THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

DOX - Q1 2013 Amdocs Limited Earnings Conference Call

EVENT DATE/TIME: JANUARY 30, 2013 / 10:00PM GMT

OVERVIEW:

DOX reported 1Q13 revenue of $826m and non-GAAP EPS of $0.73. Expects 2013 revenue to grow 2-5% and non-GAAP EPS to grow 5-8%. Expects 2Q13 revenue to be $820-850m and non-GAAP EPS to be $0.69-0.75.

THOMSON REUTERS

CORPORATE PARTICIPANTS

Matthew Smith *Amdocs Management Ltd - Director, IR*

Eli Gelman *Amdocs Management Ltd - President & CEO*

Tamar Rapaport-Dagim *Amdocs Management Ltd - CFO*

CONFERENCE CALL PARTICIPANTS

Ashwin Shirvaikar *Citigroup - Analyst*

Daniel Meron *RBC Capital Markets - Analyst*

Jason Kupferberg *Jefferies & Company - Analyst*

Chris Koh *Stifel Nicolaus - Analyst*

Shyam Patil *Raymond James & Associates - Analyst*

Paul Thomas *Goldman Sachs - Analyst*

David Kaplan *Barclays Capital - Analyst*

Shaul Eyal *Oppenheimer & Co. - Analyst*

PRESENTATION

Operator

Good day, everyone, and welcome to the Amdocs first-quarter 2013 earnings release conference call. Today's call is being recorded and webcast. At this time I will turn the call over to Matthew Smith, Director of Investor Relations for Amdocs. Please go ahead, sir.

Matthew Smith - *Amdocs Management Ltd - Director, IR*

Thank you, Jessica. Before we begin, I would 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 in 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 effects of such events enables management and investors to consistently analyze the critical components and results of operations 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 also be furnished with the SEC on 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 are 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, 2012, filed on December 11, 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. Also listening on the call is Liz Grausam, Vice-President of Investor Relations, who is currently enjoying her maternity leave. Thank you.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Thank you, Matt. And good afternoon to everyone joining us on the call today. Our first-quarter results were consistent with our expectations and included record revenues, stable margins and double-digit non-GAAP EPS growth year over year. On a regional basis, North America provided some early growth, Europe showed some softness, and the emerging market expanded in a double-digit numbers year over year.

Despite global uncertainties, we believe our fiscal year 2013 remains on track with our plans. And therefore, we are reiterating our full-year revenues and non-GAAP EPS guidance. We will continue to monitor our key variables in our business end-markets, such as the consolidation activity in North America, and macroeconomic conditions, especially in Europe. The Company continues to focus on total return to shareholders, supported by our EPS outlook and our dividend deal.

Let me now elaborate on the Company's activities in the first quarters, in the first quarter on a regional basis. Our performance in Europe was solid, but was impacted by anticipated ramp-down of some transformation projects in certain customers while new deals were slow to mature and did not compensate sufficiently for this planned ramp-down. As a result, our revenues were down this quarter in comparison with the first quarter of fiscal 2012.

We believe our competitive position in Europe remains strong. And we continue to see opportunities for new business across our portfolio for products and services. General macroeconomic conditions, however, continue to weigh on the region, which reduces our visibility into the size and the timing of future deals. Accounting for this uncertainty, our current expectations for the fiscal year in Europe are somewhat muted.

Moving now to the emerging markets. Our strategy to plant our flag on the controlling [heels] is progressing well, and resulting in new customer wins and increased market penetration in Southeast Asia and Latin America. Along these lines, today we announced that Claro Chile, a wholly owned subsidiary from America Movil, has selected Amdocs to consolidate and modernize its business support systems, BSS, and its operation support system, OSS.

We are working diligently to make Claro Chile a successful implementation. And we hope that such an implementation can also serve as a platform to expand our presence within the America Movil group of companies.

On the same note, you may recall that at our December Analyst Day we announced that Amdocs was selected by Telefonica to implement the transformation program in Argentina. This marked our first project with the Telefonica group outside of Europe.

We are encouraged by the fact that we have made progress with two of the largest carriers in Latin America. These wins reflects the recognition of the value that they get from our product, services and strong execution. We are also making progress in Southeast Asia. Therefore, combined with our recent success in Latin America, we believe that we are on track to meet double-digit growth in emerging markets again this fiscal year.

Let us now switch focus to our North America markets, where we saw a return of year-on-year growth for the first time since the beginning of 2012. Last quarter we indicated that our business with AT&T had stabilized and that we anticipated new business with AT&T and other customers in North America, albeit at a moderate pace. We are encouraged to see that these activities is materializing.

Let me take a moment to add some color, building on some of the themes we discussed at our recent Analyst Day. First, service providers in North America are once again contemplating inorganic growth plans as the stagnation period following the AT&T/ T-Mobile merger break up, is starting to fade. M&A activity continued in the recent months with Sprint proposed acquisition of Clearwire, and AT&T proposed acquisition of both the retail wireless operation for Alltel and certain wireless airways from Verizon.

Previous deals are still in progress, including Softbank proposed acquisition of Sprint, and T-Mobile's proposed acquisition of MetroPCS. Despite short-term uncertainties, these types of inorganic activities usually represent the positive long-term potential for Amdocs.

Second, following the investment in their LTE 4G networks, the carriers in North America are now seeking new ways to monetize their investment. We are encouraged by the latest report by AT&T that it continues to see a steady move of subscribers away from the unlimited plans towards the usage-based rates like Mobile Share. This new way of monetizing data is in line with our predicted -- that we predicted several quarters ago. And, in general, requires a level of sophistication that Amdocs provide.

Third, North American wireless operators are increasingly emphasizing no-contract and prepaid plans as part of their offering. As we said last quarter, many prepaid and no-contract offerings have similar attributes and complexity of those traditionally offered to post-paid customers, but in a real-time mode. Which again plays to our strength.

We acknowledge that spending priorities can change in the pending mergers scenarios, and therefore we are monitoring the North American market carefully. But all in all, we believe that the trends that are emerging in the region represent a positive potential outcome for Amdocs in the long term.

To wrap up, we believe our execution and competitive position remains strong around the globe. We are focused on winning strategic and long-term deals. We will continue to invest in our future growth, while maintaining strict control on our operating margins, with the ultimate aim to continue providing attractive total return to shareholders. With that, I will turn the call now over to Tamar.

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

Thank you, Eli. First-quarter revenue of $826 million was within our guidance range of $810 million to $840 million, with a modest benefit from foreign currency fluctuations of approximately $1.5 million, relative to the fourth fiscal quarter of 2012. Our first-quarter non-GAAP operating margin was 16.6%, flat with the fourth fiscal quarter of 2012, and within our expected range of 16% to 17%.

Below the operating line, net interest and other income was $0.1 million in Q1. 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 fluctuations. Non-GAAP EPS was $0.73 in Q1, compared to our guidance range of $0.68 to $0.74. Our effective tax rate of 12.9% for the quarter was at the low end of our annual guidance range of 13% to 15%.

Free cash flow was $115 million in Q1. This was comprised of cash from operations of approximately $145 million, less $30 million in net capital expenditures and other. We anticipate free cash flow in the second fiscal quarter will be lower, due to timing of annual bonus payments. DSO of 75 days declined by one day quarter-over-quarter. Our total deferred revenue, both short-term and long-term, were down by $7 million sequentially. And total unbilled receivables were down $7 million, as compared to the fourth quarter of 2012.

Our cash balance at the end of the first quarter was approximately $961 million. Our 12-month backlog, which includes anticipated revenue related to contracts, estimated revenue for managed services contracts, letters of intent, maintenance, and estimated ongoing support activities, was $2.8 billion at the end of the first quarter, up $10 million sequentially, and up 4.1% year over year.

During the first quarter, we repurchased $104 million of our ordinary shares pursuant to our February 2011 share buyback program. Of the $1 billion initially authorized under the February 2011 plan, as of December 31, we had $99 million remaining repurchase authority, which extends through February 2013. We also have an additional $500 million authorized, pursuant to our November 2012 share buyback program.

This plan has yet to be tapped, has no expiration date, and will be implemented under our 50/50 framework for free cash flow allocation. As a reminder, under this framework, on a long-term basis, we will allocate approximately 50% of our free cash flow to strategic growth activity, including M&A and investments in growing managed services. We expect to allocate the remaining 50% directly to shareholders, including approximately 20% in the form of dividend, and approximately 30% towards buyback.

Looking forward, we expect revenue to be within a range of $820 million to $850 million for the second fiscal quarter of 2013. This range includes minimal anticipated sequential impact from foreign currency fluctuation, as compared to Q1.

Translating the second quarter guidance into a full-year -- fiscal year, we still expect total revenue growth for the year to be in the range of 2% to 5% on a constant currency and reported basis. Within this, and consistent with our prior expectations, we anticipate revenue from our directory business in fiscal 2013 to decrease in the double-digit percentage range, placing about a 1% drag on the total Company results.

We anticipate our non-GAAP operating margin in the second quarter to continue to be within a range of 16% to 17%. We also expect total non-GAAP EPS to be in the range of $0.69 to $0.75. Incorporating into this forecast is an expected average diluted share count of roughly 164 million shares in Q2. And the likelihood of a negative impact from foreign exchange fluctuation in net interest and other expense.

We excluded the impact of incremental future share buyback activity during the second quarter, as the level of activity will depend on market conditions. For the full year, we were reiterating 5% to 8% non-GAAP EPS growth. The annual guidance does include estimated future share repurchase activity executed in accordance with the framework previously outlined. With that, we can turn back to the operator to begin our question-and-answer session.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Ashwin Shirvaikar.

Ashwin Shirvaikar - *Citigroup - Analyst*

Thank you. My first question is, as you look at your pipeline, how important are the LTE and data monetization projects, sort of by region? Clearly the Cloud Chile deal shows that there is demand beyond North America. Is this sort of a quantifiable material uptick to the overall that you can project?

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Thank you, Ashwin, for the question. You know, LTE and data monetization is something that we predicted several quarters ago. I think that it's materializing, but it is -- altogether, it's in its infancy, I would say. You see some signs in North America, you see Europe is moving a little bit into this direction. The emerging markets are not dealing with it right now. But if you ask me if it will have an impact a few years down the road, I would say absolutely and in a big way. And that's kind of -- the next generation of demands and requirements will come from there. So it is a very important indication the fact that we are winning in this space and all around the mature Western world, I would say. It's very important. In terms of the numbers, I would not try to read into it. And obviously, it's all in our projected numbers. So that's kind of the color I can give you on the data monetization component.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay. And the weakness in Europe. I guess the question is, how widespread was it? Is there any of it sort of limited to discretionary project activity? Was it more related to year-end stoppages? Is there an offset because you might be having more managed services conversations? Could you shed some light on Europe?

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Yes. Actually, thank you for the opportunity to clarify. Because we did not see any stoppage of projects, we did not see cancellation of projects in Europe. What we see in Europe is a phenomena of a market that is cautious. So we predicted some of the ramp-down on some projects. You know, we get to production in Vodafone Netherlands. It goes slightly lower. And the pace, on the other hand, of new signed deals is not as fast to compensate for some of this ramp-down. So it's nothing that is really alarming in terms of a meltdown or a stoppage of projects or something like this. It is just that the pace, if you consider the momentum that they had in Europe the last 12 months, and the pace of projects coming to maturity versus the new deals, are not as high. Nevertheless, I try to emphasize that we see new deals. We have new deals in our pipeline. We are actually signing deals in Europe as well. It's not an area under -- like a disaster zone. But you know, we all read the same main newspaper. People are very careful there to move into large transformations. And as I said, we feel that our position in Europe is very strong. And I would think that we will keep on seeing some project signing as the year progress. Nevertheless, we don't see the growth that maybe we saw 12 months ago.

Operator

Daniel Meron of RBC Capital Markets.

Daniel Meron - *RBC Capital Markets - Analyst*

My first question is, as you look on 2013, what kind of growth rate do you expect on a regional basis for North America versus emerging markets in Europe right now? Thank you.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Well, we do not provide guidance per region. And also internally, we don't think about growth per region. We usually bring all of the plans from the ground up. But you know, we declared that the emerging markets will be double-digits. Europe is not growing that fast, and you can do the math with all of the other barometers. In North America, we will see some growth and you can calculate some of it. But we are trying not to guide per region because it's very confusing, in our opinion.

Daniel Meron - *RBC Capital Markets - Analyst*

Okay, thanks, Eli. And then can you update us on the directory business? What's the status there? And any update on the dynamics? Thank you.

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

We are not seeing much different now than what we discussed Analyst Day. Meaning, naturally this market has pressure on the print side of the directory. That means that they are trying to spend less on existing systems. We are continuing to serve many of the living providers in the directory sector with very good relationship. Yet, naturally this business is diminishing for us as well. We factored that trend into our guidance already for the year. And we are continuing to see similar trends. Overall, that will be probably a drag of about 1% in terms of total Company growth. So same as we predicted a couple of months ago.

Operator

Jason Kupferberg of Jefferies.

Jason Kupferberg - *Jefferies & Company - Analyst*

Thanks, guys. I guess since we've had some questions already on North America and Europe, I will just ask on emerging market. Year-over-year growth obviously continues to be solid there. But quarter-over-quarter, I think we were down a little bit for the second consecutive quarter. Can you just help us understand how much of that has to do with contract milestones and revenue recognition? I would suspect you are in fairly early stages of some of these implementations, so it can be a little lumpy. But should we see a return to fairly solid sequential revenue growth starting in Q2 there?

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

Well, Jason, I would say that naturally since those emerging markets are a highly dependent on project activity at this stage, yes, we do have some early signs of managed service deals, as indicated in the past. But still, the majority of the business is project. Naturally there are milestones ramping up and down in different accounts. And the sequential trend, therefore, of plus-minus $2 million is definitely not what is worrying us. We are focused on the long-term vector. The annual vector is definitely going to be strong double-digit growth. We have a feel of that view, as we indicated. And looking at the last two years of double-digit growth and the continuation of that trend line into the fiscal '13, we believe we are doing a very good job in continuing to penetrate on the one hand additional accounts -- we just mentioned a couple of examples on the call already. And continuing also to extend relationship with accounts we've penetrated over the -- a couple of years ago. So healthy business and good momentum, overall.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

And Jason, I would just add that you need to keep sight on the fact that within one month we are -- or two months, actually, maybe -- we are announcing a major transformation deal with Telefonica Argentina, one of the largest telecom in Central and Latin America. And America Movil in Chile, another one of the largest carriers in South America. We definitely are encouraged by this progress. And in parallel with that, we are continuing to execute and sign new deals in Southeast Asia. So that's going to give us the overall picture. And as Tamar said, the fluctuation on projects coming in and out, and the way we organize them and different components of them, is not so material.

Jason Kupferberg - *Jefferies & Company - Analyst*

Okay, that makes sense. And yes, it's encouraging certainly to see some of those newer wins in the emerging markets. Are those going to help drive some faster sequential backlog growth going forward? I mean, your backlog did tick up a little bit sequentially. But not quite as much as we have been accustomed to seeing for a while now. And I know you mentioned some deal push outs in Europe, so maybe that weighed on it in December. But now that you've got some newer announcements out there, would we expect to see backlog growth re-accelerate a little bit in Q2?

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Well, Jason, I will start. Maybe Tamar wants to jump in as well. We tried to kind of mention several times, backlog is not the best indication for our business. It may fluctuate, and we don't run the business by that. So if you look at the overall picture, year-over-year growth in a healthy way. And the quarter-over-quarter really depends on many, many promises, and they are not an indication to the business going forward. I think we are giving that as an indication of the health of our business and the fact that we are growing and adding new businesses. But the guidance of the next quarter is probably the best accurate way to look at the sequential growth, overall.

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

Just keep in mind also that, especially in new business being engaged with us, sometimes the formal commitment is coming in phases. So, for example, one customer will commit first for the scoping phase, and only later for the full activity. Although the probability for that happening obviously is very high, we were not taking the parts that are not fully committed yet into the backlog. So it really depends on the cycle of how the customer will actually commit into going into a new activity. Which has its play into the backlog as well. We are tracking in terms of the backlog ahead of the revenue expectations for growth. So I don't think you should read any signs of concern into that at all.

Operator

Tom Roderick of Stifel Nicolaus.

Chris Koh - *Stifel Nicolaus - Analyst*

This is Chris Koh for Tom. So if you look at the -- you mentioned some commentary about North America. It sounded like it improved by quite a bit this quarter. Just wondering if you could give us a little bit of color on the nature of that improvement. Was there anything that can be tangibly be linked to the data monetization projects? Or was it any particular tier of account, that type of thing? Thanks.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

So Chris, thanks for the question. Like always with our Amdocs, it's the summation of several things that are moving in parallel. In this specific quarter, we saw some momentum in AT&T. We tried to pick the reasons behind it. We cannot go into the details of specific project because most of these projects are very sensitive to AT&T and in the way they are coming into the market. But AT&T is finalizing, as we speak, its strategy and refocused position that took them about three quarters or so. And in coming out to the market with new offerings that you will see rolling out. Some of them you saw, like the Mobile Share. And we were definitely involved in that. And that's also part of the ramp-up. But their other project that we cannot talk about that will be part of the offering of AT&T in the future. So we see a ramp-down -- a ramp-up there. And also we have some other projects in other North American carriers, in Canada and the US.

So all together, I would say it's many things that adds up together. And we try to give the analysis why we believe directionally things are happening. We mentioned three things. One is the M&A activity that creates the need to prepare things and the need to change things, and so on and so forth. So these dynamics adds up to requirements. We talked about data monetization. It's in infancy, but the direction, I think, is clear and positive. And we talked about the prepaid no-contract as a vehicle for new revenues. Now we did not start talking about new directions that we see North America coming in. I don't know when it will materialize and what will be the size of it. But activities like machine-to-machines and connected to homes and stuff like this. Again, really just rolling out of the -- on the runway right now. But we expect it to ramp up eventually, as well, as real business. So we see a lot of activity from many different angles, and that's kind of what you need to take home.

Chris Koh - *Stifel Nicolaus - Analyst*

Excellent. Thank you for the thorough answer there. And if I could have just one follow-up on the margins. Tamar, if you look at the license line, I know that typically fluctuates. But it seem to be quite low this quarter. So when you look at the EPS guidance, should we assume a lower license run rate going forward? Or do you think that will bounce back to historical levels? Thanks.

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

I will first say that in our business model, the license is not necessarily an early indicator, nor is it a direct flow into the margins. Many of the licenses we sell, especially in the initial projects, of penetration into a customer are still part of the overall deal. So I would not associate the trend line of the license directly with the margin direction. Having said that, I would say that specifically within this quarter, you are right. We have seen a relatively lower license number. It's hard to predict exactly how it's going to trend sequentially. But if you ask me is that relatively low? Yes, it is. And we don't expect this level to sustain for a long term.

Operator

Shyam Patil with Raymond James & Associates.

Shyam Patil - *Raymond James & Associates - Analyst*

Eli, you talked about this a little bit in a previous answer. But around AT&T, the pick-up you saw there, do you view that as sustainable trend going forward the balance of this year and beyond? Or is there some uncertainty around that and perhaps this could be more a short-term-oriented project? Just curious to get your thoughts there.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Thanks, Shyam. Look, on AT&T, I think that anything that we see in AT&T or other major carriers in North America is usually not the short one-, two- or three-month project. These are, I know, a huge conglomerate. Usually when they start moving, they move. So regardless the specific projects or specific initiatives that we are talking about, I hope to see some of these initial signs of growth continue throughout the year, maybe throughout the years. I think that the entire market was in a spasm mode. I actually described it a year ago, and three quarters ago, and we see it coming up to life again. At a certain level. And usually when you see certain activities in one carrier, you know that the other carriers are also would move faster. So I don't think it will be show time. But I cannot obviously relate to a specific project or specific initiatives without compromising some of our customers' very sensitive information.

Shyam Patil - *Raymond James & Associates - Analyst*

Okay, thanks. And then just a follow-up. There is some commentary in the press about Telstra and Amdocs' position with the OSS business there winding down unexpectedly. Just wonder if you could comment on that.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Yes, sure. It's actually great you asked this, Shyam. Look, we have fluctuations on ongoing support contracts all the time. And this is not something that a project that was canceled or that we have been -- our product has been -- they stopped using our product or anything of this nature. It's a ramp-down on certain activity that we have there, with other activities are continuing with the same pace. And they picked up on -- for some reason, on Telstra. And they can pick up on others, because we have moving parts of projects going up and down all the time. So I wouldn't read too badly in that. And not into our position in OSS. Actually, we have in our pipeline several major OSS opportunities that are bigger than Telstra. And we will see. If we can win some of them, it will be actually a good thing for us. So all together, we have fluctuations of this type of businesses all the time.

Operator

Julio Quinteros of Goldman Sachs.

Paul Thomas - *Goldman Sachs - Analyst*

This is Paul Thomas for Julio. Thanks for taking my questions. On the guidance range, could you talk about what's baked into the upper and lower end of that range? Is there any particular deal ramp or lumpiness that could drive you to one end of that range versus the other?

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

So Paul, it's not that it's really in one singular event or deal that can make the difference. I would say that, first of all, what we are seeing in North America, as we said, the M&A environment is both an opportunity, but also creates some uncertainty. Because companies may change priorities given the strategic move. And given what we have seen in fiscal '12 around M&A activity, we feel we need to be cautious, yet on the high-end, optimistic of what this can create within the results of fiscal '13. Adding to that, the growth we were seeing in the emerging market is mainly coming from project activity. And as we explained, based on another question that was raised today, there is more fluctuation in the milestones and the recognition in project activity, and we want to be conscious of that as well. Therefore providing for a relatively larger range this year in terms of the guidance for top line growth.

Paul Thomas - *Goldman Sachs - Analyst*

Okay, that makes sense, thanks. And then maybe just one more about Europe. I know you talked about the ramp-downs on that region and you got new signings coming up. Do you think at this point that we have marked the bottom, at least on a revenue run rate in the quarter? Or is it too soon to say that?

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

I don't think we can declare the bottom or necessarily it is the beginning of a decline of a trend that will continue. Again, we don't have as much of a large base of managed services activities in Europe. So we are more dependent on the flow, and the pace of flow of new deals coming in, to make up for the natural ramp-down of some projects that are ending. And as we said, given the environment, the visibility we have right now and the confidence level of the clients there is such that it's harder to predict. And we are being therefore more cautious about Europe. But I don't think we can declare that necessarily this is the lowest it can get.

Operator

(Operator Instructions) David Kaplan of Barclays.

David Kaplan - *Barclays Capital - Analyst*

If you can talk first about strategy in terms of products, and where you guys are looking at analytics, perhaps expanding your product offerings across the stack. It stuck a little about what you are doing internally or maybe what you are thinking about externally as far as analytics goes.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Yes, David. Thanks for the question. You know, we try to give it a high level of product road map during the Analyst day. And I cannot remember if you have been there. But we are definitely expanding beyond the traditional product line of the revenue management, invoicing and dealing in CRM and retail management of the stores, and all of these applications quite fast into new areas. One of them of course is the data monetization, the real time network monitoring and the real time prepaid. Others is analytics and big data and data warehousing. We have several projects in this respect. It's not only just product that comes out of our R&D. We have some real revenue and real progress in this space. Taking into advantage the fact that we really understand well the usage of database and the usage information of what the customers are consuming. When they are consuming it, why they are consuming it, in what sequence, what price, in what time of the day, in what time of year, area you are serving in, and so on and so on. And so all this data. Without taking any private information, you can digest it in certain way that will allow you to better -- allow the carrier to better analyze what is going on. And therefore, plan better for the future, regardless if it's a new campaign, a new product or expansion of the network. So we are definitely active in this space as well.

David Kaplan - *Barclays Capital - Analyst*

Okay, great. And Tamar, a little bit of housekeeping as a -- I mean, I probably have mentioned this already a little bit. But the tax rate seems to have been on the low end, or below even, your normal guidance range. Someone mentioned backlog a little bit earlier. Plus you have the ongoing buyback. And I know you mentioned that in the quarter, that you didn't include the impact of the buyback on taxes. But kind of what happened in this quarter with the buyback and with the price of the stock -- I know that's going to fluctuate -- and with the taxes this quarter? What are you seeing already for the March quarter so far? You know, because so we can try and think about what the March quarter is going look like.

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

Well, in general, we should assume our tax rate to be in the range of 13% to 15%. It's hard to predict, given for us, in any given quarter what the specific outcome will be, given the combination of how revenue will play out, based on legal entities. Things like -- will we see an audit resolution or not? And different things that can play out for the tax line. I think that overall we have been quite consistent in tracking against this range of 13% to 15%. Even on a quarterly basis, we have some deviations in certain quarters, given some events. The last quarter was 15%-point something, this quarter is 12.9%. It's quite hard to give a more specific indication other than this range. And specifically, relevant to the buyback and the tax. I wouldn't put a connection between the two. Especially that our ultimate parent company Amdocs Ltd. is domiciled in Guernsey, it's a zero tax rate jurisdiction. So the usage of funds for the buyback within any given quarter is not that different for the tax rate.

Operator

Ashwin Shirvaikar of Citi.

Ashwin Shirvaikar - *Citigroup - Analyst*

Tamar, my question is from a margin and cash flow perspective. How do you think of the relative impact of, say, a weakly Europe versus growth in Latin America that's coming through and, you know, the sort of newer market. So is it more of an [enlistment peer] to lower margin? How do you think of that and sort of juxtapose that against rebound in demand in North America, which has got to be good for you? So could you talk through the pieces a bit?

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

I would say, generally, the areas in which we have incumbency already of typically with higher margins. By the way, it's true also for accounts in emerging markets in which we have many years of business already, and already reached a level of what we call the recurring business momentum, and rather than a penetration mode. So given the fact that where we are in the cycle of penetrating emerging markets, most of the accounts we have today in emerging markets are in a penetration mode. And therefore, in a lower margin profile than the activities we are seeing in the developed countries of Europe or in North America. As we spoke in the Analyst Day, this change in mix that we are seeing now, and the fact we are investing in the set up and the penetration into many new countries and newer towns for us, is having its pressure on the margin. We managed to overcome that and even improve margins on a year-over-year basis in fiscal '14 with 40 basis points expansion margin there. This year, we feel that even keeping the relatively flat corridor of 16% to 17% is something that we would like to achieve. And feel it's the right balance between investing in growth areas and between continuing to monitor very carefully our cost structure.

Ashwin Shirvaikar - *Citigroup - Analyst*

And the cash flow is impacted?

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

I would say that in marginally, if we are thinking about growing from transformational projects versus growing from expansion in ongoing activities in existing accounts, sometimes the transformational project will have more requirements in terms of working capital. But it's not as extreme when we are talking about the kind of movements we are seeing now on a sequential basis from quarter to quarter.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Ashwin, maybe to just add a comment or two to emphasize something that Tamar said. Do not take a simple model that says that new business in North America immediately comes with high margin, versus new business in somewhere else does not. It's mainly the type of project we are talking about. And the risk profile, if it's a new product or a new region or a new customer and the size of the project. Sometime I take a [prime-sigh-roll] and the entire risk profile or the project on one hand goes higher, higher. On the other hand, our ability to control the outcome of the project, because we are kind of master of our own destiny, is completely different. So different projects will have different profile of risk and pressure on the EBIT. And not necessarily in correlation to the regions. All together, the fact that North America shows some sign of growth is definitely something that we are happy about. And we are not that concerned about Europe. We are definitely very encouraged with the emerging market. And then the other thing is that -- it's a little thing, but we crossed the high water mark this quarter again. And then we intend to keep on growing some. And then the combination of the different regions and the combination of the type of projects will determine the profile that we are looking for. But unfortunately, it's not as simple as you would try to depict it. And I'm sorry that I cannot give you a better metrics.

Operator

Shaul Eyal from Oppenheimer & Company.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

I apologize in advance if some of the questions have been asked. -Eli, Tamar, any change in the hiring plans for 2013?

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Change from the original AOP of the Company? No. (laughter). No, we accrue it and we go through betterment processes all the time. We actually, usually at this time of the year we go through a betterment process because we have finished the appraisal component of the Company. But if you are asking in general whether we see major changes from what we planned a quarter ago or two quarters ago? No, there are no changes.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Great. Any kind of traction, specifically on the converged filling side of the equation this quarter?

Eli Gelman - *Amdocs Management Ltd - President & CEO*

No. We wrote the book on this thing. Unfortunately, the only thing is that not that many carriers want to get into a new transformation project from A to Z every quarter. So we have in the pipeline opportunities. The ones that we can release, we are releasing, like Telefonica Argentina or like Chile --America Movil in Chile. But if you ask me about the picture in general in terms of execution, production, new wins versus -- and pipeline, no major changes there. We are cruising based on the AOP, I would say, based on the annual operating plan.

Operator

Tom Roderick with Stifel Nicolaus.

Chris Koh - *Stifel Nicolaus - Analyst*

Just a follow-up here. I was wondering if you could comment on the cable space, specifically in North America? I think you had mentioned previously that a big customer of yours was planning on consolidating some regions, and that did not occur in FY '12. If you could maybe give us an update on that. Thanks.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

That's Chris, I guess, right?

Chris Koh - *Stifel Nicolaus - Analyst*

What was that?

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Is that Chris?

Chris Koh - *Stifel Nicolaus - Analyst*

Yes, it's Chris. Sorry. Yes, I'm in for Tom.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Yes, fine. Look, we cannot give you specifics on a specific customer. But in general, will tell you that our cable and satellite business is growing. Not only in North America. We have some projects outside of North America as well. We did not see major transformations going on there. But we do make progress all the time on component-level, I would say, with major MSOs in the world, including North America. So it could be a component of invoicing or a component of -- another component of our applicant. What we don't see, you know, like a full transformation like Telefonica Argentina. But we do see activity, and we see it as healthy business.

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

Just to add to that, out of North America we are seeing more activity around Pay TV and quad play in general. And we are active successfully there.

Chris Koh - *Stifel Nicolaus - Analyst*

Great, thank you. And then one last follow-up for Tamar, if I can. When I look -- I'm trying to go through the model here. And I think you had said 5% to 8% EPS growth. And you have given your performance in the first quarter. It seems like for the rest of the year, that's kind of implying flattish EPS on a Q-over-Q basis. You know, because if you do $0.73 times 4, then you get the $2.92, which would be right around that 8% level. So I was just wondering, is that kind of implying flat to even down slightly margins for the rest of the year? Thanks.

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

First of all, in terms of the margin, we are talking about 16% to 17%. And as we said in the past, there could be fluctuations in the operating margin line within that. We don't want to manage the Company to a point level of ten basis points up or down of the margin. We want to make the right business decisions. And in terms of the overall EPS, pay attention that within Q1 specifically, we have seen positive impact from items below the operating line contributing to the EPS. The lower tax rate, the fact that we did not see any negative impact coming from the FX this quarter. Although usually we predict that this will happen, given volatility of currencies. So not necessarily we want to assume that any given quarter in the future we will enjoy these positive items below the operating line.

Operator

And that concludes today's question-and-answer session. Mr. Smith, at this time I will turn the conference back to you for any closing or additional remarks.

Matthew Smith - *Amdocs Management Ltd - Director, IR*

Yes, thank you very much, Jessica. We would just like to thank everyone for listening in today. We greatly appreciate everybody's participation. And we look forward to catching up with everyone very soon. Thank you.

Eli Gelman - *Amdocs Management Ltd - President & CEO*

Thank you.

Tamar Rapaport-Dagim - *Amdocs Management Ltd - CFO*

Thank you very much.

Operator

Thank you for your participation. Have a good day.
