

XCHANGE[®]

THE FULL SERVICE PROVIDER'S PIPELINE TO SUCCESS

Amdocs Registers Double-Digit Growth Clarify Buy Pays “Dividends”

By Paula Bernier

The comment by Dov Baharav, CEO of Amdocs Management Ltd., in announcing the billing and customer care vendor's quarterly financials, said it all: “This was a very good quarter for Amdocs.”

Amdocs recently reported that for the first quarter, ending Dec. 31, 2003, its revenue was \$428.3 million, exceeding its guidance of \$416 million to \$422 million and registering a big boost from revenue in the same quarter the previous year. Not bad, considering telcos have had to be tight-fisted with their capital expenditures in this tough economy.

“The company grew revenue 26 percent year over year vs. other major competitors — which are growing at a single digit year over year,” says Patrick Kelly, partner at OSS Observer, a firm that provides forecasting, analysis and opinion on the OSS software market. “Clarify is helping [Amdocs] expand business with existing customers.”

Baharav says the company is “seeing a continued improvement in the market, with carriers showing a greater readiness to commit to new projects.” As a result, he says, Amdocs achieved strong sales in all sectors in which it plays, including billing, CRM and order management, in both the wireline and mobile markets.

Indeed. During the first quarter, Amdocs registered nine new “key wins:”

- Telkom South Africa will standardize on Amdocs as its core platform for integrated customer management. This project involves the extension of the two companies' relationship, adding order management and upgrading existing Amdocs billing and CRM implementations.
- Amdocs was chosen by a major wireline customer in North America to implement Amdocs order management. The system will handle complex ordering, covering all needs for new-generation data services.
- A European mobile communications service provider decided to implement Amdocs' partner relationship management. The system will be used for billing and settlement with content partners.
- An existing customer in Europe, a major mobile provider, selected Amdocs to implement a system to support the needs of the corporate customers sector.
- Amdocs was tapped by a major mobile carrier in North America to implement its ClarifyCRM suite. This operator, which currently uses the Amdocs billing system, now will be leveraging Amdocs for integrated customer management as well.
- A leading mobile communications carrier in North America, currently using the Amdocs billing platform, will be implementing the Amdocs Enabler product to support billing of new-generation data and voice services.

- Through sales of ClarifyCRM products, Amdocs obtained initial projects at three additional communications service providers. Two of these carriers are in Europe and the third carrier is in the Asia Pacific region.

Amdocs' customers also include Bell Canada, Nextel, SBC, Verizon, Verizon International and the Vodafone group of companies.

“Because we've focused on sticking with these customers over the long term, we've been able to stay in touch with what the trends were and what their emerging problems were,” says Mike Couture, Amdocs vice president of marketing. “We've really become known as a company that can deliver” products customers need.

While the communications industry continues to face challenges, Baharav says, Amdocs is “confident that we can leverage the current improvement in the market to achieve modest sequential growth in the coming quarters.”

Now and Then

Twenty-two-year-old Amdocs got its start in the Yellow Pages business by selling services to automate business processes around selling space, taking orders and the like, says Couture. SBC Communications was Amdocs' first customer.

From there, Amdocs expanded into helping RBOCs process records, and eventually the company moved into the billing arena. “Then wireless started taking off; that's when we really moved into billing,” says Couture.

The company went public in 1998 and “has had really rapid growth.” Today Amdocs has approximately \$1.5 billion in revenues and close to 10,000 employees, says Couture, adding the company's target is Tier 1 and 2 service providers.

Of course, Amdocs does more than just Yellow Pages automation services and billing. It offers software spanning billing, CRM, ordering and all the business processes facing the customer. Amdocs also sells professional services and does some CRM sales direct to enterprise customers in the financial services and high-tech verticals; FedEx is among its customers for CRM. “But from a revenue and company focus,” says Couture, “it's definitely been on telecommunications. We are [a] leader in the market, and we continued to invest in R&D during the downturn.”

The biggest trend Amdocs has seen in telecom, says Couture, is the move by service providers to put customers — rather than products or technologies — at the center of their businesses. For billing and CRM, he explains, that means integrated customer management.

Amdocs Key Highlights

- Revenue of \$428.3 million, exceeding guidance of \$416 million to \$422 million
- Sequential revenue growth of 4%
- Pro forma EPS increases 30% to 26 cents, exceeding guidance of 24 cents
- Diluted GAAP EPS of 24 cents
- Second quarter fiscal 2004 guidance: Expected revenue of \$432 million to \$438 million and pro forma EPS of 27 cents. Diluted GAAP EPS results expected to be 1 cent to 2 cents less than pro forma EPS.

“Amdocs is investing in the integration so we don't leave it to the service provider to have to do a lot of systems integration” initially and on an ongoing basis, he says.

Amdocs has done a handful of acquisitions in the past couple years and — with about \$1.2 billion cash on hand for potential acquisitions — the company expects to do more in the future.

Most recently, Amdocs announced its intention to acquire mediation software company XACCT Technologies for approximately \$29.5 million. “The acquisition of XACCT lets us extend our reach to touch the network,” says Couture. “Mediation and billing are always going to link into each other in every service provider.” And that integration by Amdocs results in lower costs for service providers, he adds.

Amdocs also completed a couple acquisitions in 2003. It bought the assets of Exchange, which provided automated marketing software on the CRM side. It gives service providers the ability to analyze customer behavior and create promotions based on that information. Also last year, Amdocs bought Certen, a joint venture it created with Bell Canada for outsourced billing.

Among Amdocs' other acquisitions was its purchase of Clarify, which it bought from Nortel in 2001 for a song. “That's a tremendously successful acquisition,” says Couture. Clarify, which Nortel had also acquired, was one of the bigger CRM vendors. Large carriers such as Cingular and Vodafone use Clarify for CRM and Amdocs for billing, says Couture, so it was a good fit.

“The acquisition [of Clarify] from Nortel is now starting to pay dividends,” says Kelly from OSS Observer. “The emphasis on customer care and service management is driving service providers to invest in OSS that provides them with better business intelligence. Controlling customer churn and driving revenue off the existing customer base is key.”