Richard Beckert – CA Technologies – CFO **May 15, 2014**

Prepared Remarks on Q4 and Fiscal Year 2014 Financial Performance

~~~~~~

During the review of our fiscal 2014 results, all comparisons are year-over-year in constant currency unless otherwise indicated, and are focused on the key business drivers and performance indicators.

In fiscal 2014, we continued to improve the fundamentals of our operations. Our fiscal 2014 results and the progress we made can be summarized into five key takeaways:

1) We maintained a healthy renewal business, with renewal yields consistently in the low-to-mid 90% range, during a large renewal year in our bookings cycle. This demonstrates the value our customers place on our software and their technology partnership with us.
2) We significantly improved our efficiency throughout the organization. These improvements allowed us to redistribute our investment to better ROI opportunities and improve our operating profitability beyond our original expectations for fiscal 2014.
3) Our Mainframe Solutions segment results performed in-line with our expectations.
4) Our execution in Enterprise Solutions remained inconsistent across most geographies and product lines. Although the Enterprise Solutions performance
~~~~~~

was inconsistent, I feel confident that we have laid the foundation for improvement across development, sales, and marketing.

5) We returned approximately $1 billion in capital back to shareholders through dividends and share repurchases.

Our fiscal 2014 renewal bookings were up in the mid-twenty percent range as reported and up low teens percentage excluding a large customer renewal that closed in Q3 of this year. Our renewal bookings growth was positively affected by early renewals by some customers. We were pleased with healthy renewal rates that ranged from the low-to-mid 90% range in each quarter through fiscal 2014.

Fiscal 2014 total new product and capacity sales were down approximately 10%, as reported. Mainframe solutions new sales including capacity were down in the mid-20% range, as reported. Mainframe solutions capacity declined in the mid-30% range, as reported, and mainframe solutions new product sales were down a low teens percentage, as reported. This decrease in mainframe solutions capacity was driven by two main factors: 1) the mix of the renewal portfolio including a large mainframe solutions capacity deal from Q4 fiscal 2013; and 2) improved price performance for customers on mainframe solutions capacity.

Mainframe capacity and new product sales growth can vary on both a quarterly and annual basis. We believe the period-over-period change in mainframe solutions new sales and capacity combined is a more appropriate measure of performance. So starting in the first quarter of fiscal 2015, we will provide only total mainframe solutions new sales. Overall, we continue to expect our Mainframe Solutions segment revenue to perform in-line with the industry.

Enterprise Solutions new sales were down mid-single digits, as reported. Enterprise Solutions performance for fiscal 2014 was inconsistent across most product lines and geographies. Our services bookings were flat, as reported.

On an as-reported basis, total Q4 renewals were down a low teens percentage and our Q4 renewal yield was in the mid-90% range. Q4 total new product and capacity sales were down mid-20% range, as reported. In our Mainframe Solutions segment, Q4 new sales including capacity declined approximately 50%, as reported. Mainframe solutions new product sales declined high single digits and mainframe solutions capacity declined approximately 70%, as reported. The capacity decline was primarily due to a large Q4 fiscal 2013 mainframe solutions capacity deal. We expect our mainframe solutions revenue growth to be in-line with the industry. Enterprise solutions new sales were down high single digits, on an as reported basis. Q4 new service engagements were up 12% as reported.

From a balance sheet perspective, current revenue backlog was flat. This reflects a combination of our unfavorable year-to-date new sales performance offset by the favorable year-over-year impact from the large renewal that closed in Q3, which had been expected to expire in Q4. In addition, current billings backlog was down 7%, as reported, due primarily to the timing of billings from committed contracts. We ended Q4 with approximately $1.3 billion in net cash.

For fiscal 2014, revenue was $4.52 billion, down 1%. This was at the high end of our revised guidance of down 2% to down 1%. Our fiscal 2014 non-GAAP operating margin was 37%, up from 35% in fiscal 2013. Our fiscal 2014 GAAP operating margin came in at 24%. Fiscal 2014 non-GAAP diluted earnings per share was $3.07, up 25%. GAAP diluted earnings per share was $1.99, flat year-over-year. Our fiscal 2014 non-GAAP and GAAP tax rate was 13.5%, in-line with our guidance of 14%, reflecting the favorable resolutions of uncertain tax positions relating to U.S. and non-U.S. jurisdictions, which includes the completion of the examination of our U.S. federal income tax returns for fiscal 2005, 2006 and 2007.

Fiscal 2014 cash flow from operations was $997 million and in-line with our guidance. Our cash flow from operations was affected by the items we outlined during our investor presentation last May, including incremental cash taxes net of refunds, cash outflows from our workforce rebalancing initiative, and an increase in internally developed software costs recognized as expense, which unfavorably affected cash flow from operations. Fiscal 2014 single installment cash payments from customers were down $170 million year-over-year.

Fiscal 2014 Q4 total revenue was $1.11 billion, down 2%. Q4 non-GAAP operating margin was 30% and GAAP operating margin was 17%. Our Q4 operating margins were impacted by normal seasonality as well as an increase in our marketing and development initiatives. Q4 non-GAAP diluted earnings per share was $0.61, down 4% and GAAP diluted earnings per share was $0.23, down 52%. Q4 CFFO was $483 million. In the quarter, single installment cash payments from customers were down $90 million year-over-year.

Turning to our results by segment, for both Q4 and fiscal 2014, Mainframe Solutions segment revenue was flat year-over-year. Mainframe Solutions segment operating margins were 55% for Q4 and 60% for the full year. For both Q4 and fiscal 2014, our Enterprise Solutions segment revenue declined 4%. Enterprise Solutions segment operating margins were -2% for Q4 and 9% for the full year.

Services revenue was down 7% in Q4 but flat for the full year. Services segment operating margins were 1% for Q4 and 6% for the full year.

The sequential decline from Q3 to Q4 in total operating margin primarily reflects operating expense seasonality, the full impact of our recent marketing and development investments, and revenue performance.

Turning to fiscal 2015 outlook, our guidance is based on exchange rates on the last day of the preceding quarter, which was March 31, 2014. This includes a partial hedge of operating income.

Total revenue is expected to decrease in a range of negative 2% to negative 1% in constant currency. This translates to reported revenue of $4.43 billion to $4.49 billion. We expect year-over-year revenue growth to be down low single digits in the first half of fiscal 2015 and to improve through the second half of the fiscal year.

We expect our non-GAAP operating margin to be 37% and GAAP operating margin to be 28%.

Non-GAAP diluted earnings per share is expected to decrease in the range of negative 21% to negative 19% in constant currency. This translates to reported non-GAAP diluted earnings per share of $2.45 to $2.52. This reflects an approximately 19% impact from the return to a normalized tax rate in fiscal 2015.

GAAP diluted earnings per share is expected to decrease in the range of negative 12% to negative 8% in constant currency. This translates to reported GAAP diluted earnings per share of $1.79 to $1.86.

Cash flow from operations is expected to grow in a range of 5% to 12% in constant currency. This translates to reported cash flow from operations of $1.06 billion to $1.13 billion. Our fiscal 2015 cash flow guidance includes approximately $60 million related to cash outflows for rebalancing payments.

We currently expect our fiscal 2015 renewal portfolio to be down high single digits as compared with fiscal 2014. Excluding the large Q3 fiscal 2014 renewal, we expect our fiscal 2015 renewal portfolio to be flat year-over-year.

Guidance does not include the effect of any future material acquisitions. Underlying this guidance, we expect our GAAP tax rate and non-GAAP tax rate to be approximately 30%.

At the end of fiscal 2015, we expect approximately 436 million shares outstanding, and a weighted average diluted share count of approximately 442 million shares.