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EDITED TRANSCRIPT

DOX - Q3 2012 Amdocs Limited Earnings Conference Call

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OVERVIEW:

DOX reported 3Q12 revenue of $809m and non-GAAP EPS of $0.70. Expects 2012 reported revenue to grow 2.0-2.5% and non-GAAP EPS to grow 14-16%. For 4Q12, expects revenue to be $815-835m and non-GAAP EPS to be $0.66-0.72.

CORPORATE PARTICIPANTS

Elizabeth Grausam *Amdocs Limited - VP of IR*

Eli Gelman *Amdocs Limited - President, CEO, Amdocs Management*

Tamar Rapaport-Dagim *Amdocs Limited - CFO*

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Chris Koh *Stifel Nicolaus - Analyst*

Dan Cummins *ThinkEquity LLC - Analyst*

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Sterling Auty *JPMorgan Chase & Co. - Analyst*

Paul Thomas *Goldman Sachs - Analyst*

Daniel Meron *RBC Capital Markets - Analyst*

David Kaplan *Barclays Capital - Analyst*

PRESENTATION

Operator

Good day, everyone. Welcome to this Amdocs third-quarter 2012 earnings release conference. Today's call is being recorded and webcasted. At this time I would like to turn the call over to Elizabeth Grausam, Vice President of Investor Relations for Amdocs. Please go ahead.

Elizabeth Grausam - *Amdocs Limited - VP of IR*

Thank you, Anthony. Before we begin I'd like to point out that, during this call, we will discuss certain financial information that is not prepared in accordance with GAAP. The Company's management uses this financial information and its internal analysis in order to exclude the effect of acquisitions and other significant items that may have a disproportionate effect in a particular period. Accordingly, management believes that isolating the effect of such events enables management and investors to consistently analyze the critical components and results of operation of the Company's business, and to have a meaningful comparison to prior periods. 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 be furnished with the SEC on a Form 6-K.

Also this call includes information that constitutes forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be obtained or that any deviations will not be material. Such statements involve risks and uncertainties that may cause future results to differ from those anticipated.

These risks include, but are not limited to, the effects of general economic conditions and such other risks as discussed in our earnings release today and at greater length in the Company's filings with the Securities and Exchange Commission, including in our annual report on Form 20-F for the fiscal year ended September 30, 2011 filed on December 8, 2011, and our Form 6-K furnished for the first quarter of fiscal 2012 on February 14, 2012, and for the second quarter of fiscal 2012 on May 15, 2012. Amdocs may elect to update these forward-looking statements at some point in the future, however, the Company specifically disclaims any obligation to do so.

Participating on the call today are Eli Gelman, President and Chief Executive Officer of Amdocs Management Limited, and Tamar Rapaport-Dagim, Chief Financial Officer. Following our prepared comments we'll open the call to Q&A.

Now I'll turn the call over to Eli.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Thank you, Liz. Good afternoon to anyone joining us on the call today. Our third-quarter results were consistent with our expectations across revenue, margins and earnings and we've continued to focus on delivering total return to our shareholders for the multiple levers that our business model and market position provide. These levers include strong sound execution, ongoing operation improvements, and the benefits of our share repurchase program. The combination of these three factors have allowed us to generate consistent earning upside this year.

Moreover, we're delivering this upside given the face of more challenging 2012, revenue conditions, especially at AT&T, compared to our expectations at the beginning of the fiscal year. As a result, we are once again excited to increase our fiscal 2012 non-GAAP EPS growth guidance to the range of 14% to 16%, from 12% to 14% previously. As we are getting closer to the end of fiscal year 2012, we believe we have a lot to be proud of here at Amdocs.

In the third quarter, we continued to observe several similar global conditions as we have throughout the year. Let me elaborate on that. The emerging markets remain strong for Amdocs. We see some more proof points that our strong relationship model of initial penetration, strong execution and then follow on expansion and extension is working well also in the emerging markets. As an example to this -- this quarter, we signed our first managed services contract in Latin America with TIM Brasil.

We are excited by this achievement as it also marks our first managed services contract to include OSS. TIM Brasil has been a long term customer across wireless and wire line. More recently, we have seen acceleration of activity with TIM Brasil associated with their launch of their residential fiber, and now, additionally, with the managed services. The TIM Brasil deal, coupled with the managed services deal announced last quarter in the Philippines with Globe, demonstrates our unique combination of product, professional services, and managed services, is becoming well accepted in the emerging markets.

In Europe, Amdocs has performed quite well against tough macro trends in 2012. We continue to project nice growth from Europe this fiscal year, although we closely monitor the potential implications of the bleak economic outlook on our customers. We believe the macro picture offers both opportunities and challenges for us. As an example of an opportunity, this quarter we signed an important new managed services deal with a large wireless service provider in Europe, providing the value proposition of managed services in less certain economic conditions. On the other hand, we expect decision cycle to be longer in Europe as budget remains under intense scrutiny.

In North America, our outlook at AT&T stabilized in the third quarter. We have began to win new business with AT&T, albeit at a moderate pace. At the overall market level, we believe that the AT&T, T-Mobile deal cancellation is broadly affecting the mood of the wireless industry in North America. Wireless companies are in a stalemate with the regulators and everybody is waiting to see what will happen next around the data monetization, spectrum allocation, and potential M&A. We expect this dynamic to continue to affect our business in North America wireless industry until some of the uncertainties begin to resolve.

Currently, the pre-paid segment is one of the better areas of activity in North America -- in North American wireless market. In essence, carriers in this market segment are trying to deliver a high quality experience similar to post paid, but on a realtime processing platform. This trend plays right into Amdocs' sweet spot.

In the North American cable and satellite industry, we see some more stabilized market conditions. Following the extension of our agreement with Comcast that we announced two quarters ago, today we announced a five year expansion and extension of our business with DirecTV. We are building visibility into our relationship with key customers in this sector as the trends in the pay TV market are exciting. We continue to believe the transformation will gradually happen in the pay TV market and we want to insure that we will be leading participants in the industry modernization.

To summarize our performance, the operational and sales execution at Amdocs has been quite strong in the past few quarters. In Q3 in particular, we signed some highly strategic long term deals that will serve the Company well into the future. Simultaneously, however, telecom industry conditions have been challenging, especially in North America which is the source of more than two thirds of our business. Additionally, we are keeping a watchful eye on Europe given the macroeconomic climate. Knowing that only so much is under our control, in an uncertain telecom and general economic environment, we have taken significant actions in the past 18 to 24 months to deliver on our commitment to driving long term shareholder value. Under this plan, we have successfully executed on three main components.

First, our internal investment in our people, our product, and quality of delivery has resulted in general efficiencies -- in greater efficiencies across Amdocs. Second, our growth strategies in the emerging markets and managed services have delivered very solid returns. Managed services in particular have increased our revenue and cash flow visibility across the business. And last, our capital structure initiatives have provided further benefits, including the share repurchase program and our initiation of dividend program, which was approved by our shareholders this week. These actions have allowed us to deliver consistent earnings upside this year, even in a more challenging revenue environment. I believe our commitment to generating attractive total return to shareholders has never been more clear.

With that, I'll turn the call over to Tamar.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

Thank you, Eli. Third quarter revenue of $809 million was within our guidance range of $805 million to $825 million, with foreign currency fluctuations negatively impacting revenue by approximately $5 million relative to the second fiscal quarter of 2012. Excluding the effective currency, we ended the quarter just about at the mid point of our range. Our third fiscal quarter non-GAAP operating margin was 16.6%, flat from Q2 and within our expected range of 16% to 17%.

Below the operating line, net interest and other expense was negative $2.7 million in Q3. For forward-looking purposes, we continue to expect that net interest and other expense may be negative in the range of a few million dollars quarterly, primarily due to foreign currency fluctuation. Non-GAAP EPS was $0.70 in Q3, compared to our guidance range of $0.64 to $0.70. A lower tax rate positively impacted non-GAAP EPS in Q3, which was attributable to the net decrease in our provision for uncertain tax positions. This decrease was mainly due to the lapse of the statute of limitations in certain jurisdictions.

Free cash flow was $108 million in Q3. This was comprised of cash flow from operations of approximately $138 million, less $30 million in net capital expenditures and other. DSO of 76 days increased quarter over quarter by seven days, above our normal range. The increase in DSO this quarter resulted primarily from our strong North American customer base, given the combination of a few days lag of collection over the quarter end weekend, admitting large invoicing milestones in the last month of the quarter. Our total deferred revenue, both short and long term, was up $8 million sequentially, while total unbilled receivables were up $11 million, as compared to the second quarter of 2012. Our cash balance at the end of the third quarter was approximately $894 million.

Our 12 month backlog, which includes anticipated revenue related to contract, estimated revenue for managed services contract, letters of intent, maintenance and estimated ongoing support activities, was $2.76 billion at the end of the third quarter, up $35 million sequentially and up 5.3% year-over-year. During the third quarter, we repurchased $122 million of our ordinary shares pursuant to our authorized share buyback program. As of June 30, we had $309 million of remaining repurchase authority under our current $1 billion authorization, which extends through February 2013.

Looking forward, we expect revenue to be within a range of $815 million to $835 million for the fourth fiscal quarter of 2012. This range includes minimal anticipated sequential impact from foreign currency fluctuations as compared to Q3. Translating the fourth-quarter guidance into our full fiscal year, we expect total revenue growth for the year to be in the range of 3% to 3.5% on a constant currency basis. This is within our previous expected range but toward the lower half, largely due to our expected progress against project milestones which can fluctuate. On a reported basis, we now expect foreign exchange will place 1% drag on the full year results, so we expect reported full year revenue growth of 2% to 2.5%. This compares to 0.5% drag we expected last quarter as rate fluctuations were unfavorable over the third quarter.

We anticipate our non-GAAP operating margin in the fourth quarter to continue to be within a range of 16% to 17%. We also anticipate that our non-GAAP tax rate will be in the range of 13% to 15% and we expect Q4 non-GAAP EPS to be in a range of $0.66 to $0.72. Incorporated into this view is an expected average diluted share count of roughly 166 million shares in Q4 and the likelihood of a negative impact from foreign exchange fluctuations in net interest and other expense. We excluded the impact of incremental future share buyback activity during the fourth quarter as the level of activity will depend on market conditions.

For full year, we now expect 14% to 16% non-GAAP EPS growth, as compared to prior guidance of 12% to 14%. The new range reflects the benefits of our tax rate in the third quarter and all share repurchases activity to date. As with the fourth quarter, this guidance excludes any future share repurchase activity.

With that, we can turn it back to the Operator to begin our question and answer session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Tom Roderick, Stifel Nicolaus.

Chris Koh - *Stifel Nicolaus - Analyst*

Hi guys, this is Chris Koh for Tom. So a quick question regarding the commentary around the quarter seems like its been pretty good in terms of all of the initiatives you're undertaking, emerging markets, managed services, AT&T seems to be stabilizing, yet you're still kind of in the mid point of the range if you back out the FX impact on the revenue and then the guidance seems to imply low end of the range of where you were hoping previously. So what would it take to see a little bit of more near term revenue acceleration or do you expect that the deal activity will filter through within the next few quarters in terms of growth acceleration? Thanks.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Thank you, Chris, for the question. What does it take to accelerate the growth? We tried to give some of the color in the script, but just to give a different angle to the same, more or less, data. In North America, the only real activity we see today on the wireless side is the prepaid, some people call it no contract, but basically it's not exactly a prepaid in the old session. It's a highly sophisticated full customer experience with no contract, no strings attached so to speak. And we hope and we believe it will actually be good for Amdocs as a trend.

But other than that, all that initiatives are really in a holding mode and now if the family plans of Verizon and AT&T and if other things will start moving and the regulars will allow more M&A of the big guys or the small guys, we will see more dynamics in the wireless industry and I think it will help us. Now the wire line, we know about the wire line. We can apply some of our managed services ideas, but that's always has not been the growth engine of North America.

In Europe we see a lot of activities, but again, we read the same newspaper and talk to the same people. We have a watchful eye, as we put it here, on the European market and the emerging markets we actually see great activity both in CALA and Southeast Asia, but we have to put it in proportion. More than two thirds of our revenue comes from North America and the other one third cannot pull the Company quickly forward. You can do the math if -- for any percent that we want for the overall Company, we need like 3% to 4% on the emerging market and other business to compensate for that. So I would say North America, including the cable and satellite, might be one thing.

In general, data monetization practices around the world could be an accelerator of business. M&A in general and more corporate activities across-the-board. The bottom line changes. We like changes.

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Chris Koh - *Stifel Nicolaus - Analyst*

Got it, great. Thanks, and so going back to the regulatory issues, it sounds like -- just to make sure I interpret it correctly, it sounds like EMEA emerging markets, the macro in EMEA saw that those are maybe performing at the high end of what you guys are hoping, North America seems to be a bit of a laggard. So in terms of the regulatory environment and how that's causing people to slow up their spending -- AT&T mentioned on their call they do plan on picking up CapEx a little bit in the second half, how do you see that fog lifting or do you see it lifting any time soon? Or do you think that this prepaid centric environment in North America is going to persist for the foreseeable future?

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Chris, I think that -- well we don't know about the timing, but we think that the prepaid is a factor, for awhile it will be. I would say that if data monetization and more ideas how to monetize data better, the first trial actually or the first attempt is what AT&T and Verizon are coming up with family plans and so forth. But if that will accelerate, that will help some of the dynamics in the market. And as I said, corporate M&A, stuff like this between the different carriers in North America would help as well. And right now, we call it stalemate because we think that everybody is in wait and see mode other than in active mode pursuing the business.

In general, our business in North America is healthy. The growth is the one thing that we want to see accelerating and in AT&T, as expected, we said it's two quarters ago that we expected by now that we will stabilize and start growing again and that's what we're seeing. And we have new business with AT&T, which is a very good indication for us.

Operator

(Operator Instructions)

Dan Cummins, ThinkEquity.

Dan Cummins - *ThinkEquity LLC - Analyst*

Yes, I wanted to ask about AT&T and Verizon's rollout of the family bucket plans. I think you'd referenced that capability around the time you acquired Bridgewater and as really an important capability, but presumably first step on the way to very sophisticated two way realtime connectivity between the network and the marketing systems, et cetera. Where do you think these carriers are on that journey and what can you tell us about Amdocs role thus far in getting AT&T there, if you could? Thank you.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Sure, Dan. First of all, yes. I definitely -- you got it right. I definitely mentioned, under the context of the acquisition of Bridgewater, that, that could be an enabler for us to offer very sophisticated realtime two way network related and IT related services that they can offer to their consumer and we have a system. Actually, with the latest release of our software, we have seen some more sophistication in there.

We see some traction. Some in North America, some in other places. As a matter of fact, we won an important deal in Asia Pacific and I believe that what will happen is you will see early adopters of carriers trying that in the context of the regulatory environment of course. So what you see in North America is the first attempt for the family plan. That's something we have in our software for quite some time, so we are excited about it but we believe it's only the beginning. If that will accelerate, it would mean that we'll be able to have an opportunity to show our power, if you will, like to put it this way, in more than one carrier. In North America and worldwide. So I would say where it is in its infancy. It's really, really just the beginning.

Dan Cummins - *ThinkEquity LLC - Analyst*

Thank you.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Thank you, Dan.

Operator

Ashwin Shirvaikar, Jefferies.

Ashwin Shirvaikar - *Citigroup - Analyst*

Hi, it's Ashwin from Citi.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

For a second we thought you changed jobs and didn't tell us.

Ashwin Shirvaikar - *Citigroup - Analyst*

No offense to Jefferies, but I'm still at Citi.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Sure.

Ashwin Shirvaikar - *Citigroup - Analyst*

So you had some good traction here with managed services deals. Two questions follow from that. One, is should we expect your revenue growth to eventually start matching your recent backlog growth? And then a related question on the cost side or cash side. Is that what's affecting your DSOs recently in sort of greater milestone based or percent of completion based work that's affecting the DSOs that caused it to go up?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

So thank you, Ashwin. Regarding the backlog as an indicator of future growth, over time of course there's correlation but I wouldn't take it as far as taking the quarterly changes in backlog to foreseeing the next couple of quarters growth exactly how we run through the numbers, because of the different dynamics in how customers are actually contracting with that.

Some may secure the business for many years, some may just do it on a quarter to quarter basis and this is where we see the challenge in using that. At least internally I can tell you it's another indicator. It's not how we, ourselves, forecast and we provide it to you guys and the investor as another indicator, as another check to see if the business is moving ahead and we are increasing our visibility into the future. So overall we are glad about the fact we continue to see healthy signings. We just gave some examples in our prior comments about exciting deals where they are signed in DirecTV and TIM Brasil, in Europe, those are long term deals definitely impacting 12 month backlog, as well as the longer term viability of the Company.

Going and moving into the cash question, you're absolutely right. The fact we are seeing more transformational projects ramping up, it means that by definition and based on the fact that we are progressing in a project, recognizing revenue based on percentage of completion, then you hit only later, after you perform the work and provide the deliverables, you get some kind of an invoicing milestone which enables us to actually invoice and close the gap versus the revenue. So that's what's creating an unbilled accounts receivable.

This quarter specifically, there was a specific combination with some North American customers of some collection lag of just two days until July 2 because of the end of the quarter over weekend. Some invoicing milestones we're including as well related to projects and other activities, but in general if you look over the last year on why the unbilled accounts receivable has gone up, it's predominantly because of transformational projects.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay, got it. Thank you.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Thank you, Ashwin.

Operator

Jason Kupferberg, Jefferies.

Jason Kupferberg - *Jefferies & Company - Analyst*

Thanks, guys. So just wanted to start with a question on AT&T. Obviously the stabilization is encouraging here. It sounds like you started to win a little bit of incremental work. Are you basically saying that you think we've seen the trough in AT&T revenue and we should start to see some incremental improvements quarter-over-quarter going forward? I just want to make sure we have that picture accurate.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

So Jason, the short version is yes.

Jason Kupferberg - *Jefferies & Company - Analyst*

Okay.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

What's the size of it, whether it's every single quarter and in same pace, we really don't know. But the short answer is yes, we think that we saw the low point behind us and we're stabilizing and growing back in AT&T.

Jason Kupferberg - *Jefferies & Company - Analyst*

That segue's to my follow-up question. As you guys start to think about fiscal '13, I know it's obviously premature to provide any specific guidance, but the multi-year guidance we had from last year's analyst meeting would seem to suggest some implied acceleration next year, even let's put currency aside. Is that in general a valid assumption still based on what you see in the backlog and the pipeline, as well as some of the visibility on AT&T? I recognize obviously the macro environment has changed quite a bit since you gave that multi-year outlook, but any general thoughts would be much appreciated.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

As you said, it's quite early to talk specifically about fiscal '13. I would say generally if we look on the thesis we've shared with the investors is that this Company can grow, in general, faster than the market by taking market share. This is exactly what we continue to do. And providing the investors with double digit returns to different, I would say, strengths of the Company, both in the fundamentals of the business and the combination with the capital allocation to shareholders. And we still believe this is overall and what it means exactly in terms of providing the indications of the numbers of fiscal '13, I think it's a bit too early.

Jason Kupferberg - *Jefferies & Company - Analyst*

Okay, thank you.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Thank you, Jason.

Operator

Sterling Auty, JPMorgan.

Sterling Auty - *JPMorgan Chase & Co. - Analyst*

Yes, thanks. Hi guys.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Hi, Sterling.

Sterling Auty - *JPMorgan Chase & Co. - Analyst*

I was wondering if you could give us some color around the DirecTV renewal in terms of -- obviously with Bell Canada's renewal you had the pricing impact and that had a little bit of revenue headwind for this fiscal year. Did you experience the same thing here with DirecTV and maybe later on top of that the opportunity at TIM Brasil? Normally when we saw a pass of contract of that magnitude in managed services, we expect more of a lift. So is the new guidance up balance, was there maybe a price consideration to DirecTV offset by a good opportunity here at TIM Brasil?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

DirecTV was and now we are securing our future and relationship with the DirecTV through this contract. We don't see totally any similarity between the Bell Canada renewal at the time and between the DirecTV relationship and circumstances. So we did not see a significant price pressure.

We are taking and expanding additional activities within DirecTV moving forward, so that was part of the overall combination of the deal in terms of how we are providing additional value to the customer and it's not just a price discussion, something much broader. So that's the typical kind of dynamics we are seeing around managed services. We are coming and actually discussing with the customers before the renewal date is approaching, different opportunities for us to expand our footprint and bring additional value and through that also discussing the extension and the new pricing environment.

Going back to TIM Brasil, you are right that the usual dynamics within a managed services deal is such that the beginning, usually the first year or two, are tougher in terms of profitability and then the margin profile is improving over time. This is part of how we do business all the time. The same goes for other managed services deals that we are signing. It requires a very, very big deal in order to suddenly put an impact and change the profile. If you remember, 2008 when we signed very large deal in AT&T, managed services providing services for all their legacy wire line, customer care and ordering, and that was big enough for comparison to overall Company to make such a dent. But overall, I don't think you should look at TIM Brasil in the same way.

Sterling Auty - *JPMorgan Chase & Co. - Analyst*

Maybe one quick follow-up. Tax rate, so it was the items in the quarter more one-time in nature and we should still use the range that you gave from the fourth quarter as our understanding for a longer term tax rate?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

Yes, the overall tax is 13% to 15%. We may see quarters in which it will be lower, sometimes maybe specifically higher, though it's more likely to be lower than higher. But we will see in the future some kind of cases like that where we are positively seeing the fact that the accruals we've made against tax uncertainties are no longer needed, which was the case in this quarter but overall I advise you to take the 13% to 15% as the proper one.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

I just want to add-on your first question, on the DirecTV. I think it's a good example of a win-win expansion and extension, which is measured on value and not on price per whatever and that's something we are very proud of at Amdocs, that we are not into the regular price war every time. So you have to respect the customer and the fact that you became more effective and efficient and that should not necessarily be the center of the discussion and I would say that DirecTV is a win-win. It's a good deal for both sides. That's the bottom line.

Sterling Auty - *JPMorgan Chase & Co. - Analyst*

Okay, great, thank you.

Operator

Julio Quinteros, Goldman Sachs.

Paul Thomas - *Goldman Sachs - Analyst*

Good afternoon, guys. This is Paul Thomas for Julio. Thanks for taking my question. You've been buying back a lot of stock and with the first dividend payment coming up here in the Fall, how should we think about capital allocation between dividends and buybacks going forward?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

What we discussed last quarter and continuing to hold that position of course, is that we should think of a framework in which approximately half of our free cash flow is used for reinvestment into the business and about half going into returns for shareholders in the form of dividend and completing that would be buyback. This half is not a constant number. It's something that we will change from time to time according to the opportunities we see in front of us, in terms of the M&A pipeline and the other considerations like that. But overall, that's the framework you should be thinking of.

Paul Thomas - *Goldman Sachs - Analyst*

Thanks.

Operator

Daniel Meron, RBC Capital Markets.

Daniel Meron - *RBC Capital Markets - Analyst*

Thank you. Congrats on the consistent execution, especially on the bottom line.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

Thank you.

Daniel Meron - *RBC Capital Markets - Analyst*

Sure, so first thing, Eli, you guys mentioned the first managed services operating support system deal with TIM Brasil here. Should we think about it as a potential for reference account for additional OSS? Would that start marking a more significant impact in other carrier's decision-making for this segment?

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

So I will tell you we both want to think about it as a reference account and in general, there is no reason why it won't be. It is a fast growing country, sophisticated system, they have the same KPI or harder than others because of the growth and all the World Cup and Olympics and everything coming their way, they cannot afford to do any mistake. So yes, we hope that they will turn into showcase through other places and other carriers in the region and outside of the region.

Daniel Meron - *RBC Capital Markets - Analyst*

Okay, and then just looking at DirecTV deal, just as a segue into the operation in the cable segment. Can you provide us with an update there on the trend there and what they're thinking versus carriers in general. Are they back to trying to update their systems or are they still kind of slow?

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

For us, they are still kind of slow. They think they do more. So we still see gradual transformation, so I'm not talking about necessarily the activity right now but in general, you would see companies upgrading their CRM front end system. You will see a collection system being replaced. You would see invoicing because their legacy system can provide only that many cycles of bills and it's a really pain in the neck. So they need the new invoicing system. They would need to have some new enterprise product catalog because they are having more and more offerings and they cannot get away with it.

So that we see already and the nice thing about it is we see they are using components of our CES stack, full BSS OSS deck, into their let's call it legacy environment. What we don't see like full transformation like TIM Brasil will transform the whole organization, or Vodafone Netherlands, or US Cellular or others, this type of transformation we don't see yet. As I said, we believe that eventually it will come.

They will eventually have higher competition among themselves and among with the telcos. The telcos actually progressing in the pay TV space as well. So the world is not stagnant. Not to mention, what will happen as soon as Apple or Google or one of the disruptive guys get into the market. So altogether I think that the dynamics outlook is higher, in other words more changes rather than lower and that seems to be the path. So we see right now components, the good sign is that they are using our CES components and that's a very good indication for us. The same model of delivery or managed services or whatever, everything we see on the telecom side, but if you ask me bottom line they're too slow.

Daniel Meron - *RBC Capital Markets - Analyst*

Okay, thank you, good luck.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Thank you, Daniel.

Operator

David Kaplan, Barclays.

David Kaplan - *Barclays Capital - Analyst*

Hi, everyone. I really just have a question on the FX side and when you think about -- or can you give us a little bit of color on the impact of FX on costs? You mentioned in the press release what the impact was on the revenue side, but is there a positive impact or potential positive impact on FX given the shekel weakness on the cost side for you guys or is the mix of costs not that heavily weighted in this direction?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

I would say in general our hedging program is designed to hedge the net exposure. So on the one end we have currencies on the revenue side that are not used on the other side. On the costs we have the currency such as the Indian rupee or Israeli shekel that are dominant on the cost side. So it's all designed to protect on the net exposure and in that sense, for example, to your question about the Israeli shekel, we are heavily hedging the Israeli shekel, so we are less impacted in the near term by changes for the positive or negative in the exchange rate.

In the longer term, of course by definition, the Company is monitoring very carefully difference in exchange rate as we do labor, costs and other factors that may impact the cost structure. And that's been very effective because of the results you're seeing is that while the currency volatility continues to be very strong, we are able to protect our operating margins in an effective way.

David Kaplan - *Barclays Capital - Analyst*

Okay, great. Thanks very much.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Thanks, David.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

Thank you.

Operator

With that, that does conclude our question and answer session. I would like to turn the conference back over to Liz Grausam for any additional or closing remarks.

Elizabeth Grausam - *Amdocs Limited - VP of IR*

Thank you very much for joining the call this evening and we do appreciate your continued interest in Amdocs. I hope you all have a wonderful evening, thank you.

Eli Gelman - *Amdocs Limited - President, CEO, Amdocs Management*

Thank you.

Operator

Again, this does conclude today's conference. Thank you for your participation.