

**experience** success

simplify experience | harness data | stay ahead | be efficient

# Financial Outlook

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**Chief Financial Officer**

**December 5, 2012**

**Analyst and Investor Day**



**amdocs**

**embrace challenge e<sup>x</sup>perience success**

# Agenda

✓ Report card on fiscal 2011-2013 performance

Three-year outlook and drivers fiscal 2013-2015

Summary of the Amdocs investment opportunity



# Report card

## Three-year outlook fiscal 2011-2013

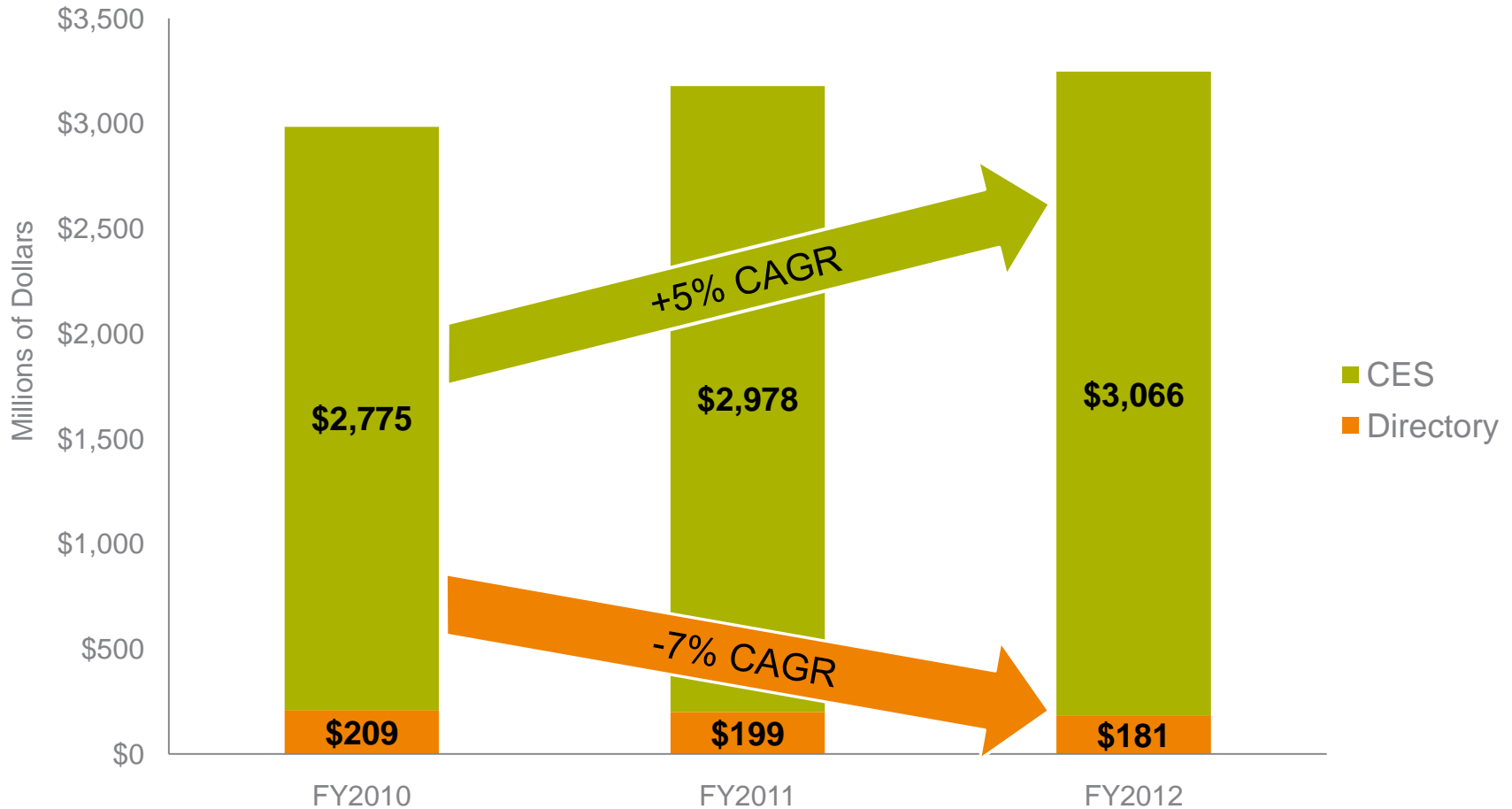
	Target	Progress*
Organic Revenue Growth	4-6%	~3-5%
Non-GAAP Operating Margin	16-18%	16-17%
Non-GAAP EPS Growth	Double Digit 3-Year EPS CAGR	7-8%**

**Significant capital allocation to shareholders:  
Consistently delivered on our repurchase plan and initiated our first cash dividend**

\* Assumes fiscal 2013 outlook range provided on November 6, 2012.

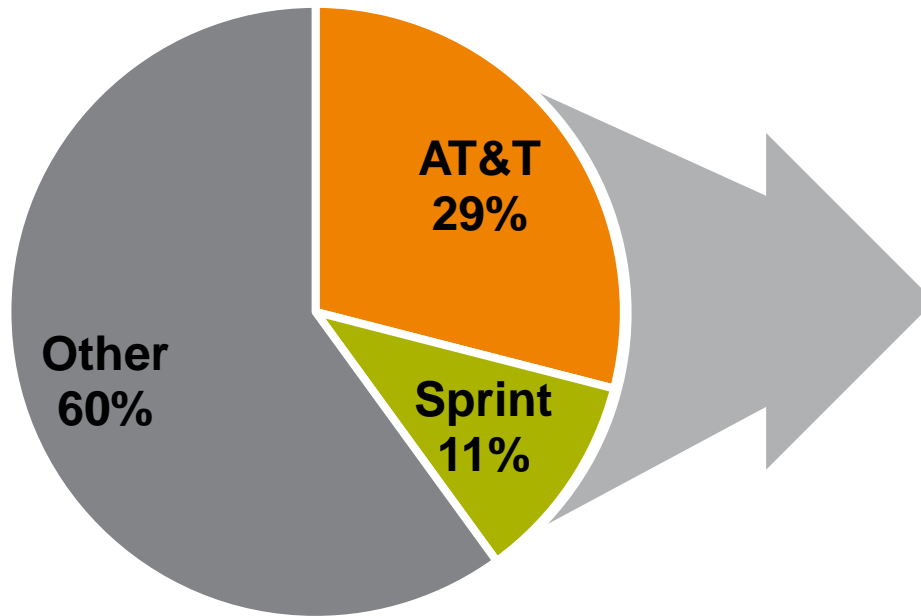
\*\* Does not include the benefit to total shareholder return of the dividend program initiated in fiscal 2013.

# CES performed well, Directory a drag

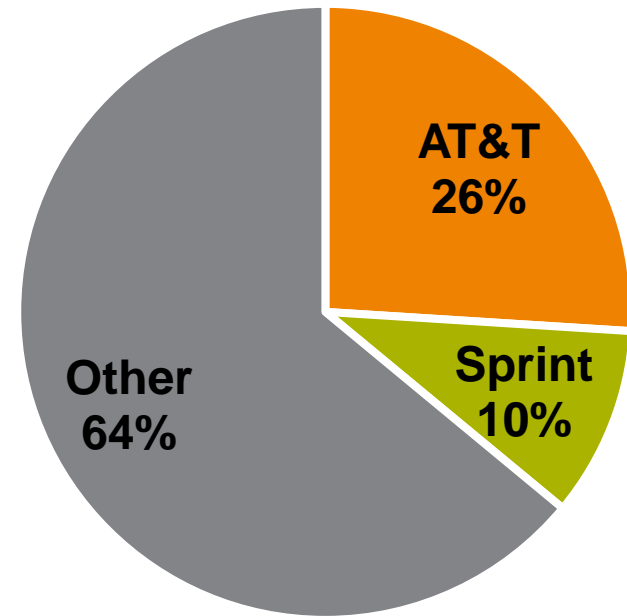


# Top customer performance fiscal 2011-2012

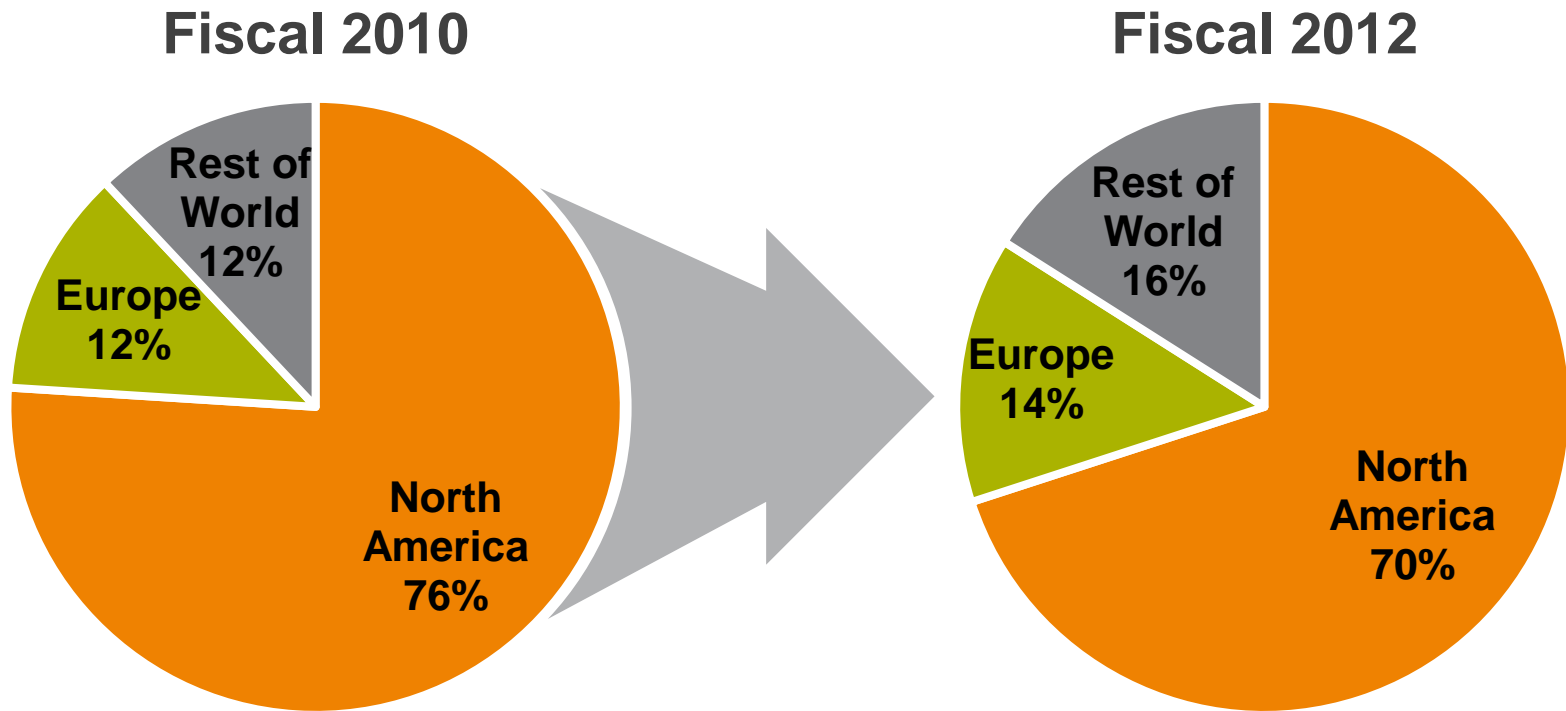
Fiscal 2011



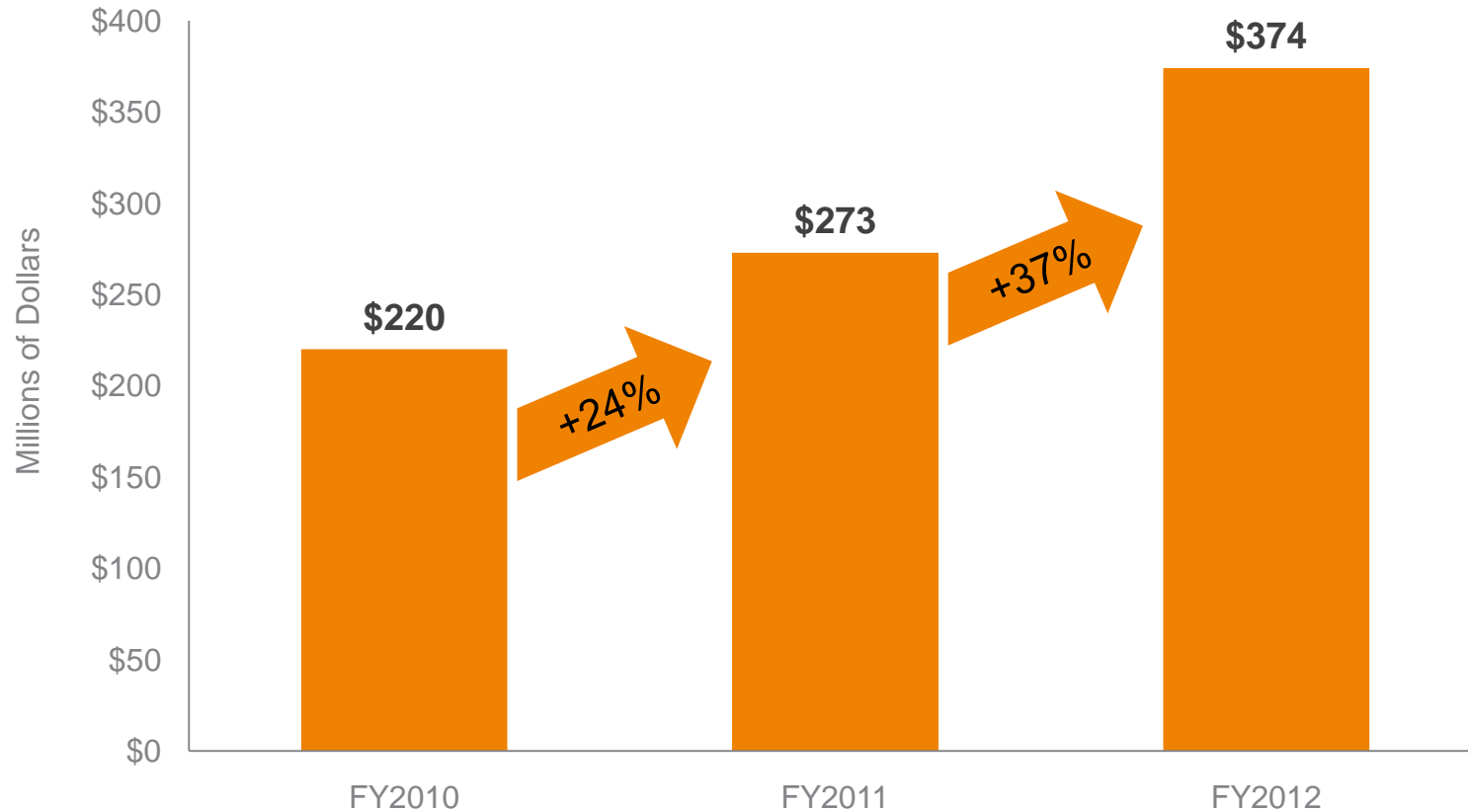
Fiscal 2012



# Significant geographic revenue mix shift

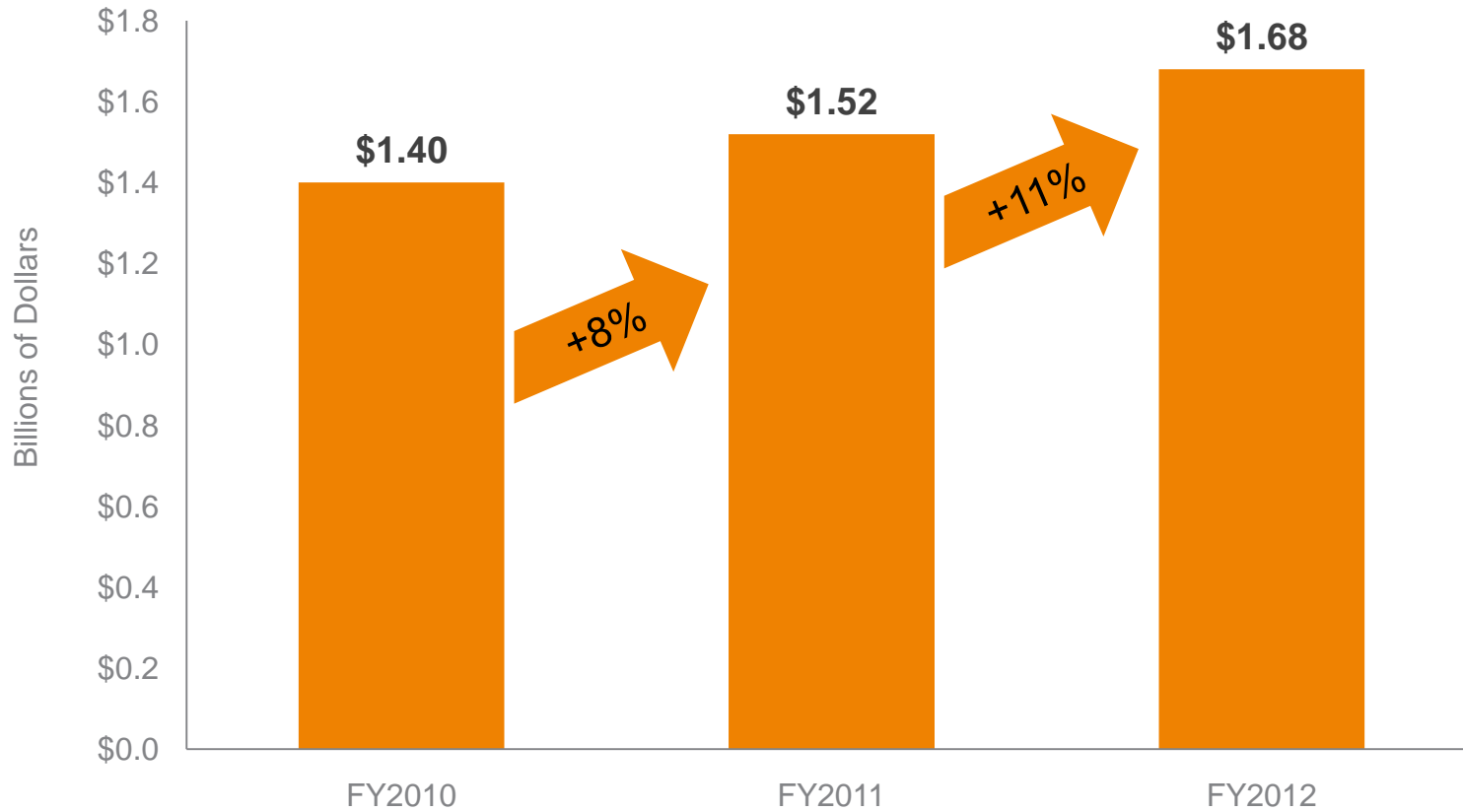


# Emerging markets continue to outperform



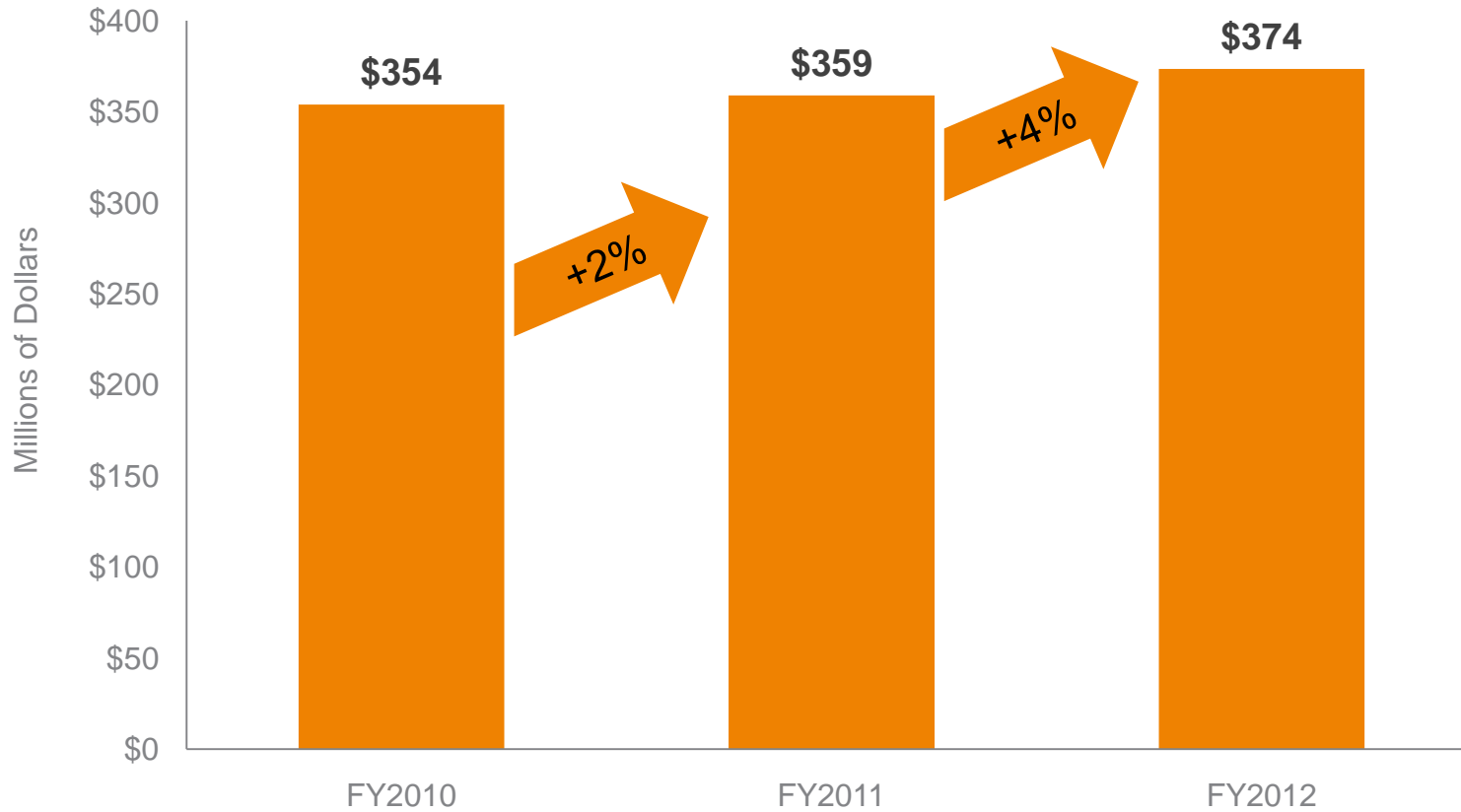
Note: Excludes revenues in fiscal 2010 from Longshine as the majority stake was divested in the second fiscal quarter of 2010

# Managed services growth engine remains solid





# Broadband, Cable and Satellite (BC&S) performance

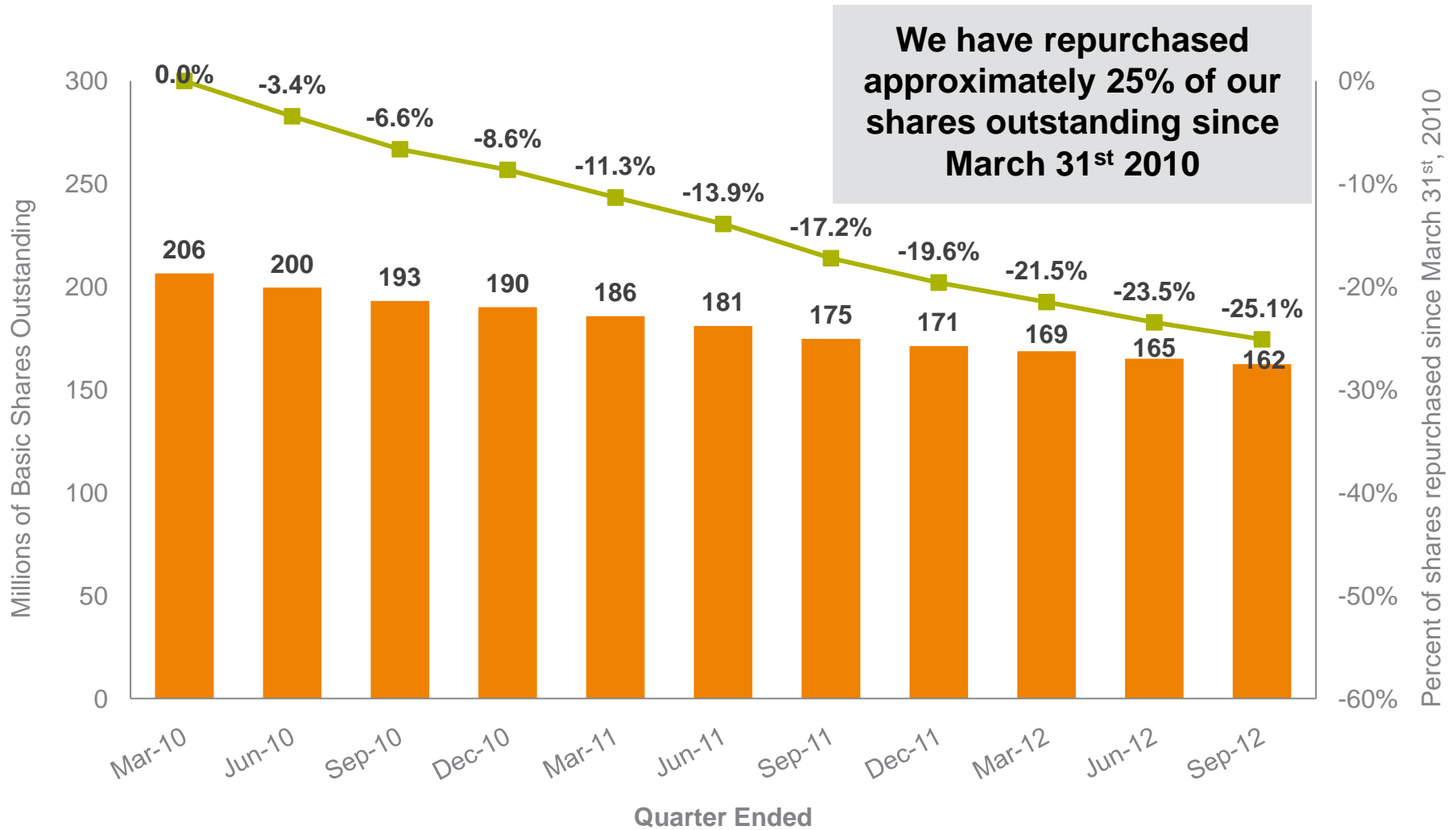


# Margin performance affected by revenue mix

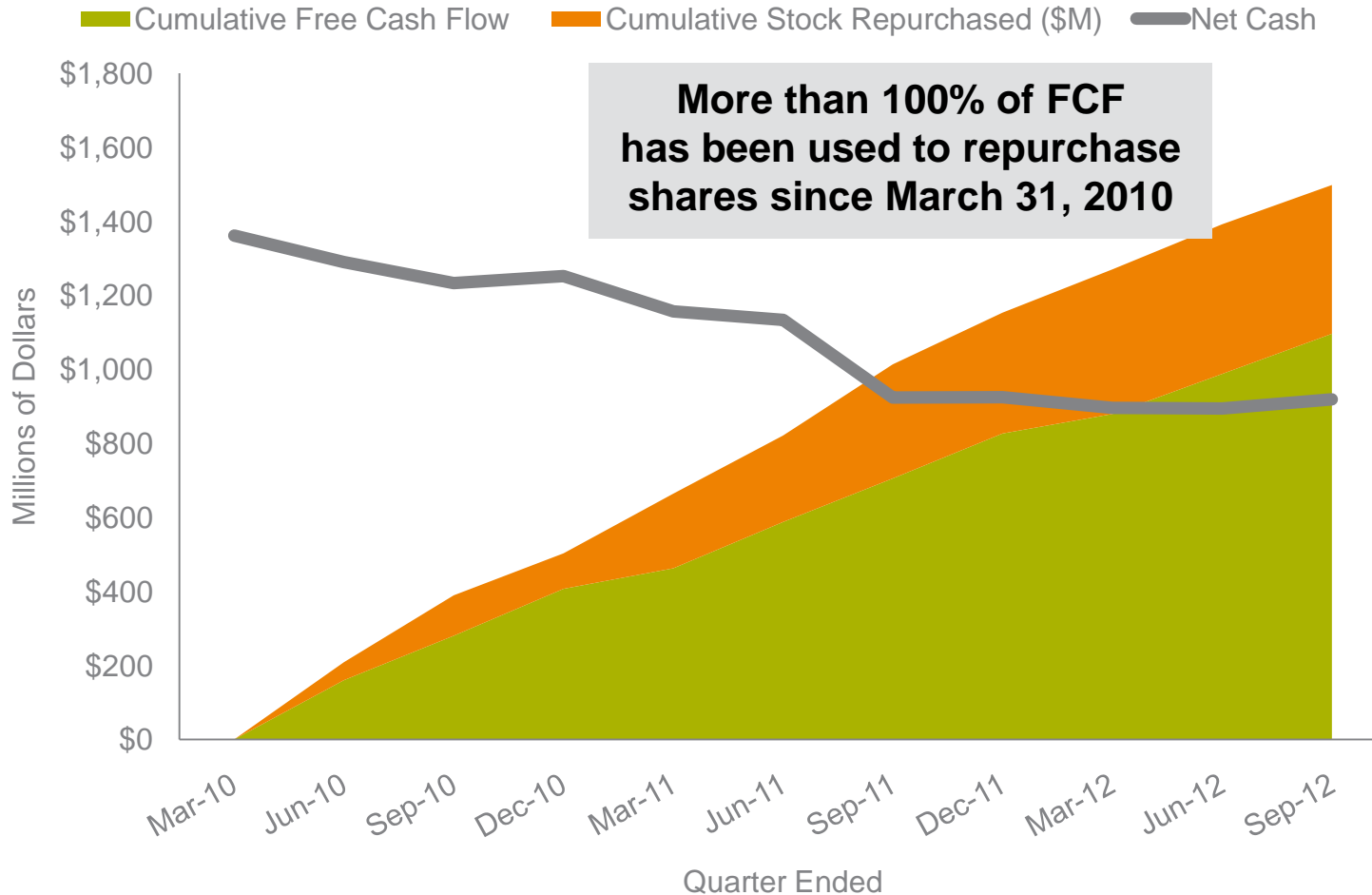
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- The shift in revenue mix was the largest component of change in outlook
  - Failure of service provider M&A consummation drove stagnation in North America
  - Emerging markets have been the largest driver of growth in the last two years and outperformed our expectations
  - Directory business underperformed expectations
- Focus on internal operational improvements has helped minimize the effects of mix shift
  - Significant improvements in internal knowledge and methodologies are primary sources of efficiency gains
  - Core product improvements

# Consistent execution of repurchase program



# Aggressive repurchase activity significantly reduced our net cash position



Note: Free Cash Flow (FCF) defined as Cash Flow from Operations less Capital Expenditures, Principal Payments on Capital Lease Obligations and the Excess Tax Benefit from Stock-Based Compensation

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# Three-year outlook fiscal 2013-2015

<b>Organic Revenue Growth CAGR</b>	<b>3-5%</b>
<b>Average Non-GAAP Operating Margin</b>	<b>16-17%</b>
<b>Non-GAAP EPS CAGR</b>	<b>5-8%</b>
<b>Average Total Return to Shareholders*</b>	<b>7-10%</b>

\* Defined as Non-GAAP EPS growth plus current dividend yield of ~1.5%.

# Three-year revenue growth considerations

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- Organic growth drivers in fiscal 2013-2015
  - Emerging Markets expected to continue to grow double-digit
  - Expansion of Services offerings
- Growth inhibitors
  - Directories expected to decline at a double digit CAGR
  - Slow growth in Service Provider IT spending in mature markets
- Uncertainties
  - Service Provider M&A landscape
  - Lingering economic weakness, especially in Europe

# Long-term margin considerations

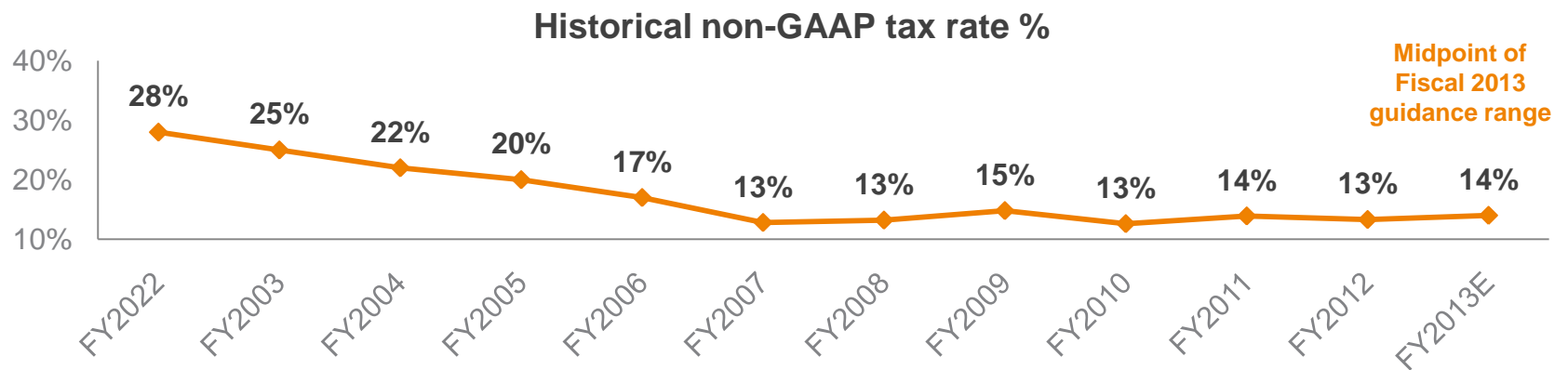
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- Balancing profitability and revenue growth to maximize long-term EBIT growth
  - Growth is Amdocs' DNA and ensures longevity
  - Long-term objective of modest margin expansion through improving scale in key areas of current investment and on-going efficiency gains
- Revenue mix plays the most significant role in the three-year margin outlook
  - Investments in new client and geographic expansion will continue
  - Services expansion
  - North American market performance is pivotal



# Tax planning and expectations

- Fiscal 2013 expected range of 13%-15% for taxes on non-GAAP income
- Current tax structure is a result of more than a decade of deliberate planning and execution, but taxation changes are largely outside of our control and, at times, unanticipated



# Capital structure guiding principles

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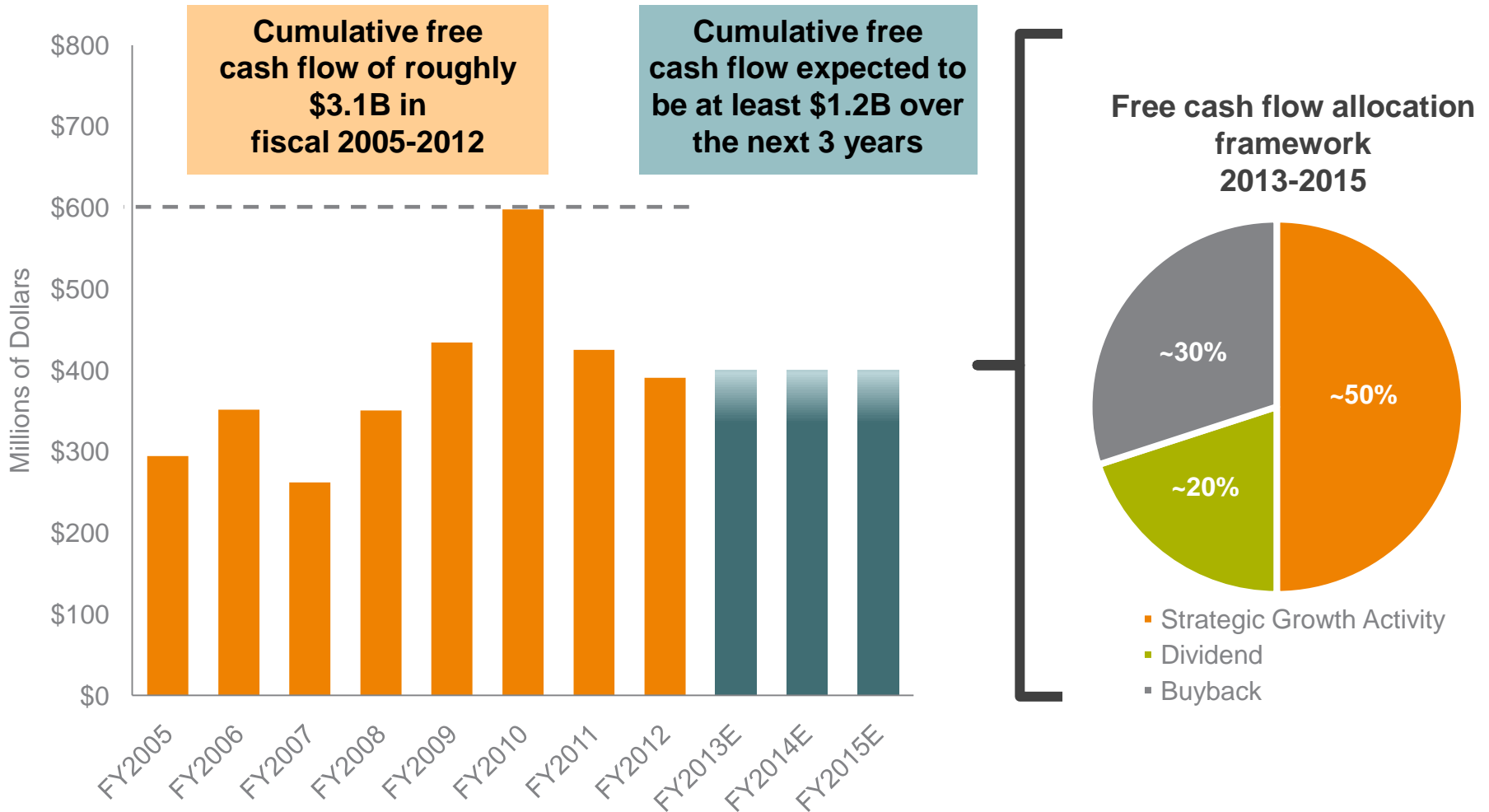
- Focus allocation of capital to support business priorities and optimize long-term shareholder returns
- Retain sufficient M&A flexibility by reserving the majority of our debt capacity to fund strategic growth
- Preserve investment grade debt rating to ensure customer confidence
- Maintain at least \$500 million in gross cash to respond to business fluctuations and smoothly fund operations
- After adhering to the above principles, consistently use excess cash to enhance total returns on equity

# Capital structure allocation framework

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- Plan to allocate free cash flow against a “50/50” framework
  - Our framework is meant to serve as a guideline for our long-term allocation plans, though results in any given period may fluctuate
- Roughly 50% allocated to strategic growth activity
  - M&A and Managed Services growth
- Roughly 50% allocated to shareholder distribution
  - Dividends expected to be ~20% of FCF
  - Buybacks expected to be ~30% of FCF
- Retain flexibility to size the buyback in any given period depending on the M&A outlook

# Free cash flow performance and our “50/50” framework



Note: Free Cash Flow (FCF) defined as Cash Flow from Operations less Capital Expenditures, Principal Payments on Capital Lease Obligations and the Excess Tax Benefit from Stock-Based Compensation

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✓ **Summary of the Amdocs investment opportunity**



# Summary of what you have heard day

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- We are the **customer experience** company
- For 30 years Amdocs has **embraced challenge** and enabled our customers to **experience success**
- **Multi-dimensional expansion** of our **software-oriented services** and **product portfolio** provides a sustainable competitive advantage
- **Emerging markets** provide long-term growth opportunity
- Amdocs is **built to last** and **built for execution**

# The Amdocs investment opportunity

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**Highly visible growth**

**3%-5% organic revenue growth over next 3 years**

**Sustainable margins**

**16-17% non-GAAP operating margins**

**Attractive total return**

**7-10% total shareholder return \***

\* Defined as Non-GAAP EPS growth plus dividend yield

# Key takeaways for our shareholders

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- Internally **embraced challenge** and **experienced success** in the past two years
- **Well-oiled machine** with an **engaged management** team
- **Positioned to win** and participate in exciting market trends due to our product and services sophistication
- Flexibility to **pursue M&A** when we **want**
- Focused on long-term **shareholder value** creation



# Thank you