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DOX - Q3 2019 Amdocs Ltd Earnings Call

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OVERVIEW:

Co. reported 3Q19 revenues of \$1.025b and diluted GAAP EPS of \$0.96. Expects FY19 total reported revenue growth to be 2.4-3.4%. Expects 4Q19 revenues to be \$1.015-1.055b and diluted non-GAAP EPS to be \$1.04-1.10.



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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Q3 2019 Amdocs Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to introduce your host for today's conference, Matthew Smith, Head of Investor Relations. You may begin.

Matthew E. Smith - Amdocs Limited - Secretary & Head of IR

Thank you, Gigi. Before we begin, I would like to point out that during this call, we will discuss certain financial information that is not prepared in accordance with GAAP. The company's management uses this financial information in its internal analysis in order to exclude the effect of acquisitions and other significant items that may have a disproportionate effect in a particular period. Accordingly, management believes that isolating the effects of such events enables management and investors to consistently analyze the critical components and results of operations of the company's business and to have a meaningful comparison to prior periods. For more information regarding our use of non-GAAP financial measures, including reconciliations of these measures, we refer you to today's earnings release, which will also be furnished with the SEC on Form 6-K.

Also, this call includes information that constitutes forward-looking statements. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be obtained or that any deviations will not be material. Such statements involve risks and uncertainties that may cause future results to differ from those anticipated. These risks include, but are not limited to, the effects of general economic conditions and such other risks as discussed in our earnings release today and at greater length in the company's filings with the Securities and Exchange Commission, including in our annual report on Form 20-F for the fiscal year ended September 30, 2018, filed on December 10, 2018; our Form 6-K furnished for the first quarter of fiscal 2019 filed on February 19, 2019; and the second quarter of fiscal 2019 on May 28, 2019.

Amdocs may elect to update these forward-looking statements at some point in the future. However, the company specifically disclaims any obligation to do so.

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



Joshua Sheffer - *Amdocs Limited - President & CEO*

Thank you, Matt, and good afternoon to everyone joining us today. I'm pleased to report a solid performance in our third fiscal quarter. Recognized revenue grew 3.4% year-over-year in constant currency and was driven by our organic growth initiatives.

Our profitability was stable and consistent with recent quarters and our mobilized free cash flow generating was healthy as we continue to progress many transformation projects towards production for our customers. We are particularly proud for our project execution this quarter as we successfully delivered the world's largest BSS implementation by migration of more than 200 million subscribers to our 5G-capable Turbo Charging platform for a leading operator in Southeast Asia.

Q3 was also notable for our Managed Services business, which has its best-ever quarter. Strong growth was driven by the continued ramp-up of managed transformation activities for customer like PLDT and Infineon, where we are combining the deployment of large-scale data transformation projects with operational benefits of our managed services model.

Additionally, we continue the strength of capabilities in next-generation network, one of our core growth engines, where we are today excited to announce the strategic acquisition of TTS Wireless to further enhance our open cloud and 5G network capabilities. I'll come back to TTS Wireless later in the call. But first, let me provide an overview of our original activities for the quarter.

Beginning with North America. Sequential revenue growth was driven by stable trends at AT&T and healthy activity levels at many customer in the border region. Earlier this year, we said that Amdocs was selected by Altice USA to accelerate its digital and mobile offering. And I'm pleased to report today we are also helping to enable the mobile offering of North American 2 largest video and internet providers. This includes Comcast's Xfinity Mobile services, the operation of which we are hosting under a multiyear managed services agreement and Charter, which has chosen to extend our strategic relationship to support the growth of its Spectrum Mobile business.

This was also an active quarter for Amdocs Media, where we continued the path of integrating our media assets to sell the rapidly evolving content monetization needs of our media customer, both our traditional service providers and media studios. Along this line, we signed a managed service agreement for distribution of 3D video-on-demand services for new logo, ROKiT, which includes distribution to mobile phones providing large screen 3D content that comes to life in your hands.

Additionally, we are pleased to announce that Vubiquity extended its transport agreement with Viacom and its existing multiyear VOD services agreement with the MSN network.

Regarding the outlook for North America. Revenue in AT&T is stabilizing around the levels of Q2 in our fiscal second half, as we predicted last quarter. Our partnership with AT&T remained strong, based on the value we've delivered in various growth areas. And we are working hard to demonstrate the unique innovation and efficiency improvements we can bring to AT&T's communication business for the long-term.

Additionally, we continue to serve WarnerMedia, and particularly Warner Bros., where we recently extended our global agreement for transactional VOD. As to the future, we believe we are well positioned to bring additional value and support of several potential media and direct-to-consumer related opportunities at WarnerMedia, none of which are reflected in our fiscal 2019 outlook.

At T-Mobile and Sprint, we continue to see healthy level of activities as they prepare for the merger of the recently received DOJ approval. Assuming the deal is completed, we believe we have the right credentials to support T-Mobile as a strategic partner for its post-merger requirements. This reflects our years of integration experience and our proven track record at both T-Mobile and Sprint. Although we have said before, consolidation activity like this can introduce uncertainty, the outcomes which may be hard to predict.

To summarize North America. Favorable market dynamics are translating to healthy customer activity in the broader region, compensating for AT&T where we expect full year revenue to decline in more moderate pace as compared to fiscal 2019. We are therefore on track to deliver modest revenue growth in North America for the full fiscal year 2019. But we remind you that quarterly trends remain likely to fluctuate in the foreseeable future.

Moving to Europe, where we have delivered our eighth consecutive quarter of positive year-over-year growth, notwithstanding normal fluctuations in customer activity, which affect the sequential trend. During Q3, we signed an additional multiyear managed services agreement with Sky Italia, which includes the modernization of its digital monetization operations to support its move to fixed broadband. We also won an additional new logo with an affiliate of a large Western European operator, and we're chosen for a digital transformation that will modernize and automate the user experience for its enterprise and consumer customers.

Looking ahead, regional consolidation activity and the growing trend towards multiplay and convergence is driving new requirements for our customers that we believe Amdocs is well positioned to address with our highly relevant product and services offering. This will support positive long-term growth for us in Europe, although we are, of course, always monitoring the macroeconomic climate of the region.

Turning to rest of the world. We delivered our second straight quarter of record revenue with year-over-year growth of nearly 8% as reported. Among the Q3 highlights, we continue to see interest in our media offering outside North America. Oi Brazil selected Vubiquity as their preferred partner of its recently announced online video platform service, Oi Play.

Additionally, we are delighted to sign a 3-year content licensing and management agreement with Vodafone Qatar to enable to be first mobile operator that launched ESP video-on-demand services in Qatar and offer its customer the ability to stream or download a wide selection of movies and TV programs, including first time exclusive TV shows.

We are also encouraged to see an emerging trend in managed services where some of our earliest customers in the region are embarking on a second wave of modernization activity by expanding the scope of their existing engagement with new multiyear agreements. For example, Vodafone India in India has extended our managed services agreement for several years and selected us for a project to consolidate postpaid retail and enterprise operation in Idea Cellular, with which Vodafone merged last year.

Additionally, today, we announced the expansion of our decade-long relation with XL Axiata in Indonesia by winning a project to deploy the AmdocsOne consumer experience and monetization solution under a multiyear managed digital transformation agreement.

Looking ahead, we are encouraged by our recent win momentum and the solid pipeline of opportunity we see in the rest of the world, although we remind you that revenue trends may fluctuate from quarter to quarter.

To conclude my little summary, we are executing well and generating new growth across our strategic areas of focus. These areas include next-generation open cloud and 5G networks, where I am pleased to have highlighted some of recent new customer and project wins that demonstrate the innovation we are bringing to the market.

Just this week, we announced that SES, a leading global satellite operator, will use Amdocs NFV orchestration solution to deliver SD-WAN and other extended services on Microsoft Azure's highly scalable public cloud infrastructure for its broadcast, telecom, corporate and government customers. Additionally, today, we announced that Amdocs will provide Globe Telecom with our 5G policy control function solution to help Globe design and build open cloud 5G network that will accelerate the rollout of an extensive set of 5G use cases for enterprise and consumer customers.

To accelerate our network services strategy, we are excited to announce today the acquisition of TTS Wireless, a leading provider of mobile network engineering services, which specialize in network optimization, planning and software-enabled solution. We believe the strategic relation -- rationale for this acquisition makes sense on 2 levels. First, TTS Wireless has proven 5G planning experience that immediately expands our network customer footprint at leading American operators, including T-Mobile, where it has strong incumbency that complements our business position. Second, TTS Wireless expands our platform for growth in network services by bringing hundreds of highly skilled mobile network engineers that will enhance our Open 5G portfolio to help us to execute on our strategy of providing an end-to-end 5G solution that can accelerate and simplify the deployment and monetization of open smart 5G network for our customers.

To wrap up, we are pleased with our performance for Q3 and the fiscal year-to-date. We enter Q4 with a record 12-month backlog that we believe reflects the strength of our market-leading position. The pipeline of opportunities remain strong, and we expect to maintain high win rates as we bring the innovative solution our customers need to modernize, automate and digitize their business.

Taking everything into consideration, we are on track to meet our full year targets for constant currency revenue growth and normalized free cash flow. Additionally, we now expect to deliver diluted non-GAAP earnings per share growth in the range of 6.2% to 7.8% for the full year 2019, the 7% midpoint of which represents increase of approximately 50 basis points over previous guidance.

With that, let me turn the call over to Tamar.

Tamar Rapaport-Dagim - Amdocs Limited - CFO & COO

Thank you, Shuky. Third fiscal quarter revenue of \$1.025 billion was in line with the midpoint of our guidance range and included a negative impact from foreign currency movement of approximately \$3 million relative to the second quarter of fiscal '19. Revenue was slightly above the midpoint of our expected range after adjusting for the negative impact of approximately \$1 million of foreign currency movements relative to our guidance.

On a year-over-year basis, our third quarter revenue grew by 2.2% as reported and 3.4% after adjusting for foreign currency headwinds of approximately 120 basis points. Additionally, our year-over-year growth was organic in nature. Our third fiscal quarter non-GAAP operating margin was 17.3%, consistent with the higher end of our long-term target range of 16.5% to 17.5%.

Below the operating line, non-GAAP net interest and other expense was \$1.9 million in Q3. For forward-looking purposes, we continue to expect the non-GAAP net interest and other expense in the range of \$3 million quarterly due to foreign currency fluctuations.

Diluted non-GAAP EPS was \$1.19 in Q3, above our guidance range of \$1.08 and \$1.14. Our non-GAAP effective tax rate of 7% was below our annual target range of 13% to 17% in the third fiscal quarter and was primarily attributable to the net decrease in our provision for uncertain tax position accumulated over several years due to the lack of statute of limitations in certain jurisdictions during this quarter.

Diluted GAAP EPS was \$0.96 for the third fiscal quarter and was also above our guidance range of \$0.82 to \$0.90, primarily due to the tax impact just described. Free cash flow was \$129 million in Q3. This was comprised of cash flow from operations of approximately \$165 million, less \$36 million in net capital expenditures and other. Normalized free cash flow was \$143 million in the third fiscal quarter, which is an improvement relative to \$129 million a year ago. Please refer to the reconciliation table provided in our Q3 earnings release for an explanation of the difference between normalized and reported free cash flow in the quarter.

DSO of 85 days decreased by 4 days year-over-year, and we remind you that DSO may fluctuate from quarter to quarter. Total unbilled receivable increased by \$11 million as compared to the second fiscal quarter of 2019, and our total deferred revenue, both short- and long-term, decreased by \$35 million sequentially in Q3. Accordingly, the gap between unbilled receivables and deferred revenue widened by \$46 million as compared to the second quarter, primarily due to the timing of contract-specific milestones relating to the transformation projects we are delivering for our customers.

Moving forward, you should still expect unbilled receivables and total deferred revenue to fluctuate from quarter to quarter, in line with the normal business activities.

Moving on, our 12-month backlog was a record high of \$3.040 billion (sic) [\$3.40 billion] at the end of the third fiscal quarter, up \$10 million sequentially from the end of the prior quarter. We believe our 12-month backlog continues to serve as a good indicator of our solid book of business.

Our cash balance at the end of the third fiscal quarter was approximately \$458 million and does not reflect the impact of TTS Wireless, the acquisition of which closed earlier this week, for a cash amount of approximately \$50 million.

During the third fiscal quarter, we repurchased \$89 million of our ordinary shares. In total, we have, as of June 30, approximately \$329 million of remaining authorized capacity for share repurchases to be executed at the company's discretion going forward with no stated expiration date. As a reminder, we retain the flexibility to vary the level of share repurchase activity from quarter to quarter, depending on factors such as the outlook for M&A, financial markets and prevailing industry conditions.



Now turning to our outlook for fourth fiscal quarter of 2019. We expect revenue to be within a range of \$1.015 billion to \$1.055 billion. Embedded within our Q4 revenue guidance, we anticipate a sequential positive impact of foreign currency fluctuations of approximately \$2 million as compared to Q3.

Additionally, our guidance incorporates the acquisition of TTS Wireless, which we expect to contribute revenue of several million dollars over the remainder of Q4.

For the full fiscal year 2019, we now expect total revenue growth in the range of 2.4% to 3.4% on a reported basis, which compares with our previously guided annual range of 1.8% to 3.8%. The improved outlook includes an anticipated drag from foreign currency fluctuations of about 1.2% year-over-year, which is in line with our previous expectation.

Due to the timing of the acquisition, TTS Wireless will have a negligible impact on our expected total revenue growth rate as reported for the full fiscal year 2019 and will add just over 1 point of revenue growth in the first year after closing.

On a constant currency basis, we expect revenue growth in the range of 3.6% to 4.6%, the midpoint of which is slightly higher compared with the previously guided annual range of 3% to 5%. We expect our quarterly non-GAAP operating margin to fluctuate at the higher end of the 16.5% to 17.5% range in Q4. We expect the fourth fiscal quarter diluted non-GAAP EPS to be in the range of \$1.04 to \$1.10. We expect our non-GAAP effective tax rate to be at the high end of our annual target range of 13% to 17% in the fourth fiscal quarter. Additionally, our fourth fiscal quarter non-GAAP EPS guidance incorporates an expected average diluted share count of roughly 137 million shares. We excluded the impact of incremental future share buyback activity during the fourth fiscal quarter as the level of activity will depend on market conditions.

For the full fiscal year, we now expect to deliver diluted non-GAAP EPS growth of 6.2% to 7.8%, the 7% midpoint of which is an increase of 50 basis points as compared to our previous range of 4.5% to 8.5%. Our fourth fiscal quarter diluted non-GAAP EPS guidance and our full year fiscal 2019 diluted non-GAAP EPS growth guidance incorporates a neutral impact from the acquisition of TTS Wireless. Based on our current estimates, we expect the acquisition will be neutral to our non-GAAP earnings per share in the first full year after closing.

As to the impact of TTS Wireless on GAAP results, this will not be known until after Amdocs completes the purchase price allocation for the acquisition. We expect our non-GAAP effective tax rate to remain within the same target range of 13% to 17% for the full fiscal year 2019. We remain on track to generate normalized free cash flow for fiscal year 2019 of approximately \$600 million. This equates to an expected conversion rate of approximately 100% relative to the full year non-GAAP net income, driven by normal business operations. We continue to expect reported free cash flow of close to \$500 million in fiscal 2019.

Consistent with our previous guidance, we plan to return a majority of our normalized free cash flow to shareholders in fiscal 2019 by way of our quarterly dividend and share repurchase program.

With that, we can turn it back to the operator, and we are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from Ashwin Shirvaikar from Citi.

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

So I guess, let me jump in with a question on 5G and the 5G opportunity. To start, could you -- is it possible for you guys to size the 5G-related work projects, consulting, that kind of stuff that Amdocs actually does today? And I'm assuming that probably grows in a bit faster than company average, if you can talk about pace of growth?

And in the context of that, layering TTS and provide some financial information around TTS with regards to either size or profitability?

Joshua Sheffer - *Amdocs Limited - President & CEO*

This is Shuky. I can start, and then Tamar can continue. Regarding the 5G offering, I'm not sure we can size it because as we described before, our 5G offering across the different type of lines of business, it's come -- obviously, we've talked about TTS Wireless or existing business we have today, we're talking at capabilities in deploying 5G. Then, we have our 5G capabilities and we talk about charging. And then the third element of 5G is in the monetization.

Now this is across the board of different activities that we do in different projects. So when we have like a new BSS transformation, obviously, we need to support 5G. I'm not sure I can carve out what is the allocated revenue or money which is reflected to 5G because most of our deployments today in the new projects will support 5G.

Tamar can answer more regarding TTS Wireless, but overall I think that we try to be a very holistic view of 5G from a -- definitely from the deployment, optimization of the radio, using NFV capabilities and software and financial capabilities and automation, obviously, to the charging aspect and the monetization aspect. So it pretty much touched every project that we do today across the company.

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

To add on TTS Wireless, as you know, actually we've been engaged in the radio access optimization for some years now. And we've been very pleased to find TTS Wireless, which augments that with a great focus on 5G deployment. It has incumbency in leading carriers in North America, including very strong relationship with T-Mobile for 20 years, very active also in Verizon, in AT&T.

We acquired the company for roughly \$50 million, which is about 1x on revenue. We expect, as we said, that the impact to Q4 '19 will be very small, given some seasonality and August being a slower month. It will be just several million dollars within the fourth quarter of '19. And moving forward, looking in the first year post-acquisition, we think it will already contribute over 1 point of growth to our next year numbers.

In terms of profitability, it's been tracking at the lower margin than Amdocs. We believe that as part of the growth as well as the integration with Amdocs, we can bring it over a couple of years into the corporate average of profitability. Hence, we talked about neutral impact to EPS in the first year post acquisition. But I believe that pretty quickly afterwards, we can improve margins as well.

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

Got it. And then, if I can ask about North America and, I guess, no discussion in North America is complete about -- without talking about consolidation as well as AT&T. Just on the consolidation front, how soon after, from a deal perspective, things are settled, do you expect to see incremental benefit? Can you kind of walk us through the process there?

And it sounded like AT&T now is stable. Is that a good way to call it? Or if you could talk a little bit more about that.

Joshua Sheffer - *Amdocs Limited - President & CEO*

I mean, as we said on the call, we cannot always predict what will be the activities of post-merger immediately. We know that right now that we are engaging a lot with both T-Mobile and Sprint to help them to prepare for day 0, day 1 immediately post-merger. And as you know, we have a strong relationship in Sprint for many years, a large managed services engagement. We have the same in T-Mobile with the Metro engagement and obviously, with the Magenta brand.



So overall, as we said, we see healthy activities in 2019 so far. We believe that we'll continue to focus post-merger and -- on the integration. But I cannot, I think, predict exactly what will happen. Obviously, we're optimistic, but at the same time, we are cautious.

Operator

And our next question is from Tom Roderick from Stifel.

Thomas Michael Roderick - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

So I wanted to just touch upon AT&T a little bit more. So really encouraging to see that flatten out quarter-to-quarter, perhaps as sort of setting up to finally see a step back up in spend.

But as you look at the categories, obviously, there's a wide variety of things that you can do with AT&T. I'm particularly interested on the content side of the equation, the NBCUniversal side. Talk a little bit more about content, the way you can host that, the way you can manage that, whether it's product catalog, whether it's NFV support. I'd love to hear more about some of the growth initiatives on the content perspective of AT&T that you can grow.

Joshua Sheffer - *Amdocs Limited - President & CEO*

So regarding WarnerMedia, we have incumbency today that comes with Vubiquity and both the Vindicia acquisition. The activities are both from -- definitely for the content management and licensing and at the same time, for the monetization perspective from Vindicia.

As you know, they are -- because of the merger and everything was halted by the court. Actually, they started the activity, I think, several months ago to build the next generation organization. We're actively discussing with them different opportunities in different areas. They're yet to mature, although we have good discussions. I believe that we have the right product and services to support them because, as you know, they are going to come with new OTT services, which is direct-to-consumer. We have the assets regarding monetization, subscription management, definitely content management and content licensing. So far we have traction. We are extending all our deals with them. We have some incremental activity, but we continue to work with them for additional value we can bring to them.

Thomas Michael Roderick - *Stifel, Nicolaus & Company, Incorporated, Research Division - MD*

Let me turn my next question to Pay TV. You had a couple of nice announcements this quarter with Xfinity, with Charter. So really nice wins on that front. Did you look at the opportunity on Pay TV, particularly U.S. cable? Do you see more of an opportunity for their next-generation services and, of course, this quarter, you had some spectrum and some support in other arenas. Or do you still sort of harbor hopes to manage the full spectrum of services all the way through to core billing? Talk a little bit more about how you think about the growth prospects in Pay TV.

Joshua Sheffer - *Amdocs Limited - President & CEO*

First of all, we were debating prior to the call. Apparently, Pay TV has a bad name. I mean, these guys are also selling TV, but if you check the revenues, there's a lot coming from broadband and from security and from connected home and now with mobility and, obviously, the traditional Pay TV.

So I think that, obviously, we inspire to support this industry as they move to more a multi-pay environment. So the tradition -- now, all of them, actually in the last year, added the mobile part that they were missing before. So I believe that all the investments that we have done before in the multi-play platforms from the customer experience to the ordering part, order capture, order handling, order provisioning, up to the network and the -- all the activities you need to do to provision is very relevant to them. And we do many of these projects today in different places in the world, including North America. When you deploy end-to-end system, it's including billing also.

So I think this is -- eventually, the industry will transform, and we move ahead. Today, the majority of these operators are running very old legacy systems. So definitely, we see a potential in the future to get to this -- to get into this domain.

Operator

And our next question is from Will Power from Baird.

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

A couple of questions. I guess, first maybe just to come back to the TTS Wireless acquisition. I think, it was a number of years ago now, you had acquired a couple of other network planning, engineering companies like Actix, Celcite. How does the newer acquisition kind of fit with whatever tools, capabilities you had with those? I would've thought those might have been able to migrate from 3G to 4G to 5G as well. So I'd be interested in any color there.

And then, it sounds like, Tamar, you paid a pretty reasonable multiple, roughly 1x revenue. So I guess that suggests that perhaps there hasn't been much revenue growth. So I'd love to get some color on what the revenue growth has been? And if it's not growing, maybe any thoughts as to why?

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

So actually, it is growing and both organically, we've been growing. If you remember, we talked in the Analyst Day about our network being one of the growth drivers. We've been growing very nicely over the last couple of years, including the activities of the radio access optimization. And also when we looked in TTS Wireless as a stand-alone company, it has been growing. We've just seen a great opportunity that complemented what we had already built in-house. TTS is bringing very nice know-how about the deployment phase, the planning and deployment phase where our expertise was more about optimization post deployment.

Joshua Sheffer - *Amdocs Limited - President & CEO*

And 5G.

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

And 5G as well, plus obviously sitting at the sweet spot of the major 5G rollout that is happening in North America. So we feel that this is continuing to support the growth opportunity we see in the software and services for the network domain.

And yes, we think we paid fair multiple. There is some contingent consideration based on some achievement moving forward. It's not huge by size but it's also giving some upside opportunity for the sellers in case certain thresholds are not going to be met.

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

Okay. That's helpful. If I could -- and just, maybe one more. Great to see that Comcast, Charter announcements. Any further color as to the timing of those? Were you already helping those and this is now formalized? Are these new contracts? And when do those start to benefit your results?

Joshua Sheffer - *Amdocs Limited - President & CEO*

Comcast is already in production. So Xfinity Mobile today is running on Amdocs deployment, as we mentioned, in the managed services agreement. Charter, we were awarded this quarter and we are starting the project right now.



Operator

(Operator Instructions) And our next question is from Peter Zdebski from Barclays.

Peter A. Zdebski - *Barclays Bank PLC, Research Division - Research Analyst*

This is Peter on for Tavy Rosner from Barclays. I was wondering, did you see any benefit or drag in the quarter from ASC 606 as you did last quarter?

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

It wasn't a material impact at all. We provided full disclosure in the 6-K, but shouldn't expect any big number there.

Peter A. Zdebski - *Barclays Bank PLC, Research Division - Research Analyst*

Okay. And a follow-up on TTS. If you could say, are they currently profitable? I know you mentioned neutral EPS impact, but in terms of their current...

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

So as I indicated, their margin is significantly lower than the corporate average we have in Amdocs, but we feel that given the synergies as well as the momentum, we think, we will see in terms of the growth, we should be able to improve margin over several years to the corporate average. So I don't think that, that should be concerning point for you -- from your point of view.

Operator

And our next question is from Jackson Ader from JPMorgan.

Jackson Edmund Ader - *JP Morgan Chase & Co, Research Division - Analyst*

First one, I may have missed this as I was kind of hopping around on some calls, but if I can follow up on TTS. The 5G planning and optimization, how does this compare with some of the planning and optimization tools or solutions that you already had in the portfolio?

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

So when we're looking on the things that we are focused on, our core strength was more around the integration and optimization of existing rollouts that has been done versus the strength that TTS is bringing in the planning and deployment phase. Plus of course, with the knowhow and capabilities specifically within 5G rollouts that are starting to happen in the U.S, we feel the combination of both is definitely a winning package in terms of our open network strategy and capabilities.

So you can see that this is complementary in terms to what we had before and built internally to the capabilities that TTS is bringing, with of course the great talent of hundreds of network-related engineers that are helping us to scale up to the demand that we think we are seeing today in the market.

Jackson Edmund Ader - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. Great. And then follow-up, if we can just stay on TTS. What sort of opportunities do you feel like you have to maybe expand this to other geographies with, I think you mentioned in the release that this is mostly American operators here in the installed base?

Joshua Sheffer - *Amdocs Limited - President & CEO*

So information right now we can mention in North America, most of the [intelligence] is here. But I believe we can take all the methodologies, capabilities and know-how that was developed over many years in TTS and take it to our other geographies that we are doing well. So yes, we believe that we can expand it in time to other geographies.

Operator

At this time, I'm showing no further questions. I would like to turn the call back over to Matthew Smith for closing remarks.

Matthew E. Smith - *Amdocs Limited - Secretary & Head of IR*

Thanks, Gigi. And thanks, everyone, for joining us on the call this evening and for your interest in Amdocs. We look forward to hearing from you in the coming days. And if you do have any additional questions, please call the Investor Relations Group. With that, have a great evening. Thanks.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect.

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