OVERVIEW:
Co. reported 1Q15 revenue of $906m and diluted non-GAAP EPS of $0.88. Expects FY15 reported revenue to grow 1.5-4.5% and diluted non-GAAP EPS to grow 4.5-7.5%. Expects 2Q15 revenue to be $900-930m and diluted non-GAAP EPS to be $0.78-0.84.
CORPORATE PARTICIPANTS
Matt Smith  Amdocs Limited - IR Director
Eli Gelman  Amdocs Management Limited - President & CEO
Tamar Rapaport-Dagim  Amdocs Limited - CFO

CONFERENCE CALL PARTICIPANTS
Ashwin Shirvaikar  Citigroup - Analyst
SK Prasad Borra  Goldman Sachs - Analyst
Shaul Eyal  Oppenheimer & Co. - Analyst
Matt Van Vliet  Stifel Nicolaus - Analyst
Tavy Rosner  Barclays Capital - Analyst
Sterling Auty  JPMorgan - Analyst
Howard Smith  First Analysis Securities - Analyst

PRESENTATION
Operator
Welcome to the Amdocs First-Quarter 2015 Earnings Call. My name is Ellen and I will be your operator for today’s call.

(Operator Instructions)

Please note that this conference is being recorded.

I will now turn the call over to Matt Smith. Mr. Smith, you may begin.

Matt Smith - Amdocs Limited - IR Director
Thank you, Ellen.

Before we begin, I would like to point out that, during this call, we will discuss certain financial information that is not prepared in accordance with GAAP. The Company’s Management uses this financial information in its internal analysis in order to exclude the effects of acquisitions and other significant items that may have a disproportionate effect in a particular period.

Accordingly, Management believes that isolating the effects of such events enables Management and investors to consistently analyze the critical components and results of operations of the Company's business and to have a meaningful comparison to prior periods. For more information regarding our use of non-GAAP financial measures, including reconciliations of these measures, we refer you to today's earnings release, which will also be furnished with 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, 2014, filed on December 8, 2014. 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 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 Management Limited - President & CEO

Thank you, Matt, and good afternoon to everyone joining us on the call today.

We are pleased to report that the first-quarter performance was consistent with our overall expectations. We announced significant new awards with Singtel in Asia Pacific and secured an influential new win at Telefonica in Brazil.

We expanded our relationship with US Cellular, moving beyond project delivery to a full managed services arrangement. We brought innovative new offerings to the market including Amdocs mobile financial services, and we maintain our focus on operations, while maximizing the total return to shareholders.

Let me now add some regional color to the Company activity during the first quarter. Beginning in North America, quarterly performance was within the range of expectations and reflected the mix of fluctuations in customer activity and the negative impact of the movement of the US and Canadian Dollar exchange rate.

During quarter one, we continued to help our customers respond to rapidly changing competitive and structural dynamics in wireless and pay TV markets in North America, by supporting them in their strategic initiatives. Along these lines, we are pleased to announce today that we have entered into a five-year managed services contract with US Cellular to manage the operations of a range of its business and operational support systems.

This includes applications, billing, operations, and infrastructure support services. This significant new agreement follows our recent delivery of complex transformation project to US Cellular and represents the natural progression of our business model beyond live production of a project and inter-managed services arrangement, which usually comes with a higher revenue and visibility.

Moreover, the expansion of our relationship with this longstanding customer is evident of the ongoing value proposition we expect to provide as we enable US Cellular to achieve its strategic goal of delivering a superior customer experience. Moving to Europe, revenue was stable on a sequential basis, despite unfavorable currency movement in the quarter.

During quarter one, we remained focused on our execution, supporting some of the region’s leading carriers in their projects and managed services activities. Additionally, we continued to evaluate new growth opportunities on multiple fronts, leveraging the strategic position provided by our highly relevant product set.

Turning, finally, to the rest of the world, performance was strong, reflecting new customer awards and progress on a number of transformation projects already underway. Earlier in the first quarter, we announced that Singtel has recently selected Amdocs for major business transformation project in its key markets of Singapore and Australia.

We are delighted to follow-up this today with an announcement of a new quad-play BSS transformation award at Vivo, Telefonica’s brand in Brazil and its largest in Latin America, with more than 80 million wireless subscribers. This latest award comes on the heels of previously announced wins
at Telefonica affiliates in Argentina, Chile, and Peru and we believe that Telefonica's decision to select us on this pivotal project is further evidence to the value we can provide to this highly strategic customer.

Additionally, the Vivo deal includes a five-year maintenance and support services contract with Telefonica, including -- indicating that our unique combination of product, professional services, and managed services can be deployed as an attractive value proposition in the markets of Latin America.

Overall, we are highly encouraged by these two recent wins, both at Singtel and Telefonica. They both represent some of the most exciting and influential transformation deals to be awarded in the market over the last few years. They demonstrate the strength of our market-leading CES 9 platform and our track record of successfully delivering highly complex projects into production.

Last, but certainly not least, these deals provide evidence that our model of expansion through strong execution is paying off in the form of new awards with the world’s leading operators.

To conclude my review of the first-quarter activities, we are encouraged by our start to FY15. Given the visibility provided by our 12-month backlog and the pipeline of opportunities we see ahead of us, we are reiterating our guidance of 2.5% to 5.5% revenue growth for the full fiscal year. This is on a constant currency basis, relative to the guidance we provided last quarter.

Let me add some color to this guidance on a regional basis. In North America, level of competition has intensified among service providers and this is continuing to present us with many opportunities to support our customers in their strategic initiatives. As a reminder, we remain subject to the effect of consolidation, activities in the wireless and pay TV markets; the outcome of which are not always possible to predict.

In Europe, the market remains subject to challenging microeconomics and regulatory conditions and we expect continued volatility in foreign currencies for the time being. As I mentioned earlier, we see growth opportunities in Europe on multiple fronts, but quarterly trends may be difficult to predict within the context of the full year. In the rest of the world, we continue to expect double-digit growth in FY15 based on our backlog and the rich pipeline of opportunities we see ahead of us.

Taking into account the project orientation and delivery orientation of our customers' engagement in these regions, we expect quarterly trends to exhibit lumpiness. Important to our geographic expansion, we're also focused on bringing innovation to the market as another dimension of our long-term growth, both in terms of new products and new services. Along these lines, in the first quarter, Amdocs mobile financial services solutions, MFS, a new offering resounding from our internal R&D investment and the acquisition of Utiba, which we completed in the second quarter of FY14.

This offering is designed to provide accessible and affordable banking services to the unbanked and underbanked population of the world, but it also addresses demand from the carriers in developed nations, as demonstrated today in the news that Telenor, TeliaSonera, and Tele2 have selected our solution to advance their mobile payment joint venture in Norway. While relatively small in size today, new offerings such as these contribute to our overall position in the market and enhance our long-term growth potential.

During quarter one, we also announced Amdocs CES 9.2, our latest portfolio release, which includes new functionality to enhance service provider harnessing big data. By unlocking the value of customer data, we expect to deliver realtime insights that will support service providers in key initiatives, such as the marketing of new offers and new services and the optimization of the network infrastructure. Additionally, CES 9.2 also includes a new level of functionality and capacities around the multi-play and OmniChannel’s customer management.

To wrap up, we remain confident in our ability to maximize shareholders’ value on several fronts. We are securing new businesses, including influential and highly strategic deals, such as the recent wins with Singtel and Telefonica that I highlighted today.

We are focused on delivering consistent execution, while driving improvement in our operating efficiency. We remain committed to the disciplined return of cash to shareholders over the short and long-term. During quarter one, we continued to execute on our share repurchase program at
levels substantially above those suggested by our flexible 50/50 framework and we plan to maintain a fairly similar approach relative to our 50/50
framework in FY15.

Finally, we have significant capacity to drive long-term growth through M&A, which we intend to do so long as we can find strategic matches at the right price and at the right time.

With that, I will turn the call over to Tamar.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Thank you, Eli.

First fiscal-quarter revenue of $906 million was within our guidance range of $895 million to $925 million, with a negative impact from foreign currency fluctuations of approximately $10 million, relative to the fourth fiscal quarter of 2014. Our first quarter guidance range already embedded a negative sequential impact of approximately $6 million from foreign currency fluctuation. Revenue performance was roughly in line with the midpoint of our expectations, after adjusting for the additional negative impact of foreign currency fluctuations.

Our first fiscal quarter non-GAAP operating margin was 16.9%, an increase of 10 basis points compared to the fourth fiscal quarter of 2013 and within our target range of 16.2% to 17.2%. We continue to expect operating margins to fluctuate within this range for the remainder of FY15 and we would not extrapolate a continuing trend of margin expansion from the strong results in Q1.

Below the operating line, non-GAAP net interest and other expense was $2.4 million in Q1. For forward-looking purposes, we continue to expect a 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 $0.88 in Q1 compared to a guidance range of $0.77 to $0.83.

A lower effective tax rate positively impacted non-GAAP EPS in Q1 and reflected the release of the accumulated reserves [for answers in tax position] settled during the quarter and valuation allowances on deferred tax assets released during the quarter. For the full FY15, we continue to expect non-GAAP effective tax rates to remain within the target range of 13% to 15%.

Free cash flow was robust at $173 million in Q1. This was comprised of cash flow from operations of approximately $208 million less $35 million in net capital expenditures and other.

As usual, we anticipate free cash flow in the second fiscal quarter will be lower due to timing of annual bonus payments. Additionally, we remind you that free cash flow tends to convert at the rate on par with our non-GAAP net income over the long term.

DSO was 69 days, decreased by 4 days quarter over quarter. We are pleased with the recently improving trends in DSO, but we expect this item may fluctuate from quarter to quarter.

Total and billed receivables were down by $29 million as compared to the fourth fiscal quarter of 2014. Our total deferred revenue, both short and long term, decreased by $9 million sequentially in Q1. As indicated in the past, both of these items may fluctuate from quarter to quarter.

Our cash balance at the end of the first fiscal quarter was approximately $1.3 billion. Our 12 months backlog, which includes anticipated revenue related to contracts, estimated revenue for managed services contracts, letters of intent, maintenance, and estimated ongoing support activities was $3.03 billion at the end of the fiscal quarter, up $30 million sequentially.

During the first fiscal quarter, we repurchased $102 million of our ordinary shares under our current $750 million authorization plan. We had $612 million remaining under this authorization as of December 31.
Now, turning to our outlook, we expect revenue to be within a range of $900 million to $930 million for the second fiscal quarter of 2015. Embedded within this range, we anticipate a negative sequential impact of approximately $3 million from foreign currency fluctuations.

For the full fiscal year, we continue to expect total revenue growth within the range of 2.5% to 5.5% year over year on a constant currency basis, relative to the guidance we provided last quarter. As we discussed last quarter, this range already included an anticipated drag from foreign currency fluctuations of about 1%.

Additionally, we now expect foreign currency fluctuations to place a further drag of about 1% to a full year growth on a reported basis relative to the start of the year. As such, we expect reported revenue growth in the range of 1.5% to 4.5% for the full FY15, with overall fluctuations in foreign currency negatively impacting our performance by about 2% year over year. Incorporated within this outlook and consistent with our prior expectation, we anticipate revenue from our directory business in FY15 to decrease in the double-digit percentage range, placing about 1% drag on total Company top line growth.

We anticipate our non-GAAP operating margin for FY15 to be within our long-term target range of 16.2% to 17.2%. We expect the second fiscal quarter diluted non-GAAP EPS to be in the range of $0.78 to $0.84. Our second fiscal quarter non-GAAP EPS guidance also incorporates an expected average diluted share count of roughly 158 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 second fiscal quarter, as the level of activity will depend on market conditions. For the full FY15, we are on track to deliver our guidance for diluted non-GAAP EPS growth of 4.5% to 7.5%. Our full-year EPS outlook does factor in expected repurchase activity over the year. As Eli mentioned earlier, we plan to execute on our share repurchase programs at levels substantially above those suggested by our 50/50 framework in FY15.

Finally, we would like to remind you that our Board approved increasing our quarterly cash dividend payment by nearly 10% to $0.17 per quarter. This increased dividend, if approved at tomorrow's annual general meeting of shareholders, will be first paid in April.

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

**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions)

The first question is from Ashwin Shirvaikar from Citigroup.

**Ashwin Shirvaikar - Citigroup - Analyst**

Thank you. Hi.

Congratulations on the results and obviously, great to see the statement on the share repurchase about 50/50, as well as the higher dividend. I guess my first question is, recently we seem to have seen quite good traction in incremental signings by existing clients, as well as some new clients. Do you see a greater urgency than before among your telecom clients to transform themselves? What is driving that now, as opposed to before?
To say clearly, Ashwin, that we see more an urgency, I would not go as far as that because still, the signing of the contracts are usually after a long process of sales and proof of concept and sometime long negotiations. So, I don’t think that the cycle of sales have been shortened, which would be an indication also of an urgency, that they are giving up on something.

On the other hand, I think the level of -- there are three factors or the things that help to sign more deals and likely the smart deals are coming our way. The first one is competition. The competition both in Latin America and in Southeast Asia, almost in any market that we know: Philippines, Indonesia, Singapore, Australia, as well as the competition in North America that you are more exposed to is intensifying.

So competition usually drives a higher tendency and propensity to do something, so I think that the level of competition all across the world, even in Europe it’s quite true. The second one is the M&A and the corporate development structure and it is under major change and very high dynamics all around the world. Look just today at the British market, look at the UK market.

Within the last few weeks only, three announced that they are going to buy all two from Telefonica, British Telecom is getting back into the wireless space by buying EE, which was a combination of Deutsche Telekom and Orange from a few years ago. Vodafone definitely will have to respond with something and they just bought Cable and Wireless for a quadruple play offering. You see the same thing in Spain.

You see the same thing -- and these are the markets that you didn’t see before. In Germany, the market is going from five carriers to three carriers, more or less, where Telefonica is buying E-Plus. So I think M&A and -- obviously the situation in North America. Now we see AT&T going into Mexico. The Mexican market will be under transformation, which is kind of the second driver.

The third driver is the need to provide, really, a superior customer experience. The customers are becoming more and more demanding. The environment itself is more and more complex, and carriers need to transform in order to provide a superior customer experience.

We wrote the book on this thing and we can deliver these things, and I think the end result of these three vectors are working for our R&D. So these are the waves, as they call them, as I usually call them, and we ride them pretty successfully.

Eli Gelman - Amdocs Management Limited - President & CEO

So Ashwin, it's a great question.

I think the direction that you identified are absolutely right and we actually have quite strong offerings on almost any one of them. We didn't announce all of them, so I would not go through all of the details. We definitely announced the Amdocs mobile financial services and we have some really nice deals signed up this quarter with this offering.

We announced the big data analytic-specific application, the specific targeted big data analytics use cases, but we are also active in the internet of things and in many other connected homes, connected cars, and many other initiatives. We just held last week a [doubles] and a session on the internet of things with more than 100 people showing up from 10 different industries, including many of our competitors and other industries that we are not competing.
So we're active in those areas, but as I mentioned on the MFS as well, these things are usually small in the beginning and have the tendency to grow over time, so we see that as a longer term investment. Obviously, we are trying, we are making sure that in the meantime, we'll meet the revenue and EBIT and the guidance so the regular basis transformation, managed services, OSS, and many others.

But those are important because they will provide us the growth of the next generation and the generation after that and these are all activities that are happening as we speak and they are gaining momentum, I would say, around most of the world, definitely in the developed markets, other than MFS, which is an emerging market. So revenue will follow later in the bigger sense, but the activities are happening right now.

I did not, obviously, start mentioning the and the new net optimization and that we have and so on and so forth. This actually could be quite sizeable projects when they come to fruition, but again it’s on the runway. They don’t take that off that quickly.

Ashwin Shirvaikar - Citigroup - Analyst
Okay, that’s still good to hear. Thank you.

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

Operator
The next question is from S.K. Prasad Borra with Goldman Sachs.

SK Prasad Borra - Goldman Sachs - Analyst
Thanks for taking my questions. A couple, if I may, firstly, if you can talk about the opportunity for Amdocs-related investments by web 2.0 players like Google, Facebooks of the world? So beyond the telcos, what kind of investments are you making and how do you intend to tap that market? The second one is on the managed services business. Can you give us any indication around the pipeline what you see for second half this year?

Eli Gelman - Amdocs Management Limited - President & CEO
Two good questions. The web 2.0, we actually see these as opportunity on two fronts. One is the direct opportunity, because some of these customers that we just mentioned may decide not to develop their own billing and customer management system when it comes to becoming a real operator, if you will, because that’s what they are aiming to do.

That could represent just a new set of potential customers for us and we have some different level of engagement with some of the names that we mentioned, but they are not the only ones. The other aspect of it, of course, is the result of the pressure that they are creating on the traditional carriers and MSOs in all of their activities from the web 2.0 all the way to new fiber optics, infrastructure, all the way to other ideas that they may have, so they are competitors in the market.

There are strong companies and they can create some dynamics that will, again, will raise the level of activity and level of competitive environment, which is usually good for companies like us, because we thrive on the changes in the competition and the need to do things. Stagnation is one thing that we don’t really want to see. As for the managed services, it’s hard to really give you accurate prediction, but I can assure you that we have -- we are walking on managed services arrangements or beads or activities in Latin America, in Europe, in North America, in Asia Pacific, so all the regions.
Some of them are moving kind of naturally from a delivery mode as we did in US Cellular, to a managed services mode. That's one of the reasons why we love delivery projects so much because they provide us the opportunity to also stabilize the relationship through a managed services deal. Not always, but in many cases, so some of those are of this nature.

Some are on the expense of our competitors taking away managed services components with a better offering and some are completely new things that goes with the transformation that we are working on. So we have actually quite a rich pipeline for managed services and we see some growth in the managed services in recent quarters and we hope to continue this trend. It's not guaranteed because the timing of those managed services are not always easy to predict.

**SK Prasad Borra - Goldman Sachs - Analyst**

And does that have any bearing on the margins? You did mention on some of the points how things change between the quarters. Should we be aware of any impact on a quarter by quarter basis because of the timing of the managed services contracts?

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

Not necessarily. We may fluctuate for other reasons from quarter to quarter within the guided range, but I don’t expect any material impact coming from that in particular.

**SK Prasad Borra - Goldman Sachs - Analyst**

Okay, that's very clear. Thank you.

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

Usually managed services in general represents some pressure in the beginning because we transform, we invest in the software that we are going to operate and we monetize in higher profitability at the second phase of the project. But I don't think that, as Tamar said, I don't think that we expect to see fluctuation because of specific managed services deals in the near future. We are just giving you the best exposure to what we see, which is some type of fluctuation and we don’t want people to measure it and start extrapolating this early.

Obviously, we are very happy with the expansion in this quarter to 16.9% and we're trying our best in any given quarter, but it may fluctuate. Overall, as I said before, we keep on focusing very much so on the operation aspect of the business, on doing the same thing with less people and more sophisticated methods. As such overall, you see the operating margin is creeping up, but sometime it’s lumpy and the overall direction is that we hope it to stay in the range and to improve within the range.

**Operator**

The next question is from Shaul Eyal with Oppenheimer.

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

Thank you. Hi, good afternoon, and congratulations for solid results even in a tough foreign exchange environment.

Eli, I want to go back to some of the comments you made in response to Ashwin’s question regarding some of the consolidation taking place in Europe right now. Do you think, given we have, I don’t know how many, what is it 200, 300 even more than that carriers in about 20-something, close to 30 different European countries? I know there was some consolidation in prior years, but I’m surprised we haven’t seen that process being
accelerated or getting accelerated over the course of the past few years. Do you think we’re on the verge of seeing some acceleration in that respect over the next probably three, four, five years?

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

So, Shaul, it’s really hard to predict. I would tell you that the stronger markets in Europe, in my view is the UK, Germany, Scandanavians, maybe a couple of others, out of the 28 countries in Europe. Now we’re seeing it already in Germany and in the UK, so maybe this is an indication because usually stronger markets will allow themselves to do something and be the leader.

You see some consolidation already in Spain as well with Ono being picked up by Vodafone and you see other activities there. Now whether it will become also true to France or to Belgium or to Russia or other places along the continent, it’s a little bit hard to predict, but I think that once it’s there, more people will look at it and will say, well, it makes sense, because otherwise they cannot maintain this level of competition. Most of them, a lot of them are not making money, not most of them.

So it’s an early indication. We definitely will try to get the maximum out of the consolidating environment in the UK and Germany. But again, it’s hard to predict the outcome because they just announced it recently, like in the last month or two all around Europe. So maybe to train differently, we’re going after the UK market and the German market in a big way. We have some activities, obviously, with some markets already but we want to expand it.

Just as I mentioned in my prepared remarks, we actually see potential of growth in Europe, so despite the currency, despite everything else, I think because we are focused on the right targets and in the right timing so far, Europe, throughout the last couple of years was not so bad to us.

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

Got it. Eli, sticking on the European point and ongoing consolidation, the handful of situations we have seen over the course of the past few years, the ones in which Amdocs, let’s say, was not involved, who were the prime consolidators of the system integrators that were chosen to do some of those assignments?

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

Actually, in Europe, if it wasn’t us, it was no one. What you’ve seen in Europe is actually people buying and then sitting on the asset as like holding Company or something. Only now you see more focused effort to use the brand.

Telefonica announced that they want to use the brand of o2 plus E-plus in a stronger way in Germany. Vodafone is quick to respond, so obviously, Deutsche Telekom is not going to stay behind. You see the strains only recently, before that, I don’t think that there have been a lot of consolidators and people that enjoyed it through any significant way.

**Operator**

The next question is from Tom Roderick with Stifel Nicolaus.

**Matt Van Vliet - Stifel Nicolaus - Analyst**

Yes, hi, Matt VanVliet on for Tom. Building on the last question about consolidation in Europe, especially with some of the Galaxy customers that you’ve had success with, how do you anticipate that consolidation playing out in those sales cycles? Are you expecting them to maybe pause on some of these transformational projects because they’re out looking to spend capital elsewhere or does that have to be a part of the consolidation strategy?
Eli Gelman - Amdocs Management Limited - President & CEO

Matt, I don’t know, but I can tell you what I think would make sense and then we’ll have to follow-up on that closely with this Company. We’ve seen it in a very clear way in North America and I think that it’s not any different. We actually seen it also in Telefonica in their activity in Latin America and I think when a carrier buys another Company, the sooner they will streamline the back end systems, the better the operation will be.

The idea that they buy a Company and you make synergies or the savings of consolidating the two CFOs to one is not a good idea and that’s not the synergies. You’ve seen how AT&T grew throughout the years (inaudible) at the time. That’s exactly the situation with Singapore Telecom, the executives in charge with Telefonica in Brazil. I would imagine that one of the reasons that Telefonica was pushing faster on a very significant project for them in Vivo that we won is because of their plans to buy GVT.

It’s a consolidation, again. You need to prepare Company A before you add Company B. In any case, the back end systems are the only thing that makes the company, the joint company, look coherent to the end consumer and the end customer. Otherwise, it’s just a consolidation of corporates. So again, now I’m predicting, it’s always dangerous, that it will repeat itself in Europe.

So if Vodafone is buying more assets or o2 or any one of those, they will try to consolidate. If you ask me, sometimes Telefonica would like to consolidate their operations in Germany. There is no point to buy companies and to leave them alone. If Vodafone wants to get the maximum value out of the acquisition of Kabel Deutschland, which is in Vodafone D2 in Germany, buying the number one cable satellite and broadband company in Germany; again, it’s a consolidation of back end systems.

So I don’t think we are saying it because we are IT company that provides back end systems. I think that this is really the reality of a good consolidation, so the potential is there. Obviously, we are encouraged and proud with the development of our relationship with Telefonica, the development and relationship with Vodafone, with Telenor, these are all the names that are going to most likely consolidate the content in this way or another.

So now the jury is still out if we can do it and what rate and what pace and how fast and so on and so forth. But I can tell you that we have the offering and we know, we think the strategy is to consolidate back end systems. Now we’ll hope that one plus one will give us the three.

Matt Van Vliet - Stifel Nicolaus - Analyst

Great and then nice announcement on the win in Brazil. Does this put a pause in any of the sales cycles on the other Telefonica properties in Latin America and maybe even in Europe as you prove out the scale again, or are you able to continue to push forward as the implementation gets done?

Eli Gelman - Amdocs Management Limited - President & CEO

We are pushing forward with all steam ahead in parallel all over the world.

Matt Van Vliet - Stifel Nicolaus - Analyst

Great, thank you.

Eli Gelman - Amdocs Management Limited - President & CEO

Thank you, Matt.
The next question is from Tavy Rosner with Barclays.

**Tavy Rosner** - Barclays Capital - Analyst

Yes, thank you for taking my question. I was wondering if you could share your views on external growth opportunities and perhaps what type of targets you could be having under your radar?

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

Tavy, what do you mean by external?

**Tavy Rosner** - Barclays Capital - Analyst

Like acquisitions.

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

So I thought that's what you mean. I was stalling for time.

The truth is that I can not give you, obviously, specifics, but I can elaborate a little bit about the logic that we are applying. You know that we have a very good track record of acquisitions throughout the years from 1999, I think, was the first acquisition and on.

But we are very, very careful to choose acquisitions that support our strategy, and we always go to the strategic process first and then the execution of the strategy could be either buy or make or partner or anything in between or the combination thereof. Since we are adjusting our strategy all the time, we are getting into more opportunities to buy technology or market share or whatever in the market and we have the currency and we have a good track record of identifying company, but not as important, we have a very good record on the PMI, on the post merger integration.

But we are very careful in doing that. So first of all, because we are very cognizant to the shareholders' money, that's the shareholders money that we are spending, and secondly, is because statistics does not necessarily work for us. Our statistics are very good, but the industry statistics on IT acquisitions are not really something to write home about. So we are looking at almost any dimension of growth that we have. Also to see, at any given time, whether we can accelerate growth and we can accelerate activity.

That is to say that, on the core, we don't need much technology, but we can consolidate customer base and expand the customer base and offer more customers the CES 9 platform. In a way, like inducing faster transformation. It fits in the core. When it goes to network and network applications, obviously, it's a new field. Up until now, we made several acquisitions of the run optimization and the policy. The rest of it we did in R&D, but we are all the time looking for technology to accelerate the network domain.

The same goes with BDA. We decide so far to do it internally, but we are looking around all the time to look at this. I can tell you that this topic is [hypie], so we don't tend to spend a lot of money for very little revenue and/or EBIT, so we are very prudent in our execution.

I'm just trying to tell you that we are looking at the entire industry in any dimension. We are very active in M&A and the fact that we do once every quarter to small one, medium one, whatever, or big one, it's just a matter of when the entire conditions are aligned. That's why I mentioned also in my prepared remarks that we have the dry powder [today]. We have targets, but we have to have a very clean line of sight before we shoot, so that was kind of behind the message.
Sterling Auty - JPMorgan - Analyst

I wonder if you could characterize for us the size of the projects that are falling out of the funnel, meaning the ones that you’re completing versus the ones that you’re currently signing up? So looking at the backlog growth, the $30 million, obviously the transformational deals are great to see. But what I’m curious about is, are the size of these transformational deals similar to what you’ve seen in the past or what do the characteristics look like?

Eli Gelman - Amdocs Management Limited - President & CEO

So Sterling, first of all, the backlog is one of the best indications you can have for the overall activity, which are kind of the concrete stuff in our hands. In general, I will tell you that some of the new transformations that we are talking about are significant and they are pivotal in the importance of them, and also they are not small. Now, we had big transformation over the years and we had execution in big transformation and we have new ones.

Now whether the summation of all of them is that or that, I think the backlog is probably the best indication we can give in terms of the growth in the business. Now not to mention that it’s very -- it’s non-linear calculation, because when you think about the transformation being over, first of all, it doesn’t go back to zero, it goes back to ongoing support. But more than that, in many situations, we finished the first transformation, but we may start right after that another one.

It could be a dimension of going from revenue management transformation to customer management. It could be going into from single track, which could be wireless to wireline, maybe later on to cable or video, so the dimension of the multi-play and you can go to managed services, which will actually change the equation of what you’re looking for. I would say in general, we’re expanding all the time the number of people we need for projects. So that correlates with the backlog and that correlates with growth of the Company, and I think this is probably one of the better answers that I can give you. Tamar, anything to add?
Tamar Rapaport-Dagim - Amdocs Limited - CFO

I would add that with more a quad-play project, the complexity level of these projects and the need around supporting it is obviously an advantage for us, both in terms of selling advantage, as well as the ability to execute such complexity of projects. Usually, there’s some correlation, also, to size; whether you’d go with a quad-play transformational project relative to wireless only or wireline only.

Another interesting good point to add is that we are seeing more opportunities in which we are moving from the project activity to the follow-up managed services activity, which is highly important in the business model that we’re trying to push. So whether it would be the example of Vivo, we’re already in the outset of the deal structure, they have committed for several years of some application maintenance and support, whether it could be US Cellular where we first completed material steps of the transformations and only later, we managed to move into managed services.

I definitely see that as a positive trend.

Sterling Auty - JPMorgan - Analyst

Okay, and then as a follow-up, how would you characterize the pricing dynamics and the discussions in the projects today versus a year ago? Meaning whether it’s competitive dynamics or other, what is the pricing environment like?

Eli Gelman - Amdocs Management Limited - President & CEO

Sterling, I think in general, it’s fairly similar. You would be surprised. You would probably think that it would be and that we are under more pressure, but I think that we always came with a value proposition and we actually never won on price. More than that some carriers really burn badly with taking very cheap proposals not from us and then they need to call us back.

There have been some announcements of write-offs in this industry, God forbid it’s not us, of course. So I think the realization at the end of the day that we are, I’d like to say the only one, but one of the very, very, very few that can do not only a sell the transformation, but understand all the implications of large transformations.

Whether it’s wireless or quadruple play, which is obviously more complex, whether it’s one country or two countries, like Australia and Singapore at the same time, whether it’s for post-paid or prepaid and post-paid converge solution, and whether it’s connected to the OSS and some network applications, when you look at what we’ve been throughout the last few years, the proposition is so much ahead of the competition that to think that you can actually get it for a low price is --.

Obviously, people will negotiate and negotiate hard and these companies are experts on negotiation and they get usually good deals, but it’s a win-win deal. If you ask me overall, I think that the pricing environment for us is about the same. Now there are some extreme cases that will just walk away and you should assume that when we don’t win something, there is a good chance that it’s because of price. We walk away from it if we don’t think we can make money.

Sterling Auty - JPMorgan - Analyst

Got it, thank you.

Eli Gelman - Amdocs Management Limited - President & CEO

Thank you, Sterling.
The next question is from Howard Smith with First Analysis.

Howard Smith - First Analysis Securities - Analyst

Yes, good afternoon and congratulations on solid execution against your business plan. Probably for Tamar, but Eli, if you want to take this, that's fine as well, I wanted to get your thoughts on how you're positioned and how you alter your position, whether it be hedges or natural hedges or thinking about the business, if we were to go into a prolonged period of an appreciating dollar as some are starting to speculate now. So I know you're very well-hedged in the short-term, but how do you think about it on a multi-year basis?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Thanks, Howard.

We are looking at it as in multiple layers. First of all in how we structure commercially the deals we go into, whether it's on the procurement side or the sales side, trying to factor into the structuring of the deal or with the certain considerations about trying to limit exposure to the currency as much as possible. Then it goes to the overall structure of the Company and trying to see how we leverage the natural hedge we may have in certain places.

Only the third layer would be using certain derivatives and vehicles to do the hedging on top of all of that. Our philosophy was and remains protecting the bottom line. Therefore, we will probably see more of the impact of the currency fluctuations on our top line; however, so far we've seen the solid execution of the hedging strategy according to our objectives of protecting the bottom line.

It is a tougher problem, of course, in the longer term. The horizon in which we can add the derivatives is limited by the cost of hedge of course. So looking longer term, it’s becoming part of how we are looking on the overall cost structure of the Company and how we do business.

Like any other ex-organic factor like inflation, like oil prices, like labor wage increase and we just have to factor it in into our decision-making when we have longer term strategic plans in place and thinking how to operationally build the right structure there. So I hope that addresses your question, but I know its a multiple layer answer, but that's the reality we face.

Howard Smith - First Analysis Securities - Analyst

No, that was great. My only follow-up would be in terms of how you structure your contracts to protect yourself, you've been through ups and downs and currencies over the years many times. Is that already built in your current contracts, or are you increasingly thinking about it or adjusting the terms this year and as we go along, more so than in the past?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

The thinking about it was there before, but naturally is now, let's call, it the more solid currencies moving into an environment that is extremely more volatile. We are focusing on that much more in the developed part of the world, where historically it was probably more targeted at emerging markets and areas where we've seen higher volatility of currencies. Now, of course, we need to think about these things in the context of currencies such as the euro, and British pound and Canadian dollar and everything has to be in the game.

Howard Smith - First Analysis Securities - Analyst

Very helpful color. Thank you very much.
Tamar Rapaport-Dagim - Amdocs Limited - CFO
Thanks.

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

Operator
We have no further questions at this time. I’d like to turn the call back to Matt Smith for closing remarks.

Matt Smith - Amdocs Limited - IR Director
Thank you, Ellen, and thank you, everyone, 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 call the Investor Relations group. With that, have a great evening and we’ll conclude the call.

Operator
Thank you, ladies and gentlemen. This concludes today’s conference. Thank you for participating. You may now disconnect.