



# Mossberg's Investor Digest

## Idea Profile

**Amdocs (NYSE: DOX)**

### DESCRIPTION:

Amdocs is a leading provider of software and services for wireless and wire line telecom, broadband cable and satellite service providers. The company offers OSS (Operational Support Systems) Software and services, which are essentially like ERP systems (think SAP/ Oracle) that telephone and cable companies use to track customer data, process orders and customer billing, monitor problems and in the processes, improve productivity, reduce customer churn and enhance revenue. Headquartered in St. Louis Missouri, with major operations in Israel, Amdocs has more than 17,000 employees and serves customers in more than 50 countries around the world.

### KEY INVESTMENT CONSIDERATION:

**Solid Recurring Revenue Base provides support in challenging market** – Amdocs' solutions provide mission critical activities including billing, customer service, and revenue enhancement. Services, which represent 95% of total revenue, are provided under long term contract, which provides recurring revenue with significant visibility.

**Competition among service provider types will drive growth with existing customers** – The company currently generates two thirds of its revenue from U.S. based customers. Among these customers, which include wire line and wireless telecom, cable and satellite service providers, there is an intense rivalry. As long as there is competition among these players, Amdocs software and services will be in demand to allow the competitors to roll out new differentiated services and increase customer loyalty.

**Emerging Markets present a significant growth opportunity** – Over the past several years, Amdocs has expanded its presence in emerging markets. In 2005, the company entered mainland China by way of acquisition and has offices in India, and in the Middle East. The company is focused on growing in these areas as well as Africa and Latin America. Collectively, 87% of all new subscribers will come from these markets, according to Pyramid Research.

**Amdocs should benefit from new wireless applications** – According to Nielson, mobile video and mobile internet usage is still in its infancy with only 4 million of the 240 million wireless subscribers are using mobile video. This represents a significant opportunity for Amdocs, which will likely be a leading provider for the billing solutions for this type of content.

### KEY RISK:

**Customer Concentration** – AT&T, Sprint, Nextel and Bell Canada, combined account for approximately 50% of DOX's revenue, and more than 10% each. If one of these significant customers were to change to a competing provider, earnings could suffer significantly.

### VALUATION:

Shares are trading near the 52-week lows, 5x EV/EBITDA and 8x TTM EPS. By any measure this is a bargain multiple for a global leader, with a recurring revenue base, strong growth opportunities and a rock solid balance sheet.

(NYSE: DOX)	
Investment Data (as of 11/14/08)	
<b>Recent Price</b>	<b>\$17.72</b>
52-Week Range	16.19 - 35.30
Fiscal Year End	Sep
Dividend	N/A
Yield	N/A
Shares Outstanding	205 MM
Average Trading Volume (3 mos)	2 MM
<b>Market Capitalization</b>	<b>3.6 B</b>
Cash	1.2 B
Long Term Debt	0.5 B
Enterprise Value (EV)	2.9 B
LT Debt/ Equity	0.2
Tangible BV/ Share	4.92
TTM Revenue	3.2 B
<b>P/ Revenue</b>	<b>1.1x</b>
TTM EPS (non-GAAP)	2.29
<b>P/ EPS</b>	<b>8x</b>
TTM EBITDA	611 MM
<b>EV/ TTM EBITDA</b>	<b>5x</b>

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