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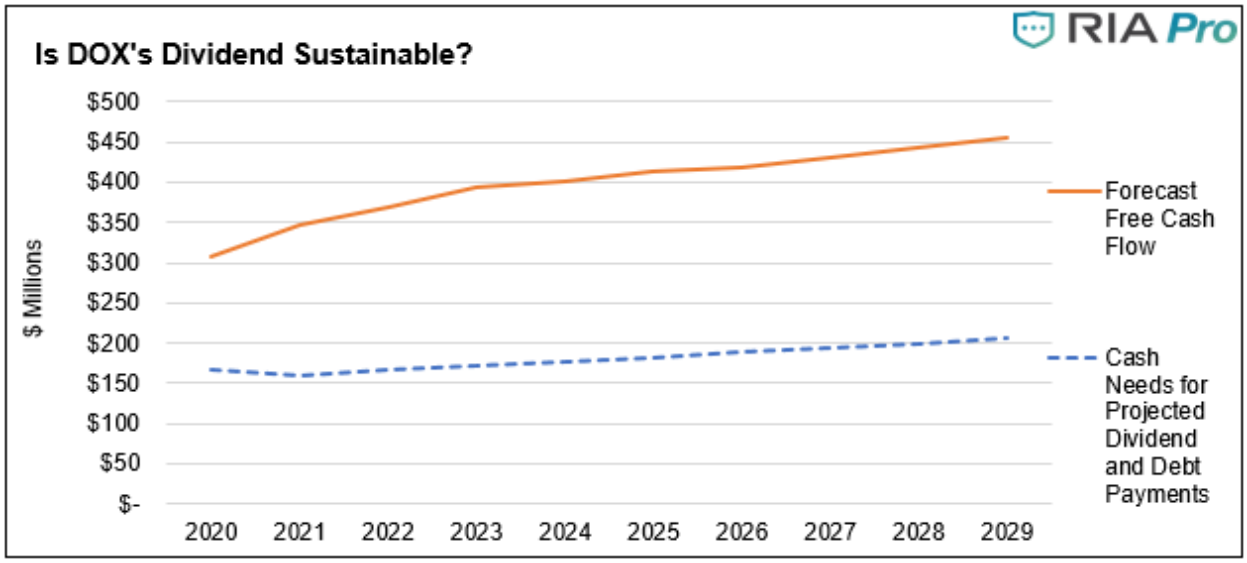
In this edition of the Value Seeker Report, we analyze an investment opportunity in Amdocs (*NasdaqGS:* DOX) using fundamental and technical analysis.

Overview

- DOX is a provider of software and support services for large Communication Services firms around the world. The Company belongs to the Information Technology sector and currently has a market cap of $8.3B.
- Some of DOX?s largest customers include AT&T (NYSE: T), Verizon (NYSE: VZ), T-Mobile (NasdaqGS: TMUS), Comcast (NasdaqGS: CMCSA), and Am•rica M•vil (NYSE: AMOV).
- DOX?s stock is currently trading at $62.67 per share. Using our forecasts, we arrive at an intrinsic value of **$76.76** per share. This implies an upside of 22.5% on the investment.

Pros

- While the Nasdaq and S&P 500 continue their streak of daily record closes, DOX remains 23% below its 52-week high. In our view, previously ignored value plays should catch investors? attention as market valuations continue to skyrocket.
- DOX has paid a dividend of $0.3275 per share in each of the last three quarters, an improvement from its previous $0.285 per share. The stock?s current dividend yield is 1.95%.
- As shown below, our forecasts indicate that DOX will produce free cash flow in excess of the amount required to raise its dividend by $0.04 per share annually over the forecast period. As long as the stock remains undervalued, Management will likely use share repurchases to return the difference to shareholders rather than committing to a sharp dividend increase.
- DOX maintains a lean capital structure and plenty of liquidity. Capital structure is especially important for small and mid-cap firms in this environment, and DOX is well positioned.
- The stock trades at a Price to Earnings (P/E) ratio of 15.2. As shown below, this is much lower than where it has hovered over the last 5-years.





Source: Zacks Investment Research

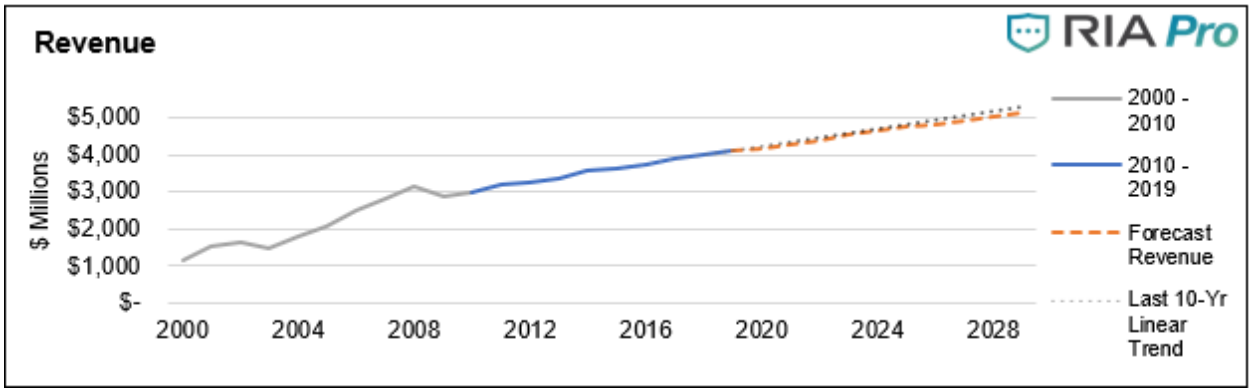
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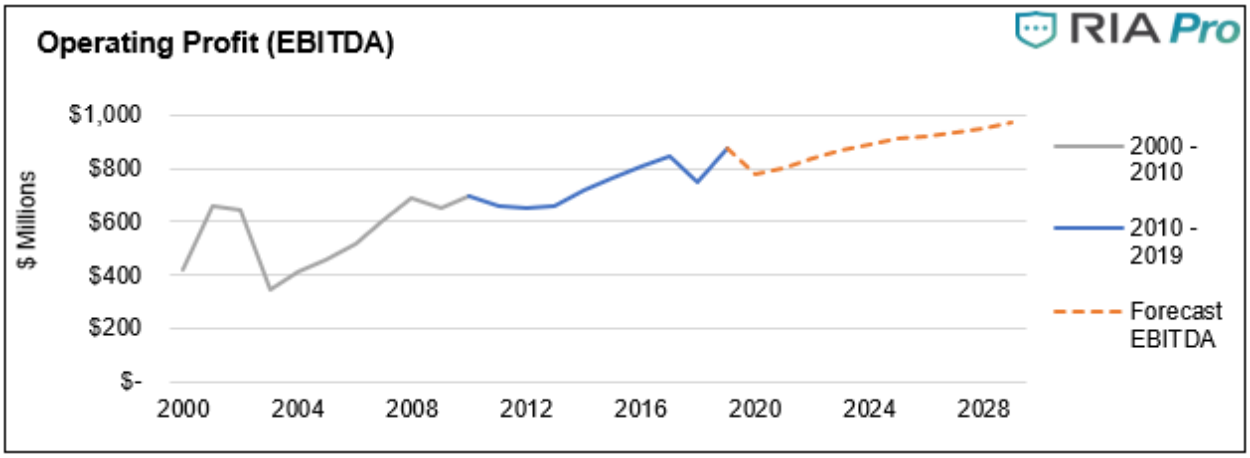
- There is an ongoing trend of consolidation in the Communication Services sector. Management tends to put a positive spin on the situation by pointing out that DOX receives demand for its systems integration services as a result. However, this will lead to future margin headwinds.
- According to its recent Form 10-k filing, DOX already receives roughly 65% of its revenue from its top 10 customers, and industry consolidation isn?t slowing down. For example, in its 10-k, DOX lists T-Mobile and Sprint as separate customers, but today they exist as one entity with greater purchasing power.

Key Assumptions

- Revenue growth for 2020 is based on guidance delivered by Management in DOX?s fiscal third-quarter conference call. We assume growth in 2021 will be consistent with DOX?s past 5-year average and slowly deteriorate thereafter. The chart below illustrates our forecasts in relation to historical revenue.
- We forecast DOX operating margins to begin near the 5-year historical average, then improve slightly before settling at the 2019 level. The chart below shows our forecasts in relation to historical figures.

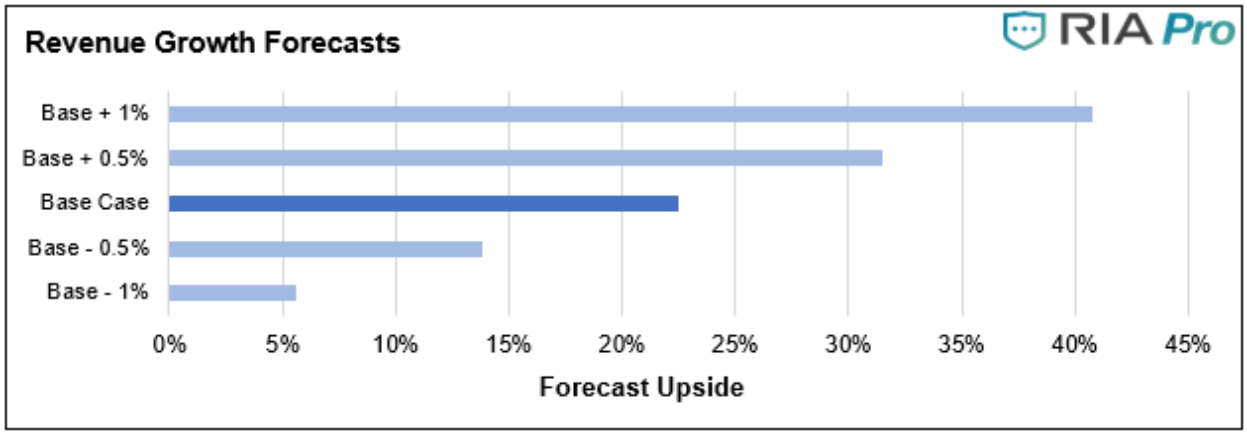
- DOX will continue to grow by acquisition. Cash acquisitions were forecast based on management guidance and the 5-year historical average.

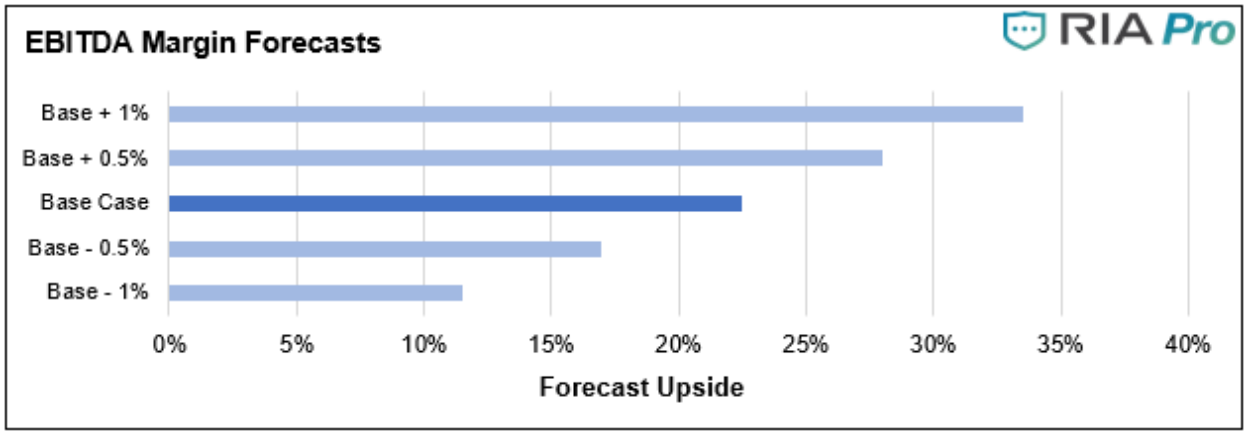


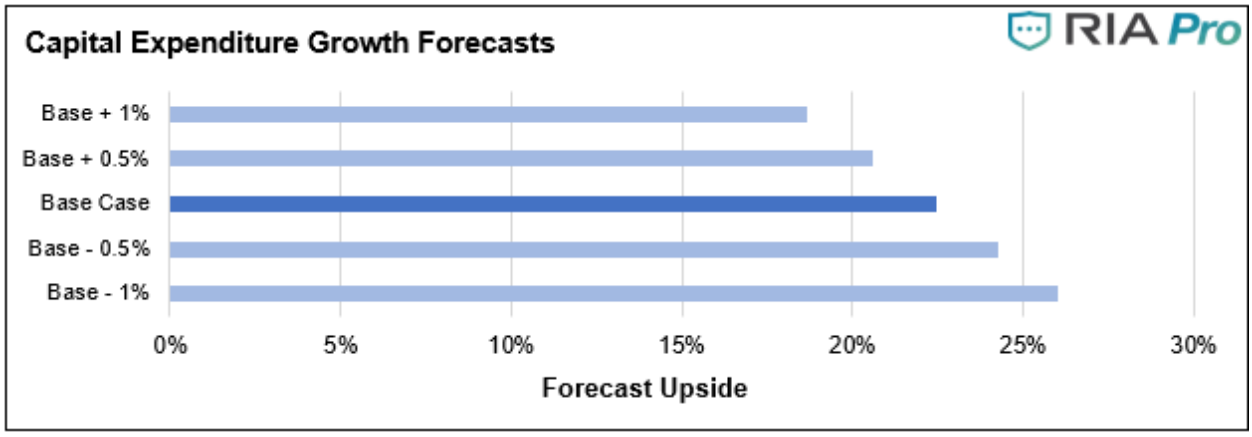


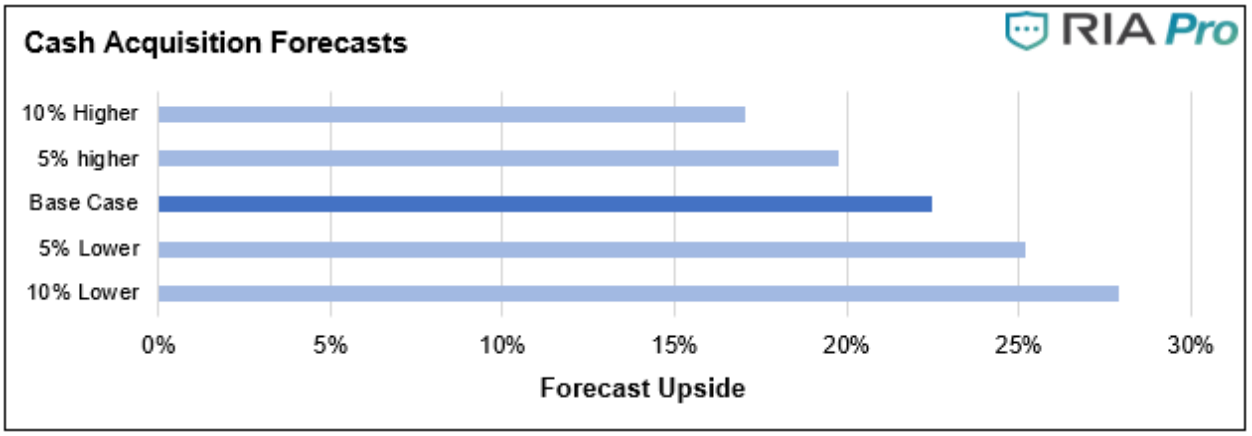
Sensitivity Analysis

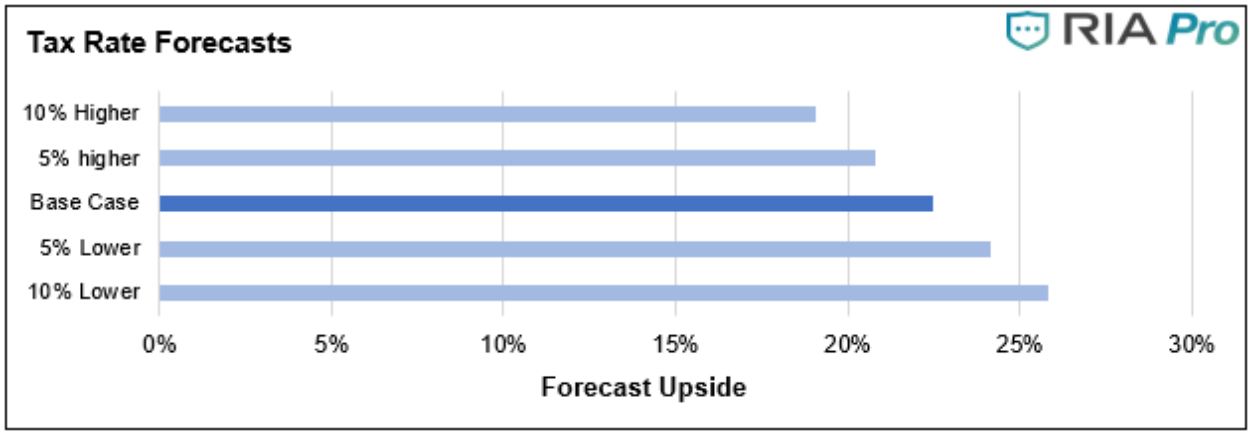
- An important point to glean from the results below is that even with very conservative margin forecasts, DOX remains a good investment.

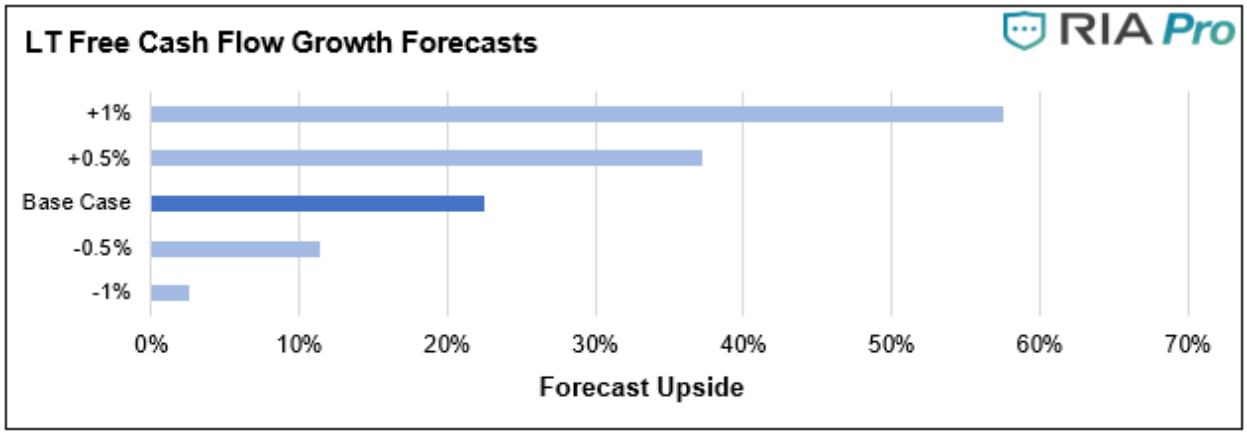



EBITDA Margin Forecasts
RIA Pro
Base + 1%
Base + 0.5%
Base Case
Base - 0.5%
Base - 1%
0%
5%
10%
15%
20%
25%
30%
35%
40%
Forecast Upside


Capital Expenditure Growth Forecasts
RIA Pro
Base + 1%
Base + 0.5%
Base Case
Base - 0.5%
Base - 1%
0%
5%
10%
15%
20%
25%
30%
Forecast Upside


Cash Acquisition Forecasts
RIA Pro
10% Higher
5% higher
Base Case
5% Lower
10% Lower
0%
5%
10%
15%
20%
25%
30%
Forecast Upside


Tax Rate Forecasts
RIA Pro
10% Higher
5% higher
Base Case
5% Lower
10% Lower
0%
5%
10%
15%
20%
25%
30%
Forecast Upside



Technical Snapshot

- DOX recently crossed above its 50-day moving average. However, after five consecutive positive-return days, it remains overbought.
- We would like to see the stock hold support around $62.60 before initiating a position. If this is achieved, DOX faces more resistance around $63.80 before testing its 200-day moving average.

Value Seeker Report Conclusion On DOX

- Throughout the pandemic, DOX has lagged the market along with the majority of small and mid-cap stocks. Yet, we don?t see a valid reason for its lack of recovery. Accordingly, we believe the stock is under-priced and deserves investment.
- Based on our forecasts, DOX has 22.5% of upside remaining before reaching its intrinsic value.

Fundamental Ratios	
Price / Sales TTM	1.98
Price / Earnings TTM	15.2
Current Ratio (Quarterly)	1.84
Quick Ratio	1.64
Times Interest Earned (TIE) Ratio TTM	226.4

For the Value Seeker Report, we utilize RIA Advisors? Discounted Cash Flow (DCF) valuation model to evaluate the investment merits of selected stocks. Our model is based on our forecasts of free cash flow over the next ten years.