OVERVIEW:
Co. reported 4Q14 revenue of $900m and diluted non-GAAP EPS of $0.78. Expects FY15 revenue growth to be 2.5-5.5% and diluted non-GAAP EPS growth to be 4.5-7.5%. Expects 1Q15 revenue to be $895-925m and diluted non-GAAP EPS to be $0.77-0.83.
CORPORATE PARTICIPANTS

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

CONFERENCE CALL PARTICIPANTS

David Kaplan  Barclays Capital - Analyst
Shaul Eyal  Oppenheimer & Co. - Analyst
Ashwin Shirvaikar  Citigroup - Analyst
Matt VanVliet  Stifel Nicolaus - Analyst
Mark Sue  RBC Capital Markets - Analyst
S.K. Borra  Goldman Sachs - Analyst

PRESENTATION

Operator

Welcome to the Amdocs’ fourth quarter 2014 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 Matthew Smith, Head of Investor Relations. Mr. Smith, you may begin.

Matthew Smith  Amdocs Limited - Director of IR

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 effect of acquisitions and other significant items that may have a disproportionate effect in a particular period.

Accordingly, Management believes that isolating the effects of such events enables Management and investors to consistently analyze the critical components and results of operations of the Company’s business and to have a meaningful comparison to prior periods. For more information regarding our use of non-GAAP financial measures, including reconciliations of these measures, we refer you to today’s earnings release which will also be furnished with the SEC on 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 involves 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, 2013 filed on December 9, 2013. And our Form 6-K furnished for the first quarter of FY14 on February 11, 2014, the second quarter of FY14 on May 15, 2014 and the third quarter of FY14 on August 18, 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.
Additionally we are pleased to mention that our analyst and investor briefing will be held on Tuesday, December 16 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

Thank you, Matt, and good afternoon to everyone joining us on the call today. We delivered a solid performance in our fourth quarter and I am pleased to report that we concluded FY14 with diluted non-GAAP earnings per share growth of 8% which was above the midpoint of our guidance issued at the start of the fiscal year.

Overall, we believe FY14 was a year of significant growth and progress for Amdocs. We successfully executed on some of the industry’s most complex transformation projects. We further invested in our market-leading portfolio as demonstrated through the release of Amdocs CES 9. And we leveraged our M&A and R&D activity to enter a new domain such as radio access network optimization software and Network Functions Virtualization.

Additionally, demands for our product and services remains strong throughout the year and across regions. This resulted in number of significant wins which enhanced our competitive position within new and existing customers.

Let me take a moment to elaborate on this. In North America, we closed out another strong year with a record quarter. AT&T remained an important contributor to the performance in FY14, but activity level were healthy across the region as we supported key customers such as Bell Canada, Sprint and TELUS, with modernizations designed to respond to rapidly changing market dynamics.

In Europe, we are pleased with our overall performance for the year despite headwinds from foreign currency fluctuations in fourth quarter. During FY14, we strengthened our relationship with influential carriers such as Vodafone Group, where we expanded our managed services activity to seven affiliates.

Additionally, at Vodafone Germany, we successfully completed the consolidation of five legacy systems into one Amdocs operations support system. This new OSS system which commenced live production in the fourth quarter is believed to be one of the industries largest ever data migration within the OSS field according to Vodafone.

In the emerging markets, revenue growth was moderate in FY14 as we focused on bringing several highly complex personalization projects into production. During the year, we made significant progress expanding our relationship with strategic customers such as Telefonica.

In the fourth quarter, Telefonica Argentina selected Amdocs to manage a range of its business support systems applications and this is in addition to the previously announced transformation awards at Telefonica Argentina as well as those of Telefonica affiliates in Peru and in Chile. And further demonstrates the value and expertise we are able to bring to this major project.

Our regional performance also includes our strategic initiatives in the network software domain. During the fourth quarter, a leading carrier in the developed Southeast Asian market deployed the Amdocs self optimizing network solution, including our customer expertise experienced analytics to improve its 4G coverage. Additionally, we recently announced a new offering and enhancement to support customers’ activities in the area of Network Function Virtualization, NFV.

Now moving to our FY15 outlook, let me add some color around our core business on a regional basis. Beginning with North America, we expect overall growth rates to moderate in FY15 after a strong performance in FY14. This outlook reflects normal variations in account activity. Additionally we remain subject to lingering uncertainties resulting from the announced [sedation] activity in wireless and pay-TV market.
Taking into consideration the various scenarios which could result from the combined impact of this consolidations, we believe the anticipated headwinds are the same or better relative to our assessment as of last quarter. That said, we cannot predict all possible outcomes especially those that might result from future consolidation in our market or from an unplanned constellation of a customer merger activity currently in process.

In Europe, we are pursuing long-term growth opportunities with some of the regional largest carriers by leveraging our improved competitive position in highly relevant product and services offering. Nevertheless, we expect macroeconomics and regulatory conditions to remain challenging, and quarterly trends may be difficult to predict within the context of the full year.

In the emerging markets, we continue to see positive long-term growth trajectory based on projects awards already in the backlog and the pipeline of opportunity ahead of us. Additionally, our growing reputation is positioning us to participate in further opportunities within the larger operators in the developed Southeast Asia and the developed Latin America. Nevertheless quarterly trends will continue to exhibit lumpiness primarily owing to the project’s orientation of our customer engagements in these regions.

To summarize the FY15 outlook, we feel good about our full-year prospect and our ability to maximize the total return we provide to our shareholders. More specifically, I believe there are multiple vehicles which may help us to execute on this objective. Let me elaborate.

First, we expect to grow -- deliver revenue growth of 2.5% to 5.5% for the full fiscal year. This outlook takes into consideration macro and industry specific risks and unknowns although, as I mentioned earlier, we cannot predict all possible outcomes.

Second, the Company retains the capacity to drive strategic growth through M&A in FY15. This is not factored into the outlook provided. We see a rich pipeline of M&A opportunities, but as demonstrated with our network software initiatives, we are disciplined in our approach and we act when we find right targets that fit our strategy and at the appropriate time.

Third, we expect operating margin to be within a new range of 16.2% to 17.2% in FY15, the midpoint of which is roughly comparable with our performance in FY14 and above -- about 20 basis points higher than the midpoint of our prior range. This outlook is consistent with our previously stated role to maintain or improve margins over the long term. And reflects consistent operation execution and internal efficiency improvements balanced with strategic business initiatives that drives future growth. We remind you though however that the margins may fluctuate within the stated range in any given period.

Fourth, we remain committed to the disciplined return of cash to shareholders over the short and long term. During the quarter, the fourth quarter, we executed on our share repurchase program and (inaudible) substantially above that's suggested by our flexible 50/50 framework and we plan to maintain a fairly similar approach relative to our 50/50 framework in the early part of FY15.

Fifth, we continue to believe in the value of dividends as demonstration of our confidence in the future success of Amdocs. Within this context, we are pleased to announce that our Board has approved our recommendation to increase the quarterly cash dividend by nearly 10% to $0.17 per share. This dividend increase will be subject to shareholders approval at our annual meeting in January and will be payable in April 2015. I would like to remind you though, that future changes in the dividend will be subject to periodic review and will be timed to the underlying growth rate of our business and overall capital requirement.

Finally, we are excited to invite you to join us for our formal Analyst Investor Day on Tuesday, December 16. We will host the event at NASDAQ market site headquarters in New York City's Midtown, during which we look forward to providing you with an updated view of our strategic initiatives in the area of NFV, Network Function Virtualization, and BDA, Big Data Analytics, as well as our updated three-year operating outlook. With that, I will turn the call over to Tamar.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Thank you, Eli. Fourth fiscal quarter revenue of $900 million was within our guidance range of $890 million to $920 million, with a negative input through foreign currency fluctuations of approximately $6 million relative to the third fiscal quarter of 2014. Excluding foreign currency headwinds, revenue performance was in line with the midpoint of our expectations and was driven by continued strength in North America.
Our fourth fiscal quarter non-GAAP operating margin was 16.8%, an increase of 10 basis points compared to the third fiscal quarter of 2014 and within our target range of 16% to 17%. Below the operating line, non-GAAP net interest and other income was $1.8 million in Q4 reflecting positive contribution from other income. For forward-looking purposes we continue to expect a non-GAAP net interest in other expense in the range of a few million dollars quarterly due to foreign currency fluctuations.

Diluted non-GAAP EPS was $0.78 in Q4 compared to a guidance range of $0.75 to $0.81. A higher effective tax rate negatively impacted non-GAAP EPS in Q4 and was primarily attributable to an increase in accumulated tax provisions resulting from recent changes in tax rates in the southern jurisdictions.

Free cash flow was robust at $163 million in Q4. This was comprised of cash flow from operations of approximately $193 million less $30 million in net capital expenditures and other. As a reminder, over the long term, free cash flow tends to convert at a rate concurrent with our non-GAAP net income.

DSO of 73 days decreased by 3 days quarter-over-quarter. The total unbilled receivable was down by $3 million as compared to third fiscal quarter of 2014. Our total deferred revenue, both short and long term, decreased by $58 million sequentially in Q4. As indicated in the past, both of these items may fluctuate from quarter to quarter.

Our cash balance at the end of the fourth fiscal quarter was approximately $1.4 billion, though net of short-term debt it was $1.2 billion. We drew down $210 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 contracts, estimated revenue from managed services contract, letters of intent, maintenance and estimated ongoing support activities, was $3 billion at the end of the fourth fiscal quarter, up $30 million sequentially.

During the fourth fiscal quarter we repurchased $110 million of our ordinary shares. We completed our prior $500 million program and had $714 million remaining under the more current $750 million authorization as of September 30.

Now turning to our outlook, we expected revenue to be within a range of $895 million to $925 million for the first fiscal quarter of 2015. Embedded within this range we anticipate a negative sequential impact of approximately $6 million from foreign currency fluctuation. For the full fiscal year, we expect total revenue growth to be within the range of roughly 2.5% to 5.5% including an anticipated drag from foreign currency fluctuations of about 1%.

Incorporated within this outlook and consistent with our prior expectations, we anticipate revenue from our directory business in FY15 to decrease as a double-digit percentage range placing about 1% drag on the total Company results.

As Eli discussed, we anticipate our non-GAAP operating margins for FY15 to be within a new target range of 16.2% to 17.2%. We expect our non-GAAP effective tax rate to be in the range of 13% to 15% for FY15. We expect the first fiscal quarter diluted non-GAAP EPS to be in the range of $0.77 to $0.83.

Our first fiscal quarter non-GAAP EPS guidance also incorporates an expected average diluted share count of roughly 160 million shares and the likelihood of a negative impact from foreign exchange fluctuations in non-GAAP net interest and other expense. We exclude 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 4.5% to 7.5% diluted non-GAAP EPS growth. 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 program at levels substantially above that suggested by our 50/50 framework in the early part of FY15.

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 1.4% on the current share price. Therefore in FY15, we expect the [same] for our diluted non-GAAP EPS growth plus the dividend yield to equate to a total shareholder return in the mid-to high single digits.
With that, we can turn it back to the Operator to begin our question-and-answer session.

**QUESTIONS AND ANSWERS**

**Operator**
(Operator Instructions)

David Kaplan, Barclays.

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**David Kaplan - Barclays Capital - Analyst**

Can you talk a little bit about the mix of the revenues? Seems that the license revenue has been fluctuating quite a bit if you look back to the last fiscal year and even this year third quarter had a strange mix and the fourth quarter seems to be back in line. What is happening there with the licenses revenue, does it have to do at all with the regional mix or where's that coming from?

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

So David, thanks for the question. As we said in the past, license is becoming less and less a relevant indicator for us as almost the majority of the deals that we have are for project responsibility rather than just selling the product license on its own. Which means that overall negotiation and the deal value as a whole are the key parameters we're looking at and not the licensed portion itself. While saying that we are focused more on the maintenance revenue, the stream that is of course recurring later on in terms of the overall negotiation from that point of view.

So you will see fluctuations. It has to do with what other project that are specifically moving further ahead within a given period and what is the license portion classified within this project? But I don't think you should put too much into it not in terms of the revenue and as you can see that these fluctuations are not having any material impact on our margins as well. So I just wouldn't put too much into it.

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**David Kaplan - Barclays Capital - Analyst**

Okay. And then on the regional mix, the emerging markets I think seemed to have weakened somewhat or slowed into the fourth quarter. Is that just a timing issue again quarterly fluctuation or did something change?

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

Yes, we continue to be very excited about our progress in emerging markets in terms of both winning deals and the backlog building -- being built as well as the pipeline, what you see in the revenue fluctuations from quarter to quarter is just the result of the fact that there's primarily project activity in these regions. So the different mix of how -- different projects progress can have an impact on a quarterly basis. But the overall vector continues to be a vector of growth.

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**David Kaplan - Barclays Capital - Analyst**

Great. Thanks very much.
Shaul Eyal - Oppenheimer & Co. - Analyst

Not trying to front run your mid-December Analyst Day, but on the FDN front, Eli, are you already cooperating or will you be cooperating with some of the big players in the virtualization arena?

Eli Gelman - Amdocs Limited - President & CEO

What do you mean by big players? I think our customers there are the biggest in the world. And in terms of carriers and the people with virtualization on the network software front, and the competitors are the biggest in the world. So it's going to be interesting, yes.

Shaul Eyal - Oppenheimer & Co. - Analyst

Got it, okay. Seems to me there was no one specific point but rather a combination of points you brought up during your prepared remarks about consolidation, Europe, macro. What's the main factor which drives the slightly more conservative stance on your revenue specifically regarding FY15?

Eli Gelman - Amdocs Limited - President & CEO

Well first of all, I'm not sure that we have more reserved view on FY15. If I compared to our view ahead of 2014 or ahead of 2013, we feel actually as good or better about the market and the relevancy of our product and services and (inaudible). So I do not share this. We are trying to give as much as color as possible to all the potential upside and as well as some of the issues we have.

And the thing that fluctuation foreign currencies definitely bothers us in Europe and some other areas. Consolidation in North America, we said part of it is a good thing, part of it could be representing some short-term pressure. We believe that overall consolidation is actually good for Amdocs. We've seen it all around the world and throughout the years. And we have some big competitors we need to be concerned about because they're moving into new fields.

But other than trying to give you some color on all the issues we have, I would say that we're walking into this year better prepared and with better view of our chance to win the marketplace than we had a year or two years ago.

Shaul Eyal - Oppenheimer & Co. - Analyst

Got it. Great, thank you for that.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Probably the most (inaudible) explanation shows that given the business movement in rate, just to remind you we are talking about 1% drag, so constant currency basis, the growth midpoint is 5% actually not the 4%.

Eli Gelman - Amdocs Limited - President & CEO

In other words what we know today on FX resets or present a reset of 1% before even start the year.
Shaul Eyal - Oppenheimer & Co. - Analyst
Understood. Understood, that’s quite helpful. Good work. Thank you very much.

Operator
Ashwin Shirvaikar, Citi.

Ashwin Shirvaikar - Citigroup - Analyst
My first question is with regards to the assumptions that you’re making to get to either the top or the bottom of the range. Because the way I look at it is last year you guided to 4% to 8%. This year is 2.5% to 5.5%, but you have a percent adjustment from currency and a percent adjustment from the directory business I guess. So it’s equivalent to more like 4.5% to 7.5%. So in some sense are you moving towards that long term mid single-digit range that you consider safe? Is that how one should look at it?

Eli Gelman - Amdocs Limited - President & CEO
No, the first thing you have to remember that going into the FY14, talking about the fiscal guidance, we knew some of the effect of acquired company. So you have to -- if you want to compare it, you really need to remove almost probably 2% from the previous year.

Tamar Rapaport-Dagim - Amdocs Limited - CFO
Remember we guided to the 2%, 3% going into FY14. When we talked about 4% to 8% we said that 2% to 3% are coming from the acquired compound.

Ashwin Shirvaikar - Citigroup - Analyst
That’s right.

Eli Gelman - Amdocs Limited - President & CEO
If you take this one out, it’s actually the 4.5% to 7.5% is actually quite good calculation you made, plus minus 0.5% or whatever. But it’s all without M&A at all. And in FY14 we moved into the year we knew that more than 2% of it is --

Ashwin Shirvaikar - Citigroup - Analyst
I guess the point --

Eli Gelman - Amdocs Limited - President & CEO
(Multiple speakers) we’re not sorry for that but we have to compare it to (inaudible).
Ashwin Shirvaikar - Citigroup - Analyst

No, the point I'm trying to get to though is that you outlined a long list of factors which as a reason for being, quote-unquote, conservative. But really your performance this year, or expected performance next 12 months, is better than the organic performance 12 months ago. Right? So --

Eli Gelman - Amdocs Limited - President & CEO

That is true.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

We're not trying to be conservative, Ashwin. We're trying to give some color about the uncertainties that we see in the market just to share with you what's out there. Because North American consolidation of course is a factor planning for the year. And also to shed some light about what are different moving parts.

So we're looking into the outlook. We feel there's a good momentum in the different regions as we spoke about it. We are taking into consideration the moving parts and things that can happen within the year. Of course we cannot factor all scenarios as we explained and hence the range. But I don't feel we were trying to hint that there is any more conservatism or concerns going into this year, not at all.

Eli Gelman - Amdocs Limited - President & CEO

Since both you and Shaul are very experienced and know the company, we'll have a concern about we need to count the number of words we said about all the concerns. We're basically trying truly to give you color. I would be very surprised if any one of the color that we added surprises. It's all there, but again, we are very accurate people so we cannot say something without saying what bothers us. If you --

Ashwin Shirvaikar - Citigroup - Analyst

No, and -- (multiple speakers).

Eli Gelman - Amdocs Limited - President & CEO

If you're at the bottom line, you are right. And that's what I tried to answer Shaul as well. Going into the year we actually feel stronger this year than we felt a year ago and two years ago.

Ashwin Shirvaikar - Citigroup - Analyst

Understood. If I can ask one question on the network side of things as you added some of these products around optimization virtualization and so on, the nature of those -- of the work that you are signing, is that more project oriented and is there a possibility that you can down the road convert that into a little bit more of a managed services offering which gives you more visibility?

Eli Gelman - Amdocs Limited - President & CEO

So it's a very good question. We think it's potential but I don't think it's anytime soon. So right now, the nature of those -- most of these projects are project orientation. However, you need to remember that in a [possible] and IT pure project, when you need to bend the entire infrastructure even for one tenth of the customer base. In the network space, you bend it gradually by region or by technology or by whatever. So you will do optimization of 3G network in a city. Then you go to the next city and you do the same thing, so expand incrementally.
So this project has a tendency to repeat as you go into new cities and new -- and then new technologies and (inaudible). So that's one thing that you have to remember. So it's project oriented, but it's slightly has a different dynamic.

The second thing is that we believe that we are developing as we speak, services around this product and around this project. Eventually it may even get to the managed services. In some places we have already longer term agreements, not -- so it's not only one project for one six months or for whatever.

So all together I think overall over time we'll see more services and more -- even to the level of managed services. And I tried just to give you more color about the project because when you see project it's actually difference from project in the IT.

Operator
Tom Roderick, Stifel.

Matt VanVliet - Stifel Nicolaus - Analyst

Matt VanVliet on for Tom. First question about the expansion of the Telefonica Argentina deal. Could you talk about what the process was with communicating with them of taking on more work there? And then how that may impact the ability to expand within other businesses of Telefonica as we've seen you guys do so successfully with Vodafone?

Eli Gelman - Amdocs Limited - President & CEO

So Matt, thank you very much for the question. The dynamics is quite simple, we pull the same trick, quote-unquote, trick every time. We just do very good job in one space and then we get additional work.

Specifically, it's in Telefonica Argentina. Specifically it's around taking more responsibility on the BSS space set of applications. That is to say that we can provide testing and augmentation of technology. Sometime it's around our product and our activity. Sometime it's adjacent activities with other people, product, sometimes ongoing product and services. But it's -- obviously it's within our domain expertise, so we really understand it better than anyone else.

It's a very positive thing. It's a good trend that we see. I think it's something that we can repeat in other places within Telefonica, like again we need to finish the transformation of Peru but then we can offer the same thing in Peru and Colombia and other places.

The second dimension is obviously to go out to other affiliates. Telefonica have a few other affiliates in Latin America and definitely have more affiliates in Europe that hopefully in the future will be able to help them as well.

And so I would say the encouraging thing is that we are demonstrating the same value-based expansion. In other words, we bring more value, we get more work. We bring more work, we bring more value. It's a positive cycle. And we demonstrate that in Vodafone the last couple of years, definitely this year in FY14. By the way we are still demonstrating it 25 years later in AT&T. And now we hope to do the same thing in Telefonica and in some other carriers that we just started the relationship this year.

So I think it is repeatable. And what past, when, what scope, it's really hard to predict, but it's all built into the business model and offering. And our capability to provide these services all across the globe because we need to have a very good engineers basically in all of these places. In this case in Argentina or Latin America in general or in the Philippines or wherever it is.
Okay. And then looking at the US or the North American business, you talked about doing a bit of a sensitivity analysis on possible outcomes for consolidation. How wide of a range are you expecting between the worst case and best case scenarios for the North American business?

Well basically we said before that everything we know, all the moving parts in North America and all the unknowns of AT&T and Leap and AT&T and DirecTV and Comcast and Time Warner and you name it. We calculate all of that to create about the quarter and we thought that it’s about a headwind of 1%.

We believe that now that it’s the same or better. How better it could be? I don’t know if it will be flat, it will be very nice. It will be plus, maybe not this year, maybe later on. Again we believe that longer term, all of this requires highly complex heavy lifting projects. There are very few people that can do it. Even some of the names that claim that they can do it, they cannot. And therefore it usually provides an opportunity for Amdocs longer term.

We have seen it all around the world and it’s more than 10 years that we are seeing this now. It’s not every year, it’s not every place and it’s not guaranteed. But for this kind of range that we gave before that we basically updated this range to be same or better. That is to say that we feel slightly stronger in some of the cases. That’s it. This is the best color I can give you. I think this is the best color we have.

And again we mentioned that we cannot calculate all the permutation because if one of these big things will change or there is another consolidation tomorrow morning, we want to make sure that we understand what is in our calculation, what can we predict, even within several permutation and what we cannot. So that’s again maybe we add too many words there, but given the other questions, but this is the color I can give you.

All right, thanks for taking my question.

Let me try to take the first question. I’ll ask Tamar to respond to the second one, Mark. Look in terms of pricing, we said more than once we’re very careful about negotiating things and selling things for cheap price or for low price. We’re actually known to be probably the most expensive or one of the most expensive providers and it’s because we provide lot of value.
So yes when people consolidate, theory shows that they have a stronger leverage on you, because these are -- these carriers are becoming bigger. But I have to tell you that I don't think that they need to have this consolidation to other leverage. And we always have this discussion, so I don't think that AT&T with another one or two companies is really a very different AT&T, or Vodafone with another one or two companies, or Telefonica with another one or two companies and all of them are the consolidators.

So yes, pricing is always an issue. All of these carriers are under somewhat of pressure. We keep on basically saying and executing on one dimension. We bring value and this value was the money. We never competed on price of individuals, on structure, on licenses and whatever. We provide much higher value.

And on top of it we provide almost zero risk because we don't sell projects. And the risk of funding a project is actually even more significant than saving a few million dollars here and there. Not only the money that they're going to spend in the failed project, which usually equates to tens if not hundreds of millions of dollars, it's the time that they are losing. That is very -- it's devastating to these carriers.

So when you combine the value we bring on the positive thing like functionality, time to market, we provided the best infrastructure to these companies to go to succeed in their marketplace. And if you compound to that the risk and if you can somehow calculate what the risk was, I think there is only one change, one conclusion you can get that you need to go with Amdocs.

And frankly we have a very high win rate in the market in the last few years. So I think more and more people get it now. Don't get it as we think we can get to 100% win rate or very close to that. We have to be realistic and we have a lot of competitors. All of them are big names. All of them are trying hard. We're just being probably luckier and we get better results.

Tamar Rapaport-Dagim - Amdocs Limited - CFO
On the deferred revenue --

Mark Sue - RBC Capital Markets - Analyst
(Multiple speakers) deferred revenue fluctuations please?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
Yes, on the deferred revenue, we've seen a peak last quarter and now back to the level we had a year ago primarily around some activities with North American customers. Nothing major there other than the fact it's a combination of where the invoicing Mark will specifically fall within a quarter relative to our progression within a project. Unlike a pure software player where deferred revenue can be a leading indicator, this is not the case in our business model. So I don't think you should associate too much into it. We will see fluctuations in deferred revenue coming in and out within quarters quite typical.

Mark Sue - RBC Capital Markets - Analyst
Okay, understood. And then lastly on cash flow, how we should think about CapEx for next year, depreciation expense, anything moving parts working capital requirement that might change free cash flow for next year?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
I think we'll elaborate more on that in the Analyst Day, but in general we are not a capital-intensive business and I don't expect that to change in any significant way.
Mark Sue - RBC Capital Markets - Analyst
Okay, that's helpful. Thank you and we'll see you in New York. Thank you.

Operator
S.K. Borra, Goldman Sachs.

S.K. Borra - Goldman Sachs - Analyst
Mainly on operating margins, one you're indicating towards increased focus on total revenues compared to just license revenue stream. What does that mean in terms of the margin profile especially over the next 12 months? Is the margins for these total revenues you're talking about at the same level as licenses?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
We are not pricing separately usually the license from the rest of the project. It's an overall negotiation. So the fact you are seeing license tracking up and down and fluctuating within the quarters is therefore not necessarily changing the margin profile because it's part of an overall project to the certain margin. Therefore also looking into next year, I don't think that necessarily the element of license proportion out of total revenue is a major factor, if at all a factor, within the way we look in our expectations for margin. And there are many other elements of course that flow into the expectations on margins which are beyond this point specifically.

S.K. Borra - Goldman Sachs - Analyst
Okay. And probably more from a medium term perspective, beyond operational leverage in the model, are there any incremental drivers for operating margin expansion you see in the next few years?

Eli Gelman - Amdocs Limited - President & CEO
Well we said more than once that we're trying to balance between operating the machine better and do more software with less people faster, while maintaining the growth of the Company which is fed by very, very complex projects. So you have to be very careful. It's not like a steady machine, you just need to oil it better. And that's why we are showing, and I'm proud of it, that we are showing creeping up of the margin without risking the growth profit of the Company. And we'll try to do the same thing in the future.

The other thing you need to remember is that we are -- every time we can actually afford to do it we are expanding on some of the new initiatives. So if we will for example stop some of the or slow down some of the emerging markets penetration, obviously you can get a better margin because all of this penetration project comes with a profile of low margin. It's the nature of this penetration. I don't think this is stuff something we're going to do for the sake of the mid term, the long term of the Company.

So when you balance all that, I think that we could be within the range. We've been doing better in the last year or so than before. And if there was a way to improve it further, we'll do it. But we're not trying to guide to that at all. And so I don't want to build any expectations for product expansion of operating margins. We ticked it up 20 basis points this time, we felt that it is the right thing to do, we can meet it. The future, we'll see in the future.
S.K. Borra - Goldman Sachs - Analyst

Okay, very clear. Thank you.

Operator

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

Matthew Smith - Amdocs Limited - Director of IR

Thank you, Ellen, and thank you very much 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've got any additional questions, please call the investor relations group. Have a great evening and with that, we'll conclude the call.

Operator

Thank you, ladies and gentlemen, this concludes today's conference. Thank you for participating, you may now disconnect.

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