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DOX - Q4 2012 Amdocs Limited Earnings Conference Call

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OVERVIEW:

DOX reported 4Q12 revenues of $822m and non-GAAP EPS of $0.70. Expects FY13 total revenue growth to be roughly 2-5% on constant currency and reported basis and non-GAAP EPS growth to be 5-8%. Expected 1Q13 revenues are $810-840m and non-GAAP EPS is $0.68-0.74.

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PRESENTATION

Operator

Good day, everyone. Welcome to the Amdocs, fourth quarter 2012, earnings release conference call. Today's call is being recorded and webcast. At this time I'd like to turn the call over to Elizabeth Grausam, Vice President of Investor Relations for Amdocs. Please go ahead.

Elizabeth Grausam - *Amdocs Ltd - VP of IR*

Thank you. 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 companies management uses this financial information in its internal analysis, in order to exclude the effective acquisitions and other significant items that may have a disproportionate effect in a particular period. Accordingly, management believes that isolating effects of such events enables management and investors to consistently analyze the critical components and results of operations of the Company's business and to have a meaningful comparison to prior periods. For more information regarding our use of non-GAAP financial measures, including reconciliations of these measures, we refer you to today's earnings release which will also be furnished with the SEC on Form 6-K. Also this call includes information that constitutes forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

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, 2011, filed on December 8, 2011, and our form 6-K furnished for the first quarter of fiscal 2012, on February 14, 2012 for the second quarter of fiscal 2012 on May 15, 2012, and for the third quarter of fiscal 2012 filed on August 16.

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

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Thank you, Liz and good afternoon to everyone joining us on the call today. I'll keep my summary comments on fiscal 2012 relatively short today as our fourth quarter results were consistent with our expectations. Overall, we believe fiscal year 2012 was a successful year for Amdocs, especially in establishing and extending key strategic relationship, with the world's most influential communication operators. And through a series of wins of important transformational deals around the globe. Additionally, we made good progress strengthening the operations of the Company. With CES, Customer Experience System version 8.1, we delivered one of the most successful product releases in recent history. While we also improved the quality and efficiency of our delivery in managed services organization throughout the year.

As a result, we believe we delivered an attractive total return to our shareholders through the multiple levers, that our business model and market position provide. That includes strong sales execution, ongoing operational improvements, and the benefits of our share repurchase program. With the combination of these three factors, we generated 16% diluted non-GAAP EPS growth in fiscal 2012. Furthermore, to enhance total return, as we move forward, we made the first payment under our quarterly cash dividend program, in the first quarter of fiscal 2013. Turning attention now to our outlook, I would like to spend some more time focusing on the global trends we observed in fiscal year 2012, and how we expect those trends to translate into fiscal year 2013.

First, the emerging markets remain strong for Amdocs throughout fiscal year 2012, with record 37% year-over-year revenue growth. We expect to continue to deliver double digits revenue growth, from our emerging markets regions in fiscal year 2013. Operators in these parts of the world are just beginning their IT and network modernization journeys. Over the past several years, Amdocs has established itself as a key participant in these transformational wave. We believe our strategy to plant our flag on the controlling hills in the emerging markets has been highly successful to date. We are now operating across the emerging markets with leading carriers in countries such as Argentina, Brazil, Chile, Columbia, India, Indonesia, Malaysia, Mexico, the Philippines and Russia.

In Europe, Amdocs performed very well in fiscal 2012, against tough macroeconomic dynamics, delivering 10% year-over-year revenue growth. We feel good about the status of our relationship with major operators across Europe. Moreover, we believe that our competitive position in the European market has been improved over the past years. Unfavorable macroeconomic conditions, however continued to weigh on the region, so we enter fiscal year 2013 expecting the budgets will continue to be tightly managed, as operators spend prudently. As such, while we expect the region to expand in fiscal year 2013, it will likely be at a more moderate rate than we achieved in fiscal year 2012.

In North America, we returned to sequential growth in the fourth quarter, after a more challenged start in fiscal year 2012. Importantly, and as we anticipated, our business with AT&T is stabilizing, and even showing some signs of improvement. In fiscal year 2013, uncertainty is still lingering in the North American market, which is driving an outlook of cautious optimism on our part. Let me explain why. Over the past several quarters, we have been commenting that the wireless industry in North America has been somewhat stagnated in the wake of the AT&T/TMobile merger breakup. In the past quarter, we began to see some glimmers of hope, that strategic activity may pick up in the fiscal year 2013, with the proposed merger of TMobile and Metro PCS, as well as the SoftBank investment in Sprint. Business combinations such as this, often present significant long term opportunity for Amdocs, given our track record of consolidated existence on behalf of our customers, especially in North America. On the other hand, short term this activity can increase uncertainty for our business, as customer focus on merger related activity.

Our outlook for fiscal year 2013, reflects our current view on the client activity. We acknowledge, however that priorities can change in pending merger scenarios. Importantly today, we announced the expansion and extension of our managed services activity with Sprint. The new agreement extends our relationship with Sprint through 2021, adding seven years to the existing arrangement. In addition, we will also be providing services to Sprint Virgin Mobile prepaid brand. We believe this renewal represents a win, win for Amdocs and Sprint, and is a great example of the way we like to do business with our long term customers.

We were able to accomplish similar outcomes with other long term customers during fiscal year 2012, notably Comcast and DirecTV, underscoring the value we bring to our customers with consistent innovation, ongoing support and managed services operations. The deal with Sprint also highlights the rising importance of the prepaid segment for North American wireless operators. We saw good activity across this space in the fourth quarter of fiscal 2012, as many operators in North America are expanding the boundaries of this service offering, to delivering compelling values to their subscribers. Many prepaid offerings now have similar service attributes, and even smartphone options to what used to be often only to traditional [post paid] customers.

This increases the complexity of the IT environment, required to support such services. Importantly, this fits squarely with Amdocs strength in providing realtime converged charging, and policy control, integrated as part of our full CES platform. We also wanted to call attention to the strong validation provided by both AT&T and Verizon, in the past few weeks on the benefits of improved data monetization. Both operators conveyed early benefits from the shared family data plan, on their quarterly conference calls, and we expect that this trend will continue. As operators began to experiment with new and more diverse service offering, we believe we are entering a multi-year period of increased progress on data monetization. More importantly, we strongly believe that we have the most advanced solution and vision to enable this trend.

To summarize, we believe our execution and competitive position remain very strong. In Q4 and early fiscal 2013, we continue to sign highly strategic and long term deals, that will serve the Company, well into the future. The Company also retains significant capacity, to drive strategic growth through M&A in fiscal 2013, which is not factored into the outlook we have provided. We believe that our free cash flow productivity and strong balance sheet allow us the ability to execute attractive deals, while simultaneously returning cash to shareholders. We will, of course, adjust the relative level of capital allocation based on the merits of our M&A pipeline.

But we certainly enter the year, with the intention of executing on ongoing share repurchases, our dividend program, and strategic acquisitions. Most importantly, we remain committed to delivering attractive total return to our shareholders. As such, we expect to deliver dilutive non-GAAP EPS growth in excess of our forecasted revenue growth. Supported by stable margin outlook, and ongoing execution of our share repurchases, plus our dividend. With that, I will turn the call over to Tamar.

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

Thank you, Eli. Fourth quarter revenue of $822 million was within our guidance range of $815 million to $835 million, with foreign currency fluctuations negatively impacting revenue by approximately $1 million relative to the third, fiscal quarter of 2012. Our fourth, fiscal quarter non-GAAP operating margin was 16.6%, flat from Q3 and within our expected range of 16% to 17%. Below the operating line, net interest and other income was roughly $0 in Q4. For forward looking purposes we continue to expect that net interest and other expense, may be negative in the range of a few million dollars quarterly, primarily due to foreign currency fluctuations.

Non-GAAP EPS was $0.70 in Q4, compared to our guidance range of $0.66 to $0.72. Our non-GAAP tax rate of 15.4% in Q4, was modestly higher than our expected range of 13% to 15%, but our tax rate of 13.4% for the full fiscal year, was within our expectations and towards the lower end. Free cash flow was $109 million in Q4. This was comprised of cash flow from operations of approximately $152 million, that's $43 million in net capital expenditures and other. CapEx in Q4 was higher than our average in recent quarters, due to deal related expenditures to fund growth activity, particularly in Asia. Overall DSO of 76 days were flat with the prior quarter, but remained above our normal range, primarily related to transformation programs in emerging markets.

Our total deferred revenue both short and long term was down $36 million sequentially, while total unbilled receivables were down $3 million as compared to third quarter of 2012. Our net cash balance at the end of the fourth quarter was approximately $918 million. We drew down roughly $200 million on our credit facility in Q4, for short-term funding purposes and the balance as 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 activities, was $2.79 billion at the end of the fourth quarter, up $30 million sequentially, and up 4.5% year-over-year. During the fourth quarter, we repurchased $106 million of our ordinary shares, pursuant to our authorized share buyback program. As of September 30, we had $203 million of remaining repurchase authority, under a $1 billion authorization, which extends to February 2013.

In addition, our board has authorized an additional $500 million repurchase plan, to be executed at the Company's discretion going forward. That additional authority does not have a stated expiration. Moving to our outlook, we expect revenue to be within a range of $810 million to $840 million for the first, fiscal quarter of 2013. This range includes minimal anticipated sequential impact from foreign currency fluctuations, as compared to Q4. For our full fiscal year, we expect total revenue growth for the year to be in the range of roughly 2% to 5% on a constant currency and reported basis. While Eli captured the main trends driving our outlook for our core communications business, I will mention that we expect revenue from our directory business in fiscal 2013, to be down in the double digit range, as conditions in the print directory industry remain challenged.

We expect this to place about a 1% drag on the total Company results, based on our current expectations. Additionally, we have to consider that macroeconomic and industry specific conditions, introduce uncertainties into our fiscal 2013 revenue outlook. We believe our fiscal 2013 guidance reflects the most realistic set of scenarios, based on what we know today. However as we saw in fiscal 2012, we could not capture all outcomes, particularly when M&A execution amongst our customers is at play. We anticipate our non-GAAP operating margin in Q1, and for the full 2013 fiscal year to be within a range of 16% to 17%, and roughly in line with our profitability levels in fiscal 2012. We anticipate that our non-GAAP tax rate will be in the range of 13% to 15% for both the quarter and the year ahead. We expect Q1 non-GAAP EPS to be in the range of $0.68 to $0.74.

Incorporated into this view is an expected average diluted share count of roughly 164 million shares in Q1, and the likelihood of a negative impact from foreign exchange fluctuations in net interest and other expense. We have excluded the impact of incremental future share buyback activity, on the quarter ahead guidance, as the level of activity in any specific quarter will depend on market conditions. For the full year, we expect 5% to 8% non-GAAP EPS growth. In this outlook, we have captured the benefits of our expected share repurchase activity, over the course of the year. We plan to fully execute the remaining $203 million under our prior $1 billion repurchase authorization, by the plans expiration at the end of February 2013. Following that, we will begin executing against the framework we communicated two quarters ago, when we initiated our new quarterly cash dividend program.

Under this framework, we expect to allocate roughly half of our free cash flow generated, towards growth investments including M&A, and return the other half to shareholders through a combination of our dividend program, and repurchase activity. Our earning growth outlook contemplates our revenue guidance, a stable margin within the 16% to 17% range, and execution of buyback activity within the rough boundaries of this framework. The total return we deliver to shareholders will be enhanced beyond the earning growth outlook, via our dividend program which currently yielding just over 1.5%. With that, we can turn it back to the operator to begin our question and answer session.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Shaul Eyal, Oppenheimer.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Two quick questions, congrats on the quarter and obviously kind of the Sprint expansion. Just want to make sure that pushing up, suggesting that the big contracts having been renewed for the next couple of years, so with AT&T basically until 2017 and today with Sprint, and if I'm not mistaken I think DirecTV also spans until 2017 and Bell Canada as well until 2017, any big contract that kind of should get renewed ahead of that?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

There's nothing big on the horizon, but as you've seen in the past, sometimes we choose to discuss expansion and extension in conjunction, in order to actually create a situation where we are helping the customer go into new activities, new business lines in which we have not been in the past, and actually bundle that with kind of an extension discussion, so sometimes it's a proactive opportunity to do so. But formally if you're asking today if there's anything or anything we see on the horizon that is material, the answer is no.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Got it and with respect back to the Sprint contract, can you discuss by any chance the scope of it or as you guys negotiate it, any major kind of ASP pressure, anything out of the norm that you had seen so far, with such kind of big expansion?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Well, Shaul, I think the reason why we are proud of this contract and why we called it a win, win is because we got out of this contract and earlier in the year that was the direction that we decide to take, not to wait until the last moment. And as part of it, we renewed on the regular activity we have in Sprint, including releases of code to meet their business needs, including transaction posting of their bill, and few additional new businesses that we didn't have before. We mentioned one specific one with Sprint prepaid under the Virgin Mobile brand. But there are several others, so the end result is that we commit to high level of service grade, very high KPIs. We commit to the price that they will get, and they committed to the relationship, and to the additional scope that we have.

This is a very good indication of the way we want to do business. And with three contracts of large scale renewal in the last two or three quarters, we feel fairly comfortable that the value that we bring, really represent the essence of this relationship, rather than to be price war or price pressure or gain. That's basically what we've seen with Sprint.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Got it. I think the revolver drawing of about $200 million, does that have anything to do with this big expansion that you announced today or a portion of it?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

No, just the cash efficiency, we repaid it a few weeks later, nothing to do with --.

Shaul Eyal - *Oppenheimer & Co. - Analyst*

Got it. Fair enough. Thank you very much. Good quarter.

Operator

Ashwin Shirvaikar, Citigroup.

Ashwin Shirvaikar - *Citigroup - Analyst*

My first question actually is, you've had pretty good bookings these last few quarters. I wanted to find of see if you can give us a sort of status update on the ramp of signed deals, particularly internationally, are you facing any new challenges, what are you seeing that might cause you to modify your solution, how are these ramps going?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Well Ashwin, first of all, in any given quarter, it's really hard to derive a conclusion on trends, but if you ask me in general, we've seen in past quarters, not only specifically in quarter four and it's a very technical thing whether you find something the week before or the week after. And we put a lot of emphasis exactly on the timing, but in order to give you an answer on the trend, we've seen business all around the world in past quarters, both sides of the emerging markets of Southeast Asia as well as Latin America, central and Latin America. The good thing that we've seen recently is, some waking up of the North American market and that's why we mentioned the sequential growth after quite some time, that we saw almost stagnation in North America. Whether it will be prepaid on our contract or whether it will be something else, it's an encouraging sign that this occurs and in North America are not giving up. But all together I can not tell you there's a trend of an issue. We stay very cautious about the future because of general macroeconomics especially in Europe and other places, and the telecom market at large, because we all shoulder the challenges that is carried ahead, both in North America and Europe, and the emerging markets actually. But as a trend, we cannot identify any significant trend in the last few quarters.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay, fair enough. I'll follow-up on Sprint as well. Just a clarification, overall do you expect this to be a larger relationship in dollar terms in 2013 than it was in 2012? And as you look at the SoftBank investment and where they might want to take the company, can you comment on what incremental investments that might take from the Amdocs side, and does the new relationship that you have signed and extended encompass that potential growth in the relationship?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

Ashwin, in general we are not guiding to a specific account, but to address your concern you shouldn't expect any cliff coming. We would have obviously say that if that was the case, we have very healthy relationship with Sprint, the volume of activity continues to be healthy, so I don't feel there's any material movement that we should discuss here in general and the SoftBank relationship is yet to be seen.

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

I can tell you one thing, we don't have a relationship today with SoftBank, and we believe that our proven track record including the extension and the expansion of the contract with Sprint, will be something that SoftBank will look into and I think that anyone that will look into it would be highly and positively impressed. So we hope that we can translate it into business in the future with this new carrier, but we don't put anything in our guidance right now, it's not in our pipeline. But we don't see it as a -- now that we have it secure, we don't see it as a negative and we don't see any negative impact on that.

Ashwin Shirvaikar - *Citigroup - Analyst*

Okay, got it. All the best guys.

Operator

Tom Roderick, Stifel Nicolaus.

Chris Koh - *Stifel Nicolaus - Analyst*

Hi guys, this is Chris for Tom. So just a quick follow-up. I hate to keep beating the Sprint horse, but Tamar, can you share with us the FY12 Sprint contribution, in terms of a percentage of revenue?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

We will share that within the 20-F. I can say that roughly speaking, it remains the relative size that it played in the past, so we didn't see much changes in terms of its size in the overall Company performance, and we continue to have very good relationship that's included also with the implementation activity. For example, around customer care, we've seen very good results as part of the implementation, we've done there in terms of the improvement around care that Sprint enjoys. And many other new things that played into the relationship on top of the regular managed services arrangement.

Chris Koh - *Stifel Nicolaus - Analyst*

Great, thank you.

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Just one comment. We don't care that you beat this horse. It's a very good and winning horse for us.

Chris Koh - *Stifel Nicolaus - Analyst*

Yes, sorry about that. Yes, I think that was unintentional idiom that I used there, but yes, I'm glad to hear it's a strong horse for you. Now so just moving over to the margin side real quick on the follow-up, if you kind of bake into your guidance for FY13 it seems like margins will be relatively stable maybe toward the middle of that 16% to 17% range. Is there any reason to expect that maybe you could get closer to the higher end of that range by the end of the year, or do you feel like we should temper our expectations?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

I think that given what we're seeing currently in terms of the mix, that's why we want to be cautious on the margin expansion. Do we still want to have margin expansion over time? Yes of course. I don't think it will be necessarily a big expansion within fiscal '13 given the fact that we are continuing to project expansion into new countries, new accounts and new activities, and that has its impacts on the margin mix overall.

Chris Koh - *Stifel Nicolaus - Analyst*

Okay, thanks guys.

Operator

Shyam Patil, Raymond James.

Shyam Patil - *Raymond James & Associates - Analyst*

First question on the guidance range for revenue in the first quarter, it seems like it's a little bit wider than normal. Just wondering if you could talk about that a little bit, and then for the annual guidance, the 2% to 5% revenue growth, is it better improvement, better environment in North America that gets you to the high end, or can you talk a little bit about what would get you to the high end versus the mid point for the year?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Just on the quarterly range, yes it's slightly bigger or wider range, and the reason truly is because there are so many unknowns and moving parts. And the size of the deal that we are talking about are such that they can fluctuate. Few percentage in certain accounts or some delay on implementation or acceleration of something may move the needle in such a way that we want to make sure that we project all of these permutations. And that's why we expand the range a little bit, and just expect it to be roughly the same this new range until we have more stability into the overall economy and the telecom market in general. It's not a huge expansion [technical difficulties] but it's something we feel more comfortable to use.

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In terms of what will get us to the higher end, no doubt that some acceleration of the activity of North America which is still by far the largest market for us will help us a lot for the higher half of this range and you can imagine that-- the other one is acceleration of some transformation in other places of the world and be it Southeast Asia, as fast as growing for us in the previous year.

It was part accelerating on some of the activity contemplating it may change our projection and the third component is not very much into the projection right now but as you start seeing more transformation of the cable and the MSO space, it will also be helpful for us on the upper end of this range, but that's the best range we could have taken. After taking about 1% away from the growth of the Company because of the directory which we expect but it's a stronger decline that we're seeing in the project this year and for us, the importance is also as we mentioned that we can present a better EPS growth 5% to 8% if you add to that about one half percent of dividend we talk about the range of total return of 6.5% to 9.5% so that's kind of the overall equation that we see.

Shyam Patil - *Raymond James & Associates - Analyst*

Great, thank you and just a follow-up. In the past Amdocs had talked about expanding into other verticals if you will. Could you maybe provide us with your current thoughts on that and, you know, if we should expect any of the strategic M&A talk about potentially use for that? Thank you.

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

So we talked about in the past and we'll keep on talking about it. The beauty of it is we don't have to do it but we want to do it. We think for the strength of the Company for the next 10 years not only the next two years, this is important that we'll keep on expanding and we are expanding as much as we can within telecom. But if we can find a window to get into a dig all business that makes sense for us and what makes sense for us I can give you without giving any defense. Things that you understand you can provide value in, even customer experience applications, payment application which is basically billing.

So things that are one half away from our current strength would be something that will encourage us and excite us so we don't expect to do all of a sudden, very short-terms into completely different things that we don't really understand. Just because we want to expand but along the activity and application set and expertise of the Company has, we are looking constantly on ways to expand and find the right opportunities we'll try to act upon it as prudently and smartly as we can.

Shyam Patil - *Raymond James & Associates - Analyst*

Great, thank you.

Operator

David Kaplan, Barclays.

David Kaplan - *Barclays Capital - Analyst*

If you can talk a little bit about the product mix, we've heard from a few quarters now not just from you guys across the sector about weakness in Europe, seems to be holding up the last couple quarters and despite a little bit of weakness could have been worse. I think if I'm not mistaking maybe last quarter or two quarters ago you announced a managed service contract in Europe was one of the first you'd hope would continue. Do you think that potential continued weakness with something that would move European operators more towards managed service contracts?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

David it's a very good question. We don't know but our logic is that it says yes. What used to be the number one factor for them not going into this direction, not follow the American colleagues and Southeast Asian colleagues is the labor market. But as we announced the first managed services in Europe and we believe we'll have more is mainly because we provide a really compelling accountability model with this managed service because we take their opinion. And we just operate it and run it better so now we do it through changes of software and changes of business processes, not by just pushing it into low cost areas and so forth so we do a very smart managed service.

Now it's a compelling proposition, the accountability is quite clear, is what we see today is more receptiveness to talk about it. Now whether we can translate it into signed deal in the near future, I don't know. I hope and we have quite a few of those in our pipeline. Our logic says under the pressure they are in it might be an opportunity for us to do something that was not available two or three years ago.

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

I would just add to that beyond the deal that we talked about two quarters ago we have continued to see positive signs around managed services already around signing, extension so again it's incremental. I won't say it's a big change right now but we are seeing positive signs.

David Kaplan - *Barclays Capital - Analyst*

That's specifically in Europe or all over?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

I was talking about specifically in Europe.

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

We see it in other places but you asked about Europe.

David Kaplan - *Barclays Capital - Analyst*

I just wanted to make sure we're still talking about the same thing and then the second question I have is more about emerging markets. I imagine most of those countries you guys did some there I think it was Brazil as well but are you seeing a managed service pick up or is it still a little bit too early on the curve for emerging Markets?

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Again it's a very good question. We think first of all it doesn't really present a trend yet but we have already managed services deals in Southeast Asia and we have a new one we announced, Globe, but we have another one there, we announced the managed services in Latin America with Tim Brazil, so we see some signs that this model is actually attractive in both ends of the emerging markets. Whether it's a trend and we can turn it into a managed service machine or even propose more managed transformation which is to say we will do the project from the beginning as a managed service rather than to have a delivery project and then managed services afterwards, that is too early to say but at least we know that we can do it, we can do it in terms of our customers of the results that we have in terms of KPI, the operation that we set, it's something we feel very comfortable today to go and offer it because we know we can execute it which is not the case on a couple of years ago.

David Kaplan - *Barclays Capital - Analyst*

Great. Thanks very much.

Operator

Jason Kupferberg, Jefferies.

Jason Kupferberg - *Jefferies & Company - Analyst*

Hi thanks, guys, I got cut off from the call a little bit so I apologize if I asked something that was asked earlier, but in emerging Markets, I think the revenue growth sequentially was down a little bit quarter-over-quarter in September. What were the drivers for that and it sounds like you obviously expect a year-over-year basis in fiscal 13 to be back into double digits but anything you can highlight as far as the hiccup here in Q4 of '12?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

Jason as we said in the past, emerging markets for us is predominantly project activity at this phase which means we will see some kind of sequential trends from quarter to quarter that may change. We don't attribute too much into it, and the overall Vector is clearly very strong, has been for the past two years and we do expect it to continue into double digit growth into fiscal '13 so I don't you should attribute anything meaningful into the sequential trend there.

Eli Gelman - *Amdocs Ltd - Pres, CEO, Amdocs Management Limited, Director of Amdocs Limited*

Normal milestone fluctuation of delivery project, Jason that's kind of the short version of it.

Jason Kupferberg - *Jefferies & Company - Analyst*

Okay, that's good to know and then just to circle back on the revenue range for fiscal '13 I know it was already highlighted that it is a little bit wider than usual. Does it reflect any change in the underlying visibility that you guys have? I realize that this time last year when you got it on fiscal '12 there was macro uncertainty also, you had a tighter range, some unforeseen circumstances and seems to be a wise move to widen the range but I just wanted to get your sense on whether or not underlying visibility is any different sitting here today on fiscal '13 than it was a year ago looking ahead on fiscal '12.

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

Jason, actually if you look on the technical visibility of our backlog next 12 month backlog relative to the mid point of the guidance, you see an improved visibility, however uncertainty is out there and we should acknowledge that and maybe we got wiser decided to acknowledge the fact that we should be more cautious and take a wider range looking forward. I don't think it's attributes anything beyond that.

Jason Kupferberg - *Jefferies & Company - Analyst*

Okay, thanks for the comments.

Operator

(Operator Instructions)

Tal Liani, BofA Merill Lynch.

Tal Liani - *BofA Merrill Lynch - Analyst*

[audio restored] First just to clarify, the AT&T, did you give the percentage of AT&T for the full year, or do we have to wait for the F-20?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

We haven't given that. We will provide it as part of the Analyst Day I believe.

Tal Liani - *BofA Merrill Lynch - Analyst*

Okay. Sprint, you signed a new contract but I didn't understand from your answer whether next year Sprint is going to go up year-over-year or that the expansion is going to be more in the outer years?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

The expansion and extension of the contract is not just for next year. It's for the next seven years actually. We do not guide specifically on an account basis, but we talked about the fact that overall we see this contract as a win, win relationship moving forward. The whole discussion was a combination of expansion of scope, pricing, KPI, all of the above, we shouldn't expect to see any major cliff neither up or down in the relationship, and the volumes translating that to revenue.

Tal Liani - *BofA Merrill Lynch - Analyst*

Got it. You report year-over-year, sorry your report rest of the world and your report to emerging markets so if I back out the left over between emerging markets and the rest of the world, there's about $40 million this quarter, and it was down about 15% year-over-year, I'm wondering what's included in rest of the world, which is not emerging markets and if you can give some color -- it's not a big number but if you can give some color on why it's coming down 15%?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

So maybe just to clarify before, the reason we're giving emerging markets separately from the regional break out is because emerging market includes also emerging Europe. It's not just a carve out of the rest of the world. So the math you're trying to play is not necessarily that accurate, however to address your question what's out there in the rest of the world that is not emerging market. It's countries such as Australia, South Africa, countries of this kind in which we have business, and a very healthy business, so there may be some trends that are happening there on a year-over-year basis, but it's not the numbers that you indicated.

Tal Liani - *BofA Merrill Lynch - Analyst*

Got it. Okay, last question financial income or other income, it was a negative number for the previous five quarters, and it was a positive number this quarter. Would you mind just to clarify this?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

The main volatility we're seeing in this line item is coming from the impact of the hedging program that we have. Our philosophy around the hedging is to support the operating margin line, and the cost of hedges as well as some of the impacts of what is considered an accounting (inaudible) hedge, are flowing through this line. So given high volatility and currency, you may see from quarter to quarter a couple of millions of dollars running through this line item. That's always why we guide, we say that you should count in also a few negative million of dollars guiding for this line item. This quarter specifically the combination of the volatility of the currency with the underlying assets, was the very effective in terms of the impact of the hedging and we've seen much less of an impact there.

Tal Liani - *BofA Merrill Lynch - Analyst*

Okay, thanks for that, but just philosophically, I think you mentioned at the beginning and sorry the line was on and off and I think there was a problem for everyone to dial in, but I think you said at the beginning that there was a 1% impact of currency. If I net out the positive impact of hedging, with the impact of currency, is this neutral to net income or still you got hit by the currency?

Tamar Rapaport-Dagim - *Amdocs Ltd - CFO*

I'm not sure what 1% you indicated. What we have said is that on a sequential basis, the impact of currency on the top line was negative $1 million, so that is what we refer to.

Operator

And at this time there are no further questions. We'll now turn the call back to Elizabeth Grausam.

Elizabeth Grausam - *Amdocs Ltd - VP of IR*

Thank you very much everyone for joining the call and your continuing coverage of Amdocs. We look forward to catching up with many of you in the coming weeks. Have a good evening and take care.
