OVERVIEW:
Co. reported 1Q16 revenue of $922m and diluted non-GAAP EPS of $0.86. Expects FY16 reported revenue to grow 0.5-4.5% and diluted non-GAAP EPS to grow 3.5-7.5%. Expects 2Q16 revenue to be $905-945m and diluted non-GAAP EPS to be $0.84-0.90.
Matt Smith - Amdocs Limited - Head of IR

Thank you, Chanel. 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 the investors to consistently analyze the critical components and results of operations of the Company’s business, and to have a meaningful comparison to prior periods.

For more information regarding our use of non-GAAP financial measures including reconciliations of these measures, we refer you to today’s earnings release which will also be furnished with the SEC on Form 6-K. Also this call includes information that constitutes forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be obtained, or that any deviations will not be material.

Such statements involve risks and uncertainties that may cause future results to differ from those anticipated. These risks include, but are not limited to, the effects of general economic conditions and such other risks as discussed in our earnings release today, and at greater length in the Company's filings with the Securities and Exchange Commission, including in our annual reports on Form 20-F for the fiscal year ended September 30, 2015 filed on December 10, 2015.

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.
And with that, I will turn it over to Eli.

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

Thank you, Matthew, and good afternoon to everyone joining us on the call today. Our first quarter results were solid, and we were pleased with our overall performance, as it focused on influencing those factors within our control. When we see the win rate across global, wireless, broadband and pay TV markets, we expanded business and won projects with former Comverse customers. And we made progress with newer business in line, such as network software, including network function virtualization, NFV, and mobile financial services, [MFS].

As we predicted last quarter, discretionary spending at AT&T continued at low -- a slow space. We compensated for this, by accelerating our initiatives in Europe and rest of the world to deliver revenue, margins, and EPS in line with our first quarter guidance. We are proud of our strong performance outside of North America.

The multi-year investment we have made to diversify and expand our customer base are translating into a long-term shift in our geographic mix, with revenues outside North America now approaching 40%, compared to less than 30% only a few years ago. Moreover, we have simultaneously maintained operating margins at the higher end of our long-term range.

Now let me provide some original color, with respect to the Company activity in Q1. Starting with North America, revenue were primarily affected by AT&T. Performance at most other customer was in line with our expectations, and included many activities such as the delivery of an upgraded Amdocs billing and charging solution for Telus in Canada.

Regarding our outlook in North America, we believe the long-term market dynamics remains favorable, despite the short-term recent softness. Let me take a moment to elaborate on this point. First, competition among North American wireless operators continued to intensify, presenting us with opportunities to partner and support our key customers in various strategic initiatives. For instance T-Mobile has improved competitive position with go-to-market strategies, enabled by Amdocs technology.

Others are looking for ways to improve their operations. This includes Sprint, where we provide their entire infrastructure behind their high quality customer experience across all channels. We are monitoring development closely at this important customer, and working with them to evaluate various strategies to increase revenue and reduce costs across Sprint organization.

Second, we are seeing signs that pay TV operators such as Charter, Comcast, and Time Warner are finally contemplating modernization projects. This is consistent with our long-held view that the pay TV industry would eventually need to transform, in order to respond to rapidly changing competitive dynamics. Furthermore, we believe that the depth of our CES 9 product suite, compounded with the richness and quality of our services position us to support this type of customer over the long-term.

Third, the large integrated (inaudible) multi-play carriers such as AT&T are requiring increasing level of support, as they pursue growth on multiple fronts. For example, we have enabled AT&T’s initiative in the prepaid no-contract market in a recent expansion in Latin America. Looking ahead, we believe we are well-positioned to bring long-term value and services to AT&T, as it executes other strategic strategies, such as video and network function virtualization.

Fourth and final, we believe we are well-positioned to address growing demand in the enterprise market segment, where the high level of complexity is presenting service providers with unique requirements that very few IT companies can support. To summarize North America, we are quick to serve customer requirements, such as those just outlined, but it maybe a few more quarters before original growth resumes. As a reminder, our outlook remains subject to [consolidation] activities currently in progress, for which may be contemplated among wireless and pay TV operators.

Moving to Europe, we delivered a healthy quarter while expanding our business with affiliates of some of the region’s leading service providers. For example, Vodafone Ireland selected Amdocs as managing system integrator to lead a major quad play transformation project. This award followed the project we announced last quarter to transform Vodafone UK enterprise business, and highlights our growing momentum within the Vodafone group.
Additionally, we completed the first important example of a converged system integration within [Virgin Telecom], global organization by successfully delivering multiple products based on CS9 for [City Montenegro], a DATA Group subsidiary. In managed services, POST Telecom extended its application management agreement with Amdocs for an additional three years to 2019.

This agreement spans Amdocs charging, billing customer management solution deployed as in the past, as part of POST Telecom BSS modernization project. Looking ahead, we believe Europe is emerging as an important growth engine for Amdocs in FY16. Although quarterly trends may exhibit lumpiness, given the training, timing of project activity and foreign currency fluctuations. Additionally, we expect regional macroeconomics and regulatory conditions to remain challenging.

Turning finally to rest of the world, we achieved another quarter of record revenue, as we focused on deploying several highly complex projects. At the same time, we continued developing many new customer relationships we acquired through the Converse BSS transaction, across regions such as Latin America, Europe, Africa, and Asia. Along these lines, we announced today new awards for Amdocs Kenan and Amdocs C1 solution with a number of service providers, including Kyvistar in Ukraine, Liberty Global in Switzerland, and Telefonica Brasil following the acquisition of GVT by Vivo.

Building the pipeline of opportunities will continue to take time, but activity such as these highlights sustained business momentum, which former Converse customers, and demonstrate our commitment to provide additional value, innovation, and broader range of product and services to these customers. Regarding our outlook in rest of the world, we believe double-digit growth is sustainable in FY16. Although we are closely monitoring regional and macroeconomics development, and we remind you that quarterly trends may be lumpy due to the foreign currency movement, end of project, or [the pace] of our customer activity.

To summarize our regional review, we are pleased with our overall performance, and the result of our geographic growth initiatives. Our high win rate over the past two years means that we are now deploying a record number of transformation projects. The complexity of these projects naturally present challenges, but they are well within our capability. On the other hand, they also provide the base on which we can secure additional projects and services over the long-term.

Another important dimension of our long term-growth relates to the innovation we bring through acquisition strategies. Along these lines, in mid January, we completed the acquisition of cVidya, a privately-owned vendor of revenue assurance and fraud management solutions. This small, but highly complementary transaction adds to capabilities there, with revenue growth and fraud management. And at the same time, creates new opportunities for Amdocs to cross-sell a wide range of products and services to their established base of customers already using cVidya products.

[The ability] of our initiatives to drive growth in newer business lines also progresses. During quarter one, Vodafone Germany selected Amdocs for its network optimization service project. Similarly Nepal’s Ncell, part of TeliaSonera selected an Amdocs LAN solution for mobile network optimization. In mobile financial services, we secured seven new customers wins, in addition to Globe Telecom in the Philippines which has committed to the greater existing Amdocs NFS solution, to our latest versions.

In addition to our organic and inorganic growth in the business, we are committed to the disciplined and proactive allocation of cash to shareholders over the short- and long-term. Our current plan remains to execute on our share repurchase program, at levels above the suggested [mark] by our 50/50 framework in FY16. To support this, we have received authorization of our Board for an additional $750 million share repurchase plan with no expiration date. This new authorization, is in addition to the $160 million that remained from the end of quarter one, under the previous $750 million authorization. We will execute our buyback program at the Company discretion going forward, and we retain the flexibility to vary the level of share purchase activity from quarter to quarter.

To wrap up, with the visibility provided by our 12 month backlog, and the solid pipeline we see ahead of us, we are on track to deliver revenue growth for FY16 within our previously guided range of 2% to 6% on a constant currency basis. We still expect total, and potential opportunities, such as those with AT&T and the former Converse customers to contribute to a stronger second half. And we remain comfortable that we can deliver non-GAAP earning per share growth in the range of 3.5% to 7.5% in FY16.

With that, I will turn the call over to Tamar.
Tamar Rapaport-Dagim - Amdocs Limited - CFO

Thank you, Eli.

First fiscal quarter revenue of $922 million was within our guidance range of $905 million to $945 million, and included the negative impact from foreign currency fluctuations of approximately $5 million relative to the fourth fiscal quarter of 2015. Our first quarter guidance range has included a minimal sequential impact from foreign currency fluctuations. The revenue performance was therefore slightly above the midpoint of our expectations, after adjusting for foreign currency fluctuations.

Our first fiscal quarter non-GAAP operating margin was 17%, an increase of 10 basis points compared to the fourth fiscal quarter of 2015, and towards the high end of our long-term target range of 16.2% to 17.2%. Below the operating line, non-GAAP net interest and other expense was $1.7 million in Q1. 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 $0.86 in Q1, $0.01 above the midpoint of our guidance range of $0.82 to $0.88. Our non-GAAP effective tax rate of 14.9% in Q1 was within our expected annual range of 13% to 16%. Free cash flow was $163 million in Q1. This was comprised of cash from operations of approximately $199 million, less $36 million in net capital expenditures and other. As usual, we anticipate free cash flow in the second fiscal quarter will be lower due to timing of annual bonus payments.

Additionally, we remind you that we expect free cash flow to convert, at the rate more on par with our expected non-GAAP net income in FY16. DSO of 72 increased by 2 days quarter-over-quarter. This item may fluctuate from quarter to quarter. Total (inaudible) receivables increased by $2 million, as compared to the fourth quarter of FY15.

Our total deferred revenue, both short and long-term decreased by $9 million sequentially in Q1. As indicated in the past, both of these items may fluctuate from quarter to quarter. Our cash balance at the end of the first fiscal quarter was approximately $1.2 billion. Please note that this balance does not reflect the acquisition of cVidya which closed in mid January.

Our 12 month backlog which includes anticipated revenue related to contracts, estimated revenue from managed services contracts, letters of intent, maintenance, and estimated ongoing support activities, was $3.09 billion at the end of the first fiscal quarter, up $10 million sequentially from the end of the prior quarter. During the first fiscal quarter, we repurchased $100 million of our ordinary shares under our $750 million authorization plan.

We have $160 million remaining under that authorization as of December 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 $905 million to $945 million for the second quarter of FY16. Embedded within this guidance, we anticipate the margin of sequential impact from foreign currency fluctuation as compared to Q1, and (inaudible) contribution from our recent acquisition of cVidya. For the full [2000] fiscal year, we continue to expect that the revenue growth within our previously guided range of roughly 2% to 6% on a constant currency basis. On a reported basis, we expect revenue growth in the range of 0.5% to 4.5% for the full fiscal year, as compared with our previous guidance in the range of 1% to 5%. Our new range now includes an anticipated drag from foreign currency fluctuations of about 1.5%, relative to exchange rates prevailing at the end of our fourth quarter FY15, as compared with our previous guidance that assumed 1% range.

Incorporated within this outlook, and consistent to our prior expectation, we anticipate revenue from our directory business in FY16 to place a drag of less than 1% on total Company results. We continue to anticipate and manage our operating margins for FY16 to be in the higher end of our long term target range of 16.2% to 17.2%. As a reminder, operating margins may fluctuate within our long-term target range from quarter to quarter.
We expect our non-GAAP effective tax rate to be within our target range of 13% to 16% for the full FY16. We expect the second fiscal quarter diluted non-GAAP EPS to be in the range of $0.84 to $0.90. Our second fiscal quarter non-GAAP EPS guidance incorporates an expected average diluted share count of roughly 152 million shares, and the last [few years] of a negative impact from foreign exchange fluctuations in non-GAAP net interest and other expense.

We excluded the impact of incremental future share buyback activity during the second fiscal quarter, as the level of activity will depend on market conditions. For the full fiscal year, we are on track to deliver our guidance for diluted non-GAAP EPS growth of 3.5% to 7.5%. Our full year EPS outlook does factor in expected repurchase activity over the year. As Eli indicated earlier, we plan to execute on our share repurchase program, at levels substantially above that, suggested by our 50/50 framework in FY16.

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

QUESTIONS AND ANSWERS

Operator
(Operator Instructions)

S.K. Prasad Borra, Goldman Sachs.

S.K. Prasad Borra - Goldman Sachs - Analyst

Thanks for taking my questions, Eli, I have two questions. First one, on North American growth, was it in line or was there any expectations? And given you had a 13% decline, is it a more or less like the trough, or are you expecting the trends to worsen in second quarter? Just trying to get my head around, what is the [bad] case?

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

We basically expect more or less the rate of business we had in North America. The longer-term, as I said we are working quite some time on reducing the dependency of North America as a single market -- not that we don't like North American and the country -- but just we have a higher than desire, the dependency in North America, over the last few years. This quarter was not different.

And the reason why we are rapidly progressing is because we made all the shift from, let's say 30/70, to 60/40, while maintaining the operating margin of the Company. Specifically, this quarter, the results that we got are within the expected business in North America. We have some expectations for the next quarter, and the following quarters. And we believe that North America, as I depicted in the prepared remarks has at least all good reasons to come back to growth. One of them is the competition among the wireless operators. You fully, you live in this country, so you see it every day on the advertisement and news and what have you. We believe that pay TV and the cable industries is waking up. So it will take maybe some time, but at least we see the first sign.

We believe that we can provide additional service and additional value to AT&T. And the enterprise sector is very, very important, because all carriers in North America believe today, that the enterprise segment that is to say, the law firms, and the hotels, the brokerage firm and companies themselves are very good customers. And they have a very complex requirement, because usually they require a package service, and a secured internet, and high-speed communication lines, and many other services. And we came up with a very strong proposition for the enterprise market.

We saw the same thing in Vodafone that we announced last quarter, and we see more progress on this respect in North America as well. So we've seen at least four components, we believe that North America growth will come back, and will accelerate our growth in North America. While we say that, we keep accelerating in Europe and rest of world. So this will add up for the growth in the second half of the year.
So North America bottom line was not a [surprise], and we are prepared for that. And we believe that we understand quite well the dynamics of the market. And the dynamics give us the comfort level or the belief that North America will come back to growth. It's just a fluctuation. We've seen it before, seven years ago, again by the way, but it cycles.

**S.K.Prasad Borra - Goldman Sachs - Analyst**

Great. Okay. Probably a second question, just on rest of the world. And obviously it was surprising and definitely a positive. Is this growth sustainable? I mean, 54% growth in fourth quarter, and first quarter, on top of the 30% growth you saw in fourth quarter? What kind of projects are these, are these more system [innovation] type projects, or are you signing more and more [managed services] contracts as well?

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

So it fluctuates. So you may call it a surprise. We're basically saying that long-term is a double-digit growth, and it fluctuates between quarters. So I will not respond to a quarter or a specific year, but we still think that rest of the world is sustainable at double-digit growth for 2016, probably beyond that as well.

And the type of projects are [many] transformational projects right now. So it could be BSS or OSS project, transformation where they need to skip a generation. Don't forget that most of these companies about 15 to 20 years old, and whatever they had, is a homegrown or system from our competitor's are not good enough. So you can think about Telefonica all around Latin America. They have to transform Brazil, they have to transform Argentina, they have to transform Peru, they have to transform others. America mobile, the same thing, in Latin America, in Singapore Telecom, all across Asia.

And we announced those in the last couple two, three years. The end result of it -- and so it's mainly transformational project, including system integration, and also including other activities that has to do with transformation. The result of it, is that we have a record number of projects that are under transformation, which creates some pressure. But that is what we're good at. I mean, it is our bread and butter. So we know how to do this.

And the beauty is that once it is stabilized, it provides additional opportunities for cross-sell and upsell, or to move to managed services. So the fact that we don't have a lot of managed services today is quite natural, because the customers have to go through the transformation first, and then moved to managed services. After saying all that, we have some islands of managed service activities already in the rest of the world, like in the Philippines, it's large managed services, we have a few in other places. But I would say, if you want the gist of it, is a manage a transmission project, hopefully they can transform to additional projects and to managed services.

**S.K.Prasad Borra - Goldman Sachs - Analyst**

Okay. So a quick follow up on that one. So would you say that the pipeline is probably pretty solid in the rest of the world, that one has to be not so worried about the general macro concerns?

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

Well, I was born worried, so I will always be worried about it. (laughter). I'll tell you, the macroeconomics in China for example, does not affect us, a, because we don't work in China. We chose not to work in China. And so, it does not affect us directly. And it affects, it only as a derivative -- the market in Indonesia, or the Philippines, the Korea and the other places that we're working in.

The same goes with Brazil. The competitive landscape is actually much more important than the overall macroeconomics, because as long as we have really strong companies in Brazil which is a Oi, Telefonica which is called Vivo there, and American Mobile, The competition between them...
actually dictates the market. So that in Brazil it is also quite relevant, the same story quite relevant to Argentina or Chile or Columbia or Peru. So I would worry, but I think that we are usually effected by different things. And the competitive landscape is such, that I think people need our services.

I'll tell more than that, in the rest of the world, the prevailing direction is to move from simple prepaid to postpaid and data. The data uptick is actually quite incredible. And they are skipping a generation, with they are catching up with Europe and North America. We wrote the book on postpaid, on data, on converged prepaid and postpaid. And on top of prepaid, they have some video, like Telefonica is going to [quadruple-play] all over Latin America. So we see very similar phenomenon that we have seen in North America, just in a slightly delayed state.

S.K.Prasad Borra - Goldman Sachs - Analyst
Okay. That's good.

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

Operator
Ashwin Shirvaikar, Citigroup.

Ashwin Shirvaikar - Citigroup - Analyst
Hi, Eli, hi, Tamar. So my first question is just to clarify what was your organic constant currency growth in the quarter?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
On a constant currency, we have taken a hit of $5 million relative to the prior quarter. And then, a [significant position to play in generally] and even second quarter, should have a minimal impact (inaudible).

Ashwin Shirvaikar - Citigroup - Analyst
So really it is basically Converse, any contribution that you got from that?

Tamar Rapaport-Dagim - Amdocs Limited - CFO
Yes, sequentially it was not a material change. We have seen better momentum as we described. So we have seen better results coming from Converse, the customer base. Probably just to remind you, is a combined customer base meaning -- just to give you an example, [Vintacom] whether you consider it Converse or Amdoc, the pay Converse so. That is why we're not getting into the articulation, even internally it's getting more difficult. What's the next bill that is coming, in such account, it is a pre-Converse contribution -- a or post-Converse, understand what I mean?

Ashwin Shirvaikar - Citigroup - Analyst
Yes, understood. So I want just to -- I don't want to oversimplify the situation, but it seems to me that when you look beyond North America, quite excited, quite bullish -- in North America a big factor, is AT&T spending cautious? But I missed a few, if --I don't know if you can actually state this
or not, but what is the specific set of issues at AT&T? Is it a competitive matter, is it pricing? Or do they already have a penetration so high percentage of offering already, what is the analysis of that?

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

Actually, Ashwin, your summary is right. We're bullish on rest of the world, we're even bullish on Europe now that they have such great progress in the last couple of quarters. So we're bullish on Europe. And even North America, we're bullish just for the longer term. And the nature of the specifics, the specific of AT&T. It is not the comparative landscape that people are taking business from us. It is not AT&T don't want to do certain things, or the pricing has been compromised.

We have been through a fair pricing with AT&T, a first pricing there with AT&T, as we are with any other customers, all the time. So it is not that at all. It is just that AT&T decided because of all their activities that they had -- you need to remember that AT&T moves really fast on, at least four dimensions -- actually I think it is more than that. But the four dimensions are prepaid and no contract, what they call south of the border, but Latin America penetration, revamping the entire infrastructure of the network and Domain [2.0] and the [free project] and so forth, and the video and pay TV.

These are huge. I mean, any one of them is quite big. So when you compare to the initiative of Verizon or Sprint or T-Mobile, I mean, these are really huge. And this on top of regular activities in mobility, and enterprise and what have you. When I talk about four new activities, so you would expect that AT&T for whatever reason, only business reasons in my opinion, would slow down or accelerate on some activities. Could be, maybe it was related to the end of the year or not. I do not know. But we are in touch these executives, and we know their decisions. So we are in contact with them.

We have already announced that we are doing all the infrastructure underneath their no contract and prepaid and Mexico activity, and the expansion in South of the border. And we are working diligently on the [activities] because it's a major component of their strategy, the integrated solution, I would have to agree with the rest of their previous offering that AT&T had. They have an opportunity to have a seamless service proposition that requires a lot of backend software that we provide. And we are also trying to create the credibility, and the relevancy to help them in the best way we can, on the - under the main opportunity, on the NFV. These are very new topics, so it’s not like others have it, or something like this.

So this relatively -- the relative softness we have in AT&T is not because of pricing, and it's not because of a competitive landscape -- none of the above. It is just business fluctuation of discretionary expenses, the most normal thing you can expect, but the fluctuation affects us in a big way. I am sure that there are other suppliers that are being affected even more so than us. AT&T make some discretionary expenses priorities, and we are affected by that. But I think that we are the most relevant partner with AT&T in many of their activities they do. And if we have anything new to tell you, about any one of those new initiatives, we will be the first one to tell you about it.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Ashwin, just a clarify another point, the activity that we are doing for AT&T in Mexico and in Latin America is part rest of the world, not in the North America side. So that is part of the areas where we are seeing growth, which is not reflected in the North American numbers.

Ashwin Shirvaikar - Citigroup - Analyst

Okay. So none of that. That's really good -- (multiple speakers)

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

But we have a big project in Mexico, and it is within AT&T, we don't report it North America.
A customer is a customer anyway. I know we gave you enough color to understand why we are not so worried about it. We think it’s a timing thing, it is a discretionary thing. We have seen it in other players, but plus minus 5% or 10% in one customer may affect us in almost a negligible way, and we can compensate for that. And the same percentage in AT&T is just big.

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

So that’s a very good -- thanks for the comments first of all, Shaul. And in answer to your question, the level of interaction, and the level of interest they show in new offerings is just refreshing. Now we didn’t say that we will win it or we won it. But first of all, we want to have activities, and then have a chance to compete with our competitors and win it.

But you can see activities around the enterprise, because all of the people understand including they themselves, Charter, Comcast, all of those see enterprise as a growth engine for them. And the fact, that they show interest in our proposition on enterprise as I mentioned, we believe that they have a really groundbreaking solution for the enterprise segment, they show interest in that. The same goes about OSS activities, because they deploy high-speed internet airlines and fiber optics and Wi-Fi. These are part of the technology they’re very common in the MSO space, including Comcast, Charter, and DirecTV and other people.

They need to improve their customer service. Look, when you compare AT&T and net promoter, which is the best indication for customer experience, is the highest in the industry, all based on our technology. The same goes with our customers. And when you look at MSOs, and almost there is no difference between Charter and Comcast and Cablevision and others, they are quite close. So all of them get – got to the conclusion that they have to improve it. So we hope and we believe that they will go to people like us, and try to modernize their backend customer experience assistant, so that is another angle.

So between the infrastructure of the network and the OSS project, and between the enterprise, and between the need to improve the customer experience, these are three factors that we see more interaction, more activities. And we believe it is mainly through projects. So that is one angle. And other one which is more generic, they see the pressure on the competitive landscape. Look AT&T and DirecTV is only showing up now, to the space of combined pay TV and mobility. But the MSOs need to prepare themselves for that. It is a different bid of competitor.

Netflix is actually doing quite well with the cost cutting, Netflix and Hulu and others. So it is another pressure point. So when you combine the competitive landscape, which we cannot generate, but maybe is generating the demand. And the three -- and there are a few others -- but the few that I mentioned of, need of the cable and pay TV carriers, I think that is what brings them into higher level of activity, higher level of inquiries. Some bids, some initiatives that they are taking.
Some of them have a new officer for customer experience, something that we didn’t see before. So when you add all of this up, and you connect the dots, that’s when we -- that translates to us saying there are signs of movement there, that we didn’t see in previous quarters or previous years. Now we need to obviously see that it is real, and be -- and get the purchase orders. We don’t like it to be in just a theoretical thing, and our competitors may win, we want to win it.

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

Got it. And on a maybe another topic, so on the product front. So Eli, you mentioned fraud management and we do not hear to much about the field that was treated probably 10, maybe 15 years ago as the best-kept secret of the broader telecom arena. And indeed I recall that service providers were losing billions of dollars annually, on a global basis from fraudulent network activity. With everyone so focused probably in recent years on cyber security, network breaches, slightly from an enterprise perspective, it seems we might have lost focus on that market segment. Can you provide us with an update about this segment? What is it exactly that you guys are doing within this arena?

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

First and foremost, it is not one. Probably, there are enough crooks in the world to keep the carriers worried about fraudulent activity. And that is why we believe it is a must for every telephone company. And we believe that (inaudible) specifically, have just a superior product. And the fact that they did not provide robust services, in implementing it, and running it and so forth, and managed servicing it, is an opportunity for us. So that is one component.

The second one is revenue guard. These systems, especially when they’re not coming from us, they are -- this is really all across the organization. Some of those organizations are globally spread, and you have a lot of leakage of revenue, whether it’s in charge, or it’s in bill, or its collected. And the telephone companies of all sorts, from MSOs like Comcast all the way to AT&T and Vodafone are just leaving on the table money that they deserve. It’s not like -- they are just losing -- money falls in between the cracks, let’s put it this way. So we have a very, very good system that has [fobs] -- think about it logically, it has [fobs] all around the organization, and identify all the potential leaks is very important.

Now what we intend to accelerate is to add big data analytics application that will allow the carriers to do even a better job for us, for them in identifying abnormalities. And abnormalities is strictly the stuff that usually leads to fraud and to revenue leakage. So if you think about this field, and think about a couple of fields in the road, I think big data analytics which is a sweet spot for us to day, would become an important component of the improvement over time.

And the third and last, we believe that all this technologies and know-how, will also be related to security and cyber security. So it is a little bit farther down the road, and we did not announce openly our strategies on this field, but we believe that this type of asset is going to be relevant, the know-how, the people and so forth, it would be relevant in the stuff that we’re doing. We are already trying to see how we match this cVidya project into MFS, the mobile financial services arena. So we have a lot of activities around this small company.

So revenue-wise, it is insignificant, and the M&A money was insignificant, because we just got it cheap -- let’s call it this way. But I believe that in the right hands it is actually a good, could be a good, nice growth engine for us. And again, it complements a component that we did not have before. And we like to have A to Z type of thing, approach and a one-stop shop. So it complements another component that we don’t have to develop or invest in.

**Operator**

(Operator Instructions)

Tom Roderick, Stifel.
Hey, guys. Good afternoon, thanks for taking my question. Eli, I wanted to follow up -- we have not talked about the network optimization business in a while. And I was wondering if you could just provide an update on what you are seeing in that space? What sort of competitive dynamics and pricing pressure you are facing from something network equipment providers out there? And then, geographically you seeing more interest for that product line in North America, rest of world, Europe, just where are you finding the most hits in network optimization?

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

That’s an excellent question. I’m not sure I have an excellent answer, because it is an evolving field. Let me try to give you some data points, and maybe you can make the answer from these data points.

As expected, the current providers of equipment, of network commitment, what we call the NEP, the network equipment providers are trying -- it’s any given vehicle or power that they have to slow it down. That’s for them, a disaster. So maybe on the language, they will say they are supporting it, they are investing in it, but in general, they are using a lot of [flight] and fears uncertainties to frighten the carriers in this direction. I believe and the industry I think believes that it is inevitable, it is a matter of pace. Now you need to distinguish between two components.

The NFV, which is the network function virtualization, which is a very confusing names. But these are the control plane, where you define the service 0-- what is called the service creation environment, and where you create the orchestration. In other words, you are tailoring the entire service to have a single service offering. This is very close, this is the high end. It is relatively close to the BSS and the stuff that we do today, but even in theory, can rely on the same product catalog, and have a high integration level.

This is the layer also that master the components underneath it, which could be to the many following years, a hybrid solution. In other words, it has to orchestrate the devices that are sometimes physical on the network, and in some cases it’s logical, software. And we believe that the hybrid scenario will, at least last for 5, maybe 10 years.

Now, in the lower level, there is a project or a trend called SDN -- software-defined networks, which is basically translating the simple boxes into software. But all of these [either] boxes, all software has to be controlled by the NFV. So some of the network equipment providers are trying to get into the SDN. Some of them are doing some work there, but in reality, we think that actually the early adopters would come, and the disruptor would come from the small company. There were a lot of startups in this field. And we believe that some people will go to the traditional net, Cisco, Ericsson and like, but a lot of people will go to smaller company.

And then the, fee space which is by far more complex, there are actually very few people that understand how to do it. We believe that we are one of them. We are the only one, out of the very few, that is definitely not conflicting. The players out there would be Cisco, and Huawei and others. And as I said, we believe we just are doing a better software, but we’re also we are not conflicting.

So we are trying to promote it as fast as we can, and to disrupt the market with it. The whole idea is not only the cost of software that might be lower than the cost of hardware. The whole idea is business agility. You can imagine, if you have a network that is all software devices. If you want to accelerate capacity or to change features, instead of sending a technician, that goes to a box and do something. You just [tweak] it on a control plane in the data center, like managing a huge data center.

So the bottom line is that the trend is absolutely there. The NEPs are trying to fight it as much as they can. We are a disruptor. There are very few others, definitely not in our scale. We believe it could be the integrator of small companies.

And in terms of the geographic spread that you asked, AT&T is probably by far the most advanced company with this theory, and this power line under the Domain 2.0. You see some activity in Singapore Telecom, and in Bell Canada, in Vodafone group. We are trying to be active with as many as we can. And the decision probably will be the next few quarters, maybe the beginning of it, there will be some initial implementation. And eventually, it will catch up. And then I believe it will be big business. So it’s not something that you can [bend] into the numbers tomorrow morning,
or the next (inaudible) or the next three quarters. But we believe will be successful in eventually in this field, and that is kind of the dynamics I can share with you. I hope that was helpful.

**Tom Roderick - Stifel Nicolaus - Analyst**

That is great, great detail. Thank you so much for that. Maybe just a quick follow up on that. I mean, you mentioned -- I think you started answered the question right at the end there. But it does sound like there are some nice Tier 1 opportunities that you will see some shots on goal with here the next 12 to 18 months. Should we look for that on the hybrid-based solution, may be more in the SDN side? Where are these opportunities popping up, if we had to break it between the NFV and SDN, where are they popping up amongst the Tier 1 operators?

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

So it is mainly tier 1 operators, because usually they are the early adopters, and they can afford to do these business transformation project. And also they have the scale to enjoy the agility that I was talking about. And most of these [schedules] today, by the way today are in the enterprise space. It goes back to the enterprise comment that I made, actually on the -- in a BSS flavor. It’s also true to the network aspect.

I think the big decisions, and the most important ones are the NFV decisions. So in the next 12 to 18 months, you will see the big guys making decisions, that is to say Bell Canada in Canada, AT&T and Verizon in the USA, Singapore Telecom in Asia, Telfonica probably, Vodafone. These are the guys who will make the decision, and the NFV is by far the most complex decision. It is by far bigger, as one project. Now there will be many, many, many small SDN projects.

And this piece is -- we can participate mainly as an integrator. We will not try to build a better future as (inaudible) than the people that are experts on this, or virtualized [FSC], [Tekacore] or something like this, we would not. So we're after the to the high end NFV component, and maybe some services and integration on the SDN. And the SDN you will have a lot of announcement of small projects, which are not tipping the industry. The NFV decision would be the stuff to watch for.

**Operator**

Jason Kupferberg, Jefferies.

**Jason Kupferberg - Jefferies LLC - Analyst**

Thanks, good evening, guys. I just wanted to circle back on the pay TV opportunities. I know you talked about them qualitatively. But as we just try to think about it quantitatively, how can we potentially size these opportunities, and do see them as being, a [few year] transformation initiative, followed by managed services? Any rough way to think about it from a pipeline value standpoint over a multi-year period?

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

So Jason, it's a good question. I think because it is only the beginning, and again we're talking about signs of something that would transform, you would have take everything I am saying, with a grain of salt.

**Jason Kupferberg - Jefferies LLC - Analyst**

Sure.
Eli Gelman - Amdocs Limited - President & CEO, Amdocs Management Limited

But longer period, I expect it to be as important and as big as business transformation in the wireless space and the broadband space and so forth. So these are not small projects. I believe it is only the beginning, the project will start with some smaller projects -- smaller not being $1 million or $2 million, but maybe $10 million, $15 million, or [$7 million]. And then it could become multi-year transformation project that can even turn to [tens of millions] over time. These are -- we are talking about major, major carriers.

Time Warner, Charter, together they are even bigger. Comcast, [DirecTV], these are huge companies. So I think in the beginning, it will be readily -- that's a small to medium, and then medium project. But I think eventually, this transformation has the potential to be quite sizable, that's to say [tens of millions] project transformation. And yes, some of them can turn into managed services.

Jason Kupferberg - Jefferies LLC - Analyst

Okay. That's helpful. I just wanted to switch gears over to margins for a minute. I know you guys are running near the higher end of your target range. But over time, do you see the opportunity for more efficiencies in service delivery? I mean, I am thinking about offshoring? I know you have done a fair amount of that over the years, but is there the opportunity to do more, as you look forward over the next two years? What are your client's attitudes about that?

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

It is a fair question. I think that the real answer lies in the balance between growth initiative and the margins. Because when you think about it, we are transforming, moving, growing in North America, but growing even faster in Europe and the rest of the world. So let's talk about new operations in Indonesia, in Manila, in Guadalajara, Mexico, in Argentina and many other places. All of these -- and these are normal activities, but all of these cost a lot of money. So when you think about it, we need to do those, while maintaining the profitability.

Now more than that, this new project, by definition of new project, but definitely in new regions comes at lower profitability. So actually we have to improve the machine all the time, to compensate for this. So I believe that yes, we can grow over time, and we can get more efficiency -- not necessarily in offshoring. I think it's mainly around, as we have done it up until now, mainly around engineering. We just do more optimization, more automation -- more better closings. We are a software company.

So most of our efficiencies come from professional, improving the professionalism on the IT space. Either building better products or implementing or managing the managed services product. Maybe a higher use of cloud, in terms of -- mainly for the use of cheaper hardware. Stuff like this. The offshoring we're doing, we can do some more, but I don't think it will generate a huge amount of efficiency.

So we still have some capabilities to improve it. But the reality is that we are tailoring it very delicately, because want to keep on growing, and generate a new growth initiatives, in the market.[S&P] does not grow. [Telecom are not growing, the market does not grow]. We're growing all the time and all of this growth, all of this initiatives cost money. So we are careful to kind of balance between improving the operating margins, and keep on pushing on the growth initiative. We believe the growth initiative is critical for the Company.

Operator

Sterling Auty, JPMorgan.

Sterling Auty - JPMorgan - Analyst

Yes, thanks. Hi, guys. You talked about a couple of things. You talked about a couple of things that I think can come in and improve the growth profile in the coming quarters. But just to cover our bases here, looking at the year over year move in North America, and rest of world, what should we be anticipating for the next couple of quarters? Is it going to be the same mix, where rest of the world is propping up, kind of waiting for North
America to recover? Or should we actually start to see signs of life in North America, as soon as next quarter to hit the guidance that you have set forth?

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

I think -- we tried to in the prepared remarks to say that we, obviously -- we don’t know exactly -- but if I need to give you my best guess estimate, I think it will take another quarter until we see North America flying [on all pistons]. Mainly, I think, because the rest of the activities are positive. Obviously, there is a lot of moving parts in North America including Sprint, including M&A coming in. Maybe one of the big MSOs will try to transform faster. So it is really hard for us to predict it, but I don’t think it will settle next quarter.

So what we could expect, is that we will keep on growing in Europe and rest of the world as much as we can. I hope that we can maintain the high win rate in those regions, and we will keep on working in North America. Now like nothing is broken in North America, it’s just a matter of acceleration of discretionary expenses, which is discretionary.

That is why they are hard to predict. The basic activity we have everywhere, is not -- haven’t been tempered, haven’t been slowed down. So it is only discretionary. And this is all stuff that is harder to predict.

Tamar Rapaport-Dagim - Amdocs Limited - CFO

Just to clarify, we’re within in the range of plus/ minus [$20 million] we have on the top line guidance range. Now this is a scenario that can play along, and of course, [this is a scenario], the regional mix can (inaudible) go from one to the other as well.

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

In general, I would really ask you not to measure us on regional basis or quarter over quarter. Year-over-year it is fair. But quarter over quarter may fluctuate, because of so many problems, including FX, including the discretionary expense including -- the maturity of projects. When you have transformation projects, and you are recognizing revenue percentages based on percentage of completion -- if the customer adds another two or three requirements, and you need to change the entire project planning.

So overall, the reason why I’m mentioning this shift, is because it is very intentional. We did not want to develop an addiction to North America, let’s put it this way. So in the last couple of years, we are definitely working hard to make sure that we do not slow North America, the overall company grows, but we are growing faster on the non-North American markets. But measurement-wise, if you really want to get a feeling, I think it is not be wise to liquidate any quarter, because we may get some numbers that would not be meaningful. And just, it will get you too excited or frightened for no reason.

Sterling Auty - JPMorgan - Analyst

No, that’s fair. I just wanted to make sure there wasn’t any major projects that might be rolling off in the rest of the world area, that was going to suddenly require the North America region to suddenly step up, just to hit the near term guidance, which it doesn’t sound like that is the -- (multiple speakers).

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

No, no, that was the question we do not expect any of those to happen. And as a matter of fact, we’re working on new projects as we speak, also in North America but definitely outside of North America.
Sterling Auty - JPMorgan - Analyst

And then my one follow up would be, to continue on the trend of the pay TV discussion. The TV operators traditionally were let’s say I guess, an easier billing solution than the more complex wireless billing, because of the rate engines et cetera. Does the new set of solutions into the enterprise ratchet up the complexity for those providers? Is that would maybe provides the tubing point for them to go to a modernization? And based on the discussions that you are having, is it more than just upgrading the system from what it was, to something new that does the same thing? Is that actually adding feature functionality our products into the mix?

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

Thank you for the question, Stuart, because the short answer is yes, but let me give you some color. The reason why the complexity was not there, because they did not have competition, let’s face it. If you are living in an area that Comcast serves you, you’ll get Comcast. If it’s Cablevision, it’s Cablevision. If it is Charter, it is Charter, and that’s it.

So for that, you need a simple calculator to do the billing. You don’t need sophistication. And all the legacy system are really quite stupid. When you have to [drive customer experience], that it is to say, pushing even the same service, to self-service, to e-commerce, to bundling, and maybe skinny bundles that is now popular in Canada and in Europe, you are talking about a completely different set of obligations even on the current business. When we are talking about enterprise, that I mentioned the context of the MSOs, these are completely new systems.

They’ve got completely new functionality, complexities in like [height], and it is very competitive. Because there, Charter and Comcast compete with Verizon and AT&T. It’s in the two market that the big carriers go in there. And you can understand that everyone wants to have Starbucks as a customer, nationwide in this case, or very large, law frames in New York, LA or in Chicago, or hospitals, or universities. These are the enterprise.

So you can understand, that this is a big business for all these carriers and they compete, and sophistication is only way to compete. So from quoting the offer, all the way to the execution and deployment, and so we have to talk about completely, completely, different level of complexity. And is as such, it is completely new function on the enterprise, but also on the residential.

Operator

I’m showing no further questions at this time I would like to turn the call over to Mr. Matthew Smith for closing remarks.

Matt Smith - Amdocs Limited - Head of IR

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

Operator

Ladies and gentlemen, thank you for participating in today’s conference. This concludes today’s program. You may all now disconnect. Everyone have a great day.