January 24, 2017

# CA Technologies Reports Third Quarter Fiscal Year 2017 Results

- ***Third Quarter Results Consistent With Company Expectations***
- ***Third Quarter Revenue of $1,007 Million***
- ***Third Quarter GAAP EPS of $0.50***
- ***Third Quarter Non-GAAP EPS of $0.63***
- ***Third Quarter Cash Flow From Continuing Operations of $517 Million***

NEW YORK--(BUSINESS WIRE)-- CA Technologies (NASDAQ:CA) today reported financial results for its third quarter fiscal 2017, which ended December 31, 2016.

Mike Gregoire, CA Technologies Chief Executive Officer, said:

"I am pleased with the strong growth in cash flow from operations as well as the healthy operating margin and earnings per share we delivered in the third quarter. On a constant currency basis, our revenue in the quarter came in as expected. The cadence and quality of our product releases is improving and we are making progress across a number of strategic imperatives, but we still have work to do to achieve the level of sustainable growth we are targeting."

**FINANCIAL OVERVIEW**

| | Third Quarter FY17 vs. FY16 | | | |
|---|---|---|---|---|
| (dollars in millions, except share data) | **FY17** | **FY16** | **% Change** | **% Change CC*** |
| Revenue | $1,007 | $1,034 | (3)% | (2)% |
| GAAP Income from Continuing Operations | $208 | $219 | (5)% | (9)% |
| Non-GAAP Income from Continuing Operations* | $263 | $268 | (2)% | (3)% |
| GAAP Diluted EPS from Continuing Operations | $0.50 | $0.52 | (4)% | (8)% |
| Non-GAAP Diluted EPS from Continuing Operations* | $0.63 | $0.63 | 0% | (2)% |
| Cash Flow provided by Continuing Operations | $517 | $332 | 56% | 57% |

* Non-GAAP income, Non-GAAP earnings per share and CC or Constant Currency are non-GAAP financial measures, as noted in "Non-GAAP Financial Measures" below. A reconciliation of non-GAAP financial measures to their comparable GAAP financial measures is included in the tables following this news release.

**REVENUE AND BOOKINGS**

| | Third Quarter FY17 vs. FY16 | | | | | |
|---|---|---|---|---|---|---|
| (dollars in millions) | **FY17** | **% of Total** | **FY16** | **% of Total** | **% Change** | **% Change CC*** |
| North America Revenue | $674 | 67% | $702 | 68% | (4)% | (4)% |
| International Revenue | $333 | 33% | $332 | 32% | 0% | 1% |
| Total Revenue | $1,007 | | $1,034 | | (3)% | (2)% |
| | | | | | | |
| North America Bookings | $809 | 64% | $727 | 59% | 11% | 11% |
| International Bookings | $449 | 36% | $515 | 41% | (13)% | (12)% |
| Total Bookings | $1,258 | | $1,242 | | 1% | 2% |
| | | | | | | |
| Current Revenue Backlog | $2,994 | | $3,030 | | (1)% | 0% |

| | | | | |
|---|---|---|---|---|
| Total Revenue Backlog | $7,005 | $6,800 | 3% | 4% |

*CC or Constant Currency is a non-GAAP financial measure, as noted in "Non-GAAP Financial Measures" below. A reconciliation of non-GAAP financial measures to their comparable GAAP financial measures is included in the tables following this news release.

- Total revenue decreased due to decline in subscription and maintenance revenue, professional services revenue and software fees and other revenue.
- Total bookings increased primarily due to an increase in enterprise solutions renewals, partially offset by decreases in mainframe solutions renewals and enterprise solutions new product sales.
- The Company executed a total of 21 license agreements with incremental contract values in excess of $10 million each, for an aggregate contract value of $577 million. During the third quarter of fiscal 2016, the Company executed a total of 18 license agreements with incremental contract values in excess of $10 million each, for an aggregate contract value of $593 million.
- The weighted average duration of subscription and maintenance bookings for the quarter was 3.32 years, compared with 3.76 years for the same period in fiscal 2016.

**EXPENSES, MARGIN AND EARNINGS PER SHARE**

| | Third Quarter FY17 vs. FY16 | | | |
|---|---|---|---|---|
| (dollars in millions) | FY17 | FY16 | % Change | % Change CC** |
| **GAAP** | | | | |
| Operating Expenses Before Interest and Income Taxes | $699 | $741 | (6)% | (4)% |
| Operating Income Before Interest and Income Taxes | $308 | $293 | 5% | 2% |
| Diluted EPS from Continuing Operations | $0.50 | $0.52 | (4)% | (8)% |
| Operating Margin | 31% | 28% | | |
| Effective Tax Rate | 28.8% | 21.2% | | |
| | | | | |
| **Non-GAAP*** | | | | |
| Operating Expenses Before Interest and Income Taxes | $623 | $644 | (3)% | (2)% |
| Operating Income Before Interest and Income Taxes | $384 | $390 | (2)% | (2)% |
| Diluted EPS from Continuing Operations | $0.63 | $0.63 | 0% | (2)% |
| Operating Margin | 38% | 38% | | |
| Effective Tax Rate | 28.5% | 28.5% | | |

*A reconciliation of non-GAAP financial measures to their comparable GAAP financial measures is included in the tables following this news release. Year-over-year non-GAAP results exclude purchased software and other intangibles amortization, share-based compensation, amortization of internal software costs, Board approved workforce rebalancing initiatives and certain other gains and losses. The results also include gains and losses on hedges that mature within the quarter, but exclude gains and losses on hedges that do not mature within the quarter.

**CC or Constant Currency is a non-GAAP financial measure, as noted in "Non-GAAP Financial Measures" below. A reconciliation of non-GAAP financial measures to their comparable GAAP financial measures is included in the tables following this news release.

- GAAP and non-GAAP operating expenses decreased primarily due to favorable foreign exchange and a decline in legal settlement expense included within other (gains) expenses, net, and a decrease in commission expense as a result of the decline in total new product sales, partially offset by an increase in personnel-related costs as a result of severance actions during the third quarter of fiscal 2017.
- GAAP operating expenses were also affected by lower amortization expenses of capitalized software and other intangible assets.
- GAAP EPS was negatively impacted by $0.05 from an increase in GAAP effective tax rate partially offset by a $0.03 impact from improvement in GAAP operating margin primarily due to an overall decrease in GAAP operating expenses.

**SELECTED HIGHLIGHTS FROM THE QUARTER**

- At CA World last November, the Company announced a series of new solutions across its Agile, DevOps, Security and Mainframe portfolios, which included:

* A new identity-as-a-service solution to address identity and access management (IAM) needs for both on-premises and cloud-based applications.

* New DevOps capabilities with intelligent analytics and integrations for cloud services and virtual networks.

* Predictive analytics capabilities with machine learning for the mainframe.

* Enhancements to its leading SaaS solution purpose-built to scale agile practices.

- CA Technologies added new cloud-enabled automation and orchestration capabilities across its portfolio and increased its reach into the European market with the acquisition of Automic Holding GmbH (Automic), a leader in business automation software. The deal, valued at approximately 600 million euros net of cash and cash equivalents acquired, closed earlier this month and complements the company's organic innovation.
- CA Technologies was positioned highest in the Gartner Leader's Quadrant for Ability to Execute within the Full Life Cycle API Management Magic Quadrant. (1)
- CA Technologies has been named a leader in the Gartner Integrated IT Portfolio Analysis Applications Magic Quadrant for the fifth consecutive year.(2)
- CA Technologies has been named a leader in The Forrester Wave: API Management Solutions, Q4 2016.(3)

**SEGMENT INFORMATION**

| | Third Quarter FY17 vs. FY16 | | | | | |
|---|---|---|---|---|---|---|
| | Revenue | | % Change | % Change CC* | Operating Margin | |
| (dollars in millions) | FY17 | FY16 | | | FY17 | FY16 |
| Mainframe Solutions | $546 | $554 | (1)% | (1)% | 61% | 61% |
| Enterprise Solutions | $389 | $398 | (2)% | (2)% | 14% | 12% |
| Services | $72 | $82 | (12)% | (12)% | -4% | 6% |

*CC or Constant Currency is a non-GAAP financial measure, as noted in "Non-GAAP Financial Measures" below. A reconciliation of non-GAAP financial measures to their comparable GAAP financial measures is included in the tables following this news release.

- Mainframe Solutions revenue declined primarily due to insufficient revenue from prior period new sales to offset the decline in revenue contribution from renewals.
- Enterprise Solutions revenue declined primarily due to a decrease in revenue recognized on an upfront basis. Enterprise Solutions operating margin increased primarily due to an overall decrease in operating expenses.
- Services revenue decreased primarily due to a decline in professional services engagements from prior periods. This decline in professional services engagements is a result of several factors including the Company's products being easier to install and manage, an increase in the use of partners for services engagements and the completion of non-strategic projects during previous periods. Operating margin for Services decreased primarily due to the overall decline in professional services revenue and an increase in personnel-related costs as a result of severance actions during the third quarter of fiscal 2017.

**CASH FLOW FROM OPERATIONS**

- Cash flow from operations for the third quarter of fiscal 2017 was $517 million, versus $332 million in the year-ago period. Cash flow from operations increased compared with the year-ago period primarily due to an increase in cash collections, mainly from higher single installment collections, a decrease in vendor disbursements and payroll, and a decrease in other disbursements.

**CAPITAL STRUCTURE**

- Cash and cash equivalents at December 31, 2016 were $2.828 billion.
- With $1.950 billion in total debt outstanding and $139 million in notional pooling, the Company's net cash position was $739 million.
- Approximately 79% of the Company's cash and cash equivalents were held by foreign subsidiaries outside the United States at December 31, 2016.
- As of December 31, 2016, the Company was authorized to purchase $650 million of its common stock under its current stock repurchase program.
- The Company distributed $107 million in dividends to shareholders during the third quarter of fiscal 2017.
- The Company's outstanding share count at December 31, 2016 was 413 million.

**OUTLOOK FOR FISCAL YEAR 2017**

The Company has updated its fiscal 2017 outlook. This guidance includes the acquisition of Automic, assumes no further material acquisitions, and contains "forward-looking statements" (as defined below).

The Company expects the following:*

- Total revenue to be flat as reported and to increase in a range of flat to plus 1 percent in constant currency. Previous guidance was to increase in a range of flat to plus 1 percent as reported and in constant currency. At December 31, 2016 exchange rates, this translates to reported revenue of $4.01 billion to $4.03 billion.
- GAAP diluted earnings per share from continuing operations to increase in a range of 1 percent to 4 percent as reported and flat to 2 percent in constant currency. Previous guidance was to increase in a range of 6 percent to 8 percent as reported and 2 percent to 5 percent in constant currency. At December 31, 2016 exchange rates, this translates to reported GAAP diluted earnings per share from continuing operations of $1.80 to $1.85.
- Non-GAAP diluted earnings per share from continuing operations to be in a range of flat to plus 2 percent as reported and minus 2 percent to flat in constant currency. Previous guidance was to increase in a range of 2 percent to 5 percent as reported and 1 percent to 3 percent in constant currency. At December 31, 2016 exchange rates, this translates to reported non-GAAP diluted earnings per share from continuing operations of $2.42 to $2.47.
- Cash flow from continuing operations to change in a range of minus 5 percent to minus 1 percent as reported and minus 3 percent to plus 1 percent in constant currency. Previous guidance was to change in a range of minus 3 percent to plus 1 percent as reported and in constant currency. At December 31, 2016 exchange rates, this translates to reported cash flow from continuing operations of $0.99 billion to $1.03 billion.

The Company expects a full-year GAAP operating margin of 28 percent and a full year non-GAAP operating margin of 37 percent, which translates to a 1-point decrease from previous guidance for both GAAP and non-GAAP operating margins.

The Company also expects a full-year GAAP and non-GAAP effective tax rate of between 28 percent and 29 percent, unchanged from previous guidance.

The Company anticipates approximately 413 million shares outstanding at fiscal 2017 year-end and weighted average diluted shares outstanding of approximately 415 million for the fiscal year.

*In the outlook section, certain non-material differences between growth rates and translated dollar amounts may arise from impact of rounding.

**Webcast**

This news release and the accompanying tables should be read in conjunction with additional content that is available on the Company's website, including a supplemental financial package, as well as a conference call and webcast that the Company will host at 5:00 p.m. ET today to discuss its unaudited third quarter results. The webcast will be archived on the website. Individuals can access the webcast, as well as the press release and supplemental financial information at http://ca.com/invest or can listen to the call at 1-877-561-2748. The international participant number is 1-720-545-0044.

(1) *Gartner Magic Quadrant for Full Life Cycle API Management, Paolo Malinverno and Mark O'Neill, October 27, 2016.*

(2) *Gartner Magic Quadrant for Integrated IT Portfolio Analysis Applications, Daniel Stang and Stefan Van Der Zijden, November 22, 2016.*

(1)(2) *The Gartner Report(s) described herein, (the "Gartner Report(s)" represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Quarterly Report) and the opinions expressed in the Gartner Report(s) are subject to change without notice.*

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(3) *The Forrester Wave™: API Management Solutions, Q4 2016, by Randy Heffner with Christopher Mines and Amanda LeClair, November 14, 2016.*

**About CA Technologies**

CA Technologies (NASDAQ: CA) creates software that fuels transformation for companies and enables them to seize the opportunities of the Application Economy. Software is at the heart of every business in every industry. From planning, to development, to management and security, CA is working with companies worldwide to change the way we live, transact, and communicate - across mobile, private and public cloud, distributed and mainframe environments. Learn more at www.ca.com.

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**Non-GAAP Financial Measures**

This news release, the accompanying tables and the additional content that is available on the Company's website, including a supplemental financial package, include certain financial measures that exclude the impact of certain items and therefore have not been calculated in accordance with U.S. generally accepted accounting principles (GAAP). Non-GAAP metrics for operating expenses, operating income, operating margin, income from continuing operations and diluted earnings per share exclude the following items: non-cash amortization of purchased software, internally developed software and other intangible assets; share-based compensation expense; charges relating to rebalancing initiatives that are large enough to require approval from the Company's Board of Directors and certain other gains and losses, which include the gains and losses since inception of hedges that mature within the quarter, but exclude gains and losses of hedges that do not mature within the quarter. The effective tax rate on GAAP and non-GAAP income from operations is the Company's provision for income taxes expressed as a percentage of pre-tax GAAP and non-GAAP income from continuing operations, respectively. These tax rates are determined based on an estimated effective full year tax rate, with the effective tax rate for GAAP generally including the impact of discrete items in the period in which such items arise and the effective tax rate for non-GAAP generally allocating the impact of discrete items pro rata to the fiscal year's remaining reporting periods. The non-GAAP effective tax rate is equal to the full year GAAP effective tax rate, therefore no adjustment is required on an annual basis. Non-GAAP adjusted cash flow from operations excludes payments associated with the fiscal 2014 Board-approved rebalancing initiative as described above and restructuring and other payments. Non-GAAP free cash flow excludes purchases of property and equipment. The Company presents constant currency information to provide a framework for assessing how the Company's underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than U.S. dollars are converted into U.S. dollars at the exchange rate in effect on the last day of the Company's prior fiscal year (i.e., March 31, 2016, March 31, 2015 and March 31, 2014, respectively). Constant currency excludes the impacts from the Company's hedging program. The constant currency calculation for annualized subscription and maintenance bookings is calculated by dividing the subscription and maintenance bookings in constant currency by the weighted average subscription and maintenance duration in years. These non-GAAP financial measures may be different from non-GAAP financial measures used by other companies. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. By excluding these items, non-GAAP financial measures facilitate management's internal comparisons to the Company's historical operating results and cash flows, to competitors' operating results and cash flows, and to estimates made by securities analysts. Management uses these non-GAAP financial measures internally to evaluate its performance and they are key variables in determining management incentive compensation. The Company believes these non-GAAP financial measures are useful to investors in allowing for greater transparency of supplemental information used by management in its financial and operational decision-making. In addition, the Company has historically reported similar non-GAAP financial measures to its investors and believes that the inclusion of comparative numbers provides consistency in its financial reporting. Investors are encouraged to review the reconciliation of the non-GAAP financial measures used in this news release to their most directly comparable GAAP financial measures, which are attached to this news release.

**Cautionary Statement Regarding Forward-Looking Statements**

The declaration and payment of future dividends by the Company is subject to the determination of the Company's Board of Directors, in its sole discretion, after considering various factors, including the Company's financial condition, historical and forecasted operating results, and available cash flow, as well as any applicable laws and contractual covenants and any other relevant factors. The Company's practice regarding payment of dividends may be modified at any time and from time to time.

Repurchases under the Company's stock repurchase program may be made from time to time, subject to market conditions and other factors, in the open market, through solicited or unsolicited privately negotiated transactions or otherwise. The program does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion.

Certain statements in this news release (such as statements containing the words "believes," "plans," "anticipates," "expects," "estimates," "targets" and similar expressions relating to the future) constitute "forward-looking statements" that are based upon the beliefs of, and assumptions made by, the Company's management, as well as information currently available to management. These forward-looking statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties, and assumptions. A number of important factors could cause actual results or events to differ materially from those indicated by such forward-looking statements, including: the ability to achieve success in the Company's business strategy by, among other things, ensuring that any new offerings address the needs of a rapidly changing market while not adversely affecting the demand for the Company's traditional products or the Company's profitability to an extent greater than anticipated, enabling the Company's sales force to accelerate growth of sales to new customers and expand sales with existing customers, including sales outside of the Company's renewal cycle and to a broadening set of purchasers outside of traditional information technology operations (with such growth and expansion at levels sufficient to offset any decline in revenue and/or sales in the Company's Mainframe Solutions segment and in certain mature product lines in the Company's Enterprise Solutions segment), effectively managing the strategic shift in the Company's business model to develop more easily installed software, provide additional SaaS offerings and refocus the Company's professional services and education engagements on those engagements that are connected to new product sales, without affecting the Company's financial performance to an extent greater than anticipated, and effectively managing the Company's pricing and other go-to-market strategies, as well as improving the Company's brand, technology and innovation awareness in the marketplace; the failure to innovate or adapt to technological changes and introduce new software products and services in a timely manner; competition in product and service offerings and pricing; the ability of the Company's products to remain compatible with ever-changing operating environments, platforms or third party products; global economic factors or political events beyond the Company's control and other business and legal risks associated with non-U.S. operations; the failure to expand partner programs and sales of the Company's solutions by the Company's partners; the ability to retain and attract qualified professionals; general economic conditions and credit constraints, or unfavorable economic conditions in a particular region, business or industry sector; the ability to successfully integrate acquired companies and products into the Company's existing business; risks associated with sales to government customers; breaches of the Company's data center, network, as well as the Company's software products, and the IT environments of the Company's vendors and customers; the ability to adequately manage, evolve and protect the Company's information systems, infrastructure and processes; the failure to renew license transactions on a satisfactory basis; fluctuations in foreign exchange rates; discovery of errors or omissions in the Company's software products or documentation and potential product liability claims; the failure to protect the Company's intellectual property rights and source code; access to software licensed from third parties; risks associated with the use of software from open source code sources; third-party claims of intellectual property infringement or royalty payments; fluctuations in the number, terms and duration of the Company's license agreements, as well as the timing of orders from customers and channel partners; events or circumstances that would require the Company to record an impairment charge relating to the Company's goodwill or capitalized software and other intangible assets balances; potential tax liabilities; changes in market conditions or the Company's credit ratings; changes in generally accepted accounting principles; the failure to effectively execute the Company's workforce reductions, workforce rebalancing and facilities consolidations; successful and secure outsourcing of various functions to third parties; and other factors described more fully in the Company's other filings with the Securities and Exchange Commission. Should one or more of these risks or uncertainties occur, or should the Company's assumptions prove incorrect, actual results may vary materially from the forward-looking information described herein as believed, planned, anticipated, expected, estimated, targeted or similarly identified. We do not intend to update these forward-looking statements, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

**Table 1**
**CA Technologies**
**Consolidated Statements of Operations**
(unaudited)
(in millions, except per share amounts)

| | Three Months Ended December 31, 2016 | Three Months Ended December 31, 2015 | Nine Months Ended December 31, 2016 | Nine Months Ended December 31, 2015 |
|---|---|---|---|---|
| **Revenue:** | | | | |
| Subscription and maintenance | $ 817 | $ 828 | $ 2,467 | $ 2,496 |
| Professional services | 72 | 82 | 224 | 244 |
| Software fees and other | 118 | 124 | 333 | 276 |
| **Total revenue** | $ 1,007 | $ 1,034 | $ 3,024 | $ 3,016 |
| **Expenses:** | | | | |
| Costs of licensing and maintenance | $ 68 | $ 73 | $ 202 | $ 209 |
| Cost of professional services | 74 | 75 | 222 | 224 |
| Amortization of capitalized software costs | 57 | 65 | 182 | 192 |
| Selling and marketing | 270 | 277 | 747 | 751 |
| General and administrative | 85 | 90 | 257 | 279 |
| Product development and enhancements | 144 | 133 | 428 | 420 |
| Depreciation and amortization of other intangible assets | 18 | 27 | 56 | 83 |
| Other (gains) expenses, net | (17) | 1 | 10 | 2 |
| **Total expenses before interest and income taxes** | $ 699 | $ 741 | $ 2,104 | $ 2,160 |
| **Income from continuing operations before interest and income taxes** | $ 308 | $ 293 | $ 920 | $ 856 |
| Interest expense, net | 16 | 15 | 45 | 36 |
| **Income from continuing operations before income taxes** | $ 292 | $ 278 | $ 875 | $ 820 |
| Income tax expense | 84 | 59 | 257 | 222 |
| **Income from continuing operations** | $ 208 | $ 219 | $ 618 | $ 598 |
| Income from discontinued operations, net of income taxes | $ - | $ 4 | $ - | $ 11 |
| **Net income** | $ 208 | $ 223 | $ 618 | $ 609 |
| | | | | |
| **Basic income per common share:** | | | | |
| Income from continuing operations | $ 0.50 | $ 0.52 | $ 1.48 | $ 1.37 |
| Income from discontinued operations | - | 0.01 | - | 0.03 |
| **Net income** | $ 0.50 | $ 0.53 | $ 1.48 | $ 1.40 |
| **Basic weighted average shares used in computation** | 413 | 420 | 414 | 431 |
| | | | | |
| **Diluted income per common share:** | | | | |
| Income from continuing operations | $ 0.50 | $ 0.52 | $ 1.47 | $ 1.37 |
| Income from discontinued operations | - | 0.01 | - | 0.03 |
| **Net income** | $ 0.50 | $ 0.53 | $ 1.47 | $ 1.40 |
| **Diluted weighted average shares used in computation** | 414 | 421 | 415 | 432 |

**Table 2**
**CA Technologies**
**Condensed Consolidated Balance Sheets**
(in millions)

| | December 31, 2016 | March 31, 2016 |
|---|---|---|
| | (unaudited) | |
| Cash and cash equivalents | $ 2,828 | $ 2,812 |
| Trade accounts receivable, net | 555 | 625 |
| Other current assets | 136 | 124 |

| | | | | |
|---|---|---|---|---|
| **Total current assets** | $ | 3,519 | $ | 3,561 |
| | | | | |
| Property and equipment, net | $ | 219 | $ | 242 |
| Goodwill | | 6,118 | | 6,086 |
| Capitalized software and other intangible assets, net | | 627 | | 795 |
| Deferred income taxes | | 426 | | 407 |
| Other noncurrent assets, net | | 113 | | 113 |
| **Total assets** | $ | 11,022 | $ | 11,204 |
| | | | | |
| Current portion of long-term debt | $ | 4 | $ | 6 |
| Deferred revenue (billed or collected) | | 1,917 | | 2,197 |
| Other current liabilities | | 698 | | 691 |
| **Total current liabilities** | $ | 2,619 | $ | 2,894 |
| | | | | |
| Long-term debt, net of current portion | $ | 1,946 | $ | 1,947 |
| Deferred income taxes | | 8 | | 3 |
| Deferred revenue (billed or collected) | | 651 | | 737 |
| Other noncurrent liabilities | | 222 | | 245 |
| **Total liabilities** | $ | 5,446 | $ | 5,826 |
| | | | | |
| Common stock | $ | 59 | $ | 59 |
| Additional paid-in capital | | 3,678 | | 3,664 |
| Retained earnings | | 6,872 | | 6,575 |
| Accumulated other comprehensive loss | | (518) | | (416) |
| Treasury stock | | (4,515) | | (4,504) |
| **Total stockholders' equity** | $ | 5,576 | $ | 5,378 |
| **Total liabilities and stockholders' equity** | $ | 11,022 | $ | 11,204 |

**Table 3**
**CA Technologies**
**Condensed Consolidated Statements of Cash Flows**
(unaudited)
(in millions)

| | Three Months Ended December 31, | | | |
|---|---|---|---|---|
| | 2016 | | 2015 | |
| **Operating activities from continuing operations:** | | | | |
| Net income | $ | 208 | $ | 223 |
| Income from discontinued operations | | - | | (4) |
| Income from continuing operations | $ | 208 | $ | 219 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities: | | | | |
| Depreciation and amortization | | 75 | | 92 |
| Deferred income taxes | | (9) | | (25) |
| Provision for bad debts | | 1 | | (1) |
| Share-based compensation expense | | 26 | | 25 |
| Other non-cash items | | 1 | | 1 |
| Foreign currency transaction gains | | (4) | | (1) |
| Changes in other operating assets and liabilities, net of effect of acquisitions: | | | | |
| Increase in trade accounts receivable | | (119) | | (181) |
| Increase in deferred revenue | | 230 | | 143 |
| Increase in taxes payable, net | | 61 | | 51 |
| Decrease in accounts payable, accrued expenses and other | | (6) | | (41) |
| Increase in accrued salaries, wages and commissions | | 35 | | 23 |
| Changes in other operating assets and liabilities | | 18 | | 27 |
| **Net cash provided by operating activities - continuing operations** | $ | 517 | $ | 332 |

| | | |
|---|---|---|
| **Investing activities from continuing operations:** | | |
| Acquisitions of businesses, net of cash acquired, and purchased software | $ (47) | $ (1) |
| Purchases of property and equipment | (14) | (11) |
| Other investing activities | (1) | - |
| **Net cash used in investing activities - continuing operations** | $ (62) | $ (12) |
| **Financing activities from continuing operations:** | | |
| Dividends paid | $ (107) | $ (105) |
| Purchases of common stock | - | (590) |
| Notional pooling borrowings, net | 15 | 10 |
| Debt (repayments) borrowings, net | (1) | 298 |
| Debt issuance costs | - | (1) |
| Exercise of common stock options | - | 1 |
| Other financing activities | - | (5) |
| **Net cash used in financing activities - continuing operations** | $ (93) | $ (392) |
| Effect of exchange rate changes on cash | $ (119) | $ (37) |
| **Net change in cash and cash equivalents - continuing operations** | $ 243 | $ (109) |
| Cash provided by operating activities - discontinued operations | $ - | $ 4 |
| **Net effect of discontinued operations on cash and cash equivalents** | $ - | $ 4 |
| **Increase (decrease) in cash and cash equivalents** | $ 243 | $ (105) |
| **Cash and cash equivalents at beginning of period** | $ 2,585 | $ 2,458 |
| **Cash and cash equivalents at end of period** | $ 2,828 | $ 2,353 |

**Table 4**
**CA Technologies**
**Operating Segments**
(unaudited)
(dollars in millions)

| | Three Months Ended December 31, 2016 | | | | Nine Months Ended December 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Mainframe Solutions (1) | Enterprise Solutions (1) | Services (1) | Total | Mainframe Solutions (1) | Enterprise Solutions (1) | Services (1) | Total |
| Revenue (2) | $ 546 | $ 389 | $ 72 | $ 1,007 | $ 1,647 | $ 1,153 | $ 224 | $ 3,024 |
| Expenses (3) | 215 | 333 | 75 | 623 | 634 | 981 | 223 | 1,838 |
| **Segment profit (loss)** | $ 331 | $ 56 | $ (3) | $ 384 | $ 1,013 | $ 172 | $ 1 | $ 1,186 |
| **Segment operating margin** | 61% | 14% | -4% | 38% | 62% | 15% | 0% | 39% |
| | | | | | | | | |
| **Segment profit** | | | | $ 384 | | | | $ 1,186 |
| **Less:** | | | | | | | | |
| Purchased software amortization | | | | 39 | | | | 120 |
| Other intangibles amortization | | | | 4 | | | | 13 |
| Internally developed software products amortization | | | | 18 | | | | 62 |
| Share-based compensation expense | | | | 26 | | | | 80 |
| Other gains, net (4) | | | | (11) | | | | (9) |
| Interest expense, net | | | | 16 | | | | 45 |
| **Income from continuing operations before income taxes** | | | | $ 292 | | | | $ 875 |

| | Three Months Ended December 31, 2015 | | | | Nine Months Ended December 31, 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Mainframe Solutions (1) | Enterprise Solutions (1) | Services (1) | Total | Mainframe Solutions (1) | Enterprise Solutions (1) | Services (1) | Total |
| Revenue [2] | $ 554 | $ 398 | $ 82 | $ 1,034 | $ 1,668 | $ 1,104 | $ 244 | $ 3,016 |
| Expenses [3] | 218 | 349 | 77 | 644 | 641 | 996 | 227 | 1,864 |
| **Segment profit** | $ 336 | $ 49 | $ 5 | $ 390 | $ 1,027 | $ 108 | $ 17 | $ 1,152 |
| **Segment operating margin** | 61% | 12% | 6% | 38% | 62% | 10% | 7% | 38% |
| **Segment profit** | | | | $ 390 | | | | $ 1,152 |
| **Less:** | | | | | | | | |
| Purchased software amortization | | | | 39 | | | | 106 |
| Other intangibles amortization | | | | 11 | | | | 36 |
| Internally developed software products amortization | | | | 26 | | | | 86 |
| Share-based compensation expense | | | | 25 | | | | 70 |
| Other gains, net [4] | | | | (4) | | | | (2) |
| Interest expense, net | | | | 15 | | | | 36 |
| **Income from continuing operations before income taxes** | | | | $ 278 | | | | $ 820 |

(1) The Company's Mainframe Solutions and Enterprise Solutions segments comprise its software business organized by the nature of the Company's software offerings and the platform on which the products operate. The Services segment comprises product implementation, consulting, customer education and customer training, including those directly related to the Mainframe Solutions and Enterprise Solutions software that the Company sells to its customers.

(2) The Company regularly enters into a single arrangement with a customer that includes mainframe solutions, enterprise solutions and services. The amount of contract revenue assigned to operating segments is generally based on the manner in which the proposal is made to the customer. The software product revenue is assigned to the Mainframe Solutions and Enterprise Solutions segments based on either: (1) a list price allocation method (which allocates a discount in the total contract price to the individual products in proportion to the list price of the product); (2) allocations included within internal contract approval documents; or (3) the value for individual software products as stated in the customer contract. The price for the implementation, consulting, education and training services is separately stated in the contract and these amounts of contract revenue are assigned to the Services segment. The contract value assigned to each operating segment is then recognized in a manner consistent with the revenue recognition policies the Company applies to the customer contract for purposes of preparing the Consolidated Financial Statements.

(3) Segment expenses include costs that are controllable by segment managers (i.e., direct costs) and, in the case of the Mainframe Solutions and Enterprise Solutions segments, an allocation of shared and indirect costs (i.e., allocated costs). Segment-specific direct costs include a portion of selling and marketing costs, licensing and maintenance costs, product development costs and general and administrative costs. Allocated segment costs primarily include indirect and non-segment specific direct selling and marketing costs and general and administrative costs that are not directly attributable to a specific segment. The basis for allocating shared and indirect costs between the Mainframe Solutions and Enterprise Solutions segments is dependent on the nature of the cost being allocated and is either in proportion to segment revenues or in proportion to the related direct cost category. Expenses for the Services segment consist of cost of professional services and other direct costs included within selling and marketing and general and administrative expenses. There are no allocated or indirect costs for the Services segment.

(4) Other gains, net consists of costs associated with certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

**Table 5**
**CA Technologies**
**Constant Currency Summary**
(unaudited)
(dollars in millions)

| | Three Months Ended December 31, | | | | Nine Months Ended December 31, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | % Increase (Decrease) in $ US | % Increase (Decrease) in Constant Currency (1) | 2016 | 2015 | % Increase (Decrease) in $ US | % Increase (Decrease) in Constant Currency (1) |
| **Bookings** | $1,258 | $1,242 | 1% | 2% | $3,340 | $3,287 | 2% | 2% |
| **Revenue:** | | | | | | | | |
| North America | $ 674 | $ 702 | (4)% | (4)% | $2,033 | $2,031 | 0% | 0% |
| International | 333 | 332 | 0% | 1% | 991 | 985 | 1% | 2% |
| Total revenue | $1,007 | $1,034 | (3)% | (2)% | $3,024 | $3,016 | 0% | 1% |
| **Revenue:** | | | | | | | | |
| Subscription and maintenance | $ 817 | $ 828 | (1)% | (1)% | $2,467 | $2,496 | (1)% | (1)% |
| Professional services | 72 | 82 | (12)% | (12)% | 224 | 244 | (8)% | (8)% |
| Software fees and other | 118 | 124 | (5)% | (6)% | 333 | 276 | 21% | 21% |
| Total revenue | $1,007 | $1,034 | (3)% | (2)% | $3,024 | $3,016 | 0% | 1% |
| **Segment Revenue:** | | | | | | | | |
| Mainframe solutions | $ 546 | $ 554 | (1)% | (1)% | $1,647 | $1,668 | (1)% | (1)% |
| Enterprise solutions | 389 | 398 | (2)% | (2)% | 1,153 | 1,104 | 4% | 5% |
| Services | 72 | 82 | (12)% | (12)% | 224 | 244 | (8)% | (8)% |
| **Total expenses before interest and income taxes:** | | | | | | | | |
| Total GAAP | $ 699 | $ 741 | (6)% | (4)% | $2,104 | $2,160 | (3)% | (1)% |
| Total non-GAAP (2) | 623 | 644 | (3)% | (2)% | 1,838 | 1,864 | (1)% | 0% |

(1) Constant currency information is presented to provide a framework for assessing how the Company's underlying businesses performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period results for entities reporting in currencies other than U.S. dollars are converted into U.S. dollars at the exchange rate in effect on March 31, 2016, which was the last day of the prior fiscal year. Constant currency excludes the impacts from the Company's hedging program.

(2) Refer to Table 7 for a reconciliation of total expenses before interest and income taxes to total non-GAAP operating expenses.

Certain non-material differences may arise versus actual from impact of rounding.

**Table 6**
**CA Technologies**
**Reconciliation of Select GAAP Measures to Non-GAAP Measures**
(unaudited)
(dollars in millions)

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| GAAP net income | $ 208 | $ 223 | $ 618 | $ 609 |
| GAAP income from discontinued operations, net of income taxes | - | (4) | - | (11) |

| | | | | |
|---|---|---|---|---|
| GAAP income from continuing operations | $ 208 | $ 219 | $ 618 | $ 598 |
| GAAP income tax expense | 84 | 59 | 257 | 222 |
| Interest expense, net | 16 | 15 | 45 | 36 |
| GAAP income from continuing operations before interest and income taxes | $ 308 | $ 293 | $ 920 | $ 856 |
| GAAP operating margin (% of revenue) (1) | 31% | 28% | 30% | 28% |
| | | | | |
| Non-GAAP adjustments to expenses: | | | | |
| Costs of licensing and maintenance (2) | $ 2 | $ 2 | $ 5 | $ 5 |
| Cost of professional services (2) | 1 | 1 | 3 | 3 |
| Amortization of capitalized software costs (3) | 57 | 65 | 182 | 192 |
| Selling and marketing (2) | 9 | 9 | 28 | 25 |
| General and administrative (2) | 8 | 9 | 27 | 25 |
| Product development and enhancements (2) | 6 | 4 | 17 | 12 |
| Depreciation and amortization of other intangible assets (4) | 4 | 11 | 13 | 36 |
| Other gains, net (5) | (11) | (4) | (9) | (2) |
| Total Non-GAAP adjustment to operating expenses | $ 76 | $ 97 | $ 266 | $ 296 |
| Non-GAAP income from continuing operations before interest and income taxes | $ 384 | $ 390 | $ 1,186 | $ 1,152 |
| Non-GAAP operating margin (% of revenue) (6) | 38% | 38% | 39% | 38% |
| | | | | |
| Interest expense, net | 16 | 15 | 45 | 36 |
| GAAP income tax expense | 84 | 59 | 257 | 222 |
| Non-GAAP adjustment to income tax expense (7) | 21 | 48 | 69 | 96 |
| Non-GAAP income tax expense | $ 105 | $ 107 | $ 326 | $ 318 |
| Non-GAAP income from continuing operations | $ 263 | $ 268 | $ 815 | $ 798 |

(1) GAAP operating margin is calculated by dividing GAAP income from continuing operations before interest and income taxes by total revenue (refer to Table 1 for total revenue).

(2) Non-GAAP adjustment consists of share-based compensation.

(3) For the three month periods ending December 31, 2016 and 2015, non-GAAP adjustment consists of $39 million and $39 million of purchased software amortization and $18 million and $26 million of internally developed software products amortization, respectively. For the nine month periods ending December 31, 2016 and 2015, non-GAAP adjustment consists of $120 million and $106 million of purchased software amortization and $62 million and $86 million of internally developed software products amortization, respectively.

(4) Non-GAAP adjustment consists of other intangibles amortization.

(5) Non-GAAP adjustment consists gains and losses since inception of hedges that mature within the quarter, but excludes gains and losses of hedges that do not mature within the quarter.

(6) Non-GAAP operating margin is calculated by dividing non-GAAP income from continuing operations before interest and income taxes by total revenue (refer to Table 1 for total revenue).

(7) The full year non-GAAP income tax expense is different from GAAP income tax expense because of the difference in non-GAAP income from continuing operations before income taxes. On an interim basis, this difference would also include a difference in the impact of discrete and permanent items where for GAAP purposes the effect is recorded in the period such items arise, but for non-GAAP such items are recorded pro rata to the fiscal year's remaining reporting periods.

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

**Table 7**

**CA Technologies**
**Reconciliation of GAAP to Non-GAAP**
**Operating Expenses and Diluted Earnings per Share**
(unaudited)
(in millions, except per share amounts)

| Operating Expenses | Three Months Ended December 31, 2016 | Three Months Ended December 31, 2015 | Nine Months Ended December 31, 2016 | Nine Months Ended December 31, 2015 |
|---|---|---|---|---|
| Total expenses before interest and income taxes | $ 699 | $ 741 | $ 2,104 | $ 2,160 |
| Non-GAAP operating adjustments: | | | | |
| Purchased software amortization | 39 | 39 | 120 | 106 |
| Other intangibles amortization | 4 | 11 | 13 | 36 |
| Internally developed software products amortization | 18 | 26 | 62 | 86 |
| Share-based compensation | 26 | 25 | 80 | 70 |
| Other gains, net [1] | (11) | (4) | (9) | (2) |
| Total non-GAAP operating adjustment | $ 76 | $ 97 | $ 266 | $ 296 |
| Total non-GAAP operating expenses | $ 623 | $ 644 | $ 1,838 | $ 1,864 |

| Diluted EPS from Continuing Operations | Three Months Ended December 31, 2016 | Three Months Ended December 31, 2015 | Nine Months Ended December 31, 2016 | Nine Months Ended December 31, 2015 |
|---|---|---|---|---|
| GAAP diluted EPS from continuing operations | $ 0.50 | $ 0.52 | $ 1.47 | $ 1.37 |
| Non-GAAP adjustments: | | | | |
| Purchased software amortization | 0.09 | 0.09 | 0.29 | 0.24 |
| Other intangibles amortization | 0.01 | 0.03 | 0.03 | 0.08 |
| Internally developed software products amortization | 0.04 | 0.06 | 0.15 | 0.20 |
| Share-based compensation | 0.06 | 0.06 | 0.19 | 0.16 |
| Other (gains) expenses, net [1] | (0.02) | (0.01) | (0.02) | - |
| Tax effect of non-GAAP adjustments | (0.05) | (0.05) | (0.19) | (0.18) |
| Non-GAAP effective tax rate adjustments [2] | - | (0.07) | 0.02 | (0.04) |
| Total non-GAAP adjustment | $ 0.13 | $ 0.11 | $ 0.47 | $ 0.46 |
| Non-GAAP diluted EPS from continuing operations | $ 0.63 | $ 0.63 | $ 1.94 | $ 1.83 |

(1) Other (gains) expenses, net consists of costs associated with certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

(2) The non-GAAP effective tax rate is equal to the full year GAAP effective tax rate, therefore no adjustment is required on an annual basis. On an interim basis, the difference in non-GAAP income tax expense and GAAP income tax expense relates to the difference in non-GAAP income from continuing operations before income taxes, and includes a difference in the impact of discrete and permanent items where for GAAP purposes the effect is recorded in the period such items arise but for non-GAAP purposes such items are recorded pro rata to the fiscal year's remaining reporting periods.

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

**Table 8**
**CA Technologies**

**Effective Tax Rate Reconciliation**
**GAAP and Non-GAAP**
(unaudited)
(dollars in millions)

| | Three Months Ended December 31, 2016 | | Nine Months Ended December 31, 2016 | |
|---|---|---|---|---|
| | GAAP | Non-GAAP | GAAP | Non-GAAP |
| Income from continuing operations before interest and income taxes (1) | $ 308 | $ 384 | $ 920 | $ 1,186 |
| Interest expense, net | 16 | 16 | 45 | 45 |
| Income from continuing operations before income taxes | $ 292 | $ 368 | $ 875 | $ 1,141 |
| Statutory tax rate | 35% | 35% | 35% | 35% |
| Tax at statutory rate | $ 102 | $ 129 | $ 306 | $ 399 |
| Adjustments for discrete and permanent items (2) | (18) | (24) | (49) | (73) |
| Total tax expense | $ 84 | $ 105 | $ 257 | $ 326 |
| Effective tax rate (3) | 28.8% | 28.5% | 29.4% | 28.6% |

| | Three Months Ended December 31, 2015 | | Nine Months Ended December 31, 2015 | |
|---|---|---|---|---|
| | GAAP | Non-GAAP | GAAP | Non-GAAP |
| Income from continuing operations before interest and income taxes (1) | $ 293 | $ 390 | $ 856 | $ 1,152 |
| Interest expense, net | 15 | 15 | 36 | 36 |
| Income from continuing operations before income taxes | $ 278 | $ 375 | $ 820 | $ 1,116 |
| Statutory tax rate | 35% | 35% | 35% | 35% |
| Tax at statutory rate | $ 97 | $ 131 | $ 287 | $ 391 |
| Adjustments for discrete and permanent items (2) | (38) | (24) | (65) | (73) |
| Total tax expense | $ 59 | $ 107 | $ 222 | $ 318 |
| Effective tax rate (3) | 21.2% | 28.5% | 27.1% | 28.5% |

(1) Refer to Table 6 for a reconciliation of income from continuing operations before interest and income taxes on a GAAP basis to income from continuing operations before interest and income taxes on a non-GAAP basis.

(2) The effective tax rate for GAAP generally includes the impact of discrete and permanent items in the period such items arise, whereas the effective tax rate for non-GAAP generally allocates the impact of such items pro rata to the fiscal year's remaining reporting periods.

(3) The effective tax rate on GAAP and non-GAAP income from continuing operations is the Company's provision for income taxes expressed as a percentage of GAAP and non-GAAP income from continuing operations before income taxes, respectively. The non-GAAP effective tax rate is equal to the full year GAAP effective tax rate. On an interim basis, the effective tax rates are determined based on an estimated effective full year tax rate after the adjustments for the impacts of certain discrete items (such as changes in tax rates, reconciliations of tax returns to tax provisions and resolutions of tax contingencies).

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

**CA Technologies**
**Reconciliation of Projected GAAP Metrics to Projected Non-GAAP Metrics**
(unaudited)

| Projected Diluted EPS from Continuing Operations | Fiscal Year Ending March 31, 2017 | | |
|---|---|---|---|
| Projected GAAP diluted EPS from continuing operations range | $ 1.80 | to | $ 1.85 |
| Non-GAAP adjustments: | | | |
| Purchased software amortization | 0.40 | | 0.40 |
| Other intangibles amortization | 0.03 | | 0.03 |
| Internally developed software products amortization | 0.19 | | 0.19 |
| Share-based compensation | 0.25 | | 0.24 |
| Tax effect of non-GAAP adjustments | (0.25) | | (0.24) |
| Total non-GAAP adjustment | $ 0.62 | | $ 0.62 |
| Projected non-GAAP diluted EPS from continuing operations range | $ 2.42 | to | $ 2.47 |

| Projected Operating Margin | Fiscal Year Ending March 31, 2017 |
|---|---|
| Projected GAAP operating margin | 28% |
| Non-GAAP operating adjustments: | |
| Purchased software amortization | 4% |
| Other intangibles amortization | 0% |
| Internally developed software products amortization | 2% |
| Share-based compensation | 3% |
| Total non-GAAP operating adjustment | 9% |
| Projected non-GAAP operating margin | 37% |

Refer to the discussion of non-GAAP financial measures included in the accompanying press release for additional information.

Certain non-material differences may arise versus actual from impact of rounding.

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