

AMDOCS LTD  
Form 20-F  
December 11, 2017  
[Table of Contents](#)

**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**

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

**For the fiscal year ended September 30, 2017**

**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**

(Exact name of Registrant as specified in its charter)

**Island of Guernsey**

(Jurisdiction of incorporation or organization)

Hirzel House, Smith Street,

St. Peter Port, Guernsey, GY1 2NG

Amdocs, Inc.

**1390 Timberlake Manor Parkway, Chesterfield, Missouri 63017**

(Address of principal executive offices)

Matthew E. Smith

Amdocs, Inc.

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**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**

**(Title of class)**

**144,391,245(1)**

**(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 ☐

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 ☐

Emerging growth company ☐

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 an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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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 129,381,710 shares held in treasury. Does not include 7,091,421 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.

**Table of Contents****AMDOCS LIMITED****FORM 20-F****ANNUAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017****INDEX****PART I**

<b>Item 1.</b>	<u>Identity of Directors, Senior Management and Advisers</u>	1
<b>Item 2.</b>	<u>Offer Statistics and Expected Timetable</u>	1
<b>Item 3.</b>	<u>Key Information</u>	1
<b>Item 4.</b>	<u>Information on the Company</u>	15
<b>Item 4A.</b>	<u>Unresolved Staff Comments</u>	27
<b>Item 5.</b>	<u>Operating and Financial Review and Prospects</u>	27
<b>Item 6.</b>	<u>Directors, Senior Management and Employees</u>	44
<b>Item 7.</b>	<u>Major Shareholders and Related Party Transactions</u>	51
<b>Item 8.</b>	<u>Financial Information</u>	52
<b>Item 9.</b>	<u>The Offer and Listing</u>	53
<b>Item 10.</b>	<u>Additional Information</u>	53
<b>Item 11.</b>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	63
<b>Item 12.</b>	<u>Description of Securities Other than Equity Securities</u>	63

**PART II**

<b>Item 13.</b>	<u>Defaults, Dividend Arrearages and Delinquencies</u>	64
<b>Item 14.</b>	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	64
<b>Item 15.</b>	<u>Controls and Procedures</u>	64
<b>Item 16A.</b>	<u>Audit Committee Financial Expert</u>	64
<b>Item 16B.</b>	<u>Code of Ethics</u>	65
<b>Item 16C.</b>	<u>Principal Accountant Fees and Services</u>	65
<b>Item 16D.</b>	<u>Exemptions from the Listing Standards for Audit Committees</u>	66
<b>Item 16E.</b>	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	66
<b>Item 16F.</b>	<u>Change in Registrant's Certifying Accountant</u>	66
<b>Item 16G.</b>	<u>Corporate Governance</u>	66
<b>Item 16H.</b>	<u>Mine Safety Disclosure</u>	67

**PART III**

<b>Item 17.</b>	<u>Financial Statements</u>	67
<b>Item 18.</b>	<u>Financial Statements</u>	67
<b>Item 19.</b>	<u>Exhibits</u>	67
	<b><u>Index to Consolidated Financial Statements</u></b>	F-1

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, 2017 as fiscal 2017.

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

**Table of Contents**

**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, intend and may, and other words that convey uncertainty of future events or 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; our ability to derive revenues in the future from our current research and development efforts; 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 and other 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, 2017 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.

	2017	2016	2015	2014	2013
	(In thousands, except share data)				
Statement of Operations Data:					
Revenue	\$ 3,867,155	\$ 3,718,229	\$ 3,643,538	\$ 3,563,637	\$ 3,345,854
Operating income	517,333	483,141	515,948	495,648	481,552
Net income	436,826	409,331	446,163	422,122	412,439
Basic earnings per share	2.99	2.74	2.89	2.65	2.56
Diluted earnings per share	2.96	2.71	2.85	2.62	2.53
Dividends declared per share(1)	0.855	0.755	0.665	0.595	0.520

	2017	2016	2015	2014	2013
	(In thousands)				
Balance Sheet Data:					
Cash, cash equivalents and short-term interest-bearing investments	\$ 979,608	\$ 1,095,723	\$ 1,354,012	\$ 1,424,465	\$ 1,326,380
Total assets	5,279,380	5,331,355	5,324,652	5,185,277	4,925,813
Long-term obligations					
Convertible senior notes(2)			571	603	1,020
Shareholders' equity	3,574,070	3,453,561	3,406,842	3,395,836	3,274,783



- (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. In January 2014, January 2015, February 2016 and January 2017, our shareholders approved increases in the rate of the quarterly cash dividend to \$0.155 per share, \$0.17 per share, \$0.195 per share and \$0.22 per share, respectively. In November 2017, our Board of Directors approved, subject to shareholder approval at the January 2018 annual general meeting of shareholders, an increase in the rate of the quarterly cash dividend to \$0.25 per share, with the first payment anticipated to be paid in April 2018.
- (2) On September 6, 2016 (the Redemption Date ), we redeemed all of our outstanding convertible notes due 2024 at a redemption price of 100% of the principal amount of the notes, plus accrued and unpaid interest up to, but excluding, the Redemption Date.

**Table of Contents**

	Ordinary Shares		Additional	Treasury
	Shares	Amount	Paid-In Capital	Stock
	(In thousands)			
<b>Statement of Changes in Shareholders Equity Data:</b>				
Balance as of September 30, 2014	156,704	\$ 4,284	\$ 3,054,780	\$ (3,157,085)
Employee stock options exercised	2,540	39	78,543	
Repurchase of shares(1)	(8,596)			(454,020)
Tax benefit from equity-based awards			4,690	
Issuance of restricted stock, net of forfeitures	502	8		
Equity-based compensation expense related to employees			44,560	
Balance as of September 30, 2015	151,150	\$ 4,331	\$ 3,182,573	\$ (3,611,105)
Employee stock options exercised	2,694	39	89,728	
Repurchase of shares(1)	(7,236)			(413,423)
Tax benefit from equity-based awards			7,788	
Issuance of restricted stock, net of forfeitures	526	7		
Equity-based compensation expense related to employees			42,700	
Balance as of September 30, 2016	147,134	\$ 4,377	\$ 3,322,789	\$ (4,024,527)
Employee stock options exercised	2,220	28	87,948	
Repurchase of shares(1)	(5,519)			(340,597)
Tax benefit from equity-based awards			3,611	
Issuance of restricted stock, net of forfeitures	556	5		
Equity-based compensation expense related to employees			44,539	
Balance as of September 30, 2017	144,391	\$ 4,410	\$ 3,458,887	\$ (4,365,124)

- (1) From time to time, our Board of Directors has adopted share repurchase plans authorizing the repurchase of our outstanding ordinary shares. In April 2014, our Board of Directors adopted a share repurchase plan authorizing the repurchase of up to \$750.0 million of our outstanding ordinary shares and in February 2016, adopted another share repurchase plan for the repurchase of up to an additional \$750.0 million of our outstanding ordinary shares. The 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 May 2016, we completed the repurchase of the remaining authorized amount under the April 2014 share repurchase plan and began executing repurchases under the February 2016 plan. In fiscal year 2016, we repurchased 7.2 million ordinary shares at an average price of \$57.12 per share (excluding broker and transaction fees). In fiscal year 2017, we repurchased 5.5 million ordinary shares at an average price of \$61.70 per share (excluding broker and transaction fees). As of September 30, 2017, we had remaining authority to repurchase up to \$256.0 million of our outstanding ordinary shares under the February 2016 plan. In November 2017, our Board of Directors adopted another share repurchase plan authorizing the repurchase of up to \$800.0 million of our outstanding ordinary shares. The 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.



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**Table of Contents****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 the pace of economic recovery following such economic downturns 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 demand and expenditures 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,

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**Table of Contents**

the responsiveness of our competitors to customer needs, and

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

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. In some instances, we rely on cooperative relationships with third parties to assist us in delivering certain products and services to our customers. Our present or future products, services and technology 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

***We may not receive significant revenues from our current research and development efforts for several years, if at all.***

Developing software and digital products is expensive and the investment in the development of these products often involves a long return on investment cycle. An important element of our corporate strategy is to continue to make significant investments in research and development and related products and service opportunities both through internal investments and the acquisition of intellectual property including from companies that we have acquired. Accelerated products and service introductions and short software and hardware life cycles require high levels of expenditures for research and development that could adversely affect our operating results if not offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position. However, we cannot guarantee that we will receive significant revenues from these investments for several years, if at all.

***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 years 2017 and 2016, respectively (Revenue attributable to DIRECTV following its July 2015 acquisition by AT&T has been included in the total revenue attributable to AT&T). Aggregate revenue derived from the multiple business arrangements we have with the ten largest of our significant

customers accounted for approximately 71% of our revenue in fiscal year 2017 and 73% in fiscal year 2016. 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

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**Table of Contents**

arrangements, market conditions, customer circumstances (such as financial condition and market position) 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, scope and completion of projects or other engagements, the timing and magnitude of which may be affected by market or other 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.

***We seek to acquire companies or technologies and cannot assure you that these acquisitions will enhance our products and services or strengthen our competitive position, and they may 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. Consistent with this strategy, we are actively evaluating potential acquisition opportunities, some of which could be significant, stand alone or in the aggregate. In the future, we intend to continue to pursue acquisitions of other companies, products, services and technologies that we believe will advance our business strategy. However, we may not be able to identify suitable future acquisition candidates, consummate acquisitions on favorable terms or complete otherwise favorable acquisitions because of antitrust, regulatory or other 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. Due to the multiple risks and difficulties associated with any acquisition, there can be no assurance that we will be successful in achieving our expected strategic, operating, and financial goals for any such acquisition.

***We may not be successful in the integration of our acquisitions.***

We 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. In some instances, we may need to depend on the seller



of an acquired business to provide us with certain transition services in order to meet the needs of our customers. Any failure to recognize significant defects in the internal control policies of acquired companies or properly integrate and retain personnel, and any interruptions of transition services, may require a significant amount of time and resources to address. Acquisitions may disrupt our ongoing operations, divert

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**Table of Contents**

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. Although we have never experienced an organized labor dispute, strike or work stoppage, any such occurrence, including in connection with unionization efforts, could disrupt our business and operations and harm our financial condition.

In addition, a national union and a group of our employees had attempted to secure the approval of the minimum number of employees needed for union certification with respect to our employees in Israel. While these efforts have not resulted in either group being recognized as a representative union, we cannot be certain there will be no such efforts in the future. In the event an organization is recognized as a representative union for our employees in Israel, we would be required to enter into negotiations to implement a collective bargaining agreement. We are unable to predict whether, and to what extent, efforts to unionize our employees in Israel or elsewhere would have an adverse effect on our business, operations or financial condition.

Our success will also depend 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.

***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,

**Table of Contents**

delays in or cancellations of significant projects and activities by customers,

changes in operating expenses,

increased competition,

changes in our strategy,

personnel changes,

foreign currency exchange rate fluctuations,

penetration of new markets, regions, customers and domains, and

general economic and political conditions.

Generally, our revenue relating to software licenses that require significant customization, modification, implementation and integration is 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 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.

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**Table of Contents**

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 excludes subcontractors, has increased from 23,636 at the end of fiscal 2016 to 24,670 as of September 30, 2017. 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 \$980 million, as of September 30, 2017. Our policy is to retain sufficient cash balances in order to support our growth. Our short-term investments consist primarily of money market funds, bank deposits, 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 of the carrying value of certain of our investment assets in recent fiscal years, and 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, including by reducing the capital available for our business and requiring us to seek additional capital, which may not be available on favorable terms.

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 adverse business conditions.***

We typically sell our software and related services as part of long-term projects and arrangements. During the life of a project or arrangement, a customer's budgeting constraints or other financial difficulties can impact the scope of such project or arrangement as well as the customer's requirements and ability to make payments or comply with other obligations with respect to such project or arrangement. 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, Mexico, the Philippines, the United Kingdom and the United States, and have operations in North America, Europe, Israel, Latin America, Africa and the Asia-Pacific region. Although a substantial majority of our revenue is derived from customers in North America, we obtain significant revenue from customers in Europe, 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 and other related 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,

**Table of Contents**

difficulties in collecting accounts receivable, converting local currencies or withholding taxes,

capital restrictions that limit the repatriation of earnings,

trade barriers,

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

immigration regulations that limit our ability to deploy our employees,

political instability and threats of terrorism,

currency exchange rate fluctuations,

foreign ownership restrictions,

regulations on the transfer of funds to and from foreign countries,

the lack of well-established or reliable legal systems in some countries,

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

the timing and manner of the United Kingdom exiting the European Union, as and when it occurs.

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 our efforts 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), lack of due process, 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. As we conduct business internationally, 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

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**Table of Contents**

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 should significant increases in volatility in foreign exchange markets occur.

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, other restrictions on the conversion of foreign currencies or foreign government initiatives to manage local economic conditions, including changes to or cessation of any such initiatives, could also have a material adverse effect on our business, results of operations and financial condition.

***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 20% 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 several 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. Relations between Israel and Iran continue to be seriously strained, especially with regard to Iran's nuclear program. 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. 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 40% 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.

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**Table of Contents**

***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 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.

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 our products make use of 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.

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.

**Table of Contents*****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, 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. In addition, generally open source software licenses do not contain any warranties and may not have available support from the authors or third parties from whom we license it from. If such open source software contains prior defects or infringes any third party right or we are unable to obtain or provide necessary support, we could be exposed to legal claims and significant legal expenses without the ability to seek contribution from the authors or third parties from whom we license open source software.

***System disruptions and failures 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 for our customers is critical to our success. Customers may become dissatisfied by any system failure that interrupts our ability to provide services to them.

Our ability to serve our customers depends on our ability to protect our systems and infrastructure against damage from fire, power loss, water damage, telecommunications failure, cyber-attacks, earthquake, severe

**Table of Contents**

weather condition, terrorism attack, vandalism and other similar unexpected adverse events. We also depend on various cloud providers which provide us environments, tools and applications on which we provide our products. 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. In addition, we have experienced systems outages and service interruptions in the past, none of which has had a material adverse effect on us. However, a prolonged system-wide outage or frequent outages for our infrastructure or our cloud providers' infrastructure could cause harm to our customers and to our reputation and reduce the attractiveness of our services significantly, which could result in decreased demand for our products and services 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 our security measures for our software, hardware, services or cloud offerings are compromised and as a result, our data, our customers' data or our IT systems are accessed improperly, made unavailable, or improperly modified, our products and services may be perceived as vulnerable, which may materially affect our business and result in potential legal liability.***

Our products and services, including our cloud offerings, store, retrieve, and manage our customers' information and data, as well as our own data. We have a reputation for secure and reliable product offerings and related services and we have invested a great deal of time and resources in protecting the integrity and security of our products, services and the internal and external data that we manage. Despite our efforts to implement network security measures, we cannot guarantee that our systems are fully protected from vulnerabilities related to IT-related viruses, worms and other malicious software programs, attacks, break-ins and similar disruptions from unauthorized tampering by computer hackers and others. Such cybersecurity incident could include an attempt to gain unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Phishing and other types of attempts to obtain unauthorized information or access are often sophisticated and difficult to detect or defeat. In addition, security measures in our products and services may be penetrated or bypassed by computer hackers and others who may gain unauthorized access to our or our customers' or partners' software, hardware, cloud offerings, networks, data or systems. These actors may use a wide variety of methods, which may include developing and deploying malicious software to attack our products and services and gain access to our networks and datacenters, using social engineering techniques, or acting in a coordinated manner to launch distributed denial of service or other coordinated attacks. This is also true for third party data, products or services incorporated into our own. Data may also be accessed or modified improperly as a result of customer, partner or employee error or malfeasance and third parties may attempt to fraudulently induce customers, partners, employees or suppliers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our data or IT systems or our customers' or partners' data or IT systems. Any of the foregoing occurrences could create system disruptions and cause shutdowns or denials of service or compromise data, including personal or confidential information, of us, our partners or our customers.

If a cyber-attack or other security incident (for example phishing, advanced persistent threats, or social engineering) were to result in unauthorized access to, or deletion of, and/or modification and/or exfiltration of our customers' data, other external data or our own data or our IT systems or if the services we provide to our customers were disrupted, 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 risks will increase as we continue to grow our cloud and network offerings and store and process increasingly large amounts of data, including personal information and our customers' confidential information and data and other external data, and host or manage parts of our customers' businesses in



cloud-based IT environments. In addition, we have acquired certain companies, products, services and technologies over the years and have partnered with other companies for certain of our other offerings. While we make significant efforts to address any IT security issues with respect to

## **Table of Contents**

our acquired companies and partners, we may still inherit such risks when we integrate these companies, products, services and technologies or work with our partners.

Any of the events described above could cause our customers to make claims against us for damages allegedly resulting from a security breach or service disruption, and security incidents could also lead to data or privacy breaches, regulatory investigations and claims, all of which could increase our legal liability.

***Changes in the tax legislation 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 14.8% for the year ended September 30, 2017 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. Any changes in tax laws could have an adverse impact on our financial results.

For example, there is growing pressure in many jurisdictions and from multinational organizations such as the Organization for Economic Cooperation and Development (OECD) and the EU to amend existing international taxation rules in order to align the tax regimes with current global business practices. Specifically, in October 2015, the OECD published its final package of measures for reform of the international tax rules as a product of its Base Erosion and Profit Shifting (BEPS) initiative, which was endorsed by the G20 finance ministers. Many of the initiatives in the BEPS package require specific amendments to the domestic tax legislation of various jurisdictions. We continuously monitor these developments. Although some of the BEPS measures are currently being implemented globally, it is still difficult to assess to what extent these changes would ultimately be implemented in the jurisdictions in which we conduct our business or to what extent they may impact the way in which we conduct our business or our effective tax rate due to the unpredictability and interdependency of these potential changes. In addition, a major tax reform has been proposed in the United States. If the proposed legislation becomes law, there can be no assurance that it would not have an adverse impact on our financial results in future taxable years.

***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,

announcements by any of our key customers,

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

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**Table of Contents**

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.

**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 leading communications and media companies in North America, Europe and the rest of the world. Our registered office is Hirzel House, Smith Street, St. Peter Port, 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, Switzerland, 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 July 2015, we acquired a substantial majority of the business support systems (BSS) assets of Comverse, Inc., which geographically complemented our market focus by expanding and diversifying our global customer base, particularly in Asia Pacific, Latin America and Europe. In January 2016, we acquired cVidya Networks, Inc., a vendor of revenue assurance and fraud management solutions, which adds to our capabilities in the area of revenue guard and fraud management. Additionally, in September 2016, we acquired Vindicia, Inc., a software-as-a-service subscription management and payment solution provider, Brite:Bill Group Limited, a provider of personalized digital interactive billing services and Pontis, Inc., a provider of contextual digital engagement solutions, enabling us to expand our digital offerings. In July 2017, we acquired Kenzan Media, LLC, a software engineering services company that provides customized, end-to-end solutions focusing on digital transformation, and platform-as-a-service and cloud native application development using DevOps and microservices.

As the result of our organic growth and acquisitions, our software and information technology, sales and marketing workforce (excluding subcontractors) has increased over the last three years from 22,561 as of the end of fiscal 2015 to 24,670 as of the end of fiscal 2017. In the past, our workforce has fluctuated with changes in business conditions.



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**Table of Contents**

Our principal capital expenditures for fiscal 2017, 2016 and 2015 have been for computer equipment in our operating facilities and development centers, for which we spent approximately \$113.7 million, \$111.1 million and \$107.3 million, respectively. Any future expansion of our managed services activity could result in additional capital expenditures. We anticipate our capital expenditures in fiscal 2018 will be financed internally and will consist of, among other things, the development of our new campus in Israel and additional computer equipment.

**Business Overview**

Amdocs is a leading provider of software and services for more than 350 communications, Pay TV, entertainment and media industry service providers in developed countries and emerging markets. These communications and cable service providers include some of the largest telecommunications companies in the world, including America Movil, AT&T, Bell Canada, Charter, Deutsche Telekom, Singtel, Sprint, Telefonica and Vodafone, as well as cable and satellite providers, including Altice (USA), Comcast, J:COM and Rogers Communications, midsize communications businesses and mobile virtual network enablers/mobile virtual network operators and 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), the service-driven network and other network solutions, entertainment offerings and digital solutions. These offerings are based on a product and services mix, using technologies such as cloud, microservices, DevOps, open source, bimodal operations and increasing amounts of automation through standard information technology (IT) tools, REST APIs and growing components of artificial intelligence to enable service providers to efficiently and cost-effectively introduce new products and services, process orders, monetize data, support new business models and generally enhance their understanding of their customers. Our technology, design-led thinking approach and expertise help service providers to further transform into digital service providers, enhance their over-the-top (OTT) entertainment offerings and serve their customers across all channels. We refer to these products, systems and services collectively as customer experience solutions (CES) 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 our clients' continued transformation into digital service providers to provide wireless access services, content and apps on any device through digital and non-digital channels. It is also driven by the trend towards integrated service offerings which we believe is leading to increased merger and acquisition activity among our customers who then require systems consolidation, which we provide, to ensure a consistent customer experience at all touchpoints. Our solutions enable service providers to help their consumer and enterprise and business-to-business customers navigate the increasing number of devices, services, partner services and plans available in today's digital world and the need of service providers to cope with the rapidly growing demand for data that these devices and services have created, as well as to compete with OTT-focused players. Regardless of whether service 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, contextual and valuable at every point of engagement and across all channels.

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

***Industry Background***

We believe that service providers will maintain a strong focus on growing new revenue streams, cost reduction and efficient operations, and that the trends of ongoing digital transformation, network virtualization, and consolidation within the industry as service providers seek to become full-service integrated carriers will

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**Table of Contents**

continue. The smartphone and associated communications and entertainment applications, or apps, other connected devices such as tablets, e-readers, wearables, and improvements in the Internet of Things (IoT) technology continue to drive unprecedented growth in the demand for multi-modal customer engagement capabilities and data. In response to the demand for digital experiences, service providers are continuing to focus on providing digital services, as well as enriching their offerings with integrated partner services. Service providers are also investing in their networks, and virtualizing them, to meet the demand for increased bandwidth, faster pace of innovation for new digital services, as well as to improve their business and operational agility and optimize and monetize their investments in such services.

Non-traditional service providers and device manufacturers continue to penetrate the communications market and are now competing for customer attention in the entertainment market as well. Additionally, social networks such as Facebook and Twitter, alongside OTT-focused players such as Skype, Snapchat and WhatsApp, have become widely-accepted alternatives to traditional voice communications and in some cases are also providing video streaming services. To meet the challenges from new competitors, service providers are developing cooperative partnerships with OTT-focused players to improve the customer experience. Pay TV providers are moving toward more OTT and on-demand video services in their need to respond to customers' on-demand experience expectations. As the business-to-consumer (B2C) domain is crowded with disruptors and heightened competition from OTT players, service providers are also looking to strengthen their standing with enterprise customers, explore new opportunities in the wholesale market and provide IoT services to new vertical market segments, such as the home, health and automotive industries.

To capture new revenue streams, service providers are expanding within existing and non-traditional business models and deploying 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 service agility and 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 and services that are highly innovative, reliable and cost-effective. We believe our success derives from a combination of the following factors that differentiate us from most of our competitors.

*Software products.* Our Amdocs CES portfolio and new cloud-native offerings of open pre-integrated software products is designed to allow modular expansion as a service provider evolves, ensuring rapid, low-cost and reduced-risk implementations. In the second quarter of fiscal 2016, we released Amdocs CES 10, a cloud-enabled portfolio that spans BSS/OSS and network solutions to deliver contextualized and personalized customer experiences across all channels; diversify revenue streams with new services to target a new customer base; empower service providers with data analytics and insights; and accelerate the rollout of new technologies. In the fourth quarter of fiscal 2016, Amdocs launched Amdocs Optima, a converged, multi-tenant digital customer management and commerce platform. It serves mid-sized communications businesses and mobile virtual network enablers/mobile virtual network operators, as well as digital enterprises and can be deployed on premise or in the cloud. In the first quarter of fiscal 2017, we released Amdocs CES 10.1, to enable our customers to accelerate digital transformation and capture growth



opportunities in the on-demand digital economy. CES 10.1 introduces greater flexibility to rapidly innovate and improve customer engagement through the introduction of open APIs (application programming interfaces that enable applications to interact with each other), artificial intelligence, design-led thinking and cloud-based operations. In the fourth quarter of fiscal 2017, we released Amdocs CES 10.2, a cloud portfolio release which empowers business and product marketers to define new services and rapidly launch new customer offers, intelligently engage

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**Table of Contents**

with customers and resolve their care inquiries virtually or shift seamlessly from virtual agents to human live channels, and manage hybrid networks. In the third quarter of fiscal 2017, Amdocs released Amdocs Optima 4.2, delivering multi-tenancy, end-user self-care and care portals and shopping cart and identity management infrastructures.

The Amdocs portfolio is based on an open architecture with an API-first approach and promotes the value of integration by using a central catalog, federating third-party catalogs as well as multiple catalogs across the business and network service layers, enabling greater agility, and rapid innovation.

*Services.* We offer a comprehensive line of services designed to address every stage of a service provider's lifecycle, from planning, delivery and implementation to ongoing support. Our services include managed services (which we refer to as intelligent operations), testing, digital business operations, revenue guard, Brite:Bill (personalized digital interactive billing services), network service assurance and advisory services. Using artificial intelligence and predictive analytics, our intelligent operations enable faster time to market for new services and the cost-effective management of existing services. Intelligent operations provides multi-year, flexible and tailored business processes and applications services, including application development and maintenance, operations, IT and infrastructure hosting, cloud services and legacy modernization. Our professional services are designed to assist customers in the selection, implementation, operation, management and maintenance of their IT systems. As a lead 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.

*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.

***Business Strategy***

Our goal is to provide business products, offerings, services and support to the world's leading service providers as they strive to deliver digital engagements and remain competitive. We seek to accomplish our goal by pursuing the strategies described below.

*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. These strengths have enabled us to diversify our customer base and expand our offering domains and may continue to provide us with opportunities to expand within other vertical segment markets.

*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 believe that the development of this customer base has helped position us as a market leader.

*Continued Expansion into Emerging Markets.* We seek to serve the needs of service providers operating in emerging markets. Prepaid subscriber growth remains high and average revenue per user

**Table of Contents**

remains relatively low in these markets in comparison to more developed markets. In order to increase subscriber revenue, service providers are focusing on the customer experience and on increasing capacity, particularly for data, as key competitive differentiators. Our existing and 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 to customer experience and on increasing bandwidth helps to create the wide spectrum of emerging market service providers that 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, Open, Deep Portfolio of Modular Integrated Products.* We seek to provide our customers with an open, broad, yet integrated, portfolio of modular 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 domains and multiple lines of business, including wireline, wireless, broadband, cable, satellite services and digital services. Integration of our systems is achieved through a central catalog leveraged by the BSS, OSS and network management layer, as well as with an open, API-first approach in our product portfolio to enable third-party integration. We believe that our ability to provide a broad, open, deep and integrated modular suite of products helps position us as a strategic partner for our customers as they continue to transform into digital service providers and provides us with multiple avenues for strengthening and expanding our ongoing customer relationships.

*Expand Our Intelligent Operations (Managed Services) Capabilities.* We seek 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. Intelligent operations also benefit us, as they can be a source of predictable revenue and long-term relationships.

*Develop and Maintain Long-Term Customer Relationships.* We seek to develop and maintain long-term, mutually beneficial relationships with our customers, and have organized our internal operations to better anticipate and respond to our customers' 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.

***Offerings***

Our offerings consist of a combination of software and services that addresses service providers' business and operational needs. Our software solutions support the full span of the customer relationship. We also provide solutions for high growth and emerging markets, mid-sized communications businesses and mobile virtual network enablers/mobile virtual network operators, as well as entertainment and media solutions for media publishers, TV networks, video streaming providers, ad agencies, advertising service providers and directory publishers.

Our key products suites are:

*Customer Engagement:* This portfolio of customer experience solutions enables service providers to personalize the consumer's experience, provide proactive customer care and facilitate commerce. These products allow service providers to provide contextual and personalized engagements at all points in their omni-channel customer journey, including contact center, retail stores, Web, mobile and

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**Table of Contents**

social media, and on all devices, including smartphones, tablets and personal computers, and offer a range of digital services.

*Digital Monetization:* This cloud-enabled revenue management suite helps service providers monetize the digital economy, enabling them to quickly launch innovative new products and offers to market, enrich them with partner offers and new business models, and monetize them in real time. Real-time user controls deliver digital immediacy and personalization to the service provider's customer.

*Intelligence and real-time data:* Amdocs' intelligence platform, *aia*, is integrated across the entire Amdocs portfolio. The platform combines our real-time data management platform, analytics and machine-learning capabilities, artificial intelligence engines from global partners, along with our extensive telecommunications-specific domain expertise and services. It enables service providers to develop new insights about their customers, enhance the customer experience, and manage network assets more efficiently.

*Network Functions Virtualization (NFV):* These offerings comprise standards-based software solutions to enable service lifecycle management in a hybrid physical and virtual network allowing service providers to automate network operations and simplify the introduction of NFV into existing networks. Amdocs NFV powered by ONAP (the Linux Foundation's Open Network Automation Platform) features software and services capabilities to orchestrate multi-vendor virtual network functions (VNFs) over virtual infrastructures, automating VNF onboarding to enable the design, testing and launching of new network services in weeks rather than months, and supporting a live view of services and resources.

*Operational Support Systems (OSS):* These products comprise our core operational support systems for fixed line, broadband, wireless and cable TV networks. The offerings facilitate network operational processes, including network planning and rollout across multiple technologies such as fiber, small cell and LTE, essential for 5G readiness, service fulfillment and assurance, inventory management, order orchestration and activation of new services through automation.

*Network Optimization:* This integrated suite of software and services is designed to help service providers plan, build, launch, manage and optimize their mobile networks. Vendor and technology agnostic, this offering affords service providers the analytics and services capabilities needed to maximize network investments, accelerate and automate the roll out and upgrade of network technologies, and optimize network performance and capacity.

*Enterprise and B2B:* This modular offering supports service providers' lead-to-care processes for their small-to-medium-sized business and enterprise customers. Our solutions enable accurate selling and quoting, fulfillment and delivery of services across traditional and virtualized networks, digital care and intelligence-based operations to automate and optimize end-to-end business operations. Our offering also enables service providers to grow their B2B revenues beyond connectivity through new domains such as cyber security, IoT services, OTT services and managed operations.

*OTT and Entertainment:* Our modular entertainment offering addresses service providers' need to provide integrated digital services with their partners' services and OTT, simplify the customer experience with a digital identity solution, rapidly onboard and manage partners with an open SaaS partner platform. Our entertainment offering also includes Vindicia's subscription management and monetization SaaS solution, supporting media companies' digital subscriptions and different types of payment methods.

*Internet of Things (IoT):* This suite of solutions enables service providers to offer intuitive, flexible and innovative IoT products and services. Amdocs' IoT monetization platform and connected home offering provides service providers with a reliable and scalable platform to support connected devices, a cloud-based environment to offer integrated home services, and a solution that allows enterprises to purchase connectivity from service providers in a wholesale mode.

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**Table of Contents**

*Mobile Financial Services:* Our financial-grade offerings enable service providers and financial institutions to serve financially underserved customer segments by offering a variety of secure mobile financial services, such as money transfers, bill payments, mobile commerce, savings, loans, insurance, loyalty management and top-up transactions.

*Amdocs Optima:* Built on the foundation of Amdocs Kenan and combined with capabilities of Amdocs C1, Amdocs Optima is a converged, multi-tenant, smart digital commerce, billing and customer management platform enabling swift and secure monetization of products and services. It serves mid-sized service providers, mobile virtual network enablers/mobile virtual network operators, and cross-vertical business-to-business digital companies, and can be deployed on premise or in the cloud.

*Advertising and Media Solutions:* Our advertising and media offerings for media publishers, TV networks, video streaming providers, ad agencies and advertising service providers are comprised of a comprehensive, analytics-driven set of business and operational products and services designed to enable the management of media and advertising selling, fulfillment, operations, advertiser and consumer experience and financial processes across digital and print media.

***Services***

We offer a broad suite of services to help service providers achieve their objectives through each stage of the business lifecycle. Our services methodology incorporates a 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.

From advisory services through solution development and business operations to intelligent operations (managed services) and training, the extent of services provided varies from customer to customer. Our services engagements can range in size and scope and include advising customers on business and technical strategy, designing and implementing particular business solutions, managing specific business operations processes, adopting DevOps and orchestrating large-scale transformation projects. Depending on the customer's needs, system implementation and integration activities are often conducted jointly by teams from Amdocs, our partner ecosystem 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. Sometimes 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 lead systems integrator for post-production activities that may include interfaces with third-party and legacy 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.

Our key services are:



*Advisory Services* We identify actionable and pragmatic solutions to business and operational challenges. A team of industry experts design insights based on research, trend analysis, global best practices, innovation and partnerships. This service helps service providers meet their objectives, including digital transformation, IoT, customer experience, NFV, DevOps, NextGen IT, cloud, 5G and enterprise.

*Intelligent Operations* We seek to transform traditional managed services towards autonomous operations, while continuing to manage legacy systems. This includes rapid deployment of new services through DevOps capabilities, modernization of legacy systems, cloud and infrastructure

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**Table of Contents**

services, while maintaining ongoing IT operations. Using open source, third party solutions and Amdocs unique IP around artificial intelligence, predictive analytics and machine-to-machine learning, this suite of services spans both Amdocs products and third-party software.

*Network Service Assurance* We turn data analysis into actionable insights. This service integrates BSS, OSS, IT and network information to present service providers a customer-centric view of network events.

*Digital Business Operations* We offer a suite of services, including order to activation and business process operations to digitalize business operations. These services combine domain-specific expertise and advanced technologies such as robotic process automation, predictive analytics, machine learning and technology for real-time, end-to-end visibility over any business process regardless of underlying silos. We aim to improve customer experience, decrease handling time, reduce OPEX and shorten time to introduce digital channels and new services.

*Testing Services* Leveraging Amdocs patented testing framework, BEAT , we offer our customers industry-specific testing experience, domain expertise and a global presence to help ensure seamless and ongoing support throughout multiple testing lifecycles.

*Revenue Guard* We offer operational risk management services that are designed to ensure faster, more accurate detection and resolution of revenue leakage, security and fraud. These services leverage a combination of methodology, unique IP, expertise and innovative tools to provide end-to-end ownership and accountability for assuring business processes.

*Brite:Bill* We offer a design-led, multi-channel bill presentment platform focused on customer experience management.

***Technology***

Our portfolio architecture allows our applications to work in multiple customer environments.

To help service providers respond more quickly to changes in their markets, we embrace an open and integrated approach to our technology built on the following key principles:

*Design led.* Adopting design-led principles and methodologies across software applications to ensure improved and optimized customer experiences.

*API enabled.* Leveraging domain-driven design to expose APIs across key applications and ensure consumption and interaction between applications is easily enabled. 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 applications.

*Cloud flexibility.* Architected to run in public and on-premise cloud environments.

*Microservices.* Developing highly granular, lightweight distributed software architecture, shipped and delivered using Docker containers and orchestrated using Google Kubernetes, the industry-leading cluster management for containers.

*Scalability.* Designed to take full advantage of the capabilities of the underlying platform, allowing progressive system expansion, proportional with increases in business volumes. Using the same software, our applications can support operations for small and very large service providers.

*Reliability.* System and component architecture supports high availability and redundancy to allow connected and uninterrupted operations at full network utilization and device load.

*Modularity.* Applications can be installed on an individual standalone basis, interfacing with the customer's existing systems, or as part of an integrated Amdocs system environment. We believe this modularity provides our customers with a highly flexible solution that is able to incrementally expand with the customer's growing needs and capabilities.

## **Table of Contents**

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

*Virtualization.* Business agility improves with virtualization as it allows introduction of new services rapidly. Moreover, virtualization reduces cost by improving resource utilization, and by automating processes.

*Open Source Software.* Enabling rapid time to market and lower-cost functionality introduction, our software leverages open-source components to encourage standardization and improved quality where possible. Amdocs is playing a central role in the development of The Linux Foundation's ONAP (Open Network Automation Platform), an advanced open source solution for the telecommunication industry.

*Service-Oriented Architecture.* SOA enables improved flow of information, rapid function development, easier scaling and simplified introduction of new services.

## ***Sales and Marketing***

Our sales and marketing activities are primarily directed at major communications, cable, 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 system integrators that provide complementary products and services. We also have value-added reseller agreements with certain hardware and database vendors. Our sales and marketing activities also support projects with partner companies, such as Adobe, Nokia Networks, Hewlett Packard Enterprise, IBM and Microsoft.

## ***Customers***

Our target market is comprised of service providers in the communications, cable, 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 85 countries.

Our customers include global and national communications, broadband, cable and satellite providers and network operators, as well as local marketing service providers, such as:

A1 Telekom Austria  
Airtel

Post Luxembourg  
Rogers Communications

Altice USA  
America Movil  
Astro  
AT&T  
AT&T Mexico  
Bakcell  
Proximus

Rostelecom  
Reliance Communications  
Sensis  
Singtel  
Sprint  
Sunrise Telecom  
SMART Communications

**Table of Contents**

Bell Canada	Telefónica Argentina
Botswana Telecommunications Corporation Limited	Telefónica Brasil
BT	Telefónica Chile
Cable and Wireless	Telefónica SA
CenturyLink	Telefónica Peru
Claro Brasil	TeliaSonera Sweden
Claro Chile	Telkom South Africa
Claro Dominican Republic	Telstra
Claro Puerto Rico	TELUS Communications
Comcast	Three Ireland (Hutchison) Limited
Deutsche Telekom	TIM
Dex Media	TIM Brasil
Dish Network	T-Mobile USA
EE	True Corporation
Elisa	UPC Broadband Holding B.V.
FarEasTone	US Cellular
Globe Telecom	UTS
Instituto Costarricense de Electricidad	Verizon Communications
J:COM	Veon
Kazakhtelecom	Virgin Media
Kcell	Vodafone Germany
KPN	Vodafone Hungary
KT Corporation	Vodafone India
Kyivstar	Vodafone Ireland
M1	Vodafone Italy
Mtel	VodafoneZiggo
Magyar Telekom	Vodafone Romania
NetCom	Vodafone Spain
Oi	Vodafone UK
Optus	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 years 2017 and 2016, respectively. Aggregate revenue derived from the multiple business arrangements we have with the ten largest of our significant customers accounted for approximately 71% of our revenue in fiscal 2017 and 73% in fiscal 2016. Revenue attributable to DIRECTV following its July 2015 acquisition by AT&T has been included in the total revenue attributable to AT&T.

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>
North America	65.9%	64.0%	70.1%
Europe	12.6	13.8	11.6
Rest of the World	21.5	22.2	18.3

**Competition**

The market for customer experience solutions in the communications, cable, entertainment and media industry continues to become more competitive. Amdocs' competitive landscape is comprised of internal IT

## **Table of Contents**

departments of large communications companies, as well as independent competitors or new entrants that may compete broadly with us or in limited segments of our market, and can be generally categorized as follows:

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

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

network equipment providers such as Cisco, Ericsson, Huawei, Nokia Networks, 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 35-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 providing a personalized and intelligent customer experience, shaping the quality of network experience and simplifying the complexity of the operating environment,

continuing to design and develop solutions targeted specifically to the communications, cable, 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-availability cloud technology and high-quality, reliable, scalable, integrated and 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.

## ***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.

### ***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 3.4 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 September 30, 2017, including maintenance and other related costs,

**Table of Contents**

were approximately \$66 million. The following table summarizes information with respect to the principal facilities leased by us and our subsidiaries as of September 30, 2017:

<b>Location</b>	<b>Area (Sq. Feet)</b>
United States:	
Champaign, IL	176,283
St. Louis, MO	70,881
Seattle, WA	55,396
Eldorado Hills, CA	40,867
Others	246,688
<b>Total</b>	<b>590,115</b>
Israel:	
Ra'anana	917,795
Sderot	143,192
Nazereth	25,916
Others	29,870
<b>Total</b>	<b>1,116,773</b>
Canada:	
Montreal	60,274
Ottawa	40,422
Toronto	17,872
<b>Total</b>	<b>118,568</b>
Cyprus (Limassol)	75,186
India:	
Pune	838,215
Delhi	204,053
Mumbai	4,400
<b>Total</b>	<b>1,046,668</b>
United Kingdom	58,505
Other locations (30 countries)	347,827
<b>Total</b>	<b>3,353,642</b>

Our leases expire on various dates through 2026, not including various options to terminate or extend lease terms. In December 2017, the Company entered into agreements with Union Investments and Development Limited ( "Union" ) to partner through a legal entity that would be equally owned by the Company and Union for the purpose of acquiring land which the Company intends to use as the site for a new campus in Ra'anana, Israel. The transaction for the acquisition of the land is expected to be completed in the near term upon satisfaction of customary closing conditions. Please see Note 22 to our consolidated financial statement.

*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, Red Hat, CA, IBM, Hewlett-Packard or others. Our data storage is based mainly on equipment from EMC, NetApp, IBM, Hitachi and Hewlett-Packard. Our development servers are connected to more than 30,000 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, off-site and on the cloud, as appropriate, to ensure security and integrity, and are used as part of our disaster recovery plan. The distributed development sites

## **Table of Contents**

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

We develop, implement and manage software and services associated with BSS/OSS, the service-driven network and other network solutions, entertainment offerings, and digital solutions to enable service providers to efficiently and cost-effectively introduce new products and services, process orders, monetize data, support new business models and generally enhance their understanding of their customers. Our technology and expertise help service providers to further transform into digital service providers, enhance their OTT entertainment offerings and serve their customers across all channels. 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.

In a global communications industry impacted by unprecedented growth in data demand, an increasing number of connected devices, improvement in IoT technologies, the rising influence of device makers, social networks and over-the-top players that bypass traditional service providers, consumers expect immediate and constant connectivity to personalized services, information and applications. To capture new revenue streams, service providers are continuing to transform to become digital service providers, investing in their networks to meet the demand for increased bandwidth and are searching for ways to provide 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 intelligent operations (managed services) to our customers. In recent years, we have completed numerous acquisitions (including our fiscal 2016 acquisitions of Vindicia, Brite:Bill and Pontis and our fiscal 2017 acquisition of Kenzan), which, among other things, we believe will enable us to expand our digital offerings and technological expertise. As part of our strategy, we may continue to pursue acquisitions and other initiatives in order to offer new products or services, enter into new vertical markets or otherwise enhance our market position or strategic strengths.

#### **Offerings**

Amdocs' offerings of software and related services consist of:

A complete, modular yet integrated open portfolio of customer experience solutions, including digital experience and digital monetization, network solutions, enterprise and business-to-business, on-demand entertainment and OTT, IoT, artificial intelligence and mobile financial services, all employing a unified foundation of products and tools.

## **Table of Contents**

A comprehensive line of services designed to address every stage of a service provider's lifecycle. Our services include advisory services, intelligent operations, digital business operations, testing, revenue guard and Brite:Bill (personalized digital interactive billing services). Our intelligent operations provide 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.

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 issues of service providers in high-growth emerging markets. In addition, Amdocs Optima has been designed to service mid-sized communications businesses and mobile virtual network enablers/mobile virtual network operators, as well as energy providers. 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 service providers that offer bundled or convergent service packages.

We also offer advertising and media products and services for media publishers, TV networks, video streaming providers, ad agencies and advertising service providers to facilitate cost-effective operations, from selling ads to the management of the fulfillment, operations, advertiser and 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 2017, customers in North America accounted for 65.9% of our revenue, while customers in Europe and the rest of the world accounted for 12.6% and 21.5%, respectively. We maintain development facilities in Brazil, Canada, Cyprus, India, Ireland, Israel, Mexico, the Philippines, the United Kingdom and the United States. Historically, AT&T has been our largest customer, accounting for 33% of our revenue in fiscal years 2017 and 2016, respectively. Aggregate revenue derived from the multiple business arrangements we have with our ten largest customers accounted for approximately 71% of our revenue in fiscal 2017 and 73% in fiscal 2016. Revenue attributable to DIRECTV following its July 2015 acquisition by AT&T has been included in the total revenue attributable to AT&T. We believe that demand for our customer experience solutions is primarily driven by the following key factors:

Transformation within the communications industry, including:

continued transformation of service providers to digital service providers,

increasing use of communications and content services,

widespread access to content, information and applications,

continued growth in Latin America and Southeast Asia,

expansion into new lines of business,

consolidation among service providers in established markets, often including companies with multinational 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:

Wide-scale foundational technology changes including the leveraging of open-source, cloud-enabled and cloud-native operating infrastructure, microservices-based architecture, API-based ecosystems, and aggressive digital modernization transformations,

**Table of Contents**

Evolving service provider business models and opportunities like OTT partnerships, content development and offerings, advertising, enterprise and small or medium-sized business modernization, and innovative consumer bundling solutions,

Network evolution in order to support growing technology needs associated with Internet of Things (IoT), autonomous vehicles and augmented and virtual reality,

New communications technologies such as 5G wireless technology, LORA, NB-IOT, network functions virtualization (NFV), network automation and edge computing,

Emerging initiatives like artificial intelligence, including machine learning (ML) and natural language processing (NLP), and blockchain.

Customer focus, such as:

the need for service providers to personalize the customer's experience and provide contextual and personalized engagements at all points in their omni-channel customer journey,

increasing customer expectations for new, innovative services and applications that are personally relevant and that can be accessed anytime, anywhere and from any device, and

the ever-increasing expectations for service and support, including proactive multi-modal customer care and commerce,.

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, introducing artificial intelligence, and integrating business processes that span service providers' BSS/OSS and network solutions,

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. In fiscal 2017, our total revenue was \$3.87 billion, of which \$3.81 billion, or 98.5%, was attributable to the sale of customer experience solutions. Revenue from managed services arrangements (for customer experience solutions and entertainment and media directory systems) 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 \$2.01 billion and \$1.95 billion of revenue in fiscal 2017 and 2016, 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. We also expend additional amounts on applied research and software development activities to keep abreast of new technologies in the communications and media markets and to provide new and enhanced functionality to our existing product offerings. We leverage leading-edge development technologies like DevOps, Continuous Integration/Continuous Development (CI/CD) and Agile, to ensure we are able to develop and deliver our solutions efficiently and cost-effectively.

**Table of Contents**

Substantially all of our research and development expenditures are directed at our customer experience solutions. In recent years, we have also invested our research and development efforts in network control, optimization and orchestration and network functions virtualization technologies; applications to enable service providers to deploy and monetize technologies such as fiber, LTE, small cells and Wi-Fi; big data analytics and intelligence capabilities leveraging Natural Language Processing and artificial intelligence toward consumer and business satisfaction, marketing effectiveness and network operations and experience; increased focused for the business segment, digital, commerce and entertainment domains, and on foundational technologies including microservices and cloud infrastructure readiness. 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. In recent years, we have invested in adopting open source components in an effort to reduce total cost of ownership for our customers, but our software and software systems remain the results of long, robust and intensive development processes. Although our technology is not significantly dependent on patents or licenses from third parties, certain aspects of our products continue to make use of 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 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.

**Operating Results**

The following table sets forth for the fiscal years ended September 30, 2017, 2016 and 2015, certain items in our consolidated statements of income reflected as a percentage of revenue (figures may not sum because of rounding):

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Revenue	100%	100%	100%
Operating expenses:			
Cost of revenue	64.8	64.8	64.5
Research and development	6.7	6.8	7.0
Selling, general and administrative	12.2	12.5	12.1
Amortization of purchased intangible assets and other	2.9	2.9	1.9
Restructuring charges			0.3
	86.6	87.0	85.8



**Table of Contents**

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Operating income	13.4	13.0	14.2
Interest and other (expense) income, net	(0.1)	0.0	(0.1)
Income before income taxes	13.3	13.0	14.1
Income taxes	2.0	2.0	1.9
Net income	11.3%	11.0%	12.2%

***Fiscal Years Ended September 30, 2017 and 2016***

The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2017, compared to the fiscal year ended September 30, 2016. Following the table is a discussion and analysis of our business and results of operations for these fiscal years.

	<b>Year Ended September 30,</b>		<b>Increase (Decrease)</b>	
	<b>2017</b>	<b>2016</b>	<b>Amount</b>	<b>%</b>
	<b>(In thousands)</b>			
Revenue	\$ 3,867,155	\$ 3,718,229	\$ 148,926	4.0%
Operating expenses:				
Cost of revenue	2,507,656	2,408,040	99,616	4.1
Research and development	259,097	252,292	6,805	2.7
Selling, general and administrative	472,778	464,883	7,895	1.7
Amortization of purchased intangible assets and other	110,291	109,873	418	0.4
	3,349,822	3,235,088	114,734	3.5
Operating income	517,333	483,141	34,192	7.1
Interest and other (expense) income, net	(4,421)	1,557	(5,978)	(384)
Income before income taxes	512,912	484,698	28,214	5.8
Income taxes	76,086	75,367	719	1.0
Net income	\$ 436,826	\$ 409,331	\$ 27,495	6.7%

**Revenue.** Revenue increased by \$148.9 million, or 4.0%, to \$3,867.2 million in fiscal year 2017, from \$3,718.2 million in fiscal year 2016. The increase in revenue, which was net of a decrease of approximately 1.0% from the sale of directory systems, was primarily attributable to increased activity in North America and was also positively affected by activities related to Vindicia, Brite:Bill and Pontis, which we acquired in September 2016.

Revenue attributable to the sale of customer experience solutions increased by \$179.4 million, or 4.9%, to \$3,809.1 million in fiscal year 2017, from \$3,629.7 million in fiscal year 2016. The increase in revenue was primarily attributable to increased activity in North America and was also positively affected by activities related to Vindicia,

Brite:Bill and Pontis, which we acquired in September 2016. Revenue resulting from the sale of customer experience solutions represented 98.5% and 97.6% of our total revenue in fiscal years 2017 and 2016, respectively.

Revenue attributable to the sale of directory systems decreased by \$30.4 million, or 34.4%, to \$58.1 million in fiscal year 2017, from \$88.5 million in fiscal year 2016. This decrease was primarily attributable to continued slowness in the directory systems market and we anticipate revenue from the sale of directory systems will continue to decline in fiscal year 2018. Revenue from the sale of directory systems represented 1.5% and 2.4% of our total revenue in fiscal years 2017 and 2016, respectively.

**Table of Contents**

In fiscal year 2017, revenue from customers in North America, Europe and the rest of the world accounted for 65.9%, 12.6% and 21.5%, respectively, of total revenue, compared to 64.0%, 13.8% and 22.2%, respectively, in fiscal year 2016. The increase in the percentage of revenue from customers in North America was primarily attributable to increased activity with several customers, particularly AT&T and Pay TV service providers. The decrease in revenue from customers in Europe was attributable to lower revenue from transformation and implementation projects. Revenue from customers in the rest of the world slightly increased in fiscal year 2017, while total revenue increased at a higher rate, which resulted in a decrease in revenue from customers in the rest of the world as a percentage of total revenue. The slight increase in revenue from customers in the rest of the world was driven by increased activity in Asia-Pacific, which was partially offset by lower revenue from customers in Central and Latin America.

*Cost of Revenue.* Cost of revenue consists primarily of costs associated with providing services to customers, including compensation expense and costs of third-party products, as well as fee and royalty payments to software suppliers. Cost of revenue increased by \$99.6 million, or 4.1%, to \$2,507.7 million in fiscal year 2017, from \$2,408.0 million in fiscal year 2016. As a percentage of revenue, cost of revenue remained flat at 64.8% in both fiscal years 2017 and 2016. We were able to maintain our gross margin in fiscal year 2017 as a result of ongoing focus on achieving operational efficiencies, despite the negative effect of our activity outside of our established markets, where we continued our penetration efforts in order to expand our business into those markets.

*Research and Development.* Research and development expense is primarily comprised of compensation expense. Research and development expense increased by \$6.8 million, or 2.7%, to \$259.1 million in fiscal year 2017, from \$252.3 million in fiscal year 2016. Research and development expense decreased as a percentage of revenue from 6.8% in fiscal year 2016, to 6.7% in fiscal year 2017. Our research and development efforts are a key element of our strategy and are essential to our success, and we intend to maintain our commitment to research and development. An increase or a decrease in our 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. Please see Research and Development, Patents and Licenses.

*Selling, General and Administrative.* Selling, general and administrative expense, which is primarily comprised of compensation expense, increased by \$7.9 million, or 1.7%, to \$472.8 million in fiscal year 2017, from \$464.9 million in fiscal year 2016. Selling, general and administrative expense decreased as a percentage of revenue from 12.5% in fiscal year 2016, to 12.2% in fiscal year 2017. The decrease in selling, general and administrative expense as a percentage of revenue was primarily attributable to changes in the accounts receivable allowances that were partially offset by activities related to Vindicia, Brite:Bill and Pontis, which we acquired in September 2016. Selling, general and administrative expense may fluctuate from time to time, depending upon such factors as changes in our workforce and sales efforts and the results of any operational efficiency programs that we may undertake.

*Amortization of Purchased Intangible Assets and Other.* Amortization of purchased intangible assets and other increased by \$0.4 million, or 0.4%, to \$110.3 million in fiscal year 2017, from \$109.9 million in fiscal year 2016. The increase in amortization of purchased intangible assets and other was attributable to an increase in amortization of intangible assets due to the acquisitions of Vindicia, Brite:Bill and Pontis, which was offset by timing of amortization charges of previously purchased intangible assets and a decrease in acquisition-related costs.

*Operating Income.* Operating income increased by \$34.2 million, or 7.1%, to \$517.3 million in fiscal year 2017, from \$483.1 million in fiscal year 2016. Operating income increased as a percentage of revenue, from 13.0% in fiscal year 2016 to 13.4% in fiscal year 2017. The increase in operating income as a percentage of revenue was attributable to operating expenses, particularly selling, general and administrative expense, increasing at a lower rate than revenue.



**Table of Contents**

*Interest and Other (Expense) Income, Net.* Interest and other (expense) income, net, changed from a net gain of \$1.6 million in fiscal year 2016 to a net loss of \$4.4 million in fiscal year 2017. This change in interest and other (expense) income, net, was primarily attributable to foreign exchange impacts.

*Income Taxes.* Income taxes for fiscal year 2017 were \$76.1 million on pre-tax income of \$512.9 million, resulting in an effective tax rate of 14.8%, compared to 15.5% in fiscal year 2016. Our effective tax rate may fluctuate between periods as a result of discrete items that may affect a particular period. Please see Note 10 to our consolidated financial statements.

*Net Income.* Net income increased by \$27.5 million, or 6.7%, to \$436.8 million in fiscal year 2017, from \$409.3 million in fiscal year 2016. The increase in net income was primarily attributable to the increase in operating income.

*Diluted Earnings Per Share.* Diluted earnings per share increased by \$0.25, or 9.2%, to \$2.96 in fiscal year 2017, from \$2.71 in fiscal year 2016. The increase in diluted earnings per share was primarily attributable to the increase in net income, and, to a lesser extent, the decrease in the diluted weighted average number of shares outstanding, which resulted from share repurchases.

**Fiscal Years Ended September 30, 2016 and 2015**

The following is a tabular presentation of our results of operations for the fiscal year ended September 30, 2016, compared to the fiscal year ended September 30, 2015. Following the table is a discussion and analysis of our business and results of operations for these fiscal years.

	<b>Year Ended September 30,</b>		<b>Increase (Decrease)</b>	
	<b>2016</b>	<b>2015</b>	<b>Amount</b>	<b>%</b>
	<b>(In thousands)</b>			
Revenue	\$ 3,718,229	\$ 3,643,538	\$ 74,691	2.0%
Operating expenses:				
Cost of revenue	2,408,040	2,349,488	58,552	2.5
Research and development	252,292	254,944	(2,652)	(1.0)
Selling, general and administrative	464,883	440,085	24,798	5.6
Amortization of purchased intangible assets and other	109,873	70,073	39,800	56.8
Restructuring charges		13,000	(13,000)	(100.0)
	3,235,088	3,127,590	107,498	3.4
Operating income	483,141	515,948	(32,807)	(6.4)
Interest and other (expense), net	1,557	(2,544)	(4,101)	(161.2)
Income before income taxes	484,698	513,404	(28,706)	(5.6)
Income taxes	75,367	67,241	8,126	12.1
Net income	\$ 409,331	\$ 446,163	\$ (36,832)	(8.3%)



*Revenue.* Revenue increased by \$74.7 million, or 2.0%, to \$3,718.2 million in fiscal year 2016, from \$3,643.5 million in fiscal year 2015. The increase in revenue was attributable to increased activity in the rest of the world and, to a lesser extent, in Europe, partially offset by lower revenue from North America. The 2.0% increase in revenue was net of a decrease of approximately 1.5% from foreign exchange fluctuations.

Revenue attributable to the sale of customer experience solutions increased by \$87.2 million, or 2.5%, to \$3,629.7 million in fiscal year 2016, from \$3,542.5 million in fiscal year 2015. The increase in revenue was attributable to increased activity in the rest of the world and, to a lesser extent, in Europe, partially offset by lower revenue from North America. Revenue resulting from the sale of customer experience solutions represented 97.6% and 97.2% of our total revenue in fiscal years 2016 and 2015, respectively.

**Table of Contents**

Revenue attributable to the sale of directory systems decreased by \$12.5 million, or 12.4%, to \$88.5 in fiscal year 2016, from \$101.0 million in fiscal year 2015. This decrease was primarily attributable to continued slowness in the directory systems market. Revenue from the sale of directory systems represented 2.4% and 2.8% of our total revenue in fiscal years 2016 and 2015, respectively.

In fiscal year 2016, revenue from customers in North America, Europe and the rest of the world accounted for 64.0%, 13.8% and 22.2%, respectively, of total revenue, compared to 70.1%, 11.6% and 18.3%, respectively, in fiscal year 2015. The decrease in the percentage of revenue from customers in North America was driven by the increase in revenue from customers in Europe and the rest of the world, while revenue from customers in North America decreased, mainly due to AT&T's slower pace of discretionary spending. The increase in revenue from customers in Europe was attributable to expanding our business relations with new and existing customers, including Vodafone and former Comverse customers. Revenue from customers in the rest of the world increased as a result of our progress in implementing complex modernization projects in both Latin America and Asia-Pacific, as well as capitalizing on the sustained business momentum with former Comverse customers.

*Cost of Revenue.* Cost of revenue increased by \$58.6 million, or 2.5%, to \$2,408.0 million in fiscal year 2016, from \$2,349.5 million in fiscal year 2015. As a percentage of revenue, cost of revenue increased to 64.8% in fiscal year 2016, from 64.5% in fiscal year 2015. The decrease in the gross margin in fiscal year 2016 was primarily attributable to a gain resulting from changes in fair value of certain acquisition-related liabilities recognized in fiscal year 2015, which was partially offset by improvement to our gross margin as a result of ongoing focus on achieving operational efficiencies.

*Research and Development.* Research and development expense decreased by \$2.7 million, or 1.0%, to \$252.3 million in fiscal year 2016, from \$254.9 million in fiscal year 2015. Research and development expense decreased as a percentage of revenue from 7.0% in fiscal year 2015, to 6.8% in fiscal year 2016.

*Selling, General and Administrative.* Selling, general and administrative expense, which is primarily comprised of compensation expense, increased by \$24.8 million, or 5.6%, to \$464.9 million in fiscal year 2016, from \$440.1 million in fiscal year 2015. The increase in selling, general and administrative expense was primarily attributable to the acquisition of the BSS assets of Comverse, as well as to an increase in the allowance for doubtful accounts.

*Amortization of Purchased Intangible Assets and Other.* Amortization of purchased intangible assets and other increased by \$39.8 million, or 56.8%, to \$109.9 million in fiscal year 2016, from \$70.1 million in fiscal year 2015. The increase in amortization of purchased intangible assets and other was primarily attributable to an increase in amortization of intangible assets due to the acquisition of the BSS assets of Comverse, and, to a lesser extent, an increase in acquisition-related costs.

*Restructuring Charges.* The fiscal year 2015 restructuring charges were recognized in connection with the acquisition of the BSS assets of Comverse.

*Operating Income.* Operating income decreased by \$32.8 million, or 6.4%, to \$483.1 million in fiscal year 2016, from \$515.9 million in fiscal year 2015. Operating income decreased as a percentage of revenue, from 14.2% in fiscal year 2015 to 13.0% in fiscal year 2016. The decrease in operating income as a percentage of revenue was attributable to operating expenses, particularly amortization of purchased intangible assets and other, as well as cost of revenue, increasing at a higher rate than revenue. Positive foreign exchange impacts on our operating expenses were partially offset by the negative foreign exchange impacts on our revenue, resulting in a minor positive impact on our operating income.

*Interest and Other Income (Expense), Net.* Interest and other income (expense), net, changed from a net loss of \$2.5 million in fiscal year 2015 to a net gain of \$1.6 million in fiscal year 2016. This change in interest and other income (expense), net, was primarily attributable to foreign exchange impacts.

**Table of Contents**

*Income Taxes.* Income taxes for fiscal year 2016 were \$75.4 million on pre-tax income of \$484.7 million, resulting in an effective tax rate of 15.5%, compared to 13.1% in fiscal year 2015. Our effective tax rate may fluctuate between periods as a result of discrete items that may affect a particular period. Please see Note 10 to our consolidated financial statements.

*Net Income.* Net income decreased by \$36.8 million, or 8.3%, to \$409.3 million in fiscal year 2016, from \$446.2 million in fiscal year 2015. The decrease in net income was primarily attributable to the decrease in operating income.

*Diluted Earnings Per Share.* Diluted earnings per share decreased by \$0.14, or 4.9%, to \$2.71 in fiscal year 2016, from \$2.85 in fiscal year 2015. The decrease in diluted earnings per share was mainly attributable to the decrease in net income, which was partially offset by the decrease in the diluted weighted average number of shares outstanding.

**Liquidity and Capital Resources**

*Cash, Cash Equivalents and Short-Term Interest-Bearing Investments.* Cash, cash equivalents and short-term interest-bearing investments, net of short-term debt, totaled \$979.6 million as of September 30, 2017, compared to \$895.7 million as of September 30, 2016. The increase during fiscal year 2017 was mainly attributable to \$636.1 million in cash flow from operations and \$87.6 million of proceeds from stock option exercises, partially offset by \$340.6 million used to repurchase our ordinary shares, \$133.4 million for capital expenditures, net, and \$121.5 million of cash dividend payments. Net cash provided by operating activities amounted to \$636.1 million and \$620.2 million in fiscal years 2017 and 2016, respectively.

Our policy is to retain sufficient cash balances in order to support our growth. We believe that our current cash balances, cash generated from operations and our current lines of credit will provide sufficient resources to meet our operational needs and to fund share repurchases and the payment of cash dividends for at least the next fiscal year.

As a general long-term guideline, we expect to retain a portion of our free cash flow (calculated as cash flow from operations less net capital expenditures and other) to support the growth of our business, including possible mergers and acquisitions, with the majority returned to our shareholders through share repurchases and dividends. Our actual share repurchase activity and payment of future dividends, if any, may vary quarterly or annually and will be based on several factors including our financial performance, outlook and liquidity, the size of possible mergers and acquisitions activity, financial market conditions and prevailing industry conditions. We plan to return approximately 100% of our free cash flow to shareholders (before the capital expenditures associated with the multiyear development of our new campus in Israel (please see Note 22 to our consolidated financial statements)) through our ongoing share repurchase and dividend program in fiscal year 2018.

Our interest-bearing investments are classified as available-for-sale securities. Such short-term interest-bearing investments consist primarily of bank deposits, money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities. We believe we have conservative investment policy guidelines. Our interest-bearing investments are stated at fair value with the unrealized gains or losses reported as a separate component of accumulated other comprehensive income (loss), net of tax, unless a security is other than temporarily impaired, in which case the loss is recorded in the consolidated statements of income. Our interest-bearing investments are priced by pricing vendors and are classified as Level 1 or Level 2 investments, since these vendors either provide a quoted market price in an active market or use other observable inputs to price these securities. During fiscal years 2017 and 2016 we recognized immaterial credit losses. Please see Notes 4 and 5 to our consolidated financial statements.

*Revolving Credit Facility, Letters of Credit and Guarantees.* In 2011, we entered into an unsecured \$500.0 million five-year revolving credit facility with a syndicate of banks. In December 2014 and in December

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**Table of Contents**

2017, the credit facility was amended and restated to, among other things, extend the maturity date of the facility to December 2019 and December 2022, respectively. The credit facility is available for general corporate purposes, including acquisitions and repurchases of ordinary shares that we may consider from time to time. The interest rate for borrowings under the revolving credit facility is chosen at our option from several pre-defined alternatives, depends on the circumstances of any advance and is based in part on our credit rating. In September 2016, we borrowed an aggregate of \$200.0 million under the facility and repaid it in October 2016. In March 2017, we borrowed an aggregate of \$200.0 million under the facility and repaid it in April 2017. As of September 30, 2017, we were in compliance with the financial covenants under the revolving credit facility and had no outstanding borrowings under this facility.

As of September 30, 2017, we had additional uncommitted lines of credit available for general corporate and other specific purposes and had outstanding letters of credit and bank guarantees from various banks totaling \$33.7 million. These were supported by a combination of the uncommitted lines of credit that we maintain with various banks.

*Acquisitions.* During fiscal year 2016, we acquired three technology companies to expand our digital offering: Vindicia, Brite:Bill and Pontis, for the aggregate purchase price of \$258.5 million in cash, with the potential for additional consideration subject to the achievement of certain performance metrics.

*Capital Expenditures.* Generally, 80% to 90% of our capital expenditures consist of purchases of computer equipment, and the remainder is attributable mainly to leasehold improvements. Our capital expenditures were approximately \$133.4 million in fiscal year 2017. Our fiscal year 2017 capital expenditures were mainly attributable to investments in our operating facilities and our development centers around the world. Our policy is to fund our capital expenditures from operating cash flows and we do not anticipate any changes to this policy in the foreseeable future. We expect to incur incremental net investment of up to \$350.0 million over a period of four to five years in connection with the development of our new campus in Israel, of which approximately \$100.0 million is expected to be incurred in fiscal year 2018. Please see Note 22 to our consolidated financial statements.

*Share Repurchases.* From time to time, our Board of Directors has adopted share repurchase plans authorizing the repurchase of our outstanding ordinary shares. The current share repurchase plan, adopted by our Board of Directors on February 2, 2016, authorizes the repurchase of up to \$750.0 million of our outstanding ordinary shares with no expiration date. In fiscal year 2017, we repurchased 5.5 million ordinary shares at an average price of \$61.70 per share (excluding broker and transaction fees), and as of September 30, 2017, we had remaining authority to repurchase up to \$256.3 million of our outstanding ordinary shares. On November 8, 2017, our Board of Directors adopted another share repurchase plan for the repurchase of up to an additional \$800.0 million of our outstanding ordinary shares with no expiration date. The authorizations permit us to purchase our ordinary shares in open market or privately negotiated transactions at times and prices that we consider appropriate.

**Table of Contents**

*Cash Dividends.* Our Board of Directors declared the following dividends during fiscal years 2017, 2016 and 2015:

Declaration Date	Dividends Per		Total Amount		Payment Date
	Ordinary Share	Record Date	(In millions)		
August 2, 2017	\$ 0.220	September 29, 2017	\$ 31.7		October 23, 2017
May 9, 2017	\$ 0.220	June 30, 2017	\$ 32.0		July 14, 2017
February 1, 2017	\$ 0.220	March 31, 2017	\$ 32.2		April 14, 2017
November 8, 2016	\$ 0.195	December 30, 2016	\$ 28.6		January 13, 2017
July 26, 2016	\$ 0.195	September 30, 2016	\$ 28.7		October 21, 2016
May 4, 2016	\$ 0.195	June 30, 2016	\$ 28.8		July 15, 2016
February 2, 2016	\$ 0.195	March 31, 2016	\$ 29.2		April 15, 2016
November 10, 2015	\$ 0.170	December 31, 2015	\$ 25.6		January 15, 2016
July 29, 2015	\$ 0.170	September 30, 2015	\$ 25.7		October 16, 2015
April 29, 2015	\$ 0.170	June 30, 2015	\$ 26.1		July 17, 2015
January 27, 2015	\$ 0.170	March 31, 2015	\$ 26.3		April 16, 2015
November 4, 2014	\$ 0.155	December 31, 2014	\$ 24.1		January 16, 2015

On November 8, 2017, our Board of Directors approved a quarterly dividend payment of \$0.22 per share, and set December 29, 2017 as the record date for determining the shareholders entitled to receive the dividend, which is payable on January 19, 2018. On November 8, 2017, our Board of Directors also approved, subject to shareholder approval at the January 2018 annual general meeting of shareholders, an increase in the quarterly cash dividend to \$0.25 per share, anticipated to be paid in April 2018.

Our Board of Directors considers on a quarterly basis whether to declare and pay, if any, a dividend in accordance with the terms of the dividend program, subject to applicable Guernsey law and based on several factors including our financial performance, outlook and liquidity. Guernsey law requires that our Board of Directors consider a dividend's effects on our solvency before it may be declared or paid. While the Board of Directors will have the authority to reduce the quarterly dividend or discontinue the dividend program should it determine that doing so is in the best interests of our shareholders or is necessary pursuant to Guernsey law, any increase to the per share amount or frequency of the dividend would require shareholder approval.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**Contractual Obligations**

The following table summarizes our contractual obligations as of September 30, 2017, and the effect such obligations are expected to have on our liquidity and cash flows in future periods (in millions):

<b>Contractual Obligations</b>	<b>Total</b>	<b>Payments Due by Period</b>			
		<b>Less Than 1 Year</b>	<b>1-3 Years</b>	<b>4-5 Years</b>	<b>More Than 5 Years</b>
Pension funding	\$ 14.4	\$ 1.4	\$ 4.4	\$ 2.9	\$ 5.7
Purchase obligations	54.1	32.3	20.9	0.9	
Non-cancelable operating leases	325.7	75.5	167.0	60.4	22.8
Total	\$ 394.2	\$ 109.2	\$ 192.3	\$ 64.2	\$ 28.5

The total amount of unrecognized tax benefits for uncertain tax positions was \$193.0 million as of September 30, 2017. Payment of these obligations would result from settlements with taxing authorities. Due to the difficulty in determining the timing of resolution of audits, these obligations are not included in the above table.



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**Table of Contents**

**Deferred Tax Asset Valuation Allowance**

As of September 30, 2017, we had deferred tax assets of \$94.6 million, derived primarily from tax credits, net capital and operating loss carryforwards related to some of our subsidiaries, which were offset by valuation allowances due to the uncertainty of realizing any tax benefit for such credits and losses.

**Critical Accounting Policies**

Our discussion and analysis of our consolidated financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosure of contingent liabilities. On a regular basis, we evaluate and may revise our estimates. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent. Actual results could differ materially from the estimates under different assumptions or conditions.

We believe that the estimates, assumptions and judgments involved in the accounting policies described below have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. These policies require that we make estimates in the preparation of our financial statements as of a given date. Our critical accounting policies are as follows:

Revenue recognition and contract accounting

Tax accounting

Business combinations

Share-based compensation expense

Goodwill, intangible assets and long-lived assets-impairment assessment

Derivative and hedge accounting

Fair value measurement of short-term interest-bearing investments

Accounts receivable reserves

We discuss these policies further below, as well as the estimates and judgments involved. We also have other key accounting policies. We believe that, compared to the critical accounting policies listed above, the other policies either

do not generally require us to make estimates and judgments that are as difficult or as subjective, or it is less likely that they would have a material impact on our reported consolidated results of operations for a given period.

***Revenue Recognition and Contract Accounting***

We derive our revenue principally from:

the initial sales of licenses to use our products and related services, including modification, implementation, integration and customization services,

providing managed services in our domain expertise and other related services, and

recurring revenue from ongoing support, maintenance and enhancements provided to our customers, and from incremental license fees resulting from increases in a customer's business volume.

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed or determinable; and (iv) collectibility

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**Table of Contents**

of the fee is reasonably assured. We usually sell our software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. Those services are deemed essential to the software. As a result, we generally recognize initial license fee and related service revenue over the course of these long-term projects, using the percentage of completion method of accounting. Contingent subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber or transaction volume or other measurements when greater than the level specified in the contract for the initial license fee. Revenue from sales of hardware that functions together with the software licenses to provide the essential functionality of the product and that includes significant customization, modification, implementation and integration, is recognized as work is performed, under the percentage of completion method of accounting. Revenue from software solutions that do not require significant customization, implementation and modification is recognized upon delivery. Revenue from services that do not involve significant ongoing obligations is recognized as services are rendered. In managed services contracts, we typically recognize revenue from the operation of a customer's system as services are performed based on time elapsed, output produced, volume of data processed or subscriber count, depending on the specific contract terms of the managed services arrangement. Typically, managed services contracts are long-term in duration and are not subject to seasonality. Revenue from ongoing support services is recognized as work is performed. Revenue from third-party hardware sales is recognized upon delivery and installation and revenue from third-party software sales is recognized upon delivery. Maintenance revenue is recognized ratably over the term of the maintenance agreement.

A significant portion of our revenue is recognized over the course of long-term implementation and integration projects under the percentage of completion method of accounting, usually based on a percentage that incurred labor effort to date bears to total projected labor effort. When total cost estimates exceed revenue in a fixed-price arrangement, the estimated losses are recognized immediately based upon the cost applicable to the project. The percentage of completion method requires the exercise of judgment on a quarterly basis, such as with respect to estimates of progress-to-completion, contract revenue, loss contracts and contract costs. Progress in completing such projects may significantly affect our annual and quarterly operating results.

We follow very specific and detailed guidelines, several of which are discussed above, in measuring revenue; however, certain judgments affect the application of our revenue recognition policy. We evaluate contracts entered into at or near the same time with the same customer (or related parties of the customer) and determine if the contracts should be combined in accordance with the guidance for revenue recognition.

Our revenue recognition policy takes into consideration the creditworthiness and past transaction history of each customer in determining the probability of collection as a criterion of revenue recognition. This determination requires the exercise of judgment, which affects our revenue recognition. If we determine that collection of a fee is not reasonably assured, we defer the revenue recognition until the time collection becomes reasonably assured.

For arrangements with multiple deliverables within the scope of software revenue recognition guidance, we allocate revenue to each component based upon its relative fair value, which is determined based on the Vendor Specific Objective Evidence (VSOE) of fair value for that element. Such determination is judgmental and for most contracts is based on normal pricing and discounting practices for those elements when sold separately in similar arrangements. In the absence of fair value for a delivered element, we use the residual method. The residual method requires that we first allocate revenue based on fair value to the undelivered elements and then the residual revenue is allocated to the delivered elements. If VSOE of any undelivered items does not exist, revenue from the entire arrangement is deferred and recognized at the earlier of (i) delivery of those elements for which VSOE does not exist or (ii) when VSOE can be established. However, in limited cases where maintenance is the only undelivered element without VSOE, the entire arrangement fee is recognized ratably upon commencement of the maintenance services. The residual method is

used mainly in multiple element arrangements that include license for the sale of software solutions that do not require significant customization,

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**Table of Contents**

modification and implementation and maintenance to determine the appropriate value for the license component. Under the guidance for revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance, we allocate revenue to each element based upon the relative fair value. Fair value would be allocated by using a hierarchy of (1) VSOE, (2) third-party evidence of selling price for that element, or (3) estimated selling price, or ESP, for individual elements of an arrangement when VSOE or third-party evidence of selling price is unavailable. This results in the elimination of the residual method of allocating revenue consideration for non-software arrangements. We determine ESP for the purposes of allocating the consideration to individual elements of an arrangement by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, geographies in which we offer our services and internal costs. The determination of ESP is judgmental and is made through consultation with and approval by management.

Revenue from third-party hardware and software sales is recorded at a gross or net amount according to certain indicators. In certain arrangements, we may earn revenue from other third-party services which is recorded at a gross amount as we are the primary obligor under the arrangement. The application of these indicators for gross and net reporting of revenue depends on the relative facts and circumstances of each sale and requires significant judgment.

***Tax Accounting***

As part of the process of preparing our consolidated financial statements, we are required to estimate our income tax expense in each of the jurisdictions in which we operate. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and reimbursement arrangements among related entities, the process of identifying items of revenue and expenses that qualify for preferential tax treatment and segregation of foreign and domestic income and expense to avoid double taxation. We also assess temporary differences resulting from differing treatment of items, such as deferred revenue, for tax and accounting differences. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We may record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

Although we believe that our estimates are reasonable and that we have considered future taxable income and ongoing prudent and feasible tax strategies in estimating our tax outcome and in assessing the need for the valuation allowance, there is no assurance that the final tax outcome and the valuation allowance will not be different than those that are reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision, net income and cash balances in the period in which such determination is made.

We recognize the tax benefit from an uncertain tax position only if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome of these matters will not be different from that which is reflected in our historical income tax provisions and accruals. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, or changes in tax law. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest.



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**Table of Contents**

We have filed or are in the process of filing tax returns that are subject to audit by the respective tax authorities. Although the ultimate outcome is unknown, we believe that any adjustments that may result from tax return audits are not likely to have a material, adverse effect on our consolidated results of operations, financial condition or cash flows.

***Business Combinations***

In accordance with business combinations accounting, assets acquired and liabilities assumed, as well as any contingent consideration that may be part of the acquisition agreement, are recorded at their respective fair values at the date of acquisition. For acquisitions that include contingent consideration, the fair value is estimated on the acquisition date as the present value of the expected contingent payments, determined using weighted probabilities of possible payments. We remeasure the fair value of the contingent consideration at each reporting period until the contingency is resolved. Except for measurement period adjustments, the changes in fair value are recognized in the consolidated statements of income.

In accordance with business combinations accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed, as well as to in-process research and development based on their estimated fair values. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. As a result of the significant judgments that need to be made, we obtain the assistance of independent valuation firms. We complete these assessments as soon as practical after the closing dates. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill.

Although we believe the assumptions and estimates of fair value we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in our consolidated statements of income. Critical estimates in valuing certain assets acquired and liabilities assumed include, but are not limited to: future expected cash flows from license and service sales, maintenance, customer contracts and acquired developed technologies, expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when completed and the acquired company's brand awareness and discount rate. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

We estimate the fair values of our services, hardware, software license and maintenance obligations assumed. The estimated fair values of these performance obligations are determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin.

As discussed above under "Tax Accounting", we may establish a valuation allowance for certain deferred tax assets and estimate the value of uncertain tax positions of a newly acquired entity. This process requires significant judgment and analysis.

***Share-Based Compensation Expense***

Share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the requisite service periods. We estimate the fair value of stock options using a Black-Scholes valuation model and value restricted stock based on the market value of the underlying shares at the date of grant. We recognize compensation costs using the graded vesting attribution method that results in an accelerated recognition of compensation costs in comparison to the straight line method.



**Table of Contents**

The fair value of an award is affected by our stock price on the date of grant and other assumptions, including the estimated volatility of our stock price over the term of the awards and the estimated period of time that we expect employees to hold their stock options. We use a combination of implied volatility of our traded options and historical stock price volatility ( blended volatility ) as the expected volatility assumption required in the Black-Scholes option valuation model. Share-based compensation expense recognized in our consolidated statements of income is reduced for estimated forfeitures. Determining the fair value of share-based awards at the grant date requires the exercise of judgment, including estimating expected dividends. In addition, the exercise of judgment is also required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, share-based compensation expense and our results of operations could be materially affected. Please see Note 17 to our consolidated financial statements.

***Goodwill, Intangible Assets and Long-Lived Assets    Impairment Assessment***

Goodwill is measured as the excess of the cost of a business acquisition over the sum of the amounts assigned to tangible and identifiable intangible assets acquired less liabilities assumed. Goodwill is subject to periodic impairment tests. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss.

We perform an annual goodwill impairment test during the fourth quarter of each fiscal year, or more frequently if impairment indicators are present. We operate in one operating segment, and this segment comprises our only reporting unit. In calculating the fair value of the reporting unit, we used our market capitalization and a discounted cash flow methodology. There was no impairment of goodwill in fiscal years 2017, 2016 or 2015.

We test long-lived assets, including definite life intangible assets, for impairment in the event an indication of impairment exists. Impairment indicators include any significant changes in the manner of our use of the assets or the strategy of our overall business, significant negative industry or economic trends and significant decline in our share price for a sustained period. If the sum of expected future cash flows (undiscounted and without interest charges) of the long-lived assets is less than the carrying amount of such assets, an impairment would be recognized and the assets would be written down to their estimated fair values, based on expected future discounted cash flows. There was no impairment of long-lived assets in fiscal years 2017, 2016 or 2015.

***Derivative and Hedge Accounting***

During fiscal years 2017, 2016 and 2015, approximately 70% to 80% of our revenue and 50% to 60% of our operating expenses were denominated in U.S. dollars or linked to the U.S. dollar. We enter into foreign exchange forward contracts and options to hedge a significant portion of our foreign currency net exposure resulting from revenue and expense in major foreign currencies in which we operate, in order to reduce the impact of foreign currency on our results. We also enter into foreign exchange forward contracts and options to reduce the impact of foreign currency on balance sheet items. The effective portion of changes in the fair value of forward exchange contracts and options that are classified as cash flow hedges are recorded in other comprehensive income (loss). We estimate the fair value of such derivative contracts by reference to forward and spot rates quoted in active markets.

Establishing and accounting for foreign exchange contracts involve judgments, such as determining the fair value of the contracts, determining the nature of the exposure, assessing its amount and timing, and evaluating the effectiveness of the hedging arrangement.

**Table of Contents**

Although we believe that our estimates are accurate and meet the requirement of hedge accounting, if actual results differ from these estimates, such difference could cause fluctuation of our recorded revenue and expenses.

***Fair Value Measurement of Short-Term Interest-Bearing Investments***

Our short-term interest-bearing investments are classified as available-for-sale securities and are stated at fair value in our consolidated balance sheets. Unrealized gains or losses are reported as a separate component of accumulated other comprehensive income (loss), net of tax. Such short-term interest-bearing investments consist primarily of bank deposits, money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities. We believe we have conservative investment policy guidelines. Our interest-bearing investments are priced by pricing vendors and are classified as Level 1 or Level 2 investments, since these vendors either provide a quoted market price in an active market or use observable inputs such as quoted market prices for similar instruments, market dealer quotes, market spreads, non-binding market prices that are corroborated by observable market data and other observable market information and discounted cash flow techniques using observable market inputs. For securities with unrealized losses that we intend to sell or it is more likely than not that we will be required to sell the securities before recovery, the entire difference between amortized cost and fair value is recognized in earnings. For securities that we do not intend to sell and it is not more likely than not that we will be required to sell, we used a discounted cash flow analysis to determine the portion of the impairment that relates to credit losses. To the extent that the net present value of the projected cash flows was less than the amortized cost of the security, the difference is considered a credit loss and is recorded through earnings. The inputs on the future performance of the underlying assets used in the cash flow models include prepayments, defaults and loss severity assumptions. The other-than-temporary impairment on our short-term interest-bearing investments was immaterial during fiscal years 2017, 2016 and 2015.

Given the relative reliability of the inputs we use to value our investment portfolio, and because substantially all of our valuation inputs are obtained using quoted market price in an active market or observable inputs, we do not believe that the nature of estimates and assumptions affected by levels of subjectivity and judgment was material to the valuation of the investment portfolio as of September 30, 2017.

It is possible that the valuation of the securities will further fluctuate, and as market conditions change, we may determine that unrealized losses, which are currently considered temporary in nature, may become other than temporary resulting in additional impairment charges.

***Accounts Receivable Reserves***

The allowance for doubtful accounts is for estimated losses resulting from accounts receivable for which their collection is not reasonably assured. We evaluate accounts receivable to determine if they will ultimately be collected. Significant judgments and estimates are involved in performing this evaluation, which we base on factors that may affect a customer's ability and intent to pay, such as past experience, credit quality of the customer, age of the receivable balance and current economic conditions. If collection is not reasonably assured at the time the transaction is consummated, we do not recognize revenue until collection becomes reasonably assured. If we estimate that our customers' ability and intent to make payments have been impaired, additional allowances may be required. We regularly review the allowance for doubtful accounts by considering factors that may affect a customer's ability to pay, such as historical experience, credit quality, age of the accounts receivable balances, and current economic conditions.

Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

**Recent Accounting Standards**

Please see Note 2 to our consolidated financial statements.

**Table of Contents****ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****Directors and Senior Management**

We rely on the executive officers of our principal operating subsidiaries to manage our business. In addition, Amdocs Management Limited, our management subsidiary, performs certain executive coordination functions for all of our operating subsidiaries. As of November 30, 2017, our directors and officers were as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Robert A. Minicucci(2)	65	Chairman of the Board, Amdocs Limited
Adrian Gardner(1)	55	Director and Chairman of the Audit Committee, Amdocs Limited
John T. McLennan(2)	72	Director and Chairman of the Management Resources and Compensation Committee, Amdocs Limited
Simon Olswang(1)(3)	73	Director and Chairman of the Nominating and Corporate Governance Committee, Amdocs Limited
Zohar Zisapel(4)	68	Director and Chairman of the Technology and Innovation Committee, Amdocs Limited
Julian A. Brodsky(3)	84	Director, Amdocs Limited
Clayton Christensen	65	Director, Amdocs Limited
James S. Kahan(3)	70	Director, Amdocs Limited
Richard T.C. LeFave(1)(2)(4)	65	Director, Amdocs Limited
Giora Yaron(4)	69	Director, Amdocs Limited
Eli Gelman(4)	59	Director, Amdocs Limited; President and Chief Executive Officer, Amdocs Management Limited
Tamar Rapaport-Dagim	46	Senior Vice President and Chief Financial Officer, Amdocs Management Limited
Shuky Sheffer	57	Senior Vice President and President of Global Business Group, Amdocs Management Limited
Rajat Raheja	48	Division President, Amdocs Development Center India Pvt. Ltd.
Matthew Smith	45	Secretary, Amdocs Limited; Head of Investor Relations, Amdocs Inc.

(1) Member of the Audit Committee

(2) Member of the Management Resources and Compensation Committee

(3) Member of the Nominating and Corporate Governance Committee

(4) Member of the Technology and Innovation Committee

Robert A. Minicucci has been Chairman of the Board of Directors of Amdocs since 2011 and a director since 1997. Mr. Minicucci joined Welsh, Carson, Anderson & Stowe, or WCAS, in 1993. Mr. Minicucci has served as a managing member of the general partners of certain funds affiliated with WCAS and has focused on the information and business services industry. Until 2003, investment partnerships affiliated with WCAS had been among our largest shareholders. From 1992 to 1993, Mr. Minicucci served as Senior Vice President and Chief Financial Officer of First Data Corporation, a provider of information processing and related services for credit card and other payment

transactions. From 1991 to 1992, he served as Senior Vice President and Treasurer of the American Express Company. He served for 12 years with Lehman Brothers (and its predecessors) until his resignation as a Managing Director in 1991. Mr. Minicucci is a director of one other publicly-held company, Alliance Data Systems, Inc. He is also a director of several private companies. Mr. Minicucci's career in information technology investing, including as a director of more than 20 different public and private companies, and his experience as chief financial officer to a public company and treasurer of another public company, have provided him with strong business acumen and strategic and financial expertise.

**Table of Contents**

Adrian Gardner has been a director of Amdocs since 1998 and is Chairman of the Audit Committee. Mr. Gardner serves as Chief Financial Officer of Ipes Holdings Limited, a provider of outsourced services to private equity firms, from October 2016. Mr. Gardner has served as a member of the Audit & Risk Committee of Worcester College, Oxford University since May 2017. From 2014 to September 2016, Mr. Gardner served as Chief Financial Officer of International Personal Finance plc, an international home credit business. Mr. Gardner was Chief Financial Officer and a director of RSM Tenon Group PLC, a London-based accounting and advisory firm listed on the London Stock Exchange, from 2011 until the acquisition in 2013 of its operating subsidiaries by Baker Tilly UK Holdings Limited, since renamed RSM UK Limited. Mr. Gardner was Chief Financial Officer of PA Consulting Group, a London-based business consulting firm from 2007 to 2011. Mr. Gardner was Chief Financial Officer and a director of ProStrakan Group plc, a pharmaceuticals company based in the United Kingdom and listed on the London Stock Exchange, from 2002 until 2007. Prior to joining ProStrakan, he was a Managing Director of Lazard LLC, based in London, where he worked with technology and telecommunications-related companies. Prior to joining Lazard in 1989, Mr. Gardner qualified as a chartered accountant with Price Waterhouse (now PricewaterhouseCoopers). Mr. Gardner is a fellow of the Institute of Chartered Accountants in England & Wales. Mr. Gardner's extensive experience as an accountant, technology investment banker and chief financial officer enables him to make valuable contributions to our strategic and financial affairs.

John T. McLennan has been a director of Amdocs since 1999 and is Chairman of the Management Resources and Compensation Committee. From 2000 until 2004, he served as Vice-Chair and Chief Executive Officer of Allstream (formerly AT&T Canada). Mr. McLennan founded Jenmark Consulting Inc. and was its President from 1997 until 2000. From 1993 to 1997, Mr. McLennan served as the President and Chief Executive Officer of Bell Canada. Prior to that, he held various positions at several telecommunications companies, including BCE Mobile Communications and Cantel Inc. Mr. McLennan is also a director of Emera Inc., a Canadian publicly-held energy services company, and was its Chairman from 2009 to 2014. We believe Mr. McLennan's qualifications to sit on our Board of Directors include his years of experience in the telecommunications industry, including as chief executive officer of a leading Canadian telecommunications provider, and his experience providing strategic advice to complex organizations across a variety of industries, including as a public company director.

Simon Olswang has been a director of Amdocs since 2004 and is Chairman of the Nominating and Corporate Governance Committee. In 2002, Mr. Olswang retired as Chairman of Olswang, a media and communications law firm in the United Kingdom that he founded in 1981. He is a member of the Advisory Board of Palamon Capital Partners LLP and of the Board of Directors of Amiad Filtration Systems Limited, an Israeli clean water company listed on the London AIM market. In 2012, Mr. Olswang was appointed a Trustee of Tel Hai Academic College. Mr. Olswang was a member of the Board of Directors of The British Library until March 2008 and has served as a non-executive director of a number of companies and organizations, including Aegis Group plc, The Press Association and the British Film Institute. Mr. Olswang previously served as Trustee of Langdon College of Further (Special) Education in Salford, of which he is a co-founder. We believe Mr. Olswang's qualifications to sit on our Board of Directors include his extensive experience providing strategic and legal advisory services to complex organizations, as well as startups, and his membership of the boards of directors of companies and other bodies active in the media and communications industry.

Zohar Zisapel has been a director of Amdocs since 2008 and is the Chairman of the Technology and Innovation Committee. Mr. Zisapel co-founded RAD Data Communications Ltd., a privately-held voice and data communications company and part of the RAD Group, a family of independent networking and telecommunications companies, and was its CEO from 1982 until 1998 and Chairman from 1998 until 2012. Mr. Zisapel also serves as chairman of Ceragon Networks Ltd. and as a director of Radcom Ltd., both public companies traded on Nasdaq, and on the boards of directors of several privately-held companies. Mr. Zisapel served as chairman of the Israel Association of Electronic Industries from 1998 until 2001. Mr. Zisapel received an Honorary Doctorate from the

Technion – Israel Institute of Technology, and he is teaching Entrepreneurship at the Tel Aviv University. Mr. Zisapel's experience as founder, chairman and director of several public and



## **Table of Contents**

private high technology companies, and his leadership in several government organizations, demonstrate his leadership capability and provide him with valuable insights into the voice and data communications industries.

Julian A. Brodsky has been a director of Amdocs since 2003. Since 2011, Mr. Brodsky has served as a senior advisor to Comcast Corporation. Mr. Brodsky served as a director of Comcast Corporation from 1969 to 2011, and as Vice Chairman of Comcast Corporation from 1989 to 2011. From 1999 to 2004, Mr. Brodsky was Chairman of Comcast Ventures (formerly Comcast Interactive Capital, LP), a venture fund affiliated with Comcast. He is a director of RBB Fund, Inc. Mr. Brodsky brings to our Board of Directors deep and extensive knowledge of business in general and of the cable industry in particular gained through his longstanding executive leadership roles at Comcast, as well as financial expertise in capital markets, accounting and tax matters gained through his experience as Chief Financial Officer of Comcast and as a practicing CPA.

Clayton Christensen has been a director of Amdocs since April 2015. Dr. Christensen is the Kim B. Clark Professor of Business Administration at the Harvard Business School where he has been a faculty member since 1992. He also served as President and Chairman of CPS Technologies, an industrial materials company, from 1984 to 1989. From 1979 to 1984, Dr. Christensen worked as a consultant and project manager for the Boston Consulting Group. Dr. Christensen is the founder of Rose Park Advisors, an investment firm, Innosight LLC, an innovation consulting firm, and the Christensen Institute for Disruptive Change, a non-profit organization focused on innovation. He is a director of Tata Consultancy Services, an IT consulting firm and part of the Tata group, Franklin Covey Co., a public company focused on performance improvement, and Intermountain Healthcare, a not-for-profit healthcare provider. Dr. Christensen's qualifications to serve on our Board of Directors include his research and teaching interests, which are centered on building new growth businesses and sustaining the success of companies. Dr. Christensen's previous work with various companies provides him with a broad perspective in the areas of management and operations.

James S. Kahan has been a director of Amdocs since 1998. From 1983 until his retirement in 2007, he worked at SBC, which is now AT&T, and served as a Senior Executive Vice President from 1992 until 2007. AT&T is our most significant customer. Prior to joining AT&T, Mr. Kahan held various positions at several telecommunications companies, including Western Electric, Bell Laboratories, South Central Bell and AT&T Corp. Mr. Kahan also serves on the Board of Directors of Live Nation Entertainment, Inc., a publicly-traded live music and ticketing entity, as well as two private companies. Mr. Kahan's long service at SBC and AT&T, as well as his management and financial experience at several public and private companies, have provided him with extensive knowledge of the telecommunications industry, particularly with respect to corporate development, mergers and acquisitions and business integration.

Richard T.C. LeFave has been a director of Amdocs since 2011. Since 2008, Mr. LeFave has been a Principal at D&L Partners, LLC, an information technology consulting firm. Mr. LeFave served as Chief Information Officer for Nextel Communications, a telecommunications company, from 1999 until its merger with Sprint Corporation in 2005, after which he served as Chief Information Officer for Sprint Nextel Corporation until 2008. From 1995 to 1999, Mr. LeFave served as Chief Information Officer for Southern New England Telephone Company, a provider of communications products and services. We believe Mr. LeFave's qualifications to sit on our board include his extensive experience and leadership in the information technology and telecommunications industry.

Giora Yaron has been a director of Amdocs since 2009. Dr. Yaron co-founded Itamar Medical Ltd., a publicly-traded medical technology company, and has been its co-chairman since 1997 and since 2015, served as its chairman. Dr. Yaron provides consulting services to Itamar Medical and to various other technology companies. He co-founded P-cube, Pentacom, Qumranet, Exanet and Comsys, privately-held companies sold to multinational corporations. In 2009, Dr. Yaron also co-founded Qwilt, Inc., a privately-held video technology company and serves as one of its directors. Dr. Yaron served as a director of Hyperwise Security, a company focused on providing a comprehensive

APT protection, which was sold to Checkpoint in early 2015, serves as Chairman of the Board at Excelero (ExpressIO), a company focused on providing ultra-fast block storage

**Table of Contents**

solution and Equalum focused on streaming in real-time changes from a variety of data bases to a unified platform for real-time Big Data Analytics. Since 2010, Dr. Yaron has been the chairman of The Executive Council of Tel Aviv University, an institution of higher education and a director of Ramot, which is the Tel Aviv University's technology transfer company until 2015. Dr. Yaron has served on the advisory board of Rafael Advanced Defense Systems, Ltd., a developer of high-tech defense systems, since 2008, and on the advisory board of the Israeli Ministry of Defense since 2011. Dr. Yaron served from 1996 to 2006 as a member of the Board of Directors of Mercury Interactive, a publicly-traded IT optimization software company acquired by Hewlett-Packard, including as chairman from 2004 to 2006. We believe that Dr. Yaron's qualifications to sit on our Board of Directors include his experience as an entrepreneur and the various leadership positions he has held on the boards of directors of software and technology companies.

Eli Gelman has been a director of Amdocs since 2002. Mr. Gelman became the President and Chief Executive Officer of Amdocs Management Limited, our wholly-owned subsidiary, in 2010. From 2010 until 2013, Mr. Gelman served as a director of Retalix, a global software company, and during 2010, he also served as its Chairman. From 2008 to 2010, Mr. Gelman devoted his time to charitable matters focused on youth education. He served as Executive Vice President of Amdocs Management Limited from 2002 until 2008 and as our Chief Operating Officer from 2006 until 2008. Prior to 2002, he was a Senior Vice President, where he headed our U.S. sales and marketing operations and helped spearhead our entry into the customer care and billing systems market. Before that, Mr. Gelman was an account manager for our major European and North American installations, and has led several major software development projects. Before joining Amdocs, Mr. Gelman was involved in the development of real-time software systems for communications networks and software projects for NASA. Mr. Gelman's qualifications to serve on our Board of Directors include his more than two decades of service to Amdocs and its customers, including as our Chief Operating Officer. With more than 30 years of experience in the software industry, he possesses a vast institutional knowledge and strategic understanding of our organization and industry.

Tamar Rapaport-Dagim has been Senior Vice President and Chief Financial Officer of Amdocs Management Limited since 2007. Ms. Rapaport-Dagim served as our Vice President of Finance from 2004 until 2007. Prior to joining Amdocs, from 2000 to 2004, Ms. Rapaport-Dagim was the Chief Financial Officer of Emblaze, a provider of multimedia solutions over wireless and IP networks. She has also served as controller of Teledata Networks (formerly a subsidiary of ADC Telecommunications) and has held various finance management positions in public accounting.

Shuky Sheffer has been Senior Vice President and President of the Global Business Group since October 2013. Mr. Sheffer served as Chief Executive Officer of Retalix Ltd., a global software company, from 2009 until its acquisition by NCR Corporation in 2013. Following the acquisition, he served as a General Manager of Retalix through September 2013. From 1986 to 2009, Mr. Sheffer served at various managerial positions at Amdocs, most recently as President of the Emerging Markets Divisions.

Rajat Raheja has been our Division President for India operations since February 2016. Mr. Raheja has close to 23 years of experience and most recently served as Director, Global Services at Deloitte Consulting. Prior to joining Amdocs, Mr. Raheja held leadership positions in Deloitte Consulting, Arthur Andersen, PricewaterhouseCoopers and Tata Telecom.

Matthew Smith has been Secretary of Amdocs Limited since January 2015. Mr. Smith joined Amdocs in October 2012 as Director of Investor Relations and has been Head of Investor Relations since January 2014. Prior to joining Amdocs, from April 2006 to August 2012, Mr. Smith was a research director at A.I. Capital Management, a hedge fund, where he covered many sectors, including the technology sub-sectors of IT hardware, semiconductors, software and IT services. From April 2001 to April 2006, Mr. Smith was an equity analyst at CIBC World Markets (now Oppenheimer Co.).



**Table of Contents****Compensation**

During fiscal 2017, each of our directors who was not our employee, or Non-Employee Directors, received compensation for their services as directors in the form of cash and restricted shares. Each Non-Employee Director received an annual cash payment of \$80,000. Each member of our Audit Committee who is a Non-Employee Director and who is not the chairman of such committee received an annual cash payment of \$25,000. Each member of our Management Resources and Compensation Committee who is a Non-Employee Director and who is not a committee chairman received an annual cash payment of \$15,000. Each member of our Nominating and Corporate Governance and Technology and Innovation Committees who is a Non-Employee Director and who is not a committee chairman received an annual cash payment of \$10,000. The Chairman of our Audit Committee received an annual cash payment of \$35,000 and the Chairman of our Management Resources and Compensation Committee received an annual cash payment of \$25,000. The Chairmen of our Nominating and Corporate Governance and Technology and Innovation Committees each received an annual cash payment of \$20,000. Each Non-Employee Director received an annual grant of restricted shares at a total value of \$245,000. The Chairman of the Board of Directors received an additional annual amount equal to \$200,000 awarded in the form of restricted shares. All restricted share awards to our Non-Employee Directors are fully vested upon grant. The price per share for the purpose of determining the value of the grants to our Non-Employee Directors was the Nasdaq closing price of our shares on the last trading day preceding the grant date. We also reimburse all of our Non-Employee Directors for their reasonable travel expenses incurred in connection with attending Board or committee meetings. Cash compensation paid to our Non-Employee Directors is prorated for partial year service.

A total of 15 persons who served either as directors or officers of Amdocs during all or part of fiscal 2017 received remuneration from Amdocs. The aggregate remuneration paid by us to such persons in fiscal 2017 was approximately \$6.9 million, compared to \$6.3 million in each of fiscal 2016 and fiscal 2015, which includes amounts set aside or accrued to provide cash bonuses, pension, retirement or similar benefits, but does not include amounts expended by us for automobiles made available to such persons, expenses (including business travel, professional and business association dues) or other fringe benefits. During fiscal 2017, we granted to such persons options to purchase an aggregate of 111,701 ordinary shares at a weighted average price of \$58.60 per share with vesting generally over four-year terms and expiring ten years from the date of grant, and an aggregate of 257,376 restricted shares typically subject to three to four-year vesting and often times, achievement of certain performance thresholds, and in the case of our directors, no vesting restrictions. All options and restricted share awards were granted pursuant to our 1998 Stock Option and Incentive Plan, as amended. See discussion below      Share Ownership      Employee Stock Option and Incentive Plan.

***Board Practices***

Eleven directors currently serve on our Board of Directors, all of whom were elected at our annual meeting of shareholders on January 27, 2017. All directors hold office until the next annual meeting of our shareholders, which generally is in January or February of each calendar year, or until their respective successors are duly elected and qualified or their positions are earlier vacated by resignation or otherwise. In August 2017, the Board of Directors established a mandatory retirement age of 73 for directors. No person of or over the age of 73 years shall be nominated or elected to start a new term as director, unless the Chairman of the Board of Directors recommends to the Board of Directors, and the Board of Directors determines, to waive the retirement age for a specific director in exceptional circumstances. Once the waiver is granted, it must be renewed annually for it to stay in effect.

Other than the employment agreement between us and our President and Chief Executive Officer, which provides for immediate cash severance upon termination of employment, there are currently no service contracts in effect between us and any of our directors providing for immediate cash severance upon termination of their employment.



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**Table of Contents**

***Board Committees***

Our Board of Directors maintains four committees as set forth below. Members of each committee are appointed by the Board of Directors.

The Audit Committee reviews, acts on and reports to the Board of Directors with respect to various auditing and accounting matters, including the selection of our independent registered public accounting firm, the scope of the annual audits, fees to be paid to, and the performance of, such public accounting firm, and assists with the Board of Directors oversight of our accounting practices, financial statement integrity and compliance with legal and regulatory requirements, including establishing and maintaining adequate internal control over financial reporting, risk assessment and risk management. The current members of our Audit Committee are Messrs. Gardner (Chair), LeFave and Olswang, all of whom are independent directors, as defined by the rules of Nasdaq, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Board of Directors has determined that Mr. Gardner is an audit committee financial expert as defined by rules promulgated by the SEC, and that each member of the Audit Committee is financially literate as required by the rules of Nasdaq. The Audit Committee written charter is available on our website at [www.amdocs.com](http://www.amdocs.com).

The Nominating and Corporate Governance Committee identifies individuals qualified to become members of our Board of Directors, recommends to the Board of Directors the persons to be nominated for election as directors at the annual general meeting of shareholders, develops and makes recommendations to the Board of Directors regarding our corporate governance principles and oversees the evaluations of our Board of Directors. The current members of the Nominating and Corporate Governance Committee are Messrs. Olswang (Chair), Brodsky and Kahan, all of whom are independent directors, as required by the Nasdaq listing standards, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Nominating and Corporate Governance Committee written charter is available on our website at [www.amdocs.com](http://www.amdocs.com). The Nominating and Corporate Governance Committee has approved corporate governance guidelines that are also available on our website at [www.amdocs.com](http://www.amdocs.com).

The Management Resources and Compensation Committee discharges the responsibilities of our Board of Directors relating to the compensation of the Chief Executive Officer of Amdocs Management Limited, makes recommendations to our Board of Directors with respect to the compensation of our other executive officers and oversees management succession planning for the executive officers of the Company. The current members of our Management Resources and Compensation Committee are Messrs. McLennan (Chair), LeFave and Minicucci, all of whom are independent directors, as defined by the rules of Nasdaq, and pursuant to the categorical director independence standards adopted by our Board of Directors. The Management Resources and Compensation Committee written charter is available on our website at [www.amdocs.com](http://www.amdocs.com).

The Technology and Innovation Committee was established to assist the Board of Directors in reviewing our technological development, opportunities and innovation, in connection with the current and future business and markets. The current members of our Technology and Innovation Committee are Messrs. Zisapel (Chair) and Gelman, LeFave and Dr. Yaron.

Our non-employee directors receive no compensation from us, except in connection with their membership on the Board of Directors and its committees as described above regarding Non-Employee Directors under Compensation.

**Table of Contents****Workforce Personnel**

The following table presents the approximate number of our workforce as of each date indicated, by function and by geographical location (in each of which we operate at multiple sites):

	<b>As of September 30</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Software and Information Technology, Sales and Marketing			
North America	4,346	4,491	4,755
Israel	4,614	4,659	4,493
India	9,960	9,089	8,142
Rest of the World	4,192	3,824	3,660
	23,112	22,063	21,050
Management and Administration	1,558	1,573	1,511
Total Workforce <sup>(1)</sup>	24,670	23,636	22,561

(1) Total workforce numbers as of September 2017, 2016 and 2015 restated to exclude subcontractors.

As a company with global operations, we are required to comply with various labor and immigration laws throughout the world. Our employees in certain countries of Europe, and to a limited extent in Canada and Brazil, are protected by mandatory collective bargaining agreements. To date, compliance with such laws has not been a material burden for us. As the number of our employees increases over time in specific countries, our compliance with such regulations could become more burdensome.

Our principal operating subsidiaries are not party to any collective bargaining agreements. However, our Israeli subsidiaries are subject to certain provisions of general extension orders issued by the Israeli Ministry of Labor and Welfare which derive from various labor related statutes. The most significant of these provisions provide for mandatory pension benefits and wage adjustments in relation to increases in the consumer price index, or CPI. The amount and frequency of these adjustments are modified from time to time.

A small number of our employees in Canada, our employees in Brazil and our employees in Chile have union representation. We also have an affiliation with a non-active union in Mexico. We have a works council body in the Netherlands and Germany which represents the employees and with which we work closely to ensure compliance with the applicable local law. We also have an employee representative body in France and in Finland. In recent years, Israeli labor unions have increased their efforts to organize workers at companies with significant operations in Israel, including several companies in the technology sector. In addition, a national union and a group of our employees had attempted to secure the approval of the minimum number of employees needed for union certification with respect to our employees in Israel. While these efforts have not resulted in either group being recognized as a representative union, we cannot be certain there will be no such efforts in the future. In the event an organization is recognized as a representative union for our employees in Israel, we would be required to enter into negotiations to implement a collective bargaining agreement. See *Risk Factors 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.*



We consider our relationship with our employees to be good and have never experienced an organized labor dispute, strike or work stoppage.

## **Share Ownership**

### ***Security Ownership of Directors and Senior Management and Certain Key Employees***

As of November 30, 2017, the aggregate number of our ordinary shares beneficially owned by our directors and executive officers was 1,907,443 shares. As of November 30, 2017, none of our directors or members of senior management beneficially owned 1% or more of our outstanding ordinary shares.

**Table of Contents**

Beneficial ownership by a person, as of a particular date, assumes the exercise of all options and warrants held by such person that are currently exercisable or are exercisable within 60 days of such date.

***Stock Option and Incentive Plan***

Our Board of Directors adopted, and our shareholders approved, our 1998 Stock Option and Incentive Plan, as amended, which we refer to as the Equity Incentive Plan, pursuant to which up to 67,550,000 of our ordinary shares may be issued.

The Equity Incentive Plan provides for the grant of restricted shares, stock options and other stock-based awards to our directors, officers, employees and consultants. The purpose of the Equity Incentive Plan is to enable us to attract and retain qualified personnel and to motivate such persons by providing them with an equity participation in Amdocs. As of September 30, 2017, of the 67,550,000 ordinary shares available for issuance under the Equity Incentive Plan, 52,180,146 ordinary shares had been issued as a result of option exercises and restricted share issuances. As of September 30, 2017, 8,278,433 ordinary shares remained available for future grants, subject to a sublimit applicable to the award of restricted shares or awards dominated in stock units. As of November 30, 2017, there were outstanding options to purchase an aggregate of 7,182,901 ordinary shares at exercise prices ranging from \$16.92 to \$67.17 per share and 130,213 shares are subject to outstanding restricted stock units.

The Equity Incentive Plan is administered by a committee of our Board of Directors, which determines the terms of awards for directors, employees and consultants as well as the manner in which awards may be made subject to the terms of the Equity Incentive Plan. The Board of Directors may amend or terminate the Equity Incentive Plan, provided that shareholder approval is required to increase the number of ordinary shares available under the Equity Incentive Plan, to materially increase the benefits accruing to participants, to change the class of employees eligible for participation, to decrease the basis upon which the minimum exercise price of options is determined or to extend the period in which awards may be granted or to grant an option that is exercisable for more than ten years. Ordinary shares subject to restricted stock awards are subject to certain restrictions on sale, transfer or hypothecation. Under its terms, no awards may be granted pursuant to the Equity Incentive Plan after January 28, 2025.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****Major Shareholders**

The following table sets forth specified information with respect to the beneficial ownership of the ordinary shares as of November 30, 2017 of (i) any person known by us to be the beneficial owner of more than 5% of our ordinary shares, and (ii) all of our directors and executives officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC and, unless otherwise indicated, includes voting and investment power with respect to all ordinary shares, subject to community property laws, where applicable. The number of ordinary shares used in calculating the percentage beneficial ownership included in the table below is based on 143,914,331 ordinary shares outstanding as of November 30, 2017, net of shares held in treasury. Information concerning shareholders other than our directors and officers is based on periodic public filings made by such shareholders and may not necessarily be accurate as of November 30, 2017. None of our major shareholders have voting rights that are different from those of any other shareholder.

<b>Name</b>	<b>Shares Beneficially</b>	<b>Percentage Ownership</b>
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	<b>Owned</b>	
FMR LLC(1)	14,872,361	10.33%
All directors and officers as a group (15 persons)(2)	1,907,443	1.33%

- (1) Based on a Schedule 13G/A filed by FMR LLC, or FMR, with the SEC on August 10, 2017, as of July 31, 2017, FMR had sole power to vote or direct the vote over 1,122,307 shares and sole power to dispose or

## **Table of Contents**

direct the disposition of 14,872,36 shares. Edward C. Johnson 3d is a Director and the Chairman of FMR and Abigail P. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR. Members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, directly or through trusts, own approximately 49% of the voting power of FMR. The address of FMR is 245 Summer Street, Boston, Massachusetts 02210.

- (2) Includes options held by such directors and executive officers that are exercisable within 60 days after November 30, 2017. As of such date, none of our directors or executive officers beneficially owned 1% or more of our outstanding ordinary shares.

As of November 30, 2017, our ordinary shares were held by 1,651 record holders. Based on a review of the information provided to us by our transfer agent, 907 record holders, holding approximately 85% of our outstanding ordinary shares held of record, were residents of the United States.

## **Related Party Transactions**

Zohar Zisapel, a member of our board of directors, is a member of the board of directors and a significant shareholder of Radcom Ltd ( Radcom ). In 2015, certain of our subsidiaries entered into a number of contracts with Radcom for it to act as a subcontractor for us and/or a value added reseller. In addition, in the ordinary course of business we purchase certain products from other entities in which Mr. Zisapel has an interest. In fiscal 2017, our aggregate payments with respect to all these transactions were substantially less than 1% of our total operating expenses.

## **ITEM 8. FINANCIAL INFORMATION**

### **Financial Statements**

See Financial Statements for our audited Consolidated Financial Statements and Financial Statement Schedule filed as part of this Annual Report.

### **Legal Proceedings**

We are involved in various legal claims and proceedings arising in the normal course of our business. We accrue for a loss contingency when we determine that it is probable, after consultation with counsel, that a liability has been incurred and the amount of such loss can be reasonably estimated. At this time, we believe that the results of any such contingencies, either individually or in the aggregate, will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

We are currently defending a lawsuit against certain of our subsidiaries in the U.S. District Court in Oregon alleging breach of contract and trade secret misappropriation. According to the suit, we improperly utilized information received in connection with our electronic payment processing solution, which is one of several components of our mobile financial services offerings. During fiscal year 2016, the District Court denied our motions to dismiss and to compel arbitration with respect to certain of the claims, and the proceedings will continue. We intend to continue to vigorously defend against the allegations set forth in the complaint. At this stage, we cannot determine that a loss amount is probable and are unable to reasonably estimate the ultimate outcome of the above suit, therefore no amounts have been accrued related to the outcome of such suit.

Certain of our subsidiaries are currently in a dispute with a state-owned telecom enterprise in Ecuador, which appears to have political aspects. Our counterparty has claimed monetary damages. The dispute is over a contract, under which we were providing certain services, which has been terminated by the counterparty in connection with such dispute, and is under scrutiny by certain local governmental authorities. We believe we have solid arguments and are

vigorously defending our rights. To date, however, such defense efforts, including motions alleging constitutional defects, have encountered a dismissive approach by the Ecuadorian Courts, with reasoning that we believe is inconsistent with applicable law. We are unable to reasonably estimate the ultimate outcome of the above dispute.

**Table of Contents****Dividend Policy**

Please refer to **Liquidity and Capital Resources – Cash Dividends** for a discussion of our dividend policy.

**ITEM 9. THE OFFER AND LISTING**

On December 19, 2013, we voluntarily withdrew our ordinary shares from the New York Stock Exchange and transferred our listing to the Nasdaq Global Select Market ( **Nasdaq** ) and commenced trading on Nasdaq on December 20, 2013. Our ordinary shares were quoted on the New York Stock Exchange ( **NYSE** ) from 1998 to 2013 under the symbol **DOX** and are now quoted on Nasdaq under the same symbol. The following table sets forth the high and low reported sale prices for our ordinary shares for the periods indicated:

	<b>High</b>	<b>Low</b>
<b>Fiscal Year Ended September 30,</b>		
2013	\$ 39.01	\$ 31.41
2014	\$ 48.99	\$ 36.39
2015	\$ 61.46	\$ 44.06
2016	\$ 61.33	\$ 50.06
2017	\$ 67.98	\$ 54.91
<b>Quarter</b>		
<i>Fiscal 2016:</i>		
First Quarter	\$ 61.27	\$ 53.74
Second Quarter	\$ 60.62	\$ 50.06
Third Quarter	\$ 60.47	\$ 54.12
Fourth Quarter	\$ 61.33	\$ 55.01
<i>Fiscal 2017:</i>		
First Quarter	\$ 61.11	\$ 54.91
Second Quarter	\$ 62.65	\$ 56.10
Third Quarter	\$ 66.48	\$ 60.30
Fourth Quarter	\$ 67.98	\$ 62.13
<i>Fiscal 2018:</i>		
First Quarter (through November 30, 2017)	\$ 66.99	\$ 61.00
<b>Most Recent Six Months</b>		
June 2017	\$ 66.48	\$ 63.62
July 2017	\$ 67.51	\$ 63.79
August 2017	\$ 67.98	\$ 62.13
September 2017	\$ 65.05	\$ 62.39
October 2017	\$ 66.35	\$ 64.15
November 2017	\$ 66.99	\$ 61.00

**ITEM 10. ADDITIONAL INFORMATION****Memorandum and Articles of Incorporation**

Amdocs Limited is registered as a company with limited liability pursuant to the laws of the Island of Guernsey with company number 19528 and whose registered office situated at Hirzel House, Smith Street, St Peter Port, Guernsey, GY1 2NG. The telephone number at that location is +44-1481-728444.

Our Memorandum of Incorporation, or the Memorandum, provides that the objects and powers of Amdocs Limited are not restricted and our Articles of Incorporation, or the Articles, provide that our business is to engage in any lawful act or activity for which companies may be organized under the Companies (Guernsey) Law, 2008, as amended, or the Companies Law.

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**Table of Contents**

The Articles grant the Board of Directors all the powers necessary for managing, directing and supervising the management of the business and affairs of Amdocs Limited.

Article 70(1) of the Articles provides that a director may vote in respect of any contract or arrangement in which such director has an interest notwithstanding such director's interest and an interested director will not be liable to us for any profit realized through any such contract or arrangement by reason of such director holding the office of director.

Article 71(1) of the Articles provides that the directors shall be paid out of the funds of Amdocs Limited by way of fees such sums as the Board shall reasonably determine. Article 73 of the Articles provides that directors may exercise all the powers of Amdocs Limited to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue securities whether outright or as security for any debt, liability or obligation of Amdocs Limited for any third party. Such borrowing powers can only be altered through an amendment to the Articles by special resolution. Our Memorandum and Articles do not impose a requirement on the directors to own shares of Amdocs Limited in order to serve as directors, however, the Board of Directors has adopted guidelines for minimum share ownership by the directors.

The Board of Directors is authorized to issue a maximum of (i) 25,000,000 preferred shares and (ii) 700,000,000 ordinary shares, consisting of voting and non-voting ordinary shares without further shareholder approval. As of September 30, 2017, 144,391,245 ordinary shares were outstanding (net of treasury shares) and no non-voting ordinary shares or preferred shares were outstanding. The rights, preferences and restrictions attaching to each class of the shares are set out in the Memorandum and Articles and are as follows:

***Preferred Shares***

*Issue* the preferred shares may be issued from time to time in one or more series of any number of shares up to the amount authorized.

*Authorization to Issue Preferred Shares* authority is vested in the directors from time to time to authorize the issue of one or more series of preferred shares and to provide for the designations, powers, preferences and relative participating, optional or other special rights and qualifications, limitations or restrictions thereon.

*Relative Rights* all shares of any one series of preferred shares must be identical with each other in all respects, except that shares of any one series issued at different times may differ as to the dates from which dividends shall accrue.

*Liquidation* in the event of any liquidation, dissolution or winding-up of Amdocs Limited, the holders of preferred shares are entitled to a preference with respect to payment over the holders of any shares ranking junior to the preferred in liquidation at the rate fixed in any resolution or resolutions adopted by the directors in such case plus an amount equal to all dividends accumulated to the date of final distribution to such holders. Except as provided in the resolution or resolutions providing for the issue of any series of preferred shares, the holders of preferred shares are entitled to no further payment. If upon any liquidation our assets are insufficient to pay in full the amount stated above, then such assets shall be distributed among the holders of preferred shares ratably in accordance with the respective amount such holder would have



received if all amounts had been paid in full.

*Voting Rights* except as otherwise provided for by the directors upon the issue of any new series of preferred shares, the holders of preferred shares have no right or power to vote on any question or in any proceeding or to be represented at, or to receive notice of, any meeting of shareholders.

***Ordinary Shares and Non-Voting Ordinary Shares***

Except as otherwise provided by the Memorandum and Articles, the ordinary shares and non-voting ordinary shares are identical and entitle holders thereof to the same rights and privileges.

*Dividends* when and as dividends are declared on our shares, the holders of voting ordinary shares and non-voting shares are entitled to share equally, share for share, in such dividends except that if

**Table of Contents**

dividends are declared that are payable in voting ordinary shares or non-voting ordinary shares, dividends must be declared that are payable at the same rate in both classes of shares.

*Conversion of Non-Voting Ordinary Shares into Voting Ordinary Shares* upon the transfer of non-voting ordinary shares from the original holder thereof to any third party not affiliated with such original holder, non-voting ordinary shares are redesignated in our books as voting ordinary shares and automatically convert into the same number of voting ordinary shares.

*Liquidation* upon any liquidation, dissolution or winding-up, any assets remaining after creditors and the holders of any preferred shares have been paid in full shall be distributed to the holders of voting ordinary shares and non-voting ordinary shares equally share for share.

*Voting Rights* the holders of voting ordinary shares are entitled to vote on all matters to be voted on by the shareholders, and the holders of non-voting ordinary shares are not entitled to any voting rights.

*Preferences* the voting ordinary shares and non-voting ordinary shares are subject to all the powers, rights, privileges, preferences and priorities of the preferred shares as are set out in the Articles.

As regards both preferred shares and voting and non-voting ordinary shares, we have the power to purchase any of our own shares, whether or not they are redeemable and may make a payment out of capital for such purchase. If we repurchase shares off market, the repurchase must be approved by special resolution of our shareholders. If we are making a market acquisition of our own shares, the acquisition must be approved by an ordinary resolution of our shareholders. In practice, we expect that we would continue to effect any future repurchases of our ordinary shares through our subsidiaries.

The Articles now provide that our directors, officers and other agents will be indemnified by us from and against all liabilities to Amdocs Limited or third parties (including our shareholders) sustained in connection with their performance of their duties, except to the extent prohibited by the Companies Law. Under the Companies Law, Amdocs Limited may not indemnify a director for certain excluded liabilities, which are:

finances imposed in criminal proceedings;

regulatory fines;

expenses incurred in defending criminal proceedings resulting in a conviction;

expenses incurred in defending civil proceedings brought by Amdocs Limited or an affiliated company in which judgment is rendered against the director; and

expenses incurred in unsuccessfully seeking judicial relief from claims of a breach of duty.

In addition to the excluded liabilities listed above, directors may also not be indemnified by us for liabilities to us or any of our subsidiaries arising out of negligence, default, breach of duty or breach of trust of a director in relation to us or any of our subsidiaries. The Companies Law authorizes Guernsey companies to purchase insurance against such liabilities to companies or to third parties for the benefit of directors. We currently maintain such insurance. Judicial relief is available for an officer charged with a neglect of duty if the court determines that such person acted honestly and reasonably, having regard to all the circumstances of the case.

There are no provisions in the Memorandum or Articles that provide for a classified board of directors or for cumulative voting for directors.

If the share capital is divided into different classes of shares, Article 11 of the Articles provides that the rights attached to any class of shares (unless otherwise provided by the terms of issue) may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

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**Table of Contents**

A special resolution is defined by the Companies Law as being a resolution passed by a majority of shareholders representing not less than 75% of the total voting rights of the shareholders present in person or by proxy.

Rather than attend general or special meetings of our shareholders, shareholders may confer voting authority by proxy to be represented at such meetings. Generally speaking, proxies will not be counted as voting in respect of any matter as to which abstention is indicated, but abstentions will be counted as ordinary shares that are present for purposes of determining whether a quorum is present at a general or special meeting. Nominees who are members of NYSE and who, as brokers, hold ordinary shares in street name for customers have, by NYSE rules, the authority to vote on certain items in the absence of instructions from their customers, the beneficial owners of the ordinary shares. If such nominees or brokers indicate that they do not have authority to vote shares as to a particular matter, we will not count those votes in favor of such matter, however, such broker non-votes will be counted as ordinary shares that are present for purposes of determining whether a quorum is present.

Provisions in respect of the holding of general meetings and extraordinary general meetings are set out at Articles 22-41 of the Articles. The Articles provide that an annual general meeting must be held once in every calendar year (provided that not more than 15 months have elapsed since the last such meeting) at such time and place as the directors appoint. The shareholders of the Company may waive the requirement to hold an annual general meeting in accordance with the Companies Law. The directors may, whenever they deem fit, convene an extraordinary general meeting. General meetings may be convened by any shareholders holding more than 10% in the aggregate of Amdocs Limited's share capital. Shareholders may participate in general meetings by video link, telephone conference call or other electronic or telephonic means of communication.

A minimum of ten days' written notice is required in connection with an annual general meeting and a minimum of 14 days' written notice is required for an extraordinary general meeting, although a general meeting may be called by shorter notice if all shareholders entitled to attend and vote agree. The notice shall specify the place, the day and the hour of the meeting, and in the case of any special business, the general nature of that business and details of any special resolutions, waiver resolutions or unanimous resolutions being proposed at the meeting. The notice must be sent to every shareholder and every director and may be published on a website.

At general meetings, the Chairman of the Board may choose whether a resolution put to a vote shall be decided by a show of hands or by a poll. However, a poll may be demanded by not less than five shareholders having the right to vote on the resolution or by shareholders representing not less than 10% of the total voting rights of all shareholders having the right to vote on the resolution.

A shareholder is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of Amdocs Limited.

Amdocs Limited may pass resolutions by way of written resolution.

There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities.

There are no provisions in the Memorandum or Articles that would have the effect of delaying, deferring or preventing a change in control of Amdocs Limited or that would operate only with respect to a merger, acquisition or corporate restructuring involving us (or any of our subsidiaries).

There are no provisions in the Memorandum or Articles governing the ownership threshold above which our shareholder ownership must be disclosed. U.S. federal law, however, requires that all directors, executive officers and

holders of 10% or more of the stock of a company that has a class of stock registered under the Securities Exchange Act of 1934, as amended (other than a foreign private issuer, such as Amdocs Limited), disclose such ownership. In addition, holders of more than 5% of a registered equity security of a company (including a foreign private issuer) must disclose such ownership.

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**Table of Contents**

The directors may reduce our share capital or any other capital subject to us satisfying the solvency requirements set out in the Companies Law.

**Material Contracts**

In December 2017, we entered into an Amended and Restated Credit Agreement among us, certain of our subsidiaries, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, and JPMorgan Chase Bank, N.A., Toronto branch, as Canadian agent, providing for an unsecured \$500 million five-year revolving credit facility with a syndicate of banks. The facility is available for general corporate purposes, including acquisitions and repurchases of our ordinary shares that we may consider from time to time, and has a maturity date in December 2022. The Amended and Restated Credit Agreement replaces our Credit Agreement, dated as of December 12, 2014, by and among us, certain of our subsidiaries, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, and JPMorgan Chase Bank, N.A., Toronto branch, as Canadian agent. A copy of the Amended and Restated Credit Agreement is included as Exhibit 4.d to this Annual Report.

In February 2017, we entered into a Master Services Agreement with AT&T Services, Inc., which replaces in its entirety the Software and Professional Services that we entered into with AT&T Services, Inc. effective August 7, 2003. The agreement provides that Amdocs will provide software and services to AT&T as specified therein and remains in effect until September 30, 2021. A copy of the Master Services Agreement is included as Exhibit 4.b.6 to this Annual Report.

In the past two years, we have not entered into any other material contracts other than contracts entered into in the ordinary course of our business.

**Taxation**

***Taxation of the Company***

The following is a summary of certain material tax considerations relating to Amdocs and our subsidiaries. To the extent that the discussion is based on tax legislation that has not been subject to judicial or administrative interpretation, there can be no assurance that the views expressed in the discussion will be accepted by the tax authorities in question. The discussion is not intended, and should not be construed, as legal or professional tax advice and is not exhaustive of all possible tax considerations.

***General***

Our effective tax rate was 14.8% for fiscal 2017, compared to 15.5% for fiscal 2016 and 13.1% for fiscal 2015.

Our effective tax rate may fluctuate between periods as a result of discrete items that may affect a particular period and there can be no assurance that our effective tax rate will not change over time as a result of a change 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, including the potential impact, which we are currently assessing, of the recent tax reform efforts in the United States. Moreover, our effective tax rate in future years may be adversely affected in the event that a tax authority challenges the manner in which items of income and expense are allocated among us and our subsidiaries. In addition, we and certain of our subsidiaries benefit from certain special tax benefits. The loss of any such tax benefits could have an adverse effect on our effective tax rate.

*Certain Guernsey Tax Considerations*

Tax legislation in Guernsey subjects us to the standard rate of corporate income tax for a Guernsey resident company of zero percent.

## **Table of Contents**

### *Certain Indian Tax Considerations*

Through subsidiaries, we operate development centers and a business processing operations center in India. In 2017, the corporate tax rate applicable in India on trading activities was 34.6%. Our subsidiary in India operates under specific favorable tax entitlements that are based upon pre-approved information technology related services activity. As a result, these activities are entitled to considerable corporate income tax exemptions on eligible profits from export of services derived from such pre-approved information technology activity, provided our subsidiary continues to meet the conditions required for such tax benefits.

During the year 2016-17 our main subsidiary in India changed its corporate legal structure from a private limited company (PLC) to a limited liability partnership (LLP) through conversion by process of law effective 28th Feb 2017. Thereafter, all rights and liabilities of the PLC under agreements are vested in the LLP by operation of law.

As of April 1, 2011, the Minimum Alternative Tax, or MAT, became applicable to all of our PLC Indian operations. The MAT is levied on book profits at the effective rate of 20% and can be carried forward for 10 years to be credited against corporate income taxes. As for the LLP, as a result of the conversion certain accumulated tax credits will not be available to be set off against future income of the LLP, however, for LLP the AMT provisions are applicable such that LLPs are subject to AMT at a rate of 21.34% on adjusted total income (Income as computed under the normal provisions, increased by prescribed adjustments) if tax on income under normal provisions is lower than the AMT, and can be carried forward for 10 years.

Our main Indian subsidiary is subject to a separate tax entitlement under which its operating units are exempt from tax on the respective tax incentive-eligible activity for the first five years of operations and enjoys a 50% reduction on its corporate income tax for such activity for the following five years.

### *Certain Israeli Tax Considerations*

Our primary Israeli subsidiary, Amdocs (Israel) Limited, operates one of our largest development centers. Discussed below are certain Israeli tax considerations relating to this subsidiary.

*General Corporate Taxation in Israel.* The general corporate tax rate on taxable income is 24% (reduced from 25% to 24% with effect as of January 1, 2017). The corporate tax rate will be further reduced to 23% as of January 1, 2018. However, the effective tax rate applicable to the taxable income of an Israeli company that is eligible for tax benefits by virtue of the Law for the Encouragement of Capital Investments may be considerably lower.

*Law for the Encouragement of Capital Investments, 1959.* Certain production and development facilities of our primary Israeli subsidiary have been granted Approved Enterprise status pursuant to the Law for the Encouragement of Capital Investments, 1959, or the Investment Law, which provides certain tax and financial benefits to investment programs that have been granted such status.

In general, investment programs of our primary Israeli subsidiary that have obtained instruments of approval for an Approved Enterprise issued by the Israeli Investment Center prior to the change in legislation in 2005 continue to be subject to the old provisions of the Investment Law as described below. In addition, our primary Israeli subsidiary made several expansions to its Approved Enterprise under the terms of the Investment Law of 2005.

### *Tax Benefits.*



Our primary Israeli subsidiary has elected the alternative benefits route with respect to its existing Approved Enterprise and its expansions, pursuant to which it enjoys, in relation to its Approved Enterprise

**Table of Contents**

operations, certain tax holidays, based on the location of activities within Israel, for a period of two to ten years and, in the case of a two year tax holiday, reduced tax rates for an additional period of up to eight years (and, in certain cases, up to 13 years). In case it pays a dividend, at any time, out of income generated during the tax holiday period in respect of its Approved Enterprise, it will be subject to corporate tax at the otherwise applicable rate of 10% of the income from which such dividend has been paid. This tax is in addition to the withholding tax on dividends as described below. The tax benefits, available with respect to an Approved Enterprise only to taxable income attributable to that specific enterprise, are provided according to an allocation formula set forth in the Investment Law or in the relevant approval, and are contingent upon the fulfillment of the conditions stipulated by the Investment Law, the regulations issued thereunder and the instruments of approval for the specific investments in the Approved Enterprises. In the event our primary Israeli subsidiary fails to comply with these conditions, the tax and other benefits could be rescinded, in whole or in part, and the subsidiary might be required to refund the amount of the rescinded benefits, with the addition of CPI linkage differences and interest. We believe that the Approved Enterprise of our primary Israeli subsidiary substantially complies with all such conditions currently, but there can be no assurance that it will continue to do so.

*Dividends.* Dividends paid out of income derived by an Approved Enterprise are subject to withholding tax at a reduced rate (15%, compared with the general rate of 30%). If a dividend is paid by our primary Israeli subsidiary, such dividend may be distributed out of income from both Approved Enterprises and non-Approved Enterprises. As such, we expect the weighted average withholding tax rate applicable to such dividend to be approximately 20%. This withholding tax shall be levied in addition to the corporate tax to which our primary Israeli subsidiary shall be subject in the event it pays a dividend out of earnings generated during the tax holiday period related to its Approved Enterprise status.

In recent years changes were introduced to the Investment Law, specifically a major amendment of the Investment Law in 2011 and 2017.

*The 2011 amendment ( Preferred Enterprise )*

Among other things, these changes include a prospective termination of all tax incentives available under the law prior to the amendment. The amendment to the Investment Law also introduced a new concept of Preferred Enterprise. However, under the transition rules, with respect to the applicability of the provisions of the Investment Law as amended in 2011, benefits granted pursuant to incentive programs commenced prior to 2011 would continue to apply until their expiration, unless the company affirmatively elects to apply the regime provided pursuant to the amended Investment Law. Our primary Israeli subsidiary has not yet made such election.

*The 2017 amendment ( Preferred Technological Enterprises )*

Amendment 73 to the Investment Law, which came into effect January 1, 2017, stipulates that regulations are to be promulgated by no later than March 31, 2017, so as to implement the Nexus Principles, based on OECD guidelines recently published as part of the Base Erosion and Profit Shifting (BEPS) project.

The new incentives regime will apply to Preferred Technological Enterprises that meet certain conditions.

The corporate tax rate for Special Preferred Technological Enterprise (companies which are part of a group with annual consolidated revenue in excess of NIS 10 billion - approximately US\$2.7 billion at current exchange rates -) will be 6%. The reduced tax rate shall apply only with respect to the revenue attributable to the portion of intellectual property developed in Israel.

The withholding tax on dividends paid to a foreign parent company holding at least 90% of the shares of the distributing company out of earnings that are eligible for the reduced corporate tax rate (in our case, 6%) will be 4%. For other dividend distributions out of earnings of a Preferred Technological Enterprise, the withholding tax rate will be 20% (or a lower rate under a tax treaty, if applicable)

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**Table of Contents**

Certain regulations concerning the nexus approach were enacted in 2017.

In 2017, our primary Israeli subsidiary continues to apply the benefits under the terms of the law as provided prior to the 2011 amendment. We are evaluating the potential benefits of applying the 2011 and 2017 amendments.

***Taxation Of Holders Of Ordinary Shares***

***Certain Guernsey Tax Considerations***

Under the laws of Guernsey as currently in effect, a holder of our ordinary shares who is not a resident of Guernsey (which includes Alderney and Herm for these purposes) and who does not carry on business in Guernsey through a permanent establishment situated there is not subject to Guernsey income tax on dividends paid with respect to the ordinary shares and is not liable for Guernsey income tax on gains realized upon sale or disposition of such ordinary shares. In addition, Guernsey does not impose a withholding tax on dividends paid by us to a holder of our ordinary shares who is not a resident of Guernsey and who does not carry on business in Guernsey through a permanent establishment situated there. Under Guernsey tax legislation, such holder may, depending on their circumstances, be subject to Guernsey income tax in connection with dividends paid by us and where such holder is a Guernsey resident individual, such tax may be collected by way of withholding from the dividend. We do not believe this legislation affects the taxation of a holder of ordinary shares who is not a resident of Guernsey and who does not carry on business in Guernsey through a permanent establishment situated there.

There are no capital gains, gift or inheritance taxes levied by Guernsey, and the ordinary shares generally are not subject to any transfer taxes, stamp duties or similar charges on issuance or transfer.

***Certain United States Federal Income Tax Considerations***

The following discussion describes material U.S. federal income tax consequences to a U.S. holder of the ownership or disposition of our ordinary shares. A U.S. holder is a beneficial owner of our ordinary shares that is:

- (i) an individual who is a citizen or resident of the United States;
- (ii) a corporation created or organized in, or under the laws of, the United States or of any state thereof;
- (iii) an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons has the authority to control all substantial decisions of the trust.

This summary generally considers only U.S. holders that own ordinary shares as capital assets. This summary does not discuss the U.S. federal income tax consequences to an owner of ordinary shares that is not a U.S. holder.

This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, or the Code, current and proposed Treasury regulations promulgated thereunder, and administrative and judicial decisions as of the date hereof, all of which are subject to change, possibly on a retroactive basis. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a U.S. holder of ordinary shares based on such holder's particular circumstances (including potential application of the alternative minimum tax), U.S. federal income tax consequences to certain U.S. holders that are subject to special treatment (such as broker-dealers, insurance

companies, tax-exempt organizations, financial institutions, U.S. holders that

**Table of Contents**

hold ordinary shares as part of a straddle, hedge or conversion transaction with other investments, U.S. holders that hold ordinary shares in connection with a trade or business outside the United States, or U.S. holders owning directly, indirectly or by attribution at least 10% of the ordinary shares), or any aspect of state, local or non-U.S. tax laws. Additionally, this discussion does not consider the tax treatment of persons who hold ordinary shares through a partnership or other pass-through entity, the possible application of U.S. federal gift or estate taxes or any alternative minimum or Medicare contribution tax consequences.

This summary is for general information only and is not binding on the Internal Revenue Service, or the IRS. There can be no assurance that the IRS will not challenge one or more of the statements made herein. U.S. holders are urged to consult their own tax advisers as to the particular tax consequences to them of owning and disposing of our ordinary shares. Except as described in *Passive Foreign Investment Company Considerations* below, this discussion assumes that we are not and have not been a passive foreign investment company (a PFIC) for any taxable year.

*Dividends.* In general, a U.S. holder receiving a distribution with respect to the ordinary shares will be required to include such distribution (including the amount of non-U.S. taxes, if any, withheld therefrom) in gross income as a taxable dividend to the extent such distribution is paid from our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Any distributions in excess of such earnings and profits will first be treated, for U.S. federal income tax purposes, as a nontaxable return of capital to the extent of the U.S. holder's tax basis in the ordinary shares, and then, to the extent in excess of such tax basis, as gain from the sale or exchange of a capital asset. However, since we do not calculate our earnings and profits under U.S. federal income tax principles, it is expected that any distribution will be reported as a dividend. In general, U.S. corporate shareholders will not be entitled to any deduction for distributions received as dividends on the ordinary shares.

Dividend income is taxed as ordinary income. However, a preferential U.S. federal income tax rate applies to qualified dividend income received by individuals (as well as certain trusts and estates), provided that certain holding period and other requirements are met. Qualified dividend income includes dividends paid on shares of a foreign corporation that are readily tradable on an established securities market in the United States. Since our ordinary shares are listed on the Nasdaq, we believe that dividends paid by us with respect to our ordinary shares should constitute qualified dividend income for U.S. federal income tax purposes, provided that the applicable holding period and other applicable requirements are satisfied. U.S. holders should consult their tax advisers regarding the availability of these preferential rates in their particular circumstances.

Dividends paid by us generally will be foreign source passive category income or, in certain cases, general category income for U.S. foreign tax credit purposes, which may be relevant in calculating a U.S. holder's foreign tax credit limitation.

*Disposition of Ordinary Shares.* Subject to the PFIC rules described below, upon the sale, exchange or other disposition of our ordinary shares, a U.S. holder generally will recognize capital gain or loss in an amount equal to the difference between the amount realized on the disposition by such U.S. holder and its tax basis in the ordinary shares. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder has held the ordinary shares for more than one year at the time of the disposition. In the case of a U.S. holder that is an individual, trust or estate, long-term capital gains realized upon a disposition of the ordinary shares generally will be subject to a preferential U.S. federal income tax rate. Gains realized by a U.S. holder on a sale, exchange or other disposition of ordinary shares generally will be treated as U.S. source income for U.S. foreign tax credit purposes.

*Passive Foreign Investment Company Considerations.* If, for any taxable year, 75% or more of our gross income consists of certain types of passive income, or the average quarterly value during a taxable year of our passive assets (generally assets that generate passive income) is 50% or more of the value of all of our assets (including goodwill)

for such year, we will be treated as a PFIC for such year. If we are treated as a PFIC for any

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**Table of Contents**

taxable year during which a U.S. holder owns our ordinary shares, the U.S. holder generally will be subject to increased tax liability upon the sale of our ordinary shares or upon the receipt of certain excess distributions, unless such U.S. holder makes an election to mark our ordinary shares to market annually.

We believe that we were not a PFIC for our taxable year ended September 30, 2017. However, because the tests for determining PFIC status for any taxable year are dependent upon a number of factors, some of which are beyond our control, including the value of our assets, which may be determined by reference to the market price of our ordinary shares (which may be volatile), and the amount and type of our gross income, we cannot guarantee that we will not become a PFIC for the current or any future taxable year or that the IRS will agree with our conclusion regarding our current PFIC status.

In addition, if we were a PFIC for any taxable year in which we make a distribution or the preceding taxable year, the preferential rules on qualified dividend income described above would not apply. If a U.S. holder owns ordinary shares during any year in which we are a PFIC, the U.S. holder generally must file annual reports to the IRS.

*Information Reporting and Backup Withholding.* U.S. holders generally will be subject to information reporting requirements with respect to dividends that are paid within the United States or through U.S.-related financial intermediaries, as well as with respect to gross proceeds from disposition of our ordinary shares, unless the U.S. holder is an exempt recipient. U.S. holders may also be subject to backup withholding (currently at a 28% rate) on such payments, unless the U.S. holder provides a taxpayer identification number and a duly executed IRS Form W-9 or otherwise establishes an exemption. Backup withholding is not an additional tax and the amount of any backup withholding will be allowed as a credit against a U.S. holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. holders who are individuals or entities closely-held by individuals are required to report information with respect to their investment in our ordinary shares not held through a custodial account with a U.S. financial institution to the IRS. In general a U.S. holder holding specified foreign financial assets (which generally would include our ordinary shares or a custodial account with a non-U.S. financial institution through which our ordinary shares may be held) with an aggregate value exceeding certain threshold amounts should report information about those assets on IRS Form 8938, which must be attached to the U.S. holder's annual income tax return. Investors who fail to report required information could become subject to substantial penalties.

**Documents On Display**

We are subject to the reporting requirements of foreign private issuers under the U.S. Securities Exchange Act of 1934. Pursuant to the Exchange Act, we file reports with the SEC, including this Annual Report on Form 20-F. We also submit reports to the SEC, including Form 6-K Reports of Foreign Private Issuers. You may read and copy such reports at the SEC's public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. Such reports are also available to the public on the SEC's website at [www.sec.gov](http://www.sec.gov). Some of this information may also be found on our website at [www.amdocs.com](http://www.amdocs.com).

You may request copies of our reports, at no cost, by writing to or telephoning us as follows:

Amdocs, Inc.

Attention: Matthew E. Smith



1390 Timberlake Manor Parkway,

Chesterfield, Missouri 63017

Telephone: 314-212-8328

**Table of Contents****ITEM 11. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*****Foreign Currency Risk**

We manage our foreign subsidiaries as integral direct components of our operations. The operations of our foreign subsidiaries provide the same type of services with the same type of expenditures throughout the Amdocs group. We have determined that the U.S. dollar is our functional currency. We periodically assess the applicability of the U.S. dollar as our functional currency by reviewing the salient indicators as indicated in the authoritative guidance for foreign currency matters.

During fiscal year 2017, approximately 70% to 80% of our revenue and approximately 50% to 60% of our operating expenses were in U.S. dollars or linked to the U.S. dollar. If more customers will seek contracts in currencies other than the U.S. dollar, the percentage of our revenue and operating expenses in the U.S. dollar or linked to the U.S. dollar may decrease over time and our exposure to fluctuations in currency exchange rates could increase.

In managing our foreign exchange risk, we enter into various foreign exchange contracts. We do not hedge all of our exposure in currencies other than the U.S. dollar, but rather our policy is to hedge significant net exposures in the major foreign currencies in which we operate, assuming the costs of executing these contracts are worthwhile. We use such contracts to hedge net exposure to changes in foreign currency exchange rates associated with revenue denominated in a foreign currency, primarily Canadian dollars, euros and Australian dollars, and anticipated costs to be incurred in a foreign currency, primarily Israeli shekels, Indian rupees and British pounds. We also use such contracts to hedge the net impact of the variability in exchange rates on certain balance sheet items such as accounts receivable and employee related accruals denominated primarily in Israeli shekels, Canadian dollars, euros and Australian dollars. We seek to minimize the net exposure that the anticipated cash flow from sales of our products and services, cash flow required for our expenses and the net exposure related to our balance sheet items, denominated in a currency other than our functional currency will be affected by changes in exchange rates. Please see Note 6 to our consolidated financial statements.

The table below presents the total volume or notional amounts and fair value of our derivative instruments as of September 30, 2017. Notional values are in U.S. dollars and are translated and calculated based on forward rates as of September 30, 2017, for forward contracts, and based on spot rates as of September 30, 2017 for options.

	<b>Notional Value*</b>	<b>Fair Value of Derivatives</b>
Foreign exchange contracts (in millions)	\$ 1,236	\$ 27.4

(\*) Gross notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of settlements under the contracts.

**Interest Rate Risk**

Our interest expenses and income are sensitive to changes in interest rates, as all of our cash deposits and some of our borrowings, are subject to interest rate changes. Our short-term interest-bearing investments are invested in short-term conservative debt instruments, primarily U.S. dollar-denominated, and consist mainly of bank deposits, money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities.

**ITEM 12. *DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES***

Not applicable.

**Table of Contents**

**PART II**

**ITEM 13. *DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES***

Not applicable.

**ITEM 14. *MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS***

Not applicable.

**ITEM 15. *CONTROLS AND PROCEDURES***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. With the participation of the Chief Executive Officer and Chief Financial Officer of Amdocs Management Limited, our management evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2017. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of September 30, 2017, the Chief Executive Officer and the Chief Financial Officer of Amdocs Management Limited concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level. Ernst and Young LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 20-F, has issued an attestation report on our internal control over financial reporting as of September 30, 2017, which is included herein.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal year ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's report on our internal control over financial reporting (as such defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), and the related reports of our independent public accounting firm, are included on pages F-2, F-3 and F-4 of this Annual Report on Form 20-F, and are incorporated herein by reference.

**ITEM 16A. *AUDIT COMMITTEE FINANCIAL EXPERT***

Our Board of Directors has determined that there is at least one audit committee financial expert, Adrian Gardner, serving on our Audit Committee. Our Board of Directors has determined that Mr. Gardner is an independent director.

**Table of Contents**

**ITEM 16B. CODE OF ETHICS**

Our Board of Directors has adopted a Code of Ethics and Business Conduct that sets forth legal and ethical standards of conduct for our directors and employees, including our principal executive officer, principal financial officer and other executive officers, of our subsidiaries and other business entities controlled by us worldwide.

Our Code of Ethics and Business Conduct is available on our website at [www.amdocs.com](http://www.amdocs.com), or you may request a copy of our code of ethics, at no cost, by writing to or telephoning us as follows:

Amdocs, Inc.

Attention: Matthew E. Smith

1390 Timberlake Manor Parkway,

Chesterfield, Missouri 63017

Telephone: 314-212-8328

We intend to post on our website within five business days all disclosures that are required by law or Nasdaq rules concerning any amendments to, or waivers from, any provision of the code.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

During each of the last three fiscal years, Ernst & Young LLP has acted as our independent registered public accounting firm.

**Audit Fees**

Ernst & Young billed us approximately \$3.6 million for audit services for fiscal 2017, including fees associated with the annual audit and reviews of our quarterly financial results submitted on Form 6-K, consultations on various accounting issues and performance of local statutory audits. Ernst & Young billed us approximately \$3.2 million for audit services for fiscal 2016.

**Audit-Related Fees**

Ernst & Young billed us approximately \$1.2 million for audit-related services for fiscal 2017. Audit-related services principally include SSAE 16 report issuances and due diligence examinations. Ernst & Young billed us approximately \$1.2 million for audit-related services for fiscal 2016.

**Tax Fees**

Ernst & Young billed us approximately \$1.7 million for tax advice, including fees associated with tax compliance, tax advice and tax planning services for fiscal 2017. Ernst & Young billed us approximately \$1.6 million for tax advice in fiscal 2016.

**All Other Fees**

Ernst & Young did not bill us for services other than Audit Fees, Audit-Related Fees and Tax Fees described above for fiscal 2017 or fiscal 2016.

**Pre-Approval Policies for Non-Audit Services**

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by our independent registered public accounting firm. These policies generally provide that we will not engage our independent registered public accounting firm to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to the pre-approval procedure described below.

**Table of Contents**

From time to time, the Audit Committee may pre-approve specified types of services that are expected to be provided to us by our independent registered public accounting firm during the next 12 months. Any such pre-approval is detailed as to the particular service or type of services to be provided and is also generally subject to a maximum dollar amount. In fiscal 2017, our Audit Committee approved all of the services provided by Ernst & Young.

**ITEM 16D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table provides information about purchases by us and our affiliated purchasers during the fiscal year ended September 30, 2017 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

**Ordinary Shares**

Period	(a)		(c)		(d)	
	Total Number of		Total Number of		Maximum Number (or	
	Shares		Shares		Approximate Dollar Value)	
	(b)		of Publicly		of Shares that	
	Total Number of	Average Price	Announced	May Yet Be Purchased Under	the Plans or	
	Shares	Paid per Share(1)	Plans	Plans	Programs(2)	
	Purchased		or Programs			
10/1/16-10/31/16	356,211	\$ 58.95	356,211	\$	575,774,838	
11/1/16-11/30/16	600,881	\$ 58.58	600,881	\$	540,575,751	
12/1/16-12/31/16	402,025	\$ 59.70	402,025	\$	516,575,781	
01/1/17-01/31/17	442,636	\$ 58.74	442,636	\$	490,576,418	
02/1/17-02/28/17	416,928	\$ 59.24	416,928	\$	465,877,025	
03/1/17-03/31/17	475,806	\$ 61.57	475,806	\$	436,582,566	
04/1/17-04/30/17	311,055	\$ 61.03	311,055	\$	417,599,158	
05/1/17-05/31/17	507,558	\$ 62.99	507,558	\$	385,628,370	
06/1/17-06/30/17	600,363	\$ 65.00	600,363	\$	346,604,942	
07/1/17-07/31/17	307,454	\$ 65.05	307,454	\$	326,605,417	
08/1/17-08/31/17	634,799	\$ 64.18	634,799	\$	285,861,448	
09/1/17-09/30/17	463,429	\$ 63.87	463,429	\$	256,260,557	
Total	5,519,145	\$ 61.70	5,519,145	\$	256,260,557	

- (1) Excludes broker and transaction fees.
- (2) On February 2, 2016, our Board of Directors adopted a share repurchase plan authorizing the repurchase of up to \$750.0 million of our outstanding ordinary shares and on November 8, 2017, adopted another share repurchase plan for the repurchase of up to an additional \$800.0 million of our outstanding ordinary shares. The 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.

**ITEM 16F. *CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT***

Not applicable.

**ITEM 16G. *CORPORATE GOVERNANCE***

We believe there are no significant ways that our corporate governance practices differ from those followed by U.S. domestic companies under the Nasdaq listing standards. For further information regarding our corporate



**Table of Contents**

governance practices, please refer to our Notice and Proxy Statement to be mailed to our shareholders in December 2017, and to our website at [www.amdocs.com](http://www.amdocs.com).

**ITEM 16H. *MINE SAFETY DISCLOSURE***

Not applicable.

**PART III**

**ITEM 17. *FINANCIAL STATEMENTS***

Not applicable.

**ITEM 18. *FINANCIAL STATEMENTS***

**Financial Statements And Schedule**

The following Financial Statements and Financial Statement Schedule of Amdocs Limited, with respect to financial results for the fiscal years ended September 30, 2017, 2016 and 2015, are included at the end of this Annual Report:

**Audited Financial Statements of Amdocs Limited**

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of September 30, 2017 and 2016

Consolidated Statements of Income for the fiscal years ended September 30, 2017, 2016 and 2015

Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2017, 2016 and 2015

Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2017, 2016 and 2015

Notes to Consolidated Financial Statements

**Financial Statement Schedules of Amdocs Limited**

Valuation and Qualifying Accounts

All other schedules have been omitted since they are either not required or not applicable, or the information has otherwise been included.

**ITEM 19. *EXHIBITS***

The exhibits listed hereof are filed herewith in response to this Item.

**Table of Contents****Exhibit**

<b>No.</b>	<b>Description</b>
1.1	<u>Amended and Restated Memorandum of Incorporation of Amdocs Limited (incorporated by reference to Exhibits 99.1 to Amdocs Form 6-K filed January 27, 2009)</u>
1.2	<u>Amended and Restated Articles of Incorporation of Amdocs Limited (incorporated by reference to Exhibit 1.2 to Amdocs Annual Report on Form 20-F, filed December 7, 2010)</u>
4.b.1	<u>Agreement between Amdocs, Inc. and SBC Services, Inc. for Software and Professional Services, effective August 7, 2003 (incorporated by reference to Exhibit 99.3 to Amdocs Amendment No. 1 to Registration Statement on Form F-3, dated September 21, 2004, Registration No. 333-114344)</u>
4.b.2	<u>Amendments Nos. 1-33 to Agreement between the Company and AT&amp;T Services, Inc. (f/k/a SBC Services, Inc.) for Software and Professional Services effective August 7, 2003 (incorporated by reference to Exhibit 4.b.3 to Amdocs Annual Report on Form 20-F, filed December 8, 2014)</u>
4.b.3	<u>Amendments Nos. 34-39 to Agreement between the Company and AT&amp;T Services, Inc. (f/k/a SBC Services, Inc.) for Software and Professional Services effective August 7, 2003 (incorporated by reference to Exhibit 4.b.2 to Amdocs Annual Report on Form 20-F, filed December 10, 2015)</u>
4.b.4	<u>Amended and Restated Credit Agreement, dated as of December 12, 2014, among Amdocs Limited, certain of its subsidiaries, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, and JPMorgan Chase Bank, N.A., Toronto branch, as Canadian agent (incorporated by reference to Exhibit 99.1 to Amdocs Report of Foreign Private Issuer on Form 6-K dated December 12, 2014)</u>
4.b.5	<u>Amendments Nos. 40-49 to Agreement between the Company and AT&amp;T Services, Inc. (f/k/a SBC Services, Inc.) for Software and Professional Services effective August 7, 2003 (incorporated by reference to Exhibit 4.b.5 to Amdocs Annual Report on Form 20-F, filed December 12, 2016)</u>
4.b.6	<u>Agreement between Amdocs, Inc. and AT&amp;T Services, Inc. for Software and Professional Services, effective March 31, 2017</u>
4.c.1	<u>Amdocs Limited 1998 Stock Option and Incentive Plan, as amended (incorporated by reference to Appendix C to Amdocs Report of Foreign Private Issuer on Form 6-K filed December 22, 2011)</u>
4.d	<u>Amended and Restated Credit Agreement, dated as of December 11, 2017, among Amdocs Limited, certain of its subsidiaries, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, J.P. Morgan Europe Limited, as London agent, and JPMorgan Chase Bank, N.A., Toronto branch, as Canadian agent</u>
8	<u>Subsidiaries of Amdocs Limited</u>
12.1	<u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)</u>
12.2	<u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)</u>
13.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350</u>
13.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350</u>

**Table of Contents****Exhibit**

<b>No.</b>	<b>Description</b>
14.1	<u>Consent of Ernst &amp; Young LLP</u>
100.1	The following financial information from Amdocs Limited's Annual Report on Form 20-F for the year ended September 30, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of September 30, 2017 and 2016, (ii) Consolidated Statements of Income for the years ended September 30, 2017, 2016 and 2015, (iii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2017, 2016 and 2015, (iv) the Consolidated Statements of Cash Flows for the years ended September 30, 2017, 2016 and 2015, and (iv) Notes to Consolidated Financial Statements

Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and filed separately with the Securities and Exchange Commission.

**Table of Contents**

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Amdocs Limited

/s/ Matthew E. Smith

Matthew E. Smith

*Secretary and Authorized Signatory*

Date: December 11, 2017

**Table of Contents**

**AMDOCS LIMITED**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page</b>
<b>Audited Consolidated Financial Statements</b>	
<u>Management's Report on Internal Control Over Financial Reporting</u>	F-2
<u>Reports of Independent Registered Public Accounting Firm</u>	F-3
<u>Consolidated Balance Sheets as of September 30, 2017 and 2016</u>	F-5
<u>Consolidated Statements of Income for the fiscal years ended September 30, 2017, 2016 and 2015</u>	F-6
<u>Consolidated Statements of Comprehensive Income for the fiscal years ended September 30, 2017, 2016 and 2015</u>	F-7
<u>Consolidated Statements of Changes in Shareholders' Equity for the fiscal years ended September 30, 2017, 2016 and 2015</u>	F-8
<u>Consolidated Statements of Cash Flows for the fiscal years ended September 30, 2017, 2016 and 2015</u>	F-9
<u>Notes to the Consolidated Financial Statements</u>	F-10
<b>Financial Statement Schedule</b>	
<u>Valuation and Qualifying Accounts</u>	F-38

**Table of Contents**

**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2017. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) in Internal Control-Integrated Framework.

Based on its assessment, management concluded that, as of September 30, 2017, the Company's internal control over financial reporting is effective based on those criteria.

The financial statements and internal control over financial reporting have been audited by Ernst & Young LLP, an independent registered public accounting firm which has issued an attestation report on the Company's internal control over financial reporting included elsewhere in this Annual Report on Form 20-F.

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**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of

Amdocs Limited

We have audited the accompanying consolidated balance sheets of Amdocs Limited as of September 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2017. Our audits also included the financial statement schedule listed in the Index at Item 18 of Part III. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amdocs Limited at September 30, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2017, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Amdocs Limited's internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated December 11, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

New York, New York

December 11, 2017

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**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholders of

Amdocs Limited

We have audited Amdocs Limited's internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Amdocs Limited's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Amdocs Limited maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Amdocs Limited as of September 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2017 of Amdocs Limited and our report dated December 11, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP



New York, New York

December 11, 2017

F-4

Table of Contents

**AMDOCS LIMITED**

**CONSOLIDATED BALANCE SHEETS**

**(In thousands, except per share data)**

	<b>As of September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 649,611	\$ 768,660
Short-term interest-bearing investments	329,997	327,063
Accounts receivable, net	865,068	818,531
Prepaid expenses and other current assets	203,810	186,137
<b>Total current assets</b>	2,048,486	2,100,391
Equipment and leasehold improvements, net	355,685	331,728
Goodwill	2,221,209	2,211,639
Intangible assets, net	177,326	281,527
Other noncurrent assets	476,674	406,070
<b>Total assets</b>	\$ 5,279,380	\$ 5,331,355
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 126,414	\$ 136,675
Accrued expenses and other current liabilities	668,087	611,705
Accrued personnel costs	265,354	244,299
Short-term financing arrangements		200,000
Deferred revenue	113,091	173,331
<b>Total current liabilities</b>	1,172,946	1,366,010
Deferred income taxes and taxes payable	219,417	227,099
Other noncurrent liabilities	312,947	284,685
<b>Total liabilities</b>	1,705,310	1,877,794
<b>Shareholders' equity:</b>		
Preferred Shares Authorized 25,000 shares; £0.01 par value; 0 shares issued and outstanding		
Ordinary Shares Authorized 700,000 shares; £0.01 par value; 273,773 and 270,997 issued and 144,391 and 147,134 outstanding, in 2017 and 2016, respectively	4,410	4,377
Additional paid-in capital	3,458,887	3,322,789
	(4,365,124)	(4,024,527)

Treasury stock, at cost	129,382 and 123,863 ordinary shares in 2017 and 2016, respectively		
Accumulated other comprehensive income		18,790	6,095
Retained earnings		4,457,107	4,144,827
<b>Total shareholders' equity</b>		<b>3,574,070</b>	<b>3,453,561</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 5,279,380</b>	<b>\$ 5,331,355</b>

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

**AMDOCS LIMITED**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenue</b>	\$ 3,867,155	\$ 3,718,229	\$ 3,643,538
<b>Operating expenses:</b>			
Cost of revenue	2,507,656	2,408,040	2,349,488
Research and development	259,097	252,292	254,944
Selling, general and administrative	472,778	464,883	440,085
Amortization of purchased intangible assets and other	110,291	109,873	70,073
Restructuring charges			13,000
	3,349,822	3,235,088	3,127,590
<b>Operating income</b>	517,333	483,141	515,948
Interest and other (expense) income, net	(4,421)	1,557	(2,544)
<b>Income before income taxes</b>	512,912	484,698	513,404
Income taxes	76,086	75,367	67,241
<b>Net income</b>	\$ 436,826	\$ 409,331	\$ 446,163
<b>Basic earnings per share</b>	\$ 2.99	\$ 2.74	\$ 2.89
<b>Diluted earnings per share</b>	\$ 2.96	\$ 2.71	\$ 2.85

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents**

**AMDOCS LIMITED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net income	\$ 436,826	\$ 409,331	\$ 446,163
Other comprehensive income (loss), net of tax:			
Net change in fair value of cash flow hedges(1)	11,994	24,666	(6,630)
Net change in fair value of available-for-sale securities(2)	(978)	249	358
Net actuarial gain (losses) on defined benefit plan(3)	1,679	(2,067)	(509)
Other comprehensive income (loss), net of tax	12,695	22,848	(6,781)
Comprehensive income	\$ 449,521	\$ 432,179	\$ 439,382

- (1) Net of tax benefit (expense) of \$651, \$(7,053) and \$2,627 for the fiscal years ended September 30, 2017, 2016 and 2015, respectively.
- (2) Net of tax (expense) benefit of \$(4), \$(1) and \$5 for the fiscal years ended September 30, 2017, 2016 and 2015, respectively.
- (3) Net of tax (expense) benefit of \$(697), \$747 and \$(81) for the fiscal years ended September 30, 2017, 2016 and 2015, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

**AMDOCS LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(In thousands, except per share data)

	Ordinary Shares			Accumulated			
				Other			
				Comprehensive			
			Additional				Total
			Paid-in	Treasury	Income	Retained	Shareholders
	Shares	Amount	Capital	Stock	(Loss)	Earnings	Equity
	(1)						
Balance as of October 1, 2014	156,704	\$ 4,284	\$ 3,054,780	\$ (3,157,085)	\$ (9,972)	\$ 3,503,829	\$ 3,395,836
Comprehensive income:							
Net income						446,163	446,163
Other comprehensive loss					(6,781)		(6,781)
Comprehensive income							439,382
Employee stock options exercised	2,540	39	78,543				78,582
Repurchase of shares	(8,596)			(454,020)			(454,020)
Tax benefit from equity-based awards			4,690				4,690
Cash dividends declared (\$0.665 per ordinary share)						(102,196)	(102,196)
Issuance of restricted stock, net of forfeitures	502	8					8
Equity-based compensation expense related to employees			44,560				44,560
Balance as of September 30, 2015	151,150	4,331	3,182,573	(3,611,105)	(16,753)	3,847,796	3,406,842
Comprehensive income:							
Net income						409,331	409,331
Other comprehensive income					22,848		22,848
Comprehensive income							432,179
Employee stock options exercised	2,694	39	89,728				89,767
Repurchase of shares	(7,236)			(413,422)			(413,422)
Tax benefit from equity-based awards			7,788				7,788
Cash dividends declared (\$0.755 per ordinary share)						(112,300)	(112,300)
Issuance of restricted stock, net of forfeitures	526	7					7

Equity-based compensation expense related to employees				42,700			42,700
<b>Balance as of September 30, 2016</b>	147,134	4,377	3,322,789	(4,024,527)	6,095	4,144,827	3,453,561
Comprehensive income:							
Net income						436,826	436,826
Other comprehensive income					12,695		12,695
Comprehensive income							449,521
Employee stock options exercised	2,220	28	87,948				87,976
Repurchase of shares	(5,519)			(340,597)			(340,597)
Tax benefit from equity-based awards			3,611				3,611
Cash dividends declared (\$0.855 per ordinary share)						(124,546)	(124,546)
Issuance of restricted stock, net of forfeitures	556	5					5
Equity-based compensation expense related to employees			44,539				44,539
<b>Balance as of September 30, 2017</b>	144,391	\$ 4,410	\$ 3,458,887	\$ (4,365,124)	\$ 18,790	\$ 4,457,107	\$ 3,574,070

(1) As of September 30, 2017, 2016 and 2015, accumulated other comprehensive income (loss) is comprised of unrealized gain (loss) on derivatives, net of tax, of \$24,508, \$12,514 and \$(12,152), unrealized (loss) gain on short-term interest-bearing investments, net of tax, of \$(410), \$568 and \$319 and unrealized (loss) on defined benefit plan, net of tax, of \$(5,308), \$(6,987) and \$(4,920).

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents**

**AMDOCS LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Year Ended September 30,		
	2017	2016	2015
<b>Cash Flow from Operating Activities:</b>			
Net income	\$ 436,826	\$ 409,331	\$ 446,163
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	214,885	211,791	174,795
Equity-based compensation expense	44,539	42,700	44,560
Deferred income taxes	6,551	(2,315)	(26,887)
Excess tax benefit from equity-based compensation	(4,666)	(6,913)	(5,949)
Loss from short-term interest-bearing investments	9	407	476
Net changes in operating assets and liabilities, net of amounts acquired:			
Accounts receivable, net	(41,075)	(70,859)	39,829
Prepaid expenses and other current assets	11,002	(11,164)	22,690
Other noncurrent assets	(52,667)	2,587	7,406
Accounts payable, accrued expenses and accrued personnel	72,049	59,982	63,894
Deferred revenue	(50,230)	(49,828)	2,434
Income taxes payable, net	(15,145)	10,112	23,474
Other noncurrent liabilities	14,034	24,403	(20,263)
Net cash provided by operating activities	636,112	620,234	772,622
<b>Cash Flow from Investing Activities:</b>			
Payments for purchase of equipment and leasehold improvements, net	(133,392)	(130,086)	(120,503)
Proceeds from sale of short-term interest-bearing investments	278,066	361,960	252,818
Purchase of short-term interest-bearing investments	(281,983)	(370,742)	(250,184)
Net cash paid for acquisitions	(18,064)	(283,450)	(263,193)
Other	(29,940)	(18,533)	1,408
Net cash used in investing activities	(185,313)	(440,851)	(379,654)
<b>Cash Flow from Financing Activities:</b>			
Borrowings under financing arrangements	200,000	200,000	220,000
Payments under financing arrangements	(400,000)	(220,000)	(210,000)
Repurchase of shares	(340,597)	(413,422)	(454,020)
Proceeds from employee stock option exercises	87,586	89,600	78,206
Payments of dividends	(121,503)	(109,304)	(100,790)
Excess tax benefit from equity-based compensation and other	4,666	6,830	5,940



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Net cash used in financing activities	(569,848)	(446,296)	(460,664)
Net (decrease) increase in cash and cash equivalents	(119,049)	(266,913)	(67,696)
Cash and cash equivalents at beginning of year	768,660	1,035,573	1,103,269
Cash and cash equivalents at end of year	\$ 649,611	\$ 768,660	\$ 1,035,573

**Supplementary Cash Flow Information**

**Interest and Income Taxes Paid**

Cash paid for:

Income taxes, net of refunds	\$ 67,544	\$ 50,407	\$ 51,141
Interest	1,145	576	548

The accompanying notes are an integral part of these consolidated financial statements.

F-9

**Table of Contents**

**AMDOCS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**(dollar and share amounts in thousands, except per share data)**

**Note 1 Nature of Entity**

Amdocs Limited (the Company) is a leading provider of software and services for communications, Pay TV, entertainment and media industry service providers, in developed countries and emerging markets. The Company and its subsidiaries operate in one segment, providing products and services. The Company designs, develops, markets, supports, implements and operates customer experience solutions primarily for leading communications, cable and satellite service providers throughout the world.

The Company is a Guernsey corporation, which directly or indirectly holds numerous wholly-owned subsidiaries around the world. The majority of the Company's customers are in North America, Europe, Latin America and the Asia-Pacific region. The Company's main development facilities are located in Brazil, Canada, Cyprus, India, Ireland, Israel, Mexico, the Philippines, the United Kingdom and the United States.

**Note 2 Summary of Significant Accounting Policies**

***Basis of Presentation***

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP.

***Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Reclassifications***

From time to time, certain immaterial amounts in prior year financial statements may be reclassified to conform to the current year presentation.

***Functional Currency***

The Company manages its foreign subsidiaries as integral direct components of its operations. The operations of the Company's foreign subsidiaries provide the same type of services with the same type of expenditures throughout the Amdocs group. The Company has determined that its functional currency is the U.S. dollar. The Company

periodically assesses the applicability of the U.S. dollar as the Company's functional currency by reviewing the salient indicators as indicated in the authoritative guidance for foreign currency matters.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and interest-bearing investments with insignificant interest rate risk and maturities from acquisition date of 90 days or less.

F-10

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**Table of Contents**
***Investments***

The Company classifies all of its short-term interest-bearing investments as available-for-sale securities. Such short-term interest-bearing investments consist primarily of bank deposits, money market funds, U.S. government treasuries, corporate bonds and U.S. agency securities, which are stated at market value. Unrealized gains and losses are comprised of the difference between market value and amortized costs of such securities and are reflected, net of tax, as accumulated other comprehensive income (loss) in shareholders' equity, unless a security is other than temporarily impaired. The Company recognizes an impairment charge in earnings when a decline in the fair value of its investments below the cost basis is judged to be other-than-temporary. For securities with an unrealized loss that the Company intends to sell, or it is more likely than not that the Company will be required to sell before recovery of their amortized cost basis, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet these criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while other declines in fair value related to other factors are recognized in other comprehensive income (loss). The Company uses a discounted cash flow analysis to determine the portion of the impairment that relates to the credit losses. To the extent that the net present value of the projected cash flows is less than the amortized cost of the security, the difference is considered a credit loss. Realized gains and losses on short-term interest-bearing investments are included in earnings and are derived using the first-in-first-out (FIFO) method for determining the cost of securities.

***Equipment and Leasehold Improvements***

Equipment and leasehold improvements are stated at cost. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which primarily ranges from three to ten years. Leasehold improvements are amortized over the shorter of the estimated useful lives or the term of the related lease. Equipment and leasehold improvements that have been fully depreciated and are no longer in use are netted against accumulated depreciation.

The Company capitalizes certain expenditures for software that is internally developed for use in the business, which is classified as computer equipment. Amortization of internal use software begins when the software is ready for service and continues on the straight-line method over the estimated useful life.

***Goodwill, Intangible Assets and Long-Lived Assets***

Goodwill and intangible assets deemed to have indefinite lives are subject to an annual impairment test or more frequently if impairment indicators are present. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The goodwill impairment test involves a two-step process. The first step, identifying a potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step would need to be conducted; otherwise, no further steps are necessary as no potential impairment exists. The second step, measuring the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. Any excess of the reporting unit goodwill carrying value over the respective implied fair value is recognized as an impairment loss.

The total purchase price of business acquisitions accounted for using the purchase method is allocated first to identifiable assets and liabilities based on estimated fair values. The excess of the purchase price over the fair value of net assets of purchased businesses is recorded as goodwill.

Other definite-life intangible assets consist primarily of core technology and customer relationships. Core technology acquired by the Company is amortized over its estimated useful life on a straight-line basis.

Some of the acquired customer relationships are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy generally results in accelerated amortization of such customer relationships as compared to the straight-line method. All other acquired customer relationships are amortized over their estimated useful lives on a straight-line basis.

F-11

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**Table of Contents**

The Company tests long-lived assets, including definite life intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability of long-lived assets is based on an estimate of the undiscounted future cash flows resulting from the use of the cash generating unit and its eventual disposition. Measurement of an impairment loss for long-lived assets, including definite life intangible assets that management expects to hold and use is based on the fair value of the cash generating unit. Long-lived assets, including definite life intangible assets, to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

***Comprehensive Income***

Comprehensive income, net of related taxes where applicable, includes, in addition to net income:

- (i) net change in fair value of available-for-sale securities;
- (ii) net change in fair value of cash flow hedges; and
- (iii) net actuarial gains and losses on defined benefit plans.

***Treasury Stock***

The Company repurchases its ordinary shares from time to time on the open market or in other transactions and holds such shares as treasury stock. The Company presents the cost to repurchase treasury stock as a reduction of shareholders' equity.

***Business Combinations***

In accordance with business combinations accounting, assets acquired and liabilities assumed, as well as any contingent consideration that may be part of the acquisition agreement, are recorded at their respective fair values at the date of acquisition. For acquisitions that include contingent consideration, the fair value is estimated on the acquisition date as the present value of the expected contingent payments, determined using weighted probabilities of possible payments. The Company remeasures the fair value of the contingent consideration at each reporting period until the contingency is resolved. Except for measurement period adjustments, the changes in fair value are recognized in the consolidated statements of income.

In accordance with business combinations accounting, the Company allocates the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed, as well as to in-process research and development based on their estimated fair values. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. As a result of the significant judgments that need to be made, the Company obtains the assistance of independent valuation firms. The Company completes these assessments as soon as practical after the closing dates. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill.

Although the Company believes the assumptions and estimates of fair value it has made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes

first, any subsequent adjustments are recorded in the Company's consolidated statements of income. Critical estimates in valuing certain assets acquired and liabilities assumed include, but are not limited to: future expected cash flows from license and service sales, maintenance, customer contracts and acquired developed technologies, expected costs to develop the in-process research and development into commercially viable products and estimated cash flows from the projects when completed and the acquired company's brand awareness and discount rate. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

F-12

**Table of Contents**

The Company estimates the fair values of its services, hardware, software license and maintenance obligations assumed. The estimated fair values of these performance obligations are determined utilizing a cost build-up approach. The cost build-up approach determines fair value by estimating the costs related to fulfilling the obligations plus a normal profit margin.

The Company may establish a valuation allowance for certain deferred tax assets and estimate the value of uncertain tax positions of a newly acquired entity. This process requires significant judgment and analysis.

***Income Taxes***

The Company records deferred income taxes to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Deferred taxes are computed based on tax rates anticipated to be in effect when the deferred taxes are expected to be paid or realized. A valuation allowance is provided for deferred tax assets if it is more likely than not, the Company will not be able to realize their benefit.

Deferred tax liabilities and assets are classified as noncurrent on the balance sheet. Deferred tax liabilities also include anticipated withholding taxes due on subsidiaries' earnings when paid as dividends to the Company.

The Company recognizes the tax benefit from an uncertain tax position only if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The tax benefits recognized in the financial statements from such a position is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company will classify the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes. See Note 10 to the consolidated financial statements.

***Revenue Recognition***

Revenue is recognized only when all of the following conditions have been met: (i) there is persuasive evidence of an arrangement; (ii) delivery has occurred; (iii) the fee is fixed or determinable; and (iv) collectibility of the fee is reasonably assured. The Company usually sells its software licenses as part of an overall solution offered to a customer that combines the sale of software licenses with a broad range of services, which normally include significant customization, modification, implementation and integration. Those services are deemed essential to the software. As a result, revenue is generally recognized over the course of these long-term projects, using the percentage of completion method of accounting, usually based on a percentage that incurred labor effort to date bears to total projected labor effort. When total cost estimates for these types of arrangements exceed revenues in a fixed-price arrangement, the estimated losses are recognized immediately based upon the cost applicable to the delivering unit. Significant judgment is required when estimating total labor effort and progress to completion on these arrangements, as well as whether a loss is expected to be incurred on the project. The Company evaluates contracts entered into at or near the same time with the same customer (or related parties of the customer) and determines if the contracts should be combined in accordance with the guidance for revenue recognition.

Initial license fee for software revenue is recognized as work is performed, under the percentage of completion method of accounting. Contingent subsequent license fee revenue is recognized upon completion of specified conditions in each contract, based on a customer's subscriber level or transaction volume or other measurements when greater than the level specified in the contract for the initial license fee.



Revenue from sales of hardware that functions together with the software licenses to provide the essential functionality of the product and that includes significant customization, modification, implementation and integration, is recognized as work is performed, under the percentage of completion method of accounting.

F-13

**Table of Contents**

Revenue that involves significant ongoing obligations, including fees for software customization, modification, implementation and integration as part of a long-term contract, is recognized as work is performed, under the percentage of completion method of accounting. Revenue from software solutions that do not require significant customization, implementation and modification is recognized upon delivery. Revenue that does not involve significant ongoing obligations is recognized as services are rendered.

Fees are generally considered fixed and determinable unless a significant portion (more than 10%) of the license and related service fee is due more than 12 months after delivery, in which case license and related services fees are recognized when payments are due.

In managed services contracts and in other long-term contracts, revenue from the operation of a customer's system is recognized either as services are performed based on time elapsed, output produced, volume of data processed or subscriber count, depending on the specific contract terms of the managed services arrangement. Typically, managed services contracts are long-term in duration and are not subject to seasonality. Revenue from ongoing support services is recognized as work is performed.

Revenue from third-party hardware sales is recognized upon delivery and installation, and revenue from third-party software sales is recognized upon delivery. Revenue from third-party hardware and software sales is recorded at gross amount for transactions in which the Company is the primary obligor under the arrangement as well as, in some cases, possesses other attributes such as latitude in determining prices and selecting suppliers. In specific circumstances where the Company does not meet the above criteria, particularly when the contract stipulates that the Company is not the primary obligor, the Company recognizes revenue on a net basis. Revenue from third-party hardware and software sales was less than 10% of revenue in each of fiscal years 2017, 2016 and 2015. In certain arrangements, the Company may earn revenue from other third-party services which is recorded at a gross amount as the Company is the primary obligor under the arrangement.

Maintenance revenue is recognized ratably over the term of the maintenance agreement, which in most cases is one year.

As a result of a significant portion of the Company's revenue being subject to the percentage of completion accounting method, the Company's annual and quarterly operating results may be significantly affected by the size and timing of customer projects and the Company's progress in completing such projects.

Many of the Company's agreements include multiple deliverables. The Company's multiple element arrangements are comprised of a variety of different combinations of the deliverables mentioned above. For multiple element arrangements within the scope of software revenue recognition guidance, the Company allocates revenue to each element based upon its relative fair value as determined by Vendor Specific Objective Evidence (VSOE). In the absence of fair value for a delivered element the Company uses the residual method. The residual method requires that the Company first allocate revenue to the fair value of the undelivered elements and residual revenue to delivered elements. If VSOE of any undelivered items does not exist, revenue from the entire arrangement is deferred and recognized at the earlier of (i) delivery of those elements for which VSOE does not exist or (ii) when VSOE can be established. However, in limited cases where maintenance is the only undelivered element without VSOE, the entire arrangement fee is recognized ratably upon commencement of the maintenance services. The residual method is used mainly in multiple element arrangements that include license for the sale of software solutions that do not require significant customization, modification, implementation and integration and maintenance to determine the appropriate value for the license component. Under the guidance for revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance, the Company allocates revenue to each element based upon the relative fair value. Fair value would be allocated by using a hierarchy of 1) VSOE, 2) third-party evidence of

selling price for that element, or 3) estimated selling price, or ESP, for individual elements of an arrangement when VSOE or third-party evidence of selling price is unavailable. This results in the elimination of the residual method of allocating revenue consideration. The Company determines ESP for the purposes of allocating the consideration

**Table of Contents**

to individual elements of an arrangement by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, geographies in which the Company offers its services and internal costs. The determination of ESP is judgmental and is made through consultation with and approval by management.

In certain circumstances where the Company enters into a contract with a customer for the provision of managed services for a defined period of time, the Company defers certain direct costs incurred at the inception of the contract. These costs include expenses incurred in association with the origination of a contract. In addition, if the revenue for a delivered item is not recognized because it is not separable from the undelivered item, then the Company also defers the cost of the delivered item. The deferred costs are amortized on a straight-line basis over the managed services period, or over the recognition period of the undelivered item. Revenue associated with these capitalized costs is deferred and is recognized over the same period.

Deferred revenue represents billings to customers for licenses and services for which revenue has not been recognized. Deferred revenue that is expected to be recognized beyond the next 12 months is considered long-term deferred revenue. Unbilled accounts receivable include all revenue amounts that had not been billed as of the balance sheet date due to contractual or other arrangements with customers. Unbilled accounts receivable that are expected to be billed beyond the next 12 months are considered long-term unbilled receivables. Billed accounts receivables include all outstanding invoices to customers, as well as amounts allowed to be billed according to contractual or other arrangements with customers.

***Cost of Revenue***

Cost of revenue consists of all costs associated with providing software licenses and services to customers, including identified losses on contracts. Estimated losses on contracts accounted for using the percentage of completion method of accounting are recognized in the period in which the loss is identified. Cost of revenue includes license fees and royalty payments to software suppliers.

Cost of revenue also includes costs of third-party products associated with reselling third-party computer hardware and software products to customers and other third-party services, when the related revenue is recorded at the gross amount. Customers purchasing third-party products and services from the Company generally do so in conjunction with the purchase of the Company's software and services.

***Research and Development***

Research and development expenditures consist of costs incurred in the development of new software modules and product offerings, either as part of the Company's internal product development programs, which are sold, leased or otherwise marketed. Research and development costs are expensed as incurred.

Based on the Company's product development process, technological feasibility is established upon completion of a detailed program design or, in the absence thereof, completion of a working model. Costs incurred by the Company after achieving technological feasibility and before the product is ready for customer release have been insignificant.

***Equity-Based Compensation***

The Company measures and recognizes the compensation expense for all equity-based payments to employees and directors based on their estimated fair values. The Company estimates the fair value of employee stock options at the date of grant using a Black-Scholes valuation model and values restricted stock based on the market value of the underlying shares at the date of grant. The Company recognizes compensation costs using the graded vesting

attribution method that results in an accelerated recognition of compensation costs in comparison to the straight-line method.

F-15

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**Table of Contents**

The Company uses a combination of implied volatility of the Company's traded options and historical stock price volatility (blended volatility) as the expected volatility assumption required in the Black-Scholes option valuation model. As equity-based compensation expense recognized in the Company's consolidated statements of income is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents, short-term interest-bearing investments, and trade receivables. Cash and cash equivalents are maintained with several financial institutions. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions with reputable credit and therefore bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple financial institutions and monitoring the risk profiles of these counterparties. The Company has conservative investment policy guidelines under which it invests its excess cash primarily in highly liquid U.S. dollar-denominated securities. The Company's revenue is generated primarily in North America. To a lesser extent, revenue is generated in Europe, the Asia-Pacific region and Latin America. Most of the Company's customers are among the largest communications and media companies in the world (or are owned by them). The Company's business is subject to the effects of general global economic conditions and market conditions in the communications industry. The Company performs ongoing credit analyses of its customer base and generally does not require collateral.

The Company evaluates accounts receivable to determine if they will ultimately be collected. Significant judgments and estimates are involved in performing this evaluation, which are based on factors that may affect a customer's ability to pay, such as past experience, credit quality of the customer, age of the receivable balance and current economic conditions. The allowance for doubtful accounts is for estimated losses resulting from accounts receivable for which their collection is not reasonably probable. As of September 30, 2017, the Company had one customer with an accounts receivable balance of more than 10% of total accounts receivable, amounting to 27%, which was lower than its respective portion of total revenue. As of September 30, 2016, the Company had one customer with an accounts receivable balance of more than 10% of total accounts receivable, amounting to 30%, which was higher than its respective portion of total revenue.

***Earnings per Share***

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares outstanding and the effect of dilutive outstanding equity-based awards using the treasury stock method. The Company includes participating securities (unvested restricted shares that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of earnings per share pursuant to the two-class method, which calculates earnings per share for common shares and participating securities.

***Derivatives and Hedging***

The Company carries out transactions involving foreign currency exchange derivative financial instruments. The transactions are designed to hedge the Company's exposure in currencies other than the U.S. dollar. The Company recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value. If a derivative meets the definition of a cash flow hedge and is so designated, changes in the fair value of the derivative are recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative designated as a cash flow hedge is recognized in earnings. If a derivative does not meet the definition of a cash flow hedge, the changes in the fair value are included in earnings.

***Recent Accounting Standards***

In January 2017, the Financial Accounting Standards Board, or FASB, issued an Accounting Standard Update, or ASU, that revises and narrows the definition of a business and provides a framework that gives

F-16

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**Table of Contents**

entities a basis for making reasonable judgments about whether a transaction involves an asset or a business. This ASU will be effective for the Company with respect to transactions occurring on or after October 1, 2018 and early adoption is permitted.

In October 2016, as part of its simplification initiative aimed at reducing complexity in accounting standards, the FASB issued an ASU, which removes the prohibition in the current authoritative guidance for accounting for income taxes against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The ASU will be effective for the Company on October 1, 2018, and early adoption in the first interim period of a fiscal year is permitted. The Company currently expects adoption of this ASU will not have a material impact on its consolidated financial statements.

In August 2016, the FASB issued an ASU that intends to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The ASU will be effective for the Company on October 1, 2018, and early adoption is permitted. The Company currently expects adoption of this ASU will result in reclassification of certain cash payments of contingent considerations included in acquisition agreements from investing activities to financing activities and will not have a material impact on its statement of cash flows.

In June 2016, the FASB issued an ASU on accounting for credit losses, which introduces an impairment model that is based on expected losses rather than incurred losses and will apply to financial assets subject to credit losses and measured at amortized cost, and certain off-balance sheet credit exposures. The ASU will be effective for the Company beginning in the first quarter of fiscal year 2021 and earlier adoption by one year is permitted. The Company is currently evaluating the impact of adoption of this ASU on its consolidated financial statements.

In February 2016, the FASB issued an ASU on accounting for leases to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. The ASU requires reporting entities to recognize lease assets and lease liabilities on the balance sheet for most leases, including operating leases, with a term greater than twelve months. This ASU, which will be effective for the Company beginning in the first quarter of fiscal year 2020, must be adopted using a modified retrospective method and its early adoption is permitted. The Company is currently evaluating the impact of adoption of this ASU on its consolidated financial statements.

In January 2016, the FASB issued an ASU on recognition and measurement of financial assets and financial liabilities. The ASU affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. This ASU will be effective for the Company on October 1, 2018, and early adoption is permitted. The Company expects adoption of this ASU may result in changes in its financial statements presentation but will not affect the content of its consolidated financial statements.

In September 2015, the FASB issued an ASU on simplifying the accounting for measurement-period adjustments in connection with business combinations. The ASU eliminates the requirement to restate prior period financial statements for measurement-period adjustments and requires that the cumulative impact of a measurement-period adjustment be recognized in the reporting period in which the adjustment is identified. This ASU is effective for the Company with respect to measurement-period adjustments that occur after October 1, 2017.

In May 2014, the FASB issued ASU on revenue from contracts with customers, or the new revenue standard, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The new revenue standard supersedes most current revenue recognition guidance and will be effective for the Company beginning in the first quarter of fiscal year 2019. The Company developed a transition plan, including changes to policies, processes and internal controls, as well as system enhancements to generate the information



necessary for new disclosure requirements and is currently evaluating the effect that

F-17

**Table of Contents**

adoption of the new revenue standard will have on its consolidated financial statements. Entities have the option of adopting the new revenue standard using either a full retrospective or a modified approach with the cumulative effect of applying the standard recognized at the date of initial application. The Company currently anticipates adopting the new revenue standard using the modified retrospective transition approach, which will result in a cumulative effect adjustment to retained earnings as of October 1, 2018. However, a final decision regarding the adoption method is dependent on several factors, including the completion of the Company's analysis of the effect the adoption of the new revenue standard will have on its results of operations, financial position and related disclosures.

**Note 3 Acquisitions**

Entities acquired by the Company during the last three fiscal years have been consolidated into the Company's results of operations since their respective acquisition dates. These acquisitions, individually and in the aggregate, were not material in any fiscal year.

On September 14, 2016, the Company acquired Vindicia, Inc. ( Vindicia ), Brite:Bill Group Limited ( Brite:Bill ) and Pontis, Inc. ( Pontis ) for the aggregate of \$258,457 in cash, with the potential for additional consideration subject to the achievement of certain performance metrics. These three companies were acquired to expand the Company's digital offering. See Note 9 to the consolidated financial statements.

**Note 4 Fair Value Measurements**

The Company accounts for certain assets and liabilities at fair value. Fair value is the price that would be received from selling an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. The Company categorizes each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of inputs that may be used to measure fair value are as follows:

*Level 1:* Quoted prices in active markets for identical assets or liabilities;

*Level 2:* Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets), or other inputs that are observable (model-derived valuations in which significant inputs are observable) or can be derived principally from, or corroborated by, observable market data; and

*Level 3:* Unobservable inputs that are supported by little or no market activity that is significant to the fair value of the assets or liabilities.

**Table of Contents**

The following tables present the Company's assets and liabilities measured at fair value on a recurring basis as of September 30, 2017 and 2016:

	<b>As of September 30, 2017</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Available-for-sale securities:</b>				
Corporate bonds	\$	\$ 98,385	\$	\$ 98,385
U.S. government treasuries	84,363			84,363
U.S. agency securities		60,646		60,646
Money market funds	52,504			52,504
Asset backed obligations		47,074		47,074
Commercial paper and certificates of deposit		33,448		33,448
Supranational and sovereign debt		8,777		8,777
<b>Total available-for-sale securities</b>	<b>136,867</b>	<b>248,330</b>		<b>385,197</b>
Derivative financial instruments, net		27,352		27,352
<b>Other liabilities</b>			<b>(21,972)</b>	<b>(21,972)</b>
<b>Total</b>	<b>\$ 136,867</b>	<b>\$ 275,682</b>	<b>\$ (21,972)</b>	<b>\$ 390,577</b>

	<b>As of September 30, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Available-for-sale securities:</b>				
Corporate bonds	\$	\$ 96,154	\$	\$ 96,154
U.S. government treasuries	105,513			105,513
U.S. agency securities		48,393		48,393
Money market funds	449,288			449,288
Asset backed obligations		30,194		30,194
Commercial paper and certificates of deposit		42,498		42,498
Supranational and sovereign debt		8,342		8,342
<b>Total available-for-sale securities</b>	<b>554,801</b>	<b>225,581</b>		<b>780,382</b>
Derivative financial instruments, net		16,067		16,067
<b>Other liabilities</b>			<b>(24,597)</b>	<b>(24,597)</b>
<b>Total</b>	<b>\$ 554,801</b>	<b>\$ 241,648</b>	<b>\$ (24,597)</b>	<b>\$ 771,852</b>

Available-for-sale securities that are classified as Level 2 assets are priced using observable data that may include quoted market prices for similar instruments, market dealer quotes, market spreads, non-binding market prices that are corroborated by observable market data and other observable market information. The Company's derivative

instruments are classified as Level 2 as they represent foreign currency forward and option contracts valued primarily based on observable inputs including forward rates and yield curves. The Company did not have any transfers between Level 1 and Level 2 fair value measurements during fiscal year 2017 or fiscal year 2016. Level 3 amounts relate to certain acquisition-related liabilities, which were valued using a Monte-Carlo simulation model. These liabilities were included in both accrued expenses and other current liabilities and other noncurrent liabilities as of September 30, 2017 and 2016. The net reduction in Level 3 liabilities during fiscal year 2017 was the result of reduction of existing liabilities, which was partially offset by increase from new liabilities recognized in connection with fiscal year 2017 acquisitions. Part of this reduction in Level 3 liabilities was recorded in the consolidated statements of income and the rest of the reduction resulted from settlement of the liabilities.

F-19

**Table of Contents*****Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued personnel costs, short-term financing arrangements and other current liabilities approximate their fair value because of the relatively short maturity of these items.

**Note 5 Available-For-Sale Securities**

Available-for-sale securities consist of the following interest-bearing investments:

	As of September 30, 2017			Fair Value
	Gross		Gross	
	Amortized	Unrealized	Unrealized	
	Cost	Gains	Losses	
Corporate bonds	\$ 98,367	\$ 176	\$ 158	\$ 98,385
U.S. government treasuries	84,558		195	84,363
U.S. agency securities	60,794		148	60,646
Money market funds	52,504			52,504
Asset backed obligations	47,108		34	47,074
Commercial paper and certificates of deposit	33,448			33,448
Supranational and sovereign debt	8,819		42	8,777
Total(1)	\$ 385,598	\$ 176	\$ 577	\$ 385,197

- (1) Available-for-sale securities with maturities longer than 90 days from the date of acquisition were classified as short-term interest-bearing investments and available-for-sale securities with maturities of 90 days or less from the date of acquisition were included in cash and cash equivalents on the Company's balance sheet. As of September 30, 2017, \$329,997 of securities were classified as short-term interest-bearing investments and \$55,200 of securities were classified as cash and cash equivalents.

	As of September 30, 2016			Fair Value
	Gross		Gross	
	Amortized	Unrealized	Unrealized	
	Cost	Gains	Losses	
Corporate bonds	\$ 95,852	\$ 339	\$ 37	\$ 96,154
U.S. government treasuries	105,377	151	15	105,513
U.S. agency securities	48,339	69	15	48,393
Money market funds	449,288			449,288
Asset backed obligations	30,121	73		30,194

Commercial paper and certificates of deposit	42,498			42,498
Supranational and sovereign debt	8,334	8		8,342
Total(2)	\$ 779,809	\$ 640	\$ 67	\$ 780,382

- (2) Available-for-sale securities with maturities longer than 90 days from the date of acquisition were classified as short-term interest-bearing investments and available-for-sale securities with maturities of 90 days or less from the date of acquisition were included in cash and cash equivalents on the Company's balance sheet. As of September 30, 2016, \$327,063 of securities were classified as short-term interest-bearing investments and \$453,319 of securities were classified as cash and cash equivalents.

As of September 30, 2017, the unrealized losses attributable to the Company's available-for-sale securities were primarily due to credit spreads and interest rate movements. The Company assessed whether such unrealized losses for the investments in its portfolio were other-than-temporary. Based on this assessment, the Company did not recognize any credit losses in fiscal years 2017, 2016 and 2015.

**Table of Contents**

As of September 30, 2017, the Company's available-for-sale securities had the following maturity dates:

	<b>Market Value</b>
Due within one year	\$ 170,161
1 to 2 years	120,819
2 to 3 years	77,666
3 to 4 years	10,642
Thereafter	5,909
	\$ 385,197

**Note 6 Derivative Financial Instruments**

The Company's risk management strategy includes the use of derivative financial instruments to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The Company does not enter into derivative transactions for trading purposes.

The Company's derivatives expose it to credit risks from possible non-performance by counterparties. The Company utilizes standard counterparty master netting agreements that net certain foreign currency transactions in the event of the insolvency of one of the parties to the transaction. These master netting arrangements permit the Company to net amounts due from the Company to counterparty with amounts due to the Company from the same counterparty. Although all of the Company's recognized derivative assets and liabilities are subject to enforceable master netting arrangements, the Company has elected to present these assets and liabilities on a gross basis. Taking into account the Company's right to net certain gains with losses, the maximum amount of loss due to credit risk that the Company would incur if all counterparties to the derivative financial instruments failed completely to perform, according to the terms of the contracts, based on the gross fair value of the Company's derivative contracts that are favorable to the Company, was approximately \$30,090 as of September 30, 2017. The Company has limited its credit risk by entering into derivative transactions exclusively with investment-grade rated financial institutions and monitors the creditworthiness of these financial institutions on an ongoing basis.

The Company classifies cash flows from its derivative transactions as cash flows from operating activities in the consolidated statements of cash flow.

The table below presents the total volume or notional amounts of the Company's derivative instruments as of September 30, 2017. Notional values are in U.S. dollars and are translated and calculated based on forward rates as of September 30, 2017 for forward contracts, and based on spot rates as of September 30, 2017 for options.

	<b>Notional Value*</b>
Foreign exchange contracts	\$ 1,235,838

(\*) Gross notional amounts do not quantify risk or represent assets or liabilities of the Company, but are used in the calculation of settlements under the contracts.





**Table of Contents**

The Company records all derivative instruments on the balance sheet at fair value. For further information, see Note 4 to the consolidated financial statements. The fair value of the open foreign exchange contracts recorded as an asset or a liability by the Company on its consolidated balance sheets as of September 30, 2017 and September 30, 2016, is as follows:

	<b>As of September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b><i>Derivatives designated as hedging instruments</i></b>		
Prepaid expenses and other current assets	\$ 30,141	\$ 12,780
Other noncurrent assets	1,091	4,545
Accrued expenses and other current liabilities	(2,317)	(501)
Other noncurrent liabilities	(1,035)	(367)
	27,880	16,457
<b><i>Derivatives not designated as hedging instruments</i></b>		
Prepaid expenses and other current assets	2,840	3,516
Accrued expenses and other current liabilities	(3,368)	(3,906)
	(528)	(390)
Net fair value	\$ 27,352	\$ 16,067

**Cash Flow Hedges**

In order to reduce the impact of changes in foreign currency exchange rates on its results, the Company enters into foreign currency exchange forward and option contracts to purchase and sell foreign currencies to hedge a significant portion of its foreign currency net exposure resulting from revenue and expense transactions denominated in currencies other than the U.S. dollar. The Company designates these contracts for accounting purposes as cash flow hedges. The Company currently hedges its exposure to the variability in future cash flows for a maximum period of approximately three years. A significant portion of the forward and option contracts outstanding as of September 30, 2017 is scheduled to mature within the next 12 months.

The effective portion of the gain or loss on the derivative instruments is initially recorded as a component of other comprehensive income (loss), a separate component of shareholders' equity, and subsequently reclassified into earnings in the same line item as the related forecasted transaction and in the same period or periods during which the hedged exposure affects earnings. The cash flow hedges are evaluated for effectiveness at least quarterly. As the critical terms of the forward contract or option and the hedged transaction are matched at inception, the hedge effectiveness is assessed generally based on changes in the fair value for cash flow hedges, as compared to the changes in the fair value of the cash flows associated with the underlying hedged transactions. Hedge ineffectiveness, if any, and hedge components, such as time value, excluded from assessment of effectiveness testing for hedges of estimated revenue from customers, are recognized immediately in interest and other (expense) income, net.

**Table of Contents**

The effect of the Company's cash flow hedging instruments in the consolidated statements of income for the fiscal years ended September 30, 2017, 2016 and 2015, respectively, which partially offsets the foreign currency impact from the underlying exposures, is summarized as follows:

	<b>Gains (Losses) Reclassified from Other Comprehensive Income (Loss) (Effective Portion)</b>		
	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Line item in consolidated statements of income:			
Revenue	\$ (1,021)	\$ (192)	\$ 1,077
Cost of revenue	21,783	(2,131)	(13,624)
Research and development	4,282	(643)	(3,621)
Selling, general and administrative	3,305	(1,175)	(4,074)
Total	\$ 28,349	\$ (4,141)	\$ (20,242)

The activity related to the changes in net unrealized gains (losses) on cash flow hedges recorded in accumulated other comprehensive income (loss), net of tax, is as follows:

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net unrealized gains (losses) on cash flow hedges, net of tax, beginning of period	\$ 12,514	\$ (12,152)	\$ (5,522)
Changes in fair value of cash flow hedges, net of tax	36,765	20,911	(23,432)
Reclassification of (gains) losses into earnings, net of tax	(24,771)	3,755	16,802
Net unrealized gains (losses) on cash flow hedges, net of tax, end of period	\$ 24,508	\$ 12,514	\$ (12,152)

Gains (losses) from cash flow hedges recognized in other comprehensive income (loss) were \$39,692, \$27,578 and \$(29,499), or \$36,765, \$20,911 and \$(23,432), net of taxes, during the fiscal years ended September 30, 2017, 2016 and 2015, respectively.

Of the net gains related to derivatives designated as cash flow hedges and recorded in accumulated other comprehensive income (loss) as of September 30, 2017, a net gain of \$24,459 will be reclassified into earnings during fiscal 2018 and will partially offset the foreign currency impact from the underlying exposures. The amount ultimately realized in earnings will likely differ due to future changes in foreign exchange rates.

The ineffective portion of the change in fair value of a cash flow hedge, including the time value portion excluded from effectiveness testing for the fiscal years ended September 30, 2017, 2016 and 2015, was not material.

Cash flow hedges are required to be discontinued in the event it becomes probable that the underlying forecasted hedged transaction will not occur. The Company did not discontinue any cash flow hedges during any of the periods presented nor does the Company anticipate any such discontinuance in the normal course of business.

***Other Risk Management Derivatives***

The Company also enters into foreign currency exchange forward and option contracts that are not designated as hedging instruments under hedge accounting and are used to reduce the impact of foreign currency on certain balance sheet exposures and certain revenue and expense transactions.

**Table of Contents**

These instruments are generally short-term in nature, with typical maturities of less than 12 months, and are subject to fluctuations in foreign exchange rates.

The effect of the Company's derivative instruments not designated as hedging instruments in the consolidated statements of income for the fiscal years ended September 30, 2017, 2016 and 2015, respectively, which partially offsets the foreign currency impact from the underlying exposure, is summarized as follows:

	<b>(Losses) Gains Recognized in Income Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Line item in statements of income:			
Revenue	\$	\$ (67)	\$ 339
Cost of revenue	4,639	2,187	(8,668)
Research and development	957	284	(830)
Selling, general and administrative	1,723	560	(1,827)
Interest and other (expense) income, net	(10,514)	(9,674)	30,150
Income taxes	(1,653)	(1,076)	1,822
Total	\$ (4,848)	\$ (7,786)	\$ 20,986

**Note 7 Accounts Receivable, Net**

Accounts receivable, net consists of the following:

	<b>As of September 30,</b>	
	<b>2017</b>	<b>2016</b>
Accounts receivable billed	\$ 664,099	\$ 723,921
Accounts receivable unbilled	229,695	134,122
Less allowances	(28,726)	(39,512)
Accounts receivable, net	\$ 865,068	\$ 818,531

**Note 8 Equipment and Leasehold Improvements, Net**

Components of equipment and leasehold improvements, net are:

	<b>As of September 30,</b>	
	<b>2017</b>	<b>2016</b>
Computer equipment	\$ 978,040	\$ 1,016,973
Leasehold improvements	213,166	206,195
Furniture, fixtures and other	56,324	52,372

	1,247,530	1,275,540
Less accumulated depreciation	(891,845)	(943,812)
	\$ 355,685	\$ 331,728

Total depreciation expense on equipment and leasehold improvements for fiscal years 2017, 2016 and 2015, was \$105,027, \$113,717 and \$108,169, respectively.

As of September 30, 2017 and 2016, the unamortized software assets developed for internal use were \$127,080 and \$104,346, respectively, and are presented under Computer equipment in the table above.

F-24

**Table of Contents****Note 9 Goodwill and Intangible Assets, Net**

The following table presents details of the Company's total goodwill:

As of October 1, 2015	\$ 2,049,093
Goodwill resulting from acquisitions(1)	164,506
Other	(1,960)
As of September 30, 2016	2,211,639
Goodwill resulting from acquisitions	18,535
Other	(8,965)
As of September 30, 2017	\$ 2,221,209

- (1) Mainly relates to the acquisitions of Vindicia, Brite:Bill and Pontis. In allocating the total purchase price of Vindicia based on estimated fair values, the Company recorded \$62,210 of goodwill, \$20,091 of core technology to be amortized over approximately three years, \$11,623 of customer relationships to be amortized over approximately five years and \$1,103 of other intangible assets to be amortized over approximately two years. In allocating the total purchase price of Brite:Bill based on estimated fair values, the Company recorded \$45,037 of goodwill, \$20,917 of core technology to be amortized over approximately three years, \$9,638 of customer relationships to be amortized over approximately seven years and \$773 of other intangible assets to be amortized over approximately two years. In allocating the total purchase price of Pontis based on estimated fair values, the Company recorded \$40,457 of goodwill, \$24,361 of core technology to be amortized over approximately four years and \$20,993 of customer relationships to be amortized over approximately six years.

The Company performs an annual goodwill impairment test during the fourth quarter of each fiscal year, or more frequently if impairment indicators are present. The Company operates in one operating segment, and this segment comprises its only reporting unit. In calculating the fair value of the reporting unit, the Company uses its market capitalization and a discounted cash flow methodology. There was no impairment of goodwill in fiscal years 2017, 2016 or 2015.

The following table presents details regarding the Company's total definite-lived purchased intangible assets:

	Gross	Accumulated Amortization	Net
<b>September 30, 2017</b>			
Core technology	\$ 604,673	\$ (513,501)	\$ 91,172
Customer relationships	497,296	(414,654)	82,642
Intellectual property rights and purchased computer software	51,996	(51,996)	
Other	33,542	(30,030)	3,512
Total	\$ 1,187,507	\$ (1,010,181)	\$ 177,326

<b>September 30, 2016</b>			
Core technology	\$ 604,673	\$ (451,169)	\$ 153,504
Customer relationships	491,639	(370,658)	120,981
Intellectual property rights and purchased computer software	51,996	(51,996)	
Other	33,542	(26,500)	7,042
Total	\$ 1,181,850	\$ (900,323)	\$ 281,527

F-25

**Table of Contents**

The following table presents the amortization expense of the Company's definite-lived purchased intangible assets, included in each financial statement caption reported in the consolidated statements of income:

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cost of revenue	\$ 1,405	\$ 1,609	\$ 1,609
Amortization of definite-lived purchased intangible assets	108,453	96,465	65,017
<b>Total</b>	<b>\$ 109,858</b>	<b>\$ 98,074</b>	<b>\$ 66,626</b>

The estimated future amortization expense of definite-lived purchased intangible assets as of September 30, 2017 is as follows:

<b>Fiscal year:</b>	<b>Amount</b>
2018	\$ 79,916
2019	54,007
2020	23,163
2021	10,356
2022	6,534
Thereafter	3,350
<b>Total</b>	<b>\$ 177,326</b>

**Note 10 Income Taxes**

The provision (benefit) for income taxes consists of the following:

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current	\$ 69,535	\$ 77,682	\$ 94,128
Deferred	6,551	(2,315)	(26,887)
	<b>\$ 76,086</b>	<b>\$ 75,367</b>	<b>\$ 67,241</b>

All income taxes are from continuing operations reported by the Company in the applicable taxing jurisdiction. Income taxes also include anticipated withholding taxes due on subsidiaries' earnings when paid as dividends to the Company.

During fiscal year 2017, the Company recognized \$4,817 of deferred income tax expense as a result of enacted changes in tax laws or rates. During fiscal years 2016 and 2015, the Company recognized immaterial deferred income



tax expense as a result of enacted changes in tax laws or rates.

F-26

**Table of Contents**

Deferred income taxes are comprised of the following components:

	<b>As of September 30,</b>	
	<b>2017</b>	<b>2016</b>
Deferred tax assets:		
Deferred revenue	\$ 44,571	\$ 57,361
Employee compensation and benefits	87,204	80,312
Intangible assets, computer software and intellectual property	14,997	14,840
Tax credits, net capital and operating loss carryforwards	155,478	168,641
Other	78,114	68,073
<b>Total deferred tax assets</b>	<b>380,364</b>	<b>389,227</b>
Valuation allowances	(94,573)	(96,870)
<b>Total deferred tax assets, net</b>	<b>285,791</b>	<b>292,357</b>
Deferred tax liabilities:		
Anticipated withholdings on subsidiaries earnings	(74,419)	(66,628)
Intangible assets, computer software and intellectual property	(136,238)	(146,848)
Other	(32,736)	(26,228)
<b>Total deferred tax liabilities</b>	<b>(243,393)</b>	<b>(239,704)</b>
<b>Net deferred tax assets</b>	<b>\$ 42,398</b>	<b>\$ 52,653</b>

The effective income tax rate varied from the statutory Guernsey tax rate as follows:

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutory Guernsey tax rate	0%	0%	0%
Foreign taxes(1)	15	16	13
<b>Effective income tax rate</b>	<b>15%</b>	<b>16%</b>	<b>13%</b>

- (1) In fiscal year 2017, foreign taxes included a benefit of \$9,450 due to conclusions of tax audits in certain jurisdictions, which resulted in a reduction to the Company's provision for gross unrecognized tax benefits. Foreign taxes in fiscal year 2017 also included a net benefit of \$11,037 due to a reduction of taxes payable, partially offset by a reduction of deferred tax asset on operating loss carryforwards of certain of the Company's subsidiaries resulting from internal structural changes in certain jurisdictions in which the Company operates. In

addition, foreign taxes in fiscal year 2017 included a benefit of \$28,774 that was attributable to the expiration of the periods set forth in statutes of limitations related to unrecognized tax benefits accumulated over several years in certain jurisdictions. Foreign taxes in fiscal year 2017 also included a benefit of \$12,754 resulting from the release of valuation allowances on deferred tax assets at certain of the Company's subsidiaries, which will, more likely than not, be realized due to the Company's projections of future taxable income

In fiscal year 2016, foreign taxes included a net benefit of \$15,264 due to settlements and conclusions of tax audits in certain jurisdictions that resulted in a reduction to the Company's provision for gross unrecognized tax benefits, partially offset by a decrease to the Company's taxes receivable and deferred tax assets. Foreign taxes in fiscal year 2016 also included a decrease of \$4,606 that was attributable to the expiration of statutes of limitations related to unrecognized tax benefits accumulated over several years in certain jurisdictions, which was partially offset by provisions for new uncertain tax positions of \$23,597 recognized

**Table of Contents**

during fiscal year 2016. In addition, foreign taxes in fiscal year 2016 included a benefit of \$19,963 as a result of a release of tax provision in light of a non-taxable internal capital gain recognized during fiscal year 2016. Foreign taxes in fiscal year 2016 included also a benefit of \$15,651 resulting from the release of valuation allowances on deferred tax assets at several of the Company's subsidiaries, which will, more likely than not, be realized due to the Company's projections of future taxable income.

As a Guernsey company subject to a corporate tax rate of zero percent, the Company's overall effective tax rate is attributable to foreign taxes. The Company's income before income tax expense is considered to be foreign income.

During fiscal year 2017, the net decrease in valuation allowances was \$2,297, which related to the uncertainty of realizing tax benefits primarily for tax credits, net capital and operating loss carryforwards related to certain of the Company's subsidiaries. As of September 30, 2017, the Company had tax credits, net capital and operating loss carryforwards of \$707,761, of which \$180,882 have expiration dates through 2036, and the remainder do not expire.

During fiscal year 2016, the net decrease in valuation allowances was \$15,295, which related to the uncertainty of realizing tax benefits primarily for tax credits, net capital and operating loss carryforwards related to certain of the Company's subsidiaries. As of September 30, 2016, the Company had tax credits, net capital and operating loss carryforwards of \$773,721, of which \$214,538 have expiration dates through 2036, and the remainder do not expire.

The aggregate changes in the balance of the Company's gross unrecognized tax benefits were as follows:

	Year Ended September 30,		
	2017	2016	2015
Balance at beginning of fiscal year	\$ 196,668	\$ 126,706	\$ 123,942
Additions based on tax positions related to the current year	22,319	65,009	22,314
Additions for tax positions of prior years	12,261	41,183	11,125
Settlements with tax authorities	(9,450)	(31,624)	(13,443)
Lapse of statute of limitations	(28,774)	(4,606)	(17,232)
Balance at end of fiscal year	\$ 193,024	\$ 196,668	\$ 126,706

The total amount of unrecognized tax benefits, which includes interest and penalties, was \$193,024 as of September 30, 2017, and \$196,668 as of September 30, 2016, all of which would affect the effective tax rate if realized.

The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. As of September 30, 2017, the Company had accrued \$28,228 in income taxes payable for interest and penalties relating to unrecognized tax benefits, of which a benefit of \$2,910 was recognized in the statements of income in fiscal year 2017. As of September 30, 2016, the Company had accrued \$31,138 in income taxes payable for interest and penalties relating to unrecognized tax benefits, of which an expense of \$8,919 was recognized in the statements of income in fiscal year 2016.

The Company is currently under audit in several jurisdictions for the tax years 2007 and onwards. Timing of the resolution of audits is highly uncertain and therefore, as of September 30, 2017, the Company cannot estimate the change in unrecognized tax benefits resulting from these audits within the next 12 months.

It is reasonably possible that the amount of unrecognized tax benefits may decrease by \$17,360 during fiscal 2018 as a result of lapse of statutes of limitations in jurisdictions in which the Company operates.

**Table of Contents****Note 11 Repurchase of Shares**

From time to time, the Company's Board of Directors has adopted share repurchase plans authorizing the repurchase of the Company's outstanding ordinary shares. The current share repurchase plan, adopted by the Company's Board of Directors on February 2, 2016, authorizes the repurchase of up to \$750,000 of the Company's outstanding ordinary shares with no expiration date. In fiscal year 2017, the Company repurchased approximately 5,519 ordinary shares at an average price of \$61.70 per share (excluding broker and transaction fees). As of September 30, 2017, the Company had remaining authority to repurchase up to \$256,261 of its outstanding ordinary shares. On November 8, 2017, the Company's Board of Directors adopted another share repurchase plan for the repurchase of up to an additional \$800,000 of its outstanding ordinary shares with no expiration date. The authorizations permit the Company to purchase its ordinary shares in open market or privately negotiated transactions at times and prices that it considers appropriate.

**Note 12 Financing Arrangements**

In December 2011, the Company entered into a \$500,000 five-year revolving credit facility with a syndicate of banks. In December 2014 and in December 2017, the credit facility was amended and restated to, among other things, extend the maturity date of the facility to December 2019 and December 2022, respectively. The credit facility is available for general corporate purposes, including acquisitions and repurchases of ordinary shares that the Company may consider from time to time. The interest rate for borrowings under the revolving credit facility is chosen at the Company's option from several pre-defined alternatives, depends on the circumstances of any advance and is based in part on the Company's credit ratings. In September 2016, the Company borrowed an aggregate of \$200,000 under the facility and repaid it in October 2016. In March 2017, the Company borrowed an aggregate of \$200,000 under the facility and repaid it in April 2017. As of September 30, 2017, the Company was in compliance with the financial covenants under the revolving credit facility and had no outstanding borrowings under this facility.

As of September 30, 2017, the Company had additional uncommitted lines of credit available for general corporate and other specific purposes and had outstanding letters of credit and bank guarantees from various banks totaling \$33,682. These were supported by a combination of the uncommitted lines of credit that the Company maintains with various banks.

**Note 13 Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consist of the following:

	<b>As of September 30,</b>	
	<b>2017</b>	<b>2016</b>
Project-related provisions	\$ 227,049	\$ 208,357
Taxes payable	34,143	38,430
Dividends payable(1)	31,736	28,693
Derivative instruments(2)	5,685	4,407
Other	369,474	331,818
	<b>\$ 668,087</b>	<b>\$ 611,705</b>

- (1) The amounts payable as a result of the August 2, 2017 and the July 26, 2016 dividend declarations. See Note 18 to the consolidated financial statements.
- (2) Includes derivatives that are designated as hedging instruments and derivatives that are not designated as hedging instruments. See Note 6 to the consolidated financial statements.

F-29

**Table of Contents****Note 14 Interest and other income (expense), net**

Interest and other income (expense), net, consists of the following:

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Interest income	\$ 7,972	\$ 6,815	\$ 4,615
Interest expense	(1,600)	(1,667)	(3,142)
Foreign exchange loss	(8,246)	(1,998)	(8,130)
Other, net	(2,547)	(1,593)	4,113
	<b>\$ (4,421)</b>	<b>\$ 1,557</b>	<b>\$ (2,544)</b>

**Note 15 Contingencies and Commitments*****Commitments***

The Company leases office space and vehicles under non-cancelable operating leases in various countries in which it does business. Future minimum non-cancelable lease payments, which include rent and other payments the Company is obligated to make, based on the Company's contractual obligations as of September 30, 2017 are as follows:

<b>For the year ended September 30,</b>	
2018	\$ 75,549
2019	61,280
2020	56,817
2021	48,883
2022	41,769
Thereafter	41,393
	<b>\$ 325,691</b>

Rent expense net of sublease income was approximately \$55,480, \$53,164 and \$47,032 for fiscal years 2017, 2016 and 2015, respectively. The Company had no committed future sublease income as of September 30, 2017.

***Legal Proceedings***

The Company is involved in various legal claims and proceedings arising in the normal course of its business. The Company accrues for a loss contingency when it determines that it is probable, after consultation with counsel, that a liability has been incurred and the amount of such loss can be reasonably estimated. At this time, the Company believes that the results of any such contingencies, either individually or in the aggregate, will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company is currently defending a lawsuit against certain of its subsidiaries in the U.S. District Court in Oregon alleging breach of contract and trade secret misappropriation. According to the suit, the Company improperly utilized



information received from the plaintiff in connection with its electronic payment processing solution, which is one of several components of its mobile financial services offerings. During fiscal year 2016, the District Court denied the Company's motions to dismiss and to compel arbitration with respect to certain of the claims, and the proceedings will continue. The Company intends to continue to vigorously defend against the allegations set forth in the complaint. At this stage, the Company cannot determine that a loss amount is probable and is unable to reasonably estimate the ultimate outcome of the above suit, therefore no amounts have been accrued related to the outcome of such suit.

F-30

**Table of Contents**

Certain of the Company's subsidiaries are currently in a dispute with a state-owned telecom enterprise in Ecuador, which appears to have political aspects. The Company's counterparty has claimed monetary damages. The dispute is over a contract, under which the Company was providing certain services, and which has been terminated by the counterparty in connection with such dispute and which is under scrutiny by certain local governmental authorities. The Company believes it has solid arguments and is vigorously defending its rights. To date, however, such defense efforts, including motions alleging constitutional defects, have encountered a dismissive approach by the Ecuadorian Courts, with reasoning that the Company believes is inconsistent with applicable law. The Company is unable to reasonably estimate the ultimate outcome of the above dispute.

***Guarantor's Accounting and Disclosure Requirements for Guarantees***

In the ordinary course of its business, the Company provides certain customers with financial performance guarantees which, in certain cases, are backed by lines of credit. The Company is only liable for the amounts of those guarantees in the event of the Company's nonperformance, which would permit the customer to exercise the guarantee.

The Company generally offers its products with a limited warranty. The Company's policy is to accrue for warranty costs, if needed, based on historical trends in product failure. Based on the Company's experience, only minimal warranty charges have been incurred after revenue was fully recognized and, as a result, the Company did not accrue any amounts for product warranty liability during fiscal years 2017, 2016 and 2015.

The Company generally indemnifies its customers against claims made by third parties arising from the use of the Company's software and certain other matters. To date, the Company has incurred and recorded immaterial costs as a result of such obligations in its consolidated financial statements.

**Note 16 Employee Benefits**

The Company accrues severance pay for the employees of its Israeli operations in accordance with Israeli law and certain employment procedures on the basis of the latest monthly salary paid to these employees and the length of time that they have worked for the Israeli operations. The severance pay liability amounted to \$267,713 and \$240,414 as of September 30, 2017 and 2016, respectively, and is included as accrued employee costs in other noncurrent liabilities. This liability is partially funded by amounts on deposit with insurance companies that totaled \$206,054 and \$185,836 as of September 30, 2017 and 2016, respectively, and are included in other noncurrent assets. The accrued severance expenses were \$32,908, \$34,165 and \$31,086 for fiscal years 2017, 2016 and 2015, respectively.

The Company sponsors defined contribution plans covering certain of its employees around the world. The plans primarily provide for Company matching contributions based upon a percentage of the employees' contributions. The Company's contributions in fiscal years 2017, 2016 and 2015 under such plans were not material compared to total operating expenses.

The Company maintains non-contributory defined benefit plans that provide for pension, other retirement and post-employment benefits for certain employees of a Canadian subsidiary based on length of service and rate of pay. The Company accrues its obligations to these employees under employee benefit plans and the related costs net of returns on plan assets. Pension expense and other retirement benefits earned by employees are actuarially determined using the projected benefit method pro-rated on service and based on management's best estimates of expected plan investments performance, salary escalation, retirement ages of employees, discount rate, inflation and expected health care costs. The fair value of the employee benefit plans' assets is based on market values. The plan assets are valued at market value for the purpose of calculating the expected return on plan assets and the amortization of experienced gains and losses. The Company recognized the funded status of such plans in the balance sheet. The pension and other

benefits costs related to the non-contributory defined benefit plans were immaterial in fiscal years 2017, 2016 and 2015.

F-31

**Table of Contents****Note 17 Stock Option and Incentive Plan**

In January 1998, the Company adopted the 1998 Stock Option and Incentive Plan, or Equity Incentive Plan, which provides for the grant of restricted stock awards, stock options and other equity-based awards to employees, officers, directors, and consultants. Since its adoption, the Equity Incentive Plan has been amended on several occasions to, among other things, increase the number of ordinary shares issuable under the Equity Incentive Plan. In January 2017, the maximum number of ordinary shares authorized to be granted under the Equity Incentive Plan was increased from 62,300 to 67,550. Awards granted under the Equity Incentive Plan generally vest over a period of four years and stock options have a term of ten years

The following table summarizes information about options to purchase the Company's ordinary shares, as well as changes during the fiscal year ended September 30, 2017:

	<b>Number of Share Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding as of October 1, 2016	7,623	\$ 44.20
Granted	2,062	58.83
Exercised	(2,220)	39.63
Forfeited	(508)	50.60
Outstanding as of September 30, 2017(1)	6,957	\$ 49.52
Exercisable as of September 30, 2017(1)	2,428	\$ 40.33

(1) As of September 30, 2017, the weighted average remaining contractual life of outstanding and exercisable options was 7.40 and 5.66 years, respectively.

The following table summarizes information relating to awards of restricted shares, as well as changes during the fiscal year ended September 30, 2017:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding as of October 1, 2016	1,473	\$ 49.50
Granted	641	59.97
Vested	(629)	46.66
Forfeited	(89)	51.69

Outstanding as of September 30, 2017	1,396	\$	55.45
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The total intrinsic value of options exercised during fiscal years 2017, 2016 and 2015 was \$47,321, \$65,292 and \$51,812, respectively.

The value of restricted shares vested during fiscal years 2017, 2016 and 2015 was \$36,922, \$39,490 and \$39,734, respectively.

The aggregate intrinsic value of outstanding and exercisable stock options as of September 30, 2017 was \$103,004 and \$58,242, respectively.

F-32

**Table of Contents**

Employee equity-based compensation pre-tax expense for the years ended September 30, 2017, 2016 and 2015 was as follows:

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Cost of revenue	\$ 19,215	\$ 18,249	\$ 15,621
Research and development	3,536	3,742	3,400
Selling, general and administrative	21,788	20,709	25,539
Total	\$ 44,539	\$ 42,700	\$ 44,560

The total income tax benefit recognized in the consolidated statements of income for stock-based compensation (including restricted shares) for fiscal years 2017, 2016 and 2015 was \$4,754, \$4,503 and \$5,490, respectively.

As of September 30, 2017, there was \$46,514 of unrecognized compensation expense related to unvested stock options and unvested restricted shares. The Company recognizes compensation costs using the graded vesting attribution method, which results in a weighted average period of approximately one year over which the unrecognized compensation expense is expected to be recognized.

The fair value of options granted was estimated on the date of grant using the Black-Scholes pricing model with the assumptions noted in the following table (all in weighted averages for options granted during the year):

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Risk-free interest rate(1)	1.63%	1.40%	1.26%
Expected life of stock options(2)	4.50	4.50	4.50
Expected volatility(3)	16.2%	18.5%	15.6%
Expected dividend yield(4)	1.47%	1.40%	1.37%
Fair value per option	\$ 7.62	\$ 7.97	\$ 5.97

- (1) Risk-free interest rate is based upon U.S. Treasury yield curve appropriate for the term of the Company's employee stock options.
- (2) Expected life of stock options is based upon historical experience.
- (3) Expected volatility is based on blended volatility. See Note 2 to the consolidated financial statements.
- (4) Expected dividend yield is based on the Company's history and future expectation of dividend payouts.

**Table of Contents****Note 18 Dividends**

The Company's Board of Directors declared the following dividends during the fiscal years ended September 30, 2017, 2016 and 2015:

**Dividends Per**

<b>Declaration Date</b>	<b>Ordinary Share</b>	<b>Record Date</b>	<b>Total Amount</b>	<b>Payment Date</b>
August 2, 2017	\$ 0.220	September 29, 2017	\$ 31,736	October 23, 2017
May 9, 2017	\$ 0.220	June 30, 2017	\$ 31,981	July 14, 2017
February 1, 2017	\$ 0.220	March 31, 2017	\$ 32,223	April 14, 2017
November 8, 2016	\$ 0.195	December 30, 2016	\$ 28,606	January 13, 2017
July 26, 2016	\$ 0.195	September 30, 2016	\$ 28,693	October 21, 2016
May 4, 2016	\$ 0.195	June 30, 2016	\$ 28,836	July 15, 2016
February 2, 2016	\$ 0.195	March 31, 2016	\$ 29,206	April 15, 2016
November 10, 2015	\$ 0.170	December 31, 2015	\$ 25,565	January 15, 2016
July 29, 2015	\$ 0.170	September 30, 2015	\$ 25,697	October 16, 2015
April 29, 2015	\$ 0.170	June 30, 2015	\$ 26,127	July 17, 2015
January 27, 2015	\$ 0.170	March 31, 2015	\$ 26,286	April 16, 2015
November 4, 2014	\$ 0.155	December 31, 2014	\$ 24,086	January 16, 2015

The amounts payable as a result of the August 2, 2017, July 26, 2016 and July 29, 2015 declarations were included in accrued expenses and other current liabilities as of September 30, 2017, 2016 and 2015, respectively.

On November 8, 2017, the Company's Board of Directors approved quarterly dividend payment of \$0.22 per share, and set December 29, 2017 as the record date for determining the shareholders entitled to receive the dividend, which is payable on January 19, 2018.

On November 8, 2017, the Company's Board of Directors also approved, subject to shareholder approval at the January 2018 annual general meeting of shareholders, an increase in the quarterly cash dividend to \$0.25 per share, anticipated to be paid in April 2018.

**Table of Contents****Note 19 Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per share:

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Numerator:			
Net income	\$ 436,826	\$ 409,331	\$ 446,163
Net income and dividends attributable to participating restricted shares	(3,517)	(3,592)	(4,597)
Numerator for basic earnings per common share	\$ 433,309	\$ 405,739	\$ 441,566
Undistributed income allocated to participating restricted shares	2,512	2,604	3,539
Undistributed income reallocated to participating restricted shares	(2,488)	(2,569)	(3,485)
Numerator for diluted earnings per common share	\$ 433,333	\$ 405,774	\$ 441,620
Denominator:			
Weighted average number of shares outstanding basic	146,017	149,168	154,423
Weighted average number of participating restricted shares	(1,176)	(1,309)	(1,591)
Weighted average number of common shares basic	144,841	147,859	152,832
Effect of assumed conversion of 0.5% convertible notes		5	14
Effect of dilutive stock options granted	1,414	2,002	2,372
Weighted average number of common shares diluted	146,255	149,866	155,218
Basic earnings per common share	\$ 2.99	\$ 2.74	\$ 2.89
Diluted earnings per common share	\$ 2.96	\$ 2.71	\$ 2.85

For the fiscal years ended September 30, 2017, 2016 and 2015, 1,281, 1,785 and 724 shares, respectively, on a weighted average basis, were attributable to antidilutive outstanding stock options and therefore were not included in the calculation of diluted earnings per share.

**Note 20 Segment Information and Sales to Significant Customers**

The Company and its subsidiaries operate in one operating segment, providing software products and services for the communications, entertainment and media industry service providers.



F-35

**Table of Contents*****Geographic Information***

The following is a summary of revenue and long-lived assets by geographic area. Revenue is attributed to geographic region based on the location of the customers.

	<b>Year Ended September 30,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b><u>Revenue</u></b>			
North America (mainly United States)	\$ 2,546,290	\$ 2,381,122	\$ 2,555,539
Europe	488,932	513,295	422,095
Rest of the world	831,933	823,812	665,904
<b>Total</b>	<b>\$ 3,867,155</b>	<b>\$ 3,718,229</b>	<b>\$ 3,643,538</b>

	<b>As of September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b><u>Long-lived Assets(1)</u></b>		
Europe	\$ 151,794	\$ 127,318
North America	71,980	72,907
Rest of the world:		
Israel	66,628	67,736
India	43,118	38,629
Others	22,165	25,138
<b>Total</b>	<b>\$ 355,685</b>	<b>\$ 331,728</b>

(1) Equipment and leasehold improvements.

***Revenue and Customer Information***

Customer experience solutions include the following offerings: digital experience for consumer multiplay and business customers, network solutions, Internet of Things (IoT), customer operational intelligence, mobile financial services and Amdocs Optima. Customer experience solutions also include a comprehensive line of services such as thought leadership & advisory services, systems integration, transformation services, managed services, network services, digital business operations for order to activation, order gateway services, revenue guard, Amdocs academy and testing. Directory includes comprehensive set of products and services for media publishers, TV networks, video streaming providers, ad agencies and advertising service providers.

Total revenue consists of the following:

**Year Ended September 30,**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Customer experience solutions	\$ 3,809,088	\$ 3,629,698	\$ 3,542,531
Directory	58,067	88,531	101,007
<b>Total</b>	<b>\$ 3,867,155</b>	<b>\$ 3,718,229</b>	<b>\$ 3,643,538</b>

***Sales to Significant Customers***

The Company had one customer, AT&T, which accounted for at least ten percent of its total revenue in each of fiscal years 2017, 2016 and 2015. The percentage of revenue from this customer out of total revenue during fiscal years 2017, 2016 and 2015 was 33%, 33% and 34%, respectively.

F-36

**Table of Contents****Note 21 Selected Quarterly Results of Operations (Unaudited)**

The following are details of the unaudited quarterly results of operations for the three months ended:

	September 30,	June 30,	March 31,	December 31,
<b>2017</b>				
Revenue	\$ 979,724	\$ 966,695	\$ 966,009	\$ 954,727
Operating income	132,047	129,912	133,781	121,593
Net income	107,209	119,264	112,560	97,793
Basic earnings per share	0.74	0.82	0.77	0.67
Diluted earnings per share	0.73	0.81	0.76	0.66
<b>2016</b>				
Revenue	\$ 940,656	\$ 930,133	\$ 925,935	\$ 921,505
Operating income	118,497	124,962	120,147	119,535
Net income	95,709	105,060	107,720	100,842
Basic earnings per share	0.65	0.71	0.72	0.67
Diluted earnings per share	0.64	0.70	0.71	0.66

**Note 22 Subsequent Event**

In December 2017, the Company entered into agreements with Union Investments and Development Limited ( Union ) to partner through a legal entity that would be equally owned by the Company and Union for the purpose of acquiring specific land which the Company intends to use as the site for a new campus in Ra'anana, Israel. Pursuant to the agreements between the Company and Union, the Company shall have control over the establishment and ongoing operations of the new campus and will result in the new entity's financial information being consolidated in the Company's consolidated financial statements. The transaction for the acquisition of the land is expected to be completed in the near term upon satisfaction of customary closing conditions. The total net investment that the Company expects to make in connection with purchasing the land and constructing the new campus is expected to reach up to \$350,000 over a period of four to five years.

**Table of Contents****VALUATION AND QUALIFYING ACCOUNTS****(In thousands)**

	<b>Accounts Receivable Allowances</b>	<b>Valuation Allowances on Net Deferred Tax Assets</b>
Balance as of October 1, 2014	\$ 36,398	\$ 128,207
Charged to costs and expenses	13,328	24,040(1)
Charged to other accounts	552	
Deductions	(16,441)	(40,082)(2)
Balance as of September 30, 2015	33,837	112,165
Charged to costs and expenses	24,004	13,800(3)
Charged to other accounts	1,415	826
Deductions	(19,744)(5)	(29,921)(4)
Balance as of September 30, 2016	39,512	96,870
Charged to costs and expenses	17,282	16,425(6)
Charged to other accounts	1,985	5,000(7)
Deductions	(30,053)(9)	(23,722)(8)
Balance as of September 30, 2017	\$ 28,726	\$ 94,573

- (1) Valuation allowances recorded on deferred tax assets during fiscal year 2015.
- (2) \$2,235 of valuation allowances on deferred tax assets were written off against the related deferred tax assets, and the remaining deductions in the valuation allowances on net deferred tax assets were released to earnings.
- (3) Valuation allowances recorded on deferred tax assets during fiscal year 2016.
- (4) \$9,231 of valuation allowances on deferred tax assets were written off against the related deferred tax assets, and the remaining deductions in the valuation allowances on net deferred tax assets were released to earnings.
- (5) \$12,727 of accounts receivable allowances were written off against the related accounts receivables, and the remaining deductions in the accounts receivable allowances were released to earnings.
- (6) Valuation allowances recorded on deferred tax assets during fiscal year 2017.

- (7) Includes valuation allowances on deferred tax assets incurred in connection with an acquisition in fiscal year 2016.
- (8) \$2,416 of valuation allowances on deferred tax assets were written off against the related deferred tax assets, and the remaining deductions in the valuation allowances on net deferred tax assets were released to earnings.
- (9) \$3,008 of accounts receivable allowances were written off against the related accounts receivables, \$5,291 of accounts receivable allowances were netted against deferred revenue, and the remaining deductions in the accounts receivable allowances were released to earnings.

F-38