Joseph Doncheski

Thank you and good afternoon everyone. I am Joseph Doncheski, Vice President of Investor Relations for CA. Joining me today are John Swainson, our chief executive officer, and Nancy Cooper, our chief financial officer.

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During this call, non-GAAP financial measures will be discussed. Reconciliations to the most directly comparable GAAP financial measures are included in the earnings release which was filed on Form 8-K earlier today and the supplemental information package. These documents are available on our website at investor.ca.com

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.

With that, I'll turn the call over to John Swainson.

John Swainson

Good afternoon everyone and thank you for joining us.

Q4 marks CA's sixth quarter in a row of solid performance and caps off a fiscal year in which the company made significant progress by virtually every measure.

In the fourth quarter:

- Revenue was up 8 percent;
- Total product and services bookings were up 30 percent,
- Non-GAAP operating margin was up 6 percentage points;
- Non-GAAP diluted earnings per share were up 10 percent; and
- Cash flow from operations was up 32 percent.

For the full fiscal year:

- Revenue was up 8 percent;
- Total product and services bookings were up 15 percent;
- Non-GAAP operating margin was up 6 percentage points;
- Non-GAAP diluted earnings per share were up 35 percent; and,
- Cash flow from operations was up 3 percent.

We also added approximately $280 million to our total billings backlog in FY 08, which is a very good indication that our sales force executed in the marketplace.

Our GAAP and non-GAAP income from continuing operations were affected by several tax charges we took in the fourth quarter after an assessment of our tax position during the quarter. This resulted in a reduction of GAAP earnings by 2 cents per share and non-GAAP earnings by 6 cents per share. Our CFO Nancy Cooper will give you more details, but I am confident we are taking the right steps to improve our tax position

Now, let me spend a few minutes talking about our operational performance.

As I stated at the outset of the call, we are proud of our results and the operational consistency we've shown over the past six quarters. But, we are prouder still of the story behind the numbers: In fiscal 2008 the people of CA focused and executed on the right things to move this Company forward.

We built momentum throughout the year, driven by an energized direct and indirect sales force focused on selling new software licenses to new and existing customers. We made this a priority and we delivered, recording the highest level of software sales at CA in many years. We made further advances in our product portfolio based on our Enterprise IT Management (EITM) strategy, and we executed on our commitment to expense management, making significant year-over-year improvements in both our GAAP and non-GAAP operating margins.

We are taking that momentum into fiscal year 2009. Nancy will discuss this in a few minutes, but our outlook for the FY 2009 fiscal year calls for both healthy top line and bottom line growth and good growth in cash flow from operations.

CA continues to find success with customers by delivering leading-edge IT solutions in the context of our EITM strategy. It is catching on with customers because it speaks to real-world business issues.

Here are two examples of deals we closed in the fourth quarter and how customers are embracing EITM and deriving business value from CA solutions.

Sempra Energy, a $14 billion energy company, serving nearly 30 million customers in Southern California, was transforming its IT resources from a support function to a business enabler. Sempra needed its IT to better respond to business changes and priorities. After a competitive bid that included all the major systems management players, CA won with a comprehensive solution that included Service Desk, CMDB, eHealth, Siteminder, Wily and Clarity.

Here's another:

When Saudi Arabia opened up its domestic air travel market, Saudi Arabian Airlines (SAA) realized it had to make changes to its services to be competitive. SAA embarked on a multi-year business transformation to modernize its fleet and streamline operations, quickly understanding that to improve services, it also had to revamp IT.

Global systems integrator Wipro, SAA's IT service provider approached CA for a security point solution. SAA was already a CA mainframe customer. Upon seeing the value proposition that CA brought to the table with EITM and our unique mainframe expertise, SAA and Wipro broadened the project scope with CA.

With this win, CA expands into a broad EITM solution suite that will manage the full infrastructure from networks to systems, databases, clients and virtual systems along with end-to-end service management based on ITIL best practices.

These customers are representative of the kind of wins that CA is experiencing in the marketplace against the best competition in the industry. We are winning because of the clarity of our EITM strategy, the strength of our products, solutions and services and the dedication of our employees to partnering with our customers.

I'd like to now share a few thoughts about what lies ahead.

I am confident of CA's ability to be successful in fiscal year 2009 and beyond. The reasons for my optimism are quite simple: The first is we believe our technology is essential to our customers' continued viability. As I've said many times, our customers are being challenged by complexity as never before, because new applications, platforms and hardware are being added to the network all the time. They recognize the importance of governing, managing and securing their complex IT environments is critical to their businesses success. I believe customers will increasingly turn to CA to help them manage their IT environments and continue to invest in IT solutions that enable their success.

The second is our ability to execute. In FY 08, we made significant strides in improving our business processes and being more disciplined and efficient. We will do even more in FY 09.

With that, I'll turn it over to Nancy to take you through the details of the quarter and our financials.

Nancy Cooper

Thanks John.

Before discussing our operating results for the fourth quarter and full year, let me first spend a few minutes talking about the tax impact on these results, and then discuss how these results relate to the updated guidance we provided on our third quarter conference call.

As John stated, our non-GAAP EPS for the full year was up 35%. While this is very strong EPS performance for the full year, at $1.19 it was lower than the updated guidance range of $1.22-1.26 provided on our Q3 earnings call and let me explain why.

As we discussed at analyst day, we needed to take a different and more disciplined approach with taxes to better align us with industry performance over the long-term. So, in December, we hired a new head of tax and undertook an assessment of our tax position.

This assessment led to several tax charges in the fourth quarter, which when combined resulted in a 52.6 percent tax rate on non-GAAP income for the fourth quarter and final tax rate for the year of 39.5 percent versus guidance of 36 percent.

From an EPS perspective, the tax impact on full year non-GAAP earnings was seven cents per share, with six cents attributable to discrete items and the remaining one cent related to ongoing tax performance.

When excluding the impact of these discrete tax items from our full year non-GAAP figures, our tax rate would have been 36.5% for the full year and our non-GAAP EPS performance would have been $1.25 per share, representing a 42% growth year-over-year and at the higher end of our guidance.

I believe that this provides better insight into our true operating performance for the year and I am confident that we have taken the steps necessary to improve our tax planning and better position the company going forward.

Now let me expand further on our strong operational performance. I'll begin by reviewing fourth quarter and full-year financials. Then I'll conclude with our outlook for fiscal 2009. Before I begin, let me go over a few housekeeping items. As part of our ongoing effort to promote transparency and simplification, we have taken the following steps towards making CA easier to understand:

- starting with the P&L, we increased income statement conformity with the industry by breaking out items for cost of goods sold, sales and marketing and G & A;

- for cash flow, we will add the direct method presentation to the MD&A section of the 10-K to show the major factors of CFFO generation;

- in the balance sheet;

    - we will introduce the gross method presentation of accounts receivable in both our 10-K and supplemental presentation. This simplifies the presentation of total billings backlog, total revenue backlog and expected total future cash collections all of which are important gauges of the future health of the business

    - and finally, we simplified our supplemental which includes CA's key metrics.

And we will continue to find ways to make CA easier to understand.

CA's continued momentum in the fourth quarter led to a strong finish to the fiscal year for bookings, revenue, non-GAAP operating income and cash flow.

And now to the financials -

Total product and services bookings grew 30% to $1.5 billion in the quarter and 15% to $4.5 billion for fiscal 2008, which is in line with our guidance of mid-teens growth.

During the year, we signed 61 license agreements greater than $10 million which aggregated to $1.4 billion, compared to 42 such contracts aggregating to $1.1 billion in the prior year.

The weighted average duration of new direct product bookings in fiscal 2008 was 3.22 years, as compared to 3.29 years in the prior year.

When annualized, the year-over-year increase in direct bookings for the full year was 23 percent. We are encouraged by the initial results of improved pricing discipline coupled with focused sales execution. We will continue to build on this momentum.

Total revenue in the quarter was $1.1 billion, up 8 percent from the prior year, or 2 percent on a constant currency basis. For the full year, total revenue was $4.3 billion, which is at the high-end of our guidance and is up 8 percent from the prior year, or 4 percent on a constant currency basis.

Together, subscription and maintenance revenue grew 8 percent for the quarter and 9 percent for the full year from the prior year period.

From a geographic perspective, North American revenue in the fourth quarter was up 2 percent over the prior year and international revenue grew 16 percent, or 3 percent on a constant currency basis. EMEA continued to gain traction in the quarter as a result of better sales execution and we continue to be encouraged by the success of the new team.

Non-GAAP operating expenses for the fourth quarter were $831 million, flat when compared to the prior year period. For the full year, non-GAAP operating expenses were $3.2 billion, up 1 percent when compared to the prior year period.

Excluding an approximate $100 million unfavorable currency impact, full year non-GAAP operating expenses would have been down 3 percent year-over –year.

I am very proud of our expense management initiatives, and we will continue to pursue all areas that allow us to optimize our cost structure.

Non-GAAP operating income before interest and income taxes for the fourth quarter was $254 million, up 45 percent from the prior year. For the full year, non-GAAP operating income before interest and income taxes was $1.1 billion, up 40 percent from the prior year.

Even with variable expenses such as commissions hitting the back-end of the year, non-GAAP operating margin for the fourth quarter was 23 percent, reflecting a 6 percentage point improvement year-over-year. Full year non-GAAP operating margin, inclusive of stock based compensation, was 26 percent also reflecting a 6 percentage point improvement year-over-year. Excluding stock based compensation, full year non-GAAP operating margin was 28 percent.

Non-GAAP income for the fourth quarter increased 7 percent to $117 million compared to $109 million in the prior year period. For the full year, non-GAAP income increased 29 percent to $642 million compared to $499 million in the prior year period.

And this translates into non-GAAP EPS for the fourth quarter of $0.22 compared to $0.22 in the prior year. For the full year, non-GAAP EPS of $1.19 grew 35 percent when compared to $0.88 in the prior year.

When excluding the discrete tax items of $0.06, full year non-GAAP EPS would have been $1.25.

Now let's turn to our GAAP results, which include purchased software, intangible amortization, restructuring and other. Including these items, total expenses before interest and taxes were $935 million for the fourth quarter, which is down 8 percent from the prior year. For the full year, total expenses before interest and taxes were $3.4 billion, down 8 percent from the prior year.

During the fourth quarter, restructuring and other expenses were $74 million for the quarter and $121 million for the full year, which is compared to $100 million and $201 million in the prior year periods.

Now, to finish up the income statement, GAAP income from continuing operations for the fourth quarter was $71 million, or $0.13 per diluted common share, which compares to a loss of $20 million or a loss of $0.04 per share in the prior year period. For the full year, GAAP income from continuing operations was $500 million, or $0.93 per share, which compares to $121 million or $0.22 in the prior year period.

From an EPS perspective, the tax rate impact on full year GAAP earnings was three cents per share, with two cents attributable to discrete items and the remaining one cent related to ongoing tax performance.

When excluding the impact of these discrete tax items from our full year GAAP figures, our tax rate would have been 36.7 percent for the full year and our GAAP EPS performance would have been $0.95 per share. In addition, GAAP earnings per share in the fourth quarter were reduced by 4 cents due to increased restructuring expenses.

Cash flow from operations in the fourth quarter was $690 million, compared to $521 million in the prior year period. For the full year, cash flow from operations was $1.1 billion, up 3% from the prior year and exceeds the high-end of guidance.

A number of factors impacted fourth quarter cash flow. Among these, cash flow was negatively impacted by increased taxes and lower DPO which together totaled approximately $125 million. Fourth quarter cash flow benefited from strong collections driven by the following three items:

First, we had very strong bookings in the quarter as demonstrated by year-over-year growth of 30 percent;

second, as we mentioned in Q3, we had a very large receivable flop into the fourth quarter;

and third, we had an increase in single installment payments of approximately $200 million year-over-year.

We think this was for the full year, a balanced approach to cash collections since collections from single installments were down as a percentage of total product bookings year over year.

Additionally, our future long-term health looks as good as it has for some time as evidenced in our balance sheet by the total billings backlog and total revenue backlog, which respectively increased 10 percent and 11 percent for the year.

Now completing the balance sheet, we ended fiscal 2008 with $2.8 billion in cash and cash equivalents and $2.6 billion of total debt, bringing our net cash position to $214 million.

In summary, fiscal year 2008 was highlighted by the following successes:

- strong double digit growth in total product and services bookings,

- non-GAAP operating margin expansion of 6 percentage points,

- growth in cash flow from operations exceeding the high end of our guidance and,

- balance sheet strength in terms of our net cash position as well as our total billings backlog and total revenue backlog.

Now with that, I'd like to provide our current guidance for fiscal year 2009:

- Total product and services bookings growth in the mid-to-high single digits.

- Total revenue growth of 2 to 4 percent growth in constant currency, or $4.5 to $4.6 billion dollars when translated at today's foreign currency exchange rates, representing a 5 to 7 percent reported growth.

- Non-GAAP EPS of $1.45 to $1.52, which represents 22 to 28 percent growth.

- GAAP EPS of $1.28 to $1.35, which represents 38 to 45 percent growth, inclusive of approximately $30 million of restructuring charges, the majority of which we expect to take in the first quarter.

And now the last part of our guidance

- Cash flow from operations of $1.15 billion to $1.18 billion, which represents 4 to 7 percent growth. This includes about $120 million in restructuring payments and relatively flat cash taxes.

Except as previously stated, guidance reflects current foreign currency exchange rates, assumes no acquisitions and a partial hedge of our operating income.

Finally, we expect approximately 517 million actual shares outstanding, a weighted average diluted share count of approximately 541 million shares and a full year tax rate on non-GAAP income of approximately 37%.

Given CA's improving fundamentals, I'm encouraged by the future health of the business and look forward to fiscal year 2009.

And with that, we'll open the call up for questions.

John Swainson

In conclusion, we are very proud of the progress we made at CA during FY 08.

We continued to build stronger partnerships with our customers. These improved relationships are driving our business as we work not only to unify and simplify their IT environments, but also to help them closely align their IT resources to their business priorities. That was evident by our strong bookings for the year.

We further organized our development teams around delivering EITM, Governance and Mainframe solutions**.** We created a common infrastructure team, and are on our way to delivering an integration platform that ultimately will tie together our products. We also started starting showing the markets that CA stands for innovation.

As a result, CA is well positioned in a market segment that is becoming even more important to a customer's ability to drive business success. I am confident that in FY 09 we will be able to execute and capture these opportunities.

Thank you.