

## Amdocs

## Solid 1Q24 results; trends are stabilizing

Reiterate Rating: BUY | PO: 105.00 USD | Price: 92.71 USD

## Executing in-line with expectations

Amdocs reported solid 1Q24 revenue growth of 5% YoY, slightly above Street's 4.9%. Gross margin of 35.7% fell short of Street's 36.6%, yet operating margin of 18.1% was 40bps above consensus expectations, supported by automation and generative AI activities, driving in-line EPS of \$1.56. Management largely maintained its FY24 growth guidance of 3.1% YoY and noted that cloud deployment and modernization project activities remain on track, which should translate into a stronger 2H24. We reiterate our Buy rating and \$105 PO as we remain positive on key growth trends, including digital transformation, network automation, and generative AI acceleration.

## Modernization projects to ramp and contribute in 2H24

On one hand, spending cuts on legacy enhancement projects are partially driving 2Q revenue growth lower, with guidance of 1.8% YoY below Street's 2.1%. On the other hand, management maintained its FY24 growth guidance, with growth ramping in 2H24 as the company starts recognizing revenue on modernization projects. On a sequential basis, we model 2Q to remain flat QoQ, followed by 1.6% and 1.5% growth in 3Q and 4Q. Weaker 2Q revenue is also partially driving a 4c miss to Street's 2Q EPS estimate of \$1.60, however gradual improvement in OM over the next few quarters, driven by efficiency gains from automation and generative AI tools, coupled with 2H revenue growth recovery should result in better 2H24 EPS, bringing full-year EPS guidance at \$6.52, in-line with expectations. Management noted that AI initiatives could both support margins and drive revenue growth acceleration in the long run.

## Managed services and backlog drive visibility of growth

Managed services (58% of revenue) grew 3.2% YoY, and we note the extension and expansion of Amdocs' managed services contract with Charter. Backlog grew \$60mn QoQ, or 1.4%, reflecting ramping of modernization projects. This growth is seasonal and points to some slowdown vs. the \$130mn and \$140mn sequential growth rates recorded in 1Q23 and 1Q22, which we attribute to weakness in spending on legacy enhancement projects. However, the weak trends have largely stabilized, the pipeline is growing, and Amdocs carries 80% visibility into 2024 revenues, in-line with historical levels.

Estimates (Sep) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	5.30	5.93	6.52	7.17	7.82
GAAP EPS	4.44	4.50	5.57	6.29	6.92
EPS Change (YoY)	10.2%	11.9%	9.9%	10.0%	9.1%
Consensus EPS (Bloomberg)			6.51	7.14	7.82
DPS	1.50	1.65	1.52	1.45	1.45
EPS Ex-Options Expense	5.30	5.93	6.52	7.17	7.82
Valuation (Sep)					
P/E	17.5x	15.6x	14.2x	12.9x	11.9x
GAAP P/E	20.9x	20.6x	16.6x	14.7x	13.4x
Dividend Yield	1.6%	1.8%	1.6%	1.6%	1.6%
EV / EBITDA*	14.7x	14.2x	13.6x	13.0x	12.2x
Free Cash Flow Yield*	3.6%	4.8%	5.2%	5.7%	6.2%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 6.

07 February 2024

## Equity

## Key Changes

(US\$)	Previous	Current
2024E Rev (m)	5,034.0	5,039.1
2025E Rev (m)	5,288.6	5,294.1
2026E Rev (m)	5,650.5	5,624.9
2025E EPS	7.20	7.17
2024E DPS	1.45	1.52

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## Stock Data

Price	92.71 USD
Price Objective	105.00 USD
Date Established	8-Nov-2023
Investment Opinion	A-1-7
52-Week Range	78.38 USD - 99.75 USD
Mrkt Val (mn) / Shares Out (mn)	14,538 USD / 156.8
Free Float	100.0%
Average Daily Value (mn)	50.64 USD
BofA Ticker / Exchange	DOX / NAS
Bloomberg / Reuters	DOX US / DOX.OQ
ROE (2024E)	21.3%
Net Dbt to Eqty (Sep-2023A)	3.5%
ESGMeter™	High

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Timestamp: 07 February 2024 01:00AM EST

# iQprofile<sup>SM</sup> Amdocs

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	14.0%	15.3%	16.5%	17.5%	18.6%
Return on Equity	18.2%	20.0%	21.3%	22.6%	23.7%
Operating Margin	17.6%	17.8%	18.4%	18.6%	18.7%
Free Cash Flow	530	698	750	829	897

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.2x	1.2x	1.2x	1.2x	1.2x
Asset Replacement Ratio	1.0x	0.6x	0.8x	0.8x	0.8x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	2.0%	3.5%	5.8%	3.6%	-0.6%
Interest Cover	NA	NA	NA	NA	NA

## Income Statement Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	4,577	4,888	5,039	5,294	5,625
% Change	6.7%	6.8%	3.1%	5.1%	6.2%
Gross Profit	1,648	1,767	1,815	1,928	2,050
% Change	8.5%	7.2%	2.7%	6.3%	6.3%
EBITDA	1,029	1,064	1,108	1,165	1,235
% Change	7.3%	3.4%	4.1%	5.2%	5.9%
Net Interest & Other Income	(28)	(17)	(29)	(23)	(29)
<b>Net Income (Adjusted)</b>	<b>655</b>	<b>714</b>	<b>761</b>	<b>816</b>	<b>869</b>
<b>% Change</b>	<b>5.4%</b>	<b>9.1%</b>	<b>6.5%</b>	<b>7.2%</b>	<b>6.6%</b>

## Free Cash Flow Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	535	541	636	697	753
Depreciation & Amortization	225	196	183	183	183
Change in Working Capital	(79)	51	(7)	6	20
Deferred Taxation Charge	(3)	(60)	(7)	0	0
Other Adjustments, Net	79	95	89	82	80
Capital Expenditure	(227)	(124)	(145)	(140)	(139)
<b>Free Cash Flow</b>	<b>530</b>	<b>698</b>	<b>750</b>	<b>829</b>	<b>897</b>
<b>% Change</b>	<b>-26.0%</b>	<b>31.9%</b>	<b>7.4%</b>	<b>10.5%</b>	<b>8.3%</b>
Share / Issue Repurchase	(508)	(490)	(589)	(585)	(585)
Cost of Dividends Paid	(186)	(199)	(178)	(165)	(161)
Change in Debt	0	0	0	0	0

## Balance Sheet Data (Sep)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	573	520	437	515	666
Trade Receivables	947	944	1,041	1,096	1,106
Other Current Assets	483	447	421	405	391
Property, Plant & Equipment	794	791	741	697	653
Other Non-Current Assets	3,593	3,723	3,825	3,794	3,825
<b>Total Assets</b>	<b>6,390</b>	<b>6,426</b>	<b>6,465</b>	<b>6,509</b>	<b>6,641</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	1,253	1,353	1,437	1,451	1,497
Long-Term Debt	645	646	646	646	646
Other Non-Current Liabilities	932	860	788	788	788
<b>Total Liabilities</b>	<b>2,830</b>	<b>2,859</b>	<b>2,870</b>	<b>2,885</b>	<b>2,930</b>
<b>Total Equity</b>	<b>3,560</b>	<b>3,567</b>	<b>3,595</b>	<b>3,624</b>	<b>3,710</b>
<b>Total Equity &amp; Liabilities</b>	<b>6,390</b>	<b>6,426</b>	<b>6,465</b>	<b>6,509</b>	<b>6,641</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 6.

## Company Sector

Telecom Services-Wireless/Cellular

## Company Description

Amdocs (DOX) provides software products/services to major communications companies, enabling service providers to move towards integrated customer management (ICM). The ICM enabling system includes customer relationship management (CRM), order management, service and resource management, mediation, and content revenue management products. Major customers of Amdocs include wireline, wireless, cable, satellite, and financial enterprises.

## Investment Rationale

A market leader in carrier billing, order management, customer relationship management, service resource management, with sustainable and defensible business model and above 70 pct recurring revenues. In the long run we expect DOX to grow into adjacent areas and more traditional areas.

## Stock Data

Average Daily Volume 546,211

## Quarterly Earnings Estimates

	2023	2024
Q1	1.45A	1.56A
Q2	1.47A	1.56E
Q3	1.57A	1.68E
Q4	1.42A	1.71E

# Financial Highlights

## Exhibit 1: Actual versus Estimated Results

Actual revenue and EPS of \$1,245.2mn and \$1.56, respectively, were in-line with BofA estimates

(\$'000s), except EPS	1Q23	2Q23	3Q23	4Q23	Reported 1Q24	BofA 1Q24E	delta	QoQ	YoY
<b>Total Rev</b>	<b>\$1,185.7</b>	<b>\$1,223.3</b>	<b>\$1,236.0</b>	<b>\$1,242.6</b>	<b>\$1,245.2</b>	<b>\$1,245.0</b>	<b>\$0.1</b>	<b>0.2%</b>	<b>5.0%</b>
QoQ growth %	1.6%	3.2%	1.0%	0.5%	0.2%	<b>0.2%</b>			
YoY growth %	7.3%	6.8%	6.5%	6.5%	5.0%	<b>5.0%</b>			
COGS	748.1	784.3	792.0	795.8	800.8	788.1	12.7	0.6%	7.0%
Gross Profit	\$437.7	\$439.0	\$444.0	\$446.8	\$444.4	\$456.9	(\$12.5)	-0.5%	1.5%
<b>Gross margin</b>	<b>36.9%</b>	<b>35.9%</b>	<b>35.9%</b>	<b>36.0%</b>	<b>35.7%</b>	<b>36.7%</b>	<b>-101bps</b>	<b>-27bps</b>	<b>-122bps</b>
R&D	94.2	87.6	90.1	95.4	87.3	97.3	(10.0)	-8.5%	-7.3%
SG&A	133.9	133.7	133.6	130.3	131.8	131.6	0.2	1.2%	-1.5%
Total OPEX	228.1	221.3	223.7	225.7	219.2	228.9	(9.7)	-2.9%	-3.9%
<b>EBIT</b>	<b>\$209.5</b>	<b>\$217.7</b>	<b>\$220.2</b>	<b>\$221.1</b>	<b>\$225.2</b>	<b>\$228.0</b>	<b>(\$2.8)</b>	<b>1.9%</b>	<b>7.5%</b>
QoQ growth %	2.0%	3.9%	1.1%	0.4%	1.9%	<b>3.1%</b>			
YoY growth %	8.2%	8.0%	7.8%	7.7%	7.5%	<b>8.8%</b>			
<b>OM</b>	<b>17.7%</b>	<b>17.8%</b>	<b>17.8%</b>	<b>17.8%</b>	<b>18.1%</b>	<b>18.3%</b>	<b>-23bps</b>	<b>29bps</b>	<b>42bps</b>
Interest Income	(5.0)	(2.9)	(3.9)	(4.9)	(8.2)	(4.9)	(3.3)	67.9%	66.1%
EBT	204.6	214.8	216.3	216.2	217.0	223.1	(6.1)	0.4%	6.1%
Income tax	28.0	35.5	26.7	47.2	33.2	37.9	(4.8)	-29.7%	18.3%
Net Income	\$176.3	\$178.6	\$188.9	\$168.4	\$183.1	\$185.2	(\$2.1)	8.7%	3.8%
<b>PF EPS</b>	<b>\$ 1.45</b>	<b>\$ 1.47</b>	<b>\$ 1.57</b>	<b>\$ 1.42</b>	<b>\$ 1.56</b>	<b>\$1.56</b>	<b>\$ (0.00)</b>	<b>10.0%</b>	<b>7.3%</b>
Sharecount	121,500	121,359	120,351	118,884	117,536	118,646	(1,110.23)	-1.1%	-3.3%

Source: BofA Global Research estimates, company report

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## Exhibit 2: Summary of Model Changes

We fine-tune our estimates to be more streamlined with guidance

(\$'000s, ex EPS)	Sales			EPS		
	Old	New	Change	Old	New	Change
<b>FY24</b>						
1Q24	1,245.0	1,245.2	0.1	\$1.56	\$1.56	\$0.00
2Q24E	1,245.0	1,245.1	0.0	\$1.61	\$1.56	-\$0.05
3Q24E	1,262.5	1,264.9	2.4	\$1.68	\$1.68	\$0.00
4Q24E	1,281.4	1,284.0	2.6	\$1.67	\$1.71	\$0.04
<b>Total</b>	<b>\$5,034.0</b>	<b>\$5,039.1</b>	<b>\$5.1</b>	<b>\$6.52</b>	<b>\$6.52</b>	<b>\$0.00</b>
<b>FY25</b>						
1Q25E	1,307.0	1,307.1	0.0	\$1.73	\$1.72	-\$0.01
2Q25E	1,309.7	1,307.1	-2.6	\$1.77	\$1.75	-\$0.02
3Q25E	1,326.7	1,328.0	1.3	\$1.84	\$1.82	-\$0.03
4Q25E	1,345.3	1,351.9	6.6	\$1.86	\$1.89	\$0.03
<b>Total</b>	<b>\$5,288.6</b>	<b>\$5,294.1</b>	<b>\$5.4</b>	<b>\$7.20</b>	<b>\$7.17</b>	<b>-\$0.03</b>
<b>FY26</b>						
1Q26E	1,393.7	1,381.6	-12.0	\$1.93	\$1.93	\$0.00
2Q26E	1,400.7	1,389.9	-10.7	\$1.94	\$1.94	\$0.00
3Q26E	1,418.9	1,412.2	-6.7	\$1.96	\$1.96	\$0.00
4Q26E	1,437.3	1,441.1	3.8	\$1.99	\$1.99	\$0.00
<b>Total</b>	<b>\$5,650.5</b>	<b>\$5,624.9</b>	<b>-\$25.7</b>	<b>\$7.82</b>	<b>\$7.82</b>	<b>\$0.00</b>

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

**Exhibit 3: Income Statement**

Updated summary of financials; we slightly increase our FY24 revenue estimate by \$5.1mn to \$5,039.1mn

FY Sept \$mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	Fiscal Year				
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	2022	2023	2024	2025E	2026E
	\$1,185.	\$1,223.	\$1,236.	\$1,242.	\$1,245.	\$1,245.	\$1,264.	\$1,284.	\$1,307.	\$1,307.	\$1,328.	\$1,351.	\$1,381.	\$1,389.	\$1,412.	\$1,441.	\$4,576.				
<b>Total Revenue</b>	<b>7</b>	<b>3</b>	<b>0</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>9</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>9</b>	<b>6</b>	<b>9</b>	<b>2</b>	<b>1</b>	<b>7</b>	<b>\$4,887.6</b>	<b>\$5,039.1</b>	<b>\$5,294.1</b>	<b>\$5,624.9</b>
YoY Growth	7.3%	6.8%	6.5%	6.5%	5.0%	1.8%	2.3%	3.3%	5.0%	5.0%	5.0%	5.3%	5.7%	6.3%	6.3%	6.6%	6.7%	6.8%	3.1%	5.1%	6.2%
Gross Profit	437.7	439.0	444.0	446.8	444.4	449.5	456.9	464.2	483.1	473.3	481.4	490.6	507.6	504.8	513.6	524.1	1,648.5	1,767.4	1,814.9	1,928.4	2,050.2
Total opex	228.1	221.3	223.7	225.7	219.2	222.7	221.8	226.2	240.7	233.0	233.9	238.6	249.1	246.6	249.1	254.0	843.6	898.8	889.8	946.1	998.8
Operating Income	209.5	217.7	220.2	221.1	225.2	226.8	235.1	237.9	242.4	240.3	247.5	252.0	258.5	258.2	264.5	270.1	804.9	868.6	925.1	982.3	1,051.4
Other, net	-5.0	-2.9	-3.9	-4.9	-8.2	-10.9	-4.9	-4.9	-9.9	-5.9	-4.9	-1.9	-4.9	-3.9	-7.9	-11.9	-28.0	-16.7	-29.1	-22.8	-28.8
Income tax	28.0	35.5	26.7	47.2	33.2	32.4	34.5	34.9	34.9	35.2	36.4	37.5	38.0	38.1	38.5	38.7	121.8	137.4	135.0	143.9	153.4
Net Income	\$176.3	\$178.6	\$188.9	\$168.4	\$183.1	\$183.5	\$195.6	\$198.0	\$197.6	\$199.2	\$206.2	\$212.6	\$215.6	\$216.1	\$218.1	\$219.4	\$655.1	\$714.5	\$761.0	\$815.6	\$869.2
<b>PF EPS</b>	<b>\$1.45</b>	<b>\$1.47</b>	<b>\$1.57</b>	<b>\$1.42</b>	<b>\$1.56</b>	<b>\$1.56</b>	<b>\$1.68</b>	<b>\$1.71</b>	<b>\$1.72</b>	<b>\$1.75</b>	<b>\$1.82</b>	<b>\$1.89</b>	<b>\$1.93</b>	<b>\$1.94</b>	<b>\$1.96</b>	<b>\$1.99</b>	<b>\$5.30</b>	<b>\$5.93</b>	<b>\$6.52</b>	<b>\$7.17</b>	<b>\$7.82</b>
PF EPS (incl FAS123)	\$1.31	\$1.32	\$1.39	\$1.25	\$1.38	\$1.38	\$1.50	\$1.53	\$1.54	\$1.57	\$1.64	\$1.71	\$1.75	\$1.76	\$1.79	\$1.81	\$4.81	\$5.30	\$5.80	\$6.45	\$7.10
Diluted share count	121,500	121,359	120,351	118,884	117,536	117,301	116,480	115,548	114,970	114,050	113,366	112,573	111,785	111,561	111,003	110,448	123,650	120,524	116,716	113,740	111,199
Operating Cash Flow	83.2	294.5	172.6	272.4	182.4	215.4	224.4	272.8	204.6	220.7	247.7	295.7	159.4	241.0	253.2	382.8	756.7	822.6	895.0	968.6	1,036.4
OCF Margin	7.0%	24.1%	14.0%	21.9%	14.6%	17.3%	17.7%	21.2%	15.6%	16.9%	18.6%	21.9%	11.5%	17.3%	17.9%	26.6%	16.5%	16.8%	17.8%	18.3%	18.4%
Free Cash Flow	49.5	259.4	143.6	245.8	138.6	181.8	191.2	238.5	168.3	186.4	213.2	260.8	124.4	206.4	218.5	348.0	529.5	698.3	750.2	828.7	897.2
FCF margin	4.2%	21.2%	11.6%	19.8%	11.1%	14.6%	15.1%	18.6%	12.9%	14.3%	16.1%	19.3%	9.0%	14.8%	15.5%	24.1%	<b>11.6%</b>	<b>14.3%</b>	<b>14.9%</b>	<b>15.7%</b>	<b>16.0%</b>
Cash and equivalents	492,421	623,642	517,889	520,302	383,103	385,352	389,412	437,106	416,406	416,850	442,476	515,691	453,275	473,172	505,010	666,539	573,622	520,302	437,106	515,691	666,539
Total Debt	0.0%	-	-	-	0.0%	-	-	-	0.0%	-	-	-	0.0%	-	-	-	-	-	-	-	-
Net cash	492,421	623,642	517,889	520,302	383,103	385,352	389,412	437,106	416,406	416,850	442,476	515,691	453,275	473,172	505,010	666,539	573,622	520,302	437,106	515,691	666,539
<b>% Margins</b>																					
<b>Gross Margin</b>	<b>36.9%</b>	<b>35.9%</b>	<b>35.9%</b>	<b>36.1%</b>	<b>36.1%</b>	<b>36.1%</b>	<b>36.1%</b>	<b>36.2%</b>	<b>37.0%</b>	<b>36.2%</b>	<b>36.3%</b>	<b>36.3%</b>	<b>36.7%</b>	<b>36.3%</b>	<b>36.4%</b>	<b>36.4%</b>	<b>36.0%</b>	<b>36.2%</b>	<b>36.0%</b>	<b>36.4%</b>	<b>36.4%</b>
R&D	7.9%	7.2%	7.3%	7.7%	7.0%	7.1%	6.9%	6.9%	7.3%	7.1%	7.1%	7.1%	7.3%	7.2%	7.2%	7.2%	7.6%	7.5%	7.0%	7.2%	7.2%
SG&A	11.3%	10.9%	10.8%	10.5%	10.6%	10.8%	10.6%	10.7%	11.1%	10.7%	10.5%	10.5%	10.7%	10.5%	10.5%	10.5%	10.8%	10.9%	10.7%	10.7%	10.6%
Total Opex	19.2%	18.1%	18.1%	18.2%	17.6%	17.9%	17.5%	17.6%	18.4%	17.8%	17.6%	17.6%	18.0%	17.7%	17.6%	17.6%	18.4%	18.4%	17.7%	17.9%	17.8%
<b>Operating margin</b>	<b>17.7%</b>	<b>17.8%</b>	<b>17.8%</b>	<b>17.8%</b>	<b>18.1%</b>	<b>18.2%</b>	<b>18.6%</b>	<b>18.5%</b>	<b>18.5%</b>	<b>18.4%</b>	<b>18.6%</b>	<b>18.6%</b>	<b>18.7%</b>	<b>18.6%</b>	<b>18.7%</b>	<b>18.7%</b>	<b>17.6%</b>	<b>17.8%</b>	<b>18.4%</b>	<b>18.6%</b>	<b>18.7%</b>
Net Income Margin (Non-GAAP)	14.9%	14.6%	15.3%	13.5%	14.7%	14.7%	15.5%	15.4%	15.1%	15.2%	15.5%	15.7%	15.6%	15.6%	15.4%	15.2%	14.3%	14.6%	15.1%	15.4%	15.5%
<b>Yr/Yr Growth %</b>																					
Total Revenue	7.3%	6.8%	6.5%	6.5%	5.0%	1.8%	2.3%	3.3%	5.0%	5.0%	5.0%	5.3%	5.7%	6.3%	6.3%	6.6%	6.7%	6.8%	3.1%	5.1%	6.2%
Total Opex	13.8%	4.3%	3.6%	5.0%	-3.9%	0.6%	-0.9%	0.2%	9.8%	4.6%	5.5%	5.5%	3.5%	5.8%	6.5%	6.5%	9.7%	6.6%	-1.0%	6.3%	5.6%
Operating Income	8.2%	8.0%	7.8%	7.7%	7.5%	4.2%	6.7%	7.6%	7.6%	6.0%	5.3%	5.9%	6.7%	7.4%	6.9%	7.2%	7.2%	7.9%	6.5%	6.2%	7.0%
Net Income	17.5%	-6.5%	20.7%	6.9%	3.8%	2.7%	3.5%	17.6%	7.9%	8.6%	5.4%	7.3%	9.1%	8.5%	5.8%	3.2%	5.4%	9.1%	6.5%	7.2%	6.6%
EPS (Non-GAAP)	21.1%	-4.6%	23.5%	9.9%	7.3%	6.3%	7.0%	21.0%	10.3%	11.7%	8.3%	10.2%	12.2%	10.9%	8.0%	5.2%	10.2%	11.9%	10.0%	10.0%	9.0%
<b>Seq. Growth %</b>																					
Total Revenue	1.6%	3.2%	1.0%	0.5%	0.2%	0.0%	1.6%	1.5%	1.8%	0.0%	1.6%	1.8%	2.2%	0.6%	1.6%	2.1%					
OPEX	6.2%	-3.0%	1.1%	0.9%	-2.9%	1.6%	-0.4%	2.0%	6.4%	-3.2%	0.4%	2.0%	4.4%	-1.0%	1.0%	2.0%					
Operating Income	2.0%	3.9%	1.1%	0.4%	1.9%	0.7%	3.7%	1.2%	1.9%	-0.9%	3.0%	1.8%	2.6%	-0.1%	2.4%	2.1%					
Net Income	11.9%	1.3%	5.8%	-10.9%	8.7%	0.2%	6.6%	1.2%	-0.2%	0.8%	3.5%	3.1%	1.4%	0.3%	0.9%	0.6%					
EPS	12.7%	1.4%	6.7%	-9.8%	10.0%	0.4%	7.4%	2.1%	0.3%	1.6%	4.1%	3.8%	2.1%	0.5%	1.4%	1.1%					

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



## Price objective basis & risk

### Amdocs (DOX)

Our \$105 PO is based on roughly 15x P/E applied to our FY25E EPS. We note the multiple is at the higher end of the company's 10-18x historical range given improving growth trends from: 1) higher discretionary spending at carriers due to 5G, NFV, and network transformation efforts, 2) monetization of the Media pipeline via Vubiquity assets, and 3) stabilizing growth trends in North America, specifically at AT&T.

Additionally, we highlight the longer term dividend growth potential.

Risks to our price objective are: (1) Growth initiatives could prove slow to materialize, (2) changes in the environment for transformational projects, and (3) spending trends at AT&T (30% of revenues) continuing to worsen

## Analyst Certification

I, Tal Liani, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Akamai	AKAM	AKAM US	Madeline Brooks
	Amdocs	DOX	DOX US	Tal Liani
	Arista Networks	ANET	ANET US	Tal Liani
	Check Point Software Technologies	CHKP	CHKP US	Tal Liani
	Ciena	CIEN	CIEN US	Tal Liani
	CrowdStrike Holdings Inc.	CRWD	CRWD US	Tal Liani
	CyberArk	CYBR	CYBR US	Tal Liani
	Fastly	FSLY	FSLY US	Madeline Brooks
	Fortinet	FTNT	FTNT US	Tal Liani
	Gen Digital, Inc.	GEN	GEN US	Jonathan Eisenson
	InterDigital, Inc.	IDCC	IDCC US	Tal Liani
	Motorola Solutions	MSI	MSI US	Tomer Zilberman
	Qualcomm	QCOM	QCOM US	Tal Liani
	Zscaler	ZS	ZS US	Tal Liani
<b>NEUTRAL</b>				
	Cellebrite	CLBT	CLBT US	Tal Liani
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Palo Alto Networks	PANW	PANW US	Tal Liani
	SentinelOne, Inc.	S	S US	Tal Liani
<b>UNDERPERFORM</b>				
	Cloudflare	NET	NET US	Madeline Brooks
	CommScope	COMM	COMM US	Tal Liani
	F5 Inc	FFIV	FFIV US	Tal Liani
	Okta Inc	OKTA	OKTA US	Madeline Brooks
	SecureWorks	SCWX	SCWX US	Tal Liani



## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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## Important Disclosures

Amdocs (DOX) Price Chart



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Equity Investment Rating Distribution: Telecommunications Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	57	51.82%	Buy	43	75.44%
Hold	27	24.55%	Hold	17	62.96%
Sell	26	23.64%	Sell	12	46.15%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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