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Dov Baharav  
Amdocs Limited - President, CEO

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Julio Quinteros  
Goldman Sachs - Analyst

Ashwin Shirvaikar  
Citi - Analyst

Sterling Auty  
JP Morgan - Analyst

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Robert W. Baird - Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you very much for standing by. Welcome to this Amdocs First Quarter 2010 earnings release. As a reminder, today's call is being recorded. At this time, for opening remarks and introductions, I'd like to turn the conference over to Ms. Elizabeth Grausam, Vice President of Investor Relations for Amdocs.
Elizabeth Grausam - Amdocs Limited - VP of IR

Thank you, I'm Liz Grausam, Vice President of Investor Relations. I'd like to point out during this call we will discuss certain financial information that is not prepared in accordance with GAAP. The Company's Management uses this financial information in its internal analysis in order to exclude the effect of acquisitions and other significant items that may have a disproportionate effect in a particular period. Accordingly, Management believes isolating the effect 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.

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 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 effect 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, 2009 as filed on December 7, 2009. 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 Dov Baharav, President and Chief Executive Officer of Amdocs Management Ltd., and Tamar Rapaport-Dagim, Chief Financial Officer. Following our prepared comments, we'll open the call to Q&A. Now let me turn the call over to Dov Baharav.

Dov Baharav - Amdocs Limited - President, CEO

Thank you, Liz, and good afternoon to everyone on the call. Today we are very pleased to announce our performance in the First Quarter which led to revenue and EPS at the top end of our expectations and record free cash flow for Amdocs. Today I want to focus my comments on the trends we are seeing in managed services. As we've discussed last quarter we expected managed services to be core growth driver for Amdocs in Fiscal 2010 and I can inform you now that we are off to a great start in the First Quarter. Encouragingly, we saw good diversity in the managed services deals we signed this quarter including three with brand new customers to Amdocs of which one is in Asia-Pac. Importantly today we announced two significant managed services agreement with AT&T and Bell Canada.

First, with AT&T, we have expanded our agreement to include additional applications management services, building on contracts signed in 2007 to support AT&T's consumer and wireline businesses. In addition to expanding the scope of our responsibility, we have also extended the terms of the overall managed services agreement with AT&T to 2017.

At Bell Canada, we have extended our managed services relationship for an additional five years to 2017 as well. We believe this new agreement with two of the largest carriers in North America clearly demonstrate the high quality, value-added and cost competitiveness of our solutions. Additionally, in an important development for Amdocs we have continued to expand our managed services presence with smaller and emerging service providers over the course of the last 18 months, leading with the Metro PCS deal signed at the end of fiscal 2008 continuing with Clearwire in mid 2009 and now kicking off to 2010 with several new wins in the First Quarter including DAVE Wireless.

Overall we believe our momentum in managed services is perhaps the clearest expression of the advantage of our product-led services business model. Our focus on communication customers enables us to gain deep domain expertise which we are able to reflect in our software products. The combination of our domain expertise, industry leading products and operational excellence in turn allows us to enjoy unique competitive advantage in managed services. In addition, by enabling modernization through managed services, we improve our customers' ability to compete and innovate while mitigating large up-front investment to accomplish their critical strategic goals.
Beyond managed services, we also identified cable and satellite as the key growth driver for 2010 and we are pleased to report that each performed very well in the First Quarter and in line with our expectation. Additionally, our project-oriented businesses demonstrated improving trends in Q1. Customers are beginning to reengage in spending plans and we are seeing some early evidence of customer pushing forward with transformational projects, albeit still at a relatively cautious pace. We are also increasingly confident that Europe is stabilizing.

To conclude, we are happy to start our new fiscal year on a higher note and as we enter the new decade we believe our competitive position has only strengthened. We are a more efficient Company and are offering more cost competitive solutions to the market. At the same time, we have continued to aggressively invest in innovation, most recently illustrated by our CES8 launch yesterday. The CES8 release farther distances Amdocs from its competition with the most advanced solution in the market today. CES8 was developed to enable our customers to run leaner operations while at the same time, prepare for the changes and opportunities that the connected world offers. The portfolio offers both best of breed components and best of suite integration and now includes the acquired offering from ChangingWorlds and JNetX.

Additionally, CES8, in CES8 we have focused on reducing the cost associated with installation, implementation and maintenance of our system which we believe will serve to further differentiate Amdocs. Combined with our superior business model, these factors are resulting in us winning in the marketplace and I’m more optimistic than I’ve been in well over a year that Amdocs is entering a period of resumed growth. With that, I’ll turn it over to Tamar for a discussion of our First Quarter financial performance and our forward-looking guidance.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Thank you, Dov. Revenue of $725 million was at the top end of our guidance range of $705 million to $725 million, with currency providing about $4 million of sequential lift relative to our expectation of negligible benefit when we issued Q1 guidance. The revenue performance led to a non-GAAP earnings per share of $0.55 also at the top end of our guidance range.

Moving on to profitability, our non-GAAP operating margin of 18.1% was consistent with our Fourth Quarter performance and in line with our expectations. We continue to focus on maximizing our operating profit growth through top line expansion while at the same time striving to at least maintain an 18% non-GAAP margin level in fiscal 2010. This margin outlook excludes any large new managing service agreements which are not currently contemplated in our revenue outlook.

Other income was modestly negative this quarter due to costs associated with foreign currency fluctuations and a continued low interest rate environment; however, the results were within our range of expectations. We want to highlight that we expect other income to continue to be negative in the range of a few million dollars quarterly going forward. This view is incorporated in our EPS guidance for Q2 and may persist throughout 2010 if global currencies remain volatile.

We reported record free cash flow in Q1 at $170 million comprised of cash flow from operations of $194 million less approximately $24 million in net capital expenditures and other. Driving this performance, we continue to have good collections with DSOs of 61. Additionally, we experienced another uptick in both short-term and long term deferred revenue. Our cash balance at the end of the First Quarter was $1.3 billion. We continue to use cash to support our M&A program and our managed services business and our pipeline in both areas remains active. Our 12 month backlog which includes anticipated revenue related to contracts, estimated revenue for managed services contracts, letters of our intent, maintenance and estimated ongoing support activities was $2.425 billion at the end of the First Quarter of fiscal 2010, up $40 million sequentially.

Looking forward, for the Second Quarter of 2010, we expect revenue to be within a range of $730 million $750 million. We expect currency will positively contribute a few million dollars sequentially to revenue in Q2. We anticipate our non-GAAP operating margin in the Second Quarter to be at least 18% and we will continue to balance our profit targets with our desire to reinvest in the business as conditions improve. We also anticipate that our non-GAAP tax rate will remain in the range of 13 to 15% and expect Q2 non-GAAP EPS to be in the range of $0.52 to $0.56.
Incorporated in this view is an expected average diluted share count of approximately 208 million shares in Q2 and the likelihood of negative other income due to effects from foreign exchange fluctuations as discussed earlier. We also expect free cash flow for Q2 will be at least $100 million, however we will pay annual bonuses in second fiscal quarter so cash flow should be down sequentially off of the record level reported in Q1. Given the improvement in the market conditions and an increase in our visibility, we believe it is appropriate to share some color on a fiscal 2010 revenue expectations. At this time, for internal planning purposes we expect to sustain constant currency sequential revenue growth in the range of roughly 1 to 2% in the back half of fiscal 2010, at levels similar to what we have experienced for the past two quarters.

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

**QUESTIONS AND ANSWERS**

**Operator**

Thank you very much. (Operator Instructions). We'll take our first question from Tom Roderick with Thomas Weisel Partners.

**Tom Roderick - Thomas Weisel Partners - Analyst**

Thanks. Good afternoon, and congratulations. Nice execution on the quarter.

**Tamar Rapaport-Dagim - Amdocs Limited - CFO**

Thank you.

**Tom Roderick - Thomas Weisel Partners - Analyst**

Tamar, your guidance is beyond just the next quarter. It's quite strong with respect to the visibility in the second half of the year. This is clearly a change from last quarter in that you were a little bit cautious in issuing longer term guidance, so as you think about what sort of changed in the visibility in your model, can you talk a little bit more in North America it seems like a good place to start as that bounced back this quarter, what are the types of projects that folks are getting engaged in that's driving that visibility beyond just this quarter and can you talk a little bit more about the transformational projects within that, thanks?

**Tamar Rapaport-Dagim - Amdocs Limited - CFO**

Thank you, Tom. So yes, we are feeling better as we are continuing to see the momentum of growth for a second quarter in a row and also encouraged to see a very good quarter in terms of new signings as well as the continuation of the success in two very important growth pillars we have within the Company which are managed services and cable and satellite. This reflects itself in the color we gave beyond even Q2 in terms of our internal planning and how we forecast the second half of the year.

What we see is overall a good momentum both with existing customers as well as our penetration into new logos which comes in the form first of all of better I would say appetite that we see across the globe for customers to sign up and talk about transformation, so even though they are still being cautious in some cases in terms of how they commit and they are doing it in some cases, in a phased approach, definitely the number of discussions that we see around transformation has increased as well as the number of wins. In addition to that, we continue to see that the unique business offering of a modernization with managed services is a compelling business offer that helps us penetrate into lower skilled carriers, both existing ones as well as new entrants into the marketplace.
Tom Roderick - Thomas Weisel Partners - Analyst

Great. One quick follow-up for me. Just in terms of the managed services extensions that you signed this quarter, I guess typically we would expect to see a bit more margin pull back given what might come along with pricing concessions for a longer term deal outlook. Can you talk a little bit about -- should we assume that there are some natural margins pulled back associated with the managed services business for a period of time or were you able to hold the margins on that segment of the business consistent with everything else?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Without referring to the specific deal, overall when we practically discuss with our customers either expansion and usually when we go into discuss extension, as you can see we're doing it before or many years before actually the contracts are ending, given the relationship we have with the customer and the satisfaction level they have from our performance. So typically when we go into such discussions, there are different things that are being discussed, prices, operational flexibility, SLAs, there are many elements to this discussion so yes, prices are one of them but not necessary this is coming with a large pressure immediately on the margins given the overall, I would say scope changes that are happening at the same time and different elements of going through that including as I said before, more operational flexibility on our side to perform the same or even better sales levels of the customer but from our point of view, with a better cost structure.

Operator

Thank you. Moving on we'll take a question from Julio Quinteros from Goldman Sachs.

Julio Quinteros - Goldman Sachs - Analyst

Thanks, guys, just staying on that point about the extensions can you talk about the CapEx requirements as both Bell Canada and the AT&T extensions ramp up? Do you expect to see more in the way of CapEx requirements to get to the additional work here?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

None of these extensions require any special CapEx investments.

Julio Quinteros - Goldman Sachs - Analyst

Okay, great. And then on the second part as you look at sort of the second half of 2010 and you're looking at sort of the improved visibility, the improved annual run rates, can you just give us a sense when you look at this versus a more normalized year, how good is your annual visibility if you were to look back to obviously before this year's downturn, do you feel comfortable that the annual visibility you have now is back to normal levels or is there still puts and takes to take into account and what would those be?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

The main thing that has changed versus several years ago is the percentage of managed services in our overall business and that's by nature of this business and the commitment level coming from customers that is usually longer term is increasing the business visibility overall. Now, looking in terms of the reflection of the percentage of new projects impacting our backlog currently, still as you can see, actually you have seen during the downturn of '09 even though revenue was down 9%
year-over-year, the backlog, the 12 months backlog has hardly moved relative to that, so not necessarily backlog will move also
going forward as an indicator of the growth but overall we feel that visibility given the business model is improving.

Operator

Thank you. Moving on we'll take a question from Ashwin Shirvaikar with Citi.

Ashwin Shirvaikar - Citi - Analyst

Hi. Good quarter, congratulations. My first question is could you broadly comment on forward margin and cash flow expectation as we think about full year 2010?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

So regarding the margin as we said, we still believe the approach is that we would like to see the overall operating income expanding as a result of the top line expansion while seeing the 18% level as a level we would not want to go below at, so what's happening actually is that we are reinvesting into the business in order to generate the growth while protecting the 18% profitability.

Looking at from a cash flow point of view, we have seen very stronger recent few quarters in terms of the free cash flow performance, not necessarily where free cash flow conversion to earnings of 150% is not a sustainable magic unfortunately and we do and we have indicated that in the Second Quarter of the fiscal year, we are paying also some annual bonuses; however, we feel that we are much more built today and focused today in the last I would say two years in terms of creating the right mechanism in the deals we're signing in terms of the invoicing milestones, we have done a lot of changes in the last two years around the operational performance, collections so all of these factors are translating to the cash flow performance, however I cannot promise you going forward these kinds of levels you've seen in the last two quarters.

Ashwin Shirvaikar - Citi - Analyst

Okay, and, Dov, when you said in your prepared remarks that Amdocs is entering a period of renewed growth, what rate of sustainable growth do you expect given the business mix between a core billing customer care which maybe grows a little slower in the emerging faster growth other parts of the business. Is that sort of consistent with your 1 to 2% sequential or did you have a higher growth rate in mind?

Dov Baharav - Amdocs Limited - President, CEO

Ashwin, thank you for the question. Looking right now at the growth for the second half of 2010, we are very pleased that we are back to growth so we are still celebrating the fact that we move from uncertainty to more confidence in our existing growth and -- but still I wouldn't say that the market is back to fast growth. Our confidence regarding the growth in 2010 is based on the fact that we see the global market stabilizing and our carriers are speaking more about stabilization and start talking about growth. So we have enough confidence in 2010; however, it’s too early to comment on how we will grow beyond 2010. We believe that since we merge out of the crisis stronger with better offering, with the CES8, the market leading portfolio, with a better core structure of the Company, with what we have achieved during the crisis, with better offering to the market, with by far more a robust managed services offering with a proven success in the marketplace, we think that we have the arsenal and all the ammunition to accelerate the growth but at this point, it’s too early to comment on the growth beyond 2010.
Operator
Moving on we'll take our next question from Sterling Auty with JPMorgan.

Sterling Auty - JPMorgan - Analyst
Yes, thanks. In terms of looking at the guidance, the reaction that I had and others I've talked to, it seems like the revenue guidance was even better than the EPS guidance and I think one of the things that you commented on was the other income. Can you give us some more insight in terms of the cost that might be hitting other income on the FX, is it the cost of hedging or is it the FX adjustments that are flowing through the other income that's hitting the line?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
Well, Sterling, as you indicated, we've seen more reliability when we guide for the EPS range below the operating income line which is coming from the FX volatility and also within the range of the tax rate for the quarter that would be between the 13 to 15% that could be a different outcome. So looking at foreign currency, unfortunately, we continue to see very high volatility even within that quarter, we compare the beginning of the quarter to the end of the quarter it seems like a movement of 1 or 2% but during the quarter we see the major currencies we operate in moving more drastically, and a lot of that is flowing in the final income line, things like balance sheet reevaluation for example, even though we extended significantly the hedging program around that but the fact we are operating in 60 countries in many currencies and running an operation in those currencies, there is always something that is being reevaluated given the volatility and this results in a few million dollars a quarter which we are baking into the guidance.

Sterling Auty - JPMorgan - Analyst
Okay, and then on the comment about the strength of cable and satellite, specifically to cable you talked about some of the things you've done with Comcast but as you look in the quarter as well as the expectation for the year, where do you think the biggest strength is going to come from? Is it going to be on the CRM side, the OSS side, the billings side or managed services. Where do you think you're going to get the biggest leverage from in the cable industry specifically?

Dov Baharav - Amdocs Limited - President, CEO
Well, in the cable industry, one area of course will be managed services, we believe that actually every existing customers of Amdocs today might be a potential for increased activity in the managed services and on top we see demand for our BSS, and which includes the billing and the CRM and also there is room for the new digital services as you know all the cable companies are moving toward triple play and competing in the data area, so we believe that they will expand their activity. And now our CRM proved to be very efficient and very helpful for the cable carriers so the fact that we won J;COMM and replacing an existing CRM system by our platform where we address the needs of the cable company including ordering that is very unique for cable and that gives us the confidence that we can expand the business in the CRM ordering on top of a billing and OSS, which we see a big potential as well.

Operator
Thank you very much. Moving on we'll tack a question from Jason Kupferberg with UBS.
Hi guys, this is Steve Fordham sitting in for Jason. Thanks for taking my question. In the context of the 1 to 2% sequential revenue growth expected for the rest of fiscal '10, what are the underlying assumptions for the project business versus the managed services business?

I don’t think we are going into the details of exactly what will happen in each one of the quarters in terms of managed services and projects overall. What we do convey in this message is that first of all we continue to see strong performance of managed services continuing, even for 2009 when we have pressure in many areas of the business, managed service and communication side continue to perform very well and going into 2010 we are encouraged to see that this trend is continuing. On top of that we see the project activity not only stabilizing but continuing to show momentum in terms of new signings and commitment appetite from the customers, starting to pick up, so that should translate its way to the numbers in the rest of 2010.

Okay, and how would you characterize the change in decision cycles over the past quarter and does it vary materially by geography or service offering?

I think that the selling cycle is getting a little bit shorter and what actually characterizes the activity of the carriers this quarter is that suddenly we see readiness to sign contracts. I would say if two quarters ago, we saw a lot of hesitation and all the times it was a new excuse why not to sign the contract. Suddenly, they are out of excuses and ready to sign, which gives us the confidence that they are ready to start moving forward and in some cases goes through transformation and in some cases to change the way that they operate and adopt managed services and actually investing in the business in order to be more competitive, so that’s how we see it.

We are moving on to our next question from Shaul Eyal with Oppenheimer & Company. Hi, good quarter and congratulations.

Thank you. Two quick questions on my end. I think Tamar, last quarter you talked about Europe growing sequentially if I’m not mistaken by about 5-6% for the first time in about a year. Obviously you talked about stabilization in Europe. What was the rate this quarter if you can be more specific about it?

It’s actually a few million down this quarter and as we indicated last quarter we were hesitant to talk about stabilization last quarter even though we have seen sequential increase because it was the First Quarter after several ones that we finally seen the positive signs, so now in the second quarter in a row, we consider even a few million dollars down to a base stabilization and we continue to see also good momentum in discussions with the customers in terms of their appetite and interest level regarding modernization while in 2009, Europe was I would say more of the dormant areas that we were facing. So we can talk about stabilization, probably too early to call it victory on the open side, but we feel more optimistic today than six months ago.
Shaul Eyal - Oppenheimer & Company - Analyst
Got it. On the hiring front what was the headcount by the end of the quarter, what are the hiring plans for the remainder of 2010?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
As we are indicating in the press release, we have about 18,000 employees and we are not disclosing specific plans for equipment going forward.

Dov Baharav - Amdocs Limited - President, CEO
But let me add, we continue to recruit and probably in order to facilitate the 1 to 2% growth that we anticipate for the rest of the year, we will have to continue to recruit.

Tamar Rapaport-Dagim - Amdocs Limited - CFO
The main thing that if you look on the workforce aspect is that we created through this cycle of pressure down in '09 and now we're seeing the growth pattern back again, a major change in the cost structure of the Company as we've released most of the employees through the layoffs in the high cost regions in which we operate and actually most of the hiring is done today in the low cost region so this is a major change in the cost structure for the Company.

Operator
And moving on we'll take a question from Karl Keirstead with Kaufman Brothers.

Karl Keirstead - Kaufman Brothers - Analyst
Yes, hi, thanks for taking my questions. I've got two of them. The first is Tamar, could you offer a little color on the bump in deferred revenues that contributed to the strong free cash? And then secondly, just to go back to the AT&T and Bell Canada deals, it looks like they're primarily extensions which I presume won't be too incremental to growth except for the AT&T deal where it looks like you added the scope. Can you give any color as to what the incremental revenues could be from the AT&T and Bell deals? Thanks so much.

Tamar Rapaport-Dagim - Amdocs Limited - CFO
Thank you, Karl. So the main two reasons for the increase in deferred revenue are first signings of new deals that came with the preferable payment at the earlier part of the deal and secondly and I would say even more importantly is just a matter of a gap in timing between accounting recognition, especially in managed service deals, the path of recognition of those deals versus the invoicing milestones are not necessarily aligned so that's creating now a positive momentum on the deferred revenue coming from long term deals.

Now on the AT&T and Bell question, so as you've indicated, an extension is actually impacting the future years of the Company, not the current year, in creating higher visibility overall for the Company and in the AT&T case, the signing included expansion of activity that will bring some incremental revenue but unfortunately we cannot indicate specifically the size of that expansion.
Scott Sutherland - Wedbush Securities - Analyst

Thank you, and good job in the quarter.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Thank you.

Scott Sutherland - Wedbush Securities - Analyst

A couple questions, first can you talk about the opportunities you're seeing in interactive and data billing especially as some operators are starting to dabble in things like meter to billing, does this create any transformation in billing systems or opportunities or risks for you guys?

Dov Baharav - Amdocs Limited - President, CEO

We consider the transformation with the industry as a risk on one end, but mainly as an opportunity. The fact that there is a shift in the industry where more activity is moving toward data services, the fact that there is by far more a usage of the network by connected devices where every person will have not only one phone but might have 10 connected devices, it might be the phone, it might be the Kindle, it might be other monitor or TV connected to the network and as a result of it, that is creating a new level of complexity and needs of the network which plays to our hand.

As you know, we have our OSS offering. The OSS offering including for example, a network planning, how you plan the network by connected devices where every person will have not only one phone but might have 10 connected devices, it might be the phone, it might be the Kindle, it might be other monitor or TV connected to the network and as a result of it, that is creating a new level of complexity and needs of the network which plays to our hand.

If you are looking at the BSS, the billing, our new offering, the CES8 that we just rolled out as a market leading capability of providing converged and prepaid, post paid in a very low cost, to the marketplace which is based on our on one end patented, innovative technology which we call the turbo charging and on the other end the integration of all of the business processes and the best practice due to the fact that we are providing the services in our FX. So this offering actually enables carriers to move from not only to do the activity, the traditional activity much lower cost but also enables them to be very successful in the new mold where they can meet a different activity, different usage of data, and actually enable the usage of many many new connected devices.
So we believe that our current offering is supporting the current needs and the future needs and as that results talking about an offering in the digital area that we added lately including the personalization, including the SDP, the service delivery platforms that we added through our two acquisitions lately, and the integration that’s led to all of the QPass that we bought several years ago which includes the store front and the digital commerce.

**Scott Sutherland** - Wedbush Securities - Analyst

Okay, the follow-up question is as I look at your licensing revenue, that’s continued to be under pressure. I know you’ve seen traction in the managed services side. In what context should we view the licensing revenue going forward in the future and viewing that also as a leading indicator to services type revenue?

**Tamar Rapaport-Dagim** - Amdocs Limited - CFO

I think that overall definitely license revenue is related to the level of the project activity within the Company but it’s not necessarily a direct link because different projects come with different proportion of license versus service revenue in them, so yes we expect license to track up as we continue to see a good momentum with projects but not necessarily I would see that as a leading indicator for the size of project activity.

**Operator**

Moving on we'll take a question from Daniel Meron with RBC Capital Markets.

**Daniel Meron** - RBC Capital Markets - Analyst

Congrats on the strong execution, Dov and Tamar.

**Tamar Rapaport-Dagim** - Amdocs Limited - CFO

Thank you.

**Daniel Meron** - RBC Capital Markets - Analyst

Couple questions, first one, you launched the CES8 product yesterday if you can just highlight the main differences from the prior pack and then you also mentioned on your launch yesterday that you have several customers lined up for the product, if you can elaborate on the nature of these upgrades and what can be the adoption rate of this new suite? Thank you.

**Dov Baharav** - Amdocs Limited - President, CEO

We are very excited about the launch of the CES8. We believe it’s a defining moment where we are bringing to the market a unique comprehensive deep platform that we see already the momentum that this creates in the marketplace. So let me give you some examples of the new features that benefit that we bring in the CES8.

It starts with the fact that we are able to offer what we call the BSS pack, the business support system pack and we have the OSS pack, but the BSS pack is actually a combination of the billing, CRM, ordering, self-service, and product catalog in one pre-integrated packaged pack including the business processes, including a pre-populated paper with substantial investment in the integration, in the ability to install it quicker in order to have the ability to maintain it in substantial reduction in the overall activity in order to all of new services. So these packs are actually offered to the market in much lower prices with much higher
margins for us and we see substantial demand for this pack and we see it in the rate of wins that we have against the competition which was very high in this quarter.

The second thing of the CES8 is that we have lowered the cost of the hardware. With the turbo charging, it's our patented innovative platform for our rating, enables us to reduce substantially the cost of the hardware. On top of it we are moving to Linux and these activity is reducing the cost not only of the software but also of the hardware.

Now, we offer to the market a unique prepaid offering, market leading that we did not have before which is the combination of the turbo-charging with the high deliverable, high speed and low cost, plus a session control is that we acquired the spot of the jNetX which is a market leading one. More than that we offer realtime convergent billing which is what I said right now, it's the turbo-charging that is realtime plus the jNetX that are providing the session control and it's also post paid, a realtime post paid. Now we see a lot of demand for realtime post paid. We can offered today realtime post paid in prices that are lower than the previous batch processing of post paid, and those are just several examples of the benefit of this platform and on top of it we have for example, just one more example, device care. We enable carriers today to care to actually take care of the Smartphone and given the complexity of the Smartphone and the loads that it creates on the call center, we have the ability to enable the CSR to be connected directly to the phone and actually configure it and address the changes there and by that reducing substantially the cost of the care of Smartphones and increasing the customer satisfaction substantially. So these are just a few examples that we believe the demands we have seen already in the Q1 December quarter is a reflection of the values that we bring to the market with the CES8.

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**Daniel Meron - RBC Capital Markets - Analyst**

Okay, sounds good, and then last just a follow-up. The directory business accounted for almost half of the sequential growth this quarter. Is this a sign of rebound in this business, should we expect it to continue at this pace? How should we think about a directory business in 2010?

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**Tamar Rapaport-Dagim - Amdocs Limited - CFO**

I think the good news is that it has stabilized. It can fluctuate from quarter to quarter, so not necessarily now where we are committing to a continuing momentum of the one we've seen this one versus the prior one but overall we feel confident that this business has stabilized.

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**Operator**

Moving on, we'll take a question now from Ted Jackson with Cantor Fitzgerald.

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**Ted Jackson - Cantor Fitzgerald - Analyst**

I got one left actually, I just got taken out of most of mine and that is just talking quickly about the pick-up in project oriented activity. Is that just primarily being driven by an improved economic environment or is there a component of that improved situation that's driven by the release of CES8? And then tangently behind CES8, could you talk a little bit about how the rollout of a new release maybe drives services revenue within your installed base? Those are my questions, thanks.

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**Dov Baharav - Amdocs Limited - President, CEO**

Thank you for this excellent question, and I think that you mentioned the components are all there. First of all, the improvement in the economy. They are now ready to move, if before they said let's wait, now they are ready to move so this is one thing that is a tailwind for all the activity. The second one you said is CES8. The fact that we have now an offering that is very appealing,
it's a low cost with by far more better performance and more than that, today with our managed services offerings, we can offer them to do some transformation and without paying up front a lot of money, so some of it for example, Dave Wireless that we announced and some other wins that we have that we have not disclosed the name, we were able to take the customers through a transformation without substantial up-front payment, actually funded by the savings for managed services. So the combination of the best product, a very efficient installation capability and managed services creating an offer that is very difficult to what you're used to and the last one that is creating the demand for a new project oriented activity is the move to the new world. The fact that it is having real-time for the new data services, they need to bundle new digital services with old one. They need to do it in lower cost, in more flexibility. All that creates a new demand so all that together, and our unique offering creating the new increased demand.

Ted Jackson - Cantor Fitzgerald - Analyst

Thanks.

Operator

Thank you very much. We'll take a question from Shyam Patil with Raymond James & Associates.

Shyam Patil - Raymond James & Associates - Analyst

Hi, thank you. Dov, you talked about customers moving forward with transformation projects. If you think about just the large deals that are say 50 million to $100 million in annual revenue, what kind of RFP activity or appetite are you seeing for these kinds of deals and are there any particular application areas or geographies that stand out in your mind?

Dov Baharav - Amdocs Limited - President, CEO

We see some project as you mentioned with a higher number; however, we do not anticipate to see them reflected in the backlog and immediate increase in our revenue due to the fact that the market is moving to a phased approach. That is to say there is some scoping which might be $3 million and probably will get only for the scoping and later on it will be order for Phase I and order for Phase II and as a result of it, it’s not translated to immediate signing of a large deal; however, we see demand in APAC for a large deal. We see demand for a phased approach in Europe and also in North America so actually it’s everywhere.

Shyam Patil - Raymond James & Associates - Analyst

Got it and then my follow-up question is could you talk a little bit about the open market business, what kind of trends you’re seeing there, the growth rate, how big it might be, and then what you’re plans might be to expand it internationally for that specific business.

Dov Baharav - Amdocs Limited - President, CEO

I will say one of the exciting activities in Amdocs is OpenMarket, just for the people that are not so familiar with this activity, it was part of the acquisition of Qpass that we cultivated and it's going very fast, it's really high speed and its offering actually includes two main components. One is a third party mobile payment and the second one is stand out as SMSs, so the one that the third party mobile payment this is exciting. Actually you can get on some sites, Internet sites and you can choose to pay through the telephone bill so you get some, to a site without any connection to any carrier but you can choose to pay through the carrier, so in the United States, if we are connected to 98% of the subscriber, through all the carriers and then we are processing all of this activity. So to some extent we created the kind of exchange that content provider can register and know
in advance how much they are going to get and we are managing everything including distributing the content including collecting the money so the carrier collects the money, we arrange everything and we actually manage all of this activity and we see substantial growth. On top of it the results are distributing an advertisement through SMS to all the mobile subscribers as part of the activities there.

Now, it’s still relatively small part of the Company but the growth rate was 30% and even more and it’s profitable and our intention is to expand globally, so we will have a global offering not only in the United States but also in Europe and in APAC and the other region, and we also intend to increase the number of services that we provide. So this kind of activity where we enable a mobile activity and enable a content provider and merchant to distribute advertisement, to in a very easy way, this is we see an area with a big potential for us.

Operator
We’ll take a question from Will Power with Robert Baird.

Will Power - Robert W. Baird - Analyst
Great. Thanks for taking the question. A follow-up question of sorts on the 2010 revenue guidance, as we look at the Q1 results, revenue sequentially was driven principally by North America so as you think about the 1 to 2% sequential growth expectation through the balance of the year, do you expect that to be driven principally by North America or should we expect that to be more evenly spread across geographies?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
I think it’s hard to predict exactly how the revenue growth is spread across the region but definitely willing to take into consideration the fact that we continue to see improvement across-the-board. So we are currently at about three quarters of the business in North America. So just by this large base of activity in the region and the fact we continue to see good momentum in that region as well, I expect also a large portion of the growth to come from North America, but more importantly is the fact we continue to see good momentum with CES8 as a compelling business offer in emerging markets and in Europe as well.

Will Power - Robert W. Baird - Analyst
Okay, great and maybe as a follow-up I know it sounds like Europe has started to stabilize which is clearly positive. As that starts to presumably grow at some point, what do you think is the real products there that drive Europe? Is it managed services as it is across your business or are there some other products that you think will be the key drivers?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
We believe the new platform launched just yesterday, the CES8 is addressing exactly the needs of the European market as well as the other regions in which we operate so we believe this can be part of the momentum we will see there hopefully.

Will Power - Robert W. Baird - Analyst
Okay, thank you.
Operator
That's all the time we have for questions today. I'd like to turn the conference back over to Dov Baharav for any closing remarks.

Dov Baharav - Amdocs Limited - President, CEO
Thank you very much and good evening for everyone.

Operator
Thank you very much. Again ladies and gentlemen, that does conclude today's call.