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CA - Q2 2014 CA, Inc. Earnings Conference Call

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OVERVIEW:

CA reported 2Q14 total revenue of $1.14b, and GAAP diluted EPS of $0.53. Expects FY14 reported revenue to be $4.47-4.52b and reported GAAP diluted EPS to be $1.92-1.98.

CORPORATE PARTICIPANTS

Kelsey Turcotte *CA Inc - IR*

Mike Gregoire *CA Inc - CEO*

Rich Beckert *CA Inc - CFO*

CONFERENCE CALL PARTICIPANTS

John DiFucci *JPMorgan Chase & Co. - Analyst*

Abhey Lamba *Mizuho Securities - Analyst*

Aaron Schwartz *Jefferies & Company - Analyst*

Shaul Eyal *Oppenheimer & Co. - Analyst*

Michael Turits *Raymond James & Associates - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for your patience. You have joined the CA Technologies second-quarter 2014 earnings conference call.

(Operator Instructions)

As a reminder, this conference may be recorded. I would now like to turn the call over to your host, Miss Kelsey Turcotte. Ma'am, you may begin.

Kelsey Turcotte *- CA Inc - IR*

Thank you, and good afternoon, everyone. Welcome to CA Technologies' second-quarter fiscal year 2014 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 comments and then we will open the call for Q&A session.

These prepared comments were previously recorded, and this conference call is being broadcast on Thursday, October 24, 2013, over the telephone and the Internet. The information shared on this call is effective as of today's date and will not be updated. All content is the property of CA Technologies and is protected by US and international copyright law, and may not be reproduced or transcribed in any way without the express written consent of CA Technologies. 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 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. And 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 third-quarter quiet period begins at the close of business on December 13, 2013. Before I turn the call over, I'd like to highlight that for modeling purposes, our year-over-year currency headwind on revenue guidance is expected to be roughly 1 point for the full year.

In addition, starting in the first quarter of fiscal 2014, the measure of segment expenses and segment profit was revised to treat all costs in internal software development as segment experience in the period the costs are incurred. As a result, the Company will add back capitalized internal software costs, and exclude the amortization of internally developed software costs previously capitalized from segment expenses. Prior periods' segment expense and segment profit information have been revised to present segment profit and expense on a consistent basis.

Also in fiscal 2014, the costs relating to the FY 2014 Board-approved rebalancing initiative announced in May are excluded from the Company's segment expenses and segment profit. So with that, let me turn the call over to Mike.

Mike Gregoire *- CA Inc - CEO*

Good afternoon, and thanks for joining us. We reported a solid second quarter this afternoon. Revenue outperformed, and we increased the midpoint of our full-year revenue guidance range. Our non-GAAP operating margin was unusually high at 41%. This reflects expense efficiencies in our sales force and a reduction in employee-related expenses. I'll come back to expenses in a minute.

CFFO came in as expected, reflecting the cash taxes, rebalancing and capitalized development items we discussed in May. Year-over-year growth in non-GAAP EPS include ongoing operational improvements, as well as the previously reported benefit of the favorable resolution of a US tax matter.

This is clearly a beginning. But since joining CA, my message has been clear. We need to nail the fundamentals that make software companies great, and we won't cut any corners to get there. Each quarter, we get a scorecard of our progress. And when I look at our Q2 results, I see bright spots, as well as some areas where we need to improve execution.

To start, Mainframe revenue grew, benefiting from good renewable yields, first-half growth in mainframe capacity, and Q1 new product sales growth. It is clear that holding the value of our maintenance stream is critical for CA, particularly in a year when we are expecting growth and renewals. Despite some very complex negotiations this quarter, we achieved a Q2 renewal yield in the low-90% range. And I am pleased with the outcome.

While the renewal creates activity in the accounts that is frequently a catalyst for new sales, we are not in the business of giving away software or selling shelf-ware. Differentiated products aren't free. And we are paying very close attention to how we construct transactions to drive value for both maintenance and new products. The wrap and roll is an antiquated business model that is not good for customers or for CA.

On the enterprise solution side of the business, we saw growth in our software fees and other revenue line. SFO includes new sales of ES technology outside of our renewal. Growth this quarter was primarily driven by our SaaS business, with customer adds like KioNetworks, Aflac and Polycom.

A key to accelerating performance in enterprise solutions is acquiring new customers. During Q2, we added more than 155 new logos in our ES segment, including customers like March of Dimes and Illumina. This brings our trailing 12-month new ES logo totals to over 510.

All that being said, we aren't selling new products at a rate and pace I expect. This is why the whole Company is focused on product differentiation and growing outside of our install base. It is also why we are going to accelerate investments in the business in the back half of the year. Investment falls into three buckets -- people, technology and marketing.

First, people. We need to get the right players with the right experience working on the right things. Our rebalancing freed up resources to aggressively hire, and we are in the midpoint through that transition, with most of the affected employees exited.

Next step is on-boarding new talent. It is also clear we need to be where the innovation is happening. This is why we are focusing our hiring efforts in the key global innovation hubs. In fact, we just opened the CA Silicon Valley Technology Center in Santa Clara. This location features our West Coast Executive Briefing Center and consolidates all of our Valley R&D capabilities into one place.

The team in Santa Clara is working on some of our most innovative technologies, including mobility, DevOps, big data, cloud and SaaS. And we expect to expand our local workforce by up to 50%.

Which brings me to the second area of investment, technology. The bar in our market continues to move higher and higher. We need to out-innovate, out-execute and outpace our competitors. This means directing our investments where they yield the greatest return.

Over the last year we delivered 19 major product releases. We currently have seven SaaS products in the portfolio, up from four last year. And we now have nine products with mobile user experiences.

Two weeks ago, we delivered one of our most innovative and disruptive products in years with the introduction of Nimsoft Monitor Snap, a free feature-rich version of CA Nimsoft Monitor. Offering unlimited monitoring with enterprise-class capabilities and reporting for up to 30 devices.

Snap can be downloaded and up and running in as little as an hour. In fact, one of our Beta customers at the Zone Corporation said -- we evaluated Solarwinds and Spiceworks, but found Snap to be the fastest and easiest to download, install and configure.

Since our launch two weeks ago, we have had approximately 2,000 downloads. Expect to see an aggressive promoting of Snap.

This is the type of execution and disruptive approach customers should expect from CA. This is also the kind of innovation that industry analysts and customers like the Commonwealth of Pennsylvania see in our identity and access management portfolio.

In September, CA Technologies was named a leader in The Forrester Wave Identity and Access Management Suites. And we are building on this momentum with the recent acquisition of Layer 7. Gartner positioned CA Technologies in the leaders quadrant of the Magic Quadrant for Application Services Governance. Layer 7 allows customers like the US Department of Health and Human Services to secure and share data and applications across mobile, cloud and big data.

Today's disruptive trend is application-centric. Which is why there is opportunity in the DevOps space where we can help customers like Telecom Argentina, Federal Express and ING deliver quality applications faster. And with our recent acquisition of Nolio, we can reduce the complexity and risk of application deployment.

You can't get good technology to the market without impactful presence. And we will be increasing marketing investment in the second half as well. To grow our business, we need to attract new customers and increase brand awareness of CA beyond our current core customer base.

Under our new CMO's leadership, innovation will be a key theme across our marketing initiatives. We have recently introduced a series of new billboards on the 101 which you might have noticed if the live in the Valley. Keep your eyes open for more of this approach globally.

We also relaunched our CA.com site with a new look and feel. Perhaps most importantly, we have increased our ability to mine our website for lead generation. And you will see an increase in our digital advertising presence.

We are also evolving our customer experience. For example, we have started delivering technical content on FlipBoard. This easy-to-use form allows more than 2,800 customers, partners and CA employees to better communicate and collaborate. To see what we are doing, download the FlipBoard app and search on CA Technical Information Services.

We expect the process of accelerating CA's growth trajectory will take time. But we will not take shortcuts in base fundamentals. We are investing in talent and organic engineering so we have new, highly differentiated products. We are increasing our marketing presence as we expand and attract new customers beyond our traditional core market. And we are thinking differently about the customer experience and how customers want to buy.

If we stay focused on these fundamentals, both the top the both and bottom line will continue to improve. Now we will turn the call over to Rich to review our second-quarter financials and full-year guidance. Thank you.

Rich Beckert *- CA Inc - 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(sic-see press release "Q2") total revenue was $1.14 billion, flat compared to our year-ago period. Mainframe grew 1%. Enterprise solutions declined 3%. And services grew 3%.

On an as-reported basis, Q2 renewals were up approximately 20%. We continue to expect the renewal portfolio to be back-half loaded. We also expect fiscal 2014 renewals, as compared to fiscal 2013, to be up high single-digits, excluding the large customer renewal we are expecting in the second half of the year.

Within our Q2 results, total new product and capacity sales were down high single-digits as reported. Mike talked you through the dynamics of the quarter, but here are the details.

In our mainframe segment, capacity grew more than 30% as reported. While new product sales were down more than 40% as reported.

Enterprise solutions' new product sales were down high single-digit, as reported. The decline in new product sales reflects a choppy spending environment, as well as mature products in the portfolio that create a headwind to growth. New service engagements were down approximately 30% as reported.

From a balance sheet perspective, current revenue backlog was down 2%. This reflects under performance in new product sales over the last 12 months, and the headwind created by the large inventory of renewals scheduled for the second half of fiscal 2014.

Q2 non-GAAP operating margin was 41%. Please note that we expect typical seasonality in the business, and we expect the accelerated investment in the back half of the year.

Turning to GAAP. Our operating margin came in at 31%. Operating margin for the segments were 63% for mainframe, 15% for enterprise solutions, and 9% for services. Q2 non-GAAP diluted earnings per share was $0.86, up 46%. GAAP diluted earnings per share was $0.53, up 8%.

Our Q2 non-GAAP tax rate was 14%, reflecting the completion of the examination of our federal income tax return for fiscal years 2005, 2006 and 2007. Our GAAP tax rate was 31%. Similar to Q1, Q2 CFFO of $87 million was affected by the items we outlined during our investor presentation in May.

Let me walk you through the year-over-year headwinds. $31 million incremental cash taxes. This includes the current year impact of transitioning to our more balanced quarterly cash tax payment schedule, partially offset by the cash tax refund from resolution of the US tax matter. Fiscal 2014 rebalancing payment of $39 million. And a reduction of capitalized software development of approximately $30 million. When normalized for these items, CFFO would have been in line with historical Q2 averages.

Collections were up $47 million, with single installment payments roughly flat year over year. Current billings backlog was down 3%, again reflecting the same dynamics we saw in the revenue backlog. We ended Q2 with approximately $900 million in net cash.

During the September quarter, we issued approximately $500 million in long-term public debt. We paid $114 million in dividends, and repurchased approximately 5 million shares, for approximately $145 million. We are authorized to repurchase an additional $307 million of common stock.

Turning to guidance. Updated guidance is based upon exchange rates on the last day of the preceding quarter, which was September 30, 2013. This includes a partial hedge of operating income.

Total revenue is now expected to be in the range of negative 3% to negative 2% in constant currency, an increase from our prior guidance of negative 4% to negative 2% in constant currency. This translates to reported revenue of $4.47 billion to $4.52 billion.

Non-GAAP diluted earnings per share growth is now expected to be in the range of 17% to 20% in constant currency, a slight increase in the bottom end of our range. This translates to reported non-GAAP diluted earnings per share of $2.96 to $3.03. GAAP diluted earrings per share is expected to be in the range of negative 7% to negative 4% in constant currency. This translates to reported GAAP diluted earnings per share of $1.92 to $1.98.

Cash flow from operations is expected to be in the range of negative 30% to negative 24% in constant currency. This translates to reported cash flow from operations of $970 million to $1.05 billion. 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 14%.

At the end of the year, we expect approximately 438 million shares outstanding, and a weighted average diluted share count of approximately 447 million shares. We continue to expect our non-GAAP operating margin to be 36% for fiscal year 2014. And now I will turn the call back over to Kelsey, and we will take your questions.

Kelsey Turcotte - ***CA Inc - IR***

Thank you, Rich. As the operator is polling for questions, I would like to inform you that CA Technologies is presenting at Mizuho Securities' USA Technology Corporate Access Day on Tuesday, November 12 in New York. RBC Capital Markets' 2013 Technology, Internet, Media & Telecommunications Conference on Wednesday, November 13 in New York. UBS's Global Technology Conference on Wednesday, November 20 in Sausalito California. Credit Suisse's Annual Technology Conference on Wednesday, December 4 in Phoenix. And the Raymond James Systems, Semiconductor, Software & Supply Chain Investor Conference on Tuesday, December 10 in New York.

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

QUESTION AND ANSWER

Operator

(Operator instructions)

Our first question comes from Michael Turits of Raymond James. Your line is open.

Kelsey Turcotte *- CA Inc - IR*

Michael, are you on mute?

Operator

Mr. Turits, your line is open. Just make sure your line isn't muted. If you're on a speakerphone, lift your handset. We will go to the next question. Our next question comes from John DiFucci of JPMorgan. Your line is open.

John DiFucci *- JPMorgan Chase & Co. - Analyst*

Thank you. Mike, you mentioned some of the SaaS solutions and other products such as Nimsoft Monitor Snap. I am just curious, as you go to market, some of these products, you have other products that compete with them, on some level anyway, as far as functionality. Are you seeing any conflict in the field? And I know it's early, but there is that potential, right? How are you handling that in your go-to-market strategy?

Mike Gregoire *- CA Inc - CEO*

Hi, John. Good question. You know what? With respect to Nimsoft monitor, that product is primarily focused for $300 million companies, and can scale all the way up to $10 billion, $12 billion companies.

But when you get into the super high-end, like the Verizons, the AT&Ts, that class of service, or a Qualcomm, our current product, the IM2.0 product is a better fit just for the amount of transaction processing. So we have really segmented the market to get the best solution for the most appropriate customer.

John DiFucci *- JPMorgan Chase & Co. - Analyst*

Okay. So for the most part, it sounds like they can be complimentary. And my follow-up to that is, some of these products, I would think their new customers are selling off the renewal cycle. But some of these products, and some of the other products, you're probably -- I know you're trying to sell off the renewal cycle to even some of your large, existing customers.

If you could talk a little bit to that and how that's going. It sounds like in some cases, at least some of your new business sales were a little bit less than you expected. But talk a little bit more about the progression of that.

Mike Gregoire *- CA Inc - CEO*

Yes. So the whole idea there is, products like Layer 7 and Nolio that are super high-value that need to be sold outside of the renewal cycle -- and as you saw in my comments, when those products -- especially the thing I'm paying attention to -- if we are doing a renewal, and in the last couple weeks of a renewal you start seeing that product show up.

That's very frustrating to me. And I think the sales force has done a really good job this last quarter of keeping those products out of an ELA. Those products have an incredible amount of value. And for them to get discounted at the same rate as some of the more value-oriented products is -- it's not going to get us anywhere near where we need to get to.

And quite frankly, it's not going to help a customer as well. Because that product never got demoed, there's not an economic user for that product. It's making a procurement team look like they got more value out of CA. And if those products never get implemented because there is no economic user for it, that becomes incredibly painful three years from now when we go do the next renewal.

So if you look at the number of transactions that we did outside of the ELA, I think we did a really nice job in North America. Our international team still has some work to do to get to where they need to be on the capability to sell that in that particular fashion. Does that help, John?

Kelsey Turcotte *- CA Inc - IR*

Okay. Next question, please?

Operator

Our next question comes from Abhey Lamba of Mizuho Securities. Your line is open.

Abhey Lamba *- Mizuho Securities - Analyst*

Yes, thank you. So Mike, just following up on your comments just now about the sales out of the renewal cycle. Is this something where we should expect meaningful uptick in fiscal 2015, or do we have to wait beyond that? Now, you mentioned the US, but how are the other regions, how are they doing on this front?

Mike Gregoire *- CA Inc - CEO*

Sure. Well, we haven't given guidance for 2015 yet. But I'm expecting with the products that we are putting together, that you're going to see more selling outside of the renewal cycle.

We have 19 major new releases that we have put out in the last year. We have seven SaaS solutions, and we have nine of our products that are fully capable in mobile user interfaces. And all of this technology, you don't want to wait until the renewal cycle comes in place before customers have an opportunity to use it. So I think it's both a push and a pull.

The other thing we have to do is, we have to drive the sales methodology to make that happen. We've got a lot of good habits in our Company. And we have a lot of muscle memory for selling at a renewal cycle. Some of that is driven by customers, but there's no doubt that we are an equal participant in it.

And for a lot of these products, I'd like to see our sales force selling it to net new customers. And when we are selling it to existing customers, I don't want us to wait around the hoop until a renewal comes in place. I think that we should be hustling at those customers. We should know what they are doing.

We should intimately have a strategic account plan. And part of that strategic account plan is to how we get these net new product innovations into that customer, and get them live so they are using it and they can be referencable.

Abhey Lamba *- Mizuho Securities - Analyst*

Thank you. And Rich, quick one for you on cash flow outlook. It's extremely back-end loaded. You are essentially calling for nearly 90% of your annual cash flows to come in the next two quarters.

I think the last time you had such a strong seasonality was probably in 2007. We haven't seen that back-end loaded year since then. What are the factors that are giving you confidence in the [stamp]?

Rich Beckert *- CA Inc - CFO*

Yes, we are very well-positioned. And I would suggest if you looked at your supplemental, what you'll see, we actually extended some of the cash flows on the bottom. And what you see there is, we are actually, year over year -- if you were to normalize for the different things we have on that slide, we are actually $32 million ahead. And we have $74 million fewer in single installment payments.

So we are actually tracking quite well. You have to remember that we -- for the first three quarters of this year, we will be paying more cash taxes in -- about $170 million worth. So once we are through with that, that gives us a very clear runway for Q4.

And the other part of that, you have to really go look at how we are doing CapDev. So we are very much on track with -- and we feel comfortable with our cash flow guidance.

Abhey Lamba *- Mizuho Securities - Analyst*

Thank you.

Operator

Thank you. Our next question comes from Aaron Schwartz of Jefferies. Your line is open.

Aaron Schwartz *- Jefferies & Company - Analyst*

Good afternoon. I had a question on the new product sales. I know there's a lot that goes into that, that we don't see. But you're talking about selling outside the renewal cycle. You've talked about that for a while. But you are also -- and that is, in large part, existing partners.

But you have also talked quite a bit about the new logo ads, which seems to be tracking pretty well. And that's probably not as correlated to new product sales. But could you give any metrics to some of the revenue growth on those new logos? And is that a different sort of dynamic of a sale? Is it low-ray SP? Is it not impacting the backlog as some of your other sales?

It is just hard to put all this together. But I would assume the new logos are extremely important to you. And is there any way to just talk about that sale and how it grows over time?

Mike Gregoire *- CA Inc - CEO*

Sure. I'll give the first shot at it, and then I'll let Rich add a little color from a financial perspective. You know, at the end of the day, when we take a look at our market, there is a huge market of customers, between 300 million and 2 billion that, quite frankly, we just don't serve. Our products were built for the largest customers of the world.

We survived for 37 years selling to a small portion of the total number of customers that exist in the global IT market. And in order for us to grow, we have got to be able to take great technology to the competitive white space. And there are thousands of customers, between 300 million and 2 billion, that want access to great technology.

And that's the beauty of the cloud, is the cloud democratizes all that technology. Before, you used to have to have a huge infrastructure in place, used to have to own a water-cooled IBM mainframe. You used to have to have a huge IT infrastructure staff in place. And when you take a look at the cloud, it makes a lot of that go away, or managed by someone else.

That is a market that we have never played in. So that's competitive white space for us. It's part of our growth strategy. And how many new customers you get is definitely an indication to your penetration into that market.

Now, the other thing you have to remember is, getting into that market, this is not going to be your up-front perpetual sales model where you're walking into these customers and pulling down $4 million or $5 million transactions. You're going to have to do what all companies are doing in that market. It's a lot of try and buy, land and expand. So I think over time, you'll see that show up in the numbers. And I will turn it over to Rich to give a little bit of perspective on what he's seeing.

Rich Beckert - ***CA Inc - CFO***

Absolutely. Aaron, if you look at the SFO, what you will see is, it's up in Q2 6%. It's a revenue statement, and year to date, it's up 9%. And that's where a lot, as Mike said, a lot of the smaller transactions are going to show up, because they are not attached to any type of mainframe transaction.

And the second part of that, as Mike has also indicated, they are going to start out as small. And we are seeing some of these guys come back around on ITKO. And we even had a Nolio one where they bought earlier, and then they are back again. And that's when you are starting to see a fairly decent-sized transaction.

Nolio, I think, had their biggest transaction ever this quarter, and that was from a sale that was seeded a little earlier. So it will be slow to ramp, and there will be a high volume inside that number set.

Aaron Schwartz - ***Jefferies & Company - Analyst***

Okay.

Mike Gregoire - ***CA Inc - CEO***

Is that helpful, Aaron?

Aaron Schwartz - ***Jefferies & Company - Analyst***

It is. I mean, it's small in the aggregate, so it's hard to measure for us now. But teams like -- you've carved out a team to add new logos. But when we hear the new product sales, it's probably not doing justice to what you're seeing on the new logo side.

Mike Gregoire - ***CA Inc - CEO***

Yes. It's the same as you would see with any SaaS-oriented company, and why there's so much effort spent on new customer acquisition. And over time, that routable revenue becomes a fly wheel. And if you do a great job with the product they initially bought, and you continue to drive innovation and bring in net new products, the cost of sale goes down. And they tend to buy more of a suite-oriented approach. This isn't -- this is hard to do, but it's not rocket science to figure out the strategy.

Aaron Schwartz - ***Jefferies & Company - Analyst***

Okay. And if I could sneak a second one in. I know you've been through a lot this year with the rebalancing, and you're talking a lot about innovation and bringing new product to market. You also talk about the history of CA, of 30-plus years.

As you've gone through the rebalancing, is there opportunity for product sunsets that we should think about as you re-balance the product side, if you will, and bring new products to market? Or are they just so important to your maintenance stream that, that's not really something we should consider going forward? Thanks.

Mike Gregoire - ***CA Inc - CEO***

Yes, with respect to sunsetting products, we are absolutely doing that with certain products. They are not getting the engineering attention that they probably once got in the Company. Because there's just not more features and functions that make sense in some of those particular products.

As we said before, we will divest some products that don't make sense within our strategy. It's obviously very difficult to talk about those until after you've got a transaction in flight. You don't want to alert customers or competitors to your strategy with respect to divestitures until you're ready to make that happen. But we are taking a look at all of those types of things. We are taking a look at what customers really want, where our engineering dollars should go, and how we invest going forward and stay focused.

You know, one of the reasons why we have 19 new releases out and 7 new SaaS offerings and 9 mobile interfaces is because we got extraordinarily focused. We stopped doing things that were not in line with what customers wanted. And we really focused that attention on the quality, as well as getting a number of products into the market, rather than moving the ball down to the 80-yard line and never getting in the end zone.

Operator

Thank you. Our next question comes from Shaul Eyal of Oppenheimer & Company. Your line open.

Shaul Eyal - ***Oppenheimer & Co. - Analyst***

Thank you. Hi, good afternoon. Mike, quick question about your security and access management. I think pretty much you provided us with positive commentary during your prepared remarks. What's happening more specifically -- if you can provide us with some more color on the security-related front. And does that product enable you to further penetrate some of the mobility contracts you guys are involved in?

Mike Gregoire - ***CA Inc - CEO***

Absolutely. You know, there's multiple products in our security portfolio. The two most popular are SightMinder and CloudMinder. Both products do similar but different things. And the way that they do them have a different tone.

For example, with CloudMinder, this is something that is a hosted solution, completely SaaS-oriented. We can do single sign-on and take care of all the identity and access management from a cloud-oriented perspective. Which is great for mobile-oriented applications.

If you think of mobile applications, everything has to be lighter in a mobile application. You can't have a big clunky web server. You can't have a big clunky user interface. And our ability to interface both into the web server, as well as into the user interface with Cloud Minder, I think would be argued best-in-class. And Forrester recognized us as having the best product in that particular area, as well, just recently in their Wave Report.

And then on SightMinder, when it comes to handling high-volume transactions from a secure perspective, we really are the gold standard. We are the industry leader in that particular space. And our investment in R&D continues to outpace most competitors.

This is a big growth area for the whole industry. It's one that we plan to be the number one player in. And we are continuing to invest. And I think if you look at our complete product stack, it's definitely best-in-class.

Shaul Eyal - ***Oppenheimer & Co. - Analyst***

Thank you.

Operator

(Operator Instructions)

Our next question comes from Michael Turits of Raymond James. Your line is open.

Michael Turits - ***Raymond James & Associates - Analyst***

Thanks. So, Mike, first a question, again, on the new logo side. If we are to look at new logos, new potential logos, both on the larger enterprise side and then on the growth or slightly more down-market side. Which are the products in each category that you're leading with and are finding you're having success getting into those -- getting wins in each of those two areas?

Mike Gregoire - ***CA Inc - CEO***

It's a great question, Michael. It really depends on customer need. But the ones that we think are showing the best and selling the best, I would put Nolio, Layer 7, ITKO and our Mobile Device Management. The other one that is really starting to show big velocity, especially in pipeline, is Nimsoft Monitor. And with what we put out with Snap, I think that's going to be a great lead generation tool. Coupled with that, I think it changes people's impression of CA.

We said we wanted to be a modern software Company that's putting out great products that are easy to use, easy to buy, easy to install, with a low cost of ownership. To have that product go to the market on a very complex infrastructure-oriented environment, I think shows that our engineering is right up there with the best software companies in the world.

Michael Turits - ***Raymond James & Associates - Analyst***

So that it's related to buckets, I would say that one bucket that's called DevOps, then mobile, and then SaaS-based monitoring?

Mike Gregoire - ***CA Inc - CEO***

Yes, those are great buckets and they are great growth markets. I also think the security product -- the question was answered -- asked and answered earlier. We are seeing a big pipeline in our security solutions. I mean, that is a problem globally that is not going away. And that product is selling very well on a global basis.

Michael Turits - ***Raymond James & Associates - Analyst***

And then a similar follow-up to that for Rich. I know you don't guide to the quarter, but still you beat the street in terms of the quarterly revenues. So was there, from your perspective, upside in terms of end-period revenue, and where did that come from? Is that what we would see in the SFO line? And if it's there, what was it, and if it was elsewhere, what was it?

Rich Beckert - ***CA Inc - CFO***

Yes. So I think -- Michael, I'm just going to repeat the question to make sure that I have it. You're asking in the quarter why we exceeded revenue slightly or --

Michael Turits - ***Raymond James & Associates - Analyst***

Yes. Again, I know you don't guide to the quarter, but you did beat the street's revenue. So the first preliminary question is, did you beat your own targets in the quarter, or -- and if so, where did the unexpected end-period revenue come through, and what product?

Rich Beckert - ***CA Inc - CFO***

You know Michael, I would never tell you whether or not I beat my inside target. But what I will tell you --

Michael Turits - ***Raymond James & Associates - Analyst***

Well, you don't have to put it that way.

Rich Beckert - ***CA Inc - CFO***

I know. In the first quarter, if you recall, we had a strong mainframe capacity and new products. We had strong mainframe capacity again the second quarter. So those are good signs. That gives you the lift. If you look at the segment, you see that the mainframe segment got a lift, which is helpful.

And then as Mike talked about, the different products -- and the one that we just forgot in that discussion, by the way, was Clarity SaaS, was another one that also -- in your list. But a lot of those new logo products are going to be put out in a stand-alone fashion outside of NPLA. And if they are not SaaS-related, a perpetual license, as some of those are, then that will show up in SFO. So between those two, we start to see the lift.

So overall, we feel very comfortable with where the guidance is. With the environment that it is economically, though, we thought it was prudent to keep the top end where it is, and bring the bottom end up, narrow the range a little bit. If you still look, though, the revenue backlog at the minus 2%, that's the headwind that we are working our way through. So we think we are well-positioned with our guidance for the year.

Michael Turits - ***Raymond James & Associates - Analyst***

Right. Looks like some great progress. Thanks, guys.

Mike Gregoire - ***CA Inc - CEO***

Great. Well, thank you very much for attending our call today. I know it's a very busy time of season for all of you. But I would like to reiterate and say that we had a very solid quarter. But perhaps most importantly, we are focused on building the fundamentals of our business.

We are not taking any shortcuts, but making investments in the right players, the products that differentiate CA, and the marketing that lets us build our new brand outside our current customer base and attract new customers. This is the key to driving long-term sustainable growth at CA. I look forward to talking to all of you during the quarter. And we are planning on driving growth for the following quarter.

Kelsey Turcotte - ***CA Inc - IR***

Thank you for joining us. Good afternoon.

Operator

And ladies and gentlemen, that does conclude your program. Thank you for your participation, and have a wonderful day. You may disconnect your lines at this time.