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CA - Q1 2015 CA Inc Earnings Call

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OVERVIEW:

CA reported 1Q15 total revenue of $1.07b and GAAP diluted EPS of $0.48. Expects FY15 reported revenues to be $4.34-4.40b and reported GAAP diluted EPS to be $1.77-1.84.

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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the CA Technologies first-quarter 2015 earnings conference call.

(Operator Instructions)

As reminder, this conference is being recorded. I would now like to introduce your host for today's program, Jonathan Doros. Sir, you may begin.

Jonathan Doros - *CA Technologies - IR*

Thank you, and good afternoon everyone. Welcome to CA Technologies' first-quarter FY15 earnings call.

Joining me today are Mike Gregoire, our Chief Executive Officer, and Rich Beckert, our Chief Financial Officer. Mike and Rich will offer some prepared remarks, and then we will open up the call for a Q&A session. These prepared comments were previously recorded, and this conference call is being broadcast on Wednesday July 23 over the telephone and Internet. The information shared in this call is effective as of today's date and will not be updated.

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During this call, non-GAAP financial measures will be discussed. Reconciliations to the most directly comparable GAAP financial measures are included in our 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 ca.com/invest.

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

Please note that our second quarter quiet period begins at the close of business on September 15, 2014. Before I turn the call over, I'd like to highlight that for modeling purposes, our year-over-year currency tailwind on revenue is expected to be roughly a point for the full year. Tables and supplemental provided today reflect the impact of both ERwin and arcserve now being included in discontinued operations. Impact of recording arcserve in discontinued operations in FY14 includes approximately $100 million reduction to revenue, $0.05 reduction to non-GAAP diluted earnings per share, $0.03 reduction to GAAP diluted earnings per share, and $24 million reduction in cash flow from operations. For modeling purposes, you can assume that the impact is relatively even on a quarterly basis.

So with that, let me turn the call over to Mike.

Mike Gregoire - *CA Technologies - CEO*

Good afternoon, and thanks for joining us.

We had an encouraging first quarter, driven by strong performance in connection with our renewals, disciplined operating expense management, and good progress towards our long-term goals. While our overall first quarter total new sales were flat year over year, enterprise solutions new sales were up mid-single digits. This was offset by mainframe new sales, which were down high single digits, but in line with our expectations. Our focus on execution and financial discipline continued in the quarter, resulting in a non-GAAP operating margin of 40%. On balance, we are making progress and seeing signs of traction in many areas of the business.

Since I spoke to you at our Investor Day in May, we have remained focused on the core elements of our strategy, to first develop and deliver differentiated solutions. Second, improve our brand awareness and sales execution. And third, develop and attract the right talent that can accelerate the Company towards achieving our goals. We believe that the application economy where software and development now sit at the core of the enterprise presents an enormous opportunity for businesses to take advantage of modern technology, and for CA to be their partner. This is the market opportunity we are going to capture with a strategy that is clear and we are executing on every day.

Let's talk about the first component of our strategy, product development. As I have said before, innovation is the lifeblood of a modern software company. Through innovation, we will organically build differentiated products and solutions that our customer needs, and we will make our software easy to buy, deploy, and maintain. During Q1, we continued to make progress toward improving our efficiency in R&D by shifting our development investment to higher ROI opportunities. In a software application economy, our customers must accelerate the secure deployment of both internal process management and customer-facing applications, regardless of the platform. Our focus on DevOps, security, and cloud management meets these needs and positions us to be a partner to businesses worldwide.

As an example of our progress in organic development, in mid-June we launched CA Cloud Service Management. This is an organically developed SaaS-based service management solution that has the best speed-to-value in the market today. The product was built on the CA platform, and the go-to-market plan leverages the recent lead generation and brand investments we made within the marketing and sales over the last year. Customers can easily access a free trial version of the product by visiting our website, and when they are ready, seamlessly upgrade to a paid version. We have many customers already up and running on Cloud Service Management. For example, logistics firm BDP International standardized on both our Cloud Service Management and Clarity On Demand SaaS offerings. While we are encouraged by the initial response from customers, we will continue to focus on creating mind share and additional demand.

Within our DevOps pillar our application delivery solutions, which help customers simulate and deploy complex composite applications, showed strong growth in the quarter. We further expanded our technological lead through OEM agreements with Perfecto Mobile and Soasta, which adds increased functionality in web and mobile application testing to our current solutions.

During Q1, our Asia-Pacific team signed an eight figure transaction with a large financial services company that incorporated our full suite of service virtualization and automation solutions to help improve the quality and speed at which they are able to bring their applications into production. Also during Q1, with the help of a partner we signed a multimillion dollar contract with a large government entity to help them improve the quality of a high profile consumer-facing healthcare application.

On the operations side of DevOps, our premium IT monitoring solution, Nimsoft Snap, continue to gain traction with both existing and new customers. Since its launch, Nimsoft Snap has been downloaded by approximately 9,000 customers, creating a substantial amount of pipeline and lowering the core cost of sales for the commercial version of Nimsoft Monitor. We are starting to see the acceleration in the progression of that pipeline with a number of nice wins over the past several months.

One example of the value of Snap is delivering a multimillion dollar competitive replacement of multiple vendors in which our sales team leverage Snap as a cost-effective way to allow the customer to quickly test the solution without the need for an initial on-site presales engineer. In the second example, in an emerging Asia-Pacific country that we do not serve with a direct sales rep, a partner helped upgrade a customer from Snap to a commercial version of Nimsoft Monitor. These are the types of delivery models that we are driving toward in order to reach new customers globally.

Within our security pillar, our API management solution is helping customers secure how their applications communicate, both internally and with external systems. During Q1, our API management solution has some great wins, including a few that I found particularly noteworthy. First, a leading Canadian communication and media company signed a deal to leverage our solution to secure APIs that allow for the identity verification and purchase of content on a professional sports mobile application.

Second, at one of the largest SaaS CRM providers, we were chosen to secure the communication of APIs for its customers, partners, and between applications on its platform. Third, our API solution is helping one of the world's largest producers of agricultural products secure the API calls between its customer-facing mobile application and the data on their backend systems.

And in a final example, retailer Dillard's chose CA as a company-wide external API solution when the incumbent proved not to have the functionality and scalability to meet its heightened security requirements. While the API management market is still early in its lifecycle, we are emerging as the leader from both a technological and market share perspective.

An important component of innovation success is focus. That means investing in our core capability and getting out of businesses that aren't central to our strategy. During the quarter we further demonstrated our product management discipline with the agreement to divest our backup and recovery business, arcserve, to Marlin Equity Partners.

Now, let's turn to a second piece of our strategy, market awareness and sales execution. Our continued focus on marketing as a demand engine and tight execution globally through our new and more effective sales model are beginning to show signs of returns. New marketing strategies with more focused customer targeting are beginning to yield growth.

For example, in a SaaS cloud environment, CA.com is a key business development tool. We are seeing repeat visitors to the website, up 39%, and site registration rates almost doubled. Overall, more targeted marketing campaigns have led to more than 10% sequential growth in our marketing generated pipeline. Our core brand and lead generation framework is now in place. We are now focused on improving the quality of the pipeline and increasing the velocity at which an opportunity converts to a sale.

From a sales execution standpoint I am encouraged by our progress, particularly with regard to early wins with new customers. However, our sales participation metrics by region are still below my expectation, as we remain too reliant on large transactions. Let me provide some additional color. Our platinum accounts continue to perform in line with our expectations in terms of renewal yields and attach rates.

For example, during the quarter we closed an ELA with one of our largest US financial customers that had a healthy renewal yield mainframe capacity and a good attach rate of new products such as Release Automation, API Management, Enterprise Mobility Suite, and Nimsoft. As we previously mentioned, our Asia-Pacific team renewed a large ELA as part of a major transformation program around next-generation banking and technology, which also included new sales of our entire CA application delivery portfolio and mainframe cloud storage for System z.

It is clear from these examples that our large customers are partnering with CA to solve their IT challenges. In our named and growth sales team, we are seeing positive momentum with both existing and new customers. Our named and growth account reps are generating pipeline in line with our expectations and are beginning to move opportunities through the sales cycle. During the quarter we had wins with existing named account and growth customers such as Telephone Data Systems, Staples, and Otter Products. And we made good progress adding new logos with wins at American Latino Logistica, Tata Sky, and the National Cancer Institute in Brazil.

With respect to our partner business, we are continuing to shift to a model by which we invest more with strategic partners and help those partners provide differentiated solutions leveraging our software. One area where we are focusing on is service providers, which are increasingly becoming more important to our enterprise clients. For example, during the quarter Fujitsu Services Limited in the UK signed a deal to leverage CA server monitoring, network monitoring, and automation solutions to onboard and manage a large UK retailer's IT infrastructure.

Finally, I will touch on velocity and talent development. Like any innovative company, our people are our most valuable resource. The know-how within our Company will be the strongest differentiator. We have assembled an industry-leading team of executives and have added strong talent throughout development, product management, marketing, and sales. We are focused on developing our people, retaining and attracting the best talent, and building a high-performance culture conducive to innovation, execution, and speed. For example, during the quarter we added approximately 100 developers that have the right skill sets to position the Company for innovation. I'm beginning to see the environment at CA improve at all levels, and we're operating collaboratively with a sense of urgency and accountability towards meeting our goals.

In summary, the explosion of software-driven disruption in the market presents us with an enormous opportunity. Over the past year we've marshalled the Company to seize this opportunity, and what you will see from us in the months ahead is great software that delivers what businesses need to navigate through this new reality. We are building CA for growth with the type of innovation, execution, and speed we need to compete and win. I look forward to updating you on our progress in the months ahead.

With that, I will turn the call over to Rich to review our first quarter financials and full year guidance. Thank you.

Rich Beckert - *CA Technologies - CFO*

Thank you, Mike.

Before we get started with the quarter review, let me remind you that all comparisons are year over year and in constant currency, unless otherwise indicated. This afternoon I'm going to focus my comments on the key business drivers and performance indicators for the quarter. The balance of our financial details can be found in our supplemental and press release.

Q1 total revenue was $1.07 billion, down 3%. Mainframe was down 1%, Enterprise Solutions declined 3%, and Services declined 11%. On an as-reported basis, Q1 renewals were down approximately mid-single digits. The renewal yield during the quarter was in the low 90s. We continue to expect FY15 renewals to be down high single digits year over year as compared to FY14, and flat year over year excluding the large system integrator renewal that closed in Q3 of FY14. We expect Q2 renewals to be down year over year, and as a result we expect less new sale opportunities related to renewals in Q2.

As reported, Q1 total new product and capacity sales were flat. Sales performance was mixed. From a geographical basis we saw improvement in EMEA sales execution. Overall new sales associated with platinum accounts performed well, but as Mike stated, the participation among our sales reps is still skewed toward large transactions. In addition, while I'm encouraged with our named and growth team progress in building pipeline, we need to increase the velocity with which those opportunities are converted to sales. As a result, we expect our named and growth teams to make a more meaningful contribution to new sales in the second half of FY15.

In our Mainframe segment, Mainframe new sales including new product and capacity were down high single digits, as reported, and in line with our expectations. Our Mainframe new product sales and capacity growth can vary on a quarterly basis. As we outlined at Investor Day, we continue to expect our Mainframe revenue growth to be in line with the mainframe market.

Enterprise Solutions' new product sales were up mid-single digits, primarily due to good new sales performance in connection with renewals within our platinum accounts. New service engagements were down approximately 45% as reported, due to a combination of weakness in our public sector vertical and a smaller number and size of service engagements as compared to a year-ago period. The primary driver of the weakness in our public sector vertical is attributed to a decrease in our non-core government services subcontracting engagements that are not directly related to our software sales. We are refocusing on services engagements that drive new product sales. As a result, we currently expect professional services revenue to decrease more than the total revenue during FY15 compared with FY14.

From a balance sheet perspective, current revenue backlog was down 1% and in line with our expectations. Q1 non-GAAP operating margin was 40% and GAAP operating margin was 29%. Our segment operating margin was 62% for Mainframe Solutions, 12% for Enterprise Solutions, and 6% for Services. In addition to normal operating expense seasonality, we expect an incremental spend related to CA World to occur in our third quarter.

Q1 non-GAAP diluted earnings per share was $0.65, down 15%. GAAP diluted earnings per share was $0.48 down 34%. Our Q1 non-GAAP tax rate was 30%, and our GAAP tax rate was 29%. The decrease in both our non-GAAP and GAAP EPS is driven by a lower non-GAAP and GAAP tax rate in FY14, partially offset by operational improvements in Q1 2015.

Our Q1 CFFO was $166 million. Single installment cash payments were $68 million, and slightly up year over year. Current billings backlog was down 5%. We ended Q1 with approximately $1.35 billion in net cash. During the first quarter we paid $111 million in dividends and repurchased approximately 1.7 million shares for approximately $50 million.

Turning to guidance. Updated guidance is based on exchange rates on the last day of the preceding quarter, which was June 30, 2014. This includes a partial hedge of operating income. Total revenue is still expected to be in the range of negative 2% to negative 1% in constant currency. This translates to reported revenue of $4.34 billion to $4.4 billion. Non-GAAP diluted earnings per share growth is still expected to be in the range of minus 21% to minus 19% in constant currency. This reflects an approximate 20% headwind from tax returning to a historical rate in FY15. This translates to reported non-GAAP diluted earnings per share of $2.42 to $2.49.

GAAP diluted earnings per share is still expected to be in the range of minus 12% to minus 8% in constant currency. This translates to reported GAAP diluted earnings per share of $1.77 to $1.84. Cash flow from operations is still expected to increase 5% to 12% in constant currency. This translates to reported cash flow from operations of $1.04 billion to $1.11 billion, which includes an approximate $60 million cash outflow related to our FY14 rebalancing program.

Guidance does not include the effect of any future material acquisitions. Underlining this guidance, we expect our GAAP and non-GAAP tax rate to be 30%. We expect a full-year GAAP operating margin of 28% and a full-year non-GAAP operating margin of 37%, unchanged from our previous guidance. At the end of the year, we expect approximately 436 million shares outstanding and a weighted average diluted share count of approximately 441 million shares.

And now I'll turn the call back over to Jonathan and we will take your questions.

Jonathan Doros - *CA Technologies - IR*

Thank you, Rich.

As the operator is polling for questions, I would like to inform you that during our fiscal Q2, CA Technologies will be presenting at the Pacific Crest, Oppenheimer, Citigroup, and Deutsche Bank Technology Conferences. In addition, mark your calendars for CA World in Las Vegas on November 9 through the 12. We will be hosting an investor track at CA World on Monday, November 10. Please visit investor.ca.com for additional information about registration.

In the interest of time, please limit yourself to two questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Raimo Lenschow from Barclays.

Raimo Lenschow - *Barclays Capital - Analyst*

Hey, guys. This is actually Stefan in for Raimo. First question is, you guys obviously saw some progress on new sales in the quarter in the Enterprise Solution segment. Can you talk a little bit about the dynamics there, what you're seeing? And then I have a follow-up.

Mike Gregoire - *CA Technologies - CEO*

Sure. Thank you very much, Stefan. I think it's two things tightly woven together that put us in a situation where we finally got to see some movement in the growth in Enterprise Solutions, which has been troubling for the Company for an awful long time. First, I go back to where it always starts, the products. We did 27 major releases last year, and we have 7 SaaS products in the market. Of those SaaS products, they are either number one or number two in their field. And having good products that do what they are supposed to do, are easier to implement, easier to install, I think provides our sales organization, which operated much better, especially in Europe. So when I take a look at some of the things that were most troubling when I first got here, the quality of our products, how differentiated the solutions were, our sales execution, primarily outside the United States, I saw great improvements in Europe and I saw general improvements in sales execution across the board. And the products are definitely resonating with most of our customers, as well as net new clients. I think we added 164 net new clients this quarter.

Unidentified Participant - - *Analyst*

Got it. And then just a quick question on margins. I think this is the third consecutive quarter that you guys outperformed on margins. Can you talk about the decision to maintain that guidance and not raise it? And sort of where you guys plan to invest a little bit more?

Rich Beckert - *CA Technologies - CFO*

Sure. This is Rich. How are you, Stefan? A couple things. The seasonality right now that you see in Q1, that's going to be the lightest quarter of the year. And as in my prepared remarks I had talked about that in Q3 you're going to see us spend -- all the CA World comes in in Q3. From the standpoint of where we are for the different elements, as we talked back in May, we are pretty comfortable with where we are right now on the development total spend. As Mike talked, we have a lot of things going on and we are continuing to rebalance, and you saw us remove ARCserve. As we reinvest that into these new faster growing technologies, we will continue to invest in the newer marketing and the G&A functions will continue over time to come down. We're very comfortable right now with our guidance of 37% margin for the year, though. And we think we're right on track as Mike described.

Unidentified Participant - - *Analyst*

Got it. Thank you, guys.

Operator

Walter Pritchard from Citigroup.

Walter Pritchard - *Citigroup - Analyst*

Thank you. I guess, Mike, just wondering if you'd talk a bit about -- you talked about looking for more consistency in terms of the sales performance, especially from the named and growth groups. Can you talk about what you see as the catalyst there? Is that simply new products that are coming, the lead gen stuff you've done there? Could you help us understand what we should look at there to try to gauge whether or not you can do that?

Mike Gregoire - *CA Technologies - CEO*

Sure. I think it's fall into multiple categories. One's very difficult to measure. First of all, in the upper end of the market we have been doing that for an awful long time, and I would say that we are best in class and selling to the large, complicated multinational companies. But when you want to find growth, you've got to extend yourself outside of just that group. And in order to do that, you have to act like a modern software company where you are doing digital pipeline generation, where you really understand and nurture leads so you can get them into a sales force.

Then our sales force has traditionally been elephant hunters. We've got a great track record of being able to go after very large multiyear complex ELAs, and we are transitioning that sales force where we preserve that skill set, because it's extraordinarily important for a segment of our market. But as we continue to look for growth, we have to extend ourselves to companies in the Fortune 2000 to 5000, which are very large complex global companies. And our sales force has to culturally understand how to take these lead generation and nurturing programs and push them out to smaller transactions that are built up over time, rather than a large transaction, and it's very complex that gets done immediately.

What I have seen is a definite positive improvement in pipeline generation that's going into the back half of the year. I think of the investments that we've made in our marketing department by really using the science of marketing to generate leads, and then coupling that with how our products work. If you take a look at Nimsoft Monitor Snap -- actually, if you go to our investor website there are two products you can download and try right now. We have both Nimsoft Monitor Snap as well as Cloud Service Desk. These are products that are very competitive in the market. They have a very quick time to implement, a really easy to understand ROI. And I think that's how people that are buying in that growth market, the Fortune 2000 to Fortune 5000, that's exclusively how I think they buy software. And the fact that we have more products moving into that market and we've taken advantage of digital marketing, puts us in the situation where we can find the kind of growth we're looking for.

Walter Pritchard - *Citigroup - Analyst*

Got it. And then just on the annualized software maintenance bookings, Rich, it did seem like that the growth rate ticked down with the term length picking up. Wasn't a strong Mainframe quarter, it didn't appear. I am just wondering what -- you usually see that kind of track Mainframe. What drove that, and should we expect that that sort of trend continues, that we see term life extension?

Rich Beckert - *CA Technologies - CFO*

No. There was one large transaction Mike talked about that distorted that. If you back that out, that would be about a three-year life. And if you look at overall, we are actually -- that was not a bad, even though it looks like it's down year over year, it is really not bad. What you see underneath that is the growth that Mike referred to in the total ES, and the Mainframe just had a low renewal within the quarter. So it's really driven more by just the renewals that were coming due. We actually had a very high attach rate. So we are happy with the attach rate we got, as Mike said. When you analyze our top transactions, they actually all grew, with the exception of one. That's all a very positive story for us.

Walter Pritchard - *Citigroup - Analyst*

Okay, thank you very much.

Operator

Daniel Ives from FBR Capital Markets.

Daniel Ives - *FBR Capital Markets - Analyst*

Yes, guys. I'm just curious in terms of M&A. Is the strategy unchanged from where you (inaudible) at, at the Investor Day? Any changes there, either strategically or target areas?

Mike Gregoire - *CA Technologies - CEO*

Our M&A strategy remains consistent. We are in three big broad markets, and we tend to look at things that are in IT business management, security, and also the whole concept of DevOps. We wouldn't want to stretch ourselves a standard deviation outside of our core. We think that those three markets are very large. There is no clear winner in any of those markets. And to the extent that we saw an acquisition that fit within our roadmap and our strategy, at a price point that we thought that was reasonable, we would definitely be willing to take a look at M&A.

And once again, from an idea perspective of what we're planning on spending in M&A, same as what we talked about at the Investor Meeting. We want to make sure we have enough cash to preserve paying the dividend. We're very comfortable with that. Our share buyback program is put in place. We definitely are supporting that. And then we'd look at deploying $300 million to $500 million a year in acquisitions, if we thought they were additive in helping us accelerate our growth.

Daniel Ives - *FBR Capital Markets - Analyst*

Just lastly, what gives you the confidence that you will see the second half acceleration of some of the newer products? Just, I'm the missing the perspective there. Thanks.

Mike Gregoire - *CA Technologies - CEO*

Sure. The confidence is based on the science, the pipeline metrics, and the continued execution of the sales force, and the quality that we are seeing coming out of engineering. So if you put those three things together, you feel much better about Q3 and Q4 and our ability to execute. I see this across the board on a global basis. Just about every area of the Company's executing better. We are not anywhere near where we want to be. In areas that we really think that we have put a lot of attention, we are seeing a cultural movement, as well as a measurable performance movement across the board. I think Rich would like to add to that as well.

Rich Beckert - *CA Technologies - CFO*

The other portion of that is our renewal portfolio is back-end loaded for the year. As we said, if you backed up that large (technical difficulties) we'd be flat year over year, and you'll see that predominately happening in the second half. To the earlier question, we had a low 90s renewal attach rate. So we were very happy with that. And as Mike said, the pipeline as it builds out over time, we just need the pipeline to progress so that it actually closes out. Between the renewal portfolio coming in, a nice attach rate that we saw in the renewals, it really is setting up for a back-half story for us.

Jonathan Doros - *CA Technologies - IR*

Next question please.

Operator

Matt Hedberg from RBC Capital Markets.

Matt Hedberg - *RBC Capital Markets - Analyst*

Thanks for taking my questions, guys. Certainly appreciate the added color on Nimsoft Snap as well as the seven new SaaS products. I was wondering if you could comment more broadly, speak on the APM market and your cloud-based APM product that I believe should be out this fall?

Mike Gregoire - *CA Technologies - CEO*

The APM market is a very fragmented market and it really shows up in multiple fronts. And I think it's morphing very quickly into a different kind of market. First of all, at the very high end, high transaction throughput where most of the applications are written in JAVA and dot-net, we would be the market leader in that place when it comes to transaction volume level of complexity, global scale, global reach. I think that we would be the number one provider in that space. When it comes to net new languages such as Perl, that functionality that we are adding to the product; it's on our product roadmap. And I think when we have those products in place we could become competitive even more still.

But where I think that market is going is, where are the applications being developed? There is still going to be a lot of back-office applications being developed, but primarily most of it is going to be done in mobile. And we are launching at CA World our mobile device management platform, and in that is going to be mobile DevOps. This is where the rubber really hits the road where you can instrument applications on a mobile device and get the same kind of functionality and instrumentation that you get in a big, large web serviced application. And I think that's going to uniquely position us in the space. And I think that that's pretty much where most of the APM market is going to be driven to over the next few years.

Matt Hedberg - *RBC Capital Markets - Analyst*

That's great, very helpful. And then from a geographic perspective, in your prepared remarks you commented that EMEA saw better sales execution. I'm curious, can you give us a little more granularity by country, and then perhaps also comment on Latin America and APJ?

Mike Gregoire - *CA Technologies - CEO*

Sure. We have been struggling outside the United States for many years at CA, and to try to peel the onion back behind that is a very complicated set of dynamics. And what happened last quarter is everything just started to click. We put new leadership in place in different areas around the world, but especially in EMEA. I was very pleased with their performance. Very strong performance in the UK. Very strong performance in the Nordic. We had good performance, oddly enough, in southern Europe, which is a very difficult place to sell. A little bit of struggling in France, but I think that that bounces back over time. But overall the quality of the business, the way the sales team performed. They didn't hang around renewals. They went after net new customers. They did a lot of standalone transactions. They were selling the new solutions, and when I take a look at what that team did last quarter, I was extraordinarily happy.

APJ also had a very strong quarter. Now, part of that, in my prepared remarks I said we do rely too much on large transactions. We had a very large significant transaction in APJ. It's a great transaction. I'm very proud of the team and how they handled that, but without that transaction I think that the dynamics in APJ would have looked a little bit different. And what I want us to do is get into a habit where we are selling all day every day and we get more sales reps participating in the sales process. And even if they're only putting up $100,000 or $150,000 transactions, I think that if you get, especially our new products, in on a small transaction, I think that over time, because I have a great belief that those transactions add an incredible amount of value, I think they expand over time. And it also leads to our brand promise. You do things right sometimes, you are going to get sometime sales. You do things right all the times, you will get all-time sales. I want our sales reps to take advantage of the differentiation that we've built in R&D and make sure that customers get these products and use them.

Latin America was a disappointment this quarter. They have been great the last several quarters, and they did have a bit of a slowdown in business. I think that that does rebound according to the pipeline going forward, but there's a lot of attention and focus on Latin America for us going forward.

Matt Hedberg - *RBC Capital Markets - Analyst*

Great color. Thanks, Mike.

Operator

Matt Williams from Evercore.

Matt Williams - *Evercore - Analyst*

Hi, guys. Thanks for taking the question. Obviously hopping on for Kirk. One point of clarification. In the comments you've noted that you expect the 2Q renewals to be down, and subsequently expect less new sales opportunities. Is it, I guess, therefore safe to assume that net new product sales and bookings are expected to be down next quarter as well?

Rich Beckert - *CA Technologies - CFO*

I think what we're trying to give headlights to, because we don't give quarterly guidance, is that the renewals that are due contractually will be light in 2Q year over year. And so, therefore, there is a higher probability that attach rate will still be the same attach rate that we have seen, but it will be lighter. Although even in this quarter, just to be clear, you saw ES grow in the quarter, even though the overall renewals were down year over year, bookings down.

It's definitely a second-half story. If you look at the revenue being down 3%, and you will have something similar to that in 2Q. And then it builds so that we get back to our guidance of minus 1% to minus 2% in total revenue. We're comfortable with the total minus 1% to minus 2% for the year, but in order for it to be at that level, you'll see it build over time. A lot of the transactions that we closed in Q1 were ratable. Again, that will build out the revenue out over time. DId I (multiple speakers)

Matt Williams - *Evercore - Analyst*

Yes, that's very helpful. Thanks. And then maybe just one follow-up. Again, on the enterprise side. More from a product standpoint. Is the growth that's coming there, or the trends that you're seeing, is it a handful of products that are really leading the way from a growth perspective? Or are you seeing more broad-based growth in pipeline build across the product portfolio?

Mike Gregoire - *CA Technologies - CEO*

It is broad-based across all of three businesses that we participate in, but there is definitely stronger products in each area. So for example, in IT business management our Clarity set of products, we are number one market share in that space. And the Clarity On Demand product has clearly become the de facto standard for a SaaS deployment of product and portfolio management. Really happy with that.

On the security side, our API management has done extraordinarily well. It is -- I referenced it in my prepared remarks. A software company, a SaaS-based software company that I have a deep amount of respect for on a business model, as well as technology perspective, is using our product pretty much pervasively across their whole enterprise; whether you're interfacing with their web system, whether you're using their development stack, or whether you're using their mobile application. And it just goes to show how extensive that API management product is. Really happy with the performance there.

And then on DevOps, I do think we have a multiyear technological lead that we need to translate into a revenue lead. We have a very strong story there. It's a big area of focus for us. The pipeline for that product set is doing very well. Its performance last quarter is also growing faster than pretty much every other product in our stack. So when I take a look at the three big pillars that we participate in, we have stars in each pillar. And then you have a lot of our value-oriented products that do the job, great economic value, a lot of proof points, a lot of customer testimonials. It works all day every day. There's a big partner network that understands how to implement it. And I think that they continue to add value to us as well.

Matt Williams - *Evercore - Analyst*

Great. Thanks for taking the questions, guys.

Operator

Michael Turits from Raymond James.

Michael Turits - *Raymond James & Associates - Analyst*

Hey, guys. Good afternoon. It's James sitting in for Michael. I apologize if you guys went over this. We've been hopping amongst calls. Just a quick question, Rich. The current revenue and billings backlog was down year over year in constant currency. When do guys expect that to turn back up?

Rich Beckert - *CA Technologies - CFO*

By Q4.

Unidentified Participant - *- Analyst*

By Q4. Great. Thank you, guys.

Mike Gregoire - *CA Technologies - CEO*

With that, operator, I'm going to wrap up here. First, I'd like to thank everybody for taking time. I know there a lot of calls going on today. I appreciate you spending time with us. And just to wrap it up, we are focused on three things right now: Develop and delivering differentiated solutions, and proving our brand awareness and sales execution, and ensuring that we've got the right talent and talent that can accelerate our Company forward. I feel very confident that we are doing everything we can and getting traction on all three of those. And it's going to be a very back-end loaded year, but we think we are going to perform well in Q2, as well as through the rest of the year. And we look forward to reporting our results as we move forward. Take care, and have a great night.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This now concludes the program, and you may all disconnect. Everyone have a great day.
