EDITED TRANSCRIPT
DOX.OQ - Amdocs Ltd at Oppenheimer Technology, Internet & Communications Conference (Virtual)

EVENT DATE/TIME: AUGUST 10, 2021 / 5:15PM 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*

Timothy Kelly Horan *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

PRESENTATION

Timothy Kelly Horan *- Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Good afternoon, everybody. Tim Horan, the Cloud and Communications Analyst here at Oppenheimer. Good afternoon -- or good afternoon, if I say good morning, jeez. I don't know what time of day it is. My pleasure to have Amdocs here. We have both Head of IR and Head of Strategy, Matt and Anthony. And I also have Ed Yang on with me, who is my partner covering the sector here. And Ed, if you want to turn your video on, so everyone can see your happy face would be great. And we -- great.

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

Well, here I am.

Timothy Kelly Horan *- Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Perfect. Perfect. Perfect.

So Anthony, you and I have done this before. You're probably getting sick of talking to me, but I appreciate the time.

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

No. No. It's always a pleasure.

Timothy Kelly Horan *- Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Great. And Matt, thanks a lot for setting us up.

QUESTIONS AND ANSWERS

Timothy Kelly Horan *- Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

So I guess I just like to start out with, Anthony, maybe a little bit about what you're focused on these days and what the company's strategic focus is at a really high level?

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

Yes, sure. My role in Amdocs, I'm head of technology, and I look after kind of all our products and offerings from that perspective, and I also look after strategy for the company. So I kind of wear dual hats. So I get to sit in a position kind of where I see all the moving parts, which is always nice.

And our focus, clearly, in the last 12 to 18 months, there's a clear, clear swing to where connectivity has really become the cornerstone in our society, and all of our customers have been in the middle of this, not to mention every consumer around the world. So in a way, very honored and proud to be part of that ecosystem, but also kind of a lot of work to do and a lot of jobs to be done.

And in terms of focus, clearly, 5G, we started early days of rolling out now, and we're just starting to kind of see the momentum grow, not just in North America, but in the rest of the countries around the world as we see the rollout of 5G. And the other thing is the embracing of cloud infrastructure and web-scale companies and kind of the move to the cloud from on-premise data centers and things like that.

And I would say, kind of the third component is all of these kind of disruptive technologies kind of coming together like mobile edge computing and eSIM and 5G connectivity to just create these great use cases that are coming across both on the consumer and the enterprise sector.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

So can you just maybe talk a little bit about your kind of primary products out there that you sell? And I would love to, as you do that, just talk about what percentage of those products that you sell are still done in-house by the carriers versus outsourced at this point, do you think? I know it's a really maybe a hard question, but...

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

Yes. So I'll start maybe on a core area, which is clearly communications, both the wireless providers, cable providers. And so what we do is essentially soup to nuts. I mean, other than kind of creating the radio base stations and the hardware and things like that, all the way from your channels where you're kind of ordering something, whether it be retail stores or phone app or on a website to an offering catalog where all your offers and promotions are defined to taking your orders, to your customer care to monetizing it, challenging for it, billing for it, to provisioning it like order handling and how it gets provisioned and allocated all the way down to network elements like OSS. So kind of Amdocs has grown over the years and expanded its portfolio.

So today, if you're a company looking to launch either a greenfield stack or modernize your stack, you'd always come and have a chat to us about what you want to do and where you want to start from.

In terms of your second part of the question, what is in-house versus not. A lot of what we have ends up being kind of a hybrid model sometimes because we will have a platform or a product that someone may embrace, and there will be internal people that are working on it as well as us working on it. So the line kind of blurs. It's not as black and white or clear sometimes.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

But I guess where do you think carriers are in their mindset of willing to outsource that? So if you're -- and I know it's black and not black and white. Do you think it's like 25% is outsourced or 50%? And I guess even like if you're going to build up a new product line, if you're a carrier or a new start-up company, what percentage of that is being outsourced as opposed to being developed in-house?

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

Yes, it's a good -- look, it's a good question. I mean, to answer that question, I would come back to, how do you differentiate yourself, right? So as a carrier, is your differentiation that you have like really good tech people building a subscription platform, is that your differentiation? Or is your differentiation, you take all of these components, you stitch them together and you have a unique offering to go to market, right?

So you take, for example, I think of like the last several years around T-Mobile and the un-carrier stuff, right? Amazing marketing where they went out to market and they came out with a un-carrier 1, 2, 3, 4 and on it went. All of that was done on an Amdocs system kind of using the different components, putting it together, where you didn't have something, we would build it. And they had the marketing prowess to get it out to the market, and we supported them, right?

Now you could ask yourself, well, should they have done it themselves and kept it for them? I think the focus should be more northbound than southbound, and I think they feel like that as well. Maybe if you rewind the clock back and kind of go back around 5 to 7 years ago, I think there was a crossroads, meaning the carriers were going, "Well, should I be like a Netflix? Or should I be an Uber? Like am I a technology company? Should I build everything in-house?" And now I think we've kind of gone past that and said, "Look, here is my differentiation. My differentiation is that I have the best spectrum, that I have the best connectivity, that I have the best customer experience. And if I can find partners like an Amdocs, like an AWS, right, to give me these core competencies that will help me do my job better."

And I think you also find this portrayed in terms of where their focus is and some of the diversification will happen. We've seen happening with the big carriers, just not to distract them, right? Whether it be divesting the AOL stuff for the Layer3 stuff for the Warner Media or whatever it is saying, "Okay, you know what, let's kind of go back to basics and make sure we're really, really good at what we do."

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Yes. That's phenomenal color. And I know you mentioned T-Mobile. Is the U.S. ahead of the rest of the world in this outsourcing you think?

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

I'm not sure from -- I thought you were going to ask a different question, but maybe I'll answer both. From an outsourcing perspective, I'm not necessarily sure they're ahead, but there are giants in the U.S., right? So the size is much bigger. I think we've seen kind of outsourcing happen in Asia Pacific, right, like we've got a long pedigree happening over there. We see it happening in Europe, in pockets in South America, but that's just more to do with scale and size. But I think in terms of technology and pushing it to the next level, definitely, North America is probably ahead with Korea probably hand-in-hand in terms of like around the 5G rollout and things like that. And that kind of leads to different discussions, right.

So for example, if your focus is rolling out 5G stand-alone, to get the best services, like do you really want to build your own charging system or your own policy system? Or would you want to just take the best in the market and use the capabilities? So I think the 2 kind of go hand-in-hand.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Yes. That's a great point. I was going to get to that. I was just trying to set like a baseline of where we're at because obviously, 5G is an amazing opportunity, right? There's -- the carriers are talking about network slicing, and they're charging now for latency or bandwidth or if you need expansion of bandwidth and building out private enterprise networks, they're talking about like incredible complexity that we've never really -- never ever seen before. And so I guess what I was going to get at it. And yes, well, like you answer it. What do you think 5G means? And I would assume when they build out 5G, a huge percentage of that is going to be outsourced globally, but not to put words in your mouth, sorry.

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

Yes, yes. No, look, I think 5G is a continuum, right. Like 5G is not a single event. So what do I mean by that? So like a year ago, 18 months ago, we saw people market 5G. You saw 5G ads starting to come about and the promise of speed and things like that, that was just the beginning. I mean all they did was just upgrade their radios to give you faster speed. And in the industry, we call it nonstand-alone 5G because that's just a component.

Stand-alone 5G is where your entire network supports 5G, and that, alluding back to some of the comments you made, network slicing, low latency, higher security, those are all of the promises of 5G that comes with stand-alone. And in the U.S., we have very minimal stand-alone 5G installations right now. But in the next 12 to 18 months, we'll see many of -- not many, all of them start to become stand-alone.

And then post that, we start to see kind of the capitalization in terms of the investment, right. So you have all of these guys that have spent like if we look at the last spectrum auction, $82 billion in spectrum. You have all these high rollout costs. At some stage, you need to start getting that money back. And so as you go from nonstand-alone to stand-alone, which gives you capabilities to the monetization of all of these use cases. So that's why I think it's a continuum and it comes in chunks. We will start to see the richness of 5G come out. Right now, we're just at the infancy stages. And really, I mean, if you have a 5G phone and you go out, the only thing you will detect is maybe if you're close to a 5G antenna, you'll see a boost in speed. No one is really enjoying some of the added benefits and the promises of 5G yet.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

That is for sure. And what do you -- where are you with capturing the OSS/BSS for companies building out 5G in terms of flow share? How dominant is your market share for people that are building out new 5G networks?

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

So I'll make a self-serving comment for a second and then I'll answer the question. We have -- whether it's Korea, North America, the predominant OpCo in Vodafone, that's all of them that are rolling out 5G are on our systems. There isn't one carrier in North America rolling out 5G that is either not on our systems or talking to us about 5G. And the reason for that is about 3 years ago, we took a very, very brave decision to completely replatform, like we drew a line in the sand. We didn't just say, "We'll do an incremental change." We drew a line in the sand, and we said, "We are going to build a cloud-native platform to serve the future of 5G." Now it could have been a very brave decision, a very stupid decision, only time would tell. But luckily, time was good, and we did the right thing.

And over several years, if you kind of add up kind of public R&D, we've spent over $1 billion on building out this platform. And AT&T, T-Mobile, Verizon, the Vodafones, all of them are looking at this platform to help them serve and monetize 5G. So this is not a -- once you put in a 5G system or even a component of this, this is not a 6-months journey. This is not a 1-year journey, like this is something a multiyear journey. And as even now, we work very closely with the body called 3GPP, which sets the 5G standards, right. We are introducing -- every quarter, we are introducing new standards as they roll out. We're introducing it into our platform. That's how close this connection is. And our customers love it.

So previously, we used to do upgrades every 18 months, every 24 months. We are now releasing our product line every quarter. We have a spring, summer, autumn, winter release and our customers can choose to take it. So I think there is a little bit of excitement. Our customers are kind of gravitating towards pulling more of our products. And we are there in the middle of 5G. I mean there are very little people rolling out 5G that are kind of not using us in some shape or form.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And so -- and on these pitches, who do you primarily pitch against for the business?

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

Yes, it's a good question. I would say it varies. It varies from a couple of reasons. So the technology organizations are always having a discussion, but the discussion kind of originates, right, from the business being giving a business case on how to satisfy kind of the 5G promise.

So for example, there is one North American provider that is very, very focused on the benefits for enterprise, right. There is another that's looking very much on, "Okay, how do we expand the consumer experience?" All right. We have one that's looking at -- I used this example, 5 years ago, I had one connection to my service provider, and I paid them a bill because I had a phone. Today, my phone has a SIM card. My iPad has a SIM card. My watch has a SIM card. My car has a SIM card. I have 4 connection whereas 5 years I had one connection, and these 4 connections are just going to grow, right. So this is kind of -- these decisions and this thought process usually starts at the business.

So there are many times when we're having a discussion or being invited to present on kind of our thought process or use cases around 5G. And then it starts to flow down of, "Okay. So how do we translate this? How do we convert this into kind of a real thing?" And then the discussion goes, "Okay, what does that implementation look like? Okay, let's start with the catalog," right, because this is where you define and market the offers, right, or versus somewhere like South Korea, where they go network up. So they're very much focused on network assurance, right, and charging and rating and make sure what you promise to be delivered is delivered. So I think different people take different angles. But predominantly, we have discussions with the technology organizations, both CTO and IT and very much around 5G with the business, especially the enterprise side of the business.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And have you gotten many contracts where your -- the companies are just saying, look, you handle all the OSS, BSS or all the Managed Services? You bring the hardware. We don't want to know about it. And basically a complete Managed Service outsourced. Do you have many of those contracts? And how much more revenue do you get for that contract as opposed to just providing a catalog?

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

Yes. I always say that when it comes to Managed Services, even historically, there was always -- Managed Services was driven and just for everyone's sake, Managed Services, like you said, is kind of build, transform, operate model, and it's usually a long-term kind of recurring revenue contract with a project component based in it.

There was usually a compelling event that drove to Managed Services. So what are these compelling events? The organization had to reduce budget or reduce costs. They had to move or consolidate data centers. They had to transform, modernize some of their platforms. So this created a compelling event. We're finding now that there are more and more compelling events generated around the move to the cloud. So whether it's this notion of, "Well, let's get rid of our data centers and not have this infrastructure and let's move to AWS. Oh, while we're doing it, should we look at how we operate it very differently?" So kind of our Managed Services is transforming to what we call cloud MSP or cloud Managed Services provider. And we're having a lot more discussions with customers, even if you look at our financials and our backlog, which I'm sure Matt can add here, we've seen kind of this growth around Managed Services coming through. And a lot of it is around kind of this build, operate, transform because we're spending a lot of R&D investment also around kind of the cloud management components.

So how do you manage your cloud resources? How do you manage your financial operations on the cloud? How do you do zero-touch operations? So it's not just the core functionality that we're investing. We're also investing in how do you run and operate the cloud. We also did a couple of acquisitions in the past like the Sourced Group, for example, that bought this really like amazing cloud skill set to the table to help our customers migrate to the cloud, right because there's a huge driver from all around the world of like people kind of wanting to move to the cloud, and we want to be the best we can be, not just from platforms and products, but also around cloud services.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Sorry, guys. My boss just came in to talk to me. It was real quick. So I mean, can you get a lot more revenue from Managed Services than just catalog? And what percentage of your revenue are like Managed Services now versus what it could be? And Matt, you need to answer that, sorry.

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

Yes. I'll let Matt give you the details. Sorry, he gives it more accurately. But I'll tell you that the Amdocs kind of philosophy in terms of -- and this is not something new and not something to do with cloud. There's always been this mindset of land and expand, right. Meaning once you get -- whether it's catalog or whether you start from there, whether do you start from charging, like we're here for the long run, right. We're not here for the short term just to give you something and disappear. Like we want to have a long relationship. Our customer relationships span decades.

So as we modernize, we get like -- I call it the marriage vow renewal ceremony. So we may have been married for 10 years or 15 years, and now it's time to have a marriage vow renewal ceremony as we go to the cloud together, right, and remind ourselves of the great things we've done and the great things that are to come. And we're looking to help them more. And I think cloud will give us more opportunities because, again, it creates this compelling event of, "Oh, I used to do this with my IT people in my internal data center. How do I manage this on the cloud, right?" And I'll tell you what we're planning for 2 years from now, 3 years from now is people running on multi-clouds, which makes the environment even more complex, right.

So today, it's a race to the cloud just to get off your internal data centers and let me put it on AWS. So let me put it on Azure. Tomorrow, it could be cost implications of your OpEx cost on how much you spend on the cloud. So you need to think about, how do I divide my workload across clouds? And once you start doing that, how do I manage across that? How do I monitor across it? Because my service experience still needs to be there.

Remember, I always give this example, and I think you've heard this from me before, Tim, that Gmail can go down. WhatsApp can go down. And people like, "Oh, okay, I'll wait until it comes down." I mean, we don't have that luxury. What we build needs to be mission-critical, carrier-grade. So as you run on multiple clouds, Amdocs also has an opportunity here to make sure we provide a hybrid cloud management platform, for example.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Well, totally, that was going to be my next question. I mean, we kind of, in the cloud world, call that a PaaS service, platform as a service in a multi-cloud world that I think you hit on 2 key points. I think carriers are going to have to use multi-clouds by definition. They also have all these legacy data silos. I talked to someone yesterday, said an average enterprise is very different from the carriers, have 10 different data silos. The carrier is probably 100 different, right? But what you kind of want at the end of the day is to integrate those data silos and start using artificial intelligence to do proactive customer care or proactive network maintenance instead of reactive, right?

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

Yes.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And that was going to come along if we can break down these data silos over a platform. Have you started thinking about building out a platform like that and that would entail it?

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

Yes, yes, absolutely. I mean when we -- 3.5 years ago, when we replatformed, one of the key things was we looked at data over a single plane of glass, right. So the data that you get from policy and charging and the data you get from your app comes to one place because the way we built it out was we do not know what the use case is going to be in 6 months from now or the data insight that you need to gain from 12 months from now. So we need to build it at using a concept that, in the past, we've got very specific instructions on what the use case was, right. Today, we're building stuff without knowing what the product and offering and kind of the future use case is.

So back again to this data. All our data is consistent. It's using the same technology. You can access it via APIs. In some customers, for example, they've asked us, "Can you expose the data as an API?" We call it network as a service, right.

So you think of 5G. 5G is the first programmable network that was available, that's software-driven, right. We've never had a network like this. None of the Gs have been like that, right. What that means is via an API, I can provide you faster access, better latency like our call right now, right. Like potentially, Zoom can have a button here where you click it. And whoever my provider is, right, will give me better access of faster connectivity just by me clicking a button, which accesses to the API, which comes to a single plane of data in terms of the glass. So absolutely, that's kind of how we're thinking. And I think, look, the future is going to be driven by a partner-driven economy, right? It's not just going to be the telco. So it's going to be these partnerships with companies like Zoom or companies like Microsoft Teams or Slack or whoever, right. You're going to have all these kind of creative partnerships.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

That platform will enable that, right? And you just gave a great example because I've been on Zoom the last couple of days. I'm on a couple of gigabit connection here at the corporate office. But for whatever reason, my voice doesn't work, so I'm dialing in. It works, but not great. I cut out every once in a while, but you're a million percent right. I mean, Salesforce is going to want some functionality that they can't get anywhere else. But the platform by definition, allows APIs and also to different partners to tie in.

And even the networks, I mean, the networks have never been open really. They've been totally closed, right? Cloud network you can customize a lot more, you get a lot more access since exactly what you need. We have never had that capability with networks, to your point, now 5G for the first time, we will. But I mean that entails, in your part, a herculean effort to build a path, right. I mean it's a skill set that -- well, not too many people build passes before. So we'll have to do this in the first time. Have you kind of started building one? Have you started thinking about...

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

Yes. So we have a product called iPaaS, which is a platform, and many of our customers have taken it, have started using it. The great thing about it, by the way, is once you start using it, once you start connecting your network to it, you keep on using it, right. So this connects to all our products. And all of our products are built in such a way that we provide either APIs or the interface, right. What do I mean by that?

So I can provide the app so that you can just go in and use it. So you may be a small provider. And you just -- like you said before, you come to Amdocs and say, "Hey, like give me the whole enchilada from app to everything, right?" But the bigger guys are like, "Hey, give me a set of APIs that does all of this because I may want to use it internally, but I also may want to expose it externally to some of my enterprise customers to use, right." So this is kind of our thinking, and we kind of thought about this several years ago when we built it out. And this is exactly how it's built out, how you explained it.

The good thing about this, and this is not just like Amdocs worked up 1 day and thought this is what we should do. This is the part that the cloud guys have been on for several years, right. So if you look at the services that Amazon exposes, whatever the number they're up to now, 175, 176 different cloud services are exposed via APIs, so you can call it, you can restrict it, you can do anything. And in the same way, I think of Telco as a service or network as a service is going to be added on to kind of like this ever-expanding list of exposures that we give to either enterprises or other customers.

REFINITIV ↗

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

So Anthony, this isn't a fair question for you. So I'm going to ask maybe Matt to think about it, but -- and it might not be fair for him either. I think your -- what's your revenue, $4 billion? I know it's growing a pretty good clip, a little over $4 billion. When you look at -- when I look at what's the carrier spend on -- just on towers and backhaul, globally, it's getting up to close to $100 billion. When you look at what they spend on CapEx, it's $100 billion globally, and you guys are $4 billion of revenue. And I would think like the OSS/BSS is just as important as 2 of those 2 other buckets. I know these are just giant round numbers. But Matt, do you ever think about what the total addressable market is when you kind of really analyze it and what -- and how that can kind of transform over time?

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

Sure. I mean I think the total addressable market is measured in the many tens of billions, right? I think it's hard to actually quantify. And particularly as probably half of the market that we serve is still the in-house IT department, right, of the target customer base. So I think it's a large market, certainly, I don't know, $30 billion, $40 billion around that. We're probably the largest of the players, but I think it's still quite fragmented outside of the internal IT. Over time, of course, there's a trend towards outsourcing, as we've discussed, and we're in the ideal position to try and capture more and more of that. But certainly, it's a big opportunity, and it's growing all the time. And Anthony, do you have anything that you'd add to that?

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

Yes. Look, I would just add some color to that. I would say one of the things that we're constantly doing is trying to think of how do we expand the SAM, right, the serviceable market, right. Like so that includes expanding the offering, right. So when we went and acquired Openet last year, Openet, combined with the assets we had, we pretty much took over the entire -- dominated the charging market for 5G, right. Also, it gives us a huge foothold in the policy market, right. So suddenly, we had a serviceable market that we didn't have exposure to before. So we're constantly thinking about how to expand it.

The other thing I would say, and I kind of call it the -- a little bit of the x factor because it's hugely early days at the moment. It's around private enterprise networks or PEN as we say, right. So as you look at unlicensed spectrum, as you look at private enterprises building their own network, our relationship with the webscale guys, so we have a very strategic agreement with AWS, and a year later, we created one with Azure. And on the AWS one, Shuky worked very closely with Andy Jassy at the time to put it together. We sit together with R&D teams. We exchange ideas. But suddenly, we see that potentially, there could also be an opportunity to serve some enterprise customers in different ways as they roll out private enterprise network, right. So whether it be subscription or policy or charging or service design and creation around 5G networks, as that market starts to mature that could also be an interesting opportunity for us not just to be contained in the telco space.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

That's for sure. So what do you think -- what are your biggest challenges right now? Like what are the pain points you're solving for?

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

Yes. Look, if you ask me what keeps me up at night, I think it's a talent crunch. I think globally, we're having a massive talent crunch. And by the way, it's not just tech, right. I mean I was at the Apple Store last night, and they were apologizing to me because they were short-staffed, and they've been -- I was talking to the guy and they've been short staffed. We've got so many jobs, and we can't fill it. That's the Apple Store, like that's the coolest place to work at if you're a kid, right, and they can't get people.

All the way from there, to technology, I mean, every company needs tech people. So I think that the talent crunch and the brain drain, I think I would say that's the #1 thing right now that keeps us awake as I look towards the growth trajectory, right, like we are increasing growth. You saw

our numbers in the last quarter. We have a very strong backlog. We have a lot of work to do in the next 12 to 18 months to deliver stuff. And so I think people making sure our employees are happy, making sure our employees are safe, right. We're implementing all sorts of things. Obviously, we had the breakout in India, and we did a lot of things for our employees, trying to manage this hybrid work environment. We thought we were going to come back to work. Now Delta has come back, back in, everyone's back out again. I think around kind of human resources capital management, really, I think, is going to be like our biggest challenge for the next 12 months.

I think from a market perspective, there are just very, very good positives. We see our customers who are maybe -- I don't want to say that word depressed, but kind of flat several years ago. We see new customer subscriptions increase. We see some of them post very good numbers in new ads. Like I said before, we see more consumers getting more devices. There's only going to be more 5G devices that are coming out, and you see all of them are giving out incentives, people to get new phones because they want them on 5G plans. So from that perspective, and then you add the fiber rollout that's starting to happen again in North America, and we were -- I mean, you know this team, we were quiet for a very long time in terms of fiber rollout. We really dipped. It's come back again.

Asia Pacific is starting to roll fiber out, and that's really interesting, right. Places like the Philippines is starting to roll fiber because they realize, "We roll out a few fiber points to Manila, put some 5G cell towers out there. And suddenly, we've lit up the place with broadband, right." So we see this change in mindset. And I always thought APAC kind of jumped cycles, right. So they kind of like went 2G to kind of 4G. And then they're like, well, didn't really go to LTE, but they're jumping on the bandwagon of 5G, right. So they always do this skip of like half a step, and they're definitely on the bandwagon of 5G. And Europe starting to see it again. So -- and I think the good thing is it's not -- historically, sometimes when Amdocs had success, it's been coming out of one area, but we see good signs in kind of across the globe.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And you -- and correct me or just remind me, do you have much business in China at this point? And is -- did you compete against Huawei much?

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

No. No, nothing. We used to compete against Huawei in the BSS space, but they withdrew. They kind of got out of that space. So don't really see them.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

And do you -- I'm assuming you partner with a lot of the larger systems integrators and very large consultants out there that work with the carriers globally. Do you partner with those guys? Or are they important for you?

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

Yes. Look, we're a unique model in terms of -- I was giving you the example before. It's like, look, if you go and buy a high-end car like a BMW or something, like are you going to take it to the garage down the shop to get it serviced? No, you will take it to a BMW dealer to get it serviced, right. In the same way, you can think about in Amdocs. So we believe that we build the best product set in the telecommunications industry. So who do you want servicing and installing and deploying is Amdocs. So this is why sometimes externally, people have problems understanding Amdocs because the model is very unique. It's very hard to say, "Who do I compare these guys to? Like are these guys a service company? Are these guys a product company?" And we kind of do both in our space, and we will continue to do both.

So I don't necessarily see direct competition. And we don't necessarily work very closely in terms of we don't go and say, "Hey, Accenture, here is our stuff, go and install it," for one very good reason. We believe in a model of accountability, right.

REFINITIV

So when we install something, we're not one of these companies that say, "Oh, like, if I can add 600 more seats, then I'm on time and materials rate cards, so I get paid more money and I'll grow, right." Like to me, that's kind of bad money, right. Like we come and say, "Look, we will give you the system that we invested $1 billion building. We will put it in, make sure it's running and migrate your customers to it." So that's kind of a very kind of unique model that I think we'll continue to maintain.

Now on our -- some of our peripheral systems, such as like we have a MarketONE platform that do subscription, and we serve over 200 customers in the enterprise space. Adobe was one we announced. There are system integrators that deploy it and use it. We have no issue with it. But around our core BSS systems, we're very kind of -- I would say, we want to make sure that no one is screwing it up. Because there are many -- look, there are -- transformation projects are hard. I mean they're bloody, they're hard, they're not everyone can do it. And we want to make sure they're done right and delivered and the business benefits are seen.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

So when you went back 10 years ago, the carriers just use to gripe a little bit about working with companies like yourself, a lot of heavy lifting, really hard work. I've heard less griping, but how is the relationship with the carriers now compared to what it was 5 years ago?

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

Yes. Look, I mean if I can -- I don't know if we can use humor on investor calls, but if I can use a little bit of humor, like I used to say like sometimes it's like going to the dentist. It's like nobody really wants to go to the dentist. But if you don't go to the dentist, bad things happen to your teeth, okay? So you have a choice. But I was told by our marketing guy, I shouldn't use that analogy, right. So I won't use that analogy. But I think where we were 10 years ago to where we are now, we've spent a lot more on our products. We spend a lot more on them being able to touch and feel what they see, whereas 10 years ago, we would build stuff maybe a la carte sometimes. Today, we have a product that we go and install in their labs. So that's changed some of the interaction a lot more. We're doing a lab deployment tomorrow with a huge carrier. So they get to test and see our system and touch 5G on our system. They never used to be able to do that with an Amdocs system before.
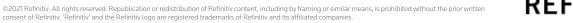
So as we pivot to be more of a product company running on the cloud, I think a little bit of that angst goes away. And I think the proof is probably the best example, right. So if you look at the last 18 months, again, AT&T has chosen us, T-Mobile, Verizon is using us. We have a couple of others, we haven't announced in North America. In Korea, in South Korea, we have a couple of companies rolling out 5G, using us. Vodafone, the biggest OpCo, is doing their 5G transformation on us. So I think these are like the proof points if they really -- like there are other choices, okay? I mean, not good choices, but there are other choices. And if you have the top 5 in the world using us, that kind of answers the question a little bit, right.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

So I have one last question. It's for Matt. Thank you, Anthony. So Matt, I have you trading at like an 8%, 9% free cash flow yield. The tower has traded like a 4% yield. I think you're going to be growing like 50% faster than the towers. And I think you have ability to kind of grow faster than them for a very long period of time. You're now producing a lot of free cash flow. You're relatively underlevered. So your stock seems really, really cheap to me. Why not accelerate stock buybacks at this point or maybe even leverage up to do so given the opportunity?

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

Yes. I think it's a great question and a fair one. And actually, this year, we have somewhat accelerated our share repurchases, right, because we have the proceeds from the sale of OpenMarket, which we completed couple of quarters ago. We've returned the vast majority of those proceeds to shareholders. And we're well on track to return the vast majority of our free cash flow this year, and that's been the pattern for the last, I don't know, 6 or 7 years, actually. We're committed to growing the dividend each year and returning the balance really in the form of share repurchases.

You're right, we are sitting with a very strong balance sheet and plenty of cash. But I think the other side of that is that we want to maintain flexibility for growth, right, retain the ability to make these bolt-on acquisitions as and when we see fit and the right opportunities come along, we don't want to lose that flexibility. We want to maintain the confidence of our customers also, right? I mean we're providing mission-critical systems to a very important sector of the economy. So I think there's a -- it's about balance. It's about striking the right balance between the proactive and disciplined return of cash to shareholders and at the same time, maintaining the flexibility to execute strategically. And every year, we go through the process of looking and evaluating what we're going to do and -- but I don't think right now, you should anticipate any major changes in the way that we've thought about the business historically.

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

And the only other comment I would add to that is -- and I'll add a self-serving comment here, but we accelerated R&D, and I think we're at a crossroads in terms of whether it be 5G or mobile edge computing or eSIM or IoT or any of these new technologies, decisions are being made now. So now is the time to accelerate in R&D invested. So once those platforms gets chosen, this is an ongoing recurring revenue stream for the company.

Timothy Kelly Horan - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Great color, guys. Anthony, a pleasure, as usual. Matt, thanks for your help. Have a great day, guys. Thank you, everybody.

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

Thank you. Thanks, Anthony. Thanks.