THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

DOX - Q3 2014 Amdocs Ltd Earnings Call

EVENT DATE/TIME: JULY 29, 2014 / 9:00PM GMT

OVERVIEW:

Co. reported 3Q14 revenues of $902m and diluted non-GAAP EPS of $0.81. Expects 4Q14 revenues to be $890-920m and diluted non-GAAP EPS to be $0.75-0.81.

CORPORATE PARTICIPANTS

Matt Smith *Amdocs Ltd - IR*

Eli Gelman *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Tamar Rapaport-Dagim *Amdocs Ltd - SVP, CFO, Amdocs Management Limited*

CONFERENCE CALL PARTICIPANTS

Shaul Eyal *Oppenheimer & Co. - Analyst*

Ahmed Singh *Jefferies & Co. - Analyst*

Tom Roderick *Stifel Nicolaus - Analyst*

Mark Sue *RBC Capital Markets - Analyst*

Tal Liani *BofA Merrill Lynch - Analyst*

Sterling Auty *JPMorgan Chase & Co. - Analyst*

Angel Sleets *Robert W. Baird & Co. - Analyst*

PRESENTATION

Operator

Welcome to the Amdocs third-quarter 2014 earnings conference call. My name is Dakiva and I will be operator for today's call. A t this time, all participants are in a listen only mode.

(Opeartor Instructions)

Please note that this conference is being recorded.

I will now turn the call over to Matt Smith. Matt Smith, you may begin.

Matt Smith *- Amdocs Ltd - IR*

Thank you, Dakiva.

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 it consistently analyze the critical components and results of operations of the company's business and to have a meaningful comparison to prior period's. For more information regarding our use of non-GAAP financial measures, including reconciliation 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 constitute forward-looking for 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.

This risks include, but are not limited to, the effects of generally economic conditions it such as other risks as discussed in our earning release today and have greater length in the company's filings with the Securities and Exchange Commission, including our annual report on Form 20-F for the fiscal year ending September 30, 2013, filed on December 9, 2013, and our Form 6-K furnished for the first quarter of FY14 on February 11, 2014, and our Form 6-K furnished for the second quarter of FY14 on May 15, 2014. Amdocs may elect to update these forward-looking statements at some point in the future, however, the company specifically disclaims any allegation to do so.

Anticipating on the call with me today are Elie Gelman, President and Chief Executive Officer of Amdocs Management Limited and Tamar Rapaport-Dagim, Chief Financial Officer with that, I'll turn it over to Elie.

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Thank you, Matt. Good afternoon anyone joining us on the call today.

We are pleased with our third fiscal quarter results which reflects performance consistent with our overall expectations. Total revenue exceeds $900 million for the first time and include a record revenue in the emerging markets.

We secured the number of significant new wins with strategic customers across multiple business lines and geographies. Our free cash flow generation was robust. We've demonstrated discipline execution while bringing innovation to the market for our investment in R&D and in recent acquisitions. Let me now review the company's third fiscal quarter activity on the original basis. Beginning with North America, where we delivered another solid quarter.

[Tarries] continued new ways to monetize investment and this is supporting customer demand for our next-generation solutions across existing buying centers as well as within near growth areas. Along these lines, we are today delighted to announce that we secured new awards with two important North American carriers in the third fiscal quarter.

First, Bell Canada has selected Amdocs convergence charging powered by our superior turbo charging technology as its next-generation charging solution. This arrangement is enabling support for Bell's converging line of businesses and reinforced a long-standing relationship with one of our largest carriers.

Second, Telus, one of Canada's leading suppliers and providers was upgraded to the latest version of our charging and billing solution, allowing it to bill for IPDB and other new services, while resulting greater efficiency and improve customer experience. We are please with the significant growth of the business and the momentum that we have seen in North America over the last 12 months.

We continue to see many opportunities to support our customers, but we expect that the growth rate we have recently enjoyed are not necessary sustainable considering factors such as the timing of new projects award and normal fluctuations in account activity. Additionally, our short-term outlook remains subject to lingering uncertainties resulting from announced consolidation activities among North American wireless and pay-TV operators, although we do not see any deterioration in this combined impact in this relative to our assessment of last quarter.

Moving to the emerging markets, what we delivered the record revenue in the third fiscal quarter, these results reflect the progression of highly complex transformation projects towards production. In light of this performance, let me take a moment to remind you the significant opportunities we see ahead of us in the emerging markets.

Major carriers in Latin America and Southeast Asia are continuing to make critical decisions under the directions of their long-term IT system infrastructures as they navigate two important ways of changing industry dynamics. The first one, carriers are focusing investments toward an improved customer experience as their best vehicle to increasing complete for customers loyalty.

These is especially important during -- for the slower -- due to the slower rate of subscriber growth and shifts from prepaid to post paid. Second, rapid economic development in these regions is translating into a rising middle class and higher penetration of small devices and multiplayer offerings.

Carriers, therefore, considering to replace their homegrown and legacy systems in favor of scalable modern platforms, which are also enabling them to support the higher level of operating complexity. Importantly, these waves of industry changes reflects the fundamental reasons for our expansion in the emerging markets over the last several years, as we invested in addressing the strengths ahead of time.

We believe that these strengths will continue to support sustainable growth trajectory for Amdocs well into the future. With our track record and unique position implementing customer experience solutions, we're winning influential deals with the largest carriers in the emerging markets.

During the third fiscal quarter, we announced that Telefonica selected Amdocs for a new quad plate transformation project in Chile and Peru. These winds follow on the heels of projects already underway in Telefonica Argentina and demonstrate that our model of expansion and strong execution applies as well as in the emerging markets as it does in the developed markets.

Looking ahead, we are focused on continuing -- continuously the improving our strategic acquisition in these markets. We project continue growth although we expect quarterly trends to exhibit lumpiness, primarily owing to project orientation of our customers' engagements.

Turning finally to Europe, revenues were relatively stable on a sequential basis and in line with our expectations. During the quarter, we made further progress with Vodafone group, where we added another two another affiliates to be supported under the global minute services agreement we signed in FY13. This includes Vodafone's fixed line operation in the UK and Vodafone Group Enterprise machine to machine line of operations. We are now supporting seven Vodafone affiliates under this agreement.

With respect to our outlook in Europe, we believe we are positioned to leverage opportunities on multiple fronts, although we expect difficult microeconomics and regulatory conditions will continue to present challenges for the carriers in the region.

To summarize our original review, we are pleased with our performance over the past several quarters, including with respect to the number of wins we have secured with several strategic customers across multiple business lines and geographies.

In [part] of our geographic expansion will also focused on bringing innovative new offerings to the market by way of our R&D investments and acquisition strategies. This includes our recent initiatives in the area of network software which we presented in detail at the network investor briefing we had during the third quarter. The post merger integration of Aptics and Cellside) is progressing in line with our original expectation and we continue to see encouraging levels of customer engagement.

Were also seeing demands for Amdocs Contact Convergence or ACC, a relatively new product, which can be offered on a private or public cloud to meet the less complex needs of small service providers. During the third quarter, we successfully brought ACC into production in the Southern European multiplayer operator.

With ACC, where aiming to address the lower level of complexity of mobile visual network operators, VMNOs lower tier original service providers, as well as some simple adjustment markets. We see good momentum with this cloud-based products, but naturally, the size of the deals are relatively small.

To wrap up, we are on track to deliver full-year revenue growth towards the mid point of our previously-guided range of 5% to 8%. This outlook naturally reflects many moving parts, we remain highly focused on our overall execution. This includes securing new businesses, delivering complex information projects into production, integration of our recent acquisition, constantly expanding our product suite, improving our operating efficiencies, and maintaining our commitment towards a balanced allocation of capital over the long-term.

Finally, we are pleased to advise you that we have scheduled our next analyst and investor day for Tuesday, December 16th, at the NASDAQ market site headquarter in New York City, midtown. We look forward to providing you with an update on our strategic objectives, as well as the full year model of the Company.

With that, I will turn the call over to Tamar.

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP, CFO, Amdocs Management Limited*

Thank you, Ellie.

Third fiscal quarter revenue of $902 million was within our guidance range of $885 million to $915 million, with a positive impact from foreign currency fluctuations of approximately $3 million relative to second fiscal quarter of 2013. Our third fiscal quarter non-GAAP operating margin was 16.7% a decline of 10 basis points compared to the second fiscal quarter of 2014, and within our target range of 16% to 17%.

Below the operating line made interest and other expense were $700,000 in Q3. For forward-looking purposes we continue to expect the net expense in the range of a few million dollars quarterly due to foreign currency populations. If you look at non-GAAP EPS was $0.81 in Q3 compared to our guidance range of $0.75 to $0.81. If you look on non-GAAP EPS in Q3 was positively impacted by lower than usually net interest in other expense and a non-GAAP effective tax rate which was at the lower end of our anticipated range.

Free cash was robust with $173 million in Q3. This was comprised of cash flow from operations of approximately $199 million, less $26 million in net capital expenditures and other. As a reminder over the long-term, free cash flow tends to convert at the rate on par with our and non-GAAP income. DSO 76 days was flat with the prior quarter. Totaled unbilled receivable rose by $11 million as compared to the second fiscal quarter of 2013.

Our total revenue both short and long-term increased by $38 million sequentially in Q3. Both of these items may fluctuate from quarter to quarter. Our cash balance at the end of the third fiscal quarter was approximately $1.2 billion. Our 12-month backlog, which includes anticipated revenue related to contracts estimated revenue for management service contracts, letters of intent, maintenance, and estimated ongoing support activities was $2.97 billion at the end of third fiscal quarter, up $30 million sequentially.

During the third fiscal quarter, we repurchase $93 million of our ordinary shares under our current $500 million authorization plan. We had $74 million remaining under this authorization as of June 30. We also have an additional $750 million authorized pursuant to our April 2014 share buyback program to be executed at the Company's description going forward. That traditional authority does not have a stated expiration.

Now, turning to our outlook, we expect revenue to be within a range of $890 million to $920 million for the fourth fiscal quarter of 2014. We anticipate minimal sequential impact for foreign currency fluctuations as compared to Q3.

Translating our fourth quarter to the full fiscal year, total revenue growth continues to track towards the midpoint of our previously stated guidance range of 5% to 8% on a constant currency and reported basis. Also within the full-year outlook, and consistent with our prior expectations, we still anticipate revenue from our directory business and fiscal 2013 to decrease in the double-digit percentage range, placing it down to 1% drag on the total Company results.

We anticipate our non-GAAP operating margins for fiscal 2014 to continue to be within our long-term target range of 16% to 17%. We also expect our non-GAAP effective tax rate to be in the range of 13% to 15% for the full fiscal year. We expect the fourth fiscal quarter diluted non-GAAP EPS to be in the range of $0.75 to $0.81.

Our fourth fiscal quarter diluted non-GAAP EPS guidance also incorporates an expected average share count of roughly 161,000,000 shares, and the likelihood of a negative impact for foreign exchange fluctuations in net interest and other expense.

They excluded the impact of incremental future shares buyback activity during the fourth fiscal quarter, as the level of activity will depend on market conditions. Factoring in our fourth fiscal quarter outlook, we believe we are on track to deliver on our guidance for diluted non-GAAP EPS growth of 6% to 9% for the full fiscal year 2015.

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

QUESTIONS AND ANSWERS

Operator

Great. Thank you. (Operator Instructions)

And our first question is from Shaul Eyal out of Oppenheimer.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Thank you, Operator. Hi, good afternoon, guys.

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP, CFO, Amdocs Management Limited*

Hi.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Two quick questions on my end. On the operating margin, I know it is within the range, but is it just a mix issue or just staying the course in that respect?

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP, CFO, Amdocs Management Limited*

I would say there's nothing much logically to the plus, minus 10 basis points. As always, we manage the Company within the range, we're tracking on the higher half of the range for some time now. And we don't see anything to attribute to this minus 10 basis points. Just part of different moving parts that are happening in every given quarter.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Fair enough. Elian, on the Bell Canada, on the turbo, the converting and charging, turbo charging, can you provide us with slight more color about the nature of this product? Is it part of the overall offering you guys have already going on with Bell Canada? Thank you.

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Sure. The turbo charging and the new charging engines is part of the CS product line, it's a major component of the revenue management. It includes the ability to rate anything and everything in real time. That is to say that we -- discharging engines do not really distinguish between prepaid and postpaid, and voice or data, or VBR or content element, or what have you.

You can combine any of the offerings in any permutation, based on any price point you can think of, and it's all done in real time. So this is the winning revenue management engine of the world. It is the same engine that AT&T is using, the same engine that Sprint is now converting to, and now Bell and Telus. It will win -- Cricket, it will probably be the engine for them, because that is the engine for [Ao\, the prepaid in Ao.

And also it's the same product that is used in Brazil and Indonesia and Peru, and any other place in Europe, and any other place you can think up. So this is by far one of the most advanced products that we ever created.

And it's built for high volume and high complexity, so high-volume high complexity in real time, for [tolerant], this is quite an impressive component and obviously, when someone like Bell is choosing to do it, that's a very important project. Now we are not upgrading any other components at the same time, but this is also -- always a gradual process we see in other customers.

Operator

Thank you. And then our next question is going to come from Jason Kupferberg from Jefferies.

Ahmed Singh - *Jefferies & Co. - Analyst*

This is [Ahmed Singh] for Jason. Just quickly on backlog, it grew solidly at 4.9% year-over-year this quarter. See if you can help with us dissect that backlog based on geographies, and which regions showed faster growth versus others?

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP, CFO, Amdocs Management Limited*

We are not certainly dissecting by geographies, but I will say that we've seen a strong win rate across geographies. We gave a couple of examples from a recent quarter wins in the prepared remarks, regarding both North America and Latin America. We are also continuing to see momentum in APAC and Europe.

It's actually a broad-based momentum that we're seeing. The nature of activity may range from one region to another, so in Europe we are seeing good movement recently in management services, for example. In emerging markets, naturally, it would be more towards transformational projects. So the type of activity may differ, but overall, it's a broad-based activity.

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

I would say that the variance and the richness of the components of this backlog rising, the level of backlog, is one thing give me a comfort level. It's all different product lines, revenue management, run optimization, OSS, customer management, and many others, all geographies, and some of them are delivery projects, some of them are managed services and projects, and so on.

So this is exactly the type of variance I would like to see in the backlog, and that's what we see. So the fact that it's not coming from one place, in one region, one item, is exactly the strength of it.

Ahmed Singh - *Jefferies & Co. - Analyst*

Great. So good growth in backlog and all the other contracts in different regions that you speak up. So if you think of your organic revenue beyond, let's say now fiscal 2014, should we expect some sort of acceleration, so to speak, from here, revenue growth?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

This is an excellent question. That's exactly why we are scheduling an analyst day in December to provide a longer-term view of the Company, and a bit more detailed FY 2015, and I would not try to get carried away with acceleration. You see, the industry, we are doing much better than the competitors, and we are doing better than many other players in the industry, but you know, the industry, as a general term, is not accelerating.

Overall, weighted average of IT growth in telecom worldwide is about 2%. So, you know, we can grow double, maybe more than double of the rate, but we cannot generate business out of thin air. So -- but if you want the details, then we will be more than happy to provide the details, you'll have to be patient until the analyst call -- day on December 16th.

Ahmed Singh - *Jefferies & Co. - Analyst*

Sure. Fair enough. And then just one question, last from my side. With this AT&T acquisition of DTV, both of these clients -- I mean, both of these companies are your clients, so is there any near-term and long-term impact on spending? I mean, have you seen any -- is it supposed any hiccup? I mean, are you expecting any sort of hiccup from AT&T or any other long-term benefit from this -- from this merger?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

So thank you for your a question. Let me take it a little bit broader. We said last quarter, and the quarter before, that we expect overall North America to converge into few or fewer very large multi-play carriers, and that's exactly what we're seeing in the last few quarters.

The latest and greatest is AT&T and Direct TV, but these are not the only ones, there are a lot of moving parts that are still in play out there. In general, we still are hoping that this very large, complex, multi-play carriers have major challenges in consolidation and upgrade, and creating a system that can support the future, and there are very, very few companies can help them. Actually, as I said, many times we know only one.

Now, the short-term may present some challenges because some competitors may try to sneak in and offer something very, very attractive, and because it was a change in dynamics or some people will go into the design phase, and for few quarters that will say, okay, don't do anything, hold on until we have seen the design. We've seen it before. We still think long-term, most of these things are turning usually into our benefit.

We don't see -- specifically to your question, now, we don't see this type of spasm on either one of the sides. On the contrary, I think each one of them contemplate on activities that will be relevant, if they would go through the merger or if they will stay independent, and there are activities like this.

We are in dialogue on both sides. We are the one company that is allowed to talk with both sides, they cannot talk to each other in greater details, but we can. And we are trying very much to help prepare for an option that they will have an approval for for this transaction.

Operator

Thank you. And then our next question is going to come from Tom Roderick out of Stifel.

Tom Roderick - *Stifel Nicolaus - Analyst*

Thanks. Good afternoon. I wanted to follow-up on the topic of network optimization, given that you guys had a nice -- nice session on that this quarter, and seems like both sell side and [actics] are tracking at least in line with expectations.

When you're talking to carrier customers out there, how much of this is a pull relative to what they're asking you for as they go through architectural evolution? And -- and then as it relates to, you know, the interaction with hardware stack and other players out there, kind of curious how you're able to position that relative to other network equipment providers?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

So, Tom, thank you for the question. First of all, I would say that we see interest, and we see activities and dialogue, and also POs, precious others, and from all around the world, and sometimes these are carriers that we don't have a lot of business with, so it's interesting angle into new carriers.

Sometimes we are initiating these activities, sometimes they're actually calling us, but we see a major interest every time we go to talk to people and as a matter of fact, we almost need to put some priority in the activity than we have right now, because we don't want to spread the engineers and the service people too thin. This specific quarter, we saw wins in different geographies, from North America all the way to APAC. In terms of our ability to work with different [auto stack], that's actually part of the strength of the offering, that we are indifferent to the NEPs, to the network equipment providers, and also to the hybrid.

Very few, actually, I don't think there is any other one that can do a good job on hybrid scenarios. So A, we are doing a better job on each one of the auto stack. And that's why we can win against Ericsson optimizing their own network, or why we're optimizing their own network or whatever.

Then we have the ability to do it cross-NEPs. We have the ability to do across technologies, to 3G, 4G and the like. And last but not least, we are the only one out there that is in -- really not conflicting. Because you can imagine that the NEPs optimizing their own network have an issue. If they find a way to save a lot of hardware, it's nice on the software side, but they are being penalized, quote/unquote, by selling much less hardware. We are the only one out there that is indifferent to the NEPs, and carriers actually understand it.

Now, the fact that now we can operate as a product or as a service, or as any combination thereof, is a very powerful ingredient by itself. So altogether, it's a very strong offering, it's a very comfortable proposition. The accountability that -- we take responsibility for what we do.

The nice thing about -- also that they can start small and grow over time. You can take one city on one technology, let's say 3G, in wherever, and then expand on geographies, and expand on technology and expand on NEPs, and so on and so forth. So altogether we are happy with this thing, and our customers are happy as well, which is even more important.

Tom Roderick - *Stifel Nicolaus - Analyst*

Great. Eli, maybe one quick follow-up on the topic of network operation. I think you guys talk about that group contributing somewhere in the public of $100 million for this year. Can you confirm that that, you know, on track means -- or inline means on track to hit or achieve, or hit or exceed those targets? And how should we have to think about the capability of that group to grow, as you look out the next couple of years here?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

So we didn't really guide specific numbers, but it is significant revenue. It's probably north of $100 million put together. Meeting or being happy with the results, it's quite simple, in that we are meeting or exceeding our business plan, and both revenue, EBIT, and everything else. And in wins, we have to -- people have to come up with new purchase orders and new growth.

We see it as a growth engine. In other words, we see this engine growing faster than the average growth of the Company. I think it's a little bit too early to say if it's twice as fast, or whatever, on the average growth of the Company, but we see it as a growth engine for the Company.

So that's kind of giving you a little bit of color around that. But I'll tell you that already, I cannot distinguish something that stopped there and ends up with something else because we combined it -- this is actually showing a strategic move. If it is combined with the rest of the offering, some of it is with our OSS, some of it is with our minute services deals.

Maybe today, but definitely very soon, it will be hard to separate between the components. But I try to give you some color on this segment of the business.

Operator

Thank you. Our next question is going to come from Mark Sue from RBC Capital Markets. Please go ahead. Your line is open.

Mark Sue - *RBC Capital Markets - Analyst*

Thank you. Perhaps at a high level, do you feel your discussions with carriers, particularly the wireless operators that are undergoing the network transformations, it's -- the discussion less about OpEx savings, and is it changing more about service velocity, are you finding that there are -- you're taking a broader sweep of your products as well?

Maybe if you can give us a sense of which customers are forward-thinking and taking -- looking at it more strategically, and whether you still have opportunities?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

So, Mark, it's a very good question. If I try to do it shortly, as we are on the clock here. Look, what you see around the world first of all, is the trend that we see in North America. We're talking about larger, more complex galaxy, mega-carriers around the world. There are fewer of them, but they're very, complex and very, very big.

Just to name a few of them, Vodafone is one of those, Telephonic is one of those, both in Europe and Latin America. And [Sintelecom], all across Southeast Asia. The Philippines, Indonesia, Australia, Thailand, you name it.

And the same thing goes with North American mobile, which has several operators -- operating companies in Latin America and in Europe now. So when you talk, and obviously, these are our -- really target, because these provides, you know, a disproportionate amount of revenue and EBIT of telecom in the world, so the potential is accordingly, we are going after thes sophisticated carriers.

First, because the money is there. And secondly, because the complexity is there, and we thrive on very complex offering.

So all of those that I just mentioned are having a strategic view of the world they invest in the future, they invest in the future, they invest in multi-play, they invest in multi-countries, and so on and so forth. So obviously, each one of them at a certain point also want to operate around the available data, okay? So the more complex and the more sophisticated the company is, the more you talk about strategic moves investing into the future and so on.

Obviously, I did not mention AT&T. I did not mention, you know, many other companies that are in the same group. Now, on the other hand, you might see an operator in a specific country in Europe, or someone -- the growth is gone, that will put more effort on just efficiencies.

The beauty of Amdocs is within our product sets and our offering in general, that we can apply different tools to different cases. So if it's all about efficiencies, we'll apply more of the services approach, we'll apply more of the order to activation, end to end service, and we will apply more radio optimization to optimize the network.

So these will be the elements. And if we go to the almost all of the other, to the extreme, we will apply multi-channel custom management that allow very high level of customer sophistication and customer interaction with -- on many touch points across the carrier offering. We'll apply multi-play, that is to say, wireless, broadband, ATV and, bills, machine to machine, connective cards, stuff like that. So this is all multi-play.

Again, the beauty of what we did throughout these and recent years, we bring our offerings in such a way that we can apply different tools and different scenarios and different timings, sometimes start with one and move to the other. And that's actually the long answer to your -- the short long answer to your question.

Mark Sue - *RBC Capital Markets - Analyst*

That's, that's actually helpful. And if I take your comments and I related to your business, the business has been defined internally by linear scale headcount, headcount by headcount. And so as networks continue to evolve, are there considerations to look at increasing efficiency and optimization? Kind of getting the multiplier effect within your business over the longer-term?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

So -- so look, the fact that we are developing software today in a very different way and we apply the same version of software in many cases, let's say five years ago it would be if we sell 10 copies of the same version of revenue, management will be very happy. Now, probably, we have several dozens here probably north of 50 interpretation of 81, 91, range of revenue management. So efficiencies are done, A, by develop one, implement many, that's one direction.

The second one, is the fact that we are operating our activities in large centers. We basically do most of the delivery of the project, and definitely most of the minute services. In large operations, large operating facilities, if you can call it this way. So that's another way of getting away from the linearity of everything.

Now, if you're talking about the network, the network we are trying to do software to replace a lot of people. That's part of the whole trick on network software, is to replace a lot of people, a lot of technicians, RF radio engineers, and so on and so forth. So I can actually address your question from many different angles, but I will try -- try to just give you a feeling for the direction most likely want to continue that off-line.

Operator

Thank you.

(Operator Instructions)

And our next question is can it come from Tal Liani out of Bank of America, Merrill Lynch.

Tal Liani - *BofA Merrill Lynch - Analyst*

Hi. Just a few small questions. The first one is, the growth for this year includes, as far as I remember, some acquisitions.

What is their organic growth for this year, if you strip out the acquisitions and then without giving specific guidance, as you look into the next years, do you think this organic growth should change up or down and why? And second, so that's a question on -- on kind of that, the growth environment. Just about the quarter I have some questions on financial expenses, lower than expected, taxes were lower than expected, and share account was lower than expected, if you can comment on these three items? Thanks.

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP, CFO, Amdocs Management Limited*

Thanks, Tal. So when we -- guidance for the year we talked about the acquisitions contributing about 2% to 3% of the revenue growth and we are tracking slightly ahead of that. We are continuing to see good performance on acquired assets, as well as the rest of the business, of course. Then taking that and fast forwarding to fiscal 2015, I think it's a bit too early.

We'll come back to that guidance in November and of course at the analyst day, December, talking about the three-year horizon of our dynamics of growth. Going then to your second question about different line items in the P&L, hedging activity and the cost of hedging is [high in] many currencies in which we operate.

So while we have seen in the prior quarter's a higher impact of the currency fluctuations and hedging costs that this quarter was actually lower. As we've said in the prepared remarks, we don't think this is a new level.

We actually expect a -- or should take a projecting for next quarter again, a few million dollars of finance expense, primarily due to currency impact of looking on the tax rate, it's tends to fluctuate from quarter to quarter. We've seen it last year, would continue to see it this year. However, we continue to believe that the annual range of 13% to 15% reflective tax rate is the one to expect for our business.

And then on the share count, usually, one quarter ahead we guide without buyback activity, within that specific quarter. So that may have a slight impact on the share count, but it did move that much, actually. So if you exclude all these items and just look at the operating activity, we were tracking slightly ahead on the top line.

Actually, we met the midpoint of the EPS range we talked about and then we have a couple of upside points coming from items below the operating line, which brought us to be higher end EPS range guided to the $0.81.

Tal Liani - *BofA Merrill Lynch - Analyst*

Got it. Thank you.

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP, CFO, Amdocs Management Limited*

Thank you.

Operator

Thank you. And then our next question is going to come from Sterling Auty out of JPMorgan. Please, go ahead, your line is open.

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

I know sometimes its a tough read in the license service mix, but given the percentage completion is there, is there any tie here that we can look at between, you know, the $11 million in license revenue maybe some projects completing and coming out of the bottom of the funnel versus the $30 million increase in backlog, you had some notable signings during the quarter. I was almost wondering why the backlog may not have sped up a little bit more?

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP, CFO, Amdocs Management Limited*

So thank you for the question. I think the relevance of the license revenue line is actually becoming less and less as we move more into models of mandatory services for most of our deals is abundant. We don't sell license standalone, as you know. We typically so bigger and bigger transformational deals in which the license is just one part of the overall value.

We sell additional development and maintenance services, and we continue and push and you see that to transfer more of our customers activities to the amended services model so the license is becoming almost irrelevant data point. And we are actually thinking about this [as a] disclosure item for the years to come. In fact, actually bringing any value at all.

Having said all of that, I would say that the only relevance of licenses actually in the future elements of maintenance and subsequent license fee that are coming later on. But other than that, we don't see any connection between license and indicating any future activity, or license and operating margin.

And now moving to the backlog, we, as we said always, backlog is defined very strictly by us. Whatever it goes to maintenance or recurring activity, then we don't necessarily wait for assigned contract. But whenever it's a new activity, new project, only when it's fully binding inside, that's when we included into the backlog. We are also talking about next 12 months backlog, some of the deals were are signing obviously had much longer horizon then what we report within the 12 months backlog.

So that different factors of the impact of what goes in into the next 12 months backlog and what's not, and why we see that the long-term indicator for the progression of the business and the disability, I would take it as much as plotting that as an accurate indicator of what is going to be the next 12 months growth on the revenue side. It's also good indication for the sustainability of the business, as we've seen in the downturn of 2008, 2009, while topline revenue of one year in 2009 was down 6% at constant currency basis. The backlog hardly moved, is also an indication of the sustainability of our business.

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

And then the one follow-up for Eli. On the competitive landscape that we see, some notable names like Telecom Italia etc., may be doing some things on the converge to manage service area with commerce and others. How would you characterize the competitive environment in the developed markets, you know, obviously, we see what you're doing in emerging markets, but the developed markets, both Europe and elsewhere?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

I would say as I said in the emerging markets quite clear that we have a very, very nice win rate, but it actually quite true to the developed market as well. There are a lot of deals that were signed many, many years ago with some of our competitors and, you know, when you want to deviate from -- if you don't have a really reason to transform, people usually tend to stay as long as they can.

I would argue that some of the platforms that people are using for our competitors are really not sustainable in the future because they cannot invest in their new product and new offerings, but I don't, I don't -- not surprised at all that some companies, especially in areas that do not have any major changes, and they don't have any reason to go through a transformation, would just try to put some of the legacy system on a life-support mode and expand -- and expand the contracts. But you know, we are now bidding in several areas in developed markets, but within APAC or developed markets within Europe, and some other carriers do believe in their future and they want to transform from these type of competitors. And then I think that we will see the same dynamics as we see in other places that we have a very significant win rate.

After saying all that, we don't have 100% of the win rate of the market. I mean, nobody expected us to, but we still enjoy significant win rate when ever it comes to new platform, transformation, have transformation, or what have you. And then the life-support mode is something that you would expect to see, especially in areas that are very low dynamics.

Operator

Great. Thank you. And then our last question is going to come from Angel Sleets out of Robert W. Baird. Please go ahead, your line is open.

Angel Sleets - *Robert W. Baird & Co. - Analyst*

Thanks for taken my question. Thinking about support defined networking and network optimization. After the AT&T domain, 2.0 announcement, did you see interest kind of come broadly from carriers across all geographies or our carriers and develop markets, you know, more interested in making that kind of transformation at this time?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

So it's a very good question. I think that in general, I don't know if it's statistically accurate because I didn't check every carrier in the world, but the main 2.0 is considered to be right now the most advanced attempt to virtualized major network functions. Everybody's watching it and especially in the develop markets, everybody in North America is watching, everybody in Europe is watching it and definitely in emerging markets are slightly behind, but once it will be cracked, let's put it this way, or become practical, I'm sure there will be a lot of forwards, and it's a natural thing.

You know, it's a major attempt to virtualized network functions. AT&T, which is an early adopter in many, many topics, is a early adopter in this case. It is led by personally by no less than the CEO of the company, John Donovan. A very complex undertaking.

You have to be smart and brave at the same time to do things like this, but the world, our potential reward are enormous. That's why I think they put the imaging effort to that. We are definitely glad to be chosen to be part of this project.

It's a -- it's a leading edge, cutting-edge, whatever you like to call it, and I will say that we see already, and that's only, it's measured in very few months in very few victorious. We see already interest and some other, with some other major carriers. It's only, I -- I can only think right now is safe to say with only major carriers, but we see already a dialogue that we develop with the second wave and I think once it is successful, I think we all see the third and fourth wave as well.

So the bottom line, AT&T is going to be know as the leader. We see some activities already with three others in Europe and other places in North America. And we believe that it actually is going to happen, it's just a matter of it will be within a year or two years or three years, but it's going to happen. And we have a nice progress so far in terms of developing the engineering side of it, but it shared -- shared with you guys.

Angel Sleets - *Robert W. Baird & Co. - Analyst*

Great. Thank you.

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Thank you.

Operator

And thank you. And we have no additional questions at this time. So at this time, I'd like to turn the call back over to Matt Smith for closing remarks.

Matt Smith - *Amdocs Ltd - IR*

Thank you, Dakiva, and thank you very much for joining our call this evening. And for you continue interest in Amdocs, we look forward to hearing from you in the coming days and you have additional questions, please call the Investor Relations group.

Have a great evening and with that, will conclude the call. Thank you.

Operator

Thank you ladies and gentlemen, this concludes today's conference. Thank you for participating. You may now disconnect.
