CA, INC.

FORM 10-Q
(Quarterly Report)

Filed 02/02/96 for the Period Ending 12/31/95

Address	ONE CA PLAZA ISLANDIA, NY 11749
Telephone	6313423550
CIK	0000356028
Symbol	CA
SIC Code	7372 - Prepackaged Software
Industry	Software & Programming
Sector	Technology
Fiscal Year	03/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended December 31, 1995 or Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period ended from _____ to _____

Commission File Number 0-10180

Computer Associates International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	13-2857434
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Computer Associates Plaza
Islandia, New York 11788-7000
(Address of principal executive offices) (Zip Code)

(516) 342-5224
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date:

Title of Class	Shares Outstanding
Common Stock par value $.10 per share	as of January 30, 1996 241,930,704

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES

INDEX

Item 1:

Part I. FINANCIAL INFORMATION

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS

(In thousands)

	December 31, 1995 (Unaudited)	March 31, 1995
ASSETS:		
Cash and cash equivalents	$ 55,322	$ 116,579
Marketable securities	107,277	184,643
Trade and installment accounts receivable - net.	1,147,561	787,684
Other current assets	67,800	58,660
TOTAL CURRENT ASSETS	1,377,960	1,147,566
Installment accounts receivable, due after one year - net	1,524,689	1,045,798
Property and equipment - net	425,839	343,953
Purchased software products - net . . .	658,494	342,999
Excess of cost over net assets acquired - net	797,460	300,268
Other noncurrent assets	97,239	88,844
TOTAL ASSETS	$4,881,681	$3,269,428
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Loans payable - banks	$ 495,000	$ 240,000
Other current liabilities	1,036,829	607,893
Long-term debt and other	1,146,467	50,489
Deferred income taxes	636,922	460,838
Deferred maintenance revenue	344,478	332,083
Stockholders' equity	1,221,985	1,578,125
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$4,881,681	$3,269,428

See Notes to Consolidated Condensed Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)

	For the Three Months Ended December 31, 1995	1994
Product revenue and other related income . . .	$ 822,051	$ 535,831
Maintenance fees	182,388	185,201
TOTAL REVENUE	1,004,439	721,032
Costs and expenses:		
Selling, marketing and administrative . . .	371,006	268,294
Product development and enhancements	76,148	60,380
Commissions and royalties	51,514	37,294
Depreciation and amortization	113,946	71,532
Interest expense - net	27,236	2,554
TOTAL COSTS AND EXPENSES	639,850	440,054
Income before income taxes	364,589	280,978
Provision for income taxes	137,411	106,772
NET INCOME	$ 227,178	$ 174,206
NET INCOME PER COMMON SHARE	$ .90	$ .69
Weighted average shares used in computation. .	253,714	251,667*

*Adjusted for three-for-two stock split declared August 9, 1995.

See Notes to Consolidated Condensed Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(In thousands, except per share amounts)

	For the Nine Months Ended December 31,	
	1995	1994
Product revenue and other related income . . .	$ 1,848,959	$1,286,317
Maintenance fees	545,248	534,686
TOTAL REVENUE	2,394,207	1,821,003
Costs and expenses:		
Selling, marketing and administrative	960,928	775,979
Product development and enhancements	204,532	164,764
Commissions and royalties	118,109	87,705
Depreciation and amortization	286,042	185,274
Interest expense - net	46,086	4,752
Purchased research and development	1,303,280	249,300
TOTAL COSTS AND EXPENSES	2,918,977	1,467,774
(Loss) income before income taxes	(524,770)	353,229
Provision for income tax (benefit) expense . .	(203,317)	134,227
NET (LOSS) INCOME	$(321,453)	$ 219,002
NET (LOSS) INCOME PER COMMON SHARE	$(1.33)	$ .87
Weighted average shares used in computation . .	241,317	251,982*

*Adjusted for three-for-two stock split declared August 9, 1995

See Notes to Consolidated Condensed Financial Statements.

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	For the Nine Months Ended December 31, 1995	1994
OPERATING ACTIVITIES:		
Net (loss) income.	$(321,453)	$ 219,002
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	286,042	185,274
Provision for deferred income taxes	(384,606)	(29,897)
Charge for purchased research and development. .	1,303,280	249,300
Increase in noncurrent installment accounts receivable - net	(399,111)	(206,439)
Increase (decrease) in deferred maintenance revenue	13,514	(20,217)
Changes in other operating assets and liabilities, excludes effects of acquisitions .	(163,187)	(91,086)
NET CASH PROVIDED BY OPERATING ACTIVITIES	334,479	305,937
INVESTING ACTIVITIES:		
Acquisitions, primarily purchased software, marketing rights and intangibles	(1,772,282)	(371,991)
Purchases of property and equipment	(17,500)	(30,589)
Decrease in current marketable securities	79,815	62,498
Capitalized development costs	(9,872)	(12,203)
NET CASH USED IN INVESTING ACTIVITIES	(1,719,839)	(352,285)
FINANCING ACTIVITIES:		
Increase (decrease) in long-term debt - net . . .	1,098,498	(84,076)
Increase in loans payable-banks - net	255,000	235,000
Dividends paid	(16,086)	(16,172)
Exercise of common stock options/other	16,440	12,933
Purchases of treasury stock	(27,106)	(161,666)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	1,326,746	(13,981)
DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES ON CASH	(58,614)	(60,329)
Effect of exchange rate changes on cash	(2,643)	6,861
DECREASE IN CASH AND CASH EQUIVALENTS	(61,257)	(53,468)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	116,579	133,127
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 55,322	$ 79,659

COMPUTER ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

DECEMBER 31, 1995

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended December 31, 1995 are not necessarily indicative of the results that may be expected for the year ending March 31, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included in Computer Associates International, Inc.'s (the "Registrant" or the "Company") Annual Report on Form 10-K for the fiscal year ended March 31, 1995.

Dividends: In December 1995, the Company's Board of Directors declared its semi-annual cash dividend of $.07 per share. The dividend was paid on January 12, 1996 to stockholders of record on December 22, 1995.

Net Income per Share: Net income per common share is computed by dividing net income by the weighted average number of common shares and any dilutive common share equivalents outstanding. Common share equivalents for the nine month period ended December 31, 1995 were excluded because of their anti-dilutive effect. Fully diluted net income per share is the same or not materially different from net income per share.

Stock Split: On August 9, 1995 the Company declared a three-for-two stock split in the form of a stock dividend distributed September 5, 1995 to stockholders of record as of August 21, 1995. All per share data and number of common shares, where appropriate, have been adjusted to reflect the stock split.

Statements of Cash Flows: For the nine months ended December 31, 1995 and 1994, interest paid was $48 and $16 million, respectively, and income taxes paid were $101 and $158 million, respectively.

NOTE B -- ACQUISITIONS

On August 1, 1995, the Company acquired 98% of the issued and outstanding shares of common stock of Legent Corporation ("Legent"), and on November 6, 1995, merged Legent into one of its wholly owned subsidiaries. The aggregate purchase price of approximately $1.8 billion was funded from drawings under the Company's $2 billion credit agreement dated as of July 24, 1995. Legent was engaged in the design, development, marketing, and support of a broad range of computer software products for the management of information systems used to manage mainframe, midrange, server, workstation and PC systems deployed throughout a business enterprise. The acquisition was accounted for as a purchase. The results of Legent's operations have been combined with those of the Company since the date of acquisition.

The Company recorded an $808 million after-tax charge against earnings for the write-off of purchased Legent research and development technology that had not reached the working model stage and has no alternative future use. Had this charge not been taken during the quarter ended September 30, 1995, net income and net income per share for the nine month period ended December 31, 1995 would have been $487 million, or $1.92 per share.

On June 22, 1994, the Company acquired 98% of the issued and outstanding common stock of The ASK Group, Inc. ("ASK"), and on September 20, 1994, merged ASK into one of its wholly owned subsidiaries. The aggregate cost of acquiring the common stock of ASK was approximately $314 million. The purchase price was provided from existing cash balances and from a revolving credit agreement with a group of banks. ASK was primarily in the business of developing, marketing and selling relational database management systems, data access and connectivity products, manufacturing and financial software application tools and provided related consulting and support services. The acquisition was accounted for as a purchase. The results of ASK's operations have been combined with those of the Company since the date of acquisition.

In conjunction with the purchase of ASK, the Company recorded an after-tax charge against earnings of $154 million relating to the write-off of purchased research and development technology that had not reached the working model stage and has no alternative future use. Had this charge not been taken during the quarter ended June 30, 1994, net income for the nine month period ended December 31, 1994 would have been $374 million, or $1.48 per share.

NOTE B -- ACQUISITIONS (continued)

The following table reflects pro forma combined results of operations (unaudited) of the Company, ASK and Legent on the basis that the acquisition of ASK had taken place at the beginning of fiscal year 1995 and the acquisition of Legent had taken place at the beginning of the fiscal years for all periods presented. The after-tax charges in fiscal years 1995 and 1996 of $154 million and $808 million were recorded at the beginning of the fiscal year for each of the periods presented:

	(In thousands, except per share amounts)			
	For the Nine Months Ended December 31,		For the Three Months Ended December 31,	
	1995	1994	1995	1994
Revenue	$ 2,494,726	$ 2,147,696	$1,018,439	$ 821,715
Net (loss) income . .	(535,906)	(759,259)	235,858	142,878
Net (loss) income per common share . .	$(2.22)	$(3.14)	$ .93	$ .57
Shares used in computation .	241,317	241,848	253,864	251,667

The following table reflects pro forma combined results of operations (unaudited) of the Company, ASK and Legent on the basis that the acquisition of ASK had taken place at the beginning of fiscal year 1995 and the acquisition of Legent had taken place at the beginning of the fiscal years for all periods presented. It excludes the effect of the after-tax charges in fiscal years 1995 and 1996 of $154 million and $808 million:

	(In thousands, except per share amounts)			
	For the Nine Months Ended December 31,		For the Three Months Ended December31,	
	1995	1994	1995	1994
Revenue	$2,494,726	$2,147,696	$1,018,439	$ 821,715
Net income	$ 426,694	$ 203,341	$ 235,858	$ 142,878
Net income per common share .	$ 1.68	$ .81	$ .93	$ .57
Shares used in computation	253,805	251,982	253,864	251,667

In management's opinion, the pro forma combined results of operations are not indicative of the actual results that would have occurred had the acquisitions been consummated at the beginning of fiscal year 1995 or of future operations of the combined companies under the ownership and operation of the Company.

NOTE C- THE 1995 KEY EMPLOYEE STOCK OWNERSHIP PLAN

Under the 1995 Key Employee Stock Ownership Plan (the "1995 Plan") the Stock Option and Compensation Committee of the Board of Directors (the "Committee") is authorized to grant, subject to the attainment of certain common stock price objectives, up to 9,000,000 shares of the Company's common stock to three key executives. The Committee has initially granted 3,000,000 shares of common stock (the "Initial Grant") and may grant up to an additional 6,000,000 shares (the "Additional Grants") based on the price per share of the common stock achieving target levels. The Initial Grant and Additional Grants are non- transferable and subject to substantial risk of forfeiture during the five year period ending March 31, 2000, and further subject to significant limitations on transfer during the seven years following fiscal year 2000. In January 1996, 600,000 shares of common stock under the Initial Grant vested, subject to the continued employment of the key executives and, accordingly, the Company began accruing compensation expense over the employment period ending March 31, 2000.

Item 2:

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Revenue:

Total revenue for the quarter ended December 31, 1995 increased by 39%, or $283 million, over the prior year's comparable quarter. This increase reflects the continued demand for enterprise licensing alternatives with less restrictive pricing options, as well as the continued growth of licensing fees for client/server product offerings on the midrange platform. In addition, the inclusion of Legent products for a full fiscal quarter contributed approximately 10% to total revenue. The increase in midrange platform revenue reflects strong growth in our database, manufacturing and UNIX-based systems management products. Maintenance revenues decreased by $3 million, primarily due to the continued trend in site consolidations. Price changes did not have a material impact in either quarter.

Costs and Expenses:

Selling, marketing and administrative expenses as a percentage of total revenue for the December 1995 quarter was unchanged from the December 1994 quarter, at 37%. Net research and development expenditures increased $16 millon, or 26%, over the December 1994 quarter. The increase was a direct result of the addition of the Legent products and associated development personnel, the focus on expanding the client/server product offerings, in particular the CA-Unicenter products, and continued support and development for the ASK products. Commissions and royalties remained at 5% of revenue for both the December 1995 and 1994 quarters. Depreciation and amortization expense increased $42 million in the December 1995 quarter over the December 1994 quarter, primarily due to the $56 million increase in depreciation and amortization associated with the Legent acquisition offset by the expected decrease of $12 million in ASK purchased software amoritzation. In the December 1995 quarter, net interest expense increased by $25 million over the December 1994 quarter, a direct result of higher debt levels associated with borrowings used to finance the Legent acquisition.

Item 2: (Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operating Margins:

Pre-tax income for the quarter ended December 1995 exceeded the prior year's comparable quarter by $84 million. However, as a percentage of total revenue pre-tax income decreased to 36% from 39% in the comparable prior year period. This decrease is due to an increase in interest and depreciation expense attributable to the Legent acquisition. The Company's consolidated effective tax rate for the December 1995 quarter decreased to 37.7% from 38% for the December 1994 quarter, primarily as a result of anticipated increases in foreign tax credits.

Operations:

The Company has traditionally reported lower profit margins in the first two quarters of each fiscal year than those experienced in the third and fourth quarters. As part of the annual budget process, management establishes higher discretionary expense levels in relation to projected revenue for the first half of the year. Historically, the Company's combined third and fourth quarter revenues have been greater than those for the first half of the year, as these two quarters coincide with the clients' calendar year budget periods and the culmination of the Company's annual sales plan. These historically higher second half revenues have resulted in significantly higher profit margins since total expenses have not increased in proportion to revenue. However, past financial performance may not be indicative of future performance, particularly in view of the uncertainties associated with integration of the Legent acquisition, the higher depreciation, amortization and interest expenses noted above and the personnel and infrastructure investments necessary to capitalize on the industry's on going migration to client server technology.

The Company's near term operating results may be affected by a number of other factors, including, but not limited to:
uncertainties relative to global economic conditions; market acceptance of competing technologies; the availability and cost of new solutions; the Company's ability to successfully maintain or increase market share in its core business while expanding its product base into other markets; the strength of its distribution channels; the Company's ability to manage fixed and variable expense growth relative to revenue growth; and the Company's ability to effectively integrate acquired products and operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents and short-term marketable securities decreased by approximately $45 million during the quarter ended December 31, 1995. This decrease was primarily attributable to the repayment of bank debt and payments related to the Legent acquisition, offset by cash generated from operations. Cash from operations, although approximately $30 million higher than that of the prior year, was reduced by approximately $32 million of additional interest payments for the nine months ended December 31, 1995. Additionally, the Company continues to allow clients to finance their purchases of the Company's software over several years. The Company believes that this ability to offer clients attractive financing alternatives provides the Company with a distinct competitive advantage over other software vendors.

During the quarter ended September 30, 1995, the Company entered into a new $2 billion credit facility with a group of banks. An initial draw down of $1.8 billion was used to finance the acquisition of 98% of the issued and outstanding of Common Stock of Legent Corporation. This $2 billion facility is a five year reducing revolving credit agreement having a current all-in borrowing cost at the London Interbank Rate ("LIBOR") plus 47.5 basis points. The margin is adjusted upon the Company's achievement of certain financial conditions and ratios. At December 31, 1995, $1.6 billion was drawn under this credit agreement.

On December 31, 1995, total purchases under the Company's open market common stock repurchase programs were 47.2 million shares. Approximately 12.8 million shares remain available for repurchase under this program. These figures have been adjusted for the Company's three-for-two stock split.

The Company's capital resource requirements as of the end of December 1995 consisted of lease obligations for office space, computer equipment, mortgage or loan obligations and amounts due as a result of product and company acquisitions. It is expected that existing cash, cash equivalents, short-term marketable securities, the availability of borrowings under committed and uncommitted credit lines, as well as cash provided from operations, will be sufficient to meet anticipated cash requirements.

PART II. OTHER INFORMATION

Item 6: Exhibits and Reports on Form 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMPUTER ASSOCIATES INTERNATIONAL, INC.

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Dated:  February 2, 1996          By:/s/ Sanjay Kumar
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                                     Sanjay Kumar,President
                                     and Chief Operating Officer


Dated:  February 2, 1996          By:/s/ Peter Schwartz
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                                     Peter Schwartz
                                     Sr. Vice President - Finance
                                     (Chief Financial and
                                     Accounting Officer)
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ARTICLE 5

MULTIPLIER: 1000

PERIOD TYPE	9 MOS
FISCAL YEAR END	MAR 31 1996
PERIOD START	APR 01 1995
PERIOD END	DEC 31 1995
CASH	55322
SECURITIES	107277
RECEIVABLES	1147561
ALLOWANCES	0
INVENTORY	67800
CURRENT ASSETS	1377960
PP&E	425839
DEPRECIATION	0
TOTAL ASSETS	4881681
CURRENT LIABILITIES	1531829
BONDS	1146467
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	0
OTHER SE	1221985
TOTAL LIABILITY AND EQUITY	4881681
SALES	1848959
TOTAL REVENUES	2394207
CGS	0
TOTAL COSTS	2918977
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	46086
INCOME PRETAX	(524770)
INCOME TAX	(203317)
INCOME CONTINUING	(321453)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(321453)
EPS PRIMARY	(1.33)
EPS DILUTED	(1.33)

End of Filing