Ladies and gentlemen, thank you very much for standing by and welcome to this Amdocs second quarter 2010 earnings release conference call. Today's call is being recorded and web cast. At this time, I'll turn the call over to Elizabeth Grausam, Vice President of Investor Relations for Amdocs. Please go ahead
Elizabeth Grausam - Amdocs Limited - VP of IR

Thank you, Abe, and good afternoon, everyone. I'm Liz Grausam, Vice President of Investor Relations for Amdocs. 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 information in its internal analysis in order to exclude the effect of acquisitions and other significant items that may have a disproportionate effect in a particular period. Accordingly, management believes that isolating the effects of such events enables management and investors to consistently analyze the critical components and results of operations of the Company's business, and to have a meaningful comparison to prior periods. For more information regarding our use of non-GAAP financial measures, including reconciliations of these matters, we refer you to today's earnings release, which will also be if furnished to the SEC on form 6-K.

Also, this call constitutes information with 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 with the Company's filings with the Securities and Exchange Commission, including in our annual report on form 20-F for the fiscal year ended December 30, 2009, as filed on December 7, 2009, and in our quarter 6-K filed February 8, 2010.

Amdocs may elect to update these forward-looking statements at some point in the future; however, the Company specifically disclaims any obligation to do so. Participating on the call today, are Dov Baharav, President and Chief Executive Officer of Amdocs Management Limited; and Tamar Rapaport Dagim, Chief Financial Officer. Following our prepared remarks, we will open the call to Q&A. Before we begin, I would like to quickly highlight that we moved our analyst day back in the year to better align with our fiscal and strategic planning processes and our overall investor relations calendar. This year, it will be held on December 8 on the New York Stock Exchange. Now let me turn the call over to our CEO, Dov Baharav.

Dov Baharav - Amdocs Limited - President and CEO

Thank you, Liz, and good afternoon to everyone on the call. Today we are very pleased to announce our performance in the second fiscal quarter of 2010, which led to revenue and non-GAAP EPS near, or at the top end of, our expectations and another very solid quarter of free cash flow performance. In simple terms, our second fiscal quarter marked another important reflection point for Amdocs.

New project momentum improved significantly, and we believe we have entered a period of strong competitive leadership as a result of our CES-8 product launch, which is translating into market share gains. In particular, our total charging is garnering substantial attention in the market as we are now offering the first truly convergent, real-time pre- and post-date billing engine. The technology is well aligned to the market needs of service providers today as they grapple with rapidly increasing traffic loads and complexity in their business model that require more flexible and relying IT systems. We are seeing this demand globally, and, importantly, believe that the technology contained in the CES-8 launch is establishing Amdocs as a very credible competitor in the merging market.

In Asia Pacific, particularly, we made good progress with major service providers in the region in Q2, including one large transformation and project based on global charging. The [optic, a new project signing, is editing] to the ongoing strength we have been witnessing in our managed services practice and with our cable and satellite customers. In fact, the combination of the CES-8 launch and our managed services capability is proving to be a powerful one, as we can also service providers the ability to modernize system in the low-risk outsource operation and modern.

Additionally, we made progress in our corporate development efforts in Q2 and early Q3. We have previously announced the acquisition of MX Telecom and the divestiture of major stake in Longshine, and today, we announced that we have signed an agreement to acquire Streamezzo. MX Telecom will be integrated into open market and will expand the reach of our mobile
messaging and payment platform into Europe. The combined businesses while still only tens of millions of dollars in size, is one of the fastest growing areas within Amdocs today, and we have expect it to deliver strong double-digit growth goals in fiscal 2010.

Our strategic alignment in China was an important move for Amdocs, given the specific nature of the Chinese communication market. Service providers there, in general, still heavily rely on locally driven (inaudible) IT services to build a custom application, while Amdocs moves in environments where our CES technology holds greater strategic value to our customers. Some service providers in China have adopted our CES technology, and we plan to continue supporting them and grow our business over time. But for now, the separation of the day-to-day management of Amdocs and Longshine made the most sense for the growth potential of both entities.

We are also excited about the pending acquisition of Streamezzo, which we believe will further announce the Amdocs interactive portfolio with leading mobile Internet application development platform. We expect the acquisition to close later in Q3, subject to customer closing conditions. These three decisions were all driven by our desire to best align the business with the current market dynamics and focus on areas where we believe there is the greatest opportunity for profitable, long-term goals.

We have also announced today that our Board has authorized the Company to repurchase up to $700 million of ordinary shares over the next 12 months. This action reflects our ongoing commitment to improving shareholders' value, while at the same time profitably growing our business.

To conclude, we are very pleased with our result in the second quarter, as we believe they are a direct expression of the competitive advantages that Amdocs enjoys in the market. In our view, we have the deepest knowledge of our customer needs of any competitor in the market today. And we have been able to successfully translate that knowledge into CES 8, the most advanced product platform in the market, as well as the most comprehensive services offering in order to meet the strategic priorities of any service provider globally. We set out a path to assume goals at the beginning of fiscal 2010, and we believe we are executing well against that objective. With that, I'll turn it over to Tamar for discussion of our second quarter financial performance and our forward-looking guidance.

Tamar Rapaport Dagim - Amdocs Limited - CFO

Thank you, Dov. Revenue of $744 million was above the meet point of our guidance range of $730 million to $750 million. With foreign currency fluctuations providing about $6 million incremental headwind, relative to our expectations when we issued Q2 guidance on January 20, 2010. Without this currency effect, it would have been at the top end of our range. Our non-GAAP operating margin of 18.2% was up 10 basis points versus the prior quarter. We continue to focus on maximizing our operating income growth through revenue growth, while at the same time striving at least to maintain the 18% non-GAAP margin level for the remainder of fiscal 2010. Consistent with our prior view, this margin outlook excludes any large, new managed service agreements, which are not currently contemplated in our revenue outlook.

The revenue and margin performance led to non-GAAP earnings per share of $0.56 cents, also the top end of our guidance range. Non-GAAP other income, was roughly break even this quarter. Despite foreign currency volatility in the quarter, cost associated with foreign currency fluctuations were relatively small. However, for forward guidance purposes, we continue to expect other income, maybe negative, in the range of a few million dollars quarterly. Focusing the impact of foreign currency changes remains difficult given the level of volatility in the market today, so we prefer to remain conservative in our focus.

Free cash flow continues to be a highlight for us, and it came in at $148 million in Q2. This was comprised of cash flow from operations of $165 million, less approximately $17 million in net capital expenditures and other. To remind you, this result includes our annual cash bonus distribution for the prior fiscal year, which was roughly $30 million. Driving this strong performance, we continue to have good collections with [DSL] 59, and our cash balance at the end of the second quarter was approximately $1.36 billion.
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 $2.46 billion at the end of the second quarter of fiscal 2010, up $35 million sequentially. As Dov mentioned, given the strength of our cash position and cash flow performance, our Board has authorized the repurchase of up to $700 million in shares over the next 12 months. While we continue to prioritize M&A, and managed services use cash, and we will adjust our appetite for repurchases accordingly. We do believe at this point in time we have financial flexibility to pursue M&A, managed services deals and repurchase program simultaneously.

Looking forward for the third quarter of 2010, we expect revenue to be within a range of $750 to $765 million. In this forecast, we do not expect currency to materially contribute to our sequential revenue growth. Additionally, the net effect of the MX Telecom acquisition, the expected closure of Streamezzo, and the majority stake in Longshine will be immaterial to sequential revenue performance. We anticipate our non-GAAP operating margin in the second quarter to be at least 18%, and we will continue to balance our profit targets with our desire to reinvest in the business. We also anticipate that our non-GAAP tax rate will remain in the range of 13% to 15%, and expect Q3 non-GAAP EPS to be in the range of $0.55 to $0.58. Incorporated in this view is an expected average diluted share count of roughly 209 million shares in Q3, and the likelihood of negative other income due to effects from foreign exchange fluctuations, as discussed earlier. We excluded the impact of share buyback activity in the quarter, as the level of activity will depend on market conditions.

For internal planning purposes we expect to sustain constant currency sequential revenue growth in the range of at least 1% to 2% in the back half of fiscal 2010, and our confidence level in this outlook has strengthened over the course of Q2, as reflected in our Q3 guidance. With that, we can turn it back to the operating to begin our question-and-answer session.

**Questions and Answers**

**Operator**

Thank you very much. (Operator Instructions). I'll take the first question from Tom Roderick with Thomas Weisel Partners.

**Chris Ko - Thomas Weisel Partners - Analyst**

Hello, guys. Good afternoon. Consider is Chris Ko.

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

Hi.

**Chris Ko - Thomas Weisel Partners - Analyst**

Hi, how are you doing? Just a quick question on the directory systems revenue. I noticed that was up fairly sizably on a sequential basis, and if you back that out, that suggests that maybe you came in more at the mid point of the range. So I was just wondering if you could comment on do you expect that to continue going forward, or do you expect it to go back to the mid 40s run rate?

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

Regarding the directory revenue, the uptake we’ve seen was a result of the regular fluctuations within the business this quarter, specifically where the completion of a major (inaudible) with a customer, with a directory customer. So overall, we expect directory business to be stabilizing, but be fluctuating also from quarter to quarter. So not necessarily this is the beginning of
a growth trend that you should expect going forward. Also, we've included that expectation both into the guidance of Q2, and also the fact that this was a specifically strong quarter in the directory. It was also baked into the numbers in the guidance of Q3.

**Chris Ko - Thomas Weisel Partners - Analyst**

Great. Thanks. And then as a follow up, you mentioned earlier that the project -- projects seem to be moving along. And I was wondering if you could -- and that you were taking a little bit of market share. I was wondering if you could break it down as far as cable, and then you mentioned managed services. Last quarter you gave some pretty good color on that. Are there any areas you see in your business that are particularly strong, whether it be interactive cable, managed services or anything that we should key on there?

**Dov Baharav - Amdocs Limited - President and CEO**

Chris, we see the growth and the momentum in a project in many areas, but the most prominent one is the traditional business based on CES 8. And in that specifically is our new offering in the billing with the tube we're charging that is based on innovative technology that is providing completely unprecedented capabilities in the marketplace. It is with the highest through-put, low cost of hardware. It provides postpaid and prepaid on realtime converged, and this is creating a substantial attraction for customers, and we feel that we are creating substantial competitive edge based on that and on other elements of CES 8.

**Chris Ko - Thomas Weisel Partners - Analyst**

Okay. Great. Thank you.

**Operator**

Thank you very much. Now moving on we'll take a question from Ashwin Shirvaikar with Citi.

**Ashwin Shirvaikar - Citi - Analyst**

Hi. Congratulations on the quarter, and thank you for the buyback. My first question is could you talk about -- characterize the pipeline in terms of managed services versus projects, US versus non-US, and maybe give us some indication of how much of the pipeline is near term that can close this year?

**Dov Baharav - Amdocs Limited - President and CEO**

When looking at our pipeline, it looks very diverse. And we have the managed services potential. Some of them are small, some of them are larger. We have -- it's some of them in the US, some of them outside. I don't know that we have seen substantial [concentration] of the pipeline. I would say we are doing better in emerging markets. We see more potential, more prospects in this area, and I would say we see the momentum creating, and everyone is helping to create more prospects in the pipeline. So we are pleased with the diverse pipeline, and especially in a merging market in Europe, which, for us, it's a very positive development.

**Ashwin Shirvaikar - Citi - Analyst**

Okay. And for a followup, could you maybe clarify what your go-forward China strategy is going to be in the absence of Longshine? Will you continue to target that as a potential growth market, or are you effectively saying that it's not the right market to be
targeting? China is a big market, and it will be an even larger market in the telecom and in media. It's not a big one in the IT for telecom. And the way that it's evolved is different than what we are used to in the western world and even in APAC. As I explained before, the [B-spoke] systems provided by local vendors on specification drafted by the carrier, and actually avoiding using product by the carrier and that are all owned by the government there. That is not the best area to focus on for us in China, and we do not expect substantial growth there. However, we will continue to stay in China, and we believe that at the due time we will start seeing growth again in our activities there.

Right now, with the Streamezzo pending acquisition, that is to say pending to the closing, which we believe it will happen during Q3, and we have already a meaningful presence in China. It is, first of all, we serve China mobile, in their billing, in their the most lucrative subsidiary, Beijing Mobile. We serve Streamezzo. We serve, again China Mobile. We provide them all of the mobile TV enabling a platform. We have development centers in China, and we are looking for ways how we can serve directly consumers in China, and are we maybe Internet offering in this area. Are we build activity and services that we can export from China outside. How we can serve carriers with our CES 8, and our unique services to those that are interested in it. And that is going to be our main activity. And on top of it, we still own 19 percent of Longshine, though we keep our heads on in case things will change, and we’ll have more promising opportunities for us. Great. Thank you.

Dov Baharav - Amdocs Limited - President and CEO

Thank you.

Operator

Thank you very much. Now moving on, we have a question from Karl Keirstead with Kaufman Brothers.

Karl Keirstead - Kaufman Brothers - Analyst

Thank you. I've got, first of all, a question on your offshore strategy. I noticed last month AT&T, your largest client, took an 8 percent stake in Tech Mahindra. Some of your larger rivals, like [Accentrim] and IBM appear to be accelerating the shift of their headcount offshore. Could you talk a little bit about these trends, how it’s affecting your business and whether Amdocs is accelerating your offshore resource shift, or is it pretty status quo? Thank you.

Dov Baharav - Amdocs Limited - President and CEO

We -- thank you for the question. Because it gives me the opportunity to refer to one of the most important areas of activity in the Company. We believe that moving forward, we will have to base our offering in the market on two dimensions. One is innovation, and the other one is lowering the total cost of ownership for our customers. So our goal looking forward is to offer our customers the most innovative solutions that will delight them, that will enable them to be competitive in the marketplace, and at the same time, reducing the total cost of ownership. That can be achieved by the CES 8, this integrated solution reduced the cost of operation, and at the same time we have to reduce the unit cost. How much -- every element?

So the tube charging enables us to reduce the cost of the hardware. Moving to Lennox will enable us to reduce the cost of the hardware. And we have to reduce the cost of the label. As a result of it, substantial proportion of the growth of Amdocs is done offshore. So we are recruiting in India, and we continue to increase the number of people in India, and we are very pleased with the level of activity. And we think that one of the reasons why we are competitive in the marketplace is our ability to offer cost performance, and partially based on substantial growth that we have in the offshore activity and mainly in India
Karl Keirstead - Kaufman Brothers - Analyst

Thank you, Dov. If I could ask a followup too, to Tamar. On free cash, it's now come in I think well above Street expectations for three quarters in a row now. Over the last 12 months it's running about 130% of non-GAAP earnings, which is very strong. And I'm wondering, I know you mention mentioned DSOs came in a little bit, but is there anything permanent or structural going on in the business that's generating this uptick in free cash?

Tamar Rapaport Dagim - Amdocs Limited - CFO

I think you're absolutely right. We had a very strong performance of the cash flow. And I think that some of it has to do with the fact that we've focused internally quite a lot in the last two years in putting the cash, invoicing milestones of agreements, how well we operate our collection processes, and all kinds of things like that that improve the cash conversion. And that's resulting in the numbers that you've seen. At the same time, obviously, going through cycles of cash to earnings has to do with things such as CapEx. So, for example, in years in which we had to invest significantly to build up of data centers, such as the years where we built the capacity for strength. We've seen lower cash flow performance in the recent few quarters. That has been less of a case. You've seen the lower CapEx investments as well.

So, generally speaking, I think the business that we have, both in terms of the profile of the customers that we serve and the way we focus on converting earnings to cash, should drive strong cash flows in the years to come. There could be some cycles. Obviously we cannot continue to run the conversion rate over 100% forever. I haven't find the magic solution, how you do that on a constant basis. So assuming we continue to see growth, and this is our expectation currently, we will need to already also find some working capital investments. However, we believe that cash flow overall will continue to perform well.

Karl Keirstead - Kaufman Brothers - Analyst

Okay. Thank you.

Dov Baharav - Amdocs Limited - President and CEO

Thank you.

Operator

Thank you very much. Then moving on, we'll take a question from Sterling Auty with JPMorgan.

Sterling Auty - JPMorgan - Analyst

Yes, thanks. Hi, guys. The first question is on the improvement in the project deals that you alluded to, I wasn't quite clear. Can you give us a sense as to how much of that is coming in the Americas versus Europe versus I did hear your comments on the emerging markets?

Tamar Rapaport Dagim - Amdocs Limited - CFO

I would say that overall if you look on the actual revenue in the North American region, we're actually back to precrisis levels. And that's a result of, first of all, two very strong peelers in our business, which are managed services and cable and satellite, which are predominantly in North America for us these days. We had very interesting developments outside of North America that we discussed already in the past, but still, if you look at the bulk of the business the bulk of business of cable and satellite is in North America.
On top of that, we’ve seen very good momentum in two ways. One is the CES 8 launch that brought new activity, new projects on top of the market improvement overall. Secondly is the combination of managed services and modernization at the same time, which is creating a very appealing business model for our customers. We sell that at first starting in North America, so the recovery there was earlier than the other regions. And as Dov mentioned, we are now seeing the recovery also the rest of the regions with very nice successes in emerging markets.

Europe has been stabilized in terms of the revenue numbers, but in terms of demand and pipeline, we’ve seen much better actual expectations given what’s happening there. So overall I say that I think looking forward we feel that the recovery is happening globally for us.

Sterling Auty - JPMorgan - Analyst
Okay. And then my follow up is on the share repurchase. Over the years you guys have announced smaller repurchases here and there, but I think this is the first time I’ve seen you put a time frame to it. I just want to get a sense as to how committed you are to using the entire $700 million within that 12-month time frame. In other words, are you really going to put the meat behind the announcement?

Tamar Rapaport Dagim - Amdocs Limited - CFO
The facts are that in the past we have put time frames to our buyback authorizations, usually they were longer in time. Usually they were two years. And this time we decided to put the time frame of one year, given the strength of our balance sheet and our belief in the long-term growth profile of the Company. And so when we get -- historically when we get the authorizations to buy back shares, we executed upon it. So usually we did not get authorizations in order to shelf them later on. We will need to see as we move along obviously what will be the market conditions, and we'll act accordingly.

Sterling Auty - JPMorgan - Analyst
All right. Great. Thank you.

Operator
Thank you. Moving on we'll take a question now from Jason Kupferberg with UBS. I'm sorry. We will now take a question from Shaul Eyal with Oppenheimer & Company.

Shaul Eyal - Oppenheimer & Co - Analyst
Thank you. Hi. Good afternoon, guys. Two quick questions on my end

Dov Baharav - Amdocs Limited - President and CEO
Good afternoon.

Shaul Eyal - Oppenheimer & Co - Analyst
Hello. As we all know, earlier this morning, CenturyTel and Qwest announced a merger transaction. Is that an opportunity to you guys? Obviously in the past, natural consolidation made a great driver over the years. So how do you see
this one? And tomorrow, with respect to the currencies, if you can go into more detail for whatever it’s worth, specifically the Euro dollar or one of the other four major currencies for you guys?

**Dov Baharav - Amdocs Limited - President and CEO**

So maybe I'll Shaul, will answer the first question and Tamar will take the currency. Regarding CenturyTel, we saw CenturyTel in their customer care and billing, they standardized, have standardized it long ago in (inaudible) the platform. And we see it as an opportunity. We think we have some product implemented in Qwest as well. We believe it might represent a nice opportunity, and we'll do everything possible in order to win it.

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

Okay. Thank you.

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

Shaul, regarding the currencies, we've seen obviously large volatility, both of the Euro and the [GDP] this quarter. They got weaker by about 6% in Q2 versus Q1. This was the main driver for the $6 million shortage versus the rates we were using for the guidance for Q2.

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


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

Thank you.

**Dov Baharav - Amdocs Limited - President and CEO**

Thank you, Shaul.

**Operator**

Thank you. Now moving on, we will now take a question from Jason Kupferberg with UBS.

**Jason Kupferberg - UBS - Analyst**

Thanks, guys. Sorry, I don't know what happened there. So it's encouraging to hear the uptick in your tone here in the near term. And one of the questions we continue to get from investors is what might the financial profile of Amdocs look like when we're fully emerged from this recession, whenever that might be, and understanding that you are going to have an analyst meeting in December. Is that a forum where people should expect you guys to revisit the topic of long-term financial targets in terms of revenue growth and operating
Tamar Rapaport Dagim - Amdocs Limited - CFO

Yes, I believe so, because there are two things there. First of all, usually we are going as a matter of practice through our strategy process and our annual operating plan obviously in contemplation of any beginning of a new fiscal year. So, therefore, we felt that moving the analyst day to December will be a better day in order to share with you our insight, our decisions and conclusions from going through those processes.

On top of that, we are going through a recovery phase after quite a difficult crisis last year. So as time moves by, we will be better educated about the difference phenomena in the market and the different expectations. So was it just the pent-up demand, or are these fundamental changes we are seeing in the appetite to modernize. Are we seeing more optimistic views about recovery and GDP in 2011 or some deceleration? So I think that as time passes by, we will get also more data points, both internal and macrowise, in order to share and obviously discuss long-term views.

Jason Kupferberg - UBS - Analyst

Okay. That’s helpful. And what’s your appetite to put leverage on the balance sheet going forward depending on what sort of M&A opportunities, for example, might present themselves?

Tamar Rapaport Dagim - Amdocs Limited - CFO

In terms of capacity, we definitely have quite a lot of capacity. The debt balance today is practically zero.

Jason Kupferberg - UBS - Analyst

Right.

Tamar Rapaport Dagim - Amdocs Limited - CFO

And we’re investment grade, as you know. Terms are attractive, so if the right deal presents itself, and it will require some debt, that will be part of the funding resources on top of available cash. Currently at this stage, just to break that and park it with a negative carry doesn’t make any sense.

Jason Kupferberg - UBS - Analyst

Sure. Sure. Okay. Thanks for the comments.

Tamar Rapaport Dagim - Amdocs Limited - CFO

Thank you.

Dov Baharav - Amdocs Limited - President and CEO

Thank you.

Operator

And moving on, we have a question from Julio Quinteros with Goldman Sachs.
Vincent Lin - Goldman Sachs - Analyst

Hi, thanks. It's Vincent Lin sitting in for Julio. Two quick questions, the first one on your margin profile, it looks like the non-GAAP margin finished at 18.2%. It almost seems like if you back out the incremental impact from FX, operating margin would actually have finished up better than even the 18.2%. Is it fair to characterize the, in terms of the margin profile, actually it's running better than the 18% that you're targeting? But, you're actually investing more back into the business. And take into consideration your comments that your 18% target is -- would actually screw any potential large management sources deals?

Tamar Rapaport Dagim - Amdocs Limited - CFO

Maybe to explain that we need to remind our hedging strategy. We are focused to hedge the net exposure on the currencies. So while we may see more impact of the currency volatility on the revenue line, actually, when you're looking on the operating income line, our hedging programs are set to minimize those impacts. So even this quota when we had the 6% movement in the Euro and GDP and other movements in currencies, the impact on the operating income was minimal.

So you should not derive the conclusion that the $6 million that we refer to in the context of the top line is necessarily the impact on the EBIT line, not at all. In terms of the managed services, the comment is meant to serve the fact that if we have a new managed service deal added to the numbers, that may drive short-term pressure on margins given just the nature of how those deals are. These are usually long-term deals when we take over existing cost structuring. It takes us time to take the cost out and improve the business processes and so forth. Currently, the guidance does not include any new large managed service deals. It does include obviously managed service deals, but not any one large in specific, and we wanted to share that color with you.

Vincent Lin - Goldman Sachs - Analyst

Got it.

Tamar Rapaport Dagim - Amdocs Limited - CFO

Excluding that.

Vincent Lin - Goldman Sachs - Analyst

Got it. Yes, that makes sense. And just a quick question on the balance sheet, it looks like deferred revenue came down a little bit by about 10%, 10% to 11% sequentially. I'm just wondering if there's anything specific going on there, or if it was just currency related or serve a timing issue? Thanks.

Tamar Rapaport Dagim - Amdocs Limited - CFO

So when we look at deferred revenue, it's a matter of timing issues between invoicing milestones and the method of recognition. So, for example, in our projects we recognize revenue based on percentage of completion as we move along the project cycle. While invoicing milestones can be attached to things such as acceptance tests and different other milestone (inaudible) with the customer. So this is part of the, let's call it, the regular model of Amdocs where you could see fluctuations in deferred revenue. Actually, if you look on the combination of short-term and long-term deferred revenue, the decrease this quarter was a bit lower than what you see just in the short term. So, in other words, we've actually seen an increase, a small increase, in deferred revenue in the long-term basis. Although I don’t think there’s anything specific unique about this quarter other than this regular fluctuations, but we see in differences between our competition and invoicing milestones.
Vincent Lin - Goldman Sachs - Analyst
Okay. Thanks.

Operator
Thank you. Moving on we'll take a question from Shyam Patil with Raymond James.

Shyam Patil - Raymond James - Analyst
Hi. Thank you. It looks like the guidance you’ve given implies 4.5% to 5% top-line growth for the year. I'm wondering how much of that is inorganic. And then also what was the net FX impact on EPS in the quarter?

Tamar Rapaport Dagim - Amdocs Limited - CFO
So on the first question, actually, the different activities that are nonorganic offset each other. On the one hand we’re going to lose some revenues giving the Longshine the restitute, on the other hand we have additions coming from MX Telecom and a very, very small addition coming from Streamezzo. Overall on a net worth basis, it’s insignificant. Then talking about the FX impact on the EPS, it's again, immaterial.

Shyam Patil - Raymond James - Analyst
Okay. And, you guys have made some acquisitions recently to build out the interactive business. Could you just give an update there on how these acquisitions have performed specifically in terms of cross selling? And then just note on overall business in general.

Dov Baharav - Amdocs Limited - President and CEO
We believe that the digital services, they might present a substantial growth potential for Amdocs. So we have not yet seen a substantial increase in the revenue there, and we are in the mode of increasing and building our offering in this area where we believe that our offering will be very meaningful and provide us the opportunity to enjoy and to be part of the fast growth of the activity in this area. So we -- it is integrated to our offering. It's energetic to relationship with the customers. We see huge interest. We continue to sign deals. We see a growth in activity, and we believe, as we said in the past, that we will enjoy the growth not in 2010, but we will consider it as a growth engine for 2011 and 2012 and the years later.

Shyam Patil - Raymond James - Analyst
Okay. Thank you.

Dov Baharav - Amdocs Limited - President and CEO
Thank you.

Operator
Again, moving on we’ll take a question from Scott Sutherland from Wedbush Securities.
Scott Sutherland - Wedbush Morgan Securities - Analyst

Thank you. Good afternoon.

Tamar Rapaport Dagim - Amdocs Limited - CFO

Hi, Scott.

Scott Sutherland - Wedbush Morgan Securities - Analyst

I also asked a question on MX Telecom, the data services. Where do you see your skill set going in the data services, and with MX Telecom having some content ownership or creation out in Europe, do you see that as a core competency, or do you get out of that business?

Dov Baharav - Amdocs Limited - President and CEO

We are very excited about overall digital services, but especially about open market in MX Telecom. And we believe that this one might provide us a substantial opportunity. To some extent, if you think about open market, open market enabled content provider to sell the content directly to the customer and bill it and collect the money through the telephone bill. That is to say if you get on a site of the long tail of a contact provider, a small contact provider, then you have the opportunity to pay through the cellular bill. And that is provided as a wide label by an open market. And now with the MX Telecom we expended it to Europe, and to some extent to Australia.

And hopefully that will enable us to have, over time, a global offering where we can provide content providers the ability to sell digital goods worldwide and actually collect the money through the telephone bill. This is a kind of a hub for payment, a hub for payment for content. We see substantial growth in this area. The carriers, actually, our vendors, we provide business to them, the ability to leverage their billing capabilities and their relationship with the customer. And that is an area that everyone sees a substantial growth, and we believe that we can lead in this area and actually combine it with other offerings that we have, like personalization, like digital advertising and others. And as a result of it, we believe that we can have substantial offering and payment might be a very important part of.

Scott Sutherland - Wedbush Morgan Securities - Analyst

Okay. Great. Thank you. And a question on your pipeline, I think at the first quarter you mentioned something about a transformational deal closing in Asia Pacific. We’ve been waiting for big deals in Europe maybe coming on board. Can you talk about where you see large, transformational deals in Europe and elsewhere in the world at this point?

Dov Baharav - Amdocs Limited - President and CEO

In Europe, we are encouraged by the activity in Europe. We have seen stabilization of our activity, and we see growing into it. We are pleased with our organizations there and our leadership there and the progress that we see there. And I would say that with the carriers that are there with -- and the ones that we work traditionally and even some others, we see positive development. I would say that some Pan-European carriers and the global carriers show a lot of interest in Amdocs, and we believe that our offering can serve them as a standard platform across all of the subsidiaries, and we see an interest in it. And we believe that through Europe, it will present a bigger opportunity for us.
Scott Sutherland - Wedbush Morgan Securities - Analyst
Okay. Great. Thanks, Dov.

Dov Baharav - Amdocs Limited - President and CEO
Thank you.

Operator
Thank you very much. Moving on we'll take a question from Will Power with Robert Baird.

Will Power - Robert W. Baird - Analyst
Great. Thanks for taking my question. A number of my questions have been answered, but maybe coming back to one of the earlier questions on your developing markets commentary, it sounds like you're feeling a little bit better about trends there. I guess I'm wondering if I could just get a little more color on what's really giving you the confidence there? Is it just as simple as talking to the carriers? Is it just developing interest in CES 8 or is it just coming out of economic bunker, so to speak?

Dov Baharav - Amdocs Limited - President and CEO
Usually we are very modest people without focusing on very solid facts. So I would say that we are looking at the pipeline. We see the level of engagement of the customer. We are looking at wins on signed contracts, and the willingness of a customer to move forward. So when we say that we see an emerging market and more interest Amdocs, I would say it's based on concrete discussions with customers that give us the confidence that we see very positive trends.

I would say more than that, it's not just a change in mood of the region. It's also the success of our offering. And the success is based on being able to address their needs and the ability of Amdocs to take CES 8 with the unique advantages, especially in the billing area of the tubal charging that is reducing the cost of the billing substantially of the hardware. The ability to provide them real-time postpaid and prepaid, which is unique in the industry, that address the digital services on one end and the traditional activity on the other end. That gives us substantial advantage in the marketplace.

Will Power - Robert W. Baird - Analyst
Okay. Yes, that's helpful. Thank you. And just a second quick question, with the two recent acquisitions, I guess the MX Telecom and the one announced today, is there any real impact on margins or are those too small, so it's really pretty negligible?

Tamar Rapaport Dagim - Amdocs Limited - CFO
It's too small. I would say that overall the margin profile of open market in MX Telecom being a fixed assets where you build infrastructure, and then you enjoy scale is a nice margin one, but it's still too small to move the needle forward for Amdocs

Will Power - Robert W. Baird - Analyst
Okay. Thank you.
Operator
We'll take a question from Daniel Meron with RBC Capital Markets.

Daniel Meron - RBC Capital Markets - Analyst
Thank you. Congratulations, Dov and Tamar on the ongoing execution.

Dov Baharav - Amdocs Limited - President and CEO
Thank you, Daniel.

Daniel Meron - RBC Capital Markets - Analyst
A couple of -- sure. A couple of questions on my end. First of all, Tamar, can you quantify the impact of the FX on the outlook you provided? You talked about 1% to 2%. What would have been -- how much of a headwind, either on absolute terms or whatever way we can quantify it? Thank you.

Tamar Rapaport Dagim - Amdocs Limited - CFO
On the outlook for Q3, we said the impact is actually insignificant. The comments were made mainly on Q2 in explaining the impact that we've seen, the headwind that we've seen versus guidance.

Daniel Meron - RBC Capital Markets - Analyst
Okay. Very well. And, Dov, you mentioned, I believe, that you guys are seeing good traction with the CES 8 and gaining some incremental market share. This concurs with what we're seeing. And it does seem like you guys are innovating whereas your competition is not really upgrading their systems. Can you talk more on the landscape, what kind of players you're seeing out there and also provide some regional color into that aspect? Thank you.

Dov Baharav - Amdocs Limited - President and CEO
Well, we are pleased with the current competitive landscape. We emerge after out of the financial global crisis in a very strong position. We continued during the crisis to invest, which enabled us to roll out the CES 8, and the investment was not only in the R&D building the platform, but also building our presence in the emerging market and Europe, training our people, building the salesforce, reducing the cost of hardware, and other substantial investments that took place during 2009, while reducing those costs and keeping our profitability and the cash flow, and increasing the cash flow. So as a result of it today, we are gaining market share.

So in the emerging market and in Europe, we are stronger from both competitors in the BSS and overkill on one end and (inaudible) on the other end. We think we have substantial advantage on the two of them. We do not underestimate, and we will continue to compete with everyone, and they will be there, but we feel that we have a competitive advantage right now that we are going to take advantage of moving forward.

Daniel Meron - RBC Capital Markets - Analyst
Very good. Thank you. Good luck.
Dov Baharav - Amdocs Limited - President and CEO

Thank you.

Operator

Thank you. Moving on we now have a question from Daniel Ives with FBR Capital Markets.

Mike Bauer - FBR Capital Markets - Analyst

Hi, guys. It's actually Mike Bauer for Daniel. You talked about the strength -- the pipeline of business. Have you seen anything different in terms of the competitive environment, and if you maybe you can speak to that, if you've seen anything drastically change? Thanks.

Dov Baharav - Amdocs Limited - President and CEO

I would say that the growth of the pipeline is encouraging. We see prospects that some of them are larger, some of them are smaller. However, we are pleased by the fact that we see the market resonate to our offering. And we believed that many services combined with modernization to address the current need reducing the cost on one end, and providing them tools to compete on the other, for example, a postpaid and prepaid real time, this is something that resonated with the market. And we see growing demand. So -- and we see demand for CES 8, and we see a demand for our services. So looking forward to Q3 and Q4, we are pleased with the growing demand in the marketplace and our competitive advantage, and that's what makes us confident that we will have good results moving forward. Thank you.

Operator

I thank you, ladies and gentlemen. That is all of the time we have for questions today. Thank you very much for joining today's conference. Enjoy the rest of your day.