

US Equity Research
 J.P. Morgan Securities Inc.
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Amdocs

DOX competitor buys wireless billing company in Europe

Amdocs

<i>Ticker</i>	<i>DOX</i>	<i>EPS</i>	2001A	2002E	2003E
Price(07/02/02)	\$7.52	1Q (Dec)	\$0.27	\$0.36A	\$0.19
52-Wk.Range	\$6.65-55.75	2Q (Mar)	\$0.30	\$0.37A	\$0.20
Mkt.Cap(BN)	\$1.68	3Q (Jun)	\$0.33	\$0.19	\$0.23
Price Tgt	NA	4Q (Sep)	\$0.35	\$0.17	\$0.25
Fiscal Year	Sep	FY	\$1.24	\$1.08	\$0.83
Shares O/S(MM)	225.50	P/E FY	11.7	13.5	17.5
		Sales FY (BN)	\$1.53	\$1.61	\$1.44

Market Performer

Convergys acquisition of Telesens could be negative for Amdocs

- Convergys, a primary competitor of DOX, purchased the business and assets of Telesens, a billing company in Scotland.
- We think this makes sense for Convergys because of common customers and to facilitate Convergys' international expansion.
- Acquisition could be viewed as a negative for Amdocs with increased competition in Europe.
- We reiterate our Market Performer rating on Amdocs.

A primary competitor of Amdocs, Convergys, purchased the business and assets of TelesensKSCL (which was insolvent). We think this could be viewed as a negative for Amdocs since this could bolster Convergys' competitive position in the European wireless billing market.

Probably a good acquisition for Convergys

We think this purchase makes sense for Convergys since Telesens' two tier-1 carrier customers (mm02 (formerly BT Cellnet) and Orange France) are also Convergys clients. In addition, Convergys does about 91% revenues from North America, and has been trying to break into the European billing market for wireless. (Recall, too, that Convergys acquired a company called Geneva, based in the UK, in April 2001 to pursue international expansion.)

But might be negative for DOX

Amdocs does about 40% of its revenues in Europe; Looking at things another way, about 60% of DOX revenues derive from wireless. Although Amdocs declined the option to buy Telesens, we think the acquisition could be viewed as a negative for DOX since it could bolster Convergys' competitive position in the European market - i.e., increased financial security behind Telesens might make it a more attractive billing option. Telesens also had three Vodafone subsidiaries as clients (Ireland, Greece and Romania). At this time, we do not believe that Amdocs was installed at any of those properties (Vodafone is a 10% customer of Amdocs). If Telesens had gone under, Amdocs might

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have been able to win some new business in the additional Vodafone properties. However, we do not think that Amdocs' current business with Vodafone is at risk as a result of this announcement.

Wave of M&A possibly about to start

Amdocs has about \$1 billion in cash and equivalents, and has been very open about its desire to use this money to make acquisitions. We believe the Convergys acquisition could signal the start of a consolidation wave. In light of the prolonged telecom spending glut, there may be other companies out there that are in financial trouble that Amdocs could acquire at bargain levels to extend its functionality - e.g., mediation or network management - or to get new customers.

Amdocs(DOX/\$7.52/Market Performer)

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