

Equity | United States | Telecom Services-
Wireless/Cellular
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4Q08 Results



Merrill Lynch

Tal Liani +1 212 449 0725
Research Analyst
MLPF&S
tal_liani@ml.com

Daniel Kurland +1 212 449 5034
Research Analyst
MLPF&S
daniel_kurland@ml.com

Currency impact hits EPS, affects guidance

Amdocs reported F4Q08 results and lowered F1Q09 guidance. Revenue of \$825.3mn was below our \$832.6mn estimate and pro-forma EPS of \$0.54 was below our and consensus \$0.62 estimate. The main impact on EPS this quarter was an unfavorable foreign currency exchange rate, which impacted EPS by \$0.08. Operating margin was inline at 17.9%. Backlog was flat QoQ, though excluding currency effects, would have been up roughly \$50mn QoQ.

Growth slowing, conservative outlook for FY2009

Management guided to revenues in the range of \$785-810mn for F1Q09, impacted by currency, and declined to give guidance for FY09 due to difficulty forecasting carrier spending in the current environment. On the positive side we note that 40% of revenue derived from managed service contracts, providing good near term visibility. Also, the company continues to expand to new areas with recent OSS and cable billing contracts. However, the growth of the company depends on carriers' willingness to spend – which is challenging currently. Forex headwinds also drive an unfavorable YoY comparison.

Reiterating our Buy

We reduce our numbers to account for the currency impact and the macro headwinds. We now model 2009 revenue of \$3.25bn and EPS of \$2.33 vs. our prior \$3.42bn/\$2.50 estimates. However, we also note Amdocs' opportunities in the marketplace, its attractive valuation and improving cashflow. With the stock trading at 10x our reduced 2009E EPS of \$2.33, we reiterate our Buy rating despite the current pressure on the share price.

Estimates (Sep)

(US\$)	2007A	2008A	2009E	2010E	2011E
EPS	1.93	2.07	2.13	2.42	2.74
GAAP EPS	1.63	1.73	1.92	2.19	2.54
EPS Change (YoY)	17.7%	7.3%	2.9%	13.6%	13.2%
Consensus EPS (Bloomberg)			2.59	2.68	NA
Dividend Rate	0	0	0	0	0
EPS Ex-Options Expense	2.14	2.29	2.33	2.62	2.94

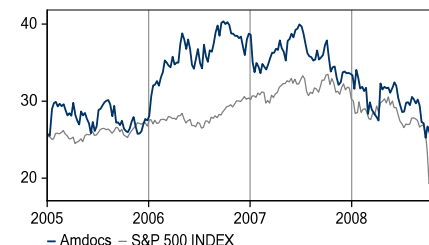
Valuation (Sep)

	2007A	2008A	2009E	2010E	2011E
P/E	12.2x	11.4x	11.1x	9.8x	8.6x
GAAP P/E	14.5x	13.7x	12.3x	10.8x	9.3x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	6.8x	5.9x	5.7x	5.2x	4.7x
Free Cash Flow Yield*	5.0%	7.6%	6.3%	12.0%	11.6%

* For full definitions of *iQmethod*SM measures, see page 7.

Stock Data

Price	US\$23.63
Price Objective	US\$30.00
Date Established	4-Nov-2008
Investment Opinion	C-1-9
Volatility Risk	HIGH
52-Week Range	US\$19.39-35.39
Mrkt Val / Shares Out (mn)	US\$5,139 / 217.5
ML Symbol / Exchange	DOX / NYS
Bloomberg / Reuters	DOX US / DOX.N
ROE (2009E)	15.1%
Total Dbt to Cap (Sep-2008A)	9.8%
Est. 5-Yr EPS / DPS Growth	12.0% / NA



Quarterly Earnings Estimates

	2008	2009
Q1	0.50A	0.51E
Q2	0.53A	0.53E
Q3	0.55A	0.54E
Q4	0.50A	0.55E

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Refer to important disclosures on page 8 to 9. Analyst Certification on Page 6. Price Objective Basis/Risk on page 6.

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iQprofileSM Amdocs Limited

iQmethodSM – Bus Performance*

(US\$ Millions)	2007A	2008A	2009E	2010E	2011E
Return on Capital Employed	15.9%	14.9%	13.6%	13.4%	13.3%
Return on Equity	18.1%	16.8%	15.1%	14.5%	14.1%
Operating Margin	17.4%	17.8%	18.0%	18.4%	19.0%
Free Cash Flow	258	388	323	619	597

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2007A	2008A	2009E	2010E	2011E
Cash Realization Ratio	1.0x	1.1x	1.0x	1.4x	1.2x
Asset Replacement Ratio	1.0x	0.7x	0.7x	0.7x	0.7x
Tax Rate	9.3%	8.1%	9.0%	10.0%	10.0%
Net Debt-to-Equity Ratio	-6.3%	-28.3%	-35.5%	-47.6%	-55.1%
Interest Cover	36.5x	41.8x	43.5x	49.0x	NM

Income Statement Data (Sep)

(US\$ Millions)	2007A	2008A	2009E	2010E	2011E
Sales	2,836	3,162	3,256	3,590	3,950
% Change	14.4%	11.5%	3.0%	10.2%	10.0%
Gross Profit	1,065	1,159	1,214	1,351	1,503
% Change	16.5%	8.8%	4.7%	11.3%	11.2%
EBITDA	658	755	777	851	938
% Change	17.5%	14.8%	2.9%	9.5%	10.2%
Net Interest & Other Income	(85)	(146)	(123)	(122)	(122)
Net Income (Adjusted)	431	455	465	529	603
% Change	20.1%	5.6%	2.1%	13.9%	14.0%

Free Cash Flow Data (Sep)

(US\$ Millions)	2007A	2008A	2009E	2010E	2011E
Net Income from Cont Operations (GAAP)	365	379	418	480	559
Depreciation & Amortization	165	191	189	189	189
Change in Working Capital	(135)	(129)	(197)	35	(64)
Deferred Taxation Charge	(21)	20	(7)	(8)	(8)
Other Adjustments, Net	51	61	48	49	49
Capital Expenditure	(166)	(135)	(128)	(128)	(128)
Free Cash Flow	258	388	323	619	597
% Change	-26.1%	50.8%	-16.8%	91.4%	-3.5%

Balance Sheet Data (Sep)

(US\$ Millions)	2007A	2008A	2009E	2010E	2011E
Cash & Equivalents	616	1,244	1,640	2,329	2,997
Trade Receivables	493	574	575	670	709
Other Current Assets	780	187	194	202	210
Property, Plant & Equipment	284	317	337	357	377
Other Non-Current Assets	2,172	2,256	2,233	2,216	2,207
Total Assets	4,345	4,579	4,979	5,774	6,501
Short-Term Debt	2	2	2	0	0
Other Current Liabilities	973	828	690	886	933
Long-Term Debt	450	450	450	450	450
Other Non-Current Liabilities	320	494	494	494	494
Total Liabilities	1,744	1,774	1,636	1,830	1,877
Total Equity	2,600	2,805	3,343	3,944	4,624
Total Equity & Liabilities	4,345	4,579	4,979	5,774	6,501

* For full definitions of iQmethodSM measures, see page 7.

Company Description

Amdocs (DOX) provides software products/services to major communications companies, enabling service providers to move towards integrated customer management (ICM). The ICM enabling system includes customer relationship management (CRM), order management, service and resource management, mediation, and content revenue management products. Major customers of Amdocs include wireline, wireless, cable, satellite, and financial enterprises.

Investment Thesis

Amdocs is the market leader in carrier billing, order management, customer relationship management, and service resource management. It has a sustainable and defensible business model with over 50 percent recurring revenues. Over the next few years we expect Amdocs to grow into adjacent areas, such as cable billing and OSS, as well as experience continued growth in the areas of order management systems and customer experience management systems.

Stock Data

Average Daily Volume 2,389,037

F4Q08 Financial Highlights

Decreased confidence in 2H09

Amdocs confirmed some of our recent assessments on the state of the business on the call, with Management noting that challenging economic conditions limit their ability to forecast past 1Q09. While the company has not seen any order cancellations to date, they believe that macro headwinds will impact customer's spending decisions and lead to a slower pace of transformational projects.

What's behind the currency headwinds?

In F4Q08, the Dollar strengthened by 10% in a relatively short period of time. Amdocs, with an international workforce, has to keep minimal operational cash balances in foreign currencies to support ongoing operations and pay salaries, and also receives collections in foreign currencies. The foreign currency headwinds led to a \$0.08 impact on 4Q08 EPS. While management has significantly increased the hedging program against accounts receivable and operating cash, an additional \$0.02 impact is expected in 1Q09 EPS.

Support from managed service deals, traction in OSS

Management highlighted the 40% of revenues derived from managed service contracts, which provides the company with high visibility. Additionally, Amdocs has won some major deals with cable MSOs, a segment where capex is expected to hold up relatively well in comparison to wireline telco. In 4Q08, Amdocs signed deals with: 1) Comcast, which will deploy customer care, billing, and OSS; 2) MetroPCS for OSS; 3) Debitel, the largest wireless carrier in Germany, for billing; and 4) Vodafone for OSS in key regions.

Table 1: Actual vs. Estimates

('000s \$)	Estimate			Reported	delta	QoQ	YoY
	4Q07	3Q08	4Q08E	4Q08			
License	46,266	35,244	46,625	41,917	-10.1%	18.9%	-9.4%
Service	680,423	785,044	785,967	783,360	-0.3%	-0.2%	15.1%
Total Rev	726,689	820,288	832,592	825,277	-0.9%	0.6%	13.6%
COGS	456,057	522,994	523,328	525,054	0.3%	0.4%	15.1%
Gross Profit	270,632	297,294	309,265	300,223	-2.9%	1.0%	10.9%
GM	37.2%	36.2%	37.1%	36.4%	-77bps	14bps	-86bps
R&D	54,040	55,033	60,779	56,164	-7.6%	2.1%	3.9%
SG&A	89,661	95,653	98,246	96,315	-2.0%	0.7%	7.4%
Total OPEX	143,701	150,686	159,025	152,479	-4.1%	1.2%	6.1%
EBIT	126,931	146,608	150,240	147,744	-1.7%	0.8%	16.4%
OM	17.5%	17.9%	18.0%	17.9%	-14bps	3bps	44bps
Interest Income	13,636	6,159	6,097	-11,842	-294.2%	-292.3%	-186.8%
EBT	140,567	152,767	156,337	135,902	-13.1%	-11.0%	-3.3%
Income tax	19,861	20,304	22,044	18,694	-15.2%	-7.9%	-5.9%
Net Income	120,706	132,463	134,294	117,208	-12.7%	-11.5%	-2.9%
PF EPS	\$0.54	\$0.61	\$0.62	\$0.54	-12.0%	-10.8%	0.1%

Source: Company Reports, Merrill Lynch Estimates

4Q08 (Sept) Highlights

- Revenue of \$825.3mn was -0.9% below our \$832.6.5mn estimate and at the low end of the previously guided range of \$825-835mn.
- Backlog was flat sequentially, at \$2,420mn. With constant currency assumptions, backlog would have been up \$50mn sequentially.

- Gross margin of 36.4% was below our 37.1% estimate and consensus 36.6% estimate.
- Operating margin of 17.9% was below our 18.0% estimate and consensus 18.2% estimate. Cost controls offset margin pressure from the new managed service contracts.
- Interest income of -\$11.8mn was below our \$6.1mn estimate, primarily due to the strengthening of the US Dollar impacting balance sheet items denominated in other currencies. The currency headwind impacted EPS by roughly \$0.08.
- Tax of \$18.7mn was below our \$22.0mn estimate.
- Pro-forma EPS of \$0.54 was below our and consensus \$0.62 estimate, primarily attributed to an \$0.08 impact from foreign currency rates. Without the foreign exchange loss, EPS would have been in the previously guided range of \$0.61-0.63.

1Q09 and FY09 Guidance

- Guidance came in below expectations with revenue outlook of \$785-810mn, below MLe \$840.1mn and consensus \$831.5mn. Foreign exchange accounts for the decrease in forecasted revenue when compared to 4Q08.
- Pro-forma EPS guidance of \$0.54-\$0.57 below MLe/consensus of \$0.61. Foreign exchange is expected to impact 1Q09 EPS by roughly \$0.02.
- Management declined to give full-year FY09 guidance, but commented that growth for FY09 revenue could be flat to single digits YoY, with ~18% operating margins.

Model Changes

We reduce our growth estimate for 2009, but leave out margin assumptions unchanged. While our previous model expected FY09 growth of 7.9% YoY, we bring our growth assumption to 3.0% YoY following management's comments on spending pressure and forex headwinds. We lower 2009E/2010E EPS to \$2.33/\$2.62 from \$2.50/\$2.79.

Table 2: Model Changes

(\$mn, ex EPS)	Sales			EPS			EPS w/ Stock Options		
	Old	New	Change	Old	New	Change	Old	New	Change
FY09									
Q1E	840.1	797.2	-42.9	\$0.61	\$0.56	-\$0.05	\$0.56	\$0.51	-\$0.05
Q2E	848.5	807.6	-40.9	\$0.62	\$0.58	-\$0.04	\$0.57	\$0.53	-\$0.04
Q3E	859.5	818.9	-40.6	\$0.63	\$0.59	-\$0.04	\$0.58	\$0.54	-\$0.04
Q4E	873.3	832.8	-40.5	\$0.64	\$0.60	-\$0.04	\$0.59	\$0.55	-\$0.04
Total	\$3,421.4	\$3,256.5	-\$164.9	\$2.50	\$2.33	-\$0.17	\$2.30	\$2.13	-\$0.17
FY10									
Q1E	890.7	849.5	-41.3	\$0.66	\$0.62	-\$0.04	\$0.61	\$0.57	-\$0.04
Q2E	917.5	874.9	-42.5	\$0.66	\$0.62	-\$0.04	\$0.63	\$0.59	-\$0.04
Q3E	954.2	909.9	-44.2	\$0.71	\$0.66	-\$0.04	\$0.66	\$0.61	-\$0.04
Q4E	1,001.9	955.4	-46.4	\$0.74	\$0.70	-\$0.04	\$0.69	\$0.65	-\$0.04
Total	\$3,764.2	\$3,589.8	-\$174.4	\$2.79	\$2.62	-\$0.17	\$2.59	\$2.42	-\$0.17

Source: Merrill Lynch Estimates

Table 3: Amdocs Income Statement

FY Sept \$mn	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09E	2Q09E	3Q09E	4Q09E	Fiscal Year			Calendar Year		
	Dec-06	Mar-07	Jun-07	Sep-07	Dec-08	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	2007	2008E	2009E	2007	2008E	2009E
License	31.7	37.5	43.8	46.3	26.2	32.1	35.2	41.9	50.2	50.9	51.6	52.5	159.4	135.5	205.2	153.8	159.5	212.7
Service	659.3	668.8	668.3	680.4	716.0	742.2	785.0	783.4	747.0	756.7	767.3	780.3	2,676.8	3,026.6	3,051.3	2,733.6	3,057.6	3,096.0
Total Revenue	\$691.0	\$706.4	\$712.1	\$726.7	\$742.3	\$774.3	\$820.3	\$825.3	\$797.2	\$807.6	\$818.9	\$832.8	\$2,836.2	\$3,162.1	\$3,256.5	\$2,887.4	\$3,217.1	\$3,308.7
Cost of License	1.1	1.0	1.0	0.9	0.8	0.9	0.6	0.5	1.8	1.8	1.8	1.8	3.9	2.7	7.2	3.6	3.7	7.4
Cost of Service	428.8	440.9	442.2	455.2	464.5	488.5	522.4	524.6	498.2	504.7	511.8	520.5	1,767.1	2,000.0	2,035.2	1,802.7	2,033.8	2,065.1
Gross Profit	261.2	264.5	268.9	270.6	277.0	284.8	297.3	300.2	297.2	301.1	305.3	310.5	1,065.2	1,159.4	1,214.1	1,081.1	1,179.6	1,236.2
Operating Expenses																		
R&D	58.7	56.1	55.0	54.0	54.6	54.9	55.0	56.2	59.8	60.6	61.4	62.5	223.9	220.8	244.2	219.8	225.9	248.2
SG&A	81.9	86.9	90.1	89.7	91.1	91.8	95.7	96.3	94.1	95.3	95.8	97.4	348.6	374.9	382.6	357.8	377.9	388.8
Total opex	140.6	143.1	145.1	143.7	145.7	146.8	150.7	152.5	153.9	155.9	157.2	159.9	572.5	595.7	626.9	577.6	603.8	636.9
EBIT	120.5	121.4	123.8	126.9	131.3	138.0	146.6	147.7	143.4	145.2	148.1	150.6	492.7	563.7	587.2	503.5	575.8	599.3
Other, net	11.7	10.9	14.3	13.6	8.8	8.8	6.2	-11.8	0.0	2.0	2.0	2.0	50.6	12.0	6.0	47.6	3.1	8.1
Income tax	14.2	17.9	17.6	19.9	16.8	20.2	20.3	18.7	21.5	22.1	22.5	22.9	69.4	76.0	89.0	72.1	80.7	91.1
Net Income	\$118.1	\$114.5	\$120.6	\$120.7	\$123.3	\$126.6	\$132.5	\$117.2	\$121.8	\$125.1	\$127.6	\$129.7	\$473.9	\$499.6	\$504.3	\$479.0	\$498.2	\$516.3
PF EPS	\$0.53	\$0.52	\$0.54	\$0.54	\$0.56	\$0.58	\$0.61	\$0.54	\$0.56	\$0.58	\$0.59	\$0.60	\$2.14	\$2.29	\$2.33	\$2.17	\$2.30	\$2.38
PF EPS (incl FAS123)	\$0.47	\$0.47	\$0.49	\$0.49	\$0.50	\$0.53	\$0.55	\$0.50	\$0.51	\$0.53	\$0.54	\$0.55	\$1.93	\$2.07	\$2.13	\$1.96	\$2.08	\$2.18
% Margins																		
License Margin	96.6%	97.3%	97.8%	98.1%	97.0%	97.1%	98.4%	98.9%	96.5%	96.5%	96.5%	96.5%	97.5%	98.0%	96.5%	97.6%	97.7%	96.5%
Service Margin	35.0%	34.1%	33.8%	33.1%	35.1%	34.2%	33.5%	33.0%	33.3%	33.3%	33.3%	33.3%	34.0%	33.9%	33.3%	34.1%	33.5%	33.3%
Gross Margin	37.8%	37.4%	37.8%	37.2%	37.3%	36.8%	36.2%	36.4%	37.3%	37.3%	37.3%	37.3%	37.6%	36.7%	37.3%	41.8%	40.9%	38.4%
EBIT Margin	17.4%	17.2%	17.4%	17.5%	17.7%	17.8%	17.9%	17.9%	18.0%	18.0%	18.1%	18.1%	17.4%	17.8%	18.0%	19.5%	19.9%	18.6%
Net Income Margin	17.1%	16.2%	16.9%	16.6%	16.6%	16.4%	16.1%	14.2%	15.3%	15.5%	15.6%	15.6%	16.7%	15.8%	15.5%	18.5%	17.3%	16.0%
Yr/Yr Growth %																		
License	0.3%	23.9%	88.7%	48.7%	-17.4%	-14.4%	-19.6%	-9.4%	91.6%	58.5%	46.4%	25.2%	37.0%	-15.0%	51.4%	32.2%	3.7%	33.4%
Service	18.7%	17.2%	10.8%	7.3%	8.6%	11.0%	17.5%	15.1%	4.3%	2.0%	-2.3%	-0.4%	13.2%	13.1%	0.8%	10.8%	11.9%	1.3%
Total Revenue	17.7%	17.5%	13.7%	9.2%	7.4%	9.6%	15.2%	13.6%	7.4%	4.3%	-0.2%	0.9%	14.4%	11.5%	3.0%	11.7%	11.4%	2.8%
R&D	39.7%	36.6%	21.6%	0.6%	-6.9%	-2.1%	0.1%	3.9%	7.5%	3.5%	-1.8%	-0.5%	13.1%	13.1%	2.0%	11.2%	12.8%	1.7%
SG&A	12.4%	27.2%	29.8%	12.1%	11.2%	5.7%	6.2%	7.4%	7.3%	5.7%	2.7%	3.4%	16.5%	8.8%	4.7%	12.7%	9.1%	4.8%
Net Income	31.3%	19.8%	13.6%	10.2%	4.4%	10.6%	9.9%	-2.9%	-1.2%	-1.2%	-3.7%	10.7%	18.1%	5.4%	0.9%	11.6%	4.0%	3.6%
EPS	26.3%	17.2%	11.6%	8.7%	4.7%	11.9%	12.1%	0.1%	0.8%	-0.4%	-3.3%	10.1%	15.4%	7.1%	1.6%	10.2%	6.1%	3.7%
Seq. Growth %																		
License	2.0%	18.2%	16.8%	5.6%	-43.3%	22.5%	9.8%	18.9%	19.8%	1.3%	1.4%	1.7%						
Service	3.9%	1.4%	-0.1%	1.8%	5.2%	3.7%	5.8%	-0.2%	-4.6%	1.3%	1.4%	1.7%						
Total Revenue	3.8%	2.2%	0.8%	2.1%	2.1%	4.3%	5.9%	0.6%	-3.4%	1.3%	1.4%	1.7%						
R&D	9.3%	-4.3%	-2.1%	-1.7%	1.1%	0.6%	0.2%	2.1%	-4.8%	1.3%	1.4%	1.7%						
SG&A	2.5%	6.1%	3.7%	-0.5%	1.6%	0.8%	4.2%	0.7%	-1.0%	1.3%	1.4%	1.7%						
OPEX	5.2%	1.7%	1.4%	-1.0%	1.4%	0.7%	2.7%	1.2%	0.9%	1.3%	0.9%	1.7%						
EPS	7.0%	-3.0%	4.7%	0.0%	3.0%	3.8%	4.9%	-10.8%	3.8%	2.6%	1.8%	1.6%						

Source: Company Reports, Merrill Lynch Estimates

Price objective basis & risk

Amdocs (DOX)

We value Amdocs on the company's F2009 earnings estimate of \$2.33, using a P/E multiple of 13x to derive our \$30.00 price objective. Our choice of multiple is at the lower-end of Amdocs' 5-year historical P/E range of 10-29x in line with other telecom equipment vendors. Risks to our price objective are: (1) Few additional large transformational projects left, (2) The need for successful execution on new growth initiatives and potential acquisitions to achieve long-term growth targets, and (3) A high degree (35-40 percent) of Sprint's (13 percent customer) business is discretionary.

Analyst Certification

I, Tal Liani, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US-Telecom and Data Networking Equipment Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Akamai Tech	AKAM	AKAM US	Garrett A. Bekker III
	Amdocs	DOX	DOX US	Tal Liani
	BigBand Networks	BBND	BBND US	Tal Liani
	Check Point	CHKP	CHKP US	Garrett A. Bekker III
	Cisco Systems	CSCO	CSCO US	Tal Liani
	Citrix Systems	CTXS	CTXS US	Garrett A. Bekker III
	McAfee	MFE	MFE US	Garrett A. Bekker III
	Palm, Inc.	PALM	PALM US	Vivek Arya
	QUALCOMM	QCOM	QCOM US	Tal Liani
	RSCH in Motion	RIMM	RIMM US	Vivek Arya
NEUTRAL				
	ADC Telecomm	ADCT	ADCT US	Tal Liani
	AudioCodes	AUDC	AUDC US	Vivek Arya
	CommVault	CVLT	CVLT US	Garrett A. Bekker III
	Harmonic Inc	HLIT	HLIT US	Vivek Arya
	Juniper Networks	JNPR	JNPR US	Tal Liani
	Motorola	MOT	MOT US	Tal Liani
	Symantec Corp	SYMC	SYMC US	Garrett A. Bekker III
	Voltaire Ltd	VOLT	VOLT US	Tal Liani
UNDERPERFORM				
	Adtran	ADTN	ADTN US	Vivek Arya
	CIENA	CIEN	CIEN US	Tal Liani
	F5 Networks	FFIV	FFIV US	Tal Liani
	Garmin	GRMN	GRMN US	Vivek Arya
	NETGEAR	NTGR	NTGR US	Stanley Kovler
	Nortel Networks	NT	NT US	Vivek Arya
	Radware Ltd	RDWR	RDWR US	Stanley Kovler
	Tellabs	TLAB	TLAB US	Tal Liani
	VeriSign Inc.	VRSN	VRSN US	Garrett A. Bekker III
REVIEW				
	Tekelec	TKLC	TKLC US	Vivek Arya

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

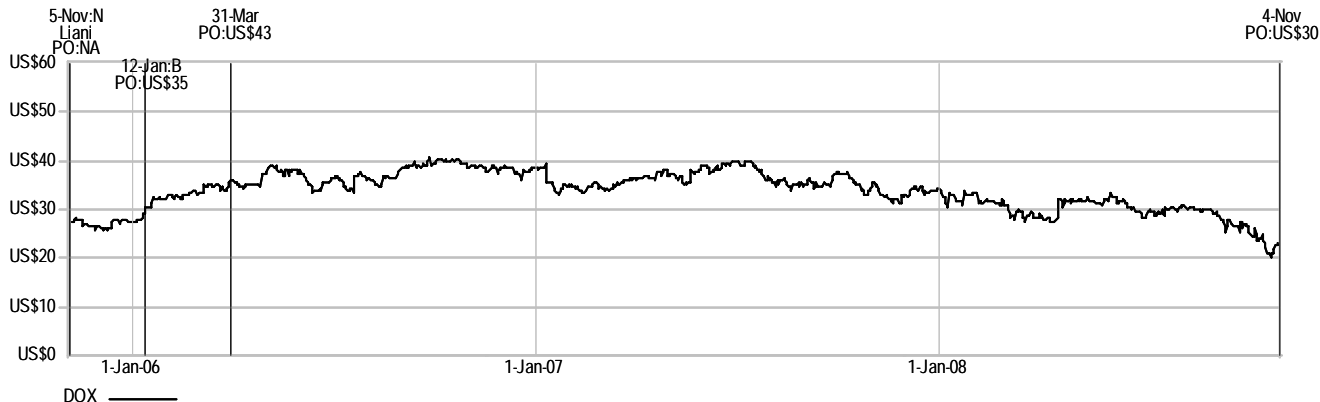
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Important Disclosures

DOX Price Chart



B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of September 30, 2008 or such later date as indicated.

Investment Rating Distribution: Telecommunications Group (as of 01 Oct 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	86	47.25%	Buy	17	24.64%
Neutral	51	28.02%	Neutral	14	35.00%
Sell	45	24.73%	Sell	6	15.38%

Investment Rating Distribution: Global Group (as of 01 Oct 2008)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1647	45.31%	Buy	429	28.83%
Neutral	858	23.60%	Neutral	240	31.41%
Sell	1130	31.09%	Sell	227	22.02%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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