

FINAL TRANSCRIPT

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Tamar Rapaport-Dagim

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PRESENTATION

Operator

Please stand by for realtime transcript. Good day everyone and welcome to the Amdocs fourth quarter 2011 earnings release conference call. Today's call is being recorded and Webcast. At this time, I would like to turn the call over to Liz Grausam, Vice President of Investor Relations for Amdocs. Please go ahead. Please go ahead.

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Liz Grausam - *Amdocs Limited - VP of IR*

Thank you, Brendan. 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 as internal analysis in order to exclude the effects 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 also be furnished to 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 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, 2010, filed on December 7, 2010, and in our quarterly reports that we filed on Form 6-K on February 8, 2011, May 11, 2011 and August 8, 2011. 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, and Tamar Rapaport-Dagim, Chief Financial Officer. Following our prepared comments, we will open the call to Q&A. Last, I just wanted to extend a thank you to all of you who participated in our recent investor perception study. We received valuable feedback that we will incorporate into our IR planning for 2012. With that, let me turn the call over to Eli Gelman.

Eli Gelman - *Amdocs Limited - President, CEO*

Thank you, Liz. And good afternoon to everybody on the call. As I'm completing my first year back at Amdocs, I would like to share with you, on this call, my reflections on our progress and performance during fiscal year 2011 and set the stage for 2012. If I could summarize fiscal year 2011 in one word it would be progress. We started the year with a handful of challenges and, of course, many opportunities, and we have concluded the year with positive strides forward on multiple fronts. Let me share with you more color on the different aspects of our progress.

Internally, we invested significantly in accelerating the knowledge level of our employees and through that, improving our ability to deliver to our customers. This was a critical and successful program that positions us well to deliver on our new, transformation project. Strategically, as we have introduced at the analyst day in February, we advanced our vision on the CEX around the future of data modernization and customer experience. I believe we are, yet again, setting the pace for the industry with a combination of Amdocs and Bridgewater. We can now offer our customers a product road map that elegantly and robustly addresses the need to drive greater value from data services. And, I can tell you that the early feedback on this transaction has been positive and far-reaching.

Also at our analyst day, I depicted several areas of the business that I called the diamond in the rough. While they haven't made progress on all fronts, we have made progress on several. In particular, Europe has begun to turn around. I say that with some hesitation given the recent events and macro economics outlook in Europe. However, we have recently been awarded influential deals in the territory that are quite exciting and large. In both OSS and cable, we've achieved some product and sales success in 2011. Though, financially, the progress has still been relatively modest. We continue to review both of these areas as potential growth business in the years to come.

In digital services, we are exploring new areas in content, mobile payment and machine-to-machine as market dynamics continue to evolve. I do not, however, see the space being a major contributor in the near term. From the customer delivery standpoint,

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while we started the year with some challenging and complex implementations, we were able to turn them into successes. These successes, along with other customer facing activities, resulted in an improvement in our overall customer satisfaction level this year.

Last from a sales perspective, in 2011, we've won a few transformational deals with some of the largest global operators, both new and existing customers of Amdocs. These types of products are so important for Amdocs because they do not only drive our business in the near term, but they represent the foundation of long time and meaningful relationships with operators along the years. For example, during 2011, we won major BSS transformation program in the emerging markets, in both APAC and CALA. While in the early stages, we expect this relationship to evolve over the next several years with both the local operators and their parent holding company.

Even more recently, in early fiscal year 2012, we were awarded a new transformation project at Globe Telecom in the Philippines, announced by the customer just today. In Europe, among many deals, we won two major BSS transformations with large wireless operators. And globally, we continue to win new business within our core customer base. Our long-term engagement model with our customers continues to drive new opportunities to expand our total footprint. This is true of our largest customers like AT&T and Sprint, as well as with our newer customers.

Looking ahead into 2012, we plan to focus closely on the implementation of these new projects. Many of which have been awarded to us recently. Most of these projects are currently in initial stages of scoping and design. And we expect work to ramp up over the years. Naturally, we are preparing our organization accordingly in order to support these deals. Additionally, we expect the continued driving deal momentum over the course of 2012. Especially in the emerging markets. Both APAC and CALA are ripe with opportunities and I truly believe this is time for Amdocs to strike.

Over the next several years we believe major operators in the emerging markets would be making critical decisions on the direction of their long-term IT system infrastructure. This is the result of the need to replace home grown systems that are no longer scalable, and an increased focus on real customer experience. Also in 2012, we plan to launch our digital, our data experience solution, DES. With the combination assets of Amdocs and Bridgewater, we believe that the combination of our Turbo Charging technology with Bridgewater Policy Solution will place us well ahead of our competition in enabling real-time policy enforcement and charging for data services.

So, all in all when I look in the business trends, over 2011, and into 2012 with Amdocs, we are seeing healthy demand across a number of vectors. Our backlog and pipeline are increasing, and are more diversified across geographies and customer types. This is critical to support the long-term growth of the Company. Moreover, I feel the Company is well-prepared to execute against these opportunities.

Now, the macro economics environment does cast a shadow in every executive's mind, including my own. We have not yet seen macro economic concerns translating to weakness in our business. Clearly, we will be monitoring the macro picture and update you accordingly. But for now, for the time being, we do not plan for our business to deteriorate due to the economic outlook. We did accelerate our buyback program this past quarter, with the repurchase of \$192 million worth of our ordinary shares. We now have purchased roughly 17% of our offsetting shares since April 2010, when we commenced our buyback program.

Turning to our focus for the year, we currently expect our business outlook to drive roughly 5% to 6% revenue growth in 2012. Excluding future buyback activity, this revenue should translate to at least 10% to 12% EPS growth in fiscal year 2012. Tamar will walk you through the mechanics of our guidance in much more greater details in a few minutes, as there are many components of how we expect these to unfold.

In summary, I feel pretty good about the progress we have made over the first -- of my first year back at the Company. Moreover, I believe these are -- there are still potential for even greater successes ahead for Amdocs. We have the right assets, and we

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have the right people in place. Most importantly, we have customers who are in need of our products and services and appreciate the value we bring to this space. With that, I will now turn the call over to Tamar.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Thank you, Eli. Fourth-quarter revenue of \$812 million was within our guidance range of \$800 million and \$815 million. The acquisition of Bridgewater positively impacted revenue by approximately \$7 million, while foreign currency movements negatively impacted revenue by approximately \$4 million. Each relative to the third fiscal quarter of 2011. Neither the addition of Bridgewater nor the majority of the FX impact was included in our guidance, so excluding the net effect of those factors, we ended the quarter right around the midpoint of our range. For the full fiscal year of 2011, revenue increased to \$3.18 billion, up 6.5% from \$2.98 billion during the year ago period. This included roughly 1.5% benefit from foreign exchange movements, so on a constant currency basis, our growth was about 5%.

Moving onto profitability, our fiscal quarter -- sorry, our fiscal fourth quarter non-GAAP operating margin was 16.5%, up 10 basis points sequentially from the third fiscal quarter, and within our expected range of 16% to 17%. Non-GAAP EPS was \$0.62 in Q4, compared to our guidance range of \$0.58 to \$0.64. Below the operating line, net interest and other expense was negative \$5.4 million in Q4, primarily driven by the significant levels of foreign exchange volatility during the quarter. This was at the upper end of the range of our expense expectation, and remains a difficult line item to forecast with such sharp movements in the FX markets. 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.

Free cash flow was \$118 million in Q4. This was comprised of cash flow from operations of approximately \$148 million, less \$30 million in net capital expenditures and other. DSO of 64 days decreased quarter-over-quarter by 3 days. Our total deferred revenue, both short and long term, was down \$35 million sequentially, while total unbilled receivables were down \$29 million compared to third quarter of 2011. The change in deferred revenue was the result of normal business fluctuations. The reduction in unbilled receivables was primarily related to timing differences in invoicing and delivery milestones in the managed services contract, as we discussed last quarter.

Turning to our cash position, our cash balance at the end of the fourth quarter was approximately \$1.2 billion. However, this includes the benefit of \$250 million that we drew down on our credit facility for short term financing purposes during the quarter. We have since repaid the \$250 million, which was only outstanding for several weeks. Our net cash, therefore, was \$923 million in September 30. Our 12 month backlog, which includes anticipated revenue related to contracts, estimated revenue from managed service contracts, letters of intent, maintenance an estimated ongoing support activities, was \$2.67 billion at the end of the third quarter, up \$50 million sequentially. This includes the contribution from the acquisition of Bridgewater.

During the fourth quarter, as Eli indicated, equity market conditions provided us with good opportunity to accelerate our buyback activities. In Q4, we repurchased \$192 million of our ordinary shares. Pursuant to our authorized share buyback program. As of September 30, we had approximately \$687 million of remaining purchase authority, under our current \$1 billion authorization, which extends through February 2013.

Looking forward, we expect revenue to be within a range of \$805 million to \$825 million for the first fiscal quarter of 2012. In this guidance, we have not assumed a significant foreign currency impact to sequential revenue, positively or negatively. Our revenue range is slightly wider than what we have had in the past several quarters, due to greater level of new project activity. We anticipate our non-GAAP operating margin in the first quarter to continue to be within a range of 16% to 17%. We anticipate that our non-GAAP tax rate will be in the range of 13% to 15% and we expect Q1 non-GAAP EPS to be in the range of \$0.61 to \$0.67. Incorporated into this view is an expected average diluted share count of roughly 176 million shares in Q1, and the likelihood of negative net interest and other expense due to the effects from foreign exchange fluctuations. We excluded the impact of incremental future share buyback activity during the first quarter, as the level of activity will depend on market conditions.



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For fiscal 2012, we expect non-GAAP earnings per share growth of at least 10% to 12%, and revenue growth of approximately 5% to 6% compared to fiscal 2011. As we prepared this guidance, we've factored in the following. First, our earnings per share outlook considers all buyback activity that has already been completed, but not future contributions as our activity level will be related to market conditions. Second, as it pertains to foreign exchange, the revenue outlook includes no material benefit or detriment from foreign exchange fluctuations. As for the FX effect on net interest and other expense, consistent with our Q1 outlook, we are factoring in current recurring quarterly expense of a few million dollars into our full year EPS growth outlook. We want to make sure this is considered in consensus expectations considering how volatile the FX markets have been. Third, we expect organic revenue growth to be in the lower half of our long-term range of 4% to 6% in 2012.

While our overall business activity levels remain healthy, we have the Bell Canada contract repricing which takes effect in Q2 2012. This will produce some anticipated sequential weakness from Q1 to Q2, in both the revenue and margin progression, but was already factored into our thinking when we issued our long-term guidance range. Also, we had to consider various scenarios around the pending AT&T and T-Mobile merger in our organic growth outlook. Additionally, as Eli discussed earlier, we expect new project activity will ramp up over the course of the year, due to the timing of recent and expected wins. Finally, we expect fiscal 2012 non-GAAP operating margins to be within a range of 16% to 17% for the year. This outlook factors in the absorption of Bridgewater into Amdocs and the adjustment of Bell Canada. With that, we can turn it back to the operator to begin our question-and-answer session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). We'll take our first question from Tom Roderick with Stifel Nicolaus.

Chris Koh - Stifel Nicolaus - Analyst

Hi, guys. Good afternoon this is Chris Koh for Tom. Quick question for you regarding your commentary on Europe, and granted I take what you said earlier in terms of people are kind of worrying about Europe, but I was just wondering if you could clarify have you seen any impact at all in terms of pipeline or in terms of the hesitation or anything that maybe hasn't shown up in the numbers yet? And, how would you characterize your outlook for like the EMEA region for 2012 relative to other segments of the business?

Eli Gelman - Amdocs Limited - President, CEO

Thanks, Chris. In terms of Europe, in a way it's bad timing because a couple of quarters ago we start looking at Europe as a growth engine because of the performance and since then we are enjoying good momentum in Europe. And therefore, it will be especially a pity if the economy will turn South there and will slow our progress there. So far, we did not see any hesitation or slow down. The two projects that I talked about are transformational projects, it must do to these carriers. The only way they can execute their strategy, but we have to take into consideration that they could change or atmosphere will change in the near future, and that's why we're going to monitor that closely. But, Europe for us, until any further notice, I know this is a growth engine, and we have good momentum there.

In terms of APAC and CALA, it was a growth engine last year and we expect it to be a growth engine for us this year. That means that it grows significantly faster than the rest of the Company. On both CALA and APAC, so not the combination of them, but either one of them by itself, and obviously, the combination.

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Chris Koh - *Stifel Nicolaus - Analyst*

Got it, great. Thank you and just to clarify, I'm sorry if this was mentioned maybe a quarter or two ago, but in terms of the two deals in Europe that are transformational, were either of those one this quarter or were these from earlier in the year?

Eli Gelman - *Amdocs Limited - President, CEO*

Earlier in the year.

Chris Koh - *Stifel Nicolaus - Analyst*

Earlier okay, thank you.

Eli Gelman - *Amdocs Limited - President, CEO*

Thank you.

Operator

Our next question comes from Ashwin Shirvaikar with Citi.

Ashwin Shirvaikar - *Citigroup - Analyst*

Thank you, guys. So, in terms of your comment, Eli, with when you said many new industry leading projects, is a lot of pilot project activity? Are these longer term ramps that take multiple quarters say four or five quarters to ramp? Any details you can provide around that?

Eli Gelman - *Amdocs Limited - President, CEO*

We thought maybe -- Ashwin, thank you for the question, a smart one as usual. Without really relating specifically to these deals, I would say the fact that we mentioned they are exciting and large means they are not small or pilot. In general, a major transformation project in Amdocs will take several months, sometimes a couple of quarters to impact significantly because in the beginning you have all the awards and negotiations of the contracts and the scope and stuff like this, and then you have a scoping and design session which is the most important component of actually what are you going to do in greater detail. And only then we actually start deploying the program as the team leaders are going to execute the work, where you see really the ramp-up of the work and the ramp-up of the percentage of completion there for the recognition.

So, these projects are usually, from the beginning to major delivery, probably will take more than a year. And the reason why we have some hesitation is because of the overall environment in the world. We don't know if it will accelerate or execute it as planned or maybe one of the customers would like to slow down one of the phases or whatever. But, we're talking about major transformation, not pilots.

Ashwin Shirvaikar - *Citigroup - Analyst*

And again on the demand perspective, are you seeing your emerging market clients head up larger, full scale industrial solutions or is it still, to some extent, a mix of add-ons and smaller solutions?

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Eli Gelman - *Amdocs Limited - President, CEO*

No. We see more and more transformation in the emerging markets. In a way you can think about it as they are skipping a generation. They are going from a primarily pre-paid LAN grabbing mode to all the way to expanding the prospect component, expanding the customer service, cost centers, stores, the whole nine yards as you would say in Europe or North America, in their own flavor of course. And in most cases, we are replacing either home grown or some stand-alone systems from our competitors that are just running out of steam. So, not all of the projects, but many of the projects are a real transformation of projects in relatively sizable form.

Operator

And next we will go to Shaul Eyal with Oppenheimer and Company.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Thank you. Hi, good afternoon, guys. Two quick questions on my end. Tamar, what are the operating margins kind of range that you are forecasting in a way for fiscal 2012?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

We are forecasting for range of 16% to 17% and that is also considering the repricing of Bell that we mentioned, that is scheduled to happen in Q2. As well as the absorption of Bridgewater into our numbers. So, all of that has been factored in, into this range.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Got it. Eli, quick question for you, I think back in late 2008, early 2009, given the prior crisis, you were not with the Company at that time and any way Amdocs could be observed more as a lagging indicator of kind of what has happened within the industry? Basically after everybody has already pre-announced and had reset their expectations for the following year, given some macro issues at that time, also given major foreign exchange fluctuations thank goodness we're not seeing now days in the current kind of uncertainty, that kind of plagued the name. Do you think in any way it's a little different than what you guys are seeing right now out there?

Eli Gelman - *Amdocs Limited - President, CEO*

Well, Shaul, to tell you the truth I don't know. I think in 2008, 2009 we were fairly -- we were a victim of the same trend that you have seen all around the world, maybe lagging one quarter, whatever. So, I don't think this situation today, but that's the reason why we put it very clearly some caution in our wording that we're going to follow-up and monitor the situation very closely. We are sharing with you the best we know. But so far we don't see major -- we have expectations of the business all the time. Things coming up and things going down, but we cannot attribute it right now to any economic crisis, nor in Europe neither in the US or on any other place. So, right now, we don't see major activity, but if the deterioration in Europe were to accelerate and T-Mobile, AT&T will never happen, and then the economic situation in CALA for some reason will slow down, I can assure you it will affect us eventually. We are not immune or walking in outer space.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

That's fair enough. And if I could, maybe squeeze a final one to Tamar, what was kind of back up contribution from Bridgewater this quarter, if you have this number?

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Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

Within this quarter, positive momentum both on the addition of Bridgewater, as well as our organic business contributing into backlog increase. At the same time, we had some negative impact of foreign currencies on our backlog around \$10 million. So, I would say that all in all, the backlog increase does reflect a good business momentum we've seen all around. And, another area I think to note is we've seen both the backlog and the pipeline diversify more and more, both geographically and the addition of new customers such as Globes that was mentioned by Eli before in Philippines, and other customers. So again, specifically this quarter Globes was just announced awarding the deal to us. It is not signed and it is not yet in the backlog, but just giving it an example of the kind of diversity we are seeing now going into the backlog numbers as well.

Operator

Next we will move to Lauren Choi with JPMorgan.

Lauren Choi - *JPMorgan - Analyst*

Hi, guys this is Lauren for Sterling. I had a question on, again, the organic growth rate for 2012. You guys talked about 4% to 5%. I think at the analyst day, obviously, your long term is more than 4% to 6%. I was kind of curious, I think at the analyst day you talked about four growth drivers and then some inhibitors. Was there anything outside of just the macro environment maybe with a little below what you were thinking or more conservative in certain areas like OSS and emerging markets or directories that didn't fall into what you guys thought or were thinking early in March?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

I would say there are many moving parts, of course. Actually, we talked about both emerging -- from a geographical point of view, both emerging markets, as well as Europe as being a growth driver for us. So, that's working well. Cable and OSS, we see some success indicators, but financially we don't see it firing up yet. And, overall, I am trying to compare to what we've seen at the analyst day, first of all, at the analyst day we did say 4% to 6%, there was a reason for the 4% and the repricing of Bell was one of the events we knew about and factored in into this range.

I would say on top of that, it's a matter of also timing of how you ramp up. We talked about large projects coming in, it's not working like a Swiss clock, so with something that has to be ramped up, we talked about the scoping phase, we are preparing, obviously, both internally and with the customers, those transformational programs. I would say the one thing that did probably happen between January -- sorry, February and now is the AT&T, T-Mobile timeline that is being prolonged. We know there are some challenges in terms of the regulators approving this deal and we run different scenarios into the specific numbers of fiscal '12 and had to take that into consideration.

Lauren Choi - *JPMorgan - Analyst*

Okay, that makes sense. And just one follow-up, I think this is your fiscal year, so just curious, do you have the numbers for your top three customers percentages and then I guess your top 10 customers, as well as your OSS and legal services that you guys talked about getting annually? Broadband, cable and satellite I think, you guys --

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

We actually -- we plan to indicate our top three customers in our 20-F. There isn't any big surprises there. Overall, the top three together have grown this year. Naturally not all of them are moving in the same direction every year. In terms of the top 10

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customers who are continuing to see good momentum of new names coming into the slate, also in terms of our forward-looking and I'm talking about diversification of being the same, I think we see, clearly, also new names coming into our top 10 customer list. I would say that, in addition, with respect to cable revenue out of total is 11%. So, I don't see yet the good momentum we had this year in terms of completing some important production milestones and some progress we've made with customers, this is something we expect to have future impact. It is not reflected yet in the 11% that we've seeing.

Operator

We will go next to Julio Quinteros with Goldman Sachs.

Julio Quinteros - Goldman Sachs - Analyst

Great. I just wanted to check a couple of quick things, so in terms of the sequential expectation for Bell Canada, Tamar, can you just walk back through that? It sounded like you guys, obviously, have factored in the repricing, but I didn't catch all the details on what you expected in the one quarter to second quarter Q-over-Q expectations for the revenue impact there?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Repricing is taking effect in Q2, we took that into consideration in building the numbers for the year since it's something -- we mentioned that at the analyst day, but since it's now coming closer we did not want to wait for the Q2 guidance in order to remind you guys that this is part of the planning of the year. And, something we are taking into consideration and preparing for that in the numbers we've guided for. I don't think there's much to say beyond that.

Julio Quinteros - Goldman Sachs - Analyst

Okay, that makes sense. I just wanted to make sure I caught that. Then the second part of that, in terms of margins, is there also similar type of sequential impact to margins or is it just on the revenue side?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

It is both in revenue and margins.

Julio Quinteros - Goldman Sachs - Analyst

Okay, got it. And then you made some comments associated to the AT&T and T-Mobile impact, what exactly did you mean by that?

Eli Gelman - Amdocs Limited - President, CEO

Well, we basically factored several scenarios for AT&T and T-Mobile, and we are still within these factors. But, the longer the decision is being prolonged, you would expect -- expect it to affect the Company, especially, I would say, T-Mobile because they are in a much less clear situation. So, what we are saying is that part of the scenarios we are actually seeing already, which was the delayed decision, we hope it will be resolved because it's better for us that these two companies can get back together and get the help from us in executing these acts. Obviously, when you prolong it, it's -- most people tend not to do things rather than to jump and be more active.

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Operator

Next we will hear from Shyam Patil with Raymond James and Associates.

Shyam Patil - *Raymond James & Associates - Analyst*

Hi, thank you. On the Bell Canada repricing, do you guys expect to offset the pricing pressure with increases in scope and what are you guys aiming for in terms of the time period for extension?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

The extension itself was already assigned and executed late 2009. However, there was, already built into the contract, some repricing mechanism throughout the year. The extension was through 2017 and we factored that, obviously, into the long-term guidance range that we gave because that was already on the table when we did the guidance for the long-term. When we are looking in terms of additional scope, we are working with Bell Canada on an ongoing basis. So, it's not just you come to negotiate the contract and then you go home for seven years. It's an ongoing relationship and new business activity has been won. We are continuing to work with Bell Canada on other opportunities where we feel we can bring value. So, I don't want to operate as just a mechanical repricing and this is where the relationship stands, there is a lot of new activity and actually, just recently, additional activity that has been extended there.

Shyam Patil - *Raymond James & Associates - Analyst*

Okay, thanks. And then just on Europe, that's becoming a growth engine again for the Company, can you talk about in your guidance for assumptions around growth in Europe how much of that expected revenue is in backlog, perhaps the coverage ratio for Europe is giving your concerns there? Thank you.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

As you know, we are not going into this kind of granularity and I think it would portray too much of a technical picture because when we build the guidance for the year with this many ups and downs and different scenarios, so even to point out the several scenarios in terms of its granularity, would be, I think, misleading. The way we looked at Europe, first of all, we have seen already increasing activity. Secondly, we have been awarded with additional new wins. So, some of it is in the backlog already, but some of it is not and we are going through scoping right now which is going to be translated shortly after, into the full scope of the project.

So, the momentum is there. It's not just high level discussions, it is very concrete work in the design phase or all of the beginning of development in some of those cases, but obviously, that number includes also future potential activity that we are working on. Given the same general, given the sales cycles in Amdocs, which are relatively long, meaning longer than one year, typically, when we start the year, even looking on things that are not in the backlog, we should have pretty good idea of what are those things we are expecting to close during the year in order to bake that into the guidance.

Operator

Next we'll move onto Daniel Meron with RBC Capital Markets.

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Daniel Meron - RBC Capital Markets - Analyst

Hi, Eli and Tamar, congrats on the consistent execution. So, a couple of questions. First of all, Eli, can you provide us with a little bit more color on the [dollar REIT] that you have with customers? Is there -- what are the things that are driving the decisions to upgrade or do some of these changes into their systems? Is the nature more transformational as you indicated in some deals, is it actually a little bit of a mix of both, and what is the main driver for the overall moving? Is it more company specific or carrier specific, or something that is more of an industry trend right now?

Eli Gelman - Amdocs Limited - President, CEO

Well, I think it will be difficult to -- it's a very good question, Daniel, but I think it will be very difficult for me to give you a full answer. I'll try to attach upon several points and maybe we can augment it some other time. It varies from geography to geography and from customer to customer. As you can see, I will give you a few examples, on the OSS for example, most of the more mature carriers are going into LTE implementation. When they do an LTE implementation, we talk about hundreds and thousands of new devices that need to implement in the network and that's usually an OSS driven project for us.

In APAC and in CALA we talk about, as I mentioned in my script, we're talking about a situation that they are moving from pure pre-paid into pre-paid and post paid, sometimes convergence, even offering -- the home grown systems or some of our competitors in home grown systems ran out of steam and they had to turn into new engines. When they put more energy and more focus on customer experience, it means that they need more of our CM, our customer management applications, whether it be Web services or store applications or CRM for the CSR, and then you have some transformation because of M&A, because companies are merging, breaking up, and other reasons. So, I would say that it's hard to say that there is one driver, luckily or smartly, we are equipped with all the different vehicles to address the different scenarios of the carriers and we, obviously, are doing it for growth, or efficiency or for merging or just new technology. They come to us. And, that's how we actually gain momentum in the business.

Daniel Meron - RBC Capital Markets - Analyst

Okay, that's very helpful. And, Tamar, can you provide us with a little bit of sense on whether the impact on Bridgewater on revenue and EPS into next year? You alluded to that a little bit in your prepared remarks, if you could just give us a little bit of a sense on how you guys factored that into your projections one way or the other?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

The way we look at it is to try -- I know that you guys want to follow and understand the organic growth rate, but I want to articulate first of all some of the reality and to put it into context. The bottom-line answer is about 1% to 1.5% in top line is expected from the network monetization solution, which is contributed by Bridgewater policy and other assets. Actually it's all going to be fully integrated with our Turbo Charging architecture and other revenue management assets in order to come to market with a full digital experience system.

So, I think the challenge is that we are integrating the challenge from a financial point of view, we are integrating these acquired assets very quickly into Amdocs, sales is already -- the sales people are already integrated fully within our regular customer facing organization and spread globally into our divisions that are facing the customers. From a quality perspective, the Bridgewater team is now part of building the new integrated solution, so it's becoming pretty much difficult to track it separately. Yes, obviously, we are coming into the year with some backlog coming from Bridgewater and some expectations to continue and sell their products, also on a standalone basis, but also timing, and I would say quickly so, it will be much more difficult to track and, therefore, I don't think we are going now to state every quarter specifically how much is coming from Bridgewater and I'm sure that by 2013, if you ask me that question I would not even have a clue how to answer.

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Eli Gelman - *Amdocs Limited - President, CEO*

Just to maybe add a comment, it is true that financially it will be -- it's a challenging thing to distinguish between the organic and the ongoing, but actually this is exactly the best indication that this was very strategic and very well fit into our strategy. The fact that it actually -- all the new projects that we are pitching right now with the Bridgewater assets combined some of our Amdocs products, some Bridgewater products and a lot of services around that. And some concentration and consulting work. So, very quickly becomes just another engine in our arsenal.

Operator

Next we will hear from David Kaplan with Barclays Capital.

David Kaplan - *Barclays Capital - Analyst*

Hi, everyone. If you can do me a favor and talk a little bit about the emerging markets, the types of products you're seeing there as the carriers become more developed from a development perspective? And, the second question I have and just very quickly on the buyback, exactly where are you -- I know you mentioned 17% of the shares have been repurchased, but where are you exactly on the planned buyback and what are your plans going forward as far as buybacks?

Eli Gelman - *Amdocs Limited - President, CEO*

So, David, maybe let me try to take the first question about the emerging markets. As a matter of fact, the more we get involved with the larger transformation and the larger carriers, in the emerging markets both in CALA and in APAC, what we see is a very similar needs. There is no special needs, but very similar needs to the ones that we see in Western Europe and in the US today. So, the same version 8.1, that we are probably getting out of our shop in the next few weeks, probably will be the version that will implement in CALA and in APAC in the new year. In the near future. So -- and the reason is they need post-paid and pre-paid and sometimes they need in converged mode. We're talking about in some areas very large carriers. We're talking about carriers in APAC and in CALA that have over 50 million subscribers, sometimes more. So, it's definitely big size European or even close to half the size of AT&T.

So -- and then talking about functionality that they need. So, maybe they don't need as much right now self-service, but the more they will try to drive customer experience and the more they sell SmartPhones, you actually find out that they want to have some kind of a CRM on a SmartPhone which is also demand by -- from American and Canadian customers. So, altogether I think if you want it in one line, it is a very similar product and very similar services that we are selling all around the world. On the buyback --

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

On the buyback, we are now executing on the \$1 billion authorization. We actually used up to September 30 around \$310 million, so we are free to use the remaining \$690 million through February 2013. And we plan to do so.

Eli Gelman - *Amdocs Limited - President, CEO*

So, the 17% is what we consumed so far from the previous plan of 700 plus the 300 something from the new plan, from the \$1 billion so that is the 17% and an additional 600 and whatever, 80, 90, is the remaining of the \$1 billion plan.



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David Kaplan - *Barclays Capital - Analyst*

Okay, and that's the plan you said through 2013, yes?

Eli Gelman - *Amdocs Limited - President, CEO*

Yes.

David Kaplan - *Barclays Capital - Analyst*

Okay, great, thanks.

Eli Gelman - *Amdocs Limited - President, CEO*

Thank you, David.

Operator

Next we will hear from Will Power with Robert Baird.

Will Power - *Robert W. Baird & Company, Inc. - Analyst*

Great, thanks for taking the question. So, a couple of questions, I guess the first one on North America, I know you've got some headwinds in 2012 that you alluded to from Bell Canada, delays at T-Mobile, so as you think about North America in total, is that still a market you expect can grow year-over-year in 2012 or do you think that may be down a little bit? That is the first question.

Eli Gelman - *Amdocs Limited - President, CEO*

No, North America should continue to grow, maybe not at the same pace because of the headwinds as you just mentioned. Some of these headwinds with some in certain situations can turn into tailwinds, so we don't know yet, but right now we see it growing, not at the same pace as before, but this is a growth engine for us, it's -- we have new projects, some from new customers (Inaudible) buying sensors in the same period, because there are -- other than Verizon, we have a very strong penetration in many major carriers in North America. But, even with them, we see new projects and new (Inaudible) buying from us, and then on top of that, we have the cable in North America that will continue to grow, that will be growth as well.

Will Power - *Robert W. Baird & Company, Inc. - Analyst*

Okay, and my second question, you talked about some of the developing markets success that you're seeing out there. Can you talk a little bit about what the competitive environment looks like in those developing markets? Is it more difficult than perhaps in some of your developed markets from a pricing perspective? Are you seeing Huawei, ETE, companies like that more often, and was that kind of mean for margins that we should expect from some of those developing market opportunities?

Eli Gelman - *Amdocs Limited - President, CEO*

So, these are very good questions and first of all, we see everybody in the emerging markets trying at least to beat us, so far with little success. So, that will be the Oracle of the world and Huawei of the world, and others. In terms of pricing, yes, there



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are some companies in the world that are bidding very, very low in order to gain a business. We never won businesses because we are the lowest in the industry. We are definitely the best, but not the lowest in terms of price. And I think that, so far, we show to our customers and potential customers that the value we bring and the little risk that they have going with this. We talk about major transformations that can break a company. If it's done not in the appropriate way. We are really crossing the rubicon here.

So, I think between the value that we bring, and expenses we bring, and the low-risk, these are values -- before we get into the product, then when you get to the product, obviously, we have the best suite in the world. So, the only risk that we have is some companies would say, well the other competitor is good enough. Of course, Amdocs is better, but it is good enough. We didn't see it so far as a leading indicator. In other words, even the emerging market companies, they want the best because they know that they are going into a bright future in their minds and therefore, they want to be equipped with the best product possible. So, yes we do see some irrational behavior from time to time. We have always seen that throughout the years. And, any of our companies that have deeper pockets than us, but so far I think that we are playing the value and overall cost effectiveness of our solution in a good way.

Operator

Next we'll hear from Arvind Ramnani with UBS.

Arvind Ramnani - UBS - Analyst

Hi. Thanks for taking my question. Just a couple of quick questions. For fiscal -- for your quarter here, lower end of the guidance is indicative of revenue contraction. You mentioned some of it is due to new deal like (Inaudible), but are you being a little bit conservative here or do you see some sort of weakness?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Actually, what we talked about is the fact that we are seeing good momentum in terms of the business. Many of these projects are yet to ramp up into the massive development in terms of the cycle of the project. As Eli mentioned, usually you start with a scoping phase which is thinner in terms of its revenue contribution, but very critical in terms of the design and the right scope of the activity that we are later on going to execute. So, it's not an indicator in any way about the business health or anything else, it's more of a timing issue that we see here. We decided to extend -- sorry, to expand the range of Q1 from 15 to 20 just to make sure we are taking more for some more volatility coming from product related revenue, but there is nothing more to it other than these specific facts.

Arvind Ramnani - UBS - Analyst

Great. And in terms of cash, you certainly have kind of more in the tank to basically buyback shares, do you think you're making kind of shift that strategy a little bit if you find a acquisition targets or kind of the share buyback is kind of critical to your strategy?

Eli Gelman - Amdocs Limited - President, CEO

No, the buyback is one component of our strategy, it is not the only one for sure, and we believe in M&A. We just had one -- we just concluded one with Bridgewater, but it is not the end of it and we have a good history of M&A. On the other hand, the good thing is if you don't have to. So, we can have the time and do M&As that are fitting our strategy. We're not pressed for that in terms of the promise to the market or that this has been built into our guidance. It is not.

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So, we will continue doing M&A and we are having our eyes open in many, many directions. But, we believe we believe we can do both. So, that's why we are actually executing a couple of structures, discipline with the buyback and we are doing M&As and right now we don't think that we can do -- we should do either or, we should actually do both.

Arvind Ramnani - UBS - Analyst

Excellent, thank you.

Eli Gelman - Amdocs Limited - President, CEO

Thank you.

Operator

Our next question comes from Jason Kupferberg with Jefferies.

Jason Kupferberg - Jefferies & Company - Analyst

Hi, thanks, guys. I wanted to make sure I have the numbers right on Bridgewater. Can you remind us what the annual revenue run rate was on that prior to when you acquired Bridgewater?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Actually, Bridgewater was going downward through the recent quarters prior to the acquisition. So, the track is about 21 I think for calendar Q1, then 20 and then 15 for the June quarter. We consolidated, in our Q4, half the quarter and you need to remember, it's the product company, so it's usually back end loaded within the quarter. So, I don't think you should assume linearity into the \$7 million. So, depending what you take, if you take the 15 and then do a haircut on that, given purchase accounting implications because some of the deferred revenue that was part of the Bridgewater standalone financial, not something we can recognize after the acquisition, you should take a haircut on the 60 annualized in a meaningful way.

Jason Kupferberg - Jefferies & Company - Analyst

Okay. I guess that's where I was going with it because the 1% or 1.5% on your fiscal '11 base would mean \$30 million to \$45 million or so, so that's the haircut against the \$60 million?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Yes.

Eli Gelman - Amdocs Limited - President, CEO

Congratulations, Jason.

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Jason Kupferberg - *Jefferies & Company - Analyst*

Okay, my calculator is working well. And then just a follow-up on Bridgewater, when do you guys think it will be accretive to EPS, either on a GAAP or a non-GAAP basis?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

I can say soon, but, again, then we get into the problem can you really carve it out over time? Given the synergy and the full integration approach we have, it will be very hard to track it after a quarter or two.

Jason Kupferberg - *Jefferies & Company - Analyst*

Yes.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

It's smaller. It's not something that we are going to now be really focused on doing the technical effort around trying to isolate and carve out numbers for something that is really blended into the Company.

Jason Kupferberg - *Jefferies & Company - Analyst*

Okay. And just last one for me, in fiscal '12 what you expect the relative growth roughly of managed services versus the rest of the business to look like?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

It's still hard to tell because we would need to see how those projects are translating into -- I would say roughly speaking, mainly projects will drive growth of fiscal '12, especially given the Bell Canada repricing that is, obviously, putting pressure on the managed services related revenue. But, we do see very encouraging signs where several of the customers with whom we won transformation projects are discussing with us, already, managed services at a relatively early phase, which is, obviously, a very good momentum in terms of building visibility beyond -- we are building the mass sales through the transformations and then we are building the ongoing oxygen and food for the years to come for the managed services discussion.

Jason Kupferberg - *Jefferies & Company - Analyst*

Okay, understood. Thank you, guys.

Eli Gelman - *Amdocs Limited - President, CEO*

Thank you, Jason.

Operator

Next we will hear from Damon Guirdham with Generation Investment Management.

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Damon Guirdham - *Generation Investment Management - Analyst*

Hi, just one final question on the Bridgewater stuff and then one on competition. Obviously, understand, Eli, your point about this having fitted very neatly strategically, but with the \$35 million to \$45 million guidance, it is more 5 times revenues, which is, obviously, a very different multiple from what you trade on. Is that because maybe your expectations have shifted down a little since the deal, or is it that you really felt that this strategically was worth such a large premium relative to your end multiple?

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

So, just to make sure we're looking at the same numbers, on a net basis we acquired Bridgewater net of cash for about \$145 million, \$150 million --

Damon Guirdham - *Generation Investment Management - Analyst*

Actually more like \$200 million.

Eli Gelman - *Amdocs Limited - President, CEO*

No, that is the full value, but they have a lot of cash.

Tamar Rapaport-Dagim - *Amdocs Limited - CFO*

Bridgewater has a lot of cash on its balance sheet. So, the enterprise value was more like -- the multiple is a bit different, much different than what you mentioned. And, I think the essence of the deal was definitely what kind of incremental value Bridgewater can bring to us rather than what was their business on a stand-alone basis. We wouldn't buy Bridgewater for its business on a stand-alone basis. This is merely the platform in terms of the knowledge of the people, the assets that they have, the technology and the understanding of the market needs, in order for us to build together the solution that we feel the market is really looking for.

Eli Gelman - *Amdocs Limited - President, CEO*

Not to mention that they are selling into a different buying stint than all of our customers, which is pure IN and the network people, and we usually sell into IT and finance and marketing.

Damon Guirdham - *Generation Investment Management - Analyst*

Got you. And on the competition side, historically you guys have always really referenced Oracle as people that you felt had potentially the long-term threat to your leadership in this industry or had the potential there. Would it be fair to say that some of the network vendors, obviously, with Ericsson buying Telcordia, with Huawei making a very big finish, we are hearing about them winning serious business in Europe, down on the be BSS side. How can network guys become more serious competitors over the last 12 or 24 months or is it still Oracle that you feel are the bigger threat over the longer term?

Eli Gelman - *Amdocs Limited - President, CEO*

Well first of all, I hate to mention that we like competition. It keeps ourselves sharp and alert and especially, we like it even better when we win and in recent years we won a lot against these competitors you just mentioned. To your specific questions, I doubt that the network company can become an enterprise software company. It's almost as hard as if I were to tell you we are going

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to develop base stations or high-frequency, high-speed bridges in the near future. I think you will probably look at us in a very strange eye, rightfully so. It's two different disciplines, affected both by using software, it's almost a coincidence. So, you don't go to an eye doctor to take care of your foot and the same thing goes here.

We are the only company that existed almost 30 years doing one thing, BSS and OSS telecom and yes given the time and money, if they would do all the right things in 20 years they will become a real competitor. But, I don't think in the next 24 months or 12 months, they will become major providers in this industry. And I think this is the number one reason why we actually are gaining momentum against these competitors. After saying all that, these are sales companies that have a lot of money, they can spend a lot of money or even throw money at it, and we are very, very awake and wide-awake and trying to anticipate their moves.

But, if you ask me from the engineering standpoint, I don't think they will become major -- that network companies will become major competitors any time soon. It is very difficult to do what we do and it's not -- and we are not so much experts on telecom, per se. We are experts on customer experience systems that has been implemented in most needing industry which is telecom. It's a very big difference.

Operator

And we have time for one final question. Next we will hear from Scott Sutherland with Wedbush Securities.

Scott Sutherland - Wedbush Securities - Analyst

Great, thank you and thank you for taking my questions here last. First of all, want to go back to Europe. Some have mentioned kind of seeing some macro economic effects and slowdown out there, and you are seeing some more opportunities out there, would you say that this is just some of those diamonds that you didn't pursue in the past that you are starting to uncover that is allowing you to see some opportunities that were others may not be or are you starting to see some share gains there as you go after it more aggressively?

Eli Gelman - Amdocs Limited - President, CEO

We see some success on the hard work done in recent quarters and recent years. It's no magic. We have the right product rate, we pursue the right opportunities, and we see success.

Scott Sutherland - Wedbush Securities - Analyst

Okay, the second question I had, you mentioned with opportunities moving into areas like to M-to-M and, obviously, carriers are mentioning all types of connected devices beyond phones and SmartPhones. Some of these devices, obviously, are going to have much lower ARPU or pricing per month, how do your systems scale down to that type of the pricing or do think you need acquisitions to be able to address that type of market?

Eli Gelman - Amdocs Limited - President, CEO

No, we don't need an acquisition. If we choose to do one, it would be just to accelerate our market share. And in terms of the product, it is not a scaled down version of our full stake. In some components that we wrapped up differently and some new code that we wrote for that. So, it's a different, completely different cost structure for application and implementation of it that allow us to offer it in a way that can be relevant to much lower ARPU, and much lower EBIT (Inaudible) on the machine-to-machine sector.

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Scott Sutherland - *Wedbush Securities - Analyst*

Okay, great. Thank you.

Eli Gelman - *Amdocs Limited - President, CEO*

Thank you very much.

Operator

And I would like to turn the call back over to Ms Grausam for any additional or closing remarks.

Liz Grausam - *Amdocs Limited - VP of IR*

Thank you very much for participating on our call today. We look forward to chatting with you in the days and weeks ahead. Take care.

Operator

That does conclude today's call. Thank you all for your participation.

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