

AMDOCS LTD
Form 20-F
December 08, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2014

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from _____ to _____.

Commission File Number 1-14840

AMDOCS LIMITED

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(Exact name of Registrant as specified in its charter)

Island of Guernsey

(Jurisdiction of incorporation or organization)

Hirzel House, Smith Street,

St. Peter Port, Island of Guernsey, GY1 2NG

Amdocs, Inc.

1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017

(Address of principal executive offices)

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Amdocs, Inc.

1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017

Telephone: 314-212-8328

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Ordinary Shares, par value £0.01	Nasdaq Global Select Market
Securities registered or to be registered pursuant to Section 12(g) of the Act:	

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares, par value £0.01	156,704,355(1)
(Title of class)	(Number of shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued Other

by the International Accounting Standards Board

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

- (1) Net of 108,030,485 shares held in treasury. Does not include (a) 9,623,741 ordinary shares reserved for issuance upon exercise of stock options and vesting of restricted stock units granted under our stock option plan or by companies we have acquired, and (b) 14,434 ordinary shares reserved for issuance upon conversion of outstanding convertible debt securities.

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AMDOCS LIMITED

FORM 20-F

ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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Unless the context otherwise requires, all references in this Annual Report on Form 20-F to Amdocs, we, our, us and the Company refer to Amdocs Limited and its consolidated subsidiaries and their respective predecessors, and references to our software products, refer to current and subsequent versions. Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and are expressed in U.S. dollars. References to dollars or \$ are to U.S. dollars. Our fiscal year ends on September 30 of each calendar year. References to any specific fiscal year refer to the year ended September 30 of the calendar year specified. For example, we refer to the fiscal year ending September 30, 2014 as fiscal 2014.

We own, have rights to or use trademarks or trade names in conjunction with the sale of our products and services, including Amdocs and CES among others.

Forward Looking Statements

This Annual Report on Form 20-F contains forward-looking statements (within the meaning of the U.S. federal securities laws) that involve substantial risks and uncertainties. You can identify these forward-looking statements by words such as expect, anticipate, believe, seek, estimate, project, forecast, continue, potential, should, would, could, intend and may, and other words that convey uncertainty of outcome. Statements that we make in this Annual Report that are not statements of historical fact also may be forward-looking statements. Forward-looking statements are not guarantees of future performance, and involve risks, uncertainties and assumptions that may cause our actual results to differ materially from the expectations that we describe in our forward-looking statements. There may be events in the future that we are not accurately able to predict, or over which we have no control. You should not place undue reliance on forward-looking statements. Although we may elect to update forward-looking statements in the future, we disclaim any obligation to do so, even if our assumptions and projections change, except where applicable law may otherwise require us to do so. Readers should not rely on those forward-looking statements as representing our views as of any date subsequent to the date of the filing of this Annual Report on Form 20-F.

Important factors that may affect these projections or expectations include, but are not limited to: changes in the overall economy; changes in competition in markets in which we operate; changes in the demand for our products and services; the loss of a significant customer; consolidation within the industries in which our customers operate; changes in the telecommunications regulatory environment; changes in technology that impact both the markets we serve and the types of products and services we offer; financial difficulties of our customers; losses of key personnel; difficulties in completing or integrating acquisitions; litigation and regulatory proceedings; and acts of war or terrorism. For a discussion of these important factors, please read the information set forth below under the caption Risk Factors.

Table of Contents**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**Selected Financial Data**

Our historical consolidated financial statements are prepared in accordance with U.S. GAAP, and presented in U.S. dollars. The selected historical consolidated financial information set forth below has been derived from our historical consolidated financial statements for the years presented. Historical information as of and for the five years ended September 30, 2014 is derived from our consolidated financial statements, which have been audited by Ernst & Young LLP, our independent registered public accounting firm. You should read the information presented below in conjunction with those statements.

The information presented below is qualified by the more detailed historical consolidated financial statements, the notes thereto and the discussion under "Operating and Financial Review and Prospects" included elsewhere in this Annual Report.

	2014	2013	2012	2011	2010
	(In thousands, except per share data)				
Statement of Operations Data:					
Revenue	\$ 3,563,637	\$ 3,345,854	\$ 3,246,903	\$ 3,177,728	\$ 2,984,223
Operating income	495,648	481,552	442,472	404,364	410,433
Net income	422,122	412,439	391,371	346,665	343,906
Basic earnings per share	2.65	2.56	2.33	1.87	1.70
Diluted earnings per share	2.62	2.53	2.31	1.86	1.69
Dividends declared per share(1)	0.595	0.520	0.130		

	2014	2013	2012	2011	2010
	(In thousands)				
Balance Sheet Data:					
Cash, cash equivalents and short-term interest-bearing investments	\$ 1,424,465	\$ 1,326,380	\$ 1,118,177	\$ 1,173,470	\$ 1,433,299
Total assets	5,185,277	4,925,813	4,645,223	4,636,572	4,820,604
Long-term obligations					
Convertible Senior Notes(2)	603	1,020	1,020	1,020	1,020
Shareholders' equity	3,395,836	3,274,783	3,033,202	3,023,301	3,229,380

- (1) In the fourth quarter of fiscal 2012, we instituted a discretionary quarterly cash dividend program in the amount of \$0.13 per share, with the first payment in the first quarter of fiscal 2013. On January 30, 2014, our shareholders approved an increase in the rate of the quarterly cash dividend from \$0.13 per share to \$0.155 per share. In November 2014, our Board of Directors approved a \$0.155 per share quarterly cash dividend to be paid on January 16, 2015, and further approved, subject to shareholder approval at the January 2015 annual general meeting of shareholders, an increase in the rate of the quarterly cash dividend to \$0.17 per share, with the first payment anticipated to be paid in April 2015.
- (2) During fiscal 2014, we purchased for cash \$0.4 million aggregate principal amount of our convertible notes due 2024 tendered by holders. As of September 30, 2014, \$0.6 million principal amount of the notes remained outstanding.

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	Ordinary Shares		Additional	Treasury
	Shares	Amount	Paid-In Capital	Stock
(In thousands)				
Statement of Changes in Shareholders Equity Data:				
Balance as of September 30, 2010	193,049	\$ 3,956	\$ 2,402,163	\$ (1,309,161)
Employee stock options exercised	2,590	42	56,417	
Repurchase of shares(1)	(21,866)			(624,241)
Issuance of restricted stock, net of forfeitures	919	15		
Equity-based compensation expense related to employees			36,631	
Balance as of September 30, 2011	174,692	\$ 4,013	\$ 2,495,211	\$ (1,933,402)
Employee stock options exercised	3,585	56	86,610	
Repurchase of shares(1)	(16,288)			(484,608)
Issuance of restricted stock, net of forfeitures	465	8		
Equity-based compensation expense related to employees			43,429	
Balance as of September 30, 2012	162,454	\$ 4,077	\$ 2,625,250	\$ (2,418,010)
Employee stock options exercised	7,243	112	213,308	
Repurchase of shares(1)	(10,370)			(367,061)
Issuance of restricted stock, net of forfeitures	735	10		
Equity-based compensation expense related to employees			40,340	
Balance as of September 30, 2013	160,062	\$ 4,199	\$ 2,878,898	\$ (2,785,071)
Employee stock options exercised	4,395	73	128,063	
Repurchase of shares(1)	(8,425)			(372,014)
Tax benefit from equity-based awards			3,241	
Issuance of restricted stock, net of forfeitures	672	12		
Equity-based compensation expense related to employees			44,578	
Balance as of September 30, 2014	156,704	\$ 4,284	\$ 3,054,780	\$ (3,157,085)

- (1) From time to time, our Board of Directors has adopted share repurchase plans authorizing the repurchase of our outstanding ordinary shares. On November 6, 2012, our Board of Directors adopted a share repurchase plan authorizing the repurchase of up to \$500.0 million of our outstanding ordinary shares and on April 30, 2014, adopted another share repurchase plan authorizing the repurchase of up to \$750.0 million of our outstanding ordinary shares. These authorizations have no expiration date and permit us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate. In August 2014, we completed the repurchase of the remaining authorized amount under the November 2012 plan and began executing repurchases under the April 2014 plan. In fiscal 2014, we repurchased 8.4 million ordinary shares at an average price of \$44.14 per share (excluding broker and transaction fees). As of September 30, 2014, we had remaining authority to repurchase up to \$714.0 million of our outstanding ordinary shares under the April 2014 plan.

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Risk Factors

We are exposed to general global economic and market conditions, particularly those impacting the communications industry.

We provide software and services primarily to service providers in the communications industry and our business is therefore highly dependent upon conditions in that industry. Developments in the communications industry, such as the impact of global economic conditions, industry consolidation, emergence of new competitors, commoditization of voice, video and data services and changes in the regulatory environment, at times have had, and could continue to have, a material adverse effect on our existing or potential customers. In the past, these conditions reduced the high growth rates that the communications industry had previously experienced and caused the market value, financial results and prospects and capital spending levels of many communications companies to decline or degrade. Industry consolidation involving our customers may place us at risk of losing business to the incumbent provider to one of the parties to the consolidation or to new competitors. During previous economic downturns, the communications industry experienced significant financial pressures that caused many in the industry to cut expenses and limit investment in capital intensive projects and, in some cases, led to restructurings and bankruptcies. Continuing uncertainty as to economic recovery in recent years may have adverse consequences for our customers and our business.

Downturns in the business climate for communications companies have in the past resulted in slower customer buying decisions and price pressures that adversely affected our ability to generate revenue. Adverse market conditions may have a negative impact on our business by decreasing our new customer engagements and the size of initial spending commitments under those engagements, as well as decreasing the level of discretionary spending by existing customers. In addition, a slowdown in buying decisions may extend our sales cycle period and may limit our ability to forecast our flow of new contracts. If such adverse business conditions arise in the future, our business may be harmed.

If we fail to adapt to changing market conditions and cannot compete successfully with existing or new competitors, our business could be harmed.

We may be unable to compete successfully with existing or new competitors. Our failure to adapt to changing market conditions and to compete successfully with established or new competitors could have a material adverse effect on our results of operations and financial condition. We face intense competition for the software products and services that we sell, including competition for managed services we provide to customers under long-term service agreements. These managed services include management of data center operations and IT infrastructure, application management and ongoing support, systems modernization and consolidation and management of end-to-end business processes for billing and customer care operations.

The market for communications information systems is highly competitive and fragmented, and we expect competition to continue to increase. We compete with independent software and service providers and with the in-house IT and network departments of communications companies. Our main competitors include firms that provide IT services (including consulting, systems integration and managed services), software vendors that sell products for particular aspects of a total information system, software vendors that specialize in systems for particular communications services (such as Internet, wireline and wireless services, cable, satellite and service bureaus) and network equipment providers that offer software systems in combination with the sale of network equipment. We also compete with companies that provide digital commerce software and solutions.

We believe that our ability to compete depends on a number of factors, including:

the development by others of software products and services that are competitive with our products and services,

the price at which others offer competitive software and services,

the ability of competitors to deliver projects at a level of quality that rivals our own,

the responsiveness of our competitors to customer needs, and

the ability of our competitors to hire, retain and motivate key personnel.

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A number of our competitors have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources, and strong name recognition. Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their abilities to address the needs of our existing or prospective customers. In addition, our competitors have acquired, and may continue to acquire in the future, companies that may enhance their market offerings. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. As a result, our competitors may be able to adapt more quickly than us to new or emerging technologies and changes in customer requirements, and may be able to devote greater resources to the promotion and sale of their products. We cannot assure you that we will be able to compete successfully with existing or new competitors. If we fail to adapt to changing market conditions and to compete successfully with established or new competitors, our results of operations and financial condition may be adversely affected.

If we do not continually enhance our products and service offerings and introduce new products and features, we may have difficulty retaining existing customers and attracting new customers.

We believe that our future success will depend, to a significant extent, upon our ability to enhance our existing products and services and to introduce new products, services and features to meet the requirements of our customers in a rapidly developing and evolving market. We devote significant resources to refining and expanding our base software modules and to developing our customer experience solutions. Our present or future products and services may not satisfy the evolving needs of the communications industry or of other industries that we serve. If we are unable to anticipate or respond adequately to such needs, due to resource, technological or other constraints, our business and results of operations could be harmed.

Our business is dependent on a limited number of significant customers, and the loss of any one of our significant customers could harm our results of operations.

Our business is dependent on a limited number of significant customers, of which AT&T has historically been our largest. AT&T accounted for 33% of our revenue in fiscal 2014 and 28% in fiscal 2013. Aggregate revenue derived from the multiple business arrangements we have with the ten largest of our significant customers accounted for approximately 73% of our revenue in fiscal 2014 and 70% in fiscal 2013. The loss of any significant customer, a significant decrease in business from any such customer or a reduction in customer revenue due to adverse changes in the terms of our contractual arrangements or other factors could harm our results of operations and financial condition. Revenue from individual customers may fluctuate from time to time based on the commencement and completion of projects, the timing of which may be affected by market conditions.

Although we have received a substantial portion of our revenue from recurring business with established customers, many of our major customers do not have any obligation to purchase additional products or services from us and generally have already acquired fully paid licenses to their installed systems. Therefore, our customers may not continue to purchase new systems, system enhancements or services in amounts similar to previous years or may delay implementation or significantly reduce the scope of committed projects, each of which could reduce our revenue and profits.

Our future success will depend on our ability to develop and maintain long-term relationships with our customers and to meet their expectations in providing products and performing services.

We believe that our future success will depend to a significant extent on our ability to develop and maintain long-term relationships with successful network operators and service providers with the financial and other resources required to invest in significant ongoing customer experience solutions. If we are unable to develop new customer relationships, our business will be harmed. In addition, our business and results of operations depend in part on our ability to provide high quality services to customers that have already implemented our products. If we are unable to meet customers' expectations in providing products or performing services, our business and results of operations could be harmed.

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We may seek to acquire companies or technologies that could disrupt our ongoing business, divert the attention of our management and employees and adversely affect our results of operations.

It is a part of our business strategy to pursue acquisitions and other initiatives in order to offer new products or services or otherwise enhance our market position or strategic strengths. In recent years, we have completed numerous acquisitions, which, among other things, have expanded our business into digital commerce solutions and the network control and optimization domains. In the future, we may acquire other companies that we believe will advance our business strategy. We may not be able to identify suitable future acquisition candidates, consummate acquisitions on favorable terms or complete otherwise favorable acquisitions because of antitrust or other regulatory concerns.

We cannot assure you that the acquisitions we have completed, or any future acquisitions that we may make, will enhance our products and services or strengthen our competitive position. We also cannot assure you that we have identified, or will be able to identify, all material adverse issues related to the integration of our acquisitions, such as significant defects in the internal control policies of companies that we have acquired. In addition, our acquisitions could lead to difficulties in integrating acquired personnel and operations and in retaining and motivating key personnel from these businesses. Any failure to recognize significant defects in the internal control policies of acquired companies or to properly integrate and retain personnel may require a significant amount of time and resources to address. Acquisitions may disrupt our ongoing operations, divert management from day-to-day responsibilities, increase our expenses and harm our results of operations or financial condition.

The skilled and highly qualified workforce that we need to develop, implement and modify our solutions may be difficult to hire, train and retain, and we could face increased costs to attract and retain our skilled workforce.

Our business operations depend in large part on our ability to attract, train, motivate and retain highly skilled information technology professionals, software programmers and communications engineers on a worldwide basis. In addition, our competitive success will depend on our ability to attract and retain other outstanding, highly qualified employees, consultants and other professionals. Because our software products are highly complex and are generally used by our customers to perform critical business functions, we depend heavily on skilled technology professionals. Skilled technology professionals are often in high demand and short supply. If we are unable to hire or retain qualified technology professionals to develop, implement and modify our solutions, we may be unable to meet the needs of our customers. In addition, serving several new customers or implementing several new large-scale projects in a short period of time may require us to attract and train additional IT professionals at a rapid rate. We may face difficulties identifying and hiring qualified personnel. Although we are heavily investing in training our new employees, we may not be able to train them rapidly enough to meet the increasing demands on our business, particularly in light of high attrition rates in some regions where we have operations. Our inability to hire, train and retain the appropriate personnel could increase our costs of retaining a skilled workforce and make it difficult for us to manage our operations, meet our commitments and compete for new customer contracts. In particular, wage costs in lower-cost markets where we have historically added personnel, such as India, are increasing and we may need to increase the levels of our employee compensation more rapidly than in the past to remain competitive.

As a result of our entry into new domains, we now compete for high quality employees in those domains' limited and competitive talent market. In addition, cost containment measures effected in recent years, such as the relocation of projects to lower-costs countries, may lead to greater employee attrition and increase the cost of retaining our most skilled employees. The transition of projects to new locations may also lead to business disruptions due to differing levels of employee knowledge and organizational and leadership skills. While we have never experienced an organized labor dispute, strike or work stoppage, any such dispute in the future could have a negative impact on our business.

Our success will also depend, to a certain extent, upon the continued active participation of a relatively small group of senior management personnel. The loss of the services of all or some of these executives could harm our operations and impair our efforts to expand our business.

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Our quarterly operating results may fluctuate, and a decline in revenue in any quarter could result in lower profitability for that quarter and fluctuations in the market price of our ordinary shares.

At times, we have experienced fluctuations in our quarterly operating results and anticipate that such movements may continue to occur. Fluctuations may result from many factors, including:

the size, timing and pace of progress of significant customer projects and license and service fees,

delays in or cancellations of significant projects by customers,

changes in operating expenses,

increased competition,

changes in our strategy,

personnel changes,

foreign currency exchange rate fluctuations,

penetration of new markets, and

general economic and political conditions.

Generally, our combined license fee revenue and service fee revenue relating to customization, modification, implementation and integration are recognized as work is performed, using the percentage of completion method of accounting. Given our reliance on a limited number of significant customers, our quarterly results may be significantly affected by the size and timing of customer projects and our progress in completing such projects.

We believe that the placement of customer orders may be concentrated in specific quarterly periods due to the time requirements and budgetary constraints of our customers. Although we recognize a significant portion of our revenue as projects are performed, progress may vary significantly from project to project, and we believe that variations in quarterly revenue are sometimes attributable to the timing of initial order placements. Due to the relatively fixed nature of certain of our costs, a decline of revenue in any quarter could result in lower profitability for that quarter. In addition, fluctuations in our quarterly operating results could cause significant fluctuations in the market price of our ordinary shares.

Our revenue, earnings and profitability are affected by the length of our sales cycle, and a longer sales cycle could adversely affect our results of operations and financial condition.

Our business is directly affected by the length of our sales cycle. Information systems for communications companies are relatively complex and their purchase generally involves a significant commitment of capital, with attendant delays frequently associated with large capital expenditures and procurement procedures within an organization. The purchase of these types of products and services typically also requires coordination and agreement across many departments within a potential customer's organization. Delays associated with such timing factors could have a material adverse effect on our results of operations and financial condition. In periods of economic slowdown in the communications industry,

our typical sales cycle lengthens, which means that the average time between our initial contact with a prospective customer and the signing of a sales contract increases. The lengthening of our sales cycle could reduce growth in our revenue. In addition, the lengthening of our sales cycle contributes to increased selling expenses, thereby reducing our profitability.

We may be required to increase or decrease the scope of our operations in response to changes in the demand for our products and services, and if we fail to successfully plan and manage changes in the size of our operations, our business will suffer.

In the past, we have both grown and contracted our operations, in some cases rapidly, in order to profitably offer our products and services in a continuously changing market. If we are unable to manage these changes and plan and manage any future changes in the size and scope of our operations, our business will suffer.

Restructurings and cost reduction measures that we have implemented, from time to time, have reduced the size of our operations and workforce. Reductions in personnel can result in significant severance, administrative

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and legal expenses and may also adversely affect or delay various sales, marketing and product development programs and activities. These cost reduction measures have included, and may in the future include, employee separation costs and consolidating and/or relocating certain of our operations to different geographic locations.

Acquisitions, organic growth and absorption of significant numbers of customers' employees in connection with managed services projects have, from time to time, increased our headcount. Our total workforce, which includes employees and consultants, has increased from 17,244 at the end of fiscal 2009 to 22,546 as of September 30, 2014. During periods of expansion, we may need to serve several new customers or implement several new large-scale projects in short periods of time. This may require us to attract and train additional IT professionals at a rapid rate, which we may have difficulties doing successfully.

Volatility and turmoil in the world's capital markets may adversely affect our investment portfolio and other financial assets.

Our cash, cash equivalents and short-term interest-bearing investments totaled \$1,214 million, net of short-term debt, as of September 30, 2014. Our policy is to retain sufficient cash balances in order to support our growth. Our short-term investments consist primarily of money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities. Although we believe that we generally adhere to conservative investment guidelines, adverse market conditions have resulted in immaterial impairments during the last three fiscal years of the carrying value of certain of our investment assets. Future adverse market conditions may lead to additional impairments. Realized or unrealized losses in our investments or in our other financial assets may adversely affect our financial condition.

Declines in the financial condition of banks or other global financial institutions may adversely affect our normal financial operations.

We may be exposed to the credit risk of customers that have been adversely affected by weakened markets.

We typically sell our software and related services as part of long-term projects. During the life of a project, a customer's budgeting constraints can impact the scope of a project and the customer's ability to make required payments. In addition, adverse general business conditions may degrade the creditworthiness of our customers over time, and we can be adversely affected by bankruptcies or other business failures.

Our international presence exposes us to risks associated with varied and changing political, cultural, legal and economic conditions worldwide.

We are affected by risks associated with conducting business internationally. We maintain development facilities in Brazil, Canada, Cyprus, India, Ireland, Israel, the United Kingdom and the United States, and have operations in North America, Europe, Israel, Latin America and the Asia-Pacific region. Although a substantial majority of our revenue is derived from customers in North America and Europe, we obtain significant revenue from customers in the Asia-Pacific region and Latin America. Our strategy is to continue to broaden our North American and European customer bases and to continue to expand into international markets, including emerging markets, such as those in Latin America, Russia and other members of the Commonwealth of Independent States, India and Southeast Asia. Conducting business internationally exposes us to certain risks inherent in doing business in numerous markets, including:

lack of acceptance of non-localized products or services,

difficulties in complying with varied legal and regulatory requirements across jurisdictions, including those applicable to employees and the terms of employment,

difficulties in staffing and managing foreign operations,

longer payment cycles,

difficulties in collecting accounts receivable and withholding taxes that limit the repatriation of earnings,

trade barriers,

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challenges in complying with complex foreign and U.S. laws and regulations, including communication, trade and privacy regulations,

immigration regulations that limit our ability to deploy our employees,

political instability and threats of terrorism, and

variations in effective income tax rates and tax policies among countries where we conduct business.

One or more of these factors could have a material adverse effect on our operations, which could harm our results of operations and financial condition.

As we continue to develop our business internationally, including in emerging markets, we face increasing challenges that could adversely impact our results of operations, reputation and business.

As we continue to expand our business internationally, including in emerging markets such as those in Latin America, Russia and other members of the Commonwealth of Independent States, India and Southeast Asia, we face a number of challenges. These challenges include those related to more volatile economic conditions, competition from companies that are already present in the market, the need to identify correctly and leverage appropriate opportunities for sales and marketing, poor protection of intellectual property, inadequate protection against crime (including counterfeiting, corruption and fraud), inadvertent breaches of local laws or regulations and difficulties in recruiting sufficient personnel with appropriate skills and experience. In addition, local business practices in jurisdictions in which we operate, and particularly in emerging markets, may be inconsistent with international regulatory requirements, such as anti-corruption and anti-bribery laws and regulations (including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act) to which we are subject. It is possible that some of our employees, subcontractors, agents or partners may violate such legal and regulatory requirements, which may expose us to criminal or civil enforcement actions, including penalties and suspension or disqualification from U.S. federal procurement contracting. If we fail to comply with such legal and regulatory requirements, our business and reputation may be harmed.

Our international operations expose us to risks associated with fluctuations in foreign currency exchange rates that could adversely affect our business.

Although we have operations throughout the world, approximately 70% to 80% of our revenue and approximately 50% to 60% of our operating costs are denominated in, or linked to, the U.S. dollar. Accordingly, we consider the U.S. dollar to be our functional currency. Fluctuations in exchange rates between the dollar and the currencies not denominated in, or linked to, the U.S. dollar in which revenues are earned or costs are incurred may have a material adverse effect on our results of operations and financial condition. From time to time we may experience increases in the costs of our operations outside the United States, as expressed in dollars, as well as decreases in revenue not denominated in, or linked to, the U.S. dollars, each of which could have a material adverse effect on our results of operations and financial condition.

For example, during the height of the financial crisis in fiscal 2008, we recognized higher than usual foreign exchange losses under interest and other expense, net, mainly due to the significant revaluation of assets and liabilities denominated in other currencies attributable to the rapid and significant foreign exchange rate changes associated with the global economic turbulence. Although our foreign exchange losses have been less significant since then as a result of enhanced hedging strategies, we believe that foreign exchange rates may continue to present challenges in future periods.

Our policy is to hedge significant net exposures in the major foreign currencies in which we operate, and we generally hedge our net currency exposure with respect to expected revenue and operating costs and certain balance sheet items. We do not hedge all of our currency exposure, including for currencies for which the cost of hedging is prohibitively expensive. We cannot assure you that we will be able to effectively limit all of our exposure to currency exchange rate fluctuations.

The imposition of exchange or price controls, devaluation policies, restrictions on withdrawal of foreign exchange, or other restrictions on the conversion of foreign currencies could also have a material adverse effect on our business, results of operations and financial condition.

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Political and economic conditions in the Middle East and other countries may adversely affect our business.

Of the development centers we maintain worldwide, two of our largest development centers are located in Israel and India. In Israel, the centers are located in several different sites, and approximately 21% of our software and information technology, sales and marketing workforce is located in Israel. As a result, we are directly influenced by the political, economic and military conditions affecting Israel and its neighboring regions. Any major hostilities involving Israel could have a material adverse effect on our business. We maintain contingency plans to provide ongoing services to our customers in the event that escalated political or military conditions disrupt our normal operations. These plans include the transfer of some development operations within Israel to various of our other sites both within and outside of Israel. Implementation of these plans could disrupt our operations and cause us to incur significant additional expenditures, which could adversely affect our business and results of operations.

Conflicts in North Africa and the Middle East, including in Egypt and Syria which border Israel, have resulted in continued political uncertainty and violence in the region. Reports of Iran's continuing nuclear development program have seriously strained relations between Israel and Iran. In addition, efforts to improve Israel's relationship with the Palestinian Authority have failed to result in a permanent solution, and there have been numerous periods of hostility in recent years involving, in particular, Gaza. Further deterioration of relations with the Palestinian Authority or other countries in the Middle East might require increased military reserve service by some of our workforce, which may have a material adverse effect on our business.

In recent years, we have expanded our operations internationally, particularly in India, Southeast Asia and Latin America. Conducting business in these and other countries involves unique challenges, including political instability, threats of terrorism, the transparency, consistency and effectiveness of business regulation, business corruption, the protection of intellectual property, and the availability of sufficient qualified local personnel. Any of these or other challenges associated with operating in these countries may adversely affect our business or operations. We have development and other facilities at multiple locations in India, and approximately 38% of our software and information technology, sales and marketing workforce is located in India. Terrorist activity in India and Pakistan has contributed to tensions between those countries and our operations in India may be adversely affected by future political and other events in the region.

If we are unable to protect our proprietary technology from misappropriation, our business may be harmed.

Any misappropriation of our technology or the development of competitive technology could seriously harm our business. Our software and software systems are largely comprised of software and systems we have developed or acquired and that we regard as proprietary. We rely upon a combination of trademarks, patents, contractual rights, trade secret law, copyrights, non-disclosure agreements and other methods to protect our proprietary rights. We enter into non-disclosure and confidentiality agreements with our customers, workforce and marketing representatives and with certain contractors with access to sensitive information, and we also limit our customer access to the source codes of our software and our software systems. We have undertaken, and will continue to undertake, appropriate actions to protect our technology.

The steps we have taken to protect our proprietary rights may be inadequate. If so, we might not be able to prevent others from using what we regard as our technology to compete with us. Existing trade secret, copyright and trademark laws offer only limited protection. In addition, the laws of some foreign countries do not protect our proprietary technology or allow enforcement of confidentiality covenants to the same extent as the laws of the United States.

If we have to resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome, protracted and expensive and could involve a high degree of risk.

Claims by others that we infringe their proprietary technology could harm our business and subject us to potentially burdensome litigation.

Our software and software systems are the results of long and complex development processes, and, although our technology is not significantly dependent on patents or licenses from third parties, certain aspects of

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our products make use of readily available software components that we license from third parties, including our employees and contractors. As a developer of complex software systems, third parties may claim that portions of our systems violate their intellectual property rights. The ability to develop and use our software and software systems requires knowledge and professional experience that we believe is unique to us and would be very difficult for others to independently obtain. However, our competitors may independently develop technologies that are substantially equivalent or superior to ours.

Software developers, including us, have been and are becoming increasingly subject to infringement claims as the number of products and competitors providing software and services to the communications industry increases and overlaps occur. In addition, patent infringement claims are increasingly being asserted by patent holding companies, which do not use the technology subject to their patents, and whose sole business is to enforce patents against companies, such as us, for monetary gain. Any claim of infringement by a third party could cause us to incur substantial costs defending against the claim and could distract our management from our business. Furthermore, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from selling our products or offering our services, or prevent a customer from continuing to use our products. We support service providers and media companies with respect to digital content services, which could subject us to claims related to such services. Our entry into the digital content services market has also subjected us to possible claims of infringement of the ownership rights to media content, for example, as well as to direct legal claims from retail consumers arising from the delivery of such services.

If anyone asserts a claim against us relating to proprietary technology or information, we might seek to license their intellectual property. We might not, however, be able to obtain a license on commercially reasonable terms or on any terms. In addition, any efforts to develop non-infringing technology could be unsuccessful. Our failure to obtain the necessary licenses or other rights or to develop non-infringing technology could prevent us from selling our products and could therefore seriously harm our business.

Product defects, software errors, or service failures could adversely affect our business.

Design defects or software errors may cause delays in product introductions and project implementations and damage customer satisfaction, and may have a material adverse effect on our business, results of operations and financial condition. Our software products are highly complex and may, from time to time, contain design defects or software errors that may be difficult to detect and correct.

Because our products are generally used by our customers to perform critical business functions, design defects, software errors, misuse of our products, incorrect data from external sources, failures to comply with our service obligations or other potential problems within or outside of our control may arise during implementation or from the use of our products and services, and may result in financial or other damages to our customers, for which we may be held responsible. Although we have license and service agreements with our customers that contain provisions designed to limit our exposure to potential claims and liabilities arising from customer problems, these provisions may not effectively protect us against such claims in all cases and in all jurisdictions. In addition, as a result of business and other considerations, we may undertake to compensate our customers for damages caused to them arising from the use of our products and services, even if our liability is limited by a license or other agreement. Claims and liabilities arising from customer problems could also damage our reputation, adversely affecting our business, results of operations and financial condition and the ability to obtain Errors and Omissions insurance.

Our use of open source software could adversely affect our ability to sell our services and subject us to possible litigation.

We use open source software in providing our solutions, and we may use additional open source software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses. Under such licenses, if we engage in certain defined manners of use, we may be subject to certain conditions, including requirements that we offer our solutions that incorporate the open source software for no cost; that we make available source code for modifications or derivative works we create based upon,

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incorporating or using the open source software; and/or that we license such modifications or derivative works under the terms of the particular open source license. In addition, if a third-party software provider has incorporated open source software into software that we license from such provider in a manner that triggers one or more of the above requirements, we could be required to disclose any of our source code that incorporates or is a modification of such licensed software. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contained the open source software, and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our solutions.

System disruptions and failures or security and privacy breaches may result in customer dissatisfaction, customer loss or both, which could materially and adversely affect our reputation and business.

Our systems are an integral part of our customers' business operations. The continued and uninterrupted performance of these systems by our customers is critical to our success. Customers may become dissatisfied by any system failure that interrupts our ability to provide services to them. Sustained or repeated system failures would reduce the attractiveness of our services significantly and could result in decreased demand for our products and services.

Our ability to serve our customers depends on our ability to protect our computer systems against damage from fire, power loss, water damage, telecommunications failures, earthquake, terrorism attack, vandalism and similar unexpected adverse events. Despite our efforts to implement network security measures, our systems are also vulnerable to computer viruses, attacks, break-ins and similar disruptions from unauthorized tampering. Although we maintain insurance that we believe is appropriate for our business and industry, such coverage may not be sufficient to compensate for any significant losses that may occur as a result of any of these events.

We have experienced systems outages and service interruptions in the past. To date, these outages have not had a material adverse effect on us. However, in the future, a prolonged system-wide outage or frequent outages could cause harm to our reputation and could cause our customers to make claims against us for damages allegedly resulting from an outage or interruption. Any damage or failure that interrupts or delays our operations could result in material harm to our business and expose us to material liabilities.

If a cyber-attack or other security incident were to result in unauthorized access to or modification of our customers' data or our own data or our IT systems or in disruption of the services we provide to our customers, or if our products or services are perceived as having security vulnerabilities, we could suffer significant damage to our business and reputation. Customers could lose confidence in the security and reliability of our products and services, including our cloud offerings, and perceive them not to be secure. This in turn could lead to fewer customers using our products and services and result in reduced revenue and earnings. The costs we would incur to address and fix these security incidents would increase our expenses. These types of security incidents could also lead to lawsuits, regulatory investigations and claims and increased legal liability.

Changes in the tax policies and regulations imposed by the jurisdictions in which we operate, the termination or reduction of certain government programs and tax benefits, or challenges by tax authorities of our tax positions could adversely affect our overall effective tax rate.

There can be no assurance that our effective tax rate of 13.8% for the year ended September 30, 2014 will not change over time as a result of changes in corporate income tax rates or other changes in the tax laws of Guernsey, the jurisdiction in which our holding company is organized, or of the various countries in which we operate. There is growing pressure in many jurisdictions and from multinational organizations such as the OECD and EU to amend existing international taxation rules in order to align the tax regimes with current global business practices and thereby generate more tax revenue.

We have benefited or currently benefit from a variety of government programs and tax benefits that generally carry conditions that we must meet in order to be eligible to obtain any benefit. For example, through a subsidiary, we operate development centers and a business processing operations center in India. In 2014, the effective corporate tax rate applicable in India on trading activities was 33.99%. Our subsidiary in India operates under specific favorable tax entitlements that are based upon pre-approved information technology related

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services activity. As a result, these activities are entitled to considerable corporate income tax reductions for our eligible income, which reduce the current applicable effective tax rate (cash basis) to 20%. Such favorable tax treatment is applied on all income derived from such pre-approved information technology activity, provided the subsidiary continues to meet the conditions required for such tax benefits. These benefits are scheduled to phase out over 15 years from the commencement of operations of the respective units within our Indian subsidiary. Proposed changes in Indian tax law may reduce or eliminate the availability of these beneficial tax rates. Please see Item 10 Additional Information Taxation Certain Indian Tax Considerations for more information.

If we fail to meet the conditions upon which certain favorable tax treatment is based, we would not be able to claim future tax benefits and could be required to refund tax benefits already received. In addition, any of the following could have a material effect on our overall effective tax rate:

some tax benefit programs may be limited in duration or may be discontinued,

we may be unable to meet the requirements for continuing to qualify for some programs,

these programs and tax benefits may be unavailable at their current levels, or

upon expiration of a particular benefit, we may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit.

The market price of our ordinary shares has and may continue to fluctuate widely.

The market price of our ordinary shares has from time to time fluctuated widely and may continue to do so. Many factors could cause the market price of our ordinary shares to rise and fall, including:

market conditions in the industry and the economy as a whole,

variations in our quarterly operating results,

changes in our backlog levels,

announcements of technological innovations by us or our competitors,

introductions of new products and services or new pricing policies by us or our competitors,

trends in the communications or software industries, including industry consolidation,

acquisitions or strategic alliances by us or others in our industry,

changes in estimates of our performance or recommendations by financial analysts,

changes in our shareholder base, and

political developments in the Middle East or other areas of the world.

In addition, the stock market frequently experiences significant price and volume fluctuations. In the past, market fluctuations have, from time to time, particularly affected the market prices of the securities of many high technology companies. These broad market fluctuations could adversely affect the market price of our ordinary shares.

It may be difficult for our shareholders to enforce any judgment obtained in the United States against us or our affiliates.

We are incorporated under the laws of the Island of Guernsey and a majority of our directors and executive officers are not citizens or residents of the United States. A significant portion of our assets and the assets of those persons are located outside the United States. As a result, it may not be possible for investors to effect service of process upon us within the United States or upon such persons outside their jurisdiction of residence. Also, we have been advised that there is doubt as to the enforceability in Guernsey of judgments of the United States courts of civil liabilities predicated solely upon the laws of the United States, including the federal securities laws.

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ITEM 4. INFORMATION ON THE COMPANY

History, Development and Organizational Structure of Amdocs

Amdocs Limited was organized as a company with limited liability under the laws of the Island of Guernsey in 1988. Since 1995, Amdocs Limited has been a holding company for the various subsidiaries that conduct our business on a worldwide basis. Our global business is providing software and services solutions to enable communications, entertainment and media companies that are major services providers in North America, Europe and the rest of the world to move toward an integrated approach to customer experience. Our registered office is Hirzel House, Smith Street, St. Peter Port, Island of Guernsey, GY1 2NG, and the telephone number at that location is +44-1481-728444.

The executive offices of our principal subsidiary in the United States are located at 1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017, and the telephone number at that location is +1-314-212-8328.

Our subsidiaries are organized under and subject to the laws of several countries. Our principal operating subsidiaries are in Canada, Cyprus, Hungary, India, Ireland, Israel, the United Kingdom and the United States. Please see Exhibit 8 to this Annual Report on Form 20-F for a listing of our significant subsidiaries.

As part of our strategy, we have pursued and may continue to pursue acquisitions and other initiatives in order to offer new products or services or otherwise enhance our market position or strategic strengths. In recent years, we have completed numerous acquisitions, which, among other things, have expanded our business into digital commerce solutions and the network control and optimization domains. In 2013, we acquired Actix Ltd., a provider of mobile network optimization solutions, and in January 2014 we acquired substantially all the assets of Celcite Management Solutions LLC, a provider of network management and self-optimizing network solutions.

As the result of our organic growth and acquisitions, our software and information technology, sales and marketing workforce has increased over the last three years from 18,623 as of the end of fiscal 2012 to 21,112 as of the end of fiscal 2014. In the past, our workforce has fluctuated with changes in business conditions.

Our principal capital expenditures for fiscal 2014, 2013 and 2012 have been for computer equipment in our operating facilities and development centers, for which we spent approximately \$94.1 million, \$87.7 million and \$107.4 million, respectively. Any future expansion of our managed services activity could result in additional capital expenditures. We anticipate our capital expenditures in fiscal 2015 will be financed internally and will consist of, among other things, additional computer equipment.

Business Overview

Amdocs is a leading provider of software and services for communications, entertainment and media industry service providers in developed countries and emerging markets. These service providers include some of the largest telecommunications companies in the world, including AT&T, Bell Canada, Deutsche Telekom, Sprint, Telefonica and Vodafone, as well as cable and satellite providers, including Cablevision, Comcast, DIRECTV and UPC Broadband Holding B.V., directory publishers and other providers of media services.

We develop, implement and manage software and services associated with business support systems (BSS), operational support systems (OSS) and network control and optimization domains to enable service providers to efficiently and cost-effectively introduce new products and services, process orders, monetize data and support new business models and generally enhance their understanding of their customers. We refer to these products, systems and services collectively as customer experience solutions because of the crucial impact they have on the service providers' end-user experience.

We believe the demand for our customer experience solutions is driven by the desire of service providers to help their consumer and business customers navigate the increasing number of devices, services and plans available in the connected communications world, and the need of service providers to cope with the rapidly growing demand for data that these new devices and services have created. In fiscal 2013, we released the Amdocs CES (Customer Experience Solutions) 9 portfolio which redefines the service providers' operating environment by delivering a fully virtualized, real-time integration across BSS, OSS and network control and optimization domains, removing barriers to service and system convergence and enabling an integrated customer experience from the device to the network. Amdocs CES 9 aligns business processes around the end customer and enables service providers to rapidly launch and monetize innovative offers and personalize customer

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interactions with real-time insight, and permits customers to take control of their experiences across any channel, network, service or device. In fiscal 2014, we released the Amdocs CES 9.1 portfolio to enable service providers to interact with customers via social media channels, cost-effectively enter and serve the small- and medium-sized business (SMB) market, provide solutions for quad-play offerings, wearable devices and connected cars and homes, and to better manage the customer experience from the device to the network. We also expanded our offering in the network software domain to include solutions for intelligent Wi-Fi offloading, automated long-term evolution (LTE) and small cell planning and project management and geo-located network insight for improved rollout of next generation networks. Released in the first quarter of fiscal 2015, Amdocs CES 9.2 spans BSS, OSS and network control and optimization domains to enable service providers to centralize product and service data from Amdocs and third parties and eliminate barriers between business needs and information technology implementation, allowing for new market-driven modes of business and significantly reduced service design and implementation times for accelerated time to market. Amdocs CES 9.2 enables service providers to provide next generation customer management by providing a consistent user experience across all applications and channels and close the loop from the customer to the network using insights derived from big data analytics that are delivered in real time from a variety of data sources, including the network and BSS suite. Within the network domain, Amdocs released several solutions to enable service providers to accelerate the transformation from physical to virtual networks and support the rapid deployment and monetization of multiple technologies, such as Fiber, LTE, Small Cells and Wi-Fi.

Our goal is to supply scalable products and services that provide the functionality and flexibility to service providers that facilitate innovation and enable cost-effective execution. Regardless of whether providers are bringing their first offerings to market, scaling for growth, consolidating systems or transforming the way they do business, we believe that they seek to differentiate themselves by delivering a customer experience that is simple, personal and valuable at every point of interaction.

Industry Background

We believe that service providers will maintain a strong focus on cost reduction and efficient operations and that the trend towards consolidation within the industry will continue. The smartphone and associated communications and entertainment applications, or apps, other connected devices such as tablets, e-readers, wearables, and the improvement in machine-to-machine (M2M) technologies continue to drive unprecedented growth in data demand. In response to the demand for increased bandwidth, service providers are investing in their networks and searching for ways to differentiate themselves, including by providing new services, improving their business agility, and to optimize and monetize their investments in such services.

In recent years, non-traditional service providers and device manufacturers have penetrated the wireless market and are now competing for customer attention in the television market as well. Additionally, social networks such as Facebook and Twitter, alongside over-the-top players such as Skype, Viber and WhatsApp, have become widely-accepted alternatives to traditional voice communications. To meet the challenges from new competitors and differentiate themselves, service providers are moving towards a model of bundled services, with wireline operators, for example, offering Internet Protocol TV services together with the convergence of fixed-mobile networks. Service providers are also looking to strengthen their standing with enterprise customers, explore new opportunities in the wholesale market and provide M2M services to new vertical market segments, such as the home, health and automotive industries.

To capture new revenue streams, service providers need the ability to expand within existing and non-traditional business models and to deploy new network technologies. We believe service providers will place an emphasis on network virtualization and on modernization and transformation projects for their networks and operational and business support systems as they look for innovative ways to improve operations.

We believe these factors create significant opportunities for vendors of information technology software products and providers of managed services and end-to-end systems integration, such as Amdocs.

The Amdocs Offerings

We believe that our product-led services approach, commitment to and support of quality personnel and deep industry knowledge and expertise enable us to create and deliver effective offerings that are highly

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innovative, reliable and cost-effective. In addition, we offer software products that address the specific business needs of service providers. We believe our success derives from a combination of the following factors that differentiate us from most of our competitors.

Software Products. In fiscal 2013, we released the Amdocs CES 9 portfolio which redefines the service provider's operating environment by delivering a fully virtualized real-time integration across BSS, OSS and network control and optimization domains, removing barriers to service and system convergence and enabling an integrated customer experience from the device to the network. Amdocs CES 9 aligns business processes around the end customer and enables service providers to rapidly launch and monetize innovative offers and personalize customer interactions with real-time insight, and permits customers to take control of their experiences across any channel, network, service or device. In fiscal 2014, we released the Amdocs CES 9.1 portfolio, introducing solutions that span BSS, OSS and the network control domain to enable service providers to interact with customers via social media channels, cost-effectively enter and serve the SMB market, provide solutions for quad-play offerings, wearable devices and connected cars and homes, and to better manage the customer experience from the device to the network. We also expanded our offering in the network software domain to include solutions for intelligent Wi-Fi offloading, automated long-term evolution (LTE) and small cell planning and project management and geo-located network insight for improved rollout of next generation networks. Released in the first quarter of fiscal 2015, Amdocs CES 9.2 spans BSS, OSS and network and optimization domains to enable service providers to centralize product and service data from Amdocs and third parties and eliminate the operational barriers between business needs and information technology implementation, allowing for new market-driven modes of business and significantly reduced service design and implementation times for accelerated time to market. Amdocs CES 9.2 enables service providers to provide next generation customer management by providing a consistent user experience across all applications and channels and close the loop from the customer to the network using insights derived from big data analytics that are delivered in real time from a variety of data sources, including the network and BSS suite. Our portfolio of pre-integrated software products are designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost and reduced-risk implementations.

The Amdocs CES portfolio is based on an open architecture that is intended to provide the functionality, scalability, modularity and adaptability required by service providers in their dynamic, highly competitive markets. The open architecture is based on the principles of service-oriented architecture (SOA) and business process management, which helps to ensure that our products operate together or as stand-alone applications within existing environments. Our proprietary knowledge library of more than 200 industry-specific best practice processes, and a single tool for the unified installation, maintenance and management of the entire BSS and OSS suite, facilitate Amdocs CES rapid time to production. We believe this flexibility enables our customers to achieve significant time-to-market advantages and reduces their dependence on technical and other personnel. Amdocs CES 9 is an end-to-end BSS and OSS virtualized suite, and many of our customers already deploy CES 9 components in virtualized and cloud environments.

Services. Our comprehensive services are designed to address every stage of a service provider's lifecycle, from vision creation and initial strategy through transformation and implementation to operations. Amdocs services include business consulting and systems integration, as well as managed services, project delivery and testing. The Amdocs Order-to-Activation value process operation (VPO) delivers a combination of technology, managed services and operations with a structured methodology, aligning disparate systems and automating manual processes to streamline the order capture to service activation processes. As a prime systems integrator, we assume end-to-end responsibility to monitor, manage and deploy the overall development and integration activities of Amdocs and third-party vendors throughout the transformation lifecycle. Our managed services provides multi-year, flexible and tailored business processes and applications services, including application development and maintenance, IT and infrastructure services, testing, and professional services that are designed to assist customers in the selection, implementation, operation, management and maintenance of their IT systems.

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Solution Packs. Packs are turnkey versions of our products, designed for fast, lower-cost implementation. We believe that these packaged offerings provide our customers with timely, cost-effective, relatively low-risk solutions to specific business issues at a consistent level of quality.

Experience. We are able to offer our customers superior products and services on a worldwide basis in large part because of our highly qualified and trained technical, sales, marketing, consulting and management personnel. We combine deep industry knowledge and experience, advanced methodologies, industry best practices and pre-configured tools to help deliver consistent results and minimize our customers' risks. We invest significantly in the ongoing training of our personnel in key areas such as industry knowledge, software technologies and management capabilities. Based in significant part on the skills and knowledge of our workforce, we believe that we have developed a reputation for reliably delivering quality solutions.

Due to the complex and dynamic nature of our customers' business needs, the products and services that we provide are typically integrated and designed to work in concert to provide each customer with a complete solution.

Business Strategy

Our goal is to provide products, services and support to the world's leading service providers as they evolve to remain relevant and competitive in the connected world. We seek to accomplish our goal by pursuing the strategies described below.

Continued Focus on the Communications, Entertainment and Media Industry. We focus our resources and efforts primarily on providing customer experience solutions to service providers in the communications, entertainment and media industry. We consider our longstanding and continuing focus on this industry a competitive advantage. This strategy has enabled us to develop the specialized industry know-how and capability necessary to deliver the technologically advanced, large-scale, specifications-intensive customer experience solutions required by the leading wireless, wireline, broadband cable and satellite companies and may enable us to leverage such capabilities to diversify our customer base and expand our offering domains.

Target Industry Leaders. We intend to continue to direct our marketing efforts primarily toward communications and media industry leaders. By targeting such leading service providers, which require the most sophisticated customer experience solutions, we believe that we are better able to remain at the forefront of developments in the industry. We derive the substantial majority of our revenues from our customer base of major service providers. We believe that the development of this customer base has helped position us as a market leader.

Continued Expansion into Emerging Markets. We continue to improve our ability to serve the needs of service providers operating in emerging markets. Prepaid subscriber growth remains high and average revenue per user remains relatively low in these markets in comparison to more developed markets. At the same time, however, we have started to see a shift in service provider focus as they begin to regard the customer experience as a key competitive differentiator. Our prospective customers in these markets vary dramatically, with some service providers serving subscriber bases already numbering in the hundreds of millions and others introducing communications services to communities for the first time. We believe this shift in focus on the customer experience and the wide spectrum of emerging market service providers require offerings ranging from relatively low-cost systems with pre-packaged services that can be implemented rapidly, to more robust services, to complete customer experience solutions.

Provide Customers with a Broad, Deep Portfolio of Integrated Products. We seek to provide our customers with a broad, yet integrated, portfolio of products to help them deliver a customer experience that is simple, personal and valuable at every point of service. We provide customer experience solutions across the BSS, OSS and network control and optimization domains and multiple lines of business, including wireline, wireless, broadband cable and satellite services. Integration of our systems is achieved through an open, service-oriented architecture, allowing our products to work well together and with third-party products. We believe that our ability to provide a broad, deep suite of products helps position us as a

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strategic partner for our customers, and also provides us with multiple avenues for strengthening and expanding our ongoing customer relationships.

Leverage Our Managed Services Capabilities. Managed services enable us to assume responsibility for the operation, development and management of our customers' Amdocs systems, as well as systems developed by in-house IT departments or by other vendors. Our mandate can extend across the service provider's entire IT environment and encompass key business process operational needs. Our customers receive predictable service levels as well as improved efficiencies and long-term savings over the day-to-day costs of operating and maintaining these systems, so they can focus on their own internal strengths and grow their businesses, leaving system concerns to us. Managed services also benefit us, as they can be a source of predictable revenue and long-term relationships.

Maintain and Develop Long-Term Customer Relationships. We seek to maintain and develop long-term, mutually beneficial relationships with our customers, and have organized our internal operations to better anticipate and respond to their needs. We believe these relationships can lead to additional product sales, as well as ongoing, long-term support, system enhancement and maintenance, and managed services agreements. We believe that such relationships are facilitated in many cases by the mission-critical, strategic nature of Amdocs systems and by the added value we provide through our specialized skills and knowledge. We believe that the longevity of our customer relationships and the recurring revenue that such relationships produce provide a competitive advantage for us.

Products

Our product offerings consist of an extensive software portfolio that we have developed to provide comprehensive customer experience solutions functionality for service providers. Our software solutions support the full span of the customer lifecycle: revenue management, customer management, operations support, network control and optimization, digital lifestyle services and big data analytics. Further, our solutions employ a common architecture, including shared frameworks, and include services for deployment, configuration, integration, security, user interface and monitoring and control. We also provide solutions for high growth and emerging markets, as well as advertising and media solutions for advertising service providers, media publishers and ad agencies, including directory publishers.

Our key product suites are:

Revenue Management: Products that enable our customers and their partners to define, launch and monetize services across their networks. These offerings cover the end-to-end network services revenue stream from offer definition to cash-in-hand and span the consumer, business and partner domains. The portfolio addresses BSS/OSS data processing and event-handling needs and provides automated partner management and settlement for numerous types of partners, including interconnect, content, roaming, digital advertising, mobile virtual network operator (MVNO), wholesale and dealer.

Customer Management: Products that enable a service provider to simplify interactions between the provider and the customer to provide the best service and care. This, in turn, helps service providers to maximize sales and e-commerce opportunities, increase revenue, reduce operational costs, increase efficiency and improve customer satisfaction, including as measured by net promoter score (NPS) metrics. These products are designed to ensure consistent and personalized experiences across all interaction channels, including contact center, retail stores, Web and mobile, and social media and across all devices, including smartphones, tablets and personal computers. The portfolio is focused on the overall customer experience and factors subscriber context into every interaction to deliver individual experiences, optimize offering time to market, improve purchasing and ordering activities and provide intuitive customer care interactions.

Operational Support Systems (OSS): Products that comprise the core operational support systems, such as network planning, service fulfillment and assurance for fixed line, broadband, wireless and cable TV networks. The offerings facilitate network operational processes, including network planning and rollout across multiple technologies, as well as the fulfillment, order orchestration and activation of new services.

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Network Control: Suite of pre-integrated, vendor-neutral products that consist of intelligent controls to manage the subscriber or device experience in real time, including controlling access to 3G, 4G, fixed and convergent networks, and managing network resource consumption, such as bandwidth. These offerings enable service providers to create dynamic data services, including shared plans, tiered plans and access calibrated to the time of day and help service providers monetize the growth in Wi-Fi.

Network Optimization: Integrated suite of software and services designed to help service providers plan, build, launch, manage and optimize their radio access network. Vendor agnostic and multi-technology, this offering gives service providers the analytics, optimization and managed services capabilities needed to target network investments accurately, roll out networks quickly, optimize network performance and capacity, and enhance the customer's network experience.

Digital Lifestyle Services: Suite of ready-to-use solutions that provide end users with intuitive, secure and personalized digital services. These offerings span three solution areas: M2M, which provides a scalable platform for the growing number of devices that will need to be managed and enables service providers to quickly onboard new partners while extending their role in the value chain. The Connected Home provides a cloud-based environment to enable service providers to quickly and cost efficiently offer integrated home services, such as security, energy management, automation and entertainment. Unified Communications is a service provider-branded solution that combines social messaging services, video, VoIP and a unified address book across multiple devices.

Big Data Analytics: Consists of end-to-end, carrier-grade big data analytics solutions. They enable service providers to gain intimate knowledge of relevant data from multiple systems, including BSS, OSS, the network and social media. The products provide advanced and actionable insights for improved business results in critical situations, such as customer churn and order cancellation.

Cross-Portfolio: These offerings span a service provider's BSS, OSS and network domains to accelerate business innovation and time to market with prepackaged, modular functionality and a catalog of use cases. The offerings enable new business opportunities and revenue models with cloud computing and facilitate entry into growing segments, such as the SMB market.

Compact CES: Solutions that provide real-time converged billing and service delivery and are specifically designed for small- to medium-sized service providers, MVNOs and mobile virtual network enablers (MVNEs) that provide services to MVNOs. The offering delivers convergence in a simple and unified manner, from system setup and integration to ongoing operations and features built-in essential business functionality, such as invoicing and provisioning, product catalog, customer care and reporting capabilities. Compact CES can be implemented on premise or in the cloud.

Advertising and Media Solutions

Our advertising and media offerings for advertising service providers, media publishers and ad agencies are comprised of a comprehensive set of business and operational products and services designed to enable the management of media selling, fulfillment, operations, consumer experience and financial processes across digital and print media.

Technology

Our technology platform's flexibility affords our customers the freedom to choose a preferred operating environment and to maximize return on existing infrastructure investments. Our portfolio architecture allows our applications to work in multiple customer environments, including:

Hardware: Intel XEON based servers from IBM, Hewlett-Packard, Dell

Server Operating Systems: Red Hat Linux, Oracle Linux (with Red Hat's kernel)

Virtualization: VMware vSphere

Database Management Systems: Oracle

Middleware: Oracle WebLogic, IBM WebSphere

Storage: EMC, IBM, Hewlett-Packard

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To help service providers respond more quickly to changes in their markets and lower their integration costs, we employ service-oriented architecture principles in our portfolio design. For example, Amdocs Web Services Factory exposes the Amdocs portfolio application programming interfaces to external systems, allowing our applications to integrate with each other and with third-party enterprise server bus or legacy applications.

Our portfolio applications are based around consistent architectural guidelines and software infrastructure and they also leverage, where appropriate, consistent foundation tools. Our services encompass installation, integration, testing, process management, monitoring and control, security and information management. Our platform-agnostic foundation layer spans our applications and helps us evolve our products towards robust service-oriented architecture integration and business process support. With these tools, we aim to provide our customers a sound framework upon which to implement, integrate and centralize their operating environments. This allows service providers to mitigate many costs associated with deploying and operating new applications, such as those related to installation, configuration, integration, testing and monitoring.

Our product portfolio also includes the following key characteristics:

Scalability. Our applications are designed to take full advantage of the scalability capabilities of the underlying platform, allowing progressive system expansion, proportional with the customer's growth in business volumes. Using the same software, our applications can support operations for small, as well as very large service providers.

Reliability. Our system and component architecture supports high availability and redundancy to allow connected and uninterrupted operations at full network speed and device load.

Modularity. Our product portfolio is comprised of sets of individual functional application products. Each of our applications can be installed on an individual stand-alone basis, interfacing with the customer's existing systems, or as part of an integrated Amdocs system environment. This modularity provides our customers with a highly flexible and cost-effective solution that is able to incrementally expand with the customer's growing needs and capabilities. The modular approach preserves the customer's initial investment in products, and minimizes future disruptions and the overall cost of system implementation.

Upgradability and Backward Compatibility. Version interoperability eliminates risky upgrades and allows for a gradual upgrade approach of suite elements.

Virtualization. Increasing server efficiency, commonly referred to as virtualization, is critical in today's IT world as it reduces costs and improves operational efficiency through server consolidation, improved server availability, elasticity and sustainability. Using VMWare 5.x, the Amdocs CES suite is fully certified to run in a virtualized production environment.

Services

We offer a broad suite of services to help service providers through each stage of the business lifecycle. We provide business consulting, systems integration, managed services, order to activation VPO services, business intelligence and data warehouse services, testing, project delivery and product support to assist our customers with their business strategy, system implementation, integration, modification, consolidation, operation and maintenance needs. In addition, we offer comprehensive learning services to help our customers develop competency in their Amdocs systems and applications. Our services methodology incorporates rigorous focus on the people, processes and technology of an organization, and we invite active customer participation at all stages to help prioritize and implement time-critical system solutions that address the customer's individual needs.

Our services portfolio includes:

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Business Consulting Services These services cover the project lifecycle and range from assessment and advisory services to optimization services that measure and improve business and operational performance, and help to define the project strategy, scope and implementation path of business solutions to deliver tangible business and operational value.

Systems Integration and Transformation Services This suite of services allows us to act as a prime integrator from program management and project deployment to solution implementation and operations.

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We have developed advanced methodologies, industry best practices and pre-configured tools to deliver a cohesive implementation plan, including solution architecture, organizational change management, learning and development, benefits realization modeling and sales channels optimization, in addition to high-quality systems and applications testing. Our approach ensures that people, processes and technology are fully aligned with our customer's vision and goals.

Managed Services Our portfolio of strategic sourcing services is tailored for service providers to gain competitive advantage and improve business results through long-term operations, applications and infrastructure services as well as system modernization and consolidation. Whether our customer's IT environment includes Amdocs products, third-party software or in-house and legacy systems, our specialized services span the industry landscape across mobile, wireline, broadband, cable and satellite. We support new and existing lines of business, such as pay television and M2M, as well as new business entities, including second brand, MVNO and greenfield. Our managed services models can be leveraged to support day-to-day operations and strategic business objectives.

Order to Activation VPO Services These managed services help service providers timely fulfill orders. They are designed to proactively prevent and efficiently resolve issues across the order-to-activation process. Services include unification and streamlining of orders as well as optimally managing field services.

Business Intelligence and Data Warehouse Services Provides a full scope of services from design and implementation to operations to address the entire data lifecycle, including extract, transform and load (ETL), data warehouse, business intelligence (BI) and analytics. Our approach encompasses analytical and operational systems to feed actionable insights back into the business processes. These services are designed to operate with industry-leading BI and data warehouse platforms and products offered by our technology partners.

Project Delivery Services These services provide a smooth transition from project deployment to implementation and operation. Our knowledgeable implementation professionals are intimately acquainted with the entire spectrum of communication-specific IT systems, products and customers and leverage field-proven structured methodologies and best practices to deliver rapid results at low risk.

Testing Services These services leverage our proprietary tools, methodologies, best practices and unique BEAT framework to manage and perform testing activities on Amdocs and 3rd party applications. We offer our customers years of industry-specific testing experience, extensive domain expertise, skilled testing resources, experience with multivendor environments and a global presence to ensure seamless continuity and ongoing support around the clock.

Product Support Services These services are designed to help our customers solve key challenges and to protect and maximize their investment in our products throughout the entire product life cycle. Our global product support organization uses industry-recognized methodologies and provides support options, including online services and personalized interactions.

The extent of services provided varies from customer to customer. Our services engagements can range in size and scope from deploying single point solutions to orchestrating large-scale transformation projects. Depending on the customer's needs, system implementation and integration activities are often conducted jointly by teams from Amdocs and the customer. In some cases, Amdocs personnel provide support services to the customer's own implementation and integration team, which has primary responsibility for the task. In other cases, we take a primary role in facilitating implementation and integration. In yet other instances, customers require turnkey solutions, in which case we provide full system implementation and integration services.

Once the system becomes operational, we are generally retained by the customer to provide ongoing services, such as maintenance, enhancement design and development and operational support, or to act as a prime systems integrator for post-production activities that may include interfaces with third-party systems. For a substantial number of our customers, the implementation and integration of an initial system has been followed by the sale of additional systems and modules. We aim to establish long-term maintenance and support contracts with our customers. These contracts generally involve an expansion in the scope of support delivered and provide us with recurring revenue.

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Our business is conducted on a global basis. We maintain development and support facilities worldwide, including Brazil, Canada, Cyprus, India, Ireland, Israel, the United Kingdom and the United States, and have operations in North America, Europe, Israel, Latin America and the Asia-Pacific region.

Sales and Marketing

Our sales and marketing activities are primarily directed at major communications, entertainment and media companies.

As a result of the strategic importance of our customer experience solutions to the operations of service providers, a number of constituencies within a customer's organization are typically involved in purchasing decisions, including senior management, information systems personnel and user groups, such as the finance, customer service and marketing departments. We maintain sales offices in the United States, Europe, Latin America and Asia Pacific.

Our sales activities are supported by marketing efforts and increasing cooperation with strategic partners. We interact with other third parties in our sales activities, including independent sales agents, information systems consultants engaged by customers and systems integrators that provide complementary products and services. We also have value-added reseller agreements with certain hardware and database vendors. Our marketing activities also continue to support projects with partner companies, such as IBM, Alcatel-Lucent, Hewlett-Packard and others.

Customers

Our target market is comprised of service providers in the communication, entertainment and media industry that require customer experience solutions with advanced functionality and technology. The companies in our target segment are typically market leaders. By working with such companies, we help ensure that we remain at the forefront of developments in the industry and that our product offerings continue to address the market's most sophisticated needs. We have a global orientation and customers in over 80 countries.

Our customers include global communications leaders and leading network operators and service providers, as well as local marketing service providers in the United States and around the world. Our customers include:

- | | |
|--------------------|----------------------------|
| A1 Telekom Austria | NetCom |
| America Movil | Post Luxembourg |
| Astro | Rogers Communications |
| AT&T | Sprint |
| Bakcell | Telefónica de Espana |
| Bell Canada | Telefónica Argentina |
| BT | Telefónica Peru |
| Cablevision | Telefónica Chile |
| Cellcom | Telkom South Africa |
| CenturyLink | Telstra |
| Claro Brasil | TELUS Communications |
| Comcast | T-Mobile Deutschland |
| Deutsche Telekom | T-Mobile USA |
| Dex Media | TIM Brasil |
| DIRECTV | True Corporation |
| EE | UPC Broadband Holding B.V. |
| Elisa | US Cellular |
| FarEastone | Verizon Communications |
| Globe Telecom | VimpelCom |

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Instituto Costarricense de Electricidad
 J:COM
 Kazakhtelecom
 KPN
 Magyar Telekom
 MetroPCS
 Mobilicity
 MobilTel

Virgin Media
 Vodafone Germany
 Vodafone Hungary
 Vodafone Netherlands
 Vodafone Romania
 Vodafone UK
 XL Axiata

Our business is dependent on a limited number of significant customers, of which AT&T has historically been our largest. AT&T accounted for 33% of our revenue in fiscal 2014 and 28% in fiscal 2013. Aggregate revenue derived from the multiple business arrangements we have with the ten largest of our significant customers accounted for approximately 73% of our revenue in fiscal 2014 and 70% in fiscal 2013.

The following is a summary of revenue by geographic area. Revenue is attributed to geographic region based on the location of the customer:

	2014	2013	2012
North America	72.7%	72.4%	69.8%
Europe	12.6	11.9	13.6
Rest of the World	14.7	15.7	16.6

Competition

The market for customer experience solutions in the communications, entertainment and media industry continues to become more competitive. Amdocs' competitive landscape is comprised of internal IT departments of large communication companies, as well as independent competitors that may compete broadly with us or in limited segments of our market, and can be categorized as follows:

providers of BSS/OSS systems, including Converse, CSG International, Oracle, Redknee, Salesforce and SAP;

system integrators and providers of IT services, such as Accenture, Cognizant, Hewlett-Packard, IBM Global Services, Infosys, Tata Consultancy Services, Tech Mahindra Ltd and Wipro (some of whom we also cooperate with in certain opportunities and projects); and

network equipment providers such as Alcatel-Lucent, Ericsson, Huawei, Nokia Siemens, NEC and its subsidiary NetCracker, and ZTE (some of whom we also cooperate with in certain opportunities and projects and some of whom have also moved into the BSS/OSS space).

We expect the competition in our industry to increase from many of such companies.

We believe that we are able to differentiate ourselves from these competitors by, among other things:

applying our more than 30-year heritage to the development and delivery of products and professional services that enable our customers to overcome their challenges and achieve service differentiation by means of simplifying the customer experience, harnessing data, staying ahead of the competition and focusing on efficiencies,

continuing to design and develop solutions targeted specifically to the communications, entertainment and media industry,

innovating and enabling our customers to adopt new business models that will improve their ability to drive new revenues, and compete and win in a changing market,

providing high-quality, reliable, scalable, integrated, yet modular applications,

providing flexible and tailored IT and business process outsourcing solutions and delivery models, and

offering customers end-to-end accountability from a single vendor.

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We compete with a number of companies that have long operating histories, large customer bases, substantial financial, technical, sales, marketing and other resources, and strong name recognition. Some of these companies are continuing their attempts to expand their market penetration in the communications industry. Current and potential competitors have established, and may establish in the future, cooperative relationships among themselves or with third parties to increase their ability to address the needs of our existing or prospective customers. Accordingly, new competitors or alliances among competitors may emerge and rapidly acquire significant market share. There can be no assurance that we will be able to compete successfully with existing or new competitors. Our failure to adapt to changing market conditions and compete successfully with established or new competitors would have a material adverse effect on the results of our operations and financial condition.

Employees

We invest significant resources in the training, retention and motivation of high quality personnel. Training programs cover areas such as technology, applications, development methodology, project methodology, programming standards, industry background, business, management development and leadership. Our management development efforts are reinforced by an organizational structure that provides opportunities for talented managers to gain experience in general management roles. We also invest considerable resources in personnel motivation, including providing various incentive plans for sales staff and high quality employees. Our future success depends in large part upon our continuing ability to attract and retain highly qualified managerial, technical, sales and marketing personnel and outstanding leaders.

See Directors, Senior Management and Employees Workforce Personnel for further details regarding our employees and our relationships with them.

Research and Development, Patents and Licenses

Our research and development activities involve the development of new software architecture, modules and product offerings in response to an identified market demand, either as part of our internal product development programs or in conjunction with a customer project. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings.

In fiscal 2013, we released the Amdocs CES 9 portfolio which redefines the service provider's operating environment by delivering real-time integration across BSS, OSS and network control and optimization domains, removing barriers to service and system convergence and enabling an integrated customer experience from the device to the network. Amdocs CES 9 aligns business processes around the end customer and enables service providers to rapidly launch and monetize innovative offers and personalize customer interactions with real-time insight, and permits customers to take control of their experiences across any channel, network, service or device. We dedicated significant efforts and resources to integrating the components of the CES 9 portfolio, including deeper integration between our charging and billing, customer relationship management, ordering and foundation applications. Our portfolio of pre-integrated software products was built to span the entire customer lifecycle across BSS, OSS and network control and optimization domains to enable service providers to align their business processes around the end customer. In fiscal 2014, we released the Amdocs CES 9.1 portfolio to enable service providers to interact with customers via social media channels, cost-effectively enter and serve the SMB market and better manage the customer experience from the device to the network. We also expanded our offering in the network software domain to include solutions for intelligent Wi-Fi-offloading, automated small cell planning and project management and geo-located network insight for improved rollout of next generation networks.

During fiscal 2014, we also devoted research and development resources to the Amdocs CES 9.2 product portfolio. Released in the first quarter of fiscal 2015, this release spans BSS, OSS and network control and optimization domains to enable service providers to centralize product and service data from Amdocs and third parties and eliminate barriers between business needs and information technology implementation, allowing for new market-driven modes of business and significantly reduced service design and implementation times for accelerated time to market. Amdocs CES 9.2 enables service providers to provide next generation customer management by providing a consistent user experience across all applications and channels and close the loop from the customer to the network using insights derived from big data analytics that are delivered in real time

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from a variety of data sources, including the network and BSS suite. Within the network domain, Amdocs released several solutions to enable service providers to accelerate the transformation from physical to virtual networks and support the rapid deployment and monetization of multiple technologies, such as Fiber, LTE, Small Cells and Wi-Fi. Our products are designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost and reduced-risk implementations. In addition, Amdocs focuses on offering business solutions that leverage functionality from across the CES portfolio combined with services and industry knowledge. For software development, Amdocs uses Agile, a software development methodology based on iterative and incremental development where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

Substantially all of our research and development expenditures are directed at our customer experience solutions. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

Our products are largely comprised of software and systems that we have developed or acquired and that we regard as proprietary. Our software and software systems are the results of long and complex development processes, and although our technology is not significantly dependent on patents or licenses from third parties, certain aspects of our products make use of readily available software components licensed from third parties. As a developer of complex software systems, third parties may claim that portions of our systems infringe their intellectual property rights. The ability to develop and use our software and software systems requires knowledge and professional experience that we believe is unique to us and would be very difficult for others to independently obtain. However, our competitors may independently develop technologies that are substantially equivalent or superior to ours. We have taken, and intend to continue to take, several measures to establish and protect our proprietary rights in our products and technologies from third-party infringement. We rely upon a combination of trademarks, patents, contractual rights, trade secret law, copyrights and nondisclosure agreements. We enter into non-disclosure and confidentiality agreements with our customers, employees and marketing representatives and with certain contractors with access to sensitive information; and we also limit customer access to the source code of our software and software systems.

Property, Plants and Equipment***Facilities***

We lease land and buildings for our executive offices, sales, marketing, administrative, development and support centers. We lease an aggregate of approximately 3.0 million square feet worldwide, including significant leases in the United States, Israel, Canada, Cyprus, India and the United Kingdom. Our aggregate annual lease costs with respect to our properties as of October 31, 2014, including maintenance and other related costs, were approximately \$62.0 million. The following table summarizes information with respect to the principal facilities leased by us and our subsidiaries as of October 31, 2014:

Location	Area (Sq. Feet)
United States:	
St. Louis, MO	81,540
San Jose, CA(*)	62,560
Champaign, IL	173,283
Eldorado Hills, CA(*)	113,290
Others(*)	229,892
Total	660,565
Israel:	
Raanana	786,895
Sderot	99,040
Haifa	31,681
Others	67,775
Total	985,391

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Location	Area (Sq. Feet)
Canada:	
Toronto	18,692
Montreal	60,274
Ottawa	40,422
Total	119,388
Cyprus (Limassol)	65,854
India:	
Pune	623,004
Delhi	152,969
Mumbai	161
Total	776,134
United Kingdom(*)	53,534
Other locations (*) (35 countries)	352,069
Total	3,012,935

(*) Includes space sublet to third parties.

Our leases expire on various dates through 2024, not including various options to terminate or extend lease terms.

Equipment

We develop our customer experience solutions over a system of UNIX, Linux and Windows servers owned or leased by us. We use a variety of software products in our development centers, including products by Microsoft, Oracle, Syncsort, RedHat, CA, IBM and Hewlett-Packard. Our data storage is based mainly on equipment from EMC, NetApp, IBM, Hitachi and Hewlett-Packard. Our development servers are connected to more than 20,000 personal computers owned or leased by us.

Automatic tape libraries and virtual tape libraries provide full and incremental backups of the data used in and generated by our business. The backup tapes are kept on-site and off-site, as appropriate, to ensure security and integrity, and are used as part of our disaster recovery plan. The distributed development sites that we operate worldwide are connected by a high-speed redundant wide area network, using telecommunication equipment manufactured by, among others, Cisco and Avaya.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**Overview of Business and Trend Information**

Amdocs is a leading provider of software and services for communications, entertainment and media industry service providers in both developed countries and emerging markets. Regardless of whether providers are bringing their first offerings to market, scaling for growth, consolidating systems or transforming the way they do business, we believe that providers seek to differentiate their offerings by delivering a customer experience that is simple, personal and valuable at every point of service.

We develop, implement and manage software and services associated with BSS, OSS and network control and optimization domains to enable service providers to introduce new products and services quickly, understand their customers more deeply, process orders more efficiently, monetize data and support new business models while controlling costs. We refer to these systems collectively as customer experience solutions because of the crucial impact that these systems have on the service providers' end-user experience.

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In a global communications industry impacted by unprecedented growth in data demand, increasing number of connected devices, improvement in M2M technologies, the rising influence of device makers and over-the-top

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players that bypass traditional service providers, consumers expect immediate and constant connectivity to personalized services, information and applications. To capture new revenue streams in this connected world, service providers will need the ability to expand within existing and non-traditional business models as they simultaneously attempt to reduce their costs in providing current and new services. We seek to address these market forces through a strategy of innovation from the network and business support systems to the device and end user. Our goal is to supply cost-effective, scalable software products and services that provide functionality and flexibility to service providers as they and their markets grow and change.

In part, we have sought, through acquisitions, to expand our service offerings and customer base and to enhance our ability to provide managed services to our customers. In recent years, we have completed numerous acquisitions, which, among other things, have expanded our business into digital commerce solutions and the network control and optimization market. As part of our strategy, we may continue to pursue acquisitions and other initiatives in order to offer new products or services, or otherwise enhance our market position or strategic strengths.

Offerings

Amdocs offerings of software and related services consist of:

A complete, modular yet integrated portfolio of customer experience solutions, including revenue management customer management, OSS, network control and optimization, digital lifestyle services, big data analytics and M2M solutions, all employing a unified foundation of products and tools.

A comprehensive line of services. Because our customers projects are complex and require systems support expertise, we provide business process and IT services, including business consulting, systems integration and transformation, project delivery, testing, order to activation VPO, managed services and product support to assist our customers with their business strategy, system implementation, integration, modification, consolidation, modernization, ongoing support, enhancement and maintenance needs. In addition, we offer comprehensive learning services to help our customers develop competency in their Amdocs systems and applications.

We have designed our customer experience solutions to meet the high-volume, complex needs of Tier-1 and Tier-2 service providers and to address the unique issues of service providers in high growth emerging markets. We support our customers various lines of business, including wireline, wireless, broadband, cable and satellite, and a wide range of communication services, including voice, video, data, content, electronic and mobile commerce applications. In addition, we support companies that offer bundled or convergent service packages.

We also offer advertising and media products and services for advertising service providers, media publishers and ad agencies to facilitate cost-effective digital media-centric operations from selling ads to the management of the fulfillment, operations, consumer experience and financial processes across digital and print media.

We conduct our business globally, and as a result we are subject to the effects of global economic conditions and, in particular, market conditions in the communications, entertainment and media industry. In fiscal 2014, customers in North America accounted for 72.7% of our revenue, while customers in Europe and the rest of the world accounted for 12.6% and 14.7%, respectively. Customers in emerging markets accounted for 11.9% of our revenue in fiscal 2014. We maintain development facilities in Brazil, Canada, Cyprus, India, Ireland, Israel, the United Kingdom and the United States. Historically, AT&T has been our largest customer, accounting for 33% of our revenue in fiscal 2014 and 28% in fiscal 2013. Aggregate revenue derived from the multiple business arrangements we have with our ten largest customers accounted for approximately 73% of our revenue in fiscal 2014 and 70% in fiscal 2013.

We believe that demand for our customer experience solutions is primarily driven by the following key factors:

Transformation within the communication industry, including:

increasing use of communications and content services,

widespread access to content, information and applications,

continued rapid growth in emerging markets,

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expansion into new lines of business,

consolidation among service providers in established markets, often including companies with multi-national operations,

increased competition, including from non-traditional players,

continued bundling and blending of communications and entertainment, and

continued commoditization and pricing pressure.

Technology advances, such as:

emergence and development of new communications products and services, such as Web services, video, data and content services, including IP-based services, such as Internet Protocol (IP), Internet Protocol Television (IPTV), M2M, Wi-Fi and Voice over IP,

evolution to and expansion of more sophisticated and connected communication devices, such as smart devices, electronic book readers, energy meters and systems for global positioning, home security and home health monitoring, that enable communication across and between devices and widespread access to information,

adoption of cloud technologies to enable new revenue models and business opportunities, such as traditional communication services and cloud services bundled together and targeted to SMBs,

evolution to next-generation networks that enable converged services offerings, such as fixed-mobile convergence, and

technological changes, such as the introduction of 4G wireless technology, next-generation content systems, fiber to the x (FTTx), Wi-Fi, IP Multimedia Subsystem (IMS) and LTE-based access technologies such as VoLTE.

Customer focus, such as:

the need for service providers to focus on their customers in order to build profitable customer relationships,

the need for service providers to have a unified view of the customer and deliver a personalized experience across multiple services, devices and channels,

the authority shift toward the consumer, with increased customer expectations for new, innovative services and applications that are personally relevant and that can be accessed anytime, anywhere and from any device,

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the ever-increasing expectation of customer service and support, including access to self-service options that are convenient, proactive and consistent across all channels, and

the need for service providers to differentiate themselves by creating a unique and mutually-valuable customer experience.

The need for operational efficiency, including:

the shift from in-house management to vendor solutions,

business needs of service providers to reduce costs and lower total cost of ownership of software systems while retaining high-value customers in a highly competitive environment,

automating and integrating business processes that span service providers BSS, OSS and network control and optimization platforms and create a simple, one-company face to customers,

implementing and integrating new next-generation networks (and retiring legacy networks) to deploy new technologies, and

transforming fragmented legacy OSS to introduce new services in a timely and cost-effective manner.

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In fiscal 2014, our total revenue was \$3.56 billion, of which \$3.44 billion, or 96.4%, was attributable to the sale of customer experience solutions. Revenue from managed services arrangements (for customer experience solutions and advertising and media directory systems) is included in both license and service revenue. Revenue generated in connection with managed services arrangements is a significant part of our business generating substantial, long-term recurring revenue streams and cash flow. Revenue from managed services arrangements accounted for approximately \$1.73 billion and \$1.70 billion of revenue in fiscal 2014 and 2013, respectively. In managed services contracts revenue from the operation of a customer's system is recognized as services are performed based on time elapsed, output produced or volume of data processed. In the initial period of our managed services projects, we often invest in modernization and consolidation of the customer's systems. Managed services engagements can be less profitable in their early stages; however, margins tend to improve over time, more rapidly in the initial period of an engagement, as we derive benefit from the operational efficiencies and from changes in the geographical mix of our resources.

Research and Development, Patents and Licenses

Our research and development activities involve the development of new software architecture, modules and product offerings in response to an identified market demand, either as part of our internal product development programs or in conjunction with a customer project. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications markets and to provide new and enhanced functionality to our existing product offerings.

In fiscal 2013, we released the Amdocs CES 9 portfolio which redefines the service provider's operating environment by delivering real-time integration across BSS, OSS and network control and optimization domains, removing barriers to service and system convergence and enabling an integrated customer experience from the device to the network. Amdocs CES 9 aligns business processes around the end customer and enables service providers to rapidly launch and monetize innovative offers and personalize customer interactions with real-time insight, and permits customers to take control of their experiences across any channel, network, service or device. We dedicated significant efforts and resources to the integration among the components of the CES 9 portfolio, including deeper integration between our charging and billing, customer relationship management, ordering and foundation applications. Our portfolio of pre-integrated software products was built to span the entire customer lifecycle across BSS, OSS and network control and optimization domains to enable service providers to align their business processes around the end customer. In fiscal 2014, we released the Amdocs CES 9.1 portfolio to enable service providers to interact with customers via social media channels, cost-effectively enter and serve the SMB market and better manage the customer experience from the device to the network. We also expanded our offering in the network software domain to include solutions for intelligent Wi-Fi offloading, automated small cell planning and project management and geo-located network insight for improved rollout of next generation networks. During fiscal 2014, we also devoted research and development resources to the Amdocs CES 9.2 product portfolio. Released in the first quarter of fiscal 2015, this release spans BSS, OSS and network control and optimization domains to enable service providers to centralize product and service data from Amdocs and third-parties and eliminate barriers between business needs and information technology implementation, allowing for new market-driven modes of business and significantly reduced service design and implementation times for accelerated time to market. Amdocs CES 9.2 enables service providers to provide next generation customer management by providing a consistent user experience across all applications and channels and close the loop from the customer to the network using insights derived from big data analytics that are delivered in real time from a variety of data sources, including the network and BSS suite. Within the network domain, Amdocs released several solutions to enable service providers to accelerate the transformation from physical to virtual networks and support the rapid deployment and monetization of multiple technologies, such as Fiber, LTE, Small Cells and Wi-Fi. Our products are designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost and reduced-risk implementations. In addition, Amdocs focuses on offering business solutions that leverage functionality from across the CES portfolio combined with services and industry knowledge. For software development, Amdocs uses Agile, a software development methodology based on iterative and incremental development where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams.

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Substantially all of our research and development expenditures are directed at our customer experience solutions. We believe that our research and development efforts are a key element of our strategy and are essential to our success. However, an increase or a decrease in our total revenue would not necessarily result in a proportional increase or decrease in the levels of our research and development expenditures, which could affect our operating margin.

Operating Results

The following table sets forth for the fiscal years ended September 30, 2014, 2013 and 2012, certain items in our consolidated statements of income reflected as a percentage of total revenue:

	Year Ended September 30,		
	2014	2013	2012
Revenue:			
License	2.6%	2.4%	3.7%
Service	97.4	97.6	96.3
	100.0	100.0	100.0
Operating expenses:			
Cost of license	0.1	0.1	0.1
Cost of service	64.7	64.7	64.1
Research and development	7.2	7.2	7.5
Selling, general and administrative	12.5	12.5	13.1
Amortization of purchased intangible assets and other	1.6	1.1	1.6
	86.1	85.6	86.4
Operating income	13.9	14.4	13.6
Interest and other expense, net	0.2	0.2	0.0
Income before income taxes	13.7	14.2	13.6
Income taxes	1.9	1.9	1.5
Net income	11.8%	12.3%	12.1%

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The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2014, compared to the fiscal year ended September 30, 2013. Following the table is a discussion and analysis of our business and results of operations for these fiscal years.

	Year Ended September 30,		Increase (Decrease)	
	2014	2013	Amount	%
	(In thousands)			
Revenue:				
License	\$ 91,798	\$ 81,613	\$ 10,185	12.5%
Service	3,471,839	3,264,241		