



Amdocs Limited (DOX)

Updated February 16th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	\$88	5 Year CAGR Estimate:	13.2%	Market Cap:	\$9.9 B
Fair Value Price:	\$98	5 Year Growth Estimate:	9.0%	Ex-Dividend Date¹:	03/31/25
% Fair Value:	90%	5 Year Valuation Multiple Estimate:	2.1%	Dividend Payment Date¹:	04/25/25
Dividend Yield:	2.4%	5 Year Price Target	\$151	Years Of Dividend Growth:	12
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Amdocs Limited (DOX) is a B2B software company that serves communications service providers (CSPs). The business has software solutions that help CSPs to transition from working in the traditional data center environment to operating effectively in the cloud. The business has developed strong offerings around the cloud microservices architecture, which allows the large and cumbersome applications used by telecom companies to be divided into separate, simple components that can all be managed independently.

Amdocs is set to capitalize on megatrends in 5G, cloud, and digitalization, and management expects these drivers will continue to expand its serviceable addressable market. The company serves communications service providers globally with its 31,000 employees and maintains approximately 58% recurring revenue through managed services, reflecting strong resiliency from this model. Amdocs' focus on operational excellence and a recurring revenue base has enabled steadily increasing margins over the past decade, with non-GAAP operating margin reaching 18.7% in 2024. Management envisions long-term growth by deepening customer relationships, expanding with Tier-1 clients like Verizon and Charter, and developing new platforms and services.

On February 4th, 2025, Amdocs Limited reported first-quarter results for the period ending December 31st, 2024. The company earned \$1.33 in GAAP diluted earnings per share for the quarter, above the guidance range of \$1.20 to \$1.29. Amdocs reported revenues of \$1.11 billion, down 10.9% year-over-year as reported but up 1.7% in pro forma constant currency, compared with the year-ago quarter.

Amdocs' revenue performance reflected the phase-out of certain low-margin business activities while benefiting from strong execution and ongoing demand for cloud and AI-driven solutions. The North America region reported revenues of approximately \$737 million (~66% of total revenues). Europe revenues of around \$155 million (~14% of total revenues) declined year-over-year, while Rest of the World revenues stood at approximately \$217 million (~20% of total revenues). Managed services revenue, making up 66% of total revenue, grew slightly to \$729 million. The company also highlighted continued market leadership in areas such as cloud migration, AI-driven solutions, 5G monetization, digital modernization, and network automation.

For the full fiscal year 2025, Amdocs reiterated its guidance for non-GAAP diluted EPS growth of 6.5% - 10.5% and pro forma constant currency revenue growth of 1% - 4.5%. For the second quarter of fiscal 2025, the company projects revenues between \$1,105 million and \$1,145 million and adjusted earnings in the range of \$1.67 to \$1.73 per share.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS²	\$2.95	\$2.71	\$2.96	\$2.47	\$3.47	\$3.71	\$3.82	\$4.44	\$5.91	\$6.44	\$7.00	\$10.77
DPS	\$0.67	\$0.76	\$0.86	\$0.97	\$1.11	\$1.27	\$1.41	\$1.58	\$1.74	\$1.92	\$2.11	\$3.10
Shares	151	147	144	140	135	132	125	121	115	113	113	110

¹ Estimated date

² GAAP diluted EPS

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Over the past decade, Amdocs has seen earnings-per-share grow at an average annualized rate of 9.1%, and over the past five years, the business has seen earnings-per-share grow at 13.5% annually. Management guided for 8.5 % year-over-year adjusted earnings-per-share growth for 2025. We conservatively forecast that over the intermediate term, the business will grow earnings-per-share at 9% annually, which guided our 2030 earnings-per-share estimate of \$10.77. Over the past decade, the business has grown dividends at 12.4% annually, and over the past five years, the business has grown dividends at 10.7% annually. The company has been able to increase its yearly dividend payout for 12 consecutive years. In February 2025, the quarterly dividend increased by 10% from \$0.479 to \$0.527 per share.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.7	21.2	20.8	26.9	17.4	17.3	19.2	18.0	14.0	13.0	12.6	14.0
Avg. Yld.	1.9%	1.3%	1.4%	1.5%	1.8%	2.0%	1.9%	2.0%	2.0%	2.1%	2.4%	2.1%

Over the past decade, Amdocs has averaged a P/E of 18.6, and over the past 5 years, the business has averaged a P/E of 16.3. We estimate that over the intermediate term, the business will trade for a P/E ratio of around 14. Today, the stock offers a 2.4% dividend yield, which might not be ideal for investors seeking income. Investors may find this business attractive because of the company's recurring revenue business model and the fact that the company is poised to benefit from megatrends like 5G, AI, cloud, and digitalization.

Safety, Quality, Competitive Advantage, & Recession Resiliency

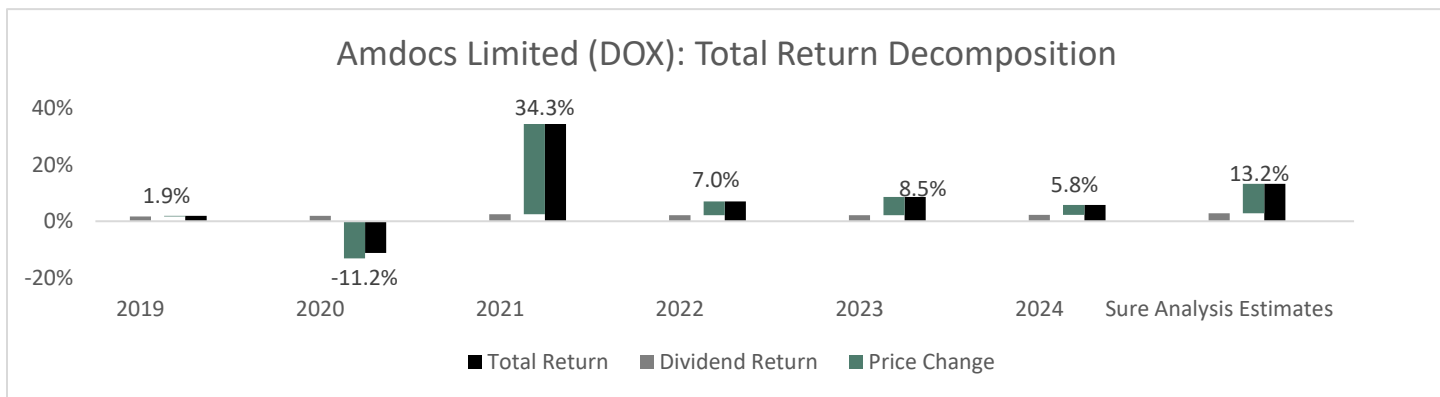
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	23%	28%	29%	39%	32%	34%	37%	36%	29%	30%	30%	29%

The company has averaged a payout ratio of 32% over the past 10 years, and 33% over the past 5 years. With a low payout ratio, we expect that the dividend is safe from any cuts or decreases because it is well-covered by earnings. The business has a strong balance sheet, with almost enough cash on hand to cover all debt. As a recurring revenue business, this company has strong recession resiliency, and has seen revenue increase every year for the past 10 years. This business may have a competitive advantage because of its niche offering it provides to CSPs.

Final Thoughts & Recommendation

Amdocs Limited has a recurring revenue business model that is helping to digitize business for communications service providers. Management expects the company to benefit from megatrends like 5G, the cloud, AI, and digitalization. At today's price, we rate the stock as a buy because total return prospects come in at 13.2% annually over the next five years. This estimate is driven by a 2.4% dividend yield, an estimated 9.0% annual earnings-per-share growth rate over the intermediate-term, and a valuation tailwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	3,644	3,718	3,867	3,975	4,087	4,169	4,289	4,577	4,888	5,005
Gross Profit	1,294	1,310	1,359	1,380	1,433	1,413	1,478	1,619	1,728	1,755
Gross Margin	35.5%	35.2%	35.2%	34.7%	35.1%	33.9%	34.5%	35.4%	35.4%	35.1%
SG&A Exp.	440	465	473	481	492	459	487	529	571	573
D&A Exp.	175	212	215	211	206	198	209	225	196	193
Operating Profit	529	483	517	513	570	595	599	665	725	760
Op. Margin	14.5%	13.0%	13.4%	12.9%	13.9%	14.3%	14.0%	14.5%	14.8%	15.2%
Net Profit	446	409	437	354	479	498	688	550	541	493
Net Margin	12.2%	11.0%	11.3%	8.9%	11.7%	11.9%	16.1%	12.0%	11.1%	9.9%
Free Cash Flow	652	490	503	326	528	453	715	530	698	619
Income Tax	67	75	76	67	88	85	126	99	93	95

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,325	5,331	5,279	5,348	5,293	6,342	6,512	6,390	6,426	6,386
Cash & Equivalents	1,036	769	650	419	472	983	709	573	520	346
Acc. Receivable	635	684	635	708	761	685	705	947	733	666
Goodwill & Int.	2,302	2,493	2,399	2,710	2,668	2,875	2,882	2,841	2,931	3,006
Total Liabilities	1,918	1,878	1,705	1,856	1,750	2,676	2,877	2,830	2,859	2,887
Accounts Payable	112	137	126	195	177	110	121	-	293	306
Long-Term Debt	220	200	-	-	-	744	645	645	646	646
Total Equity	3,407	3,454	3,574	3,449	3,500	3,623	3,593	3,518	3,524	3,457
LTD/E Ratio	0.06	0.06	-	-	-	0.21	0.18	0.18	0.18	0.19

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.5%	7.7%	8.2%	6.7%	9.0%	8.6%	10.7%	8.5%	8.4%	7.7%
Return on Equity	13.1%	11.9%	12.4%	10.1%	13.8%	14.0%	19.1%	15.5%	15.2%	14.0%
ROIC	12.3%	11.2%	12.1%	10.0%	13.6%	12.5%	15.8%	13.0%	12.9%	11.8%
Shares Out.	151	147	144	140	135	132	125	124	118	114
Revenue/Share	23.47	24.81	26.44	27.87	29.79	31.29	33.51	37.01	41.25	43.92
FCF/Share	4.20	3.27	3.44	2.29	3.85	3.40	5.59	4.28	5.89	5.43

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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