Good day, everyone, and welcome to the Amdocs fourth quarter 2009 earnings release conference call.

Today's call is being recorded and webcast. At this time I will turn the call over to Elizabeth Grausam, Director of Investor Relations for Amdocs. Please go ahead.

Thank you, I'm Liz Grausam, Director of Investor Relations at Amdocs.
Before we begin I’d 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 effects of such events enabled 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 the measures, we refer you to today’s earnings release which will also be furnished to the SEC on a Form 6K.

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 20F for the fiscal year ended September 30, 2008, as filed on December 8, 2008, and our 6Ks furnished on February 9th, May 12th, and August 10, 2009.

Amdocs may elect to update these forward-looking statements at some point in the future; however, the Company specifically disclaims any obligation to do so. Participating on the call today are Dov Baharav, President and Chief Executive Officer of Amdocs Management Limited; and Tamar Rapaport-Dagim, Chief Financial Officer. Following our prepared comments, we will open the call to Q&A.

And now let me turn it over to Dov Baharav.

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

Thank you, Liz.

I will allow Tamar to fully review our fourth quarter results. But on balance, we are very pleased with our performance which led to revenue, margin, EPS and cash flow all exceeding our expectations. We are cautiously optimistic that our business is stabilizing earlier and at a higher level than we anticipated, due to both steadying economic condition and our focused execution.

Specifically over the course of the fourth quarter, customer willingness to move forward in signing new business slightly improved while our recurring revenue base continued to perform very well. The shift in the quarter was not from one deal, one customer, or one geography; but was a modest easing of what had been very difficult conditions for customer commitment across our businesses. However, we recognize that the signs remain early and may still likely be influenced by the pace of economic recovery.

At the end of the fiscal year and looking into the next, we felt it was a good time to provide additional color on areas of relative strengths and weaknesses in our business. First, both managed services and cable were areas of strengths for Amdocs in 2009, and we expect this to continue in 2010. In managed services our focus on the opportunity sharpened and we committed significant senior management attention in 2009 to sourcing and delivering managed services contracts.

The managed services value proposition resonated with our customers over the course of the crisis offering the right balance of cost saving, risk management and modernization; and we believe our activity in 2009 is proof of our strategy. We began implementing many important engagements over the year including MetroPCS and Clearwire, and began to diversify geographically outside of North America with wins in Europe such as Elisa and T-Mobile UK.
In cable and satellite we believe we are hitting our stride. In 2009 we expanded our presence in Rogers and JCOM and continue to drive new products and services into our existing base of customers. We are committed to the long-term opportunity in this market and believe that we are likely to achieve another year of growth for Amdocs in cable and satellite in 2010.

To balance the highlights of the year, there will also be lowlights. As we have spoken about for several quarters, economic conditions put a greater strain on our project based businesses resulting in fewer transformational deals in the market and a disproportionate decline in our European practice. While we do not anticipate a near term recovery in large transformational deals in Europe, we are seeing evidence of smaller investment in systems modernization beginning to move forward.

Furthermore, as we enter fiscal 2010 the sequential overhang from larger projects that came to completion in fiscal 2009 has diminished. However, decision cycle remains long and we anticipate recovery could be erratic in individual product areas and geographies as the economy returns to growth.

Our directory group was also under considerable pressure in fiscal 2009 as the publishing industry was impacted more significantly than our core communication market. While we remain realistic about the secular challenges of the publishing industry, we anticipate the annual rate of decline in directory to moderate relative to 2009 with the potential for stabilization.

Despite the challenges in 2009, as we enter fiscal 2010 we believe our competitive position is only strengthened over the course of the recession. We have been investing in the business at a very healthy pace even with the topline headwind and we believe our product portfolio remains the market leader. Our operational excellence is shining through as well, and we have become more cost competitive in the market while simultaneously protecting the profitability of the Company. Furthermore, our growth drivers remain intact producing both near term stability and long-term opportunities for the Company.

With that I will turn it over to Tamar for a discussion of our fourth quarter financial performance and our forward-looking guidance.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Thank you, Dov.

Revenue of $707 million compared favorably to our guidance range of $670 million to $690 million. Underpinning the fourth quarter results as Dov explained, we experience a broad base of better than expected activity across the business. More favorable currency exchange rates also impacted our revenue results with an approximate $10 million sequential benefit, of which roughly $5 million was incremental relative to what we had expected when we issued our fiscal fourth quarter guidance.

For the full fiscal year, revenue of $2.9 billion was down 9.5% year-over-year with 3.5 points of this decline resulting from currency fluctuations. Drilling into the fourth quarter revenue results, managed services and cable performance continued to stand out. Project revenue showed signs of stabilization and encouragingly, European revenue increased sequentially for the first time in fourth quarters. However, as Dov conveyed, we are hesitant to draw conclusions from only one quarter of performance and will be monitoring projects and European activity very closely. Directory revenue continued to lag and was down again sequentially, underperforming modestly against our expectations.

Moving on to profitability, our non-GAAP operating margin modestly exceeded our 18% target in the fourth quarter coming in at 18.1%. Continued focus on our cost efficiency drove the strong performance this quarter offset slightly by higher selling costs in Q4 associated with the revenue upside.

Other income continues to be impacted by lower interest rates and foreign currency fluctuations. In the fourth quarter, we paid down the remaining $300 million balance on our revolving credit facility, leaving Amdocs currently with no long-term debt and

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a net cash position of $1.2 billion. Additionally the currency environment was slightly more favorable than anticipated resulting in little effect on our other income in the quarter relative to our expectations of a drag.

Notably we are exiting fiscal 2009 in a position of financial strength with $166 million in fourth quarter free cash flow comprised of cash flow from operations of $184 million less approximately $18 million in net capital expenditures and other. Driving this performance, we continue to have very strong collections with DSO of 59 and witnessed a healthy decrease in short and long-term unbilled accounts receivable as well as a healthy uptick in our long-term deferred revenues. The fourth quarter performance brings total free cash flow for the fiscal 2009 to $434 million, a 24% increase over the $350 million in free cash flow generated in fiscal ’08.

Furthermore, our twelve-month backlog, which includes anticipated revenue related to contracts, estimated revenue for managed services contracts, letters of intent, maintenance and estimated ongoing support activities was $2.385 billion at the end of the fourth quarter of fiscal ’09 and provides a healthy base of business for 2010.

Before I move on to guidance, we wanted to provide a bit more color on our fiscal ’09 performance in managed services and cable as they were highlights for the year, and provide a strong foundation for us moving into 2010. Total revenue for managed services arrangements was roughly flat in fiscal 2009 on a constant currency basis. However, this includes declines from our directory business where many of our customers operate under a managed service model.

Excluding directory, managed services revenue from communications customer actually grew year-over-year in the mid single digits on a constant currency basis. We believe this result is particularly impressive given that we more than offset a decline in revenue at Sprint given the conclusion of subscriber migrations in mid-2008 and decreased discretionary activity at the customer. Similarly in cable, we had another impressive year of performance in fiscal 2009 growing revenue in the double digits as we continue to sign new engagements and expand our presence within our existing customer base.

Looking forward for the first fiscal quarter of 2010, we expect revenue to be within a range of $705 million to $725 million; representing flat to slightly up sequential revenue from fiscal fourth quarter of 2009. We anticipate our non-GAAP operating margin in Q1, 2010 to be at least in line with what we achieved in fiscal 2009; and we will balance our profit targets with our desire to reinvest in the business as conditions improve.

We also anticipate that our non-GAAP tax rate will remain in the range of 13% to 15% and expect Q1, 2010 non-GAAP EPS to be in the range of $0.51 to $0.55. Incorporated in this view is an expected average diluted share count of roughly 207 million shares in Q1, and a potential for a negative impact to other income from effective foreign exchange fluctuations. We also expect free cash flow for Q1 will be at least $100 million.

We still do not have the level of revenue visibility that we would like to have in order to issue full year 2010 guidance. Market conditions and economic indicators remain mixed, and we believe it is inappropriate to commit to full year expectations when we are not confident in predicting market conditions that far into the future. But we are cautiously optimistic that the worst is behind us, and we are poised for stable to very modestly improving sequential revenue performance in the near term.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from Ashwin Shirvaikar. Please go ahead.
Ashwin Shirvaikar - Citigroup - Analyst

Thank you. Congratulations, solid performance here.

My first question is, is there anything in your recent signings or pipelines that will constitute any kind of one time work, non-recurring type of projects that could cause any volatility in revenues as we look to establishing a trendline beyond December?

Dov Baharav - Amdocs Limited - President & CEO

Ashwin, thank you for the question.

As we mentioned, the growth that we experienced in the quarter and looking forward is not comprised from one big contract, but a collection of many activities with many customers all over in different product lines, in different geographies. So there is not so much dependence on one customer or one project.

Ashwin Shirvaikar - Citigroup - Analyst

Okay.

And one question on the cost structure. Are you happy with where your cost structure is for the current environment or should we expect ongoing cuts? Obviously the margin performance here has been great; but as we look for growth, can you sustain the margin performance or is there an investment that happens that takes away the margin performance?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

So we are happy with the achievements to date and the way we were able to address the pressure on the topline by aligning very fast and even proactively the cost structure of the Company. But I think it’s much beyond that. We've been able to create changes in the cost structure that are sustainable going forward and how we perform the business and how we deliver projects and the product offerings we bring to the market and so forth.

Looking forward into the margin, our priorities are first to grow the topline. We believe that if it will require investing farther into the business in order to accelerate such growth that will be more productive at this stage. While we are focused on maintaining at least the profitability level we have today on the operating line. So there will be drivers of the margin expansion on the one hand.

On the other hand we may decide to invest more in things like extending sales opportunities in different growth engines and in certain R&D areas and so forth in order to accelerate the growth.

Operator

Thank you.

Our next question comes from Tom Roderick. Please go ahead.

Tom Roderick - Thomas Weisel Partners - Analyst

Hi, thanks, and good afternoon.
Dov, you certainly seem more optimistic with respect to your customers’ budgets beginning to open up. That seems to be parlaying itself into some nice project work here in the near term. With respect to the pipeline of transformational deals, when do you think you’ll have some more clarity as far as when we can start seeing some closes on those types of deals? Do you think it’s too optimistic to think that we will see some transformational deal activity in 2010?

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

Looking forward to 2010, we—as Tamar indicated, we are cautiously optimistic about the next two quarters and overall we feel better. We do not see too many cases where service providers are planning to cut severely of CapEx. We actually see a lot of them talking about new projects and moving and developing capabilities to generate revenue and be more effective in the new area.

However, we do not anticipate many large transformational deals in the near future. Looking overall to 2010, I would say that first of all we enjoyed already in 2009 several transformational deals that were combined in managed services. And flexibility to offer this combination of modernization it does not require up front payment. And it’s combined with reducing the operational costs and prove to be a winner in our activity and dealing with companies like Metro PCS for example, Elisa, that proved to be the winning card.

So we believe that we will see a transformational deal as part of managed services in 2010 and stand alone transformational deal more than what we had in 2009.

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

Great. Thank you.

One thing I didn’t hear you talk about on the call too much here, but it’s been a focus of some prior calls would be the interactive and OSS segments. Can you provide us an update with how those divisions performed in the quarter and what the pipeline of deal activity might look like for those product lines.

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

We believe that interactive and OSS are two important growth engines of the Company. And we are focusing more on managed services that can provide in the near term the growth. Cable has proved itself as a growth engine in 2009 and continues as we speak to provide the growth. However, we continue to invest a lot in interactive and in OSS, and we see substantial success and we believe that during 2010 and in 2011, we will see substantial growth in both areas. Now in interactive we indicated that we had many wins especially in the area of personalization, the area of the digital commerce and that’s in the emerging markets and in the developed markets.

Regarding OSS, this is an area that we feel that it creates one of the biggest opportunities of the Company. It might not be materialized in the first half of 2010, but overall that is going to be a substantial growth engine of the Company because of the following reason. First of all it’s a large market, it’s about $16 billion. Secondly, it’s very fragmented and we have the potential of consolidating this market.

Third, we have proven that we have the ability to provide and to deliver the most comprehensive platform for service fulfillment as we did for BT and for Telstra, including all the services; and for other customers in North America. So we feel that we have the right ingredients and we are now building our internal activity and feel that we will see these two growth engines mainly OSS in the latter part of 2010 and interactive in maybe later 2010, and it will serve as a substantial growth engine in 2011 and '12.
Operator
Thank you.

Next we’ll go to the site of Sterling Auty. Please go ahead.

Sterling Auty - JPMorgan Chase & Co. - Analyst
Yes, thanks, hi, guys.

Tamar, I missed it if you said it, what was the percent of revenue for managed service; and can you actually give us maybe a breakdown of what the percent of revenue directory was, I heard that main service was flat for the year; but what did it constitute of revenue?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
We talked about the trends year-over-year on managed services being stable on an overall basis while directory was actually a drag. So if you look at communications within that, it was actually up in the mid single-digit on a constant currency basis. If we look on the directory business, it’s about 6% today out of the overall revenue.

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

And then the managed service business that you were citing in the quarter, can you give us a description of what type of managed services you were taking on in the quarter? Meaning was it stuff that you were leveraging existing or did you actually have to take on people and systems from new customers and what type of applications were you actually taking on this quarter?

Dov Baharav - Amdocs Limited - President & CEO
In the managed services actually the growth is comprised of, first of all expansion of activity. Expansion of activity with existing customers and once we are doing a great job with some customers, they tend to expand activity and enable us to have a different type of activity on top of the applications that we agreed upon. So that was one source. And we continue to sell to new customers. Some of them it’s small, some of them it’s larger.

Operator
Thank you.

Our next question comes from Jason Kupferberg. Please go ahead.

Jason Kupferberg - UBS - Analyst
Thanks.

Just wanted to start with a question on currency. If you guys can lay out what you’re anticipating the FX impact on revenue to be in the December quarter on a quarter-over-quarter and a year-over-year basis?
Tamar Rapaport-Dagim - Amdocs Limited - CFO
We did not expect further changes into the guidance. We expect similar levels to Q4.

Jason Kupferberg - UBS - Analyst
So Q4 had you, what, about--?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
We are not factoring in any sequential increase coming from foreign exchange.

Jason Kupferberg - UBS - Analyst

And can you talk about whether or not there's been any material change in your win rate over the last couple of quarters? What I'm trying to get a sense of is the revenue pick up that you are seeing here, is it more of a sign that Amdocs is gaining share or that the industry as a whole is recovering more or less at the same pace as Amdocs?

Dov Baharav - Amdocs Limited - President & CEO
I would say that we see an improvement in the win rate of the Company. We had wins in emerging markets. We had wins in other geographies against--competing against our traditional competitors and others; and then we are encouraged by an improved win rate in this quarter. And looking forward, we think that given the portfolio that we have given what we offer to the market, the reaction of customers we have optimism regarding it.

Operator
Thank you.

Next we'll go to the site of Shaul Eyal. Please go ahead.

Shaul Eyal - Oppenheimer & Co. - Analyst
Thank you, good afternoon, guys. Good quarter, good guidance. Congrats.

A couple quick questions. Dov, in your prepared remarks you mentioned kind of the lack of big system modernization projects mainly in Europe. Are these mainly with the fixed line, the traditional front telecom, British Telecom, those guys or also some pure wireless providers as well?

Dov Baharav - Amdocs Limited - President & CEO
What we mentioned is that we do not foresee in the near future that the revenue will depend on large transformational deals. We have a partial deal so one customer might maybe sign a contract for ordering, and another customer will sign an order for CRM, and one for a portion of the OSS. So we do not expect a transformation like we have seen in Telstra that the carrier will
take all the OSS, all the BSS and replace everything. That is something that we do not see a lot and we see it quite scarce. So when we are looking at the pipeline, we see the transformational deals but not so big, not so comprehensive, which to some extent has the advantage of less risk and I would say more predictability.

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

Got it.

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

You need to understand that in this environment customers are taking a more cautious and safe approach. So if historically they would go and commit up front, go to their boards for hundreds of millions of investments commitments, now it’s done more cautiously. Still from our point of view, we believe that being the chosen partner to start such a transformation is very meaningful. Even though it’s not a contractual commitment it could be very meaningful to the long-term.

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

Got it.

Just one follow up maybe a couple of words about Dish. Any update with that customer, and maybe what about your recent acquisition on the small one, jNetX.

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

Well, we cannot refer to specific customers. However, we feel very good regarding our progress in the cable and satellite where we have experienced growth in every quarter and we believe that we will continue to see growth. As we indicated, 2009 was a good year where we won against the competition in JCOM and we have allowed transformational project to reach (inaudible - highly accented language) and we have progress with all our existing customers we see an increase, and what we like a lot that it’s not an zero sum game.

That is to say we are able to not only to serve to our existing customers billing but we sell them OSS and we have been delivering OSS for the cable industry. We are selling them CRM like we have done in JCOM, actually replacing a competitor there. And we sell them other products like our enterprise product catalog. And on top of all that, we of course are selling all the BSS transformation to this customer; and we believe that we have the best offering in this market and we will see growth in 2010.

**Operator**

Thank you.

We will next go to Daniel Meron. Please go ahead.

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

Hi, Dov and Tamar, congratulations on the good execution here, good work.
A couple questions on my end. First of all, can you maybe provide more color on the positive surprise that had you in the last three months? Where is it stemming from? Can we see more of that in the December quarter? Basically what are the assumptions going forward in your guidance, that's what I'm trying to get to?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

What we've seen during the quarter is actually an overall easing in the corporate decision-making process across the business. So it wasn't necessarily one specific deal that came through, but a result of modest pick up we've seen across the different business lines. What we factored into the guidance for next quarter is actually, I would say, cautious but optimistic expectations that we will continue to see such a trend; and as we've said before, again, also looking into Q1 it's not dependent on any one specific deal but more on a broad base of activities that should get better.

Daniel Meron - RBC Capital Markets - Analyst

Okay.

And then as we look further out I'm trying to figure if there is more drivers that can start motivating your customers to do more transformational deals or at least commit to something a little bit more strategic in nature? What would that be; because when I'm talking to some of your customers it seems like a lot of them are kind of very pleased with the solution that you provide them and believe that they need to upgrade them but there's no catalyst to do that? If you can just expand what would be those catalysts and what would it take for those decision making to get going?

Dov Baharav - Amdocs Limited - President & CEO

So let me say that we see several reasons why service providers will have to start moving and investing. The first one, and maybe everything is around the digital services. The industry is moving from voice based to digital services. And the amount of data that is going through the pipes of the carriers and the spectrum of the carriers is enormous and it's growing all the time. So as a result they have to have more fiber, they have to have 4G, and LT. And as a result of all that, they have to invest in first of all, operating support system.

We have the leading new gen IP service fulfillment in the OSS for the new IP technology; and as a result of that, we expect more demand in this area. Now on top of the OSS that we see demand for it in the wireless, in the wireline, in the cable. We will see a need for upgrading the system in order to cope with the demand. First of all, they need to monitor and maybe charge differently. More than that, the amount of data and data activity is such that all the ratings should be different, all the storage should be different, and we provide new technology that enables us to do all that differently.

So we will see demand for business system and for OSS system based on a data explosion that we see in the service provider's activity. On top of all that, you have the growth in the emerging markets where you see many new carriers growing very fast; and as we indicated, we have a growth in this area by selling to new carriers and actually replacing a transformation deal with existing carriers that are going very fast and need to have maybe capable scalable system and effective and efficient system to cope with the scale and the number of subscribers they are handling. So scalability in the emerging market and the digital services in the developed world both will provide compelling need for transformations.

Operator

Thank you.

Our next question comes from Scott Sutherland. Please go ahead.
Suhail Chandy - Wedbush Morgan Securities, Inc. - Analyst

Thank you, this is Suhail Chandy. Congratulations on a great quarter.

Two questions, trying to dig in on cable a bit more. Percentage of revenue wise, I think historically for 2008 it was kind of like 10%. Excluding your fiscal fourth quarter is it more kind of mid-teens you would say or?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

I can say it’s over 10% without disclosing the specific number. It’s been growing double-digits year-over-year, continuing to show where relative strength even during this tough environment where we continue both to expand the business with existing customers and win new deals in the marketplace. So definitely one of the strong areas in the Company.

Suhail Chandy - Wedbush Morgan Securities, Inc. - Analyst

Okay. Great.

And you mentioned systems modernization projects in Europe. Could you possibly indicate, I guess deal size, range or average size of these deals?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

I would say I think they kind of deal going into a customer if we are talking about certain products, usually it can be in the range of let’s call it around $10 million; but this is a very rough number because it can go from a small product model into CRM or billing, which would be probably even higher than that and it also depends on the size of the carrier.

For example, this year we came out with a very compelling solution for the market where we prepackaged our BSS into a preconfigured system with predefined business processes, which allowed carriers to buy it making less changes, implement it faster, but from their point of view it can cost less. However, some carriers would like the flexibility of having the higher level of customization around the system. So then usually it would have a higher price tag and maybe a longer implementation process as well. So it’s really varying from one customer to another and the specific solution they would like to implement.

Operator

Thank you.

Our next question comes from Karl Keirstead. Please go ahead.

Karl Keirstead - Kaufman Brothers, L.P. - Analyst

Hi, thanks for taking my question.

I had a question about the project based work. That sounds like the area where we got the surprise during the quarter. So I'd just like to ask you, is there any risk that this is a temporary bump? In other words, some of the projects that were delayed for the last couple of quarters moved forward and we have a little bit of a flush or are you pretty confident that we've hit sort of a new and sustainable level here for the next few quarters?
That might help. Thank you.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Thanks, Karl.

Just to start with maybe revising your assumption, it was not necessarily project related revenue that came of the upside to our original expectations. It was across activities including the recurring activities. Overall when customers feel a bit better given their environment, they feel better in spending on ongoing activities that we do for them; and therefore, it wasn't necessarily a specific spike that we are concerned will suddenly go down.

Obviously our expectations for Q1 rely on the fact that the overall mood of the customers will remain stable. And that we will continue to benefit from a strong backlog as well as winning some new projects.

Karl Keirstead - Kaufman Brothers, L.P. - Analyst

And then, Tamar, if I can ask another one.

Throughout fiscal '09, Amdocs has talked to the street about its increased focus on managed services deal quite a bit. Do you still expect the mix of the revenues to shift a little bit more towards managed services deals as you look into fiscal '10, or do you think it will remain at about this mix level?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

I think that overall it's hard to tell. We do see a lot of opportunities and demand for managed services. It's been a winning business model in terms of what our customers are looking for both in terms of reducing their cost structure, having the best service level and having the potential to modernize, or already modernize up front as we take over the activity. So it is very important offering that we bring to the marketplace.

In parallel to that, we continue to push activities around new license sales and project implementation; so it's hard to tell especially when we look into the full year of 2010 and given the lack of visibility so far ahead when the economy is still with such mixed signals how exactly the blend will be on a full year basis.

Operator

Thank you.

Our next question comes from Julio Quinteros. Please go ahead.

Vincent Lynn - Goldman Sachs - Analyst

Great. Thanks. This is Vincent sitting in for Julio.

A quick question on your December quarter revenue guidance. Is there any material contribution from the recent acquisition that you guys have made baked into the guidance?
No, it’s immaterial.

Okay.

And then secondly, just in terms of your appetite and I guess priorities in terms of near term capital deployment maybe you can talk about in terms of the M&A pipeline the kind of opportunities you guys are looking at versus buy back, etc?

We stayed the course of maintaining the same priorities, accelerating the goals of the Company. So our first priority in deploying the capital would be acquisitions, jNetX this quarter was an example for that. And we are very active in this area.

We believe that jNetX provides us an asset that we’ll bring to the shareholders and we will look for a target that we will announce our strategy in the different areas either in interactive or in OSS or in managed services or to improve our emerging markets activity and that will be, I would say, the main priority. And the second priority would be that if we find out that the probability of acquisition is lower and we enjoy a lot of cash that we might resume the buy back, but I would say this is not in our plans in the very near future.

We can provide is what we see now. And I would say that we see some improvement in the mood among service providers. If a year ago we had the huge uncertainty what is ahead of us given maybe the worst financial and economic crisis that we went through in our lifetime; now at this time we feel that the worst is behind us regarding the world economic crisis.

In our market, the conditions are still difficult but we see some signs of improvement and that actually plus our relative position in the market and our win rate, give us the optimism that we can have a growth the next quarter as we guided—as we gave the guidance and looking for the quarter after we are cautious; and but in general, we feel good about the prospect. Regarding the full year of 2010, there are still uncertainties and the reason why we didn’t give guidance; but if not the year starts in much better tone than a year ago.
Shyam Patil - Raymond James & Associates - Analyst

Thank you, that’s helpful.

I wanted to focus on Europe because that seems that’s where a lot of the project based revenue got hit last year. You mentioned that revenue in Europe was up sequentially. I wonder if you can speak to the backlog and pipeline in Europe were and just my last question after that is, as the environment improves should we expect free cash flow to grow in line with the revenue growth?

Tamar Rapaport-Dagim - Amdocs Limited - CFO

So regarding Europe, I would characterize the fourth quarter results more as an emerging sign of stabilization rather than calling it recovery all together. We definitely feel much better today regarding our European business versus six months ago. We’ve done changes in leadership of our business there. We’ve refocused our strategy in that region and we see positive momentum. However, it’s still probably too early to talk about new and clear trends. Sequential trends may still bounce around. We continue to focus on new deals and we are willing to see how we evolve there in the next few quarters.

Looking on the cash flow aspect, we continue to focus very strongly within the Company on determining payment terms and the operational improving of the collection overall, and we’ve seen that flowing through the numbers and improving the collection and reduction of DSO. By definition when the resumption of growth is happening, there could be some lagging effect between the signing of deals and recognizing and invoicing the customers until we actually collect the money; but other than that specifically, I do not expect anything to change. We will continue to focus on cash flow as very important part of the business.

Operator

Thank you.

Our next question comes from Will Power. Please go ahead.


Okay. Great. Thanks.

Yes, it sounds like you all are upbeat about some of the cable opportunities in 2010. I know you've already addressed it on a couple of fronts. I'm curious, are you expecting new carrier wins on the cable side or do you expect most of the growth to come from existing customers. Just so I'm clear, when we look at the existing customers what are the primary applications or services that you are adding on here? Thanks.

Dov Baharav - Amdocs Limited - President & CEO

Well, the growth that we expect would come from all dimensions. And the immediate one will be expansion of the activity with existing customers. And the expansion would be in several dimensions. One is additional functionality. That is to say we sell to our customers the OSS, operating support system, we have the living platform in this area. And they renew—they are modernizing their activity, they are moving to more innovative services, interactive services and as a result they need to invest in this operating support system.

We serve them CRM; which they need to serve the customer better. And additionally a system to support their activity. On top of it we—another dimension is selling them more services. It might be managed services. They are to manage their IT activity. On top of that are our new carriers that we are negotiating with. To some we might have full transformation, to some we might...
sell some modules. So overall, we feel we have experienced growth and we think that there is room for additional growth moving forward in 2010.

Operator

Thank you.

It appears we are out of time for questions today. I will turn it back to our speakers for any closing remarks.

Dov Baharav - Amdocs Limited - President & CEO

Well, thank you very much for participating in this conference call. And we will talk to you in the next quarter.

Operator

This concludes today’s teleconference. We appreciate your participation. You may disconnect at any time. Have a great day.