Joseph Doncheski:

Thank you and good afternoon everyone. Welcome to CA's Fourth Quarter 2009 Earnings Call. I am Joseph Doncheski, Vice President of Investor Relations for CA. Joining me today are John Swainson, our chief executive officer, and Nancy Cooper, our chief financial officer.

As a reminder, this conference call is being broadcast on Wednesday, May 13th 2009 over the phone and the Internet to all interested parties. The information shared in this call is effective as of today's date and will not be updated. All content is the property of CA and is protected by U.S. and international copyright law and may not be reproduced, transcribed or produced in any way without the express written consent of CA. We consider your continued participation in this call as consent to our recording.

During this call, non-GAAP financial measures will be discussed. Reconciliations to the most directly comparable GAAP financial measures are included in the earnings release which was filed on Form 8-K earlier today as well as in our supplemental earnings materials, all of which are available on our website at investor.ca.com

Today's discussion will include forward-looking statements subject to risks and uncertainties and actual results could differ materially from these forward-looking statements. Please refer to our SEC filings for a detailed discussion of potential risks.

As part of our ongoing efforts to streamline our financial presentation and promote transparency, we are again providing some additional detail in our supplemental disclosures as follows:

We have broken-down the non-current portion of our revenue backlog into three components, giving better insight into the how these amounts flow into future revenue.

We are also providing a roll forward of our revenue backlog for additional clarity. And finally, given the foreign exchange volatility in fiscal 2009, we are now providing additional constant currency detail in our supplemental information.

With that, I'll turn the call over to John Swainson.

John Swainson:

Thanks, Joe.

Good afternoon, everyone.

I am very satisfied with CA's performance during these economic times. Our results reflect the hard work we have been doing over the past four years to become a more innovative, cost-effective and customer-focused organization. They tell a compelling story: In FY 09, we increased our non-GAAP EPS by 30 percent over FY 08; our cash flow from operations by 10 percent; our total bookings by 11 percent and we showed a 5 percentage point improvement in non-GAAP operating margin. We met or exceeded our annual outlook for revenue, bookings, EPS and cash flow from operations.

Even in a good economic environment, these numbers would be impressive, but in the current economy they are even more so as they reflect our outstanding focus, cost management discipline and execution.

We were able to grow annual revenue modestly on a constant currency basis. This speaks not only to the resiliency of our ratable business model, but also, more importantly, the value that our customers see in our products. They view our solutions as key to helping them get more value out of their IT infrastructures.

Let me provide a few examples:

In the fourth quarter, we closed a large, multi-million dollar deal with Acxiom, one of the world's largest providers of interactive marketing services. Acxiom turned to us to help them refocus their IT resources to deliver the services they needed to drive their business. In winning this contract, we stressed our concept of Lean IT which calls for maximizing IT value while minimizing IT costs. Our solution enables Acxiom to monitor and manage every facet of their IT environment: network and infrastructure, application performance, mainframe, projects and security.

What was particularly gratifying about this win was that we beat an incumbent vendor: BMC. Any time a customer chooses you over an incumbent it speaks volumes about the quality and completeness of your offering. Partnerships with customers like Acxiom work when we help them to reduce costs and, at the same time, increase the value to their business. On average, 70 percent of IT budgets are spent on just managing the operation and keeping the lights on, with only 30 percent left for "grow or transform" initiatives. If we can help bring down the cost of managing IT systems even by just a few points and funnel that money to driving business growth, it will help our customers significantly change their value proposition.

Another impressive CA win was at Cablevision, who are one of the nation's largest cable companies, serving 4.7 million households and 600,000 businesses in the New York Metropolitan area. To be successful, Cablevision needs its network infrastructure operating at optimum levels 24/7. Down time for network infrastructure is not an acceptable option. Neither is overspending on IT. Cablevision found its existing software and services solution provided by IBM was too costly.

So, they turned to CA and our eHealth and Spectrum offerings to proactively monitor and manage its network. Infrastructure changes that once required a service call to IBM are now automated. When you're dealing with managing a network as extensive as Cablevision's, that ability can add up to big savings.

By implementing Lean IT at Cablevision, we are helping to make their network and operations more efficient, while at the same time, saving them big dollars.

Another important win in the quarter was with a large U.S. pharmaceutical customer that asked for help in prioritizing spending on IT projects in order to cut 20 million dollars from their IT budget. Using CA's Clarity project and portfolio management solution, the CIO was able to quickly indentify the 20 lower priority projects that were costing too much and weren't directly linked to business priorities.

Now I know all of you spend a lot of time tracking the IT needs of the financial industry and trying to gauge how the recent turmoil and consolidation will affect the IT industry in general and CA specifically. In the fourth quarter, I am pleased to tell you we closed a substantial number of renewal deals in the financial services sector with some of the industry's biggest players. We did see two deals slip to the first quarter, but both closed in the first week of April. I am particularly pleased that we were able to maintain pricing discipline in all of these renewals, which enabled us to comfortably extend some contracts past our normal three-year duration guideline.

Why did they up their renewal with us? The answer goes back to the depth of our product portfolio. CA offers the network and infrastructure, security and application performance management solutions vital to running their businesses both on mainframe and distributed platforms.

Our government business also continues to do well. We closed a Wily deal with the Department of Veteran Affairs and a mainframe contract with the U.S. Navy Federal Credit Union. We also closed a large transaction featuring eHealth with DISA. We continue to see considerable opportunities in this sector in FY 10.

Let me take just a few moments to highlight our mainframe business. The mainframe market is thriving as companies worldwide continue to host their most critical applications and data on the platform. During FY 09, we saw healthy growth in mainframe bookings compared to the prior fiscal year.

At CA World last November, we unveiled Mainframe 2.0 – an innovative initiative that leverages web-based technology to change the way the mainframe is managed.

And recently we launched "May Mainframe Madness" – a month-long campaign that features major product announcements, intensive communications with customers and other high-profile marketing activities. Over 130 CA products will be upgraded to use the Mainframe 2.0 technologies and over 40 have been upgraded.

With respect to CA's EITM distributed portfolio, in the fourth quarter we saw the strongest demand for Wily, which manages application performance, and for our eHealth and Spectrum network and infrastructure management offerings. All gained considerable traction in the marketplace.

In late April, we rolled out of 13 new and enhanced EITM products, aimed at helping CIOs achieve Lean IT. The launch included products across our entire portfolio from network and infrastructure management to application performance management, from security and compliance management to project and portfolio management. Lean IT provides our IT customers with two very important benefits: Greater automation of processes and the optimization of IT resources, and better visualization capabilities. Another Lean IT promise is focused on reducing the time to value. Our products generally pay for themselves in a year.

So what are we learning from our customers? Well, we are learning that we are on the right path. We are focused on what they are focused on. We think the concept of Lean IT and its supporting security, network and infrastructure management, and application performance management products to drive IT value and lower IT costs is unique in the marketplace. To maximize this market opportunity and accelerate our revenue growth, we are increasing our development spending in FY10 by 48 million dollars in growth technologies such as virtualization, cloud computing, SAAS and SOA. When you are on the right path, it pays to double down.

Before I turn this call over to Nancy, I want to spend a few moments talking about how CA is viewing the future.

I certainly am not going to make a prediction when this recession will bottom and when the recovery will begin. There are lots of opinions out there…. and they're all different. What I can tell you with strong conviction is that technology and the benefits it provides will help lead the way out. It just makes sense.

In this challenging economic environment, everyone is forced to figure out how to make every dollar count. That is as true for CA as it is for our customers. Now, there are some of our competitors whose reaction has been to batten down the hatches and ride out the storm. That has not been our strategy. Now of course, we are always looking for ways to improve our business execution. But, that's a journey we've been on for four years.

I strongly believe that CA has a great opportunity to build a better, stronger company during this downturn. We have a strong balance sheet and strong cash flows that enable us to invest in three critical areas while others are retrenching.

First is our decision to increase our spending in development to drive growth, especially in the key product areas that we think will be the growth leaders for CA in the future.

Second, we will continue to be smart about our build versus buy. Particularly in this market environment, we're watchful for opportunities to acquire companies who are leaders in their markets or submarkets, companies like Wily or Niku or Concord or Netegrity where we can take great technology and invest to make it even better.

And third, we are going to invest in our people, especially sales and technical sales, to make sure that our team is prepared to effectively sell the innovative products we offer. This investment also takes the form of hiring the most highly qualified individuals in the industry, leading-edge education programs, and more resources directed to product-related announcements, sales collateral and advertising.

The key to this strategy is growth through innovation. The companies that drive innovation are the ones that will succeed in the marketplace, now and in the future. For every downturn, there is an upturn. Organizations that invest today will be the first to seize opportunities when they arise.

So with that, I'd like to turn it over to Nancy to take you through the numbers, the outlook and our investments in FY 10.

Nancy Cooper:

Thanks John, good afternoon everyone, and thank you for joining us.

We have a lot to cover this afternoon, so let's get started:

We are pleased with our full year performance.

Fiscal 09 was a year characterized by strong operational performance across the company. We were able to grow revenue 1 percent on a constant currency basis in this difficult environment. This top line growth along with the efficiencies we've achieved in our business enabled us to grow our non-GAAP earnings per share 30 percent and to deliver on our commitment of 400 to 500 basis points of margin improvements, with a full year non-GAAP operating margin of 31 percent, up 5 points from last year.

This performance resulted in us being on the high side of our full-year guidance for EPS and exceeding our guidance for cffo with our 10 percent growth, a great conclusion to the year.

In addition, in this tough economic environment, both S&P and Fitch upgraded CA to investment grade; one of the few upgrades that occurred.

To give you color on this performance let's start with our bookings for the year.

We started the year on a high note with first-half bookings of $2.5 billion and continued that momentum into the second half with bookings of $2.7 billion. This translates to total bookings of $5.25 billion which grew 15 percent in constant currency, or 11 percent as reported and were the highest we've been at in several years. This is within our updated Q2 guidance range of 10 to 15 percent growth. As you may recall, we increased our original guidance of mid-to-high single digit growth after closing a five year, multi hundred million dollar system integrator deal at the end of the second quarter. When normalizing this deal for average duration, bookings growth would have been 11 percent on a constant currency basis, or 6 percent as reported, and within original guidance. As a result of the large SI deal, Fiscal Year 10 bookings will show a decline in the first half and particularly the second quarter, followed by acceleration in the second half due to a return to a more normal, historical distribution. Adjusted for currency and normalized for the same deal, look for bookings to be up a few points in the fiscal 10 year or slightly down as reported.

Bookings benefited from the continued strength in our mainframe business as well as modest growth in new software license sales on a constant currency basis.

Our professional services bookings were down and were significantly impacted by the economy and our decision to select more profitable engagements. We see this continuing until the economy strengthens.

We are encouraged that nearly 50 percent of bookings were driven by deals greater than $10 million. These are customers who increased their commitment to our software offerings over the long-term, whether through the large system integrator deal in the first half or through financial services and government deals in the second half. We were happy that certain customers committed to CA for longer terms in the current environment. While the duration of some of these deals impacted annualized bookings, which were flat in constant currency, or down 4 percent as reported, our improved pricing discipline allowed us to enter these relationships on terms that are beneficial to both parties.

Application performance management, network and infrastructure management and the mainframe continued to post strong performance in the quarter and were our growth leaders for the full year. Whether customers were looking to improve the way they manage their mainframe environments and, reduce costs -- which is particularly important in a difficult economic climate -- or achieve a quick return on investment on their IT dollars, they continued to seek out CA and purchase our solutions.

As the numbers show, this was a strong year for total bookings. This performance will also allow us to continue to grow in future years as evidenced by our backlog numbers. We are pleased that our total revenue backlog grew 16 percent in constant currency, and up 8 percent as reported. Both the current and non-current portions of the revenue backlog grew on a constant currency basis and this positions us for success in the coming years. Also, our total billings backlog grew 33 percent in constant currency, and up 25 percent as reported. It is important that these balances continue to grow as they represent revenue and cash that will be recognized in future periods.

While we are discussing the backlog, I'd like to take a moment to talk about the expanded supplemental disclosure that Joe spoke to earlier. This is important for you to understand CA's financials. The bookings metric is influenced by many variables such as deal length and the amount of contracts coming up for renewal in a given period. Because of this, we expanded the non-current portion of the revenue backlog to provide better insight into how the timing, duration and size of bookings contribute to revenue backlog and future revenue. Adding the aging detail to out commentary on bookings will simplify the modeling of how bookings contribute to current and future year revenue. We would encourage you to focus on the new data within the supplemental for your revenue modeling. Let me state that CA is committed to continuing to refine and update the presentation of our financial information so that everyone has a clear view of our performance and results.

Now let's discuss our quarterly numbers.

Total revenues were $1.04 billion, up 2 percent in constant currency, but down 5 percent as reported.

Subscription and maintenance revenues were $913 million, up 3 percent in constant currency, and down 4 percent as reported, ending the year with growth building in this revenue line on a constant currency basis.

Revenue from Professional services was $84 million, down 11 percent in constant currency, and down 18 percent as reported. As I said a few moments ago, professional services revenue was affected by the economy and our decision to concentrate on more profitable engagements, which resulted in a six point improvement in professional services margins in the quarter.

As far as geographical performance goes, North America grew 7 percent in constant currency and up 6 percent as reported while international was down 4 percent in constant currency, and down 17 percent as reported. We were very pleased with our North America results, and encouraged by the strength in EMEA's bookings in the fourth quarter.

Now, let's review the income statement and our non-GAAP results. In the fourth quarter,

Operating expenses were $721 million, down 6 percent in constant currency, and down 13 percent as reported. We continue to see benefits from our ongoing expense management initiatives and a path to further savings in the coming fiscal year. Operating income before interest and taxes was $314 million, up 24 percent as reported. Our non-GAAP operating margin increased 700 basis points to 30 percent as reported, inclusive of 3 points in stock based compensation or 33 percent when excluded.

To finish our non-GAAP results, net income was $169 million, up 44 percent and earnings per share were $0.31, up 41 percent, both on a reported basis.

The tax rate in the quarter was 45 percent. We also delivered on our commitment to improve our full-year non-GAAP tax rate to 37 percent.

Now, let's turn to our GAAP results, which include purchased software, intangible amortization, restructuring and other, and gains or losses on hedges of operating income.

In the fourth quarter:

Total expenses before interest and taxes were $855 million, down 3 percent in constant currency, and down 9 percent as reported.

Restructuring and other expenses were $96 million in the quarter and $102 million for the full year. In the fourth quarter, we were able to accelerate certain initiatives which resulted in an additional $52 million in charges, above what we anticipated in the third quarter. The income statement charges announced in the fourth quarter reflect the completion of our 2007 Restructuring Plan.

Finishing our GAAP results, net income was $72 million, an increase of 1 percent as reported, or $0.13 cents per diluted common share, which is flat on a reported basis when compared to the prior year's period. In the fourth quarter, GAAP earnings per share were reduced by 6 cents due to the additional $52 million in restructuring expenses.

The GAAP tax rate in the quarter was 57 percent while the full year tax rate was 37 percent. We are well positioned to improve tax in future years as a result of the initiatives we took in FY09.

Turning to cash flow from operations:

In the fourth quarter CFFO was $648 million. And for the full year, cash flow from operations was $1.2 billion, up 10 percent as reported, exceeding the high-end of our guidance. Cash flow strength was primarily driven by lower disbursements related to our improved cost structure. Our ability to collect in this environment remained steady as we saw a decline in DSO's on both a sequential and year-over-year basis. And consistent with our year-to-date performance, cash collections from single installments continue to decrease on an absolute basis as well as on a percentage of total product bookings.

Now I'd like to discuss our balance sheet which continues to strengthen.

We ended the quarter with $2.7 billion in cash and cash equivalents, evenly split between domestic and international balances, and $1.9 billion of total debt, bringing our net cash position to $776 million. As a reminder, we have approximately $636 million in maturities due in

December of this year. We remain comfortable with our ability to pay these obligations down with cash on hand when they mature.

And now let me turn to our outlook for fiscal 2010 –

Guidance contemplates two things: First – Given the significant foreign exchange volatility in fiscal 09, we are going to provide guidance on a constant currency basis which shows the operational performance of the company. Reported numbers are in the press release. Secondly – As you heard John mention earlier, our strategy is resonating with our customers and we have the opportunity to capitalize upon this by investing more now for future growth. This decision causes our operating margin improvements to moderate and impacts our growth in EPS by 4 percentage points or 6 cents per share. But with the market opportunity we see, we have taken the opportunity to invest now for future growth to achieve the long-term model we shared with you at our Analyst Day in December.

Total revenue growth is expected to range from 2 to 4 percent in constant currency. At current exchange rates, this translates to reported revenue of $4.16 to $4.24 billion. This includes a negative 1 percent impact from professional services.

Including a $48 million increase in development spending, we expect non-GAAP operating margin to be 31 to 32 percent. When adjusted for stock based compensation this is 33 to 34 percent at the low end of our long-term guidance and we continue to look for improvement. In FY10 we will be installing SAP in EMEA and this will enable the next step up in our improvement in operating margin. We have deployed initiatives that will allow us to improve our contract process, our IT initiatives, all of which bode well for future cost improvement.

As a result of the work we have done on tax, we are starting to see the reduction of our tax rate. In FY10 we will see it decrease to 35 to 36 percent and believe we are on the path to the 30-32 percent we gave in long-term guidance.

As a result, non-GAAP EPS growth is expected to range from 5 to 12 percent in constant currency. At current exchange rates, this translates to reported non-GAAP EPS of $1.51 to $1.61.

GAAP EPS growth is expected to range from 17 to 25 percent in constant currency. At current exchange rates, this translates to reported GAAP EPS of $1.39 to $1.49.

Cash flow from operations growth is expected to range from 12 to 18 percent in constant currency. At current exchange rates, this translates to reported cash flow from operations of $1.25 to $1.32 billion. Our CFFO is showing the resilience of our growing billings backlog. This also includes approximately $50 million in cash restructuring payments.

Except as previously stated, guidance reflects current exchange rates, assumes no material acquisitions and includes a partial hedge of operating income. We expect approximately 517 million actual shares outstanding and a weighted average diluted share count of approximately 536 million shares.

So, overall we had a solid fourth quarter and very good year, especially in this environment. The process and focus we put in place over the last four years have resulted in strong operational performance and we are well positioned to move forward and capitalize on the opportunities before us.

And as we pointed out earlier, we are absolutely committed to continue to provide you with the insights you need to better understand our company.

And with that, we'll open the call up for Q&A.

Reconciliation of Projected GAAP Operating Margin to
Projected Non-GAAP Operating Margin
(unaudited)

	Fiscal Year Ending March 31, 2010		
Projected GAAP Operating Margin range	29%	to	30%
Non-GAAP adjustments from operations, net of taxes			
Purchased software and intangibles amortization	2%		2%
Projected Non-GAAP Operating Margin range [1]	31%	to	32%

(1) Excluding projected stock based compensation, the Projected Non-GAAP Operating Margin range would be 33% - 34% for the fiscal year ending March 31, 2010.