -- also pleased to announce a new win with one of Eastern European leading service provider will be leveraging our cloud-based customer experience platform, a solution designed to transform customer experience and operational agility. As part of this engagement, Amdocs will also work with the service providers to migrate newly acquired mobile customers to the platform, driving long-term efficiency and innovation. Among other notable awards, Amdocs has finalized an agreement with Claro Brazil to modernize their enterprise systems.

I also want to highlight Amdocs unique suite of SaaS-based cloud solution, which are gaining market traction and contributing to growth. Our suite includes ConnectX, which is helping everyone knows and telcos to launch strong powerful brands create to target specific consumer groups with unique user experiences. ConnectX was recently adopted by Consumer Cellular and several other new logos in addition to which we deepened our collaboration with AT&T by extending our ConnectX platform agreement to accelerate its next-gen market offering.

An example of a way in which ConnectX is supporting our customers MobiFone, leading Vietnamese s operator, which recently used platform to launch SEMI its new digital brand, especially tailored to meet evolving needs of young tech-savvy GenZ subscribers.

Supported by a strong sales momentum over the last several quarters, we expected to reach our double-digit revenue growth target for cloud in fiscal 2025. Furthermore, we believe cloud will remain a primary gross engine for Amdocs in the foreseeable future as most of our customers only just getting started on their multiyear migration journeys.

Turning to slide 10. We are intensifying our focus on generative AI and data services as a key growth pillar for Amdocs. Let me take a moment to elaborate. First, a leading US service provider has signed an expanded multiyear agreement, which extend managed services to transform its billing commerce catalog and order management through GenAI power solution. This includes generally enabled amAlz agent bill presenter to simplify billing inquiries and enhance customer experience.

Second, Amdocs expanding a multiyear agreement with Consumer Cellular as this wires provided transition to an AI-powered MVNE. Building on our recent deployment of ConnectX, this agreement leverage Amdocs AI and data platform, customer experience insight and the made suite to transform telecom data into actionable insights and real-time predictive analytics for greater automation intelligence.

Third, I'm glad to share that we expanded our collaboration with the UAE's largest service provider, E& UAE through additional new GenAI use cases. This development built on the successful implementation of our amAlz platform and marks another step in the journey towards fully powering all of E& UAE customer-facing channels with GenAI.

Overall, I'm encouraged by this recent deal because they reflect Amdocs GenAI data service leadership in the telco industry and because they provide strategic foundation on which we can demonstrate value and gradually scale our customer activities in this emerging domain over time.

Moving on Q3 it also include notable customer development across our additional key strategic pillars, as shown on slide 11. BT is awarded Amdocs a digital transformation project, starting date to be finalized, that will enhance their consumer -- customer experience as part of their multiyear managed services engagement.

Comcast extended the multiyear commitment to leverage the Amdocs Bill presenter solution across our services. In Network, we have extended an engagement with Australian Telstra and we will continue a multiyear OSS digitization, which will enable Telstra to benefit from our GenAI and network automation capabilities.

Additionally, AT&T renewed its opened policy managed services engagement with Amdocs under an expanded long-term agreement. Claro Brazil, expedited policy platform agreement with Amdocs to better serve the evolving needs of its prepaid and postpaid customers and Globe Telecom in Philippines selected Amdocs to deliver end-to-end run optimization services. This is again will cover the full spectrum of fund services, including installation, commissioning, integration testing, exception and optimization of its radio sites.

Global service providers are also accelerate their fiber network expansion investments to enable converged value offering, which bundle broadband and mobile together. The trend is creating strong demand for fiber network design, the deployment, orchestration and digital infrastructure management solution, which Amdocs is positioned to support with our next-gen fiber solution.

For instance, we have significantly increased our fiber engineering services to support in support of AT&T's fiber expansion, serving them as their connectivity design partner across the majority of AT&T's markets. To further advance our capabilities and market position in fiber, we recently closed the deal to acquire the telco network engineering business of MOBIA, a privately owned company, which will expand our fiber offering and fiber customer footprint in Canada.

Finally, in next-gen network monetization, A1 Group in Europe has selected Amdocs billing charging and product catalog solutions to establish a converged cloud-ready monetization platform for this Macedonia affiliates.

Turning now to the current operating environment on slide 12. We continue to see reach an encouraging pipeline of opportunities across our large service addressable market of nearly \$60 billion. Our 12-month backlog position is healthy. And as I mentioned, we are on track to achieve our double-digit growth target in cloud this year. That said, we are closely watching any impact of the uncertain global macroeconomic environment on us and our customer spending behavior.

Bringing it all together on slide 13. We now expect slightly better revenue growth of roughly 2.9% in pro forma constant currency at the midpoint of our fiscal 2025 outlook. Equating to an improvement of about 20 basis points compared with our fiber guidance. We are also on track to deliver double-digit expected total shareholder return for the fifth consecutive year, assuming the midpoint of our non-GAAP diluted earnings per share outlook supported by significantly improved profitable and robust earnings to cash conversion.

With that, let me turn the call to Tamar for remarks.

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**Tamar Rapaport-Dagim** - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

Thank you, Shuky, and hello, everyone. Thank you for joining us. Before I begin in today's comments, I will compare certain financial metrics on a pro forma basis, which adjusts prior fiscal year 2024 revenue by approximately \$600 million to reflect the phase out of certain low-margin noncore business activities, which were substantially already seized in the first quarter of fiscal 2025. To further assist in modeling, the regional mix of this revenue was similar to the overall company, and it contributed roughly \$150 million per quarter.

To begin, I'm pleased with our solid financial performance for the third fiscal quarter as detailed on Slide 15. Q3 revenue of approximately \$1.14 billion was up 3.5% year-over-year in pro forma constant currency and exceeded the midpoint of our guidance even after adjusting for a positive impact from foreign currency movements of approximately \$9 million compared to our assumptions. Reflecting the phaseout of certain business activities, reported revenue declined by 8.4% from a year ago.

On a regional basis, North America improved by 1% sequentially, posting its strongest quarter of the fiscal year. Europe delivered a record quarter with year-over-year revenue growth of nearly 8% driven primarily by the ramp-up of new deal activities as well as some contribution from the earlier acquisition of Profinit, which we closed at the end of Q1. Rest of the world was slightly higher on a sequential basis. We continue to see mixed trends while Southeast Asia growth is partially offset by weakness in Latin America.

Shifting down the income statement, non-GAAP operating margin of 21.4%, improved by 280 basis points from a year ago. reflecting the announced phaseout of the low-margin noncore business activities and the benefits of ongoing efficiency gains within our operations. Non-GAAP operating margin improved by 10 basis points sequentially. Interest and other expenses amounted to roughly \$11.7 million in the third quarter and included a onetime charge taken in respect to \$2.5 million write-off of a small minority investment this quarter. On the bottom line, non-GAAP diluted EPS of \$1.72 was \$0.01 above the midpoint of guidance, and diluted GAAP EPS of \$1.39 was slightly above our guidance range in the third quarter.

Turning to slide 16. Revenue from Managed Services was a record \$771 million in the third fiscal quarter, up 4.1% from a year ago. Accounting for roughly two thirds of total revenue, managed services engagements are a key measure of Amdocs long-term visibility and business resiliency, underpinned by customer renewal rates, which have historically approached 100%.

To provide some recent examples of the ways in which we deliver value to our managed services customers over time. We recently signed a significant multiyear agreement, which extends and expands our managed services engagement with a leading US service provider, leveraging our generative AI powered platform.

In Australia, Telstra extended its managed services engagement continuing the multiyear amAlz digitalization, which will enable you to benefit from our GenAI and network automation capabilities. And BT has awarded Amdocs a digital transformation project, starting dates to be finalized that will enhance their consumer customer experience as a part of a multiyear managed services engagement.

Moving to the balance sheet and cash flow highlights on slide 17. Days of 76 days was down by 1 day sequentially and up 2 days year-over-year, reflecting normal fluctuations in business activity. Unbilled receivables net of deferred revenue declined by \$71 million sequentially in Q3, aggregating the short-term and long-term balances. This is the second consecutive quarter of sequential improvement in this metric as billings have been running higher than revenue.

As a reminder, the net difference between unbilled receivables and deferred revenue fluctuates from quarter-to-quarter in line with normal business activities as well as our progress on multiyear transformation programs. With free cash flow before restructuring payments of \$230 million in Q3, we are on track to achieve our annual target, including restructuring payments of \$19 million, reported free cash flow was \$212 million.

Overall, we ended Q3 with a healthy cash balance of approximately \$342 million and an available \$500 million revolving credit facility, providing ample liquidity to support our ongoing business needs while retaining the capacity to fund our future strategic growth.

Switching to capital allocation on slide 18. This quarter, we repurchased \$135 million of our shares. Including the new \$1 billion share repurchase authorization approved by our Board last quarter, we add up to \$1.12 billion of remaining repurchase authority as of June 30, 2025. We paid cash dividends of \$59 million in the third fiscal quarter. Looking ahead, we are iterating our annual free cash flow target of between \$710 million to \$730 million in fiscal 2025, which is before restructuring payments.

Our annual free cash flow outlook equates to a conversion rate of more than 90% relative to expected non-GAAP net income and translates to a healthy free cash flow yield of more than 7% relative to Amdocs current market capitalization. Regarding our capital allocations in fiscal year 2025, we expect to return the majority of our free cash flow to shareholders.

Moving to slide 19, 12 months backlog was \$4.15 billion at the end of Q3, up 3% from a year ago on a pro forma basis. We expect 12 months backlog to represent roughly 90% of forward-looking revenue, further underscoring the importance of this metric as a leading indicator of our business.

Now turning to our revenue outlook on slide 20. We are continuing to closely monitor the prevailing level of market economic, geopolitical business and operational uncertainty in the current business environment. The fourth quarter and full fiscal year 2025 financial guidance reflects what we consider to be the most likely outcome based on the information we have today, but we cannot predict all possible scenarios.

For the full fiscal year 2025, we now expect revenue growth of between 2.4% and 3.4% in pro forma constant currency, the 2.9% midpoint of which equates to an improvement of roughly 20 basis points as compared with our previous outlook.

Our annual guidance incorporates double-digit growth in cloud and some contribution from inorganic deal activity. As to the fourth fiscal quarter, we expect revenue of between \$1.125 billion to \$1.165 billion, and for your modeling purposes, revenue from acquisition of Mobia's network engineering business will be immaterial in Q4.

Moving down the income statement. We are on track to produce non-GAAP operating margins within our guidance range of 21.1% to 21.7% in fiscal year 2025. The midpoint of our guidance equates to a substantial increase of roughly 300 basis points this fiscal year, roughly 230 basis points of which is from the previously announced phaseout of business activities. Another 60 basis points to 70 basis points of margin expansion is resulting from our continued focus on operational excellence, automation and the gradual implementation of GenAI.

As part of our process of accelerating the internal adoption of GenAI across everything we do at Amdocs, we are proactively evaluating our strategic investment priorities for fiscal 2026 and having regard to our future workforce allocation and the optimal mix of technology, infrastructure, workspace and other resources.

Below the operating line, foreign currency fluctuations and hedging costs are expected to impact non-GAAP net interest and other expense by roughly several million dollars on a quarterly basis. We expect our non-GAAP effective tax rate for fiscal 2025 to be within an annual target range of 15% to 17% for the full fiscal year 2025, consistent with our initial guidance.

Wrapping everything together on slide 22. We now expect non-GAAP diluted earnings per share growth within a tighter range of 8% and 9% for the full fiscal year 2025. The 8.5% midpoint of which is unchanged as compared with our prior outlook of 6.5% to 8% -- sorry, to 10.5% previously. Assuming the 8.5% midpoint, we are on track to achieve double-digit expected total shareholders' return for a fifth consecutive year in fiscal 2025, including our dividend yield.

With that, back to you, Shuky.

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

Thanks, Tamar. I'm pleased with our solid financial performance and business achievements in the third quarter, including our ongoing momentum in cloud and encouraging signs of commercial progress in GenAI and data services. With our unique technology-led business model, we are on track to meet our national targets for the full fiscal year.

With that, we are happy to take your questions.

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## QUESTIONS AND ANSWERS

### Operator

George Notter, Wolf Research.

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**George Notter** - Wolfe Research LLC - Analyst

Hi guys, thanks very much. I guess I wanted to start just by asking about the British Telecom win. Looking back, I don't think you guys did much business there. I guess I'm just wondering how big that opportunity is for you if you could size it, that would be very interesting.

Also, if I go back in the last three or six months, you guys talked about some bigger deals kind of working through your pipeline. I assume you're referencing the BT transaction. And then also, I'm just curious if that BT situation is in backlog at this point or not. Thanks.

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

The second question is not in our backlog because it was signed after June 30. And second, we did have -- we are doing many years business with what used to be everything everywhere, which was acquired by British Telecom. And they are running some of our legacy platform. This deal is actually modernizing all the commerce domain of everything everywhere. It's a combination of full modernization project with an extended managed services to support everything there. So it's an incremental activity -- significant incremental activity to our previous activities with everything everywhere, which is now BT.

**Tamar Rapaport-Dagim** - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

And just to refer to your other point about having significant deals in the pipeline, we mentioned a couple of examples that were signed in the quarter, some of which, I would say are important and strategic, not necessarily huge in size like Telstra and some of which like the US leading operator, which we cannot mention by name right now is a significant deal, including modernization, including GenAI, including multiyear managed services extension and expansion, so definitely an example of a deal that is in the other, I would say, scale in terms of sizing. So we see both George. And yes, we continue to sign deals as we speak. So like it's cut in a way by cut point on June 30, but in reality, it continues, obviously, in the week since.

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**George Notter** - Wolfe Research LLC - Analyst

Got it. That's great. And then I guess I'd also just ask you about AI. I know you guys, I think, had around a dozen POCs going on with the amAlz product I think, mainly in call center types of applications. So I was just curious about what kind of progress you're making there? Have you had customers convert from trial to production rollouts, anything you can say there would be interesting too. Thanks a lot.

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

Thanks, George. So we converted actually four different customers from POCs to actual deals this quarter. And this -- in one of them in the UAE is the expansion of the previous deal that we've signed. And actually, they will continue and expanding build agents on top of the infrastructure that we have built. In the other, three customers that we mentioned, we are installing our amAlz platform, and we are building -- starting to build use cases on top of it. We are helping also the customer to arrange the data to support it. It's a combination of care-related billing care or care related use cases and also commerce and upsell use cases.

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**George Notter** - Wolfe Research LLC - Analyst

Okay. Thank you very much.

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**Tamar Rapaport-Dagim** - Amdocs Ltd - Chief Financial Officer, Chief Operating Officer

Thanks, George.

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**Operator**

Shlomo Rosenbaum, Stifel.

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**Shlomo Rosenbaum** - Stifel, Nicolaus & Company Inc - Analyst

Hi, thank you very much. It's good to hear about all the deals. And I just wanted to follow on a comment that you made, Tamar, about the June 30 being kind of just a cut out point in time. So the first time in many years that we've seen a sequential ticked down even albeit small in backlog, it's down \$20 million. Can you talk a little bit about that and what's contributing to that?

And then afterwards, I just want to ask a little bit more following up on the AI deals. If you could just help kind of dimensionalize then? And do you think that that's going to -- at what point in time will we help see that be incremental to revenue growth, so kind of lifting up the expectation for revenue growth on a year-over-year basis even just a little bit.

**Tamar Rapaport-Dagim** - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

Thanks, Shlomo. So when you look on backlog and as I always say, it's a good leading indicator as we look on the next 12 months backlog. And we continue to see nice year-over-year growth, 3% this quarter. You're right. Sequentially, it was down 20%. I'm less focused on that since eventually, signing of deals can happen on August 1 and August 2 and you're right that it's unusual, but at the same time, we've seen deals being signed, like the BT one that is a significant one in others.

So we are focused on looking forward and continue to see the back of giving us great visibility. We talk about roughly 90%, never take it as an accurate mathematical formula, but it is giving us a good coverage as we look forward, both in terms of understanding the revenue picture as well as ability to plan, which is really important in terms of resources and how we are thinking about executing the deals and being prepared to do so.

And regarding GenAI, we do see contribution already, but it's starting in small increments. And I think the importance, like the E& UAE example, which we've been talking about them adopting our amAlz platform. And since then, every quarter, we see adoption of additional use cases. So the idea is we get the customer excited about what they see, and we grow from them. And we bring the value, and hopefully, we can grow even further.

And other layer I would mention is that the data-related services preparing for the GenAI use cases is another important part and actually comes first typically in the cycle in terms of getting the data ready and the services associated with that as well as our data one platform in order to help customers do so.

So this is the two, I would say, vectors that we are seeing from pure revenue point of view, the data-related activities are bigger right now, and the GenAI use cases are the ones we -- as we said, converting now from PCs to commercial deals, and we like this conversion rate, and we expect to see more as we move forward.

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**Timothy Horan** - *Oppenheimer & Co Inc - Analyst*

Thank you.

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**Tamar Rapaport-Dagim** - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

Thanks, Tim.

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**Operator**

Timothy Horan, Oppenheimer.

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**Timothy Horan** - *Oppenheimer & Co Inc - Analyst*

Thanks guys. The North American win, is that a relatively smaller customer that's going to become larger? Or can you give us some sense of how meaningful and material that is? And then on --

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

It's a bigger customer that become bigger.

**Timothy Horan** - *Oppenheimer & Co Inc - Analyst*

Got it. On the SaaS products, can you tell us how meaningful that is to overall revenue or maybe just incremental revenue growth at this point? And I know you talked a lot about ConnectX. Are there other SaaS products that are doing well?

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

I will start to describe the SaaS product and Tamar will give more there. It's growing double digit. I mean it's a growth engine for us. We have several SaaS products. There is obviously the ConnectX market one, which is our monetization platform, is also SaaS, and our eSIM platform is also a SaaS platform.

I think that we developed quite nice. And I think in easing, we have more than 40 customers worldwide. So we see more and more traction. I think the -- obviously, the ConnectX getting a lot of attention lately because this is really, really we achieved there, I don't know, tens of customers earlier --

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**Tamar Rapaport-Dagim** - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

It's the newest one and one that we launched though the market several quarters ago, and we see very nice traction since addressing both the MVNO opportunity as well as the digital brands of the larger players and people are really excited about -- we mentioned, for example, Consumer Cellular. It's a new win of last quarter. This quarter already, we've seen expansion of the business with them.

So the momentum is being built. Now aggregating all of the revenue we see in the SaaS business, it's not in the hundreds of millions, don't get me wrong, but the fact that it's growing very nicely and it is obviously generating as it scales up, nice margin is giving us the appetite, I would say, to invest more into these kind of offerings.

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**Timothy Horan** - *Oppenheimer & Co Inc - Analyst*

And do you have a sense of where we are in the cloud migration by your customers? Maybe what percentage or what inning we're in and -- do they recognize that they have to migrate to the cloud to really use GenAI? And are they thinking that GenAI is going to really help them move the needle fundamentally?

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

I think it's two different things. I think that -- although, obviously, we are using GenAI tools, but many customers of Amdocs started the journey to move to the cloud. The journey includes obviously some type of consulting. And then you need to have all the activity of taking the platform to the cloud, then you have migration. So it's not a simple necessarily.

Definitely, it's not a short project. So we have many, many customers that are starting to immigration or the mid of the immigration, but I would say, less than a handful of Amdocs customer completed that, but we really -- we did start the journey from with many customers. So there is a lot of activities ahead of us in this specific domain.

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**Timothy Horan** - *Oppenheimer & Co Inc - Analyst*

And last for Tama, the margin expansion you sold this year, 60 basis points, 70 basis points. Do you think that's sustainable or repeatable? Thanks.

**Tamar Rapaport-Dagim** - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

We're not committing now to next year margin expansion. But the trajectory, I would say, of the ability to take technology and automation and definitely GenAI now is an accelerated opportunity is definitely there, and it's in everything we do. At the same time, there's always a balancing act between how much we see productivity gains and how much we are investing into the business and the growth.

So this is why I'm being careful to get ahead of ourselves and talk now explicitly about what's the margin number for 2026. But we continue to see the productivity gains. We continue to see the ability to take different capabilities that we have that are tech lead and build that into the way we do things internally.

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**Timothy Horan** - *Oppenheimer & Co Inc - Analyst*

Thank you.

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**Operator**

(Operator Instructions)

Tal Liani, Bank of America.

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**Kevin Brunner** - *Bank of America - Analyst*

Hi guys, this is Kevin [Brunner], on for Tal Liani of Bank of America. I have two questions for you. The first one is about GenAI. I know we already had some questions about GenAI, but I wanted to ask you in a little bit of a different sense in the terms of -- what are you guys thinking about the potential for GenAI to contribute meaningfully to revenue over time, whether it's a stand-alone opportunity or an accelerator of the existing service lines. And directionally speaking, is it crazy to think that in a year from now, that GenAI is a meaningful contributor to revenues? Or is it still a few years out?

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**Tamar Rapaport-Dagim** - *Amdocs Ltd - Chief Financial Officer, Chief Operating Officer*

I think what we see in 2025, as we said, it's the year of exploration. As we expected, during the year, we had several or I'd say, quite a lot of proof of concepts, engagement with customers, they're evaluating the capabilities, how to take it into supporting their business either to create a better customer experience or reduce cost and create efficiencies. We are starting to see conversion, -- again, as expected, of this proof of concept into commercial deals now.

The pace is hard to predict. Another thing that we are seeing, as I noted before, is that a lot of the investment needs to go into the data layer, meaning in order to be ready to leverage the opportunity of GenAI there needs to -- Shuky like to call it the plumbing, the plumbing behind the scenes of the data domain.

So we do see the revenue picking up on that aspect already. We are not in -- with the crystal boiler, I would say, to say exactly what's going to be the revenue contribution and the pace of maturity. But I'm optimistic as we are seeing it. I mean, we're seeing the value, we'll think the dialogues with customers, they start definitely to experiment and move to commercial deployment. We are seeing -- it's not just -- when we say positive concept, just to be clear, it's not in a lab.

It's taking real production environment, real customer data and showing concrete KPIs improvement relative to the comparison. So the -- I would say the elements are there. The pace of impact of revenue yet to be seen.

**Kevin Brunner** - *Bank of America - Analyst*

Got it, thank you. And then again, I'm not asking for any number, but just again, directionally, as we get towards the end of the year and into fiscal year '26, can you maybe speak to some of the broader demand trends you're seeing across your service lines? Is there anything structural or secular drivers or anything that's really sticking out that would make you believe that the current fiscal year growth rate of fiscal year '25 growth rate could differ up or down in fiscal year '26 or are we seeing kind of more consistent trends?

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

I think that from spending behavior, we see the same, still the same uncertainty that we discussed before. And because of different rates and be macroeconomic tariffs, geopolitical and others. So we see the same interest rate cuts, et cetera on. So we see the same pressure on spending, but it's the same. We don't see any change, I think from this quarter to previous quarter.

We don't see any erosion but at the same time, we don't see necessarily that these things is changing. But we believe we are -- so far, we are navigating in pretty much the same environment that we have in the prior quarters.

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**Kevin Brunner** - *Bank of America - Analyst*

Got it. Thank you guys.

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

Thank you.

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**Operator**

Thank you. This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Matt Smith for any further remarks.

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**Matthew Smith** - *Amdocs Ltd - Head of Investor Relations, Company Secretary*

Thanks, operator, and thanks, everyone, for joining the call. If you have any additional questions, please give us a call here in the IR department. And with that, have a great night. Thanks.

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**Operator**

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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