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DOX - Q2 2014 Amdocs Earnings Conference Call

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OVERVIEW:

DOX reported 2Q14 revenue of $897m and diluted non-GAAP EPS of $0.81. Expects 3Q14 revenue to be $885-915m and non-GAAP EPS to be $0.75-0.81.

CORPORATE PARTICIPANTS

Matt Smith *Amdocs Limited - Director of IR*

Eli Gelman *Amdocs Management Limited - President and CEO*

Tamar Rapaport-Dagim *Amdocs Management Limited - CFO*

CONFERENCE CALL PARTICIPANTS

Matt VanVliet *Stifel Nicolaus - Analyst*

David Kaplan *Barclays Capital - Analyst*

Tal Liani *BofA Merrill Lynch - Analyst*

Unidentififed Participant *- Analyst*

PRESENTATION

Operator

Good day and welcome, everyone, to this Amdocs second-quarter 2014 earnings release conference call. Today's call is being record and webcast.

At this time, I'd like to turn the call over to Mr. Matt Smith, Director of Investor Relations for Amdocs. Please go ahead.

Matt Smith *- Amdocs Limited - Director of IR*

Thank you, Justin. 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 of 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 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, 2013, filed on December 9, 2013, and our Form 6-K furnished for the first quarter of FY14 on February 11, 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 today with me 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 and CEO*

Thank you, Matt, and good afternoon to anyone joining us on the call today. We are pleased with our second fiscal quarter results which reflects ongoing global demand for Amdocs product and services, solid contributions from recent acquisitions and consistent execution. This quarter we made significant progress towards reinforcing key strategic relationships and we secured important new project wins with leading telecommunication operators across operating regions. Overall, our second-quarter financial performance was in line with our expectations and we are well on track to deliver on our guidance for diluted non-GAAP earnings per share growth of 6% to 9% year over year in FY14.

Let me now review the Company's second fiscal quarter activity on a regional basis. Beginning with North America. The market trends that we discussed several quarters ago are beginning to play out with consolidating -- consolidation activity among wireless carriers now spreading to Pay TV. We believe both industries will ultimately converge toward a fewer number of participants requiring the multi-play support that our sales line product set is providing.

North America delivered another solid performance in quarter two. Competitive dynamics in the wireless and Pay TV markets are continuing to change rapidly and this is translating to higher activity level as well as -- as we support our customers to quickly create and monetize new services in a cost effective manner. Along these lines, we are today proud to announce extension and expansion of our managed services activity in Sprint.

With respect to the term, our new agreement is extended to 2022. Additionally, Sprint has expanded the agreement by selecting Amdocs CES 9.1 Convergent Charging, also known as Turbo Charging, to provide realtime charging capabilities and offering of new innovative new services. We believe that the outcome is a win-win for Amdocs and Sprint.

For Amdocs the new arrangements is important on two fronts. First, it reinforces longstanding strategic partnership with one of our largest customers. And second, it removes key source of uncertainty that was overhanging above us since Soft Bank's acquisition of Sprint in 2013.

Aside from Sprint however, our North American outlook remains subject to several other industry consolidations which are either completed or still in progress. In wireless, this includes T-Mobile purchase of MetroPCS and AT&T recent acquisition of Leap, which closed earlier this year. We may also be affected by consolidation activity which are spread over to the Pay TV market as illustrated by Comcast proposed measure with Time Warner Cable.

As we have said many times in recent quarters, industry consolidation activity often presents long-term opportunity but can also be a source of short-term uncertainty. Quantifying the impact of market consolidation on Amdocs is difficult for various reasons. For example, IT consolidations are complex and often involve competing business philosophies across -- around topics like insourcing versus outsourcing and mobilizing versus consolidating legacy systems. Additionally, these projects often take years during which time the strategic priorities of customers may change.

When we consider the potential activity relating to the industry combinations just mentioned, there are many unknown permutations that could play out. At this point in time, we believe some may work in our favor while some may go to others. We estimate the combined impact of these announced consolidations will have no effect on our FY14 outlook. And for FY15, we anticipate we could face a headwind on an order of magnitude of 1% of our total revenue.

Please note that while we are not guiding for FY15, we are trying to give you a sense of the remaining uncertainties in North America now that Sprint is behind us. Additionally, we remind you that we can not predict all possible outcomes, particularly those resulting from future consolidation activity which we believe will likely occur in North America wireless and Pay TV market.

Moving to the emerging markets, on our focus on bringing complex transformation projects to production is resulting in additional market penetration with highly strategic customers including Telefonica. Following our transformation of Telefonica Argentina wireless operation, we have been selected for the transformation of this carrier wireline business support systems. This project represents the next phase in Telefonica Argentina's strategy to deliver an improved customer experience across all lines of business, and demonstrates the full breadth of support and expected -- as we expect to provide with our market leading products and integrated services.

Looking ahead we believe we are strategically well placed to execute against the rich pipeline of opportunities we see in Asia Pacific and Latin America. Although we expect quarterly revenue trends, we'll continue to exhibit lumpiness owing to project orientation of our customer engagements. Additionally, we would like to remind you that our rest of the world revenue also includes projects and managed services activities with customers in the developed nations of this rest of the world region.

For example, during the quarter, we were selected by Far EasTone, a leading telecommunication provider in Taiwan to modernize its charging and billing system with realtime capabilities based on Amdocs CES line product suite. Along the same line, we are pleased to have expanded our relationship with Telkom South Africa which extends an existing one-year agreement to a four-year managed service arrangement and includes further modernization to enable new advanced and converged new generation services.

Turning finally to Europe, we have continued to strengthen our relationship with some of the regions leading carriers. At Vodafone Group, we added another two affiliates to be supported under the global managed services agreement we signed in FY13. This includes Vodafone Romania and Vodafone Hungary which was unnamed affiliate we referenced in our previous quarter results. We are now supporting [Fire Felix] out of this agreement which we see as evidence of our value that Amdocs can deliver in Europe as operators seek greater simplicity, improved quality and efficiencies in their IT operations. Looking ahead we are positioned to leverage opportunities on multiple fronts at various carriers although difficult macroeconomics and regulatory conditions will continue to present challenges for the regions carrier.

Before I conclude my remarks I would like to provide you with an update on the progress we are making with our network software initiative. We completed the acquisition of Celcite on January 1 and the post merger integration with Actix is under way. Both are now part of a dedicated network software effort within Amdocs. Our network software offerings are well accepted and we see encouraging signs of customer engagement and sales momentum which we view as an early validation of our strategy in this new domain.

Additionally, the future of network software space also looks interesting for us as demonstrated by our recent inclusion in AT&T domain 2.0 supply program, to support its long-term vision of user defined network cloud. We believe this invitation to participate in this groundbreaking program is a recognition of the network related knowledge and capabilities that Amdocs can bring on the cutting edge of network obstruction and virtualization. We invite you to learn more about our network initiative by attending our investor briefing that we are going to host on Monday, June 9, at the NASDAQ MarketSite headquarters in Midtown, New York.

To wrap up, we believe we are well on track to deliver revenue growth for FY14 towards the mid point of our previously guided range of 5% to 8%. As a reminder, our outlook affects many moving parts including with respect into industry consolidation among North American wireless and Pay TV operators as well as dynamics in the industry in general. We believe we are executing well and we remain comfortable with a non-GAAP earnings per share growth outlook of 6% to 9%.

As stated before, we also remain committed to returning cash to shareholders over the short and long term. During quarter two, we executed on our share repurchase program at level above the suggested by our 50/50 framework, and we plan to maintain a similar approach in the third fiscal quarter. With respect to our long-term commitment, we have received authorization of our Board for additional $750 million to our share repurchase plan which -- with no expiration date. This is in addition to the $167 million that remains under the current authorization of $500 million as of March 31, 2014 and will be executed at the Company's discretion going forward. With that, I will turn the call over to Tamar.

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

Thank you, Eli. Second fiscal quarter revenue of $897 million was within our guidance range of $880 million to $910 million. With a negative impact from foreign currency fluctuations of approximately $2 million relative to the first fiscal quarter of 2014. The revenue includes a full quarter contribution from the acquisition of Celcite. Towards the end of the quarter we also closed on the strategic acquisition of Utiba, a small developer of payment-related technology in the emerging markets. Utiba was acquired for $20 million in cash and the revenue contribution for the quarter was immaterial.

Our second fiscal quarter non-GAAP operating margin was 16.8%, stable compared with the first fiscal quarter of 2013 and within our target range of 16% to 17%. Below the operating line, net interest and other expense was $2 million in Q2. For forward-looking purposes we continue to expect a net expense in the range of a few million dollars quarterly due to foreign currency fluctuations. Diluted non-GAAP EPS was $0.81 in Q2 compared to our guidance range of $0.75 to $0.81.

Free cash flow was robust of $106 million in Q2. This was comprised of cash from operations of approximately $131 million less $25 million in net capital expenditures and other. As a reminder, these result includes an annual cash bonus payment for the prior fiscal year. DSO of 76 days increased by 4 quarter over quarter. This is above our normal range and reflects timing differences between revenue recognition, the invoicing of customers and cash collection at the end of the second fiscal quarter primarily North America.

Total unbilled receivable rose by $9 million as compared to the first fiscal quarter of 2014. Our total deferred revenue both short and long term was flat sequentially in Q2. These changes are consistent with normal fluctuations within the business. Our cash balance at the end of the second fiscal quarter was approximately $1.1 billion. Our 12 months backlog, which includes anticipated revenue related to contracts, estimated revenue for managed services contract, letters of intent, maintenance and estimated ongoing support activity was $2.94 billion at the end of the second fiscal quarter, up $50 million sequentially.

During the second fiscal quarter, we repurchased $85 million of our ordinary shares under our current $500 million authorization plan. We had $167 million remaining under this authorization as of March 31. In addition, our Board has authorized an additional $750 million repurchase plan to be executed at the Company's discretion going forward. That additional authority does not have a stated expiration.

Now turning to our outlook, we expect revenue to be within a range of $885 million to $915 million for the third fiscal quarter of 2014. Our guidance incorporates an immaterial revenue contribution from our recently completed acquisition of Utiba. We anticipate minimal sequential impact from foreign currency fluctuations as compared to Q2.

Translating our third quarter to full fiscal year, we now expect total revenue growth will track towards the mid point of our previously stated guidance of 5% to 8% growth on constant currency and reported basis. As reflected in our outlook, overall sequential revenue growth rates will moderate in the second half of the fiscal year which is consistent with our prior expectations. Also within the full year outlook and consistent with our prior-year expectations, we still anticipate revenue from our directory business in fiscal 2014 to decrease in the double-digit percentage range placing about a 1% drag on the total Company results.

We anticipate our non-GAAP operating margin for fiscal 2014 to continue to be within our long-term target range of 16% to 17%. We also expect our non-GAAP effective tax rate to be in the range of 13% to 15% for the full fiscal year. We expect the third fiscal quarter non-GAAP EPS to be in a range of $0.75 to $0.81.

Our third fiscal quarter non-GAAP EPS guidance also incorporates an expected average diluted share count of roughly 163 million shares and the likelihood of a negative impact from foreign exchange fluctuations in net interest and other expense. We excluded the impact of incremental future share buyback activity during the first -- sorry, during the third fiscal quarter as the level of activity will depend on market conditions.

Factoring in our third-quarter outlook, for the full fiscal year, we are on track to deliver our guidance for non-GAAP EPS growth of 6% to 9% in FY14. With that, we can turn it back to the Operator to begin our question-and-answer session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Tom Roderick, Stifel.

Matt VanVliet - *Stifel Nicolaus - Analyst*

Hi, Matt VanVliet on for Tom today. Thanks for taking my question. If you could elaborate a little more on what the process was for the Sprint negotiation and how that shook out and how the managed services deal plays into what they were running before and what you might hope to push to other carriers.

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

So thanks for the question. Part of the process was actually to trying to understand the philosophy and the direction SoftBank is taking Sprint in. Obviously, they bought -- they (inaudible) a lot of money and they had their own view the philosophy of the company, the strategy of the company and where they want to go.

As part of that, we had to -- in a way we established the value that Amdocs can bring to Sprint and especially Sprint future which obviously we cannot elaborate here. As part of that, we had to go through the process of explaining the benefits of managed services, the accountability model of Amdocs which is not only the product but also the services and the managed services and the KPIs differently. The fact that we have been doing a very good job in Sprint throughout the years helped a lot, but it was a lengthy process.

As part of this dialogue, we also showed Sprint current and new management executives the updates on Amdocs offering. As you know the Company is progressing quite fast in the last couple of years and a lot of things that we have today we didn't have two or three years ago. So we exposed to them all of the offerings we have. The end result of it is that they recognize the accountability of Amdocs, the managed services value, the offering that we have.

We see very -- in a very positive way the fact that they want to go to the revenue managed of the charging, the Turbo Charging which is a converged [prospect] prepaid data video that crunched everything you can possibly think of. And we hope that we will have some new activities that are not part of the current agreement, on the new offering that Amdocs has like network applications and other activities.

So altogether I think that Sprint got their confidence, we give them some discount here and there but not in a very significant way to -- and was compensated with some other activity that we'll have with them. And I think it was a very important process for both companies during a major transformation that they went through with new people coming in. So we are pleased and we are proud that we did that and that really removes a significant uncertainty that we were talking obviously openly here, and so that was Sprint. And then we tried to frame that the rest of the uncertainties now that Sprint is gone in the way that we described it before.

Matt VanVliet - *Stifel Nicolaus - Analyst*

Okay and then following up on the geographic performance, after Europe was very strong in the first quarter we saw a sequential decline. Is that more a timing issue? And then if you could touch on anything else that happened in any of the three regions that really stuck out as upside or downside and how we can look at that trend moving forward to the second half of the year.

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

Well if you look in Europe actually the year-over-year trends are very strong and we always talk about the fact that looking on sequential trends of plus minus few million dollars is not indication of the business dynamics. We are seeing strong momentum in Europe in terms of dialogues around managed services. The Vodafone agreement is a good example of that where we signed a five-year framework agreement about half a year ago and since then onboarded already five affiliates of Vodafone.

We continued to see small scale transformations, obviously the region is having some challenges from macroeconomic point of view and regulatory environment, but we continue to see progress. And in general when we commented on the regional perspective I think it's important to indicate that we see activity across the globe. We talked about rest of the world that includes both what we call emerging markets as well as the developed markets within the rest of the world. Examples are being Telefonica Argentina as an emerging country, and on the other end South Africa, Taiwan, so it's quite of a broad based activity.

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

And then if you multiply it by the fact that we see it on across the regions and across our product lines. It's some of them is revenue management, some of them customer management, some of them are transformation, some of them are network related now, some of them are machine to machines and other offerings. So I think we're quite pleased with the variety of the demand that we see across the different regions.

Operator

David Kaplan, Barclays.

David Kaplan - *Barclays Capital - Analyst*

A quick follow up on Europe. The pick up in Europe seems to -- first of all last year was a weak year in Europe, we all know that. The result this quarter on a year-on-year basis the result was still pretty strong. Was there a particular product or product line, was it build outs of new systems or were managed services contracts, what was it that's being sold in Europe? Give us a little bit more color about what's going on in Europe because there seems to be -- or is it a lot of it just recovery from what wasn't spent last year?

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

Thank you, David, for the question. No it's not exactly a catch up on last year. A lot of the activity that we see at any given quarter obviously starts several quarters ahead. But I would say to your question first of all, what [stands] in Europe, which is a good sign, is managed services. Managed services is a beautiful combination of taking some legacy activities in the domain that we are really expert in, then modernize them slowly but surely and providing both efficiency and better KPIs, better operation parameters. And we still think that we can do better job than anyone else, either whether it's the in-house or any other big provider one of our competitors.

The second thing is that there have been some specific operators within Europe that are continue to evolve. These are not huge projects like when they find in the emerging markets or in Australia or in Taiwan, but there are transformation also in Europe. I would say that most of them are of the nature of let's start transforming maybe a smaller carrier and then we can see if we can take it to other carriers. So maybe we are bending some base with the future with some of the global operators and both the operators in Europe. So I would say between these two components that's where the growth is.

With specifically mentioning Vodafone because it's a very good example of something we did not have, we came with our own initiative with an approach that can do a better job for Vodafone. And now in these five affiliates, we created the framework agreement and now each one with a headquarter and now we're actually executing it operators by operators within the different countries in Europe. And that's a very nice addition and the beauty of it is that it grows our business and Vodafone is very happy because they have stability and better operational activities and underneath that we can still see already some signs of some modernization, or update of software as well.

David Kaplan - *Barclays Capital - Analyst*

Okay, great. And then the follow up for me is really more about the verticals. You guys mentioned in your press release what some of the potential risks are for North America next year in terms of what's going on, in particular you mentioned television. So can you talk a little bit about the verticals you guys are in? I know I've asked questions before about the cable industry, I know it's somewhere you guys have been wanting to get to so are you yet seeing any pick up in those other verticals or is it really still right now there's just so much to be done in your home ground telco market that's really where your focus is, or most of your focus is going? And then that's it for me.

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

No, we were talking about quite often about we know that Pay TV vertical, let's put it this way, in North America specifically are extremely conservative and we expect them to always adhere to minimum transformation possible and maybe more activity of consolidation, reducing prices, tweaking the operation here and there rather than to face the move to go from one side of the river to the other side, which is a transformation. So we expect it to still be relatively slow. I think without some of them, again it's not one size fits all, some of them I think will be let's call it braver or more daring in this respect and some of them will adhere to cost saving and consolidation of legacies or what they view.

The point is that I think that what they need to ask themselves is a strategic question is when are they actually going to prepare themselves for a consolidating market. And that was part of our remarks is that we believe that in North America, the way it goes right now there will be fewer and fewer operators and each one of them they will be bigger and bigger and most of them will have to offer multi-play. That is to say wireless and broadband and Pay TV and machine to machine and wearables and God knows what else.

And I think the question is, who will be better prepared for this converging industry because the battle ground is actually clearing up so as you move forward. So I -- we don't know what each one of them will do. We still expect it to be different companies probably will take different approach on this and that's regarding verticals in North America.

If you talk about verticals of Pay TV for example, in Brazil or in Southeast Asia, I think there you actually see already some companies moving faster because they actually subscribe to the same multi-play, the same quadruple play. And now actually there is more than quadruple play because I think that connected cards, connected the homes machine to machine, wearables and all of the above are actually part of the multi-play. That's the way we design CES 9 and that's I believe the way the market will go. So we see more faster moving in some of these markets. And it's more or less the kind I can give you.

Operator

Tal Liani, Bank of America.

Tal Liani - *BofA Merrill Lynch - Analyst*

I have two questions. First, the extension with Sprint that you discussed, does it increase, is it just more confidence with their spending or does it increase the scope of the business with them so that means increased revenues?

And second, the Vodafone you mentioned also that you have now five affiliates of Vodafone on your program. Can you discuss the scope, because this is as far as I remember this is not a regular managed services business. It's more of managing others, other application, so what's the scope or what is the contribution to the Company from such deals? Thanks.

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

Thank you very much, Tal. I'll try to address Sprint first. We will not prefer it obviously to our exact revenues over the years, but I will tell you that we are pleased with the overall agreement. And I think that we have both companies, both Sprint and us, as peace of mind for the long term.

In terms of the scope or in terms of the activities, no doubt that the Turbo Charging and this entire revenue management revolution is a major component. It's not -- it's -- you can say for the new scope because they did revenue management with some of our engines before but this is very different converged charging and some of it would go beyond that. Area that may open to us in the future could be policies, could be network applications, could be top up applications, could be different things, so there are many things on the table right now. Most of them are not in the regional agreement that we announced today. But even then, the agreement between us today has new components, old new components of the business and we are very pleased with this agreement.

I think Sprint is also pleased with this agreement. Otherwise they will not sign it, but we talked to the executives and we see the response on their side. They need this type of help in their way forward and how (inaudible) looks at this function is a very important component of this strategy.

In terms of the Vodafone, basically in Vodafone, it's a combination of BSS, revenue management, customer management application. Some of them are ours, some of them are not. Always in the space and the domain that we are expert in. Some of them included [rebudgeting] of Vodafone people, some of them include the rebudgeting of one of our competitors. In this specific case, in most of the cases was HP. And some of this activity will include some new components within this domain. So when we run it, we are committed to KPIs. So if we believe that modernizing the component of software would actually result in a better performance, we will propose then we'll start going with it.

Obviously it's a bit too early to talk about what we'll end up with this program, but altogether we feel it's a very important progress with Vodafone and it's a very important showcase for us, for Europe or for this type of arrangement that we may take to other places. So we feel very comfortable with this program and we follow the progress closely. And I would mention that it will also generate any activities which are above and beyond the regional agreement.

Tal Liani - *BofA Merrill Lynch - Analyst*

Excellent, thank you.

Operator

Mark Sue, RBC.

Unidentififed Participant - - *Analyst*

Yes, hi, thank you. This is Amit (inaudible) calling on behalf of Mark Sue. Quickly on the AT&T domain 2.0 program, could you provide some color on the deal? Are these still early stage conceptual discussions? Have you moved a bit further along the way? And competitively could you maybe provide color on who you're competing with whether there was a break off in this case?

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

So these are very good question. I'm not sure I'm at liberty to give you all the answers. I would refer you to AT&T folks in terms of where exactly they are, but let me try to give you some color.

This is probably the most advanced attempt by a major carrier in North America, maybe in the world, to really address the next phase of network architecture. User defined network cloud requires a significantly different infrastructure, we talk about complete obstructed and virtualized component of networks. So you're going to see components of network that they are going to be transformed from hardware and (inaudible) to complete software. And then you'll see layers of control plain for the orchestration and the activation and other network application on top of it. So this is a groundbreaking process.

AT&T is very serious about it. The process to be -- and it's not a theory only, okay. I'll even put it this way. But obviously to make it a real -- to be at scale and to provide and obviously our question is about our revenue, it will take time. These changes are potentially dramatic for the industry and potentially very important for our revenue stream and EBIT, but I think it will take years to really see it in the big size.

In terms of the competition landscape, you can imagine, this is AT&T okay? And these are the newest things that is happening in this industry, and it takes -- it happens once in about 30 years probably. The last time I think someone really changed the industry was about 30 years ago, so obviously everybody and his wife showed up. We are more than proud to be part of this very lucrative, very few names. There are some technology there of course, but if you're about major companies there are not that many if you watch the program.

And I can tell you that we are going to sweat a lot before we will start smiling. Because this is a very complicated piece of engineering that has a very interesting implication. And when it is successful, because I think it will be successful, but the question is when. When it is successful, I think it will change our industry and the cost structure of -- potential cost structure of the industry.

Unidentifed Participant - - *Analyst*

Okay that's helpful. And quickly in terms of share repurchase. I think the commitment is to return cash to shareholders in terms of 50% of cash flow. But considering the stock is close to it's 52-week high, how are you thinking in terms of share repurchase at these elevated levels?

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

As you can see --

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

The program -- before Tamar goes into the -- it's the previous 52-week high. There's another 52 weeks coming. But seriously now Tamar will give you the answer over there.

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

So first of all in terms of our thinking about capital allocation, we definitely continue to feel comfortable with our framework of returning 50% of cash with shareholders and using about 50% of free cash flow for M&A. And again it's a framework that of course will change from time to time depending on M&A program. And the Board just accepted today an authorization to go into additional share repurchase program with $750 million. I think we are putting our money where our mouth is and continued to feel conformable with this approach.

Operator

(Operator Instructions)

Sterling Auty, JPMorgan.

Unidentifed Participant - - *Analyst*

This is [Jackson Ator] on for Sterling and most of our questions were revolved around the Sprint extension which were answered. But one follow up on that. Is the entire Sprint deal included in this quarters' backlog, and if not, how much should we expect to see ramp up in the coming quarters?

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

Backlog indication is the next 12 months backlog. And yes, Sprint activity is included in that, though the extension of term by the definition of next 12 months is not necessarily impacting the number.

Unidentifed Participant - - *Analyst*

Okay, thank you very much.

Operator

And that does conclude the question-and-answer session. Mr. Smith, I'll now turn the conference back over to you for any additional or closing remarks.

Matt Smith - *Amdocs Limited - Director of IR*

Thank you very much for joining our call this evening and for your continued interest in Amdocs. We look forward to hearing from you in the coming days, and if you have any additional questions, please call the investor relations group. Have a great evening and with that we'll conclude the call.

Operator

Thank you. That does conclude today's conference and we do thank you for your participation today.