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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the Amdocs third quarter 2024 earnings call. (Operator Instructions). Please be advised today's call is being recorded.

I would now like to hand the conference over to your speaker today, Matthew Smith. Please go ahead.

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

Thank you, Kevin. And 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 those described in Amdocs's 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 Sheffer, President and Chief Executive Officer of Amdocs Management Limited; and Tamar Rapaport-Dagim, Chief Financial and Chief 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 this call.

On today's agenda, Shuky will recap our business and financial achievements for the third quarter fiscal 2024, and we'll update you on the continued progress we've 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 year fiscal 2024, after which Tamar will provide additional details on our third quarter financial performance, our forward guidance and our continued commitment to ESG.

With that, I'll turn it over to Shuky.

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

Thanks, Matt, and good afternoon to everyone joining us on the call today. I'm pleased to report solid results for our third fiscal quarter, and would like to thank our employees globally for their commitment to helping our customers provide seamless connectivity and amazing user experience to billions of end users each day.

The key financial highlights of the quarter can be found on slide 7. Q2 revenue was a record $1.25 billion up nearly 2% from a year ago in constant currency, in line with the midpoint of our guidance after adjusting for unfavorable foreign currency movements.

Notably, non-GAAP operating margin was 18.6% was the highest in many years, rising by 80 basis points year-over-year and 20 basis points sequentially as we continue to benefit from our ongoing margin expansion initiatives. Non-GAAP earnings per share was $1.62, consistent with the higher end of our expectation. And we ended Q3 with a record-setting 12-month backlog of $4.25 billion, up approximately 3% from a year ago.

Demonstrating our confidence in Amdocs unique business model and the future success of the company. We also increased our pace of buyback activity in Q3, repurchasing approximately $169 million of Amdocs shares -- dollars of Amdocs shares.

Turning to Q3 operational highlights on slide 8. The mental Amdocs cloud solution remained especially strong, highlighted by the significant five year cloud deal we recently announced with AT&T. In newly signed partnership agreements to support the long-term cloud migration journeys at TELUS in Canada, and in VodafoneZiggo in the Netherlands.

Customer demand was also healthy across our broader strategic domain of digital modernization, 5G and fiber monetization and network automation as reflected by significant new deal awards at AT&T and Charter in the US. A1 Telekom Austria in PLDT and Globe in the Philippines.

As to generative AI, I am happy to announce an important awards with leading global operator, which has chosen to integrate Amdocs Gen AI telco-specific amAIz platform in its business operations. From an operational perspective, we delivered consistent execution and a substantial number of deployments, including major project milestone achievement with customers such as, AT&T and US cellular, Vodafone Italy, Vodafone Germany, and SES, in your opinion, satellite communication provider, PLDT in the Philippines and Optus in Australia.

Among the highlights, we successfully transitioned CLARO, Brazil's on-premise infrastructure to Oracle Cloud Infrastructure, OCI for about 48 million subscribers, demonstrating Amdocs' capability to efficiently manage the type of large-scale customer projects that underpins our high market win rate and the reputation as a dependable partner.

Q3 was also a record quarter in managed services, reflecting the ongoing ramp-up mission, critical support activities and new logos and long-standing customer. Such as Rogers, where we newly expanded and multi-year engagements is creating a pull-through of our latest cloud-native offerings like enterprise catalog and charging

Now moving to slide 9, let me add some color around the growth strategy, which to remind you is designed to provide the market-leading innovation and technology our customer need to, accelerate the journey to the cloud, digitally transform the customer experience and consumer and B2B, monetize the future market potential 5G stand-alone networks, fixed wireless access and fiber. Deliver dynamic connectivity experience by streaming and automation complex network ecosystems, and simplify and accelerate the adoption of generative AI.

Starting with cloud on slide 10. Market interest and sales momentum for Amdocs cloud solution remains strong, with a growing list of service providers choosing us as a primary technology partner to support the cloud migration in core and surround systems alike. For many service provider, cloud migration is a complex multi-year journey that is still in the early phases.

Amdocs cloud strategies thereof designed to help service providers simplify and accelerate their journey to the cloud by offering an end-to-end suite of unique products and services delivered under a fully accountable cloud operational model.

This journey typically begins with Amdocs cloud consulting and planning expertise, in addition to which we also support for the deployment, including Amdocs, latest CSE suite or cloud-enabled classic version, the migration of Amdocs and non-Amdocs applications, including mainframe, could managed services or CloudOps, and the benefits of an intimate partnership with Azure, AWS and Google Cloud.

Furthermore, we continue to enhance our cloud services portfolio with a combination of organic investment and strategic M&A to provide additional beachheads from which to accelerate the industry journey to the cloud. A prime example is the last November acquisition of Astadia, which contributing high sophisticated mention to cloud migration capabilities that are now supporting the previously announced expansion of our cloud activities, new domain -- is this new domain at AT&T.

Among other recently signed deals. TELUS in Canada signed a multi-year managed services agreement with Amdocs to migrate its monetization operation to the cloud. And VodafoneZiggo in Netherlands choose Amdocs to modernize and migrate its monetization engines to the public cloud, including both Amdocs and non-Amdocs applications.

Moving to digital modernization on slide 11. AT&T has chosen ConnectX cloud-native SaaS platform, powered by AWS, enabling it to quickly launch new digital brands and services for different customer segments. Reflecting healthy market demand, this win adds to a growing list of ConnectX customers, which include Winity in Brazil and Melon in South Africa.

Globe in the Philippines has chosen Amdocs to deploy its AI and data platform for the information data hub. The platform hosted on Google Cloud will enable Globe to access real-time business data from various sources and system and use it to enhance customer experience, optimize operation and launch personalized services.

In Australia, our B2B Amdocs Configure Price Quote, CPQ platform deployed together with Amdocs Catalog to support its enterprise business while simplify and accelerate the sales journey for Optus agents, in Australia, empowering them to offer innovative business solutions to enterprise, SMB and wholesale customer faster than ever.

Turning to 5G and fiber monetization on slide 12. A1 Telekom Austria recently selected Amdocs for a multi-year project to consolidate, upgrade and modernize its billing, charging and catalog solution, enabling faster time to market, new revenue growth, operational efficiencies, and improved customer experience. This key project will also support the launch of new services and products across all customer segments, including 5G, IoT, and other advanced services.

Amdocs of next-generation modernization offerings are also providing relevant also proving relevant to telcos and newly emerging fiber operators that are investing to accelerate the rollout of fiber networks in the US and internationally. Our capabilities include a full range of BSS and OSS offering to support all aspects of the fiber customer journey, including fiber service creation, ordering and activation, billing and customer support, as well as the planning automation of the fiber network rollout itself.

Moving to slide 13. I am delighted to name PLDT in the Philippines as the southeast Asian service provider that recently selected Amdocs end-to-end service orchestration solution, our key offering that was strengthened by our acquisition of TEOCO’s service assurance business last year.

It's an important component of PLDT’s OSS in cloud modernization program, Amdocs will deliver unified network inventory service and network orchestration and business process automation capabilities operating on the public cloud. Notably, the agreement also includes the customer service solution for case management, which is a component of the Amdocs customer engagement platform, we build in partnership with Microsoft.

Rounding out my strategic review, I would like to brief you on some exciting advancement in generative AI, as illustrated on slide 14. As you're aware, generative AI has been a top priority for Amdocs. We've progressed our Gen AI strategy by leveraging our amAIz platform to deliver generative AI super agents that directly address our customers' most pressing business imperatives in forging strong collaboration with industry leaders such as NVIDIA, Microsoft and AWS.

I am therefore happy to share today's news that a leading global operator has joined our amAIz platform to create new revenue opportunities, drive efficiencies, and reshape customer experience. This important award, in partnership with NVIDIA. Demonstrates our commitment to innovation and highlights Amdocs' unique role as one of the leading technology enablers in the telecommunications industry with the power to help service providers fully harness the potential of data and Gen AI to deliver real-world value and savings.

For instance, Amdocs is in the heart of helping our customers to accelerate Gen AI-driven technology disruption in their call center operations. And to re-imagine the care experience, as we showed in a recent production trial with a North American service provider that resulted in a remarkable 60%-plus decrease in average call handling times for billing inquiry, achieving 90% successful case resolution and almost 100% accuracy.

We continue to progress our active engagement, running many pilots globally, including with our large flagship customers, to enable important Gen AI use cases and smart agent capabilities of the future. Now, moving to slide 15. I would like to comment on our current market and operating position before discussing our fourth quarter outlook.

First, we continue to operate in a challenging industry demand environment, the condition of which are yet to improve. Nonetheless, we continue to see healthy pipeline of opportunities across our strategic areas of focus, and we are positioned to maintain a high market win rate by leveraging our pedigree for innovation and technology, market leading portfolio, best-in-class execution, and highly talented people.

I'm especially pleased with our cloud-related activities, which last year exceeded 20% of total revenue and which is on track for a double-digit growth in fiscal 2024. Our Gen AI strategy is gaining momentum as we begin to make the shift from production pilots to commercial customer rewards, and our commitment to operational excellence and ongoing efficiency initiative is also bearing fruit. Position us to achieve our targets for accelerated profitability gains in fiscal 2024.

Wrapping everything together on slide 16. We are on track to achieve the midpoint of our guidance for constant currency revenue growth in fiscal 2024. Additionally, we are reiterating the midpoint of our guidance for non-GAAP diluted earnings per share growth of roughly 9% in fiscal 2024, which is within the tightened range of 8.5% to 9.5%. Coupled with our dividend yield of more than 2%, we are positioned to deliver double-digit expected total shareholder return for the fourth year in a row.

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

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

Thank you, Shuky, and hello, everyone. Thank you for joining us. I'm pleased with our solid financial results for the third fiscal quarter as detailed on slide 18.

With record Q3 revenue of approximately $1.25 billion, up 1.8% year-over-year in constant currency. On a reported basis, revenue increased 1.1% from a year ago and was consistent with the midpoint of guidance. Adjusting for a negative impact from foreign currency movements of approximately $5 million compared to our guidance assumptions.

From a geographical perspective, North America declined slightly as compared with a year ago, but grew on a sequential basis. Europe was weaker, mainly reflecting timing differences between a natural roll-off of completed projects and a gradual ramp-up of new deal awards.

Rest of the world delivered another record quarter with revenue growth of nearly 13% from a year ago. Shifting down the income statement, our non-GAAP operating margins were 18.6% for the third quarter, the highest in many years.

Non-GAAP operating margin improved by 80 basis points from a year ago and 20 basis points sequentially. Reflecting our continuous drive to improve operational excellence through disciplined resource management, automation, sophisticated tools, and leveraging AI, including generative AI, to push for more cost savings and higher efficiencies across the board. Interest and other expenses amounted to roughly $7 million in the third quarter and reflected adverse foreign currency movements in the quarter.

On the bottom line, non-GAAP diluted EPS of $1.62 was the higher end of guidance and included a non-GAAP effective tax rate of 16.7%, which was consistent with the higher end of our annual target range of 13% to 17%.

Diluted GAAP EPS was $1.21 for the third fiscal quarter. This includes a restructuring charge of approximately $15 million, or $0.11 per share, without which diluted GAAP EPS would have been at the high end of the guidance range of $1.24 to $1.32. We'll provide more context around the restructuring charge when I discuss our financial outlook later.

Moving to slide 19, 12-months' backlog was a record $4.25 billion, up approximately $2.7 billion from a year ago, and $20 million sequentially. Our 12-months' backlog reflects a positive mix of projects, awards, managed services, renewals, and expansions with existing customers and new logos and has traditionally served as a new leading indicator of our business.

As an additional point, note that 12-months' backlog includes less than a full year impact from the significant new deal we recently signed with AT&T, reflecting the phased ramp-up of activities expected under the current plan of execution.

Turning to slide 20, managed services revenue was a record $741 million in Q3, up nearly 3% from a year ago, and equivalent to roughly 59% of total revenue. Managed services revenue was mainly driven by ongoing ramp of mission-critical support activities with new logos and long-standing customers. Such as the extended multi-year engagement we announced with Rogers last quarter that included an expansion into new domains like data and testing services and more.

Managed services growth is also supported by our customers' migration to the cloud, as proven by our recently signed agreements with TELUS in Canada and VodafoneZiggo in Netherlands and our previously announced five-year cloud deal with AT&T, which expanded our activities in a new domain while extending our existing consumer domain engagements through 2029.

As a further highlight, I am pleased to announce a multi-year extension and expansion of our hosting and managed services agreement with Charter, under which Amdocs will continue to provide spectrum mobile with hosting and operational support for its mobile billing systems. Along with its enhanced services to support the rapid growth of spectrum's mobile and cable business, enabling innovative offerings for their customers.

Now, turning to the balance sheet and cash flow highlights on slide 21. DSO of 74 days decreased by five days year-over-year and by two days sequentially in Q3. The sequential change in unbilled receivables' net of deferred revenue was $40 million in Q3. 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.

We generated free cash flow of $175 million in Q3, comprised of cash flow from operations of approximately $191 million, less $16 million in net capital expenditures. Adjusting for restructuring payments of approximately $18 million reported free cash that would have been $193 million in the third quarter.

Overall, we ended Q3 with a strong balance sheet including a healthy cash balance of approximately $502 million and aggregate borrowing of roughly $650 million. We have ample liquidity to support our ongoing business needs while returning the capacity to fund our future strategic growth.

Turning to capital allocation, on slide 22. We increased the pace of buyback activity to roughly $169 million in Q3, reflecting our confidence in Amdocs' unique business model and the future success of the company. Additionally, we paid cash dividends of $56 million in the quarter.

Overall, for the year to date, we have already returned a total of $601 million to shareholders through share repurchases and dividends, putting us on track to return more than 100% of free cash flow before restructuring payments to shareholders in fiscal 2024.

For the full year of fiscal 2024, we are reiterating our free cash flow target of approximately $700 million before restructuring payments, equating to more than 90% of expected non-GAAP net income this year, and a healthy free cash flow yield of roughly 7% relative to Amdocs' current market capitalization.

Now, turning to our revenue outlook on slide 23, we are continuing to closely monitor the prevailing level of macroeconomic, geopolitical, business, and operational uncertainty, which remains elevated in the current business environment. Thus, the fourth quarter and full year fiscal 2024 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.

On a constant currency basis, we are reiterating the 2.7% midpoint of our fiscal 2024 revenue growth outlook, which we have tightened to a range of 2.3% to 3.1% year-over-year as compared to 1.7% to 3.7% previously. Our annual outlook includes fourth fiscal quarter revenue within a range of $1.24 billion to $1.28 billion, which assumes an immaterial sequential impact on foreign currency fluctuations as compared to Q3.

On a reported basis, we now expect full year revenue growth in the range of 1.9% to 2.7% year-over-year as compared with 1.6% to 3.6% previously. This outlook assumes an unfavorable impact from foreign currency fluctuations of approximately 40 basis points year-over-year as compared to 10 basis points previously.

Moving down the income statement on slide 24. The gradual sequential improvement in our profitability over the last three quarters puts us on track to deliver non-GAAP operating margins around the midpoint of our annual target range of 18.1% to 18.7% in fiscal 2024.

As I discussed last quarter, we remain committed to improving the company's long-term cost structure and productivity, by leveraging our unique business model focused on operational excellence and implementing technology to achieve our goal of sustained profitable growth.

With Gen AI presenting a new wave of innovation and technology capabilities, we are proactively evaluating the portfolio of products, services, and business lines in relation to our strategic investment priorities for fiscal 2025. Rebalancing our workforce and site strategy to meet our future needs, and optimizing resources such as technology, infrastructure, and workspace.

Along these lines, we look -- we took additional actions under our latest restructuring plan during Q3, which resulted in the previously mentioned charge of $15 million that was mainly comprised of employee severance and benefits arrangements.

Looking out over the next several quarters, we expect to incur additional charges as we carry out our current restructuring plan in respect to which we will provide further updates as we move along. Bringing everything together on slide 25, we are reiterating the 9% midpoint of our fiscal 2024 non-GAAP diluted earnings per share growth outlook, which we have tightened to a range of 8.5% to 9.5% year-over-year, as compared with our previous outlook of 7% to 11%.

This full-year guidance assumes a non-GAAP effective tax rate within our unchanged annual target range of 13% to 17% for the full-year fiscal 2024. Although we note that the rate is expected to be towards the higher end of this range in Q4. Overall, we are on track to deliver expected double-digit total shareholders' return for the fourth year running in fiscal 2024, assuming the sum of our non-GAAP diluted earnings per share growth outlook plus our dividend yield of approximately 2%.

Before handing it back to Shuky, I'm pleased to highlight that today, we published Amdocs ESG and CSI report for '23-'24. Among the many achievements listed in this year's report, I'm especially proud of our significant environmental efforts, which have resulted in a 55% reduction in Amdocs Scope 1 and Scope 2 CO_2 emissions, since fiscal 2019, far exceeding our science-based target commitments.

Additionally, Amdocs global consumption of renewable energy approached 59% in 2023, way up from just over 19% in 2021. Our progress was recently recognized by Time Magazine, which named Amdocs as one of the world's most sustainable companies in 2024, ranking us as one of only 500 inclusions out of more than 5,000 large companies initially assessed.

For additional information regarding Amdocs recent ESG initiatives and achievements including our commitments to diversity, equity and digital inclusion, please refer to our report, which is now available for download on our website.

With that, back to you, Shuky.

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

As I said earlier, I'm pleased with our solid third quarter results. And while we continue to operate in a challenging demand environment, we remain well positioned to monetize a healthy pipeline of opportunities across cloud, generative AI in our other strategic domains by leveraging our market leading portfolio, best-in-class execution, and highly talented people.

With that, we are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

Timothy Horan, Oppenheimer

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

Thanks, guys. I wanted to focus on AI, the contract win. And I think that was separate from maybe the trial that you did with the a contact center. I guess on the contact center, can you just talk about how large the trial was, how expensive it was. And those sounded like some pretty amazing results. Have you been able to replicate them in other places? Or do you think you can roll it out relatively quickly? And any more color you can give around the AI contract one would be great.

Thanks.

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

So regarding this award, this is a very significant global operators that have many [opcos]. The initial deal actually consisted of us implement our infrastructure, it's called the Amdocs amAIz platform and then setting up the first to one of these. This is the initial deal with the prospect to continue to enhance it to more and more what we call super agents or use cases in this specific opco and then to other opcos.

As we mentioned, we are doing it with the partnership with NVIDIA. And regarding the operator in North America, this is a good example how we using our technology, actually, we are able to build what we call super agents, especially for the call center, that increases the productivity of the call center agent by [tens of percent], extremely accurate.

By the way, we are doing similar, I would say, proof-of-concept like this with other large operators in the world. The call center operation is highly mission critical, so our customers want to make sure that this is working consistently in this type of accurate and become like another mission critical system as part of a call center. We assume that they will start to implement these tools across the call centers.

This is going to completely disrupt the call center operation. Because it means that you can take a relatively young or -- a relatively new CSR that is working in a call center and immediately bring into capabilities and experience someone is working three, four years in the call center.

So, we believe our customers will use it not just obviously to take the cost saving, but it's also going to increase the quality of the call center, call any time, consumer satisfaction, and we believe that this technology is going to disrupt all the call centers of all our customers.

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

Are you doing that in partnership with Microsoft still or any other partners there?

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

We have many partners in this domain. I think this specific one we are doing with NVIDIA. But at the same time we are running several proof of concept with Microsoft and others, so we are very diverse from this perspective.

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

Congratulations. Thank you.

Operator

George Notter, Jeffries.

George Notter - *Jefferies LLC - Analyst*

Hi there. Thanks a lot, guys. I guess I wanted to ask about just the overall spending environment. If I go back the last few quarters, there's been a running narrative customers focusing on transformation projects versus traditional projects. I think you guys talked about different M&A deals kind of slowing decision-making down, slower to close type situations. Can you just talk about the bigger picture here, what you're seeing, and is there an opportunity to maybe see the business re-accelerate if those conditions get better?

Thanks.

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

What we're seeing is on the one hand, customers looking for ways to transform. Some of them, as we said in the past, decide to take kind of the bigger approach of taking out legacy and putting in new. Some of our large North American and European customers, for example, are going with this.

Many more customers are actually looking for the gradual modernization path, which is something we cater to very well given the fact our portfolio is modular, given the fact we are allowing them different ways to modernize and take the journey to the cloud, whether they want to put the new stack in place or whether they want to take the classic existing applications and make them cloud enabled. We can have them with the migration to the cloud and many other activities around that.

Having said that, we do see more scrutiny in decision making. We do see a tougher environment in terms of the pace in which those decisions are being taken. Our win rate continues to be very high. The relevancy of our offering remains very strong.

And in terms of the consolidations, overall, I would say consolidation in the industry is a good thing for us. We've been historically benefiting from these situations, as typically when carriers in the market consolidate, they're looking to provide a different value proposition to their customers. We are coming with a very strong experience in supporting them in doing that.

We provide the systems that they need, but in the short-term, sometimes when there is a situation, let's take the example if you sell a lot, which is a customer of ours in North America, as they are waiting for the regulator to approve the acquisition by T-Mobile, naturally they will not put a lot of money into a long-term investment.

So we do see this kind of phenomena from time-to-time. But I would say generally speaking, looking back on merger activities between T-Mobile and Sprint, merger activities that are happening. One of the big transformations we are running right now is Vodafone Germany, for example, that has been acquiring different assets along the years, and we're helping them to build one stack to support their line of business.

If I need to generalize, we are typically enjoying consolidation in the industry, even though sometimes in the short term it may create some delays in some investments.

George Notter - *Jefferies LLC - Analyst*

Got it. Any insights into maybe when some of these effects might come off? Is it just a question of the business environment? Is it a question of elections? The M&A part, I guess, certainly.

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

I think it's about the business environment as a whole. I'm not talking just about the US, I'm talking globally. We've been seeing this scrutiny that I've mentioned, this phenomenon. So I think it's about the business environment as a whole, in terms of the pace and the pickup of investments that we are looking for. Again, there could be some specifics of some examples of a carrier in a specific situation, but I think it's more about the business demand overall and how we should see that unfolding as we move along.

George Notter - *Jefferies LLC - Analyst*

Thank you.

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

Thanks George.

Operator

Tal Liani, Bank of America.

Tal Liani - *BofA Securities - Analyst*

Hi, guys. I'm in a public space. I'm whispering.

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

Hi, Tal. We can hear you well.

Tal Liani - *BofA Securities - Analyst*

I have two questions. Number one is the $20 million increase in backlog, is it related to the AT&T contract that you spoke about last quarter? The second question is much more philosophical. If I look at the last 40 quarters or 10 years or 8 years or 7 years, they were -- the needs of carriers never changed.

The story changes, but the need to do what you're providing never changes. It's always high in the priority. But when I look at the quarters, there were many more quarters where you grew 2% a year versus quarters that you grew 6% or 8% a year.

When I look at your growth rate over the last few quarters, four quarters ago you were at 6.5% growth year over year, and now you're guiding to 1.4% growth, which is more in line with the averages or more in line with what we've seen the last 10-years. The question I have is, and again it's philosophical, but I want to understand what drives it? Can the environment support growth of 6% to 10%, as you said three years ago? Can the project and what the carriers are doing, can it support growth that is higher than 2% to 3%? If that's the case, then what drives the growth to accelerate over the next few years? Thanks.

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

Considering the fact that you are in a public space, it's a relatively long question. Let me try with the second one. I think that the difference, if you compare us previously, and I think that at the time, I think we have maybe one or two growth engines, and today we have five. Not all of them are working at the same pace.

For example, we highlight again and again, the journey to the cloud engine that is more than 20% of our revenue and growing double-digits. Obviously, when we expand it to others, so the total addressable market that we're operating today is much higher comparing to what we had maybe 10-years ago. But I think that what we are saying is that in the normal demand environment, which is not the situation right now, we believe we can go back to single digit growth.

In the current demand environment, there is some industry pressure, macroeconomic pressure, interest rates, and other customers are cutting CapEx because of this and focusing on free cash flow and other things that the industry, by the way, maybe also some other things are going through given the current pressures, it will be difficult for us. It will be more in the range that you mentioned historically, but we believe with some support from the macro and some in the main condition, we can get back to -- what you call more close to middle single digit -- like 5% in this area.

Regarding the backlog part of it, maybe Tamar.

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

Naturally we always during the quarter, the backlog by recognizing revenue and sign many new deals. So it's definitely part of it. I think the interesting point to make here is that we are talking about a 12-month backlog. The reason I made the comment that the current 12-month backlog does not reflect the full year of this deal because, as planned and as expected, we do not take effective control of that operation of that IT environment immediately. It takes time, we need to learn the environment. We need to transition. We need to set up certain capacities.

So we do not have full 12-months yet of that deal reflected in the number we're reporting as of June 30. Everything, I can assure you, is going well according to plan. And we will definitely see the full run rate of that in the middle of probably calendar 2025.

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

Back to your first question, normal demand environment, I think we can get close back to the mid-single digit growth rate right now with the industry and everyone is under pressure. I think it will be tougher and you would expect more of the historical level of revenue growth.

Tal Liani - *BofA Securities - Analyst*

Great. Thank you.

Operator

William Power, Baird.

Yanni Samoilis - *Robert W. Baird & Co. Incorporated - Analyst*

Great. Thanks. It's Yanni Samoilis on for Will. Thanks for taking the question. Just to follow-up on some of the comments you were making a second ago about the spending environment in the market generally. When we're thinking about what growth might look like in fiscal '25, at this point it sounds like we should be expecting similar growth as fiscal '24 or are there any near-term drivers I guess other than an improved spending environment that would lead you to expect some re-acceleration? Any guide posts or directional color would be great.

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

Yeah. We're not guiding yet for 2025, but we were trying to give some more color how we see the environment. Typically, for example, our 12-month backlog is a good leading indicator. Don't take it literally as I'm telling you now.

Okay, if 12-month backlog grew 2.7%, that's the growth next year. But I think what you're seeing is hoovering around these levels right now and we need more change in the demand environment to see an acceleration. That's the message we're trying to get across.

Yanni Samoilis - *Robert W. Baird & Co. Incorporated - Analyst*

Thanks, that's helpful. Should we expect continued accelerated buybacks or do you expect M&A to become a more significant use of cash next year? Any outlook on that front?

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

First of all, I would say, generally speaking, I believe we have the capacity and we are always trying to do both. I don't think it's one versus the other. At the same time, M&A is something we're always looking at. There's always a pipeline that we're actively evaluating but it's harder to predict the pace and the specific deals that will mature to closing.

So, we've been very consistent with our buyback. You've seen us out there always and also believing in ourselves, of course, and in the story of Amdocs. We definitely think that the cash allocation back to shareholders through buyback is definitely an important vehicle. At the same time, we are going to look for M&A and we will probably do more M&A in our strategic domain. So I think the simple answer, both, and I don't think that one should be on account of the other necessarily.

Yanni Samoilis - *Robert W. Baird & Co. Incorporated - Analyst*

Makes sense. Thank you very much.

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

Thanks.

Operator

I'm not showing any further questions at this time. I'd like to turn the call back over to Matt for any closing remarks.

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

Thanks, Kevin, and thanks everyone for joining today. If you do have any additional questions, please reach out to us here in the IR group and we look forward to speaking with you soon. Have a great night.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect and have a wonderful day.