

FINAL TRANSCRIPT

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DOX - Q3 2011 Amdocs Limited Earnings Conference Call

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PRESENTATION

Operator

Good day everyone and welcome to the Amdocs third-quarter 2011 earnings release conference call. Today's call is being recorded and webcast. At this time I will turn the conference over to Liz Grausam, Vice President of Investor Relations for Amdocs. Please go ahead.

Liz Grausam - *Amdocs Ltd - VP of IR*

Thank you James. 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 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 will also be furnished to the SEC on form 6-K.

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Also, this call includes information that constitutes forward-looking statements. Although we believe the expectations reflected and such forward-looking statement 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 at a 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 ended September 30, 2010 filed on December 7, 2010 and in our quarterly 6-K filing on February 8, 2011 and May 11, 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 Gelmen, President and Chief Executive Officer of Amdocs Management Limited and Tamar Rapaport-Dagim, Chief Financial Officer. Following our prepared comments, we'll open the call to Q&A. With that, let me turn the call over to Eli Gelmen.

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

Thank you Liz and good afternoon to everybody on the call. Today we are pleased to announce that our third fiscal quarter results, were solid and within our guidance ranges. This performance demonstrates a continued sequential growth on our top-line and modest margin improvement. During the third quarter, we continue to see good business momentum on a global basis. The emerging markets in Europe were relatively stand-out this quarter, so let me provide some color on each one of them.

Our reputation in emerging markets is continuously getting stronger. Carriers in Asia and Latin America are shifting more attention and higher investments toward the customer experience as they increasingly compete for subscriber loyalty. Given our unique position and track record in implementing customer experience solutions, we're winning influential deals with the largest carriers in the emerging markets. Equally important, we're winning meaningful follow-on business within our existing customer base and the emerging markets. As an example, shortly following the close of quarter 3, we signed a significant CRM transformation deal with a major wireless operator in Southeast Asia. This contract marks an expansion of the operator's overall BSS modernization program, which was launched last year with a billing transformation project also provided by Amdocs -- built by Amdocs.

Building and expanding long-term relationships with top-tier service providers is a cornerstone of Amdocs business model. We are encouraged to find out that carriers in the emerging markets like the counterparts in the developing economies are adapting the same approach. Now turning to Europe. We enhanced our Senior Leadership Team during 2009 in an effort to better align our strategy with the needs of the European operators. We believe this investment has significantly improved our competitive position in this market. We're also seeing better acceptance of the business suite product offering in Europe, which is another cornerstone of Amdocs' business philosophy.

Lastly, we are working more closely with system integrator partners, a common practice in the European market. As a result, while we are still in the initial stages of making progress, we now see Europe as a contributor to our growth. On our strategic front, during the quarter, we further crystallized our views around further -- the future of the customer experience and data monetization as part of our annual planning process. As you may recall, we had briefly introduced these 2 strategic initiatives at our Analyst day in February. Specific to our strategy around data monetization, we announced the pending acquisition of Bridgewater during the third quarter.

By integrating Bridgewater's network-facing capabilities into our current CES product portfolio, Amdocs will be better able to assist our customers in connecting network intelligence with the subscriber's data experience. The combined solution will enable service providers to create much more flexible and creative data pricing plans that can expand across multiple devices, multiple people, in multiple lines of services. We look forward to closing the acquisition later on this quarter and we welcome our new colleagues from Bridgewater. We believe we are now launching 1 of the most innovative data experience offerings in the market.

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Turning to our share buyback. We continue to repurchase shares, demonstrating our confidence in the future of Amdocs and our commitment to enhancing shareholder value. Since our resumed buyback activities in April 2010 we have repurchased roughly 14% of our shares outstanding. I will conclude my remarks on our Business by saying that we are encouraged by our results in the third quarter as well as our continued progress on many internal and customer facing initiatives that extend well beyond our absolute results. We remain excited about the direction we are taking the Company.

On a final note. I would like to make a few comments about changes to the Board of Directors. First, Bruce Anderson has decided to retire as our Chairman of the Board at the end of the current fiscal year. I would like to take this opportunity and thank Bruce for his many years of exceptional contribution to Amdocs. Bruce has agreed to stand for re-election for 1 additional term as an independent director to help manage the transition of Board leadership. I am pleased to announce that Rob Minicucci has been selected to succeed Bruce as Chairmen. Like Bruce, Rob joined the Board of Directors prior to our IPO, and has served as a Director for the past 14 years. We believe the transition will be seamless given Rob's long-term service and vast knowledge of the Company. I am looking forward to continue working with Rob in his new capacity.

On a more sorrowful note, I am truly saddened by the passing of our long-time Director Charles Foster. Charles served on our Board for the past 10 years after more than 30 years of service as an operational executive at SBC and later, AT&T. His contributions to Amdocs were significant indeed, but he was much more than a Director. Charles was a mentor and a true friend of mine who will be greatly missed. I would like to end my remarks with our humble and sincere condolences to his family and friends. On the short-term back to our results I will now turn the call over to Tamar.

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP and CFO*

Thank you Eli. Third-quarter revenue of \$801 million was within our guidance range of \$790 million to \$805 million with foreign currency fluctuations providing an approximate \$5 million benefit to sequential revenue as compared to the second quarter of 2012(Sic). Our fiscal third-quarter non-GAAP operating margin was 16.4%. Up 20 basis points sequentially from the second fiscal quarter and within our guidance range of 16% to 17%. Non-GAAP EPS was \$0.61 in Q3 compared to our guidance range of \$0.57 to \$0.63. Below the operating line, net interest and other expense was slightly negative this quarter. 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 \$125 million in Q3. This was comprised of cash from operations of approximately \$150 million, less \$25 million in net capital expenditures and other. DSO 67 days increased quarter-over-quarter by 1 day, our deferred revenue of short and long-term together was down \$28 million sequentially, while total unbilled receivables were up \$27 million as compared to the second quarter of 2011. The change in deferred revenues is within our normal fluctuations we expect in this line item. The uptick in unbilled receivables was primarily the result of a manage-services contract with timing differences between delivery and invoicing milestones. We expect the trends in unbilled receivables to reverse in Q4.

Turning to our cash position, our cash balance at the end of the third quarter was approximately \$1.1 billion. Our 12 month backlog, which includes anticipated revenue related to contracts estimated revenue for manage-services contract, letters of intent, maintenance and estimate ongoing support activities was \$2.62 billion at the end of the third quarter, up \$30 million sequentially. During the third quarter, we repurchased \$157 million of our ordinary shares pursuant to our authorized share buyback program. As of June 30, we had approximately \$880 million remaining outstanding under our current \$1 billion authorization, which extends through February 2013.

Looking forward, we expect revenue to be within a range of \$800 million to \$815 million for the fourth fiscal quarter of 2011. In this guidance, we have not assumed a significant foreign currency impact on sequential revenue positively or negatively. We anticipate our non-GAAP operating margin in the fourth quarter to continue to be within a range of 16% to 17%. Given the current demand environment, we see good opportunities to continue investing in the business, but still expect a general trend towards modest and gradual margin improvement over the coming quarters. But not necessarily every quarter.

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We anticipate that our non-GAAP tax rate will be in the range of 13% to 15% and we expect Q4 non-GAAP EPS to be in the range of \$0.58 to \$0.64. Incorporated in this view is an expected average diluted share count of roughly 183 million shares in Q4 and the likelihood of negative net interest and other expenses due to affect through foreign change fluctuations. We excluded the impact of incremental future share buyback activity during the fourth quarter as the level of activity would depend on the market conditions. Additionally, our guidance does not include the impact of our pending acquisition of Bridgewater Systems. We continue to expect to close the acquisition during the fourth quarter, and we will share with you the expected financial impact to Amdocs in our fourth quarter call in November. With that, we can turn it back to the operator to begin our question and answer session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Tom Roderick, Stifel Nicolaus.

Tom Roderick - Stifel Nicolaus - Analyst

So Eli and Tamar let me start with just a first question on profitability and sort of the margin structure I guess the question is less about this quarter but more about how your thinking has evolved as the year has progressed. We've seen a gradual improvement off of the lows, but as the world out there seems to get a little bit better, has your thinking changed at all with respect to how many inputs you want to put into the model?

In other words, are you happy to let margins just kind of expand very gradually and invest more aggressively in the business? And if you do that, do think that we can look out to next year and see an accelerating growth rate on the top-line, but a very marginal sort of margin expansion? Thanks.

Tamar Rapaport-Dagim - Amdocs Ltd - SVP and CFO

The way we look at it is that we don't want to measure ourselves by basis points were looking or the short-term view of what's the expected margin expansion, but more thinking the longer-term view of what's the potential in the Business. We're seeing very good results for our investments in terms of penetration into emerging markets, the work in terms of execution, that was done in Europe is bringing the results and definitely, the investments we've made into the Company in terms of investing in people and the knowledge level and the training and so forth.

So we want to continue doing that at the same time, as we've said we do believe we can reinvest into the business and gradually and surely but gradually improve margins. Not necessarily every quarter but definitely that's the trend, as well as the focusing on the continuation of the share repurchase program to continue to create benefit to the EPS line in conjunction to everything we talked about.

Tom Roderick - Stifel Nicolaus - Analyst

Okay. Let me take a step back and just ask a higher-level question as it relates to Bridgewater. I am not sure what you can talk about there yet. If you can share any thoughts as to what the quarterly revenue impact might look like when you acquire them, that would be fantastic.

But at a high-level I am interested in the thinking behind the Bridgewater deal and that the technology itself would seem to expose the model to more of the mobile data traffic at the edges of the network. Should we think of the Bridgewater deal as a



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first step in a more comprehensive strategy to get closer to the device, and the mobile data traffic that is heading to those various connected devices, or is this more of a 1-off that just represented a good opportunity at some key carriers for you?

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

Tom, thanks for the question. I don't like to qualify it as 1-off, but it's not to say those acquisitions are getting closer to the devices that we are planning. We shared with you that we look at almost everything through the customer experience eyes. And as we see the data mobile picking up, dramatically, and the carriers struggling with coming up to place the eat as much as you can model, with value-based pricing, we definitely thought that acquiring a company with a very solid background on real-time database on the network, on AAA, which is authentication authorization, and on the policy and work base management, which are all real-time engines, and combining it to our ratings realtime engines, would actually create a unique offering that can help the carriers to monetize their investment in the data network.

So, in this respect I don't think we need to add more. It's a technology, it was -- probably would've taken us a few years to develop ourselves so that's definitely significant improvement in terms of the timing and the knowledge bases they are getting. It's a very solid Company, very solid engineers, and I don't think you should read into it that we are getting closer to the devices.

Anything that's a commodity, we don't want to do. Even what is called DPI, Deep Packet Inspection, which is next layer down, most likely will never get to this area because we can team up and buy boxes from Cisco or other people. So it's not the direction but it's a very strategic move that we have done. Along the strategy that we shared with you in The Analyst Day.

Operator

Jason Kupferberg, Jefferies.

Unidentified Speaker - *Analyst*

This is [Ahmed Sing] filling in for Jason Kupferberg. Actually just a quick question on the emerging markets; I know you guys talked the progress over there. But where, if you can provide some color on -- where do we stand on the longer-term transition from being primarily a pre-paid market model to becoming more of a post-paid model?

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

Ahmed, I would say that these are exactly the transition we are talking about. It's not that the pre-paid is going away, but in the emerging markets, what used to be up until recently a land-grab strategy of all the carriers, we see a major change to post-paid and to customer experience. You can see it in Asia-Pacific, you can see it in Latin America and South America and in other places.

So I would say that we will keep on seeing pre-paid and we do pre-paid as well. But we never sell pre-paid as a standalone system. There is no value in that. It's simple and not very exciting systems and all of them have it. But the combination of pre-paid and post-paid convergence, all of the post-paid customers, are the major reasons why the carriers in the emerging markets are investing much more in customer experience systems, and luckily, we wrote the book and customer experience, so they are turning to us.

Unidentified Speaker - *Analyst*

All right, thank you.

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Operator

Ashwin Shirvaikar, Citi.

Ashwin Shirvaikar - Citigroup - Analyst

Thanks, good quarter guys.

Eli Gelman - Amdocs Ltd - EVP, next CEO

Thank you Ashwin.

Ashwin Shirvaikar - Citigroup - Analyst

My first question is it's fairly unusual, Eli, for you to focus so much on emerging markets and Europe in your comments. And so my question is with regards to the sustainability of the demand in emerging markets, the new generation of contracts you're signing or have in your pipeline. Are these of comparable size of profitability to the Corporate average? Can you comment on that?

Eli Gelman - Amdocs Ltd - EVP, next CEO

Yes Ashwin, I think I can try to give you some more color around it. You're right, but every time we try to focus on the stuff that can help you understand the Company better, and we had for the last few quarters we had a very good momentum in the emerging markets, and that's why we give more color about it. And this quarter we had 9% sequential growth in Europe, which is also exceptionally high. I don't think it is sustainable at this rate. But it is something that we see not as pure luck, it's a systematic result of a systematic approach that we're taking in the last several quarters.

And in terms of the business in Europe, again, not necessarily every quarter we will have new wins and new growth. But we see Europe as an overall as a growth engine for the Company now. And of course a year or 2 years ago when we had some slowdown there. In terms of the emerging markets, we saw it in the last quarter, we shared it with you; and now as then, we can still see very strong pipeline, very good business we are making in the emerging markets of all kinds. Many services, CRM, billing, OSS, and many others.

In terms of the profile of these deals, they are normal profile. In other words some of them are small and some of them are medium some of them are large. Profitability wise I would say it's not necessarily has to do with the geography, and more has to do with the fact that whether we are in penetration mode during the first project and any time that we have new transformational project, it's obviously the first that is -- the riskier one in terms of the software development, because that's where you have all the development and all the execution. And the later on it's stabilized. Other than the fact that we are talking about more penetration projects in some cases, I believe that over time, growth wise and EBIT wise, it will contribute to the Company as other regions.

Ashwin Shirvaikar - Citigroup - Analyst

Okay. And with regards to the North American client base and North American demand. Is there -- because of fairly significant pending M&A, is that having any kind of an impact near term on demand that might maybe by the later part of this year or early next year turn into a lot of pent-up demand for your services?

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Eli Gelman - *Amdocs Ltd - EVP, next CEO*

I would say in general, up until now we don't see any reason that it will -- for a change, up until now, we usually benefited from consolidation in the market. Both in Europe and in CALA, or in North America. So the pending acquisition that you are talking about in North America, we baked it into our numbers, we think that it will do good for us, and I don't expect something really significant to come out of it. But if they will continue to consolidate in North America, we will have less logos but bigger businesses. So we don't see right now these mergers as a risk to us, for a very clear reason. Because we are the number one supplier to the potential acquirers in North America. being in Canada, being in the US and even in some other places.

Operator

Julio Quintero's, Goldman Sachs.

Vincent Lin - *Goldman Sachs - Analyst*

Thanks, it's Vincent filling in for Julio. I guess these improvements out of Europe, just curious, how much of that, obviously you mentioned a couple factors in terms of improved execution and also leadership changes, I am just wondering has there -- is the strength also a function of you taking share away from competitors or just more penetration out of existing customers?

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

Vincent, usually it means that we take business away from competitors. Europe is not an exception. Emerging market is not the exception. There are competitors out there, but we're just doing a better job than they do.

Vincent Lin - *Goldman Sachs - Analyst*

Okay great. Maybe as a follow-up, in terms of the -- I'm sorry missed the first part of the call, have you provided any update in terms of your cable customers? How are you tracking that vertical and if there's anything changing in terms of customer spending patterns? Thanks.

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

Thank you Vincent. No, actually you did not miss this part. I will be glad to share with you. We're making very good progress on the execution, on the cable and the MSO space. As we shared with you like 3 quarters ago, we had some changes in some of this very complex transformation projects, but we are tracking very well on the execution right now. In terms of the overall transformation rate, we have business in the pipeline, we are making progress, we have new projects, if I talk about huge transformation projects, you'll have to wait with us a little bit longer.

Operator

Daniel Meron, RBC Capital Markets.



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Daniel Meron - RBC Capital Markets - Analyst

Thank you all and congrats on the ongoing execution here. If you can provide us with a little bit more color on what you're seeing right now as far as the OSS segment. Maybe I missed it on your prepared remarks but if you can give us an update on that front.

Eli Gelman - Amdocs Ltd - EVP, next CEO

What we see on OSS is what we have seen in the last quarter or 2, is a picking up of demand and not necessarily of signed contracts. We defined our OSS is a growth engine for us, but we shared with you that we think that we can do better. And we have some progress in all around the world as a matter of fact, if I think about in CALA, in Europe, in North America and some other places, so we see progress on the OSS, and we also are trying now to offer some of our OSS projects as a managed-services so maybe that will be a new stream in the future. Altogether, healthy pipeline and good progress. We have really excellent product there. We believe we can do better on the sales front as well.

Daniel Meron - RBC Capital Markets - Analyst

Thanks Eli. And just as a follow-up. We do get a lot of positive feedback from a lot of our contacts on the Bridgewater acquisition. How do you think that this acquisition may tie into your OSS offering? It seems to me that it's going to help a little bit to tie the knots between your BSS and OSS segments that you offer. And also, if we are to think of long-term view of OSS, how much of your business do you think you comprise in say next 3 years or 5 years?

Eli Gelman - Amdocs Ltd - EVP, next CEO

In terms of the Bridgewater, Bridgewater acquisition will help us in anything that has to do with the network, so OSS is one of them. But we are also connected obviously to the recent charging, the BSS offering, and we actually have even plans to connect it to some of the customer management, but that's in a later stage. So yes, we believe it will help some of our positioning and offering in OSS. In terms of the long-term view on OSS, I'm afraid I cannot share with you right now this specific segment, but we are aiming for growth there as well.

Operator

Lauren Choi, JPMorgan

Lauren Choi - Sterling Capital Management - Analyst

This is Lauren from Sterling. Just wanted to get your thoughts on I guess you guys have given this 4% to 6% longer-term growth on the top-line. And for 2011, obviously being on the higher end of that. How do you feel about just general business going forward? Has been better than you expected? And do you think it's sustainable?

Eli Gelman - Amdocs Ltd - EVP, next CEO

Lauren, thank you for the question. As a matter of fact, the reason why we are giving guidance for the longer-terms is because we try to help you assess the Business going forward. Yes, we have been doing better in 2011 than the 4% to 6%, probably would be like in the mid-point of this guidance probably will bring us to 6.4% something. The Bridgewater actually will help us next year as well, but to give you better guidance for 2012 you will have to wait until next quarter, because we will share with you guidance for next year.

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Altogether, the fact that we are growing and we are growing profitably as we are executing well on our plans, and we see good traction on our pipeline. And modest improvement of the margins, yes, we feel good about the Business.

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP and CFO*

One thing to add in is that we did enjoy in the last 3 quarters from the tailwinds coming from foreign currency, when we guided for the next 3 years from 4% to 6% that was assuming no impact, no negative, no positive coming from FX. It was more in terms of growth in real terms.

Lauren Choi - *Sterling Capital Management - Analyst*

Right, that's fair. Next question is I guess the idea of these large transformational deals have not been around or as large as once was. Do you see anything that's in the pipeline that is very major in the next year or so?

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

You would have to define very major, but we see major significant deals --

Lauren Choi - *Sterling Capital Management - Analyst*

More like (?) transformation or type of thing like that.

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP and CFO*

I think 1 of the main business probably versus the fact is not necessarily customers will come and sign upfront for a \$300 million bill, going to the Board and approving this 4 years transformation upfront --

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

But 3 bills of \$100 million is okay too.

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP and CFO*

Exactly that's important. Many times we will see a gradual transformation where they will commit to a billing of the start and just give an example today, where the transformation started with the billing deal, now following up with the CRM decision, and hopefully that can transform traditional components of our product suite, and definitely one of the key decision points in the decision from their point of view to start transformation with Amdocs is the fact we can actually deliver on the vested suites overall, and be a partner for the long-term. So it's not necessarily that they commit upfront, but definitely we see customers going through many transformations.

Operator

(Operator Instructions) Arvind Ramnani, UBS.

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Arvind Ramnani - UBS - Analyst

If you can provide some more color on your strength in Europe, some of the other companies that have been coming out saying Europe is somewhat soft, do you attribute some of this strength to specific clients, or specific solutions, if you could put some color in Europe that would be great.

Eli Gelman - Amdocs Ltd - EVP, next CEO

Thank you Arvind. No I don't think it's specific, it's no specific line to see pipeline and then business from different clients. As a matter of fact, no, some of them are OSS, some of them are CRM, some of them are billing, and some manage-services. We see a decent demand from different angles. Again, we do not expect to have a sustainable growth at the current rate, but we think overall, Europe may tend to be a good growth engine for us.

Arvind Ramnani - UBS - Analyst

Excellent. One more question. Which of the emerging markets offer the most potential revenue sequentially over the next 12 to 24 months? And also would you expect this to come more from a project based work or manage-services?

Eli Gelman - Amdocs Ltd - EVP, next CEO

In terms of who is going to provide growth, we can now break the world into like 3 pieces. Developed APAC, the emerging and Southeast Asia, and CALA. And we believe the growth would come from all 3 of them. In terms of managed-services or delivery, I like to think both. Volume delivery more or in the beginning and then the managed-services too. We actually start offering managed-services in the emerging market, and we have some entrance success, so we do not expect mergers in the emerging market at all.

Tamar Rapaport-Dagim - Amdocs Ltd - SVP and CFO

The typical cycle though of relationship with the customer would start with a decision to go through transformation, and then building the relationship with the customer, and then actually showing the customer the quality of the work and deliverables, we get into the discussion of the managed-services, sometimes it can work in parallel, but they usually start from discussion around transformational projects.

Operator

Scott Sutherland, Wedbush Securities.

Suhail Chandy - Wedbush Securities - Analyst

This is Suhail sitting in for Scott. Two quick questions. Number one, the first 3 weeks of fiscal Q4, are you seeing any kind of shift in sentiment on spending? You don't have to talk about deal size, but generally are you seeing any kind of shift?

Eli Gelman - Amdocs Ltd - EVP, next CEO

Maybe kind of elaborate, shift from where to where?

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Suhail Chandy - *Wedbush Securities - Analyst*

Sure. In terms of generally from a carrier spending standpoint, have you seen any difference versus close of fiscal Q3 to beginning of now you've had 4 weeks in fiscal Q4. Have you seen any kind of shift in sentiment positive or negative?

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

No. Not anything that is significant enough to mention, no.

Suhail Chandy - *Wedbush Securities - Analyst*

Okay. The second question was -- I realize you are not giving any color on Bridgewater today but obviously there's now going to be a lot of cross-selling opportunities, I think when you announced the acquisition, you probably had mentioned it is likely going to be neutral for non-GAAP EPS for fiscal 2012. Is that still the case? Or do think there might be some upside?

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP and CFO*

We still believe this is the case although we will go through the closing, will go and scrutinize the number, we'll apply the purchase accounting and we'll come back if we have any updates around that. Currently that's our view.

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

And also maybe I'd like to add a comment and some color. The Bridgewater deals at least up until now were identified as relatively small deals, and we believe that we will be over time to package this product as an augmentation to our product offering, and on top of it to add some services and this over time we will be able to get larger deals and more meaningful ones. You have to keep it in mind when we talk about the impact of Bridgewater in terms of revenue per say, strategic wise, we believe it will be proven to be a very good thing for our shareholders.

Operator

Shyam Pail, Raymond James and Associates.

Shyam Patil - *Raymond James & Associates - Analyst*

On the managed-services side, it looks like the growth there has been in the mid-to-high-single digits so far this year, could you talk about how that compares to your expectations and what the right way to think about the growth trajectories for that business going forward?

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP and CFO*

We spoke about the size of emerging markets looking on a year-to-year basis -- I'm sorry, I misheard him. Regarding managed-services, we continue to see managed-services as a very important part of the business model that we provide in terms of looking at numbers, sometimes we will see quarters that are flat, sometimes there will be a slight reduction given the discretionary spending around those deals, and then you'll suddenly see an uptick with maybe a large deal coming in. We are less concerned on tracking the sequential trend but more looking on the longer-term vector here. Overall we feel managed-services should continue to be a meaningful part of how we sell the differentiation that we can provide in the competitive environment that we live in.



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Shyam Patil - *Raymond James & Associates - Analyst*

Great, and then just a follow-up. What was the year-over-year revenue growth when you adjust for FX, and what kind of impact did FX have on your revenue relative to what you were expecting when you provided guidance? Thank you.

Tamar Rapaport-Dagim - *Amdocs Ltd - SVP and CFO*

When we provided guidance, we feel there would be a minor impact of FX, it seems then as you've seen for the last 3 quarters we've seen positive tailwinds coming from FX. So overall if I remember correctly, it's more than 1% already from the year-over-year basis, but we can look at it and get back with a clear answer on that.

Operator

Will Power, Robert Baird.

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

And just one quick follow-up on the Bridgewater acquisition. Do feel pretty good now with regard to policy management and the like once you get that integrated? Do you think there are any other tuck-in acquisitions you might need to do to get where you need to be to help the carriers with tier pricing and the new data initiatives and whatnot?

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

Thanks for the question. It's more than whether we feel comfortable, we are not after the point solution on policy management; that's something we could have achieved in other ways, and this is a relatively small piece of the overall picture. The number one issue that carriers have right now is that they can, to a certain level, at the network level decide about certain policies in a limited way, but their transactions. But if you want to apply policy for example for the whole family, allowance for a family for example. Or if you want to have a policy across devices; you have an iPad, an iPhone, and you have IPTV. And you want to share something in between them. These are not possible by any carriers today.

And all of the strategies that we are coming up with is to solve the broader problem. So it's a generic rule based on top of the DPI level, connected to the BSS system, the whole customer experience system, all the way to the profile of the customer and the different price blend at the bottom. So stuff that they can not imitate at the network level. So this connection will allow us to offer a unique proposition that will also be available across devices and across customers and line of businesses and some sort of -- which is a very different proposition.

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

Okay. I think that makes sense. How long do you think it will take to fully integrate Bridgewater to bring that more robust solution to the carriers?

Eli Gelman - *Amdocs Ltd - EVP, next CEO*

Actually, before the acquisition, we start working with them on the engineering side so we can accelerate some of it. Some proposition will be very quick and probably future releases will include even a better integration but I don't think it's measured in months not in quarters.

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Operator

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

Liz Grausam - Amdocs Ltd - VP of IR

Thank you all very much for joining us and have a good evening.

Operator

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

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