OVERVIEW:
Co. reported 2Q17 revenues of $966m and diluted GAAP EPS of $0.76. Expects FY17 constant-currency total revenue growth to be roughly 3.5-5.5%. Also expects 3Q17 revenues to be $945-985m and diluted non-GAAP EPS to be $0.93-0.99.
CORPORATE PARTICIPANTS

Eli Gelman Amdocs Limited - Director, CEO of Amdocs Management Limited and President of Amdocs Management Limited

Matthew E. Smith Amdocs Limited - Secretary and Head of IR - Amdocs Inc

Tamar Rapaport-Dagim Amdocs Limited - CFO of Amdocs Management Limited and SVP of Amdocs Management Limited

CONFERENCE CALL PARTICIPANTS

Ashwin Vassant Shirvaikar Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst

Matthew David Van Vliet Stifel, Nicolaus & Company, Incorporated, Research Division - Associate

Michael Feldman BofA Merrill Lynch, Research Division - Research Analyst

William Verity Power Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Amdocs Second Quarter 2017 Earnings Conference. (Operator Instructions)

Operator

Thank you, ladies and gentlemen, for standing by, and welcome to the Amdocs Second Quarter 2017 Earnings Conference. (Operator Instructions) And as a reminder, this conference is being recorded. Please stand by.

Matthew E. Smith - Amdocs Limited - Secretary and Head of IR - Amdocs Inc

Thank you. Before we begin, I would like to point 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 to you -- we refer you to today’s earnings release, which will also be furnished with the SEC on Form 6-K.

Also, this call includes information that constitutes forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be obtained or that any deviations will not be material. Such statements involve risks and uncertainties that may cause future results to differ from those anticipated. These risks exclude, but are not limited to, the effects of general economic conditions of 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, 2016, filed on December 12, 2016, and our Form 6-K furnished for the first quarter of fiscal '17 on February 13, 2017. Amdocs may elect to update these forward-looking statements at some point in the future. However, the company specifically disclaims any obligation to do so.

Participating on the call with me today are Eli Gelman, President and Chief Executive Officer of Amdocs Management Limited; and Tamar Rapaport-Dagim, Chief Financial Officer.
With that, I'll turn it over to Eli.

Eli Gelman - Amdocs Limited - Director, CEO of Amdocs Management Limited and President of Amdocs Management Limited

Thank you, Matt, and good afternoon to anyone joining us on the call today. We are pleased with our performance in the second fiscal quarter during which we maintained a relentless focus on execution across all dimensions of our business. Among the highlights of the quarter: we achieved record revenue and stable profitability; we delivered dozens of transformation project milestones into production, including the important go-live for KT Corporation in South Korea; we maintained healthy rates of service renewals among Amdocs and former Converse customers; and we saw positive signs of progress regarding the key engines that we believe will drive our growth in the years ahead. I'll provide an update on these growth engines later in the call, but first, let me provide some color regarding our Q2 performance on a regional basis.

Beginning with North America, we delivered a robust quarter, during which we continued to support the strategic initiatives of some of the region's leading wireless and Pay TV providers. Regarding the outlook in North America, we expect market dynamics to continue to shift rapidly, and may include a further round of industry consolidation, which we believe will unfold in the more lenient regulatory environment of the new U.S. administration. As we have frequently said before, market activities such as these may present near-term uncertainty regarding the discretionary spending decisions of our customers. However, industry consolidation and vertical integration may also create long-term opportunities, for which we believe Amdocs can benefit.

Moving to Europe, where we also see a trend towards vertically-integrated carriers. During quarter 2, we continue to make progress on several transformation projects in the region, while securing new awards with service providers, such as Orange Spain, which will launch new smart home security offering based on an end-to-end turnkey solution, resulting from our strategic partnership with Tyco security units of Johnson Controls. Elsewhere, Orange Belgium signed a 3-year services extension for Converse One, which was also expanded to include digital enablement of services in support of its prepaid operations. Looking ahead, we believe the strength of our product and service offering will support our long-term growth in Europe. I will remind you that macro economics, political and foreign currency environment of the region is likely to remain challenging for the foreseeable future.

Turning finally to the Rest of the World. Performance reflected the progression of several digital modernization projects and including the digital -- the delivery of single real-time convergent charging system for KT Corporation, South Korea's largest quad-play service provider. This system is designed to support all of KT's business lines and went live following successful overnight migration of approximately 30 million customers from the legacy system with no impact to service quality.

In terms of awards. During quarter 2, we signed a new agreement with Telefonica Argentina for the deployment of a service fulfillment and orchestration solution, and an operational data store to support their enterprise business. We also continue to see business momentum with several former Converse customers, including a new services agreement with United Telecommunication Services in the Caribbean and new agreement with SETAR in Aruba, covering software, services and hardware.

Regarding the outlook in Rest of the World, we believe the long-term market dynamics should support positive growth in the coming years as we leverage the strength of our product set, leading market position and our strategic relationships at some of the region's largest operators. In the near term though, quarterly trends are likely to continue fluctuating, with Southeast Asia growing faster than Latin America, as a result of ongoing macroeconomics and industry-specific dynamics in these regions.

Now let me take a moment to shed some more light on the major trends we believe are affecting the global market outlook for service providers. Other than digital transformation, which is fundamental to improving customer experience, we believe there are additional 4 major trends that Amdocs is equipped to support and monetize in the coming years. The first trend relates to the emergence of integrated carriers, where the strategy is to combine mobile connectivity with the delivery of video and content. AT&T's acquisition of DIRECTV and the proposed merger with Time Warner as well as Comcast’s purchase of NBC Universal and its announcement from yesterday about its alliance with Charter to accelerate wireless services to customers, are prime examples of this. We expect this trend to accelerate both in the North American markets and overseas, as evidenced by innovative service providers, such as Vodafone Netherlands and its joint venture with Liberty Global Ziggo, Globe in the Philippines, which is curating entertainment content and Astro in Malaysia, which is developing local content, just to name a few. With our continued investment in
CES 10, we believe we are uniquely positioned with what we consider to be the world’s only platform specifically designed to support the level of sophistication integrated carriers require.

The second major trend involves North America Pay TV operators, a majority of which are pushing firmly ahead, with plans to improve customer experience and service agility by modernizing their legacy IT system. Along this line, I’m very pleased to report that Amdocs has continued to expand its partnership and activities with Comcast around our new CES technologies. This adds to the previously announced projects with Charter as well as other important Pay TV awards we have secured in recent quarters and which have contributed to our robust performance in North America market in quarter 2. Moreover, we hope to secure additional project awards among North America’s Pay TV operators in the coming quarters as we leverage the sophisticated capabilities of our CES platform and our project delivery expertise. The third major trend is network function virtualization, NFV, an area in which Amdocs is one of the first technology companies to invest and lead.

Earlier in quarter 2, the Linux Foundation announced the creation of ONAP, Open Network Automation Platform, a majority of which is based on open ECOMP, a code that Amdocs co-developed in collaboration with AT&T. Moreover, we believe ONAP is fast becoming the de facto standard for NFV, which will help to accelerate industry adoption by service provider. Along these lines, we are today excited to report that Amdocs have been selected by Bell Canada as their strategic partner to co-develop its Network Service Orchestration, NSO, and to help integrate ONAP components into Bell Canada’s NSO’s platform. This partnership supports Bell Canada’s focus on leading broadband service innovation and reducing time to market for new virtual enterprise services.

The fourth and final trend relates to the -- it relates to the rising demand of the enterprise B2B customer segment and the growing opportunity this represents for service providers. At the same time, the high level of complexity and the competitive landscape of enterprise B2B customers is creating unique challenges for service providers that Amdocs is well-positioned to address. We have accelerated the rate of investment in this segment over the last several quarters, and we believe that the value that we can bring is demonstrated by the enterprise modernization awards we previously announced with Vodafone U.K. and leading MSO in North America. Moreover, we’re encouraged by the increased signs of market interest we are now seeing. This supports our growing conviction that the enterprise segment will be an important strategic engine for Amdocs in the future.

To summarize, we believe the investment we have made over the last few years position us with the right strategic engines to support the 5 mega trends of the: the digital transformation; the integrated carrier; the North American Pay TV modernization; network function virtualization; and the enterprise B2B customer. The magnitude and timing of how these engines will translate to growth in fiscal 2018 and beyond is more difficult to predict. But the very fact that we can talk about these engines today and are accumulating data points of wins and execution of these new growth engines demonstrates our consistent ability to predict the future requirements of service providers and to prepare them with -- prepare for them with market-leading innovation. This innovation is an important strength of Amdocs that complements our rotation for dependable execution, and was something that we wanted to expose and emphasize through the colorful new logo in our rebranding process, which we launched in Mobile World Conference in Barcelona in February.

To wrap up, we are pleased with our progress in the first half of the fiscal year. And with the visibility provided by our record 12-month backlog, we believe we can -- we are on track to achieve our full year financial targets, this includes a diluted non-GAAP earnings per share growth of 4.5% to 8.5%, which together with our dividend yield, position us to provide expected total return to our shareholders in the mid- to high single digit in fiscal 2017.

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

Tamar Rapaport-Dagim - Amdocs Limited - CFO of Amdocs Management Limited and SVP of Amdocs Management Limited

Thank you, Eli.

Second fiscal revenues of $966 million was above the midpoint of our guidance range of $940 million to $980 million, including the positive impact from foreign currency fluctuation of approximately $3 million relative to the first fiscal quarter of 2017. Our second quarter guidance range had
included a negligible sequential impact from foreign currency fluctuations. Revenue performance was at midpoint of our expectations after adjusting for the foreign currency fluctuation.

Our second fiscal quarter non-GAAP operating margin was 17.2%, an increase of 10 basis points year-over-year and in line with the higher end of our long-term target range of 16.4% to 17.4%.

Below the operating line, non-GAAP net interest and other expense was $0.5 million in Q2, primarily reflecting foreign exchange movements. For forward-looking purposes, we continue to expect the non-GAAP net interest and other expense in the range of a few million dollars quarterly due to foreign currency fluctuations. Diluted non-GAAP EPS was $0.94 in Q2, above the midpoint of our guidance range of $0.90 to $0.96. Our non-GAAP effective tax rate of 15.9% in Q2 was within our expected annual target range of 13% to 17%. Diluted GAAP EPS was $0.76 for the second fiscal quarter, above our guidance range of $0.66 to $0.74, mainly due to gains as a result of changes in fair value of certain acquisition-related liabilities. Free cash flow was $81 million in Q2. This was comprised of cash flow from operations of approximately $107 million, less $26 million in net capital expenditures and other and includes an annual cash bonus payment for the prior fiscal year, consistent with our guidance last quarter. As we disclosed at our analyst and investor briefing in mid-December, we expect to generate free cash flow of approximately $500 million in fiscal 2017.

DSO of 80 days decreased by 2 days quarter-over-quarter. This is still slightly above our normal range and reflects timing differences between revenue recognition, the invoicing of customers and cash collections. Total unbilled receivables increased by $3 million as compared to first fiscal quarter of 2017. Our total deferred revenue, both short and long term, decreased by $13 million sequentially in Q2. The net movement in unbilled receivables and deferred revenue reflects our high level of transformation project activity and resulting from timing differences between revenue recognition and the invoicing of customers during the second fiscal quarter. Our cash balance at the end of the second fiscal quarter was approximately $1.1 billion, though net of short term debt, it was $0.9 billion. We drew down $200 million of our credit facility in Q2 for short-term funding purposes, and the balance has since been repaid. Our 12-month backlog, which includes anticipated revenue related to contracts estimated revenue for Managed Services contract, letters of intent, maintenance and estimated ongoing support activity was $3.21 billion at the end of the second fiscal quarter, up $30 million sequentially from the end of prior quarter. During the second fiscal quarter, we repurchased $80 million of our ordinary shares under our current authorization of $750 million. We have $437 million remaining under authorization as of March 31.

Now turning to our outlook. We expect revenue to be within a range of $945 million to $985 million for the third fiscal quarter of 2017. Embedded within this guidance, we anticipate a negligible sequential impact from foreign currency fluctuation as compared to Q2. For the full fiscal year 2017, we now expect total revenue growth of roughly 3.5% to 5.5% on a constant currency basis, which is narrowed around the midpoint of our previous guidance for total revenue growth of 2.5 to 6.5 year-over-year. On a reported basis, we now expect revenue growth in the range of 3.0% to 5.0% for the full fiscal year, which includes an anticipated drag from foreign currency fluctuations of about 0.5% year-over-year. This compares with our previous guidance for total revenue growth of 1.5% to 5.5% on a reported basis, which included an anticipated drag from foreign currency fluctuations of about 1.0%. Incorporated within this outlook, and consistent with our prior expectation, we anticipate revenue from our directory business in fiscal 2017 to place a drag of about 1% on total company results. As an added point of disclosure, we expect revenue from our directory business will take a step down in Q3 before leveling off on a sequential basis in Q4. We continue to anticipate our non-GAAP operating margin for fiscal 2017 to be at the higher end of our long-term target range of 16.4% to 17.4%. As a reminder, operating margins may fluctuate within our long-term target range from quarter-to-quarter. We continue to expect our non-GAAP effective tax rate to be within our target range of 13% to 17% for the full fiscal year. We expect the third fiscal quarter diluted non-GAAP EPS to be in the range of $0.93 to $0.99. Our third fiscal quarter non-GAAP EPS guidance incorporates an expected average diluted share count of roughly 148 million shares and the likelihood of a negative impact from foreign exchange fluctuations in non-GAAP net interest and other expense line. e excluded the impact of incremental future share buyback activity during the third fiscal quarter as the level of activity will depend on market conditions. For the full fiscal year, we are on track to deliver diluted non-GAAP EPS of 4.5% to 8.5%. Our full year EPS outlook does factor in expected repurchase activity over the year. Consistent with our prior guidance, we still plan to return the majority of our free cash flow to shareholders through our ongoing share repurchases and dividend program in fiscal year 2017.

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

Operator
(Operator Instructions) And our first question is from the line of Tom Roderick with Stifel. Tom, your line is open.

Matthew David Van Vliet - Stifel, Nicolaus & Company, Incorporated, Research Division - Associate
Hello? Can you hear me?

Eli Gelman - Amdocs Limited - Director, CEO of Amdocs Management Limited and President of Amdocs Management Limited
Yes.

Matthew David Van Vliet - Stifel, Nicolaus & Company, Incorporated, Research Division - Associate
So this is Matt Van Vliet on for Tom. I guess, first question on the NFV opportunity. Obviously, a lot of developments with ECOMP and now the ONAP. But can you talk about what type of revenue contribution you think this segment of the business can start providing over the next couple of years? Is it 1% to 2% overall growth? How are you thinking about that sort of blending in of the overall model?

Eli Gelman - Amdocs Limited - Director, CEO of Amdocs Management Limited and President of Amdocs Management Limited
So Matt, thank you for the question. Look, it’s hard to predict or give you guidance for the following years, and that’s basically what we tried to convey in the prepared remarks. But let me give you some data points. The first one is that all of NFV, ONAP or ECOMP revenues are all incremental for us. We have no business in this from the past, it’s completely new development and completely new revenue stream. We believe that over the years, this will be tens of millions of dollars, so it’s not like very small project or marginally important project for the carriers or for us. We believe that we are almost the only people that actually can help carriers in this transformation, because, A, because we developed the core ECOMP that turned into ONAP as a growing standard in the industry. It’s because we have both the capabilities of the product itself and the services around it. So we believe services will be an important component of ONAP. And last but not the least, I would say that as we are expanding into more and more activities and more and more carriers, we expect to learn and monetize different angles and different uses.

(technical difficulty)

Operator
And ladies and gentlemen, we apologize for the technical difficulties. And our next question is from the line of Ashwin Shirvaikar with Citi.

Ashwin Vasant Shirvaikar - Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst
I wanted to ask -- start by asking you about the geographical trends. When you look at North America versus Europe versus Rest of the World, what should we expect in the next couple of quarters in terms of, perhaps, the comps for Europe getting better? What might drive -- you certainly seem to have some new wins in that region. If you can comment from a geographical standpoint on the 3.

Eli Gelman - Amdocs Limited - Director, CEO of Amdocs Management Limited and President of Amdocs Management Limited
So roughly, I would say that we expect to keep on performing strongly in North America across the-board, U.S., and Canada in general, both wireless, wireline and Pay TV and content and the like. In Europe, we have seen more headwind in terms of currencies. And in general, I would say, it’s --
depends on the pace of transformation. We are dealing with certain projects and as you know, we recognize percentage of completion, so I expect it to behave more or less as it is behaving right now. I don't expect major changes there. And in the Rest of the World, it really depends on specific customers. It's not like we are losing anything in -- to competitors, anything in Canada or in APAC. But some of the projects are just taking long time to mature. And also, the decisiveness of decisions are affected by the macroeconomics. So if the economy in Brazil or in Mexico, which are 2 major markets, slow down, we believe that eventually, we'll get the project that we are bidding for. But it may take longer, so it's a bit hard for us to predict. Altogether, I would say, you should expect a similar breakout of revenue and growth that we have seen in the first half of the year.

Tamar Rapaport-Dagim - Amdocs Limited - CFO of Amdocs Management Limited and SVP of Amdocs Management Limited

Ashwin, just to add on that. We mentioned that within Rest of the World, we clearly see a different behavior between APAC, continuing to grow strongly with lots of activity, both execution on deals we've been awarded with as well as new opportunities, while CALA, given the overall macro situation over there, has been slower as we expected in the beginning of the year or even a bit more so.

Ashwin Vasant Shirvaikar - Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst

Understood. Understood. And Eli, I think one of your startup comments was with regards to, perhaps, a more lenient SEC. And I wanted to ask you, is there anything in particular you were alluding to other than the possibility of, I guess, M&A activity being more permissible? Are there things to watch out for? I figured things like clarity and things like that, those do add up into probably a positive for you. But any comments that you can further shed light on?

Eli Gelman - Amdocs Limited - Director, CEO of Amdocs Management Limited and President of Amdocs Management Limited

Ashwin, it's all of the above. We talked about it a year ago in a negative way, the (inaudible) is actually trying to get involved in many junctions of the progress of the industry, and we see a more lenient, more liberal administration now. So it's all of the above. We believe that all of a sudden, almost everything is possible. I'm not saying it will certainly happen, but our prediction from before is becoming more reasonable, including consolidations of certain operators among themselves, including vertical integration, that is to say that Verizon may buy into the Pay TV or the other one, including net neutrality, Mr. Pai yesterday was very clear, that they are basically canceling all the limitations around net neutrality, including zero rating and bundling. This all creates dynamics and environment that CMOs can come in and try every single idea. It creates a higher level of dynamics, entropy goes up and the dynamics of the market, which are all good things for people like us, because we thrive on changes and on competitive landscape and all of that. So the last thing we want is stagnation, and basically, a more lenient environment means that we will see more activities like this in every dimension. The fact that Comcast is coming in and joining Charter and making a very strong statement on wireless, you did not hear that before. So we see it in many, many dimensions. On top of it, by the way, just to take another angle, which is not the common view, the ONAP. In the ONAP adoption, let's say, when people feel that they can have a more lenient environment, they will invest in new technologies. New technologies, in this case, could be ONAP and the network function virtualization. So we believe that it will help us as well. So it's not only the project that we have with AT&T that will accelerate and now we're adding services components and other things because they're gearing towards production. We believe Bell Canada is obviously an excitement -- exciting development for us. It's in North America. Bell is following the ONAP consortium. When they look for help, we are more like -- more or less probably the only people in the world that could actually have this knowledge. Of course, AT&T has it too, but they we are busy implementing their own system, so that's another component. I actually think that MSOs and other carriers will also follow ONAP. So that's another angle completely different. Just to add on the ONAP, just to finish up on that, I really believe that the fact that we are now being active in several corners of the world, in Orange, which is a good representation of Europe, Canada, AT&T and a few others, means that we will enjoy the early adopters knowledge and know-how. And we can enhance the ONAP knowledge, capabilities, services, all of the above. So that's why we are also bullish on NFV separately from that. So that -- it's all related.

Operator

(Operator Instructions) And our next question is from the line of Will Power with Baird.

Yes. So several encouraging comments on the cable side. You alluded to a new project with Comcast. I guess I wonder whether you could provide any more color as to what you're involved with there, whether it's consumer, business, BSS, OSS, et cetera, then I have a follow-up question.

Eli Gelman - Amdocs Limited - Director, CEO of Amdocs Management Limited and President of Amdocs Management Limited

So Will, the short answer is, I wish I could. I will tell you that it's a strategic project. These are CES technologies, so the latest and greatest that we produce. And I will tell you that this all about the future. I think that, basically, what you are trying to say, not only about Comcast, about other projects as well, this industry, we have a conviction today that we were right, couple of quarters ago to say, it is transforming. It's not one company. It's basically everybody, there are 6 major MSOs in North America I believe that eventually, all of them will follow the same, more or less, the same route. And we believe that the future enabler are being determined now. And we hope and believe it, that we are the one. So specifically on Comcast, I cannot give you more data, because you have to understand that all of these projects actually quite important in the strategy of this company. So if they want to say something about what they're doing, how they're doing it, some of it roll over to the public information, if you follow the same years that we do. But naturally, we're starting early because of the nature of these projects, and we cannot be the people that will expose the Comcast strategy. But I think I said, enough about the future and the strategic importance of these projects. And we are definitely very proud on this achievement.


Okay. And then, you alluded to some of the M&A questions, the North American revenue looks solid despite that, but there continue be recurring rivers, as you know, regarding Sprint, T-Mobile, Dish, others. Have you seen any evidence of a slowing at this point or is that still conjecture that, that's a possibility?

Eli Gelman - Amdocs Limited - Director, CEO of Amdocs Management Limited and President of Amdocs Management Limited

No, it's a possibility. We are basically just trying to be as honest as possible with you. Because we have been through these cycles before and there's always -- there's another M&A or another, someone contemplating to do something, the short end, people may say, okay, well, let's figure out what to do first. But in general, I think that we -- in most cases of the past, we enjoyed activities like this. And it's quite simple also to understand why, because company A buys company B or merge with them or joint venture with them. It's more activities, and obviously each one of the companies has their own challenges and ways to improve their performance. So the combined company has a bigger topic to deal with. And if it's consolidation or if it's a new service or whatever. Now with the integrated carrier, it's another dimension because some of them is not just wireless buying wireless or cable buying cable, which was the past. Now we think about AT&T buying DIRECTV. They need to invest in all of these infrastructure to actually monetize. The whole idea is the connectivity plus content plus video. If Comcast and Charter accelerates wireless, it's completely new domain for them. So I'm just giving you some points why we believe that there is a good chance it will turn to be good thing for investment. Very few people can actually handle it. We believe there's only one actually. But the reality is, every big transaction like this may cause some short-term spasm and we've seen it before and that's why we are mentioning it. It's not because we see this data. We see have a lot of activities and as a result, we see the robust performance on North America in recent quarters.

Operator

And our next question is from the line of Tal Liani with Bank of America.
Michael Feldman - BofA Merrill Lynch, Research Division - Research Analyst

This is Mike Feldman on for Tal. So just Tamar, you narrowed your full year revenue guidance range by about 1 percentage point. What are some of the assumptions that have changed since you provided your initial guidance? And how come there wasn’t an equivalent tightening of the range for the EPS growth estimate? And then, separately, would you be able to repeat from the comments you made regarding the step down in directory business? It got cut off at the time. If not, I could always just follow up.

Tamar Rapaport-Dagim - Amdocs Limited - CFO of Amdocs Management Limited and SVP of Amdocs Management Limited

Sure. So as we already are past the first half of the year and have better visibility, both of course actual results for the first half as well as the visibility provided by our next 12 months backlog, we realized, we could converge and narrow down the range, still around the same midpoint, the 4.5% constant currency revenue growth for the year, but narrow the range of the top line. And to your question about why haven’t we done the same with the EPS. Naturally, if you go all the way to the EPS line, there are more factors at play, including margin, including finance line, given the continued volatility of currencies, we do have to take into consideration that the impact of the currencies on the finance line is still at play as well as the tax. So we felt we need to keep a broader range of the EPS level. On the directory, the comment was that we still expect, as we predicted in the beginning of the year, about 1% drag coming from the directory segment. Within the year, we just added some color that the step down is happening primarily now. As we look on Q1 and Q2, they were tracking at about $17 million a quarter, and now we expect a step down to actually meet the same number that we guided for the full year of 1% drag. Therefore, when you look actually on the midpoint of our guidance for Q3, where it’s about flat to the performance of the actual results of Q2, a lot of that has to do with the step down in directory, while the core businesses actually continuing to grow sequentially.

Operator

(Operator Instructions) We have a follow-up from the line of Tal Liani from Bank of America.

Michael Feldman - BofA Merrill Lynch, Research Division - Research Analyst

Eli, sorry. Another good quarter for North America. Are you seeing any impact from AT&T and Time Warner? Just wondering if North America could have actually been even stronger given the good trends you’re seeing across the region?

Eli Gelman - Amdocs Limited - Director, CEO of Amdocs Management Limited and President of Amdocs Management Limited

Yes, thank you. No, actually, the Time Warner component of AT&T is not something that affects current performance. It’s mainly all the rest of the activities in AT&T or in Comcast or in Charter or in any other, T-Mobile, Sprint, everywhere. So no, if that had been approved, then the activity would be already in place. Yes, potentially, that could be another interesting angle to our business. But right now, close to 0.

Operator

Thank you. And this concludes our Q&A session for today. I would like to turn the call back to Matthew Smith for his final remarks.

Matthew E. Smith - Amdocs Limited - Secretary and Head of IR - Amdocs Inc

Thank you, Carmen, and thank you very much for everyone joining our call this evening. We do apologize for the technical issues, but of course, if you have any questions, feel free to get in touch with the Investor Relations as quickly as possible and we’ll help you with anything you may have missed on the call tonight. Again, thank you very much for joining us. Have a great evening, and with that, we’ll conclude the call. Bye-bye.
And ladies and gentlemen, thank you for participating in today’s conference. This concludes the program, and you may all disconnect. Have a wonderful day.