Thank you and good afternoon everyone. Welcome to CA's First Quarter 2010 Earnings Call. I am Kelsey Doherty, Senior Vice President of Investor Relations for CA. Joining me today are John Swainson, our chief executive officer, and Nancy Cooper, our chief financial officer.

John will open this afternoon's call with a high level review of the quarter and a strategic discussion. Nancy will provide more detail regarding first quarter results and provide updated guidance. We then will open the call up for questions before John returns with some closing comments.

As a reminder, this conference call is being broadcast on Thursday, July 23rd 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.

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

Thanks Kelsey.

Good afternoon and thank you for joining us.
Before I start, I would like to take the opportunity to welcome Kelsey to CA. Many of you already know Kelsey from her role as head of Investor Relations at McAfee. She has more than 15 years of experience in IR and we are very pleased to have her on our team.

So, let's begin.

CA got off to a strong start in the first quarter. We are pleased that we grew revenue and both GAAP and non-GAAP earnings per share on a constant currency basis, increased operating margin on both a GAAP and non-GAAP basis and delivered cash flow from operations of $262 million – one of the highest first quarter totals ever.

Accordingly, we are updating our outlook for the full fiscal year we provided in May. While some of the update is due to the lessening of currency headwinds, the update does underscore our continued focus on additional revenue opportunities and operating margin leverage. Nancy will give you the details in a few moments.

I am first going to talk about what we are hearing from customers and how we are helping them get the most out of their IT infrastructures and then I will discuss where we see growth opportunities.

Over the past few months I have talked with literally hundreds of customers around the globe. Two things continue to be clear: Customers want to get more out of their IT infrastructures at a lower cost and they want to be prepared to use IT to capture market opportunities when the economy improves.

They tell me that they have five things top of mind:

- How to increase productivity and do more with less;
- How to use technology to address a growing number of regulation, governance and compliance issues;
- How to take advantage of new and promising technologies such as cloud computing and virtualization and integrate them with existing infrastructure;
- How to better align their IT with their business; and,
- How to achieve a rapid ROI on all technology projects.

Let me give you a few examples of how CA is helping them achieve what we call Lean IT: optimizing the value IT delivers to the business at the lowest possible costs.

NASDAQ, the leading U.S. electronic stock market, which lists 3,200 companies and handles more than two billion share trades a day, approached us to help them reduce manual labor costs and increase productivity. They told us they wanted to make IT like an automated factory line. We provided a proof of concept centered on our CA Spectrum Automation Manager and supporting CA Services, which will substantially reduce costs associated with running manual processes while significantly increasing productivity. I am also very pleased that NASDAQ is an entirely new customer.

MGM Mirage came to us to help them manage their IT resources to control IT costs, maximize the results delivered by the business and ultimately provide a better experience for their customers. MGM Mirage is one of the world's largest entertainment companies , has a large, complex IT infrastructure. Implementing an integrated Enterprise IT Management solution including CA Service Desk, CA Spectrum and CA Unicenter Asset Portfolio Management, MGM Mirage has been able to simplify the management of 100,000 IT assets, dozens of IT projects and significantly reduce IT problems.

Another example of a strategic investment that has yield millions in savings is an engagement with BT, the UK-based provider of networked IT, telecommunications and broadband services spread in more than 170 countries. BT needed to centralize its user authentication and authorization to key external and internal Web applications that were processing 36 million transactions per day. Using CA SiteMinder, BT was able to decrease IT administration, application development, password reset requests and support of auditing and compliance. It also was able to improve its user experience.

Since 2004, BT has saved about 18 million pounds, or about 4.5 million pounds per year.

With the breath of our portfolio and talent in our workforce, there are ample opportunities for CA to grow its top line. We currently capture about $4.2 billion in annual revenue. Our addressable market is now about $46 billion and is expected to be about $61 billion by 2013. That’s a lot of headroom and we are well positioned to capture sizable market share.

Here’s how:

First, we have one of the largest and most loyal customer bases in the industry, on both mainframe and distributed platforms. We are building on that loyalty to increase our renewal yields and up-sell and cross sell more new software. This provides a great platform for growth and last year generated more than $1 billion in new product sales.

Second, we have the strongest Enterprise IT management software portfolio in the industry. While some of our competitors talk a good game, we are the only company that has a portfolio that spans infrastructure management, governance, service management, security management and application management. All are vital to succeeding in the current IT environment and new environments that will include virtualized and cloud computing, which I will talk about in a minute.

Third, these products are mission critical to customers looking to maximize the value of their IT investment and, at the same time, contain costs. Many of our products pay for themselves in less than a year. Clearly, this is an outstanding ROI.

Fourth, we are increasing the depth of our relationships with outsourcers and managed service providers – a strategic initiative for us. This segment is about $2.5 billion of our addressable market now and will grow to more than $5 billion by 2013. Many of these people will be key cloud computing providers.

And fifth, we are making the technology investments necessary to drive long-term growth. Last year we announced the formation of our SaaS business unit and we are seeing revenue growth contributing to our top line results. We are making steady improvements in our virtualization offerings and are ramping up our technology in the internal and external cloud computing area. Recently we purchased some of the technology assets of Cassatt, an early leader in cloud computing. In short, CA is well-positioned to manage our customer's technology needs today and tomorrow.
Let me talk briefly about cloud computing. While many companies are talking about it, few have what it takes to make it a reality.

The move to cloud computing is profound. It will change the way we look at IT. The possibilities and benefits are endless, but, at the end of the day, whether you are operating in an internal cloud or an external cloud, the applications and infrastructure have to be managed, governed and the access and data has to be secure. This has always been important to enterprise computing users, but it will become even more important if they are going to trust critical parts of their computing infrastructure to a cloud environment. CA has the technology and the experience to help them do this, and I am convinced that this is a great opportunity for us.
With that, I will turn it over to Nancy and then return for a few closing remarks. Nancy……

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

CA had a strong start to fiscal year '10.

- We improved our top line – with 4 percent constant currency revenue growth – and our bottom line – where constant currency non-GAAP earnings per share grew 14 percent.

- We successfully managed our cost structure, improving non-GAAP operating margins by 300 basis points.

- Our balance sheet and cash position strengthened with cash flow from operations reaching $262 million.

- And, finally, I am pleased to provide updated guidance which reflects confidence in the remainder of fiscal year ’10.

So, for the first quarter:

Total bookings were $1.198 billion, up 22 percent in constant currency and 16 percent as reported.

On a geographic basis, both our North American and International regions delivered double-digit bookings growth.

Bookings benefited from continued strength in our application performance management, infrastructure and service management products, as well as workload automation and mainframe. This was offset by a reduction in professional services and a softening in demand for products aimed at consumers and small and medium businesses, both of which have been pressured by the macro-economic environment.

In particular, we are pleased with nearly $400 million in Managed Service Provider – or MSP – partnerships booked during the quarter. We have recently established a team dedicated to building these partnerships and, as evidenced by our first quarter results, they are quickly gaining traction. MSPs expand our go to market reach and provide additional growth opportunities for CA.

Our average duration increased during the quarter to 4.21 years, driven primarily by these MSP partners who tend to sign significantly longer contracts. One of these contracts was greater than $100 million and had a duration of seven years. Normalizing the duration of MSP contracts to our standard three year term, duration for the quarter was 3.43 years. While the duration of some of these deals affected annualized bookings, which were down 1 percent in constant currency and 5 percent as reported, closing longer engagements which involve a disciplined approach to pricing makes good financial sense for both parties.

Now, to our backlog results:

As a result of our ratable model, bookings quarters like the one we just closed, drive growth in future years. This can be seen in our backlog results.

Year-over-year, total revenue backlog grew 17* percent in constant currency and 13 percent as reported, with both the current and the non-current portions growing on a constant currency basis. This is the fifth consecutive quarter we have seen year-over-year constant currency growth in current revenue backlog, which grew 1* percent this quarter and was down 2 percent as reported.

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*These year on year growth amounts in constant currency were previously overstated in error and have been corrected herein.

Revenue backlog is the best means of deriving revenue estimates from a modeling perspective. We provide this information, including an amortization schedule, as part of our financial supplement which is currently posted to our investor relations website.

Year-over-year, total billings backlog grew 32 percent in constant currency and 26 percent as reported. The split between our current and long-term billings backlog was driven by the timing of renewals and the billings associated with our existing contract portfolio.

We continue to see DSO's trending down year-over-year, reflecting our ability to collect from customers in a timely manner. This was encouraging in this environment.

Turning to revenue, total revenue was $1.050 billion, up 4 percent in constant currency and down 3 percent as reported. This revenue growth in combination with the revenue backlog numbers I just discussed, are positive indicators for the future of our business.

Subscription and maintenance revenue was $946 million, up 5 percent in constant currency and down 2 percent as reported. Subscription and maintenance revenue – which is completely ratable – was 90 percent of total revenue for the quarter.

Revenue from Professional Services was $71 million, down 17 percent in constant currency and 24 percent as reported. Revenue from Professional Services was 7 percent of total revenue for the quarter. Overall this first quarter decline in Professional Services affected year-over-year revenue growth by 200 basis points. We continue to believe that, as the economy stabilizes, we will see an improvement in performance of this business.

Revenue from software fees and other was $33 million, up 16 percent in constant currency and 14 percent as reported.

From a geographic perspective, North American revenue was $630 million, up 6 percent in both constant currency and as reported. International revenue was $420 million, flat in constant currency and down 14 percent as reported. We recorded an unfavorable foreign exchange impact on international revenue of $70 million during the quarter.

Now, I'd like to turn to the remainder of the income statement, starting with our non-GAAP results.

In the first quarter:

Operating expenses were $688 million, flat on a constant currency basis and down 8 percent as reported. We were able to grow revenue year-over-year in constant currency at the same time we held expenses flat.

As I indicated, we continue to rationalize the cost profile of our business, shifting our expense mix to invest in R&D where we can drive product innovation.

Our efforts include:

- Off-shoring development to lower cost regions;
- Managing discretionary spend, including travel and the use of consultants;

- And, continued facilities consolidation.

Operating income before interest and taxes was $362 million, up 12 percent on a constant currency basis and 6 percent as reported.

For the quarter, our operating margin was 34 percent, an increase of 300 basis points year-over-year. Excluding the 3 percentage points of stock based compensation, operating margin was 37 percent.

Net income was $229 million. Earnings per share were $0.42, up 14 percent in constant currency and 5 percent as reported.

Turning to GAAP results, which, as presented, include purchased software, intangible amortization, restructuring and other, and non-quarter related gains and losses on the hedges of operating income.

GAAP net income was $195 million, up 7 percent in constant currency and down 1 percent as reported, while earnings per diluted common share were $0.37, up 6 percent in constant currency and flat as reported.

Our effective GAAP tax rate for the first quarter was 37 percent. Our effective non-GAAP tax rate was 36 percent. We believe we are on a path to a tax rate aligned with industry norms, which is in the lower 30 percent range.

Turning to cash flow from operations:

Cash flow from operations in the quarter was $262 million, which includes a single cash transaction of more than $100 million and was our highest first quarter cash flow in several years. This compares to $54 million in the first quarter of 2009.

We are pleased that our ongoing cost control initiatives and a decrease in restructuring costs are contributing to improvements in this metric.

Before I turn to a review of our balance sheet, I would like to highlight that Moody's Investors Service upgraded CA to a Baa3 investment grade rating at the end of June. This speaks to the improvements we have made over recent years and the strength of our underlying business model.

CA ended the quarter with $2.98 billion in cash and cash equivalents and $1.92 billion of total debt, bringing our net cash position to a little over a billion dollars. As a reminder, we have approximately $636 million in maturities due in December of this year and we expect to pay these obligations down at maturity with cash on hand.

Given changing circumstances, namely the strengthening of our balance sheet, the ability to meet future obligations, and improvements in both our debt ratings and the broader capital markets, we believe it is time to be opportunistically in the market with our stock repurchase program. We have just under $250 million in approved authorization to repurchase stock.

With that, I'd like to update our guidance for fiscal year 2010. Given the recent foreign exchange volatility, we are providing guidance on a constant currency basis which we believe better illustrates the operational performance of the company.

As a reminder, the currency headwind on earnings per share for the remainder of the year is expected to moderate compared to the previous fiscal year.

Guidance for fiscal year 2010 is as follows:

- Total revenue growth is expected to be at the high end of the previously issued range of 2 to 4 percent in constant currency. At current exchange rates, this translates to reported revenue of $4.3 to $4.4 billion.

- The range on non-GAAP operating margins increases to 32 to 33 percent, or 34 to 35 percent when adjusted for stock based compensation.

- We continue to expect our GAAP and non-GAAP tax rate to range between 35 and 36 percent in this fiscal year. This represents a 100 to 200 basis point improvement over fiscal year 2009.

- GAAP diluted earnings per share growth increases in constant currency to a range of 18 to 26 percent. At current exchange rates, this translates to reported GAAP diluted earnings per share of $1.48 to $1.58.

- Non-GAAP diluted earnings per share growth increases in constant currency to a range of 6 to 13 percent, up from the previous range of 5 to 12 percent. At current exchange rates, this translates to reported non-GAAP diluted earnings per share of $1.60 to $1.70.

and

- Cash flow from operations is expected to grow at 12 to 19 percent in constant currency. At current exchange rates, this translates to reported cash flow from operations of $1.3 to $1.4 billion.

Except as previously stated, guidance reflects June foreign currency 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 533 million shares. Guidance does not include any impact from future stock repurchases.

So, once again, thank you for joining us this afternoon. I am very pleased with our first quarter results and look forward to seeing many of you during the coming quarter.

And with that, we'll turn the call over to Kelsey, and John and I will take your questions.

Thank you, Nancy.

As the operator is polling for questions I would like to inform you that CA is presenting at the 2009 Citi Technology Conference on Thursday, September 10th. Operator, please open the call for questions.

In summary:

We are very pleased with our first quarter performance and the way we have started the year. As all of you are aware, execution is the key to success. In the first quarter, we executed.

We believe that the demand for enterprise software is going to significantly grow as complexity continues and new technologies such as virtualization and cloud become greater forces in the marketplace. It is a great catalyst for us as people look to manage their IT infrastructure where it resides with an end-to-end view.

We believe we still have more leverage in our cost structure. We have made considerable progress and believe there is more we can do.

And lastly, CA has a very large addressable market. We believe we have the opportunity to capture significant market share.

Thank you.