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EDITED TRANSCRIPT

DOX - Q2 2012 Amdocs Limited Earnings Conference Call

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OVERVIEW:

DOX reported 2Q12 revenue of $809m and diluted GAAP EPS of $0.60. Expects 3Q12 revenue to be $805-825m and non-GAAP EPS to be $0.64-0.70.

CORPORATE PARTICIPANTS

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Tamar Rapaport-Dagim *Amdocs Ltd - CFO*

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Tom Roderick *Stifel Nicolaus - Analyst*

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Daniel Meron *RBC Capital Markets - Analyst*

David Kaplan *Barclays Capital - Analyst*

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PRESENTATION

Operator

Good day, everyone and welcome to this Amdocs second quarter 2012 earnings release conference call. Today's call is being recorded and webcast. At this time I would like to turn the conference over to Ms. Liz Grausam, Vice President of Investor Relations for Amdocs. Please go ahead, ma'am.

Liz Grausam *- Amdocs Ltd - VP of IR*

Thank you, Lisa. Before we begin, I would like to point out that during this call we will discuss certain financial information that is not prepared in accordance with GAAP. The Company's management uses this financial information in its internal analysis in order to exclude the effect of acquisitions and other significant items that may have a disproportionate effect in a particular period. Accordingly, management believes that isolating the effects of such events enables management and investors to consistently analyze the critical components and results of operations of the Company's business. And to have a meaningful comparison to prior periods. For more information regarding our use of non-GAAP financial measures, including reconciliations of these measures, we refer you to today's earnings release which will also be furnished with the SEC on a 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, 2011. Filed on December 8, 2011, and our Form 6-K furnished for the first quarter of fiscal 2012 on February 14, 2012.

Amdocs may elect to update these forward-looking statements at some point in the future. However, the Company specifically disclaims any obligation to do so. Participating on the call today are Eli Gelman, President and Chief Executive Officer of Amdocs Management Limited, and Tamar Rapaport-Dagim, Chief Financial Officer. Following our prepared comments, we'll open the call to Q&A. With that, let me turn the call over to Eli Gelman.

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

Thank you, Liz, and good afternoon to everybody on the call. Today we are pleased to announce that our second fiscal quarter results were within our guidance for revenue, EPS and margins. Similar to last quarter, I will separate my discussion of business trends into two areas, AT&T and everything else. Also similar to last quarter, the trends remain quite different between AT&T, our largest account, and the vast majority of our business. Last quarter we discussed that AT&T put certain programs on hold. Following the cancellation of the T-Mobile merger.

Furthermore, we spoke about last quarter that we have limited visibility into AT&T plans as they were just beginning to formulate their new priorities. During our second quarter, we gained greater clarity of AT&T IT spending plans, and we now understand that the IT activity levels will be lower than our expectation a quarter ago. Nevertheless, we continue to have high confidence in our strategic partnership with AT&T. Our business deal stretches across multiple line of businesses, buying centers and activities. So what has changed is that the new discretionary IT spending, has been quite slow to resume after the merger cancellation. As such, new projects are not being initiated at the sufficient volume to replace projects coming to completion.

What has not changed, is that we remain confident in the strength of our large recurring revenue rate at AT&T. So we really do view this as a shift in timing of discretionary project and not a structural problem at AT&T. Reinforcing this last point, during the second quarter, we hosted a large group of very senior AT&T executives at our R&D centers in Israel to focus on their future initiatives and our relevant offerings. We continue to see great opportunity within AT&T to grow our business and to help our customer execute against its strategic goals. I will now turn the discussion to the majority of our business, where the tone is quite different. We continue to see solid demand trends and strong signals -- signing's during the second quarter, especially in the emerging markets and Europe.

Our results in the emerging markets speak for themselves, with revenue tracking to be up in double digits for the fiscal year. We continue to see strong momentum across southeast Asia and Latin America, with both new and existing customers. Additionally, we're also excited by the signing -- the rising level of interest in managed services within the emerging markets. This provides further evidence that our unique combination of product, professional services, and managed services, is well accepted and a value proposition in this region and globally. Today we officially announced our activities with Globe in the Philippines. We first spoke about Globe in November when the customer disclosed it had selected Amdocs for its BSS transformation program. We are now proud to announce that the deal was signed during the second quarter, with significantly expanded scope.

In Globe, we will provide full transformation of the customer BSS and business intelligence data warehouse systems. Including prime system integration services, and seven-year support commitment. Additionally, we continue to drive strong momentum in CALA, our Caribbean and Latin America region. Including the deal we announced today at CNT in Ecuador, which spans both BSS and OSS. During the quarter, we also announced that BSS and OSS win at Telecom Italia Mobile Brazil. Including consulting, integration, implementation services, to support the team Fiber residential broadband services. This deal follows a separate transformation program win a TIM, that we announced about a year ago. We are also making good progress with follow-on sales with other customers in this region. We believe this clearly demonstrates that our customer relationship model of finisher penetration, strong execution and then follow-up expansion, is working well also in the emerging markets. In Europe we are happy to announce two important expansions of our relationship with the Vodafone group.

At the Vodafone group level, we signed an important global licensing agreement. This is a commitment to Amdocs as a strategic partner and is a strong endorsement of our position within the Vodafone group. As we also announced, the first deployment under this global agreement at Vodafone, Netherlands where we are currently in the process of modernizing the full BSS tech to our most recent version 8.1. Overall in Europe, we continue to monitor the economic situation closely, but we believe that Europe will remain the growth engine for us in the near future. To sum up the business review, we are currently experiencing some weakness at AT&T that is unique to that customer, and is related to shifts in their business priorities. This weakness is overshadowing what is otherwise shaping up to be a pivotal year of success at Amdocs.

The rest of our business is actually overperforming, and therefore partially compensating for AT&T. Importantly, we continue to expect quarterly sequential revenue growth to accelerate in the third and especially in the fourth quarter. As new project activities are ramping up, this view has not changed and we are executing well towards this accelerated growth. Even with the unexpected headwind to revenue, we are raising our outlook for 2012 non-GAAP EPS growth. Our internal investments in training and knowledge are helping to drive stable to improving operating margins. As anticipated, additionally we remain committed to our share buyback program.

Last but certainly not least, today we announced that our Board of Directors approved the initiation of $0.13 quarterly dividend program. This decision was made in the context of our ongoing review of our long term capital allocation policy. In general, we will continue to take a balanced approach to our capital allocation. Ensuring that we have sufficient cash to execute against our strategic growth initiatives, including M&A as a first priority, while returning excess cash to shareholders over time. Tamar will provide much greater details on our future plans and how the dividend fits within our long term capital allocation framework in a few minutes. To close, all in all I feel good about our business.

We believe that the trends with AT&T are specific to this account, and we will continue to support our largest customer as it manages its priorities. And looks at the unique comparative position and we are winning the deal that's major in this market. Like with Globe team Brazil and Vodafone. Additionally, we believe we bring strong value proposition not only to our customers, but also to our shareholders. Further enforced by the introduction of the dividends today. With that, I will now turn the call to Tamar.

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

Thank you, Eli. Second quarter revenue of $809 million was within our guidance range of $800 million to $820 million. Favorable foreign country fluctuations provided an approximately $1 million benefit to sequential revenue growth over the first quarter of 2012. Our second fiscal quarter non-GAAP operating margin was 16.6% up 10 basis points from Q1, and within our expected range of 16% to 17%. Our margin performance reflects the benefits of the investments we made in internal productivity, development and delivery capabilities. Even as we aggressively expand our business into new customers and territories. Below the operating line non-GAAP, net interest and other expense was negative $1 million in Q2.

For forward-looking purposes we continue to expect that net interest and other expense may be negative in the range of a few million dollars quarterly primarily due to foreign currency fluctuations. Non-GAAP EPS was $0.67 in Q2, compared to our guidance range of $0.62 to $0.68. We would also like to call attention to our diluted GAAP EPS of $0.60 for the second fiscal quarter, which was higher than our $0.50 to $0.58 guidance. Cue to a $0.04 one time gain resulting from the sale of the Company's remaining investment in Longshine. Free cash flow was $53 million in Q2. This was comprised of cash flow from operations of approximately $75 million, less $22 million in net capital expenditures and other.

This result includes an annual cash bonus distribution for the prior fiscal year. DSO of 69 increased quarter-over-quarter by two days, but remained within our normal range. Our total deferred revenue both short term and long term, was down in total to $21 million sequentially, while total and billed receivables were up $12 million as compared to the first quarter of 2012. The increase in unbilled receivable was primarily related to timing differences between invoicing milestones and delivery progress in projects. Our cash balance at the end of the second quarter was approximately $896 million. Our 12 month backlog which includes anticipated revenue related to contracts, estimated revenue from managed services contract, letters of intent, maintenance and estimated ongoing support activities was $2.725 billion at the end of the second quarter, up $35 million sequentially, and up 5.2% year-over-year.

During the second quarter we repurchased $117 million of our ordinary shares, pursuant to our authorized share buyback program. As of March 31, we had $431 million of remaining repurchase authority, and our current $1 billion authorization which extends through February, 2013. Looking forward, we expect to generate $805 million to $825 million, for the third fiscal quarter of 2012. This range includes minimal anticipated sequential impact from foreign currency fluctuations as compared to Q2. We anticipate our non-GAAP operating margin in the third quarter to continue to be within a range of 16% to 17%. We also anticipate that our non-GAAP tax rate will be in range of 13% to 15%, and we expect Q3 non-GAAP EPS to be in a range of $0.64 to $0.70.

Incorporated into this view is an expected average diluted share count of roughly [170] million shares in Q3. And the likelihood of a negative impact from foreign exchange fluctuations. We excluded the impact of incremental future share buyback activity during the third quarter, as the level of activity will depend on market conditions. For the first fiscal year, we now expect -- sorry, for the first -- for the fiscal year, we now expect revenue growth of [$0.03 to $0.04](Sic-see press release) on a constant currency basis. Revised down from a prior outlook of 5% to 6% growth. I want to provide context on the magnitude of the change to our outlook at AT&T and how it impacts our total Company forecast. At the beginning of the

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year we expected AT&T to be up in the mid-single digits, and now we expect it to be down in the mid-single digits. As we have often said, yearly fluctuations, a few percentage points up or down with any particular customer are normal.

However, there are two things unique about the situation in AT&T. First, as most of you know, AT&T accounted for 29% of our 2011 revenue, so our exposure is quite high to even this normal fluctuation, specifically of this customer. As a result, the change in growth expectations of AT&T accounts for about three percentage points of growth for the whole Company in fiscal 2012. Second, the abrupt nature of the merger cancellation caused a very rapid change in AT&T's priorities within this fiscal year. In most instances we have much better and earlier visibility, into such a change in spending levels and therefore, a greater ability to plan around it. While we highlighted risks around AT&T last quarter, the revision to our outlook with AT&T was greater than we anticipated.

On a more positive note, the rest of the business is actually outperforming our initial expectations for the year, and thus we revised our guidance range by only about 2%. We also continue to expect sequential growth rates to accelerate in Q3 and Q4 as we have initially planned. Our forecast for reported revenue, assumes roughly 0.5% negative impact as a result of foreign currency movement. So reported revenue growth year-over-year is now expected to be 2.5% to 3.5%. I also wanted to quickly comment that we expect directory business to be down in the second half of the year relative to the first half. We have updated our non-GAAP EPS growth outlook to at least 12% to 14% from at least 11% to 13%, as we factored in the benefit of our Q2 repurchase activity, and our solid margin performance. Consistent with our practice, this EPS outlook does not include any future repurchase activity.

We anticipate fiscal 2012 non-GAAP operating margins to remain within a range of 16% to 17% for the year. At this point in time we expect those margins in the second half of the year will be roughly similar to those achieved in the first half. Before Q&A I want to add some perspective on our capital allocation program. As Eli mentioned, the dividend initiation is the next step in our long term capital allocation planning, which we also discussed with our Board this quarter. For context, over the past two years we have been repurchasing stock at an accelerated pace greater than 100% of our free cash flow. Our decision to execute this share repurchase plan was driven by an elevated net cash position and the valuation of the stock.

Following the planned completion of our current authorization, which expires in February of 2013, our expectation is to continue repurchasing stock, albeit at the more moderate pace than in the past three years, as our net cash balance has come in significantly. As a rule of thumb, when thinking about the long term plans, we believe we can distribute roughly half of our annual free cash flow with shareholders through a combination of dividends and share repurchases. To be clear, though, we will maintain discipline with our repurchase activity with regards to the valuation of the stock. Furthermore, we believe this framework will allow the Company sufficient flexibility to fund its strategic growth both organically and inorganically. It will be a balancing act, as priorities shift from year to year, but we wanted to share with you our thought process around long term capital allocation. With that we can turn it back to the operator to begin the question-and-answer session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jason Kupferberg, Jefferies.

Jason Kupferberg - *Jefferies & Company - Analyst*

Maybe you can just clarify what your mix at AT&T from a revenue perspective is in terms of project-based revenue versus recurring. Because obviously it sounds like the project based piece is what's being impacted by some of their spending plan?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

The majority of activity in AT&T is around what we call the more recurring level of activities including both managed services and things that they're not necessarily contractually committed for the long term, but are economy nature. Although a relative smaller part of the revenue we have in AT&T is impacted by discretionary spending, this is the more volatile part by nature and as we said before, it's enough that you'll have a couple percentage points movements in an account like AT&T that it can move the needle for the whole Company.

Jason Kupferberg - *Jefferies & Company - Analyst*

Right. Okay, that makes sense and I guess as people start thinking about fiscal '13 because you've made it clear that AT&T's plans are going to impact you for the balance of this current fiscal year, but what do you know, what do you sense at this point that would give folks comfort that there wouldn't be potentially another step-down in discretionary spending as you move into your next fiscal year? I just wanted to get a sense of what the visibility might be like there based on the conversations that you've had with AT&T in terms of getting a handle on the fact that, you know, hopefully this is kind of a, you know, a one-time adjustment and then you'll at least stabilize if not improve from these levels?

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

Jason, thanks for the question. Maybe I can add something and then Tamar can continue. Obviously when you get to 2013, it's harder to predict, but we don't think it's a linear thing. So we don't expect another drop of this discretionary the same volume next year. It's not something that would be in our opinion something that would, you know, happen again that soon. We may see some reduction. As a matter of fact, in general we believe the business after this reduction will start growing again at AT&T because we have some preview to their future plans.

We hope to be as part of this plans, but the history shows that usually we are, maybe not 100% of it, but to a large extent. We continue to be the most strategic IT supply for AT&T and we don't see a structural or competitive environment as that may change. Not to mention that we have new initiatives within the network space. The Bridgewater, machine to machine, other activities and we hope to see them coming into play on top of what we have today, in the future. So, we expect actually AT&T after this reduction and stabilization period, to start growing again. Tamar, you want to add?

Jason Kupferberg - *Jefferies & Company - Analyst*

Maybe if I can just add one more question to the mix, turning to the emerging market side of things where obviously the good news continues to flow there with some of your latest deal announcements. How should we think about the time it will take to really ramp some of those recent emerging markets deals up to a full revenue run rate? I'm assuming it's probably multiple quarters, but just want to feel you out on that.

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

In many of the cases of the deals in emerging markets we're thinking about it in the context of building the long term relationship. So we're not just looking on the initial deal size and the penetration point let's call it. The most important part is the fact we can actually create this relationship to be a recurring one, one that can expand and this is exactly the color we were trying to share with you that we are already starting to see in areas or in accounts in which we penetrated to see this kind of expansion. Whether it's in the mode of additional projects that is coming, with another part of our portfolio, whether it's in the mode of expansion into more of a longer term contract. And what's exciting is that we are also seeing the interest level around managed services increasing with some early signs of success.

So I think it's quite exciting overall and to add, you know, kind of to give additional color on the sizing, we believe that managed services -- sorry, that the emerging market customers can definitely become quite significant for us even this year. We actually, you know, run some forecasts and see that it's quite possible that two names at least in emerging markets will enter our top 10 customer list already this year. So it is definitely starting to move the needle in terms of the progress we are seeing there.

Jason Kupferberg - *Jefferies & Company - Analyst*

Okay. Understood. Thank you for the color, guys.

Operator

(Operator Instructions) Ashwin Shirvaikar, Citi.

Ashwin Shirvaikar - *Citigroup - Analyst*

I guess my first question is on the CNT contract that you guys announced, also saw that you signed a -- what looks like a much broader channel agreement with IBM for all of CALA. Can you talk about the market potential in CALA from this deal and how this implement with IBM might work?

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

Ashwin, thanks for the question first of all. In terms of the CALA, we see expansion in CALA in all possible dimensions, on the product side, the services side, different countries. And again we thought maybe we'll have it only in Brazil, but now it goes into Ecuador and Colombia and Chile and other places and as such, we are becoming a favorite partner to other plays in the region. And we believe that this relationship with IBM will be beneficial for both companies. We teamed up with IBM on several opportunities in the last year, on both sides of the emerging market, as a matter of fact, and this announcement is just articulating a process that has been going on for quite some time. We are excited about it, I think that they are excited about it, I know that they are, and we may end up with having more relationships in this region as we are really becoming very active in many dimensions of this market.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay. And my follow-up is back to AT&T, I guess wasn't backlog affected downward by AT&T, also, and what's your current visibility into AT&T for the remainder of this year? Is it stable now?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

Well naturally backlog is impacted by AT&T and despite this impact we are seeing an overall increase in the backlog sequentially and also we're looking at it, of course, year-over-year. We are not necessarily again, giving specific visibility per customer here, but as I said before, the bulk of activity within AT&T is recurring in nature. And I think that it's very important to understand that we are working within AT&T across many lines of businesses, many buying centers, again it's not all guaranteed and as we always say, even if you have a long term contract, you have to deliver in an excellent way in order to maintain this relationship over time. And we believe we are performing very well against those commitments, and therefore should continue to see stability in the recurring areas.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay. Thank you, guys.

Operator

Tom Roderick, Stifel Nicolaus.

Tom Roderick - *Stifel Nicolaus - Analyst*

So Eli, I apologize, I jumped on just a couple minutes late and you may have detailed some of the priority shifting at AT&T, but just kind of wondering if you could go into a little bit more detail about where those priorities are shifting to, projects are going from where to where? And as it relates to the cost structure, you know, should these priorities kind of continue to shift away from your core strength and continue to delay some of this re-acceleration from AT&T? Do you have the flexibility on the cost structure to kind of move the costs down as it relates to that one specific customer?

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

So, Tom, thanks for the question. Actually several questions within this comment on AT&T. First of all, the deviation that we see is versus the plan that we had initially because we thought about few mid-digit percentage growth within AT&T, and we will see minus a few, you know, percentage. So the overall fluctuation, if we're calculating around 3% headwind, you can understand that it's -- that the deviation between what we expected and what the reality is, is about $90 million plus. So this is quite significant, but it's not a shift from our cost strength or anything like this. It's not like they took projects from us and gave it to a competitor God forbid, or they internalized it.

None of that is the case. What we see is that they just delayed new projects. Usually in AT&T, as big as AT&T are, they're initiating a lot of projects. It's a very -- it's an early adapter company, if you will. So what we are seeing is that the new projects are being delayed and not compensating, if you will, to some of the programs that we started, you know, two, three, whatever, six quarters ago. So this is kind of the dynamics that we see there. It's not a shift from our core.

In general, not -- I'm not talking about AT&T right now because I don't want to speak about AT&T only, but in North America and in other places you can see it, also. There is a trend of shift of expenses when AT&T overrides or anyone else is going into heavy investment into the 4G, for example, obviously they take most of their discretionary expense and they put them on the new network and only lagging behind it are usually in the industry we've seen this cycle several times in the past, the IT projects come along, I'm sure afterwards to make sure that they can monetize all this investment. So, that's part of the overall shift that you can see and obviously all of us can see the amount of money that is being spent in North America in general on the 4G.

So that's also part of the overall trend. The reason why we believe it's something that we'll recover, first of all, because we are talking and working with AT&T on all kind of new initiatives. They're shifting more energy towards data and network leading IT. As you know, we are very strong in this space as well, so we don't think they are shifting away from our core strengths at all. I hope that I gave you some color that can help you.

Tom Roderick - *Stifel Nicolaus - Analyst*

Yes. That's great. That's very helpful. Follow-up question for me just in thinking about the capital allocations, so you've clearly been very generous with the buybacks. Now we've got a dividend. In thinking about the M&A prospects here, are you -- maybe you just provide some commentary on what you're seeing out there in the marketplace? We haven't seen much from you in a while. Is it a reflection that the valuations in the marketplace aren't very appealing? You're not finding enough that sort of moves the needle? Just maybe some reflections of what you're seeing in the M&A marketplace and what would be appealing to you?

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

Well, so maybe I can expand on your question, make sure that we're all on the same page because we try to give as much color as we could on the dividend as well in the bigger context. So, the way we see it is that we want as a framework and don't take it as a guidance or any specific number, but as a framework we want to spend about half of our -- in the future, okay? Half of our free cash flow on strategic initiatives and accumulate more cash for strategic moves which includes M&A, of course. The rest of it will be between the dividends and buyback and the buyback -- the dividends obviously something relatively -- not relatively, very committed and strong and their buyback probably will fluctuate, depends on strategic moves.

So, this is kind of really a framework how we think internally. And we are committed to finish or complete the current authorization of the buyback and this one whereas our portfolio will come up again based on the framework they just gave you with new plans.

In terms of M&A without specifically relating to any one specific thing, we made, you know, relatively recently the acquisition of Bridgewater which was a typical augmentation and acceleration of a product that we thought that it will be much faster to augment our ability with this acquisition. We may see, you know, couple of those in the future as we evolve our product set, but I don't expect really big, big transformations there because we strongly believe that we have a really superior technology and we need to augment it from time to time, but not to the level that we need to do something very significant. The other components obviously consolidation of the market. We are still by far the leading provider. We always like to be strongest if the opportunity arises and, of course to get into new field. Either within our space, adjustment to our space or farther alongside to our space. So in a way we keep our options open to all, but I tried just to give you maybe some color on some of the things that we have.

Tom Roderick - *Stifel Nicolaus - Analyst*

That's great. Thanks so much.

Operator

Oppenheimer & Company, Shaul Eyal.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Are you guys hiring and, if so, is it R&D? Is it sales? What department?

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

First of all, we are hiring. In general, what you can see is that internal efficiency of the Company is improving, so we don't need maybe as many people per every $10 million additional revenue as we probably needed in the past because that's part of the efficiency. On the other hand, obviously A, we have some attrition. So we need to replace some people. We have betterment process in the Company every single year. We're releasing the long -- the end tail of the low performer because we thrive to be excellent in everything we do.

So, we have to replace those individuals and in certain areas we recruit on top of that just to give you an idea right now because of the announcement we just made I can share with you, we are recruiting people right now in Manila for a major project that we are ramping up. We are recruiting people in Brazil and in other places in Latin America and few others. So I think that's probably sum up the color of the hiring.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Got it. That's some good color. Thank you for that. One more thing. With respect -- I know we spoke about obviously AT&T, spoke about the CALA and emerging markets. Plus other emerging markets customers. What's the status of Sprint right now?

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

Live, kicking and well. That's the short version of it. At Sprint we keep on implementing significant projects as we move on. I think that the customer did not disclose specifics, but I can give you maybe some idea. Sprint is improving and putting a lot of emphasis of customer experience. The whole relationship with the customers which is in Amdocs' space is under the customer management, the CM. We just finished recently very important implementation in the customer management space, with very good results for us and for Sprint. And we see some new initiatives altogether good customer, good relationship. We like to duplicate those.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Got it. Good. That is great. Thank you very much and congrats on the dividend.

Operator

Shyam Patil, Raymond James & Associates.

Shyam Patil - *Raymond James & Associates - Analyst*

Eli, you talked about kind of the lag between the network spend and the spend on Amdocs' core solutions. You know, when you look at the 4G network spend, when do you expect that to translate into demand on revenue to Amdocs for its core solutions? Maybe based on some of the previous cycles you've seen is that a year out? Is it two years out typically? How should we think about that?

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

It's a good question and it's a hard one to answer. I think that usually it's around a year, sometimes more, depends on how big the investments are. What you usually would see and I would imagine North America and also in some other advanced markets, you may see some initial projects on -- around OSS, for example, because they need to provide for inventory, new components, new fiber optics networks, like we announced now on fast implementation in team Brazil. And then you see more and more, you know, additional sophistication getting into their BSS and -- but it's measured in probably a year lag. It's not a quarter and it's not two or three years. So maybe that's the best I can give you. Sorry for not being more specific. It's just that it's really hard to predict.

Shyam Patil - *Raymond James & Associates - Analyst*

Okay. That's all. And then initially when the AT&T, T-Mobile merger was announced you guys talked about it being positive, if it did go through and even if it didn't go through, you know, when you look at T-Mobile specifically and given the, you know, the amount of cash they have on hand now and kind of the looming opportunity for an upgrade or kind of increasing projects there, how do you think about that opportunity? And, maybe kind of the -- if that's something near term, if that's something more intermediate to longer term for Amdocs?

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

Shyam, I'll tell you, the one thing by the way we did not and I think very few people really could predict the abrupt pull-off of this, of this deal. And that affects obviously some of our expectation and also, by the way, the response of AT&T to the situation because once they move so quickly into not doing the deal, they had to shift priorities internally because a lot of the things the last before the cancellation for about six, maybe eight months, was geared all towards the merger. To your question specifically about T-Mobile, we believe T-Mobile represents an opportunity for us because at the end of the day, T-Mobile is a very strong company. They're alive, they're fighting, they need to improve their BSS and OSS systems and customer experience and everything else. We're a strong provider to a T-Mobile. It's not guaranteed it will get the other businesses, but we believe that in the future, I'm not saying next quarter or two, but in the foreseeable future several quarters down the road, we may see an expansion for our business in T-Mobile or at least we hope to.

Shyam Patil - *Raymond James & Associates - Analyst*

Great. Thank you for all the color.

Operator

JPMorgan, Sterling Auty.

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

I jumped on late, but just kind of thinking about the strength in the emerging markets, Latin America versus what you described at AT&T, wondering at what point do you think you can find enough strength in these other areas to offset some of the sluggishness that you're seeing temporarily at AT&T, to get to the point where maybe the revenue accelerates back to the previous expectation?

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

Sterling, thanks for the question. Obviously, we don't see it in a high probability at all for the remainder of this year. Otherwise we would not go through this guidance framework, but we believe that as we move forward, two things will happen. We don't expect -- we don't have any reason right now to expect that the emerging market will perform less. They should keep on growing significantly, and we expect AT&T to do eventually to come back and start growing again. As I mentioned, I made this comment before maybe you didn't hear it. We cannot put a real time stamp on that, but AT&T is strong, active.

They just had a shift of time and priorities and as expected, after such a major non-merger if you can call it this way, but we don't think that AT&T is got really ill or, you know, a slow company, something of this. And as we -- as they come back to their shifting back priorities, and as we are strong provider today and we make every possible effort to keep -- be very relevant to them on some new initiatives, we expect to get a nice portion of this growth. So if you combine the two, I think we can go back to, you know, to the range that we like to be and hopefully even further if we can find additional growth engines in the meantime.

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

Okay. The follow onto that --

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

Go ahead.

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

Just, Sterling, also on AT&T it wasn't built in a day, the capacity and volume of business we have there and so this kind of relationship and buildup of this kind of magnitude takes time. But as I indicated earlier, we do have very good signs where already now emerging market customers are becoming very meaningful for us. And that's after a very short time of activity in this region. So, we definitely see them, possibility and potential of emerging markets customer to become very meaningful for the Company.

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

Just to give you, by the way, a rough back of the envelope calculation, please don't take it as a guidance, you can actually reverse engineering on some of the numbers. But if you -- our guidance would suggest that if you do all the math, you will see that we would hope to cruise at the altitude of $840 million in quarter 4, like a rough midpoint. So we talk about, some growth and different level of activity right there, and that's with the AT&T headwind. The growth factor that you talk about is everything that we try to comment between my comments and Tamar's comments. But we actually seeing or expect to see this accelerated growth that we expected starting in quarter 3 and then going into quarter 4.

THOMSON REUTERS

With that I have to -- I warn you to don't take quarter 3, quarter 4 or quarter 3 as a sequential growth looking forward necessarily. It's not necessarily sustainable, but it is a different level of activity and for us it's exciting. Not to mention that we hope to get eventually to the high watermark and exceed it again.

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

Okay. Thank you, guys.

Operator

Daniel Meron, RBC Capital Markets.

Daniel Meron - *RBC Capital Markets - Analyst*

Hi Eli and Tamar, congrats on the initial dividend here, very promising. So just to go back into an area that you didn't talk as much about, the operating support systems business, what the trends there, do you see for the traction that business where you guys are with the product?

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

Daniel, on the OSS, the operation support systems and it's not necessarily that we see the same trend exactly all over the world. But in certain areas of the world for sure and we announced specifically this quarter, you know, significant projects both in Brazil and in Ecuador. But we see it in other places, too. We see progress. We see progress because we have a very good product. We are the only Company that actually can combine services from the same shop on the OSS product today.

And we can demonstrate relatively much shorter than the typical project of BSS because of the nature of the business has nothing to do with our product or services. It just -- the implementation there are more standardized so you can get to proven results quicker. And that for us good news in two aspects, A, business by itself and but the second thing it's a penetration tool for us and we see later on, and we've seen it already happening, that we start from OSS smaller scale or medium scale project and we end up with larger BSS transformation. And as such, we are the only Company that can demonstrate the value of the BSS, OSS integration as well. So from different angles you see this is a strong point for us and as I said, I called it about a year ago diamond in the rough. It's better shaped now and better polished, but it's not shining to the level that I want it to be.

Daniel Meron - *RBC Capital Markets - Analyst*

Okay. Thanks. And on the tiered billing side, data billing, et cetera, why the trend that you're seeing right now is that the main area of discussion with carriers or is it like getting two additional transformation projects, where do we stand with that even more related to LTE deployments or just changes within carrier thinking?

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

Well, data billing or data monetization in general is a field in its infancy, if you will. And what you basically see around the world including North America but not only, all the carriers more or less announced that they're dropping their, as much as you can, programs. Very few of them came up already with new programs to replace it. So that's part of the position we see. We believe that we are ahead of the market, as we should be, in terms of our thinking and ideas and software and services to monetize the data. So, in today's environment what we see is that first of all, we are thought leaders and we have a lot of workshops and proof of concepts and pilots in many places.

We start seeing some of them turning into projects. In the beginning it will be as expected, smaller projects, but we believe it will become within the next couple of years or maybe few years the mainstream of the business. So that's the trend that we see and luckily or smartly, we are ahead of the market and we are there and we have really added offering in this space. Which, by the way, the sum of it is the Bridgewater acquisition, some of it is our Turbo charging, some of it is our EPC, our enterprise product outload that has been upgraded. And we've done it in several different angles, but we are really ahead of the market in this space.

Daniel Meron - *RBC Capital Markets - Analyst*

Okay. Good luck.

Operator

David Kaplan, Barclays.

David Kaplan - *Barclays Capital - Analyst*

Can you talk a little bit now that you've increased your distribution by adding the dividend, can you talk about if there's any impact on the Israeli side from tax shelters that you have with the Office of Chief Scientist?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

We don't have any problems with the Chief Scientist in Israel, not relevant to us at all.

David Kaplan - *Barclays Capital - Analyst*

Okay. So as -- so you don't -- is that to say that you no longer have approved status there as an approved business?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

We have an approved enterprise established for tax -- income tax purposes, which is something else. Our cash is not held necessarily in Israel. We are domiciled in currency and the bulk of the cash is actually under the ultimate parent company. So no limitations or no offshore trapped cash issues that should worry you.

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

The short version David is we don't see any problem with that at all.

David Kaplan - *Barclays Capital - Analyst*

Okay, great. And then just if we can talk a little bit about emerging markets again, it seems that you and some of the other companies in your fields have all been talking about emerging market growth. Can you talk a little bit about pricing in those regions and how is that relative or margins in those regions and how is that relative to what you're seeing in developed markets?

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

So David, before I answer your question there I want you not to forget Europe. I know that a lot of people wrote it off, but for us it's growing business. We keep monitoring it very, very carefully, but we just announced another Vodafone expansion, but we see other areas as well. So not too many companies are talking about that. Going back to your question --

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David Kaplan - *Barclays Capital - Analyst*

I think if you want to answer that, too, I'd love to hear about pricing and margins in Europe as well.

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

Okay. That's a good point, but first for pricing in the emerging markets, the original question. We are I think, depend on the market, it's not exactly the same thing to compare Southeast Asia with CALA and within Southeast Asia it's not exactly the same thing, but altogether there is a solid demand to our product and our services in, I would say it in one word in good prices. We are not coming with, you know, like a one-third or one-tenth of the price, because it's an emerging market. These markets are going through -- they are skipping a generation. They are going from all home grown legacy systems to full modern systems and the sophistication of this market, the volumes and everything else is not inferior to Sprint, AT&T or Vodafone. They're using the same version 81 that we use in Vodafone, [England].

They use the same thing in Brazil or in Malaysia or any other place. So it's important topic and as such, so we have some fluctuation of price and some of it, that's in terms of the licensing and the overall scheme. The service is the same thing, we do deploy people on the ground in those countries and there is some, you know, expected prices to some people, but altogether we are managing to provide our services at a good premium. In general we said all along because we are in a penetration mode not in all accounts, of course, but in general in this market, the profitability of this market are not as you would expect in the stabilized developed countries. But this is actually normal, by the way, it happened the same thing in Europe 10, 15 years ago when we were penetrating to more and more European countries.

So, with the fact that we managed to get good prices for these regions, in most cases higher than our competitors, with the fact that we see our business model of penetration expansion later on after good execution, the fact that we see managed services on both ends of the emerging markets ramping up. With all this parameters and vectors, we are happy with this business in the emerging market. As you challenge me with the European pricing, actually it's good business for us, Europe. You know, some of the countries have a lot of issues, but I think I mentioned that modern ones in the past, we don't work today with some of the more problematic nations almost at all. And when you talk about, you know, England and Germany and France and other places, it's, you know, Europe is a good place to do business in.

David Kaplan - *Barclays Capital - Analyst*

Great. Thanks very much.

Operator

Scott Sutherland, Wedbush Securities.

Scott Sutherland - *Wedbush Securities - Analyst*

Can you talk about a little bit that, you know, here you've been growing emerging markets and doing good growth in some of your business, but you hit a couple speed bumbles with Bell Canada and AT&T. As you look out do you see any other speed bumps or you see some of the growth in the other businesses start performing, as you guided Q4, should see good sequential growth. Any other speed bumps you see out there that worry you?

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

Oh, it's a very complicated question. I'm trying to scan in my head something of, you know, of size. I would say one that we've mentioned, not to the same size or magnitude, but we see is the deterioration of the business of directories, the yellow pages. We see it all around the world. We may try to get to make some mileage out of it as well. But that's, you know, a continuous bump, if you will, not a specific speed bump. You know, I can see, one customer here or one customer there that may slow down the expansion with us because of their business.

I don't see the situation that we may had, like a year, two years ago in some cases of the changes of the implementation and topics like this that are related to our own execution. Because we stabilized this thing and our product is really excellent and our delivery organization is working almost as research. You know, if a certain customer, because of their competitive environment, hit two quarters that are bad and they want to push some of their new initiatives a few quarters down the road, it happens all the time. As I try to depict to you, to the world, from the outside it looks like our world is very, very stable and very smooth. Underneath there is a lot of moving parts and fluctuation of a few percentage up and down because of business, mainly because of business reasons of our customers are very, very natural. And in most cases we just compensate one for the other.

When it comes to the same percentage fluctuation on AT&T which is a singular type of account for us, it's something that we can compensate only partly and that's what we see right now. But, I don't think -- I'll keep on thinking about it. If I'll think about something, I'll relate it to you in the next call maybe, but I'm trying to give you the best from, you know, searching as we speak in my mind. This would be probably my answer.

Scott Sutherland - *Wedbush Securities - Analyst*

Okay, that's great. And my follow-up maybe talk a little bit about Vodafone. As you've progressed with this relationship with the parent company, obviously in the history you've been good in some regions of Vodafone, but not in other regions. Are you seeing opportunities that may open up in other regions where you haven't been in existence like, you know, Southern Europe or Asia-Pacific or those regions?

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

It's a very good question. I think that's part of the reason why we are so excited about the Vodafone, England, which is a specific implementation under the global agreement. So the global agreement show the direction and the importance and the positioning, the strong position that we have. But the Vodafone element is basically the proof itself. We intend to do a very good job there and as such, we believe that Vodafone would have an interest to try and see if it can implement the same thing in other places.

Either within Europe or Asia PAC or India, whatever, and so we see -- and we see some activities in other places today as well. But some of them we did not announce. Some of them are not in the size that is worth, want to bother you with. But I actually looking forward with realistic hope that good implementation of this BSS transformation can lead to new initiatives, because it's a brilliant project. I cannot elaborate right now, but I hope that it will turn also to new projects within Vodafone and new regions as well.

Scott Sutherland - *Wedbush Securities - Analyst*

Great. Thank you.

Operator

That is all the time we have for questions. I'd like to turn the call back over to our speakers for any additional or closing remarks.

Liz Grausam - *Amdocs Ltd - VP of IR*

Thank you, Lisa. We look forward to seeing many of you tomorrow when we have Rami Schwartz, President of the Product Business Group, presenting in the morning. And thank you for your continued support of Amdocs. We really do appreciate it. Take care and have a great night.

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

Thank you.

Operator

Everyone, that does conclude today's conference. We would like to thank you all for your participation.
