OVERVIEW:
Co. reported 4Q16 revenue of $941m and GAAP diluted EPS of $0.64. Expects FY17 reported and constant-currency basis total revenue growth to be roughly 2-6%. Expects 1Q17 revenue to be $935-975m and non-GAAP diluted EPS to be $0.87-0.93.
CORPORATE PARTICIPANTS

Matthew Smith Amdocs Limited - Head of IR
Eli Gelman Amdocs Limited - President & CEO Amdocs Management Limited
Tamar Rapaport-Dagim Amdocs Limited - CFO

CONFERENCE CALL PARTICIPANTS

Matt VanVliet Stifel Nicolaus - Analyst
Wil Power Robert W. Baird & Company, Inc. - Analyst
Ashwin Shrivaikar Citigroup - Analyst
Shaul Eyal Oppenheimer & Co. - Analyst
Amit Singh Jefferies & Co. - Analyst
Michael Feldman BofA Merrill Lynch - Analyst
Sterling Auty JPMorgan - Analyst

PRESENTATION

Operator

Good day ladies and gentlemen, and welcome to the Amdocs' Q4 2016 earnings conference call.

(Operator Instructions)

As a reminder, this conference call is being recorded. I would now like to introduce your host for today’s conference, Mr. Matthew Smith, Head of Investor Relations. Sir, you may begin.

Matthew Smith - Amdocs Limited - Head of IR

Thank you, Crystal. 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 of results of operations of the Company’s business and to have a meaningful comparison to prior periods. For more information regarding our use of non-GAAP financial measures, including reconciliations of these measures, we refer you to today’s earnings release which also be furnished to the SEC on Form 6-K.

Also this call includes information that constitutes forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be obtained or that any deviations will not be material. Such statements involve risks and uncertainties that may cause future results to differ from those anticipated. These risks include, but are not limited to, the effects of general economic conditions and such other risks as discussed in our earnings release today and at greater length in the Company’s filings with the Securities and Exchange Commission, including in our annual report on Form 20-F for the fiscal year ended September 30, 2015 filed on December 10, 2015, and our Form 6-K furnished for the first quarter of FY16 on February 16, 2016, our Form 6-K furnished for the second quarter of FY16 on May 17, 2016, and our Form 6-K furnished for the third quarter of FY16 on August 8, 2016. 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.
Additionally, we are pleased to mention that our Analyst and Investor Briefing will be held on Wednesday, December 14 at the NASDAQ market site headquarters in New York City. Please contact Investor Relations for further details. And check our Investor Relations website several days in advance for details on how to access the live webcast. Participating on the call with me today are Eli Gelman, President and Chief Executive Officer of Amdocs Management Limited, and Tamar Rapaport-Dagim, Chief Financial Officer. With that, I’ll turn it over to Eli.

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

Thank you Matt, and good afternoon to everyone joining us on the call today. I am pleased to report solid quarter four results, consistent with our expectations, and which included progress on several important dimensions. We strengthened our relationship with some of the world’s largest service providers, including Vodafone, America Mobile and Telefonica. We expanded our digital offering with the combined acquisition of Pontis, BrightBill, and Vindicia. And we delivered on our commitment to return 100% of free cash flow to shareholders in the second half of the fiscal year. As you may remember, FY16 began in a challenging fashion. But we delivered a stronger second half with profitability at the high end of our target range. This performance was similar to our prediction at the start of the year. And translated to full-year diluted non-GAAP earnings per share growth of 5.6%.

Now let me provide some color on our original activity in FY16 with an emphasis of our fourth-quarter performance. Beginning with North America, quarter four showed further signs of stabilization as we supported AT&T and other customers in very strategic initiatives. For instance, during the quarter we extended a long-standing managed services agreement with the flagship prepaid brand of a major US carrier for an additional three years. Regarding our outlook in North America, many of the uncertainties created by the market consolidation activity of the last few years began to resolve in FY16 and benefited Amdocs. While this is translating to the modernization of opportunities such as those we are seeing in the pay TV industry, the broader market dynamics are continuing to shift rapidly, which may lead to a new wave of industry consolidation. For instance, AT&T’s proposed merger with Time Warner and Verizon’s bid for Yahoo represent the convergence of communication, media and entertainment, and promises to create a new level of competition among service providers. Historically this type of M&A activity has created long-term opportunity for Amdocs, as well as better outcomes for consumers. That said, we remind you that a merger such as this naturally takes many months to complete and are subject to intense regulatory review, which may delay the discretionary spending discussions of our customers in future quarters. Additionally, our outlook remains subject to future corporate consolidation activity among North American service providers, the outcome of which are difficult to predict.

Moving to Europe. We closed out a successful year of growth, consistent with our outlook at the start of the FY16. During quarter four Vodafone Spain selected Amdocs to consolidate customer relationship management, CRM, and operation support system, OSS, across its mobile and cable operations. This follows our earlier awards with Vodafone in Ireland, India and Germany, and is further evidence of the value we provide to the Vodafone Group. Regarding the outlook in Europe, the work in backlog and the pipeline opportunities points to moderate growth in FY17, although we expect the pace to be difficult to predict within the context of the regional macro, political and foreign currency conditions, which we assume will remain challenging over this next 12 months.

In rest of the world we delivered another record year in which we continued to expand activities with strategically important customers. Demonstrating our continued growth relationship with America Mobile, Amdocs signed a three-year agreement to provide Amdocs networks trial services to improve mobile network performance for America Mobile service providers in nine countries including Brazil, Argentina, Chile, Colombia, Guatemala, El Salvador, Nicaragua, Honduras and Costa Rica. Similarly, Telefonica selected the Amdocs data hub for Vivo in Brazil, which expands the scope of the quad-play transformation project we announced earlier. Quarter four was also productive in Southeast Asia. XL Axiata, a leading mobile service provider in Indonesia, deployed the Amdocs master and enterprise catalog to speed up time to market. And in a separate project, (inaudible) solution for the (inaudible) location to deliver better video experience. Meanwhile, Globe Telecom of the Philippines selected Amdocs revenue guard for automated analytics driven revenue assurance, a service that has been on market-leading technology developed by cVidya which we acquired in January 2016.

Looking ahead, the pipeline opportunities continue to support positive revenue trajectory. We therefore expect rest of the world to remain a growth engine for Amdocs in FY17. Although we continue to believe that Southeast Asia will grow faster than Latin America and that the overall growth rate will moderate relative to the pace of the previous two years. Additionally, we remind you that quarterly trends may exhibit lumpiness due to the project orientation of our customer activities in rest of the world.
Now, before we discuss the financials aspect of FY17, I want to emphasize two key points. First, we continue to use M&A as a strategic vehicle to sustain long-term growth. For example, our recent acquisitions of Pontis, Vindicia and Brite:Bell expand our digital offering on several dimensions and can be run alongside or as an enhancement to existing solutions and capabilities. Post merger integration of these acquisitions commenced immediately upon closing. And we are encouraged by the early level of (inaudible) engagements we are seeing across Amdocs' much wider customer base. Looking ahead, we retain significant capacity to execute additional M&A, which we intend to do as we find the right deals which will fit our strategy at the appropriate time.

Second, as a result of our high win rate in the last few years, we are now progressing a record number of transformation projects toward production on behalf of our customers. As we have said before, projects such as these are naturally challenging and often come with profitability below the corporate leverage. That said, they provide that the foundation of which we can bring continuous value to customers to sustain -- and sustainable long-term relationship. In other words, projects are the real future [masses] of Amdocs.

Turning to our FY17 financial outlook, we are targeting diluted non-GAAP earnings per share growth of 4.5% to 8.5% by utilizing the various levers at our disposal. Specifically I want to call out four of them. First, we expect total revenue -- total growth -- revenue growth within the range of roughly 2% to 6%. This outlook is supported by our record high 12-month backlog, which is by itself a reflection of our high win rate in recent years and our unique business model. Second, we expect operating margins to be within an improved range of 16.4% to 17.4% in FY17, the midpoint of which is about 20 basis points higher than the midpoint of our prior range. This outlook reflects our goal to maintain and improve margins over the long term, which is achievable as a result of our consistent project execution and our ongoing commitment to internal efficiency improvement.

Third, we are committed to proactive and disciplined allocation of our free cash flow as a mechanism to enhance overall returns to our shareholders. Over the past four years we have returned a majority of our free cash flow in the form of our share repurchase and quarterly dividend program. We expect to maintain a fairly similar approach in FY17 subject to factors like the outlook for M&A, financial markets and prevailing industry conditions. Fourth, to further enhance the total return to shareholders we expect to provide in FY17, we are pleased to announce a proposed increase in our quarterly cash [rate] dividend of nearly 13% to $0.22 per share. This dividend increase, which is subject to shareholders’ approval at the annual general shareholders meeting in January, demonstrates our confidence in the future success of Amdocs and is consistent with our objective of delivering a dependable income stream to our shareholders.

As a final but highly important point, we remain highly focused on building the engines that will sustain our growth and strong competitive position for the years to come. These engines primarily include digital modernization, the enterprise customer segment, cable and pay TV especially in North America but also around the world, and network function virtualization. While some of these engines are immediate, others are long term in nature and will contribute more significant growth in FY18 and beyond. To learn more about these four important growth engines, as well as our updated business outlook, please join us at our formal Analyst and Investor Day on Wednesday, December 14 which we will hold in the NASDAQ market site headquarters in New York City's Midtown. With that, I will turn over the call to Tamar.

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

Thank you, Eli. Fourth-quarter revenue of $941 million was at the midpoint of our guidance range of $920 million to $960 million. Foreign currency movements negatively affected revenue by approximately $2 million relative to the third fiscal quarter of 2016, as we predicted in our guidance. Additionally, there was a negligible contribution to revenue from the combined acquisitions of Pontis, Brite:Bill, Vindicia, all three of which closed on September 14, 2016. As an added point of disclosure, AT&T accounted for 33% of total revenue for the full FY16 compared with 34% in FY15. We remind you that our revenue from AT&T included a full year of activities with DirecTV in FY16 as compared with a partial year in FY15. Our fourth fiscal quarter non-GAAP operating margins was 17.1%, a decrease of 10 basis points compared to the FY16 third quarter, but towards the high end of our long-term target range of 16.2% to 17.2%.

Below the operating line, non-GAAP net interest and other income was $0.6 million in Q4, primarily reflecting foreign exchange movements. For forward-looking purposes we continue to expect the non-GAAP net interest and other expense in the range of a few million dollars quarterly due to foreign currency fluctuations. Diluted non-GAAP EPS was $0.89 in Q4, $0.01 above the midpoint of our guidance range of $0.85 to $0.91. Our non-GAAP effective tax rate of 18.2% in Q4 was above the high end of the annual target range of 13% to 16%, consistent with our guidance. For the full FY16 our non-GAAP effective tax rate was 15.2%, which was within our expected annual range. Diluted GAAP EPS was $0.64 for the fourth quarter...
fiscal quarter, below our guidance range of $0.66 to $0.74 due to acquisition-related costs in connection with the acquisitions of Pontis, Vindicia and Brite:Bill.

Free cash flow was $125 million in Q4. This was comprised of cash flow from operations of approximately $153 million less $28 million in net capital expenditures and other. DSO was 79 days increased by 7 days quarter over quarter, and was primarily attributable to the timing of projects, invoicing (management), and the completion of previously mentioned M&A activity which occurred towards the end of the fourth quarter. Total unbilled receivables increased by $23 million as compared to the FY16 third quarter. At the same time our total deferred revenue, both short-term and long-term, increased by $22 million sequentially in Q4. The net movement in unbilled receivables and total deferred revenue reflects timing differences between revenue recognition and the invoicing of customers during the fourth fiscal quarter.

Our cash balance at the end of the fourth fiscal quarter was approximately $1.1 billion, though net of short-term debt was $0.9 billion. We drew down $200 million on our credit facility in Q4 for short-term funding purposes. And the balance has since been fully repaid. Our 12-month backlog, which includes anticipated revenue related to contract, estimated revenue for managed services contracts, letters of intent, maintenance and estimated going support activities, was $3.17 billion at the end of the fourth fiscal quarter, up $60 million sequentially from the end of the prior quarter. Roughly half of the sequential increase in backlog was due to consolidation of Pontis, Brite:Bill and Vindicia. During the fourth fiscal quarter we repurchased $90 million of our ordinary shares under our current authorization of $750 million. We have $597 million remaining of the authorization as of September 30.

Now turning to our outlook. We expect revenue to be within a range of $935 million to $975 million for FY17 first quarter. Embedded within this guidance we anticipate a margin of sequential impact from foreign currency fluctuations as compared to Q4. For the full FY17 we expect total revenue growth to be within a range of roughly 2% to 6% on constant currency basis and reported basis relative to exchange rates prevailing at the end of fourth quarter FY16. This outlook incorporates growth from the sale of our customer experience solutions, including recent acquisitions, of between 3% and 7% minus a drag of about 1% from directory, which we anticipate will continue to decline in FY17. Additionally sequential trends may exhibit some lumpiness owing to factors such as the project orientation of our customer activities in Europe and rest of the world, and the business profiles of the recently completed M&A.

As Eli discussed, we anticipate our non-GAAP operating margin for FY17 to be within an improved target range of 16.4% to 17.4%. Additionally we expect that quarterly non-GAAP operating margin will (inaudible) on the higher end of this range in FY17. We expect our non-GAAP effective tax rate to be within a new target range of 13% to 17% for the full FY17. This range is 1% wider on the high end compared with our previous guidance of 13% to 16%. We believe the wider range is appropriate due to growing economic and political pressures in many jurisdictions, and for multinational organizations such as the OECD to increase the tax revenue. With respect to Q1 we expect our non-GAAP effective tax rate to be above the high end of our new target range, 13% to 17%.

We expect the first fiscal quarter diluted non-GAAP EPS to be in the range of $0.87 to $0.93. Our first fiscal quarter non-GAAP EPS guidance incorporates an expected average diluted share count of roughly 149 million shares and the likelihood of a negative impact from foreign exchange fluctuations in non-GAAP net interest and other expense. We excluded the impact of incremental future share buyback activity during the first fiscal quarter, as the level of activity will depend on market conditions. For the full fiscal year we expect to deliver diluted non-GAAP EPS growth of 4.5% to 8.5%. Our full-year EPS outlook does factor in expected repurchase activity over the year. As Eli indicated earlier, we plan to return a majority of our free cash flow to shareholders through our ongoing share repurchases and dividend program in FY17.

Finally, we expect the total return we deliver to shareholders will be enhanced beyond the earnings growth outlook by our dividend program, which if the new quarterly dividend rate is approved by shareholders at the annual meeting in January, would yield about 1.5% of the current share price. Therefore, in FY17 we expect that some of our diluted non-GAAP EPS growth plus the dividend yield to equate to a total shareholder return in the mid to high single digits. As a reminder, future changes in the dividend program will be subject to periodic review and will be tied to the underlying growth rate of our business and overall capital requirements. With that, we can turn the call back to the operator and begin our question and answers.
QUESTIONS AND ANSWERS

Operator
Thank you.
(Operator Instructions)
And our first question comes from Tom Roderick from Stifel. Your line is open.

Matt VanVliet - Stifel Nicolaus - Analyst
Yes. Hi. Matt VanVliet on for Tom this afternoon. Thanks for taking my question. I guess first looking at the three acquisitions that you made late in the quarter. Curious what impact you expect that to have on the 2017 results? And how that is already sort of progressing in some of your sales flow in terms of add-on sales to existing customers?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
So as we indicated when we announced those deals in mid-September, we expect the contribution to revenue growth this year to be 1.5% to 2% from those three deals. And in terms of the overall activity we're seeing with customers, very good feedback. We are already seeing in the sales channel couple of very interesting opportunities in all three of the deals. So definitely fitting in right within our digital support to customers, as we expected when we concluded those deals. Anything you want to add? Go ahead, sorry.

Eli Gelman - Amdocs Limited - President & CEO Amdocs Management Limited
No. Go ahead, Matt.

Matt VanVliet - Stifel Nicolaus - Analyst
And then I guess following up on the 2017 operating margin guidance, obviously a little bit higher than your long-term targets. Is that something that you've made from a strategic standpoint to go ahead and raise that range longer term? Or is that just short term? And maybe what are the biggest drivers for this year in particular?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
When we're looking on different aspects of our business, of course there's on the one hand the performing engines of the business where we're continuing to focus on improving through tools, methodologies and other aspects in terms of generating better margins. And at the same time we continue to shift and invest into new growth drivers. So this kind of balancing act continues to happen under the hood. At the same time we felt that, given how we are seeing the improvement of the business cycle in terms of the activity, we are seeing the recurring sales. We've seen some examples through the announcements we had today of repeat sales in existing customers and other ways in which we can expand slightly the margin, which made us feel comfortable that we can actually increase the range by 20 basis points, if you look at the low and the high end. We're not indicating necessarily that this is now a new trend you should expect every year. We're guiding currently for FY17. As you've seen in the past, slowly but surely we're very focused on continuing to invest in the business, generating new growth drivers for the long term, and at the same time try to improve the margin over time.
Great. Thank you.

Eli Gelman - Amdocs Limited - President & CEO Amdocs Management Limited
Thank you, Matt.

Operator
Thank you. Our next question comes from Will Power from Baird. Your line is open.

Will Power - Robert W. Baird & Company, Inc. - Analyst
Great. Thank you. A couple of questions. Maybe just starting on North America, the outlook there. Looked like you had the strongest quarter of the year, I think here in fiscal Q4. I think as you laid out some of the 2017 expectations, you spoke to strong expectations for rest of world. I think you indicated something along the lines of at least modest growth in Europe. I'm not sure I caught what you said for North America.

I guess the question is, do you expect North America to continue to grow, or to grow year over year in 2017? And then I guess within that, how do we think about this Time Warner transaction versus some of the carrier-type deals AT&T has done in the past? This is a different type of model transaction, I guess, for them. Are you already seeing impacts? How do you think that's going to impact you all?

Eli Gelman - Amdocs Limited - President & CEO Amdocs Management Limited
Will, first of all in terms of North America, we expect North America to grow modestly, but to grow. I think there is a good chance that 2017 will be a transition year in North America, because as we indicated before, the projects on the pay TV MSOs front are accelerating. But it takes time to get to the right speed and the right level. So this is a component we did not have before. That comes on top of other projects that we had with AT&T, T-Mobile, and Sprint, (inaudible) and many, many others. So we expect it to grow modestly.

In terms of the new acquisitions that are proposed by AT&T like the Time Warner, that deal already was part of a transition to go into the pay TV and the video consumptions. And we’ve seen some of this challenges in some of the activity that we have with AT&T and the DirecTV project. And we believe that the Time Warner acquisition is in a way one step farther in the evolution of what we would call today the integrated carrier. So if in the past you would have wireless carriers and then broadband carriers and cabling carriers and so on and so forth, AT&T is a good example that we see actually in many other places in the world of an integrated carrier that are offering many of these services from the same service provider. And we believe that the evolution of this that went into pay TV, in AT&T’s specific case with the DirecTV acquisition, it continues with another step in the same direction.

I believe it will be slightly different acquisition. They would not necessarily streamline all back-end systems and so on and so forth. But they provide a very interesting opportunities right now to do better job in providing customer experience to the media company. And so that maybe to get into the HBO of the world and the Disney of the world and so on and so forth. Specifically by the way, Vindicia, the acquisition of Vindicia that we have made in this quarter is targeted exactly to this segment of the market. Their current customers are in this space. And I think that it will be very relevant to the transformation of the industry. So little bit early to say how fast and where it’s going to go. But we see it as evolution of the integrated carrier concept that we've seen in other places in the world.

Actually, Comcast did the same thing with Universal NBC. Comcast probably will have to decide what they want to do with their wireless strategy as an integrated carrier. We'll see. We think we'll see higher level of entropy, as I call, which is a higher level of dynamics, which usually is a good thing for Amdocs, Long term, for sure. Short term there's always the challenges and the concerns, and maybe discretionary expenses will slow down. But we are going through these waves of transformation in North America for quite some time. And we think it’s overall good for us. We
also think it's actually very good for the consumers as well. I have to mention it. The announcement of AT&T with the current assets that they have of $35 for 100 channels, I believe, premium channels, already kind of disruptive in the market. There are more and more MSOs and carriers will offer stronger and stronger offering on the over-the-top delivery mechanism. So you'll see more and more activities in this space. And it's along the same line of activities.

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

Okay. Maybe just a question for Tamar on the free cash flow outlook for FY17. Should we expect a free cash flow result that's up a little bit from 2016, similar to 2016? Any puts and takes to think about for this next year on that front?

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

If you remember when we were tracking through three years of earnings to cash conversion of 120%, I kept saying guys, this is not sustainable. Reality caught up with my statement. And as you've seen in 2016, we've already seen a lower free cash flow. Still very healthy one, but slightly lower than earnings of around $500 million. And in FY17 we expect a similar situation to 2016 where we are ramping up many of those transformation projects. Eli mentioned that we are very active, actually record high level of transformation projects that is a result of a very good win rate we've seen in the last year or two years. This is a good investment from our point of view to have, the ability to penetrate and start working with many new logos and ramping up those important transformations. So we see that as a true investment in the future.

**Operator**

Thank you. Our next question comes from Ashwin Shrivaikar from Citi. Your line is open.

**Ashwin Shrivaikar**  
*Citigroup* - Analyst

Hi (technical difficulties). I guess my first question, Eli, you had a comment where you said you have a number of projects moving to production from development phase. This is for transformational projects that you're doing. I guess that leads to a couple of queries. One is, what's the pipeline for new projects to replace the ones that are moving into production? And then the second part is, just trying to understand when these transformational large projects move to production, what does that mean for your P&L?

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

Ashwin, this is a good question. First of all, the pipeline for new projects is very healthy in all dimensions, in all regions, in many, many dimensions. So we hope to keep the high win rate and win new projects. The last couple of years have been very active on winning projects. So I'm mentioning the projects orientation because on one hand it's great pressure and it stretch our delivery organization to the limit, and many aspects like this. But on the other hand this is the foundation for anything else. Because usually a successful project leads to other successful projects. And as we are expanding our offering, the potential other projects that can come after whatever project we started with. Projects can actually return to be managed services, and we've seen it in several customers in the last couple of years. And we put more emphasis on that right now.

That's another evolution, natural evolution of projects. And projects usually, when they come to fruition, they don't go to zero. We go from ramp-up of the people to some kind of an ongoing support, change request mode and so on and so forth, which is usually quite active by itself. Obviously the level of people will be reduced, but the revenue stream will continue to an ongoing and change request and others. In most cases relatively soon after a project comes to fruition and we go to production, we stabilize the organization -- the operation, we have the time to discuss further projects. And these further projects are not necessarily the ones that you have right now in the pipeline because sometimes they're as a result of a dialogue, fruitful dialogue that we have with our customers. And not necessarily the stuff that they have in the bid process and so on and so forth. So all together we have record high projects, which is challenging on certain aspects of operation and margin short term, so on and so forth. Long term, as I said, these are the true pure muscles of the Company, and actually building foundation for growth in the future.
If your question alluded to maybe we can expand the margins farther, it really depends on the pace of new projects comes in. If it was only getting to production and stabilizing it, yes, naturally we could have improved that. But I’m not sure that you want us to be in this position. We want to keep on growing with additional projects, additional transformations. It’s just that I’m mentioning at this time because we’re committed to so many of them that are worthwhile mentioning.

**Ashwin Shrivaikar - Citigroup - Analyst**

No, no. I’m definitely good with more projects. I guess the second question, and I’m not sure if this is the right forum or if Analyst Day is a better place, but is it possible to talk about what percent of Amdocs’ revenues is derived from what I would call traditional telco services, voice, data, that kind of stuff, versus the new digital services, cloud, IoT? I noticed you had increasingly more (inaudible) business from financial services, for example. And the reason I’m asking is, does it have a multi-year impact on -- these are value-add services, presumably they might have better margin profile and younger services, so better growth profile. Kind of wondering about that.

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

We don’t really have an answer ready for that. We can maybe look at it. But I want to tell you maybe today the ones that may help you. First of all, I would say, don’t take it literally but vast majority of transformations that we have are digital in nature. The driver for the transformation are digital. Whether we’ll deliver with the cloud base technology or on prem, on premise, is actually a secondary question which is not very important. Cloud for us is just a vehicle. It’s just a tool. And we use the right tool in the right context.

But I would say all the transformation in recent years belongs to the digital era, the digital space, and can be qualified this way. Even if some of the transformation elements underneath this major transformation are traditional telco, just because they need to carry the legacy with them and so on and so forth, the reason, the trigger, the raison d’etre, the reason why we actually have this project is digital. So that’s one data point. And the second one is that in terms of the profitability profile, I actually don’t think that there is a specific profile for digital project versus other. It’s mainly whether the project and the transformation is new and in process -- or in progress, or it’s in stable, steady state, business as usual, so to speak when we mainly do change request and the additional projects and so-so. These are kind of the real different categories of profitability, which goes back to the topic of -- that we just mentioned around projects.

**Operator**

Thank you.

(Operator Instructions)

And our next question comes from Shaul Eyal from Oppenheimer. Your line is open.

**Shaul Eyal - Oppenheimer & Co. - Analyst**


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

Hi.
**NOVEMBER 08, 2016 / 10:00PM, DOX - Q4 2016 Amdocs Ltd Earnings Call**

**Shaul Eyal - Oppenheimer & Co. - Analyst**

Hi. Eli, I want to revisit the four growth engines you brought up in your prepared remarks, digital, pay TV, enterprise and NFE. Can you provide us with some more color, examples about these engines? And again, by no means am I trying to front run your upcoming Analyst Day next month, but maybe a little of more color.

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

How many hours do we have? Obviously it's the deepest topics that we are discussing. And that's one of the reasons we felt that an Analyst Day is really something we're looking forward, because we have actually so much to say. If I need to give you the gist of it, just a summary, digital is everything we do right now. We're talking about many projects around e-commerce, around different ways to serve customers on the retail front, in other words in the retail stores, so on and so forth, which is a very different thing. We're talking about self-service and applications that's are downloaded to iPhones and iPad and Android phone. We are talking about new formats of bills. And we're talking about big data analytics that enhance all of this and so on and so forth. So it's almost anything we do. But we need to give you more color on specific projects, and basically we thought about doing it to a real demonstration of the system, real-time system that will demonstrate to the analyst investor that will come to the AI day.

On the enterprise segment, this is a highly complex area. It's a sweet spot for more and more carriers and MSOs. We see projects from North American MSOs all the way to carriers in Europe and in Southeast Asia and the like. So this is global demand. We have some new really cool set of applications to address this topic. This space was never really well covered by historical providers. So it used to be a lot of Excels and menu log and paper, and we are mechanizing all of it in a relatively beautiful way. We will demonstrate some of this and tell you some of the projects that we are having there.

On the cable and pay TV, we've been talking the last few quarters about the fact that we feel that North America specifically, but maybe other places as well, are transforming, especially around improving the customer experience, improving NPS scoring, addressing in a different way the customer interaction. And that's what we see. Actually, every quarter that goes by we are more confident that we are in the midst of this transformation. And we hope to be more confident that we are the winners in this space as well. So we will share with you some of the examples of specific projects. But it is happening as we speak. And these are major transformation, multi-year major transformation that are happening, or start happening as we speak.

And the network function [optimization] is just the whole new space that we talked about in the last 2 or 3 quarters. But it's very hard to explain the depth of what we are doing on audio calls like this. So we need, like good engineers we need a piece of paper and a pencil, and to explain some of it. And that's what we are going to do there. Obviously the lead project is ECOMP, which is AT&T, we talked about last quarter. But we see some good signs in other places. I'm telling you, it will, by definition will be slower than what we would like to have, because it's a huge transformation in the industry. And a lot of companies, especially the Cisco and the Ericsson of the world, will have a lot of interest to slow down. But I don't think -- I think it's inevitable that this transition will happen. We are part of it right now. We are gaining more credibility as we go forward. So the investments are [pulling] this year, a little bit of last year. I think there is also come later. But the topic itself, I hope that we'll explain it better. And therefore, I hope that you will see the value of it as a growth engine for the years to come. So I could not -- right now I cannot give you more details with the limitation of time and the media. But I hope it will be better after the Analyst Day.

**Shaul Eyal - Oppenheimer & Co. - Analyst**

I appreciate it. Maybe my follow-on question. So today's announcement with the Philippines Globes with their main subsidiary, very encouraging the way I read it on a couple of fronts. First, it suggests additional expansion with an existing customer that was actually added over the course of the past 18 months, 24 months, if I'm not mistaken. But I think more importantly, I think it's a financial technology capability that you guys are showing here. So I want to ask, was that expansion based on a competitive bid? And if so, who else was competing on the project?
So I can make your life easy on this one, Shaul. Everything that we win is a competitive bid. The day that you can just prove your capability, smile and give a good price and get the deal are almost over. All of this, including this financial services offering to the Globe [Syndex] subsidiary has been through a competitive process. And in this space there are -- some of them are the usual suspects, like Huawei and Ericsson and others, and some of them are specialists in this specific area. We're definitely very proud that we won it.

It's one of the regions that are really exercising financial services combined with mobility, let's put it this way, in the most advanced way. Southeast Asia in general, Indonesia, Philippines, and a few other places. So obviously to be part of an early adopter exercise of this sort is not only the size of the project but also the importance of what we are going to learn from this. And it's very important, not only for the size, but also for the type of project that we are talking about.

And any similar opportunities maybe in Europe or in the US? I know different market dynamics, but anything you could also bring to those two additional regions in the financial technology front?

We're working on it. Once we have something to share, we will. Let's put is this way, we have opportunities, similar and somewhat different, but in the same space in our pipeline. So whether it's in the specific region you mention, and which specific environment is a different thing.

Thank you so much.

It's something that we are proud of.

Got it. No, clearly. Thank you so much, guys. Good luck. Good job.

Thank you, Shaul.

Thank you. Our next question comes from Jason Kupferberg from Jefferies. Your line is open.

Hi, guys. This is Amit Singh for Jason. Just wanted to ask about the AT&T/Time Warner merger again and how that relates to your full-year guidance. If you could provide a little bit more color on how much risk you had baked into this guidance range?
Eli Gelman - Amdocs Limited - President & CEO Amdocs Management Limited

It's quite simple. Zero or close to zero.

Amit Singh - Jefferies & Co. - Analyst

Okay.

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

Specifically to this specific merger. By the way, just to give you the color, we think it will take a long time to get approved, because could be political more than anything else. And we also believe that in the meantime they will have difficulties to talk to each other and they need to run the companies separately, so and so. Even if we have something, it will be relatively minor. And we'll be actually surprised within FY17. Longer term, it represents opportunities as well.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

The risk in the short term as always (inaudible) is that when carriers are thinking about changing their strategic plans, is what happens to existing programs. We didn't see any change. Many things are running naturally in large accounts, such as AT&T. But we're being cautious, as always, that they may change priorities moving forward. We don't know now how to predict that.

Amit Singh - Jefferies & Co. - Analyst

Okay. Great. And then just related to that, I know previously you've talked about the AT&T domain 2.0 and all the work you're doing over there. If this merger were to go through, do you think anything changes there in the overall AT&T strategy regarding all that work?

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

Regarding the network virtualization, I don't think so. It's a very complex topic by itself. So it may slow down, take a slightly different approach than what we thought maybe X months ago. I'm not necessarily saying that domain 2.0 easy or smooth cruising. But specifically the Time Warner are not necessarily going to affect it. If any, there's a change it will accelerate it because at the end of the day we're talking about an ability to take high-end content and deliver it through several measures and several avenues in a better way to consumers. So that may accelerate the 5G deployment. It may accelerate the fiber optics deployment. It may accelerate virtualization in general, which is the backbone of the network. So I'm not sure it will affect, but if any I would expect it to accelerate plans like this, not to slow them down.

Operator

Thank you. Our next question comes from Tal Liani from Bank of America. Your line is open.

Michael Feldman - BofA Merrill Lynch - Analyst

Hi, guys. Thank you for taking my question. This is Michael Feldman on for Tal Liani. First question. When it comes to your revenue outlook, you're guiding for about 4% growth at the midpoint. And last year you grew around the same, but North America was down 7% and the rest of the world and EMEA was up about 20% or so. Would you be able to provide some color on how that growth contribution should look across the different
regions in 2017? And then second, I believe you have a smaller AT&T managed service renewal coming up in 2017. Can you share with us any information on how those talks are going and if the renewal of that agreement is factored into your guidance? Thanks.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

As we said previously, yes, we are expecting modest growth in North America. We are expecting in Europe a continued growth, but at a lower pace than the double digits that we've seen in 2016. And in rest of the world we do expect that to continue to be a growth engine for the Company. But after a couple of years of 20%, 30% growth year over year, we do expect that to start decelerating as well. So overall we are seeing very, of course, positive indications, given the fact that growth is more balanced across the different regions. And at the same time very happy to see that the growth is happening in all regions. So that's about the regional aspect of the growth.

In terms of what we're seeing in terms of managed services deal in AT&T, again we're not going into any specific deal. Nothing material there in terms of renewal process that you guys should be worried about in 2017. There's always ongoing activities of many types and with different buying centers, and definitely in a large account like AT&T. But I don't think there's anything material to report in that sense.

Michael Feldman - BofA Merrill Lynch - Analyst

Thank you.

Operator

Thank you. Our next question comes from Sterling Auty from JPMorgan. Your line is open.

Sterling Auty - JPMorgan - Analyst

Good evening, guys. Two questions. Back to the comment about the transformational deals that are coming to completion. How much flexibility or control do you have on the timing of the start of new projects slotting in right after the completion of some of those versus is there any risk of having any kind of air gaps in any of the quarters here in FY17?

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

So Sterling, we have some flexibility. But it’s limited, of course, because at the end of the day when people ask us to run a transformation project for them, they usually need it as soon as possible. The good thing is that we manage to on average to reduce quite significantly the duration of an execution of a given project. If you compare apples to apples, of course, wireless or multi-play or a CES project. You need to compare similar projects. But in general, in the last three years, saw improvement of the R&D, so improvement of the (inaudible). We can show them overall projects. And we can actually use it partly to also deviate or control the start of the project and acceleration of the project and so on and so forth. The second thing I wanted to say, that we need to remember that the project starts with == the first major phase of the execution is scoping, which is a very, very delicate phase. And we basically time it in such a way that will also help us reassign people when they are needed, that they are coming off other projects and they can be deployed in new projects. So we have some flexibility. And we’re using it all the time. Otherwise, would have to let go and recruit people on a major movement, which is something that is not good for our employees and it’s not good for the knowledge and many other things. You can imagine that over the years we’ve developed a relatively sophisticated mechanism to predict when we need the people and when we need to accelerate, and when we need to reassign people and so on and so forth. So the overall human resource aspect of deploying engineers in different projects became somewhat of an art. But it’s also very mechanized and very systematic. So one of the things that helped us is the beginning of the project, as just mentioned. But there are many other parameters within a project that we can accelerate and decelerate in order to optimize knowledge and capabilities of people that are needed for the different given projects.
Tamar Rapaport-Dagim - Amdocs Limited - CFO

Just want to add on that. Notwithstanding everything we said on the lumpiness that may happen around projects, that's always true. I think people may have misinterpreted what we're trying to say regarding the completion of some projects. At the end of the day when you look at our 12-month backlog, and even assuming that roughly half of the increase in backlog came from the newly acquired companies, it's still a nice uptick that we see in the 12-month backlog that has to do with signing of new projects. So there are things coming up. Some of them are signed, and it's a natural evolution with some projects ramp down as they get to production line, and some projects ramp up. On a net basis we're actually expecting an increase going into FY17. But yes, as Eli said, there are different moving parts in terms of timing and when things happening. So I think this is a phenomenon we're seeing every year. It's nothing special about what we're (multiple speakers).

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

it's like a rolling phenomenon. One project accelerates, gets to fruition, stabilize, goes to ongoing, and change across mode. The others are coming in and peak at the right time. So overall, it looks -- overall it's something relatively smooth in terms of the deployment of engineers into the project. But in reality, it's a summation of rolling waves like this that's just -- we are just synchronizing perfectly, or close to perfectly on time -- on the timing. This is what I tried to depict in these comments.

Sterling Auty - JPMorgan - Analyst

That makes sense. As a follow-up question, is there anything to read into the pricing on the new projects, given the 20 basis point expansion in the margin guide? Is that suggesting that you've got better pricing, or is it just the mix of projects that you're working on is different this year?

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

Sterling, thank you for the question. The one thing I can assure, it's not because we managed to get the prices up. And it's a very competitive landscape. We have a very, very healthy win rate in the last couple of years, maybe more. But it's not like competition are gone and therefore we can improve pricing. This is not the case.

It's mainly due to the fact that execution of this project that we just talked about that we won and are winning are done better. So we're improving the engineering aspect of the Company. From R&D all the way to delivery, all the way to testing, all the way to managed services, and many other aspects of it. And this real better execution allows us to do that. It's pure. It's not the mixture and it's not the pricing. This is a good indication of the efficiency of the overall Company as a construct of code.

Operator

Thank you. And I'm not showing any further questions in our queue. I would now like to turn the conference back over to Matthew Smith for any closing remarks.

Matthew Smith - Amdocs Limited - Head of IR

Thank you Crystal, and thank you very much for joining our call this evening and for your continued interest in Amdocs. We look forward to hearing from you in the coming days. And if you do have any additional questions, please give us a call at the Investor Relations Group. With that, have a great evening. And we'll conclude the call. Thank you.
Operator

Ladies and gentlemen, thank you for participating in today’s conference. This does conclude the program. You may all disconnect. Everyone have a wonderful day.