AMDOCS Q4 2024 CONFERENCE CALL SCRIPT - FINAL

November 12, 2024

5:00 pm

Matthew Smith, Head of Investor Relations

Slide 2: Disclaimer

Thank you, operator. Before we begin, I need to call your attention to our disclaimer statement on slide 2 of the presentation. It notes 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.

Slide 3: Today's Speakers

Participating on the call with me today are Shuky Sheffer, President and Chief Executive Officer of Amdocs Management Limited and Tamar Rapaport-Dagim, Chief Financial and Operating Officer.

Slide 4: Earnings Call Agenda

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 this call.

On today's agenda, Shuky will recap our business and financial achievements for the fourth quarter and full fiscal year 2024 and will update you on the continued progress we have made executing against our strategic growth framework, including Generative AI and our continued sales momentum in cloud.

Shuky will finish by discussing our financial outlook for the full fiscal year 2025, after which Tamar will provide additional details on our fourth quarter financial performance, and our forward guidance.

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

Slide 5: Shuky Sheffer, Chief Executive Officer

Thank you, Matt, and everyone joining us on the call today.

Slide 6: Fiscal 2024: Another Important Year for Amdocs

Starting on slide 6, fiscal 2024 was **another important** year in Amdocs' journey, my thanks for which goes to our thousands of employees worldwide who continuously serve our customers with **innovative** software products and services designed to:

- Accelerate their migration to and adoption of the cloud
- Monetize next generation networks
- Digitally transform the customer experience, and
- Automate their mission critical operations

Despite a continuously challenging industry demand environment the year was notable in several respects:

- We expanded activities with new and existing customers, winning i**mportant** deals at AT&T, T-Mobile, Charter, and Rogers in North America, Vodafone Ziggo in Netherlands, XL and PLDT in Southeast Asia and NTT in Japan.
- We achieved strong **double-digit** growth in cloud, which now accounts for roughly 25% of total revenue, and further extended our industry leading position in Gen AI
- Managed services delivered another **record** year
- We executed our plan to **accelerate** profitability, and
- We returned more than 100% of free cash flow back to shareholders through share repurchases and dividends.

Slide 7: FY 2024: Record Annual Revenue, Continued Profitable Growth & Margin Improvement

Summarizing our fiscal 2024 financial performance on slide 7, we:

- Delivered record revenue of $5 billion, up 2.7% from a year ago in constant currency
- Achieved non-GAAP operating margins of 18.4%, an improvement of 60 basis points year-over-year, and

- Met our commitment to deliver **double-digit** total shareholder returns for the **4th consecutive** year in fiscal 2024, reflecting non-GAAP earnings per share growth of 9.0%, plus our dividend yield.

Slide 8: Fourth Quarter Key Highlights

As to the fourth quarter, we closed the year with strong sales momentum which included several important deal wins:

- At **T-Mobile,** we won a **significant** project to deploy Amdocs' **next-generation monetization** platform under the **major,** multi-year digital transformation program we are supporting
- **Strong** sales momentum continued in cloud, with key awards at **NTT Infranet** in Japan and **Vodafone Italy**, and
- We maintained a **high** renewal rate in managed services, signing expanded multi-year engagements with a **Tier 1 operator** in Southeast Asia and **Telia** in Denmark
- I am also encouraged by the market's rapid adoption of Amdocs' SaaS-based platform, **connectX,** as a comprehensive solution for MVNOs and MVNE's, and
- We are making steady progress in Generative AI where we have expanded activities to support **T-Mobile's** mission to revolutionize the customer experience.
- Regarding project execution, Q4 included successful product deployments for **AT&T, T-Mobile**, **3UK**, **A1 Bulgaria**, **PLDT** in the Philippines, among others.
  - At **AT&T**, we achieved major production milestones related to the consumer modernization and simplification program, commenced the migration of applications from mainframe to cloud under our new 5-year agreement, and collaborated with **Cricket Wireless** to implement a new commission calculation system.
- Our reputation for consistent execution also extends to our customers' industry consolidation strategies. Industry consolidation sometimes creates short-term business uncertainty, but often results in long-term opportunities for Amdocs to bring our post-merger integration and modernization expertise, as we see following **Colt's** acquisition of **Lumen's** EMEA business last year, and for other US and European customers that are currently progressing consolidation strategies.

Slide 9: Strategic Growth Framework

Now, moving to slide 9, we remain confident in our multi-pillar growth strategy which is designed to provide our customers with the market-leading innovation and technology they need to:

- Accelerate the journey to the cloud
- Digitally transform the customer experience for consumer and B2B
- Monetize the future market potential of next-generation networks
- Deliver dynamic connected experiences by streamlining and automating complex network ecosystems, and
- To simplify and accelerate the adoption of Generative AI

Slide 10: Progress in Strategic Domains (1/5): Cloud

Beginning with cloud, Amdocs’ unique ability to support complex, multi-year cloud journeys as a primary technology partner continued to drive strong sales momentum in Q4.

- Amdocs was recently selected to modernize **Vodafone Italy’s** business platform by implementing cloud-ready and cloud-native solutions and migrating its business support systems to the **Microsoft Azure** cloud. Structured under an extended five-year agreement, this modernization initiative will empower **Vodafone Italy** to deliver faster, high-quality, and next-generation services and experiences to its customers, enhance operational efficiency, and reduce costs.
- Additionally, we expanded our relationship with **NTT InfraNet** in Japan, which selected Amdocs to modernize and migrate core system applications to the cloud under a business transformation and managed services agreement that will enable greater cost control, increased efficiency and improved business capabilities.

Cloud accounted for roughly **25%** of Amdocs’ total revenue in fiscal 2024, and with these recent awards adding to our strong book of business and an attractive pipeline of opportunities, we are positioned for **another year of double-digit** growth in cloud in fiscal 2025.

Slide 11: Progress in Strategic Domains (2/5): Digital Modernization

Moving to digital modernization on slide 11:

- **MVNE.pl,** a digitally-driven mobile virtual network enabler in Poland, has selected Amdocs’ 'telco in a box' SaaS-based connectX solution under a five year agreement to launch an innovative telecom ecosystem that empowers communities across the country to create and manage their own telecom brands with unprecedented speed and affordability.

- We are delighted by the **rapid adoption** of connectX which has positioned Amdocs at the forefront of the MVNE and MVNO market with a growing customer list that includes **AT&T and Rizz Wireless** in the US, **Winity** in Brazil, and **Melon Digital** in South Africa.

- Additionally, Amdocs' SaaS-based Bill Experience solution was recently chosen by **Convera**, a global commercial payments leader, to easily simplify the billing experience and improve customer satisfaction. We are excited to be working with **Convera,** with this award demonstrating that Amdocs' solutions can be applicable for enterprise-scale customers **beyond** telco when suitable opportunities arise.

<u>Slide 12: Progress in Strategic Domains (3/5): Monetization of Next Generation Networks</u>

Turning to monetization on slide 12, Amdocs continues to deliver cutting-edge technology to help service providers monetize their investments in next-generation networks, including wireless 5G standalone, fixed wireless access and fiber.

- On top of the **multi-year digital transformation** we are delivering for **T-Mobile,** Amdocs has been selected for a significant project to deploy our next-generation, cloud-native real time monetization offering, giving T-Mobile's customers the freedom to define their buying experience while delivering complete business flexibility on a single all-inclusive platform.

- We also expanded our partnership with **Altice's SFR**, one of France's leading telecom providers, on a five-year deal to transform their mobile and fixed-line B2C billing systems onto a single, unified platform. This consolidation will reduce operating costs and improve efficiency while unlocking additional monetization potential and enabling the delivery of a seamless, enhanced customer experience.

<u>Slide 13: Progress in Strategic Domains (4/5): Network Automation</u>

Moving to network automation on slide 13, Amdocs is in prime position to support the **design** and **buildout** of fiber network investments in the US and globally, having just introduced our next-generation fiber offering which capitalizes on recent acquisitions in this domain, including **Procom Consulting in fiscal 2023**.

- Demonstrating our breadth of capabilities, **a leading provider of fiber optic internet services in the US** recently chose Amdocs to effectively manage and streamline complex fiber rollouts, enabling it to accelerate sales, enhance agility, and realize new monetization opportunities in the fiercely competitive fiber broadband market.

- Amdocs' growing market recognition in the network domain is also reflected by recent industry awards, including Network Technology Vendor of the Year at the 2024 Network as a Service Excellence Awards, and the prestigious Orchestration Award at FutureNet Asia 2024 which Amdocs Service & Network Automation has now won two years running.

Slide 14: Progress in Strategic Domains (5/5): Gen-AI

Turning to slide 14, Amdocs continues to extend its position as an industry leader able to help service providers unlock the transformative potential of Gen AI.

- **First**, our flagship CES24 now embeds CES Copilots across Amdocs Catalog, Monetization, Intelligent Networking, and many other components of the suite, with several customers already utilizing such capabilities in production.
- **Second**, we have collaborated with NVIDIA to enhance our generative AI platform, amAIz, with innovative new **agentic** capabilities that deliver immersive customer experiences with real-time interaction and visualization. Our **first commercial platform awards** are also materializing as we successfully progress many global production trials based on amAIz across several key domains.
    - As we alluded to last quarter, **etisalat by e&** in the United Arab Emirates has elected to integrate GenAI into its business systems. Leveraging amAIz, this expanded collaboration with etisalat by e& opens possibilities for new revenue opportunities, business efficiencies, and improved customer experiences for the telecoms pillar of e&.

- **Third**, Amdocs continues to evolve our **data, AI and generative AI platform** with new capabilities designed to meet the needs of the market and to simplify and enable Gen AI adoption.
    - The platform is now equipped with customer experience insights **(CXI), embedded analytics** and a unified generative AI foundation, allowing service providers access to actionable customer experience insights based on real-time data harnessed from any source.
    - Our data, AI and generative AI platform is already relied on by several service providers around the world, including **Globe Telecom** in the Philippines which recently selected Amdocs' data intelligence services.

- Similarly, we recently signed an expanded agreement to support our DataONE Intelligence platform at **T-Mobile,** which is collaborating with **Open AI** to revolutionize customer experience and deliver personalized services with the first-ever AI enabled, intent-driven decisioning platform.

Slide 15: Sharpening Focus on Strategic Priorities

Before addressing our outlook, last quarter we mentioned that we have been proactively evaluating Amdocs' portfolio of products, services and business lines in relation to our strategic investment priorities for fiscal 2025.

- As a result of this review process, in fiscal year 2025 we have already begun to **phase out** several **low-margin**, **non-core** business activities that are becoming **commoditized** and hold **little potential** for long-term value addition or profitability enhancement.
- While Tamar will provide further comment in her remarks, we believe these actions will reinforce our level of business visibility, including a higher share of revenue from long-term managed services engagements.
- This move is also expected to **sharpen our focus** on **higher-margi**n strategic priorities like cloud, next-gen monetization platforms and Gen AI where we are well placed to further extend our communications industry leadership with our commitment to innovation.

Slide 16: Targeting Expected Double-Digital Total Shareholder Returns for the 5th Year Running in FY 2025

Wrapping everything together on slide 16, let me comment on our outlook for the coming year.

- We enter fiscal 2025 as the industry leader with a unique competitive position, strong 12-month backlog visibility, and a high win rate. Moreover, we believe Amdocs is well-positioned to monetize a healthy pipeline of market opportunities while navigating a continuously challenging demand environment.
- Adjusting for the phase out of the low-margin, non-core business activities I just discussed, we expect pro forma revenue growth of between 1% to 4.5% in constant currency in fiscal 2025, including another year of **double-digit** growth in cloud.
- As to our profitability, we expect our non-GAAP operating margin to surpass 21% for the first time in fiscal 2025 – a **significant milestone** and a better reflection of the platforms, technology and IP-based innovation we are delivering across our strategic areas of focus.

- Combined with robust earnings to cash conversion, we expect to deliver double-digit expected total shareholder returns for the **5th** year running in fiscal 2025, assuming the midpoint of our non-GAAP diluted earnings per share outlook of between 6.5% to 10.5%, plus our dividend yield.

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

Slide 17: Tamar Rapaport-Dagim, CFO & COO

Thank you, Shuky, and hello everyone. Thank you for joining us.

Slide 18: Q4 FY2024 Financial Highlights

I'm pleased with our **solid** financial results for the fourth fiscal quarter, as detailed on slide 18.

- Record Q4 revenue of approximately $1.26 billion was up 2.1% year-over-year in constant currency.
- On a reported basis, revenue increased 1.7% from a year ago and was **slightly above** the midpoint of guidance adjusting for a positive impact from foreign currency movements of approximately $3 million compared to our guidance assumptions.
- From a geographic perspective, we delivered year-over-year growth in North America, Europe and Rest of World this quarter. Europe and Rest of World grew 5% year-over-year while North America grew modestly by 0.2%.
- Shifting down the income statement, non-GAAP operating margin improved to 18.7% in the fourth quarter, up 90 basis points year-over-year and 10 basis points sequentially. Profitability in Q4 was consistent with the high-end of our target range for the year, reflecting the cumulative benefits of disciplined resources management, automation, and tools leveraging AI as well as Gen AI, to drive cost savings and efficiency gains across the board.
- Interest and other expenses amounted to roughly $7 million in the fourth quarter, including adverse foreign currency movements.
- On the bottom-line, non-GAAP diluted EPS of $1.70 was in line with the midpoint of guidance and included a non-GAAP effective tax rate of 14.8% which was consistent with our annual target range of 13% to 17%.
- Diluted GAAP EPS was $0.76 for the fourth fiscal quarter. This included a charge relating to our current restructuring program of approximately $83 million, or 64 cents per share, without which diluted GAAP EPS would have been at the higher end of the guidance range of $1.34 to $1.42.

Slide 19: Full Year Fiscal 2024 Highlights

Summarizing our full year fiscal 2024 performance on slide 19, revenue was up 2.7% in constant currency, consistent with the midpoint of guidance.

- As Shuky referenced, we achieved strong **double-digit** growth in cloud, which accounted for roughly 25% of total revenue.

- On a geographic basis, we delivered record revenue across all three operating regions, with North America up slightly and Europe and Rest of World growing by 3.3% and 8.6% respectively on a reported basis.

- Highlighting the ongoing diversification of our business and growing traction in international markets, **2** of our top 10 customers were new logos added in the last ten years.

- Additionally, the number of countries in which we generate annual revenue of more than $40 million has almost doubled over the ten years, some of those added to the list include Philippines, Italy, and India.

- Overall, we delivered non-GAAP diluted earnings per share growth of 9.0% in fiscal year 2024, consistent with the midpoint of guidance and driven by sustained revenue growth, improved operating profitability and the benefits of our share repurchase activity.

Slide 20: Leading Indicators and Business Resiliency: Managed Services

Turning to slide 20, managed services revenue was a **record** $2.9 billion in fiscal 2024, up 1.7% from the prior year and equivalent to approximately 58% of total revenue.

During Q4, we signed important cloud migration deals with **Vodafone Italy** and **NTT Infranet**, both of which were structured under expanded multi-year managed services engagements.

Additionally, we are extending our collaboration with **Telia Denmark** under a long-term agreement to provide managed services for their billing platform through 2032. This renewal will enhance Telia Denmark's operational efficiency, empowering them to deliver more streamlined services to their customers.

Slide 21: Balance Sheet & Cash Flow

Now, turning to the balance sheet and cash flow highlights on slide 21.

DSOs of 74 days increased by 5 days year-over-year and were unchanged sequentially.

The sequential increase in unbilled receivables net of deferred revenue was $49 million in Q4, aggregating the short-term and long-term balances. 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 **significant**, **multi-year transformation** programs we are currently running in North America.

Reflecting strong execution, free cash flow before restructuring payments was $694 million for the full year fiscal 2024, roughly in line with our annual guidance of $700 million. Including restructuring payments of $75 million, reported free cash flow was $619 million.

Overall, we ended the fiscal year with a strong balance sheet, including a healthy cash balance of approximately $500 million, and aggregate borrowings of roughly $650 million.

We have ample liquidity to support our ongoing business needs while retaining the capacity to fund our future strategic growth.

Slide 22: Disciplined Capital Allocation

Turning to capital allocation on slide 22, we repurchased $120 million of our shares in the fourth quarter and paid cash dividends of $55 million.

Overall, we returned a total of $775 million to shareholders through share repurchases and dividends in fiscal 2024, significantly exceeding free cash flow.

Looking ahead, we expect free cash flow of between $710 million to $730 million in fiscal 2025, which does not include additional payments we expect to make under our current restructuring program. Our 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 roughly 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. This includes dividends, for which we are pleased to announce a proposed increase of 10% in our quarterly cash payment to a new rate of 52.7 cents per share, subject to shareholder approval at the annual meeting in January.

Slide 23: Sharpening Focus on Strategic Priorities in FY25

Turning now to slide 23, as mentioned last quarter, we have continued to invest in our strategic priorities while also evaluating ways to optimize our existing portfolio of products, services, and business activities.

Following a comprehensive review, we have already started to **phase out several low-margin, non-core** business activities that are becoming **commoditized** and hold **little potential for long-term value** addition or profitability enhancement in the future. These activities were barely accretive to net income.

The activities being phased out include, among others:

- ✓ Certain low-margin software and hardware partner activities, including phase out of some on-premises software and hardware infrastructure, and other legacy-type activities, as we focus more on cloud-related infrastructure, and Gen AI partner infrastructure.
- ✓ Vubiquity's transactional video on demand business, where we see a decreasing demand, and
- ✓ Non-core subscription services.

To provide some added context for our decision, Amdocs has historically demonstrated the discipline to optimize our business activities in response to market conditions and the ever-changing telecommunications landscape.

- During the 2010-2015 timeframe, for instance, we managed the gradual decline of our historical Yellow-Pages directory business which we chose to hold on to while optimizing for positive free cash flow despite a persistent topline headwind.
- As another more recent example, in fiscal 2021 we announced the divestiture and sale of OpenMarket, a rapidly commoditizing mobile messaging business that we elected to monetize while market conditions permitted.

Back to our current decision, we believe phasing out certain activities will **reinforce** our level of business **visibility**, including a **higher share** of revenue from long-term managed services engagements. It will also sharpen our focus on higher-margin strategic priorities like cloud, monetization platforms and Gen AI where we are well placed to lead the communications industry through our commitment to innovation.

Most of all, we believe this move will substantially improve our profitability, a point I will come back to in a few minutes.

Slide 24: Leading Indicators and Business Resiliency: 12-Month Backlog

Moving to slide 24, 12-month backlog was $4.06 billion at the end of Q4. Adjusting comparable periods for the phase out of the previously discussed business activities, 12-month backlog was up 2.5% from a year ago, and up $30 million sequentially on a **pro forma** basis.

The sequential increase reflects a combination of strong sales momentum in the quarter and ramp-up of recently won deals within the next 12 months.

As I just mentioned, phasing out certain business activities will also improve our overall level of visibility in the year ahead, with 12-month backlog now equating to roughly 90% of forward-looking revenue as compared with the historical average of roughly 80%.

Slide 25: FY2025 Revenue Growth Outlook

Now, turning to our revenue outlook on slide 25, we are continuing to closely monitor the prevailing level of macro-economic, geopolitical, business, and operational uncertainty, which remains elevated in the current business environment. Thus, the first quarter and full year fiscal 2025 financial guidance reflects what we consider to be the most likely outcomes based on the information we have today, but we cannot predict all possible scenarios.

The activities we are phasing out were **substantially already ceased** in the first quarter, and thus will naturally impact reported revenue for the full year fiscal 2025. To therefore calculate our fiscal 2025 revenue growth versus fiscal 2024 in a comparable manner, we are providing an adjusted pro forma number based on our assessment that revenue from phased out activities was roughly $600 million in fiscal 2024. To assist your modelling, the regional mix of this revenue was similar to the overall company and contributed roughly $150 million per quarter.

Overall, we expect revenue growth of between 1% and 4.5% on a pro forma, constant currency basis in fiscal 2025, **which does not include the activities we are phasing out.** The forecast growth rate midpoint is similar to the prior fiscal year, includes some inorganic contribution, and incorporates another year of **double-digit** growth in cloud.

- As to the first fiscal quarter, we expect revenue within a range of $1.095 billion to $1.135 billion, which assumes a favorable sequential impact of $2 million from foreign currency fluctuations as compared to Q4.

Slide 26: Accelerated Profitability Improvement

Moving down the income statement, I am **excited** to share that we expect non-GAAP operating margins within a new and improved range of 21.1% to 21.7% in fiscal 2025, the **midpoint** of which equates to a substantial increase of roughly 300 basis points as compared with our full year non-GAAP operating margin of 18.4% in fiscal 2024.

- Assuming the midpoint of our new fiscal 2025 guidance, we believe our focus on operational excellence, automation and the gradual implementation of Gen AI, will support ongoing margin expansion of about 60 to **70 basis points**, similar to the size of margin improvement we generated in fiscal 2024. The rest of the margin expansion in fiscal 2025 will result from phasing out of non-core, low-margin business activities.
- Our margin outlook excludes additional restructuring charges we may take.
- Below the operating line, we anticipate that foreign currency fluctuations and hedging costs will impact our non-GAAP net interest and other expense line in the range of 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, and for Q1 specifically, above the high end of our annual range.

<u>Slide 27: FY2025 Non-GAAP EPS Growth Outlook</u>

Bringing everything together on slide 27, we expect to deliver non-GAAP diluted earnings per share growth of 6.5% to 10.5% in fiscal 2025, the midpoint of which positions us to achieve double-digit expected total shareholder returns for the fifth year running when including our dividend yield of roughly 2.3% based on the proposed 10% payment increase announced today.

With that, back to you, Shuky.

<u>Slide 28: Q&A</u>

Shuky Sheffer, Chief Executive Officer

Thank you, Tamar.

We enter fiscal 2025 with **strong** 12-month backlog **visibility, supported by our unique business model**.

Across our large serviceable addressable market, and within a challenging demand environment, we continue to see a healthy pipeline of opportunity. And, with our ongoing commitment to innovation and best-in-class execution, we are positioned to maintain a high win rate across strategic domains such as:

- **Cloud,** which continues to grow at **double-digit** rates,

- **Next-generation monetization platforms,** and
- **Gen AI,** where we are starting to shift from production pilots to our first commercial awards

We are also confident in our ability to drive ongoing margin improvement and robust earnings to cash conversion, further supporting our commitment to deliver double-digit expected total shareholder returns in fiscal 2025.

With that, we are happy to take your questions.

Operator?