Operator

Good day, everyone. Welcome to the CA Incorporated fourth quarter 2010 earnings conference call. Today's call is being recorded. At this time, I'd like to turn the conference over to Kelsey Doherty, Vice President of Investor Relations. Please go ahead.

Kelsey Doherty – CA – SVP, IR

Thank you and good afternoon everyone. Welcome to CA's Fourth Quarter and Full Year Fiscal 2010 Earnings Call.

Joining me today are Bill McCracken, our chief executive officer, and Nancy Cooper, our chief financial officer. Also on the call and available to answer questions is George Fischer, executive vice president, global sales and marketing.

Bill will open the call with an overview of the fourth quarter and provide some product highlights. Then Nancy will review the full year, provide details on our quarterly performance and give fiscal year 2011 guidance. Bill will return with a few closing comments and we will take your questions.

As a reminder, this conference call is being broadcast on Thursday, May 13th, 2010 over the telephone and the Internet. The information shared in this call is effective as of today's date and will not be updated. All content is the property of CA and is protected by U.S. and international copyright law and may not be reproduced or transcribed in any way without the express written consent of CA. We consider your continued participation in this call as consent to our recording.

During this call, non-GAAP financial measures will be discussed. Reconciliations to the most directly comparable GAAP financial measures are included in the earnings release which was filed on Form 8-K earlier today, as well as in our supplemental earnings materials, all of which are available on our website at 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.

So, with that, let me turn the call over to Bill.

William McCracken – CA - CEO

Thanks, Kelsey and good afternoon everyone. Thank you for joining us.

As many of you know, I am just entering my fourth month in the CEO role and it has been very busy. I have traveled extensively to Asia, Europe and across the US, meeting with our team and spending time with customers – talking to them about CA, our solutions, and our strategic vision. I remain more convinced than ever that the direction we have chosen to take this Company is the right one.

While I will get into our strategy and vision, I want to talk about our fourth quarter performance. I want you to understand how I view our results. And, there are a few puts and takes unique to the fourth quarter that I would like to highlight.

So, let me start with revenue.

- Revenue of $1.1 billion was up 3 percent in constant currency and 7 percent as reported.
- North American revenue was $670 million, up 6 percent in constant currency and 7 percent as reported.
- International revenue was $433 million, down 3 percent in constant currency and up 6 percent as reported.
- Weaker performance in EMEA earlier in fiscal 2010 contributed to this quarter's constant currency decrease in international revenue – as you know revenue is a lagging indicator in CA's business model.
- To address our execution challenges in EMEA we made some changes in the fall, appointing new leadership and bringing on new sales talent. I am encouraged that fourth quarter sales of new software, excluding capacity, were the strongest we have seen in EMEA in more than eight quarters. However, this story is not over… And, we can do better. We continue to upgrade talent in that region and refine our approach. Over time I believe we can increase the revenue contribution from our international markets. EMEA will be an important part of that evolution.
- I want to note that we expect the lagging impact from EMEA's weak sales in the first half of fiscal 2010 to affect revenue in the first quarter of fiscal 2011 – with first quarter revenue growth expected to be the trough for fiscal year 2011. The guidance Nancy will provide later indicates that we also expect revenue to accelerate in the back half of fiscal 2011.

Now let me turn to operating expenses.

- Non-GAAP operating expenses were $846 million, up 9 percent on a constant currency basis and up 17 percent as reported. Non-GAAP operating margin was 23 percent, down from our low 30 percent range.
- The biggest driver of this non-GAAP expense increase was the $50 million restructuring we announced in early April. This equates to $0.06 per share in the quarter. This restructuring was necessary to reposition the Company's operational capabilities to pursue our growth strategy, including virtualization management and cloud computing. Steps like this allow us to invest – in new products, new talent, new channels, but to do so while preserving profitability.
- The next largest driver of expense was sales and marketing. Some of this increase was commissions due to year-over-year growth in new license sales and incentives to promote the sales of our new technologies. A piece of this investment was in people – we were hiring into year-end. To grow, we are going to have to change the DNA of this organization as it relates to new channels to market. And, we have accomplished some of that through bringing talented people to CA, both through acquisition and recruiting.

I would like to talk about our tax rate for a minute – one of the puts and takes I referenced before.

- We improved our tax rate – our non-GAAP rate for the quarter was 28 percent and 34 percent for the full year.
- We continue to refine our tax structure and we believe we are on a path aligned with industry norms which is in the lower 30 percent range.

- So, for the fourth quarter this yielded an $0.08 year-over-year benefit to non-GAAP earnings per share.

Given all of the progress we have made in our strategy, we are pleased with these overall results.

- Non-GAAP diluted earnings per share of $0.34 for the quarter was up 13 percent in constant currency and 10 percent as reported.
- On a GAAP basis, our operating margin was 21 percent and our diluted earnings per share were $0.19, up 54 percent in constant currency and 46 percent as reported.

And, finally – cash flow.

- Cash flow from operations was $636 million, a slight decrease year-over-year due to the timing of single installment payments.
- We ended the year with $1.4 billion in cash flow from operations, which placed us at the high end of our expected range.

Now I would like to turn to the business that was closed in the fourth quarter which will drive future revenue and profit.

As we indicated in January, contract renewals in the back half of fiscal 2010 were roughly evenly split between the third and fourth quarter. For the quarter, total bookings were down 4 percent in constant currency and 1 percent as reported – reflecting lumpiness in our renewal portfolio, a difficult compare in Latin America and ongoing weakness in our internet security business unit.

Sales of new software, including capacity, grew low single-digits. Although there were bright spots in our performance, I am not satisfied with those results and believe we can accelerate that growth and here is why.

- First, our foundation, the mainframe – a market that is forecasted to grow at just over 1 percent compounded annually through 2013 – exceeded our expectations in fiscal 2010.
    - While the large portion of our mainframe business is maintenance, new mainframe product sales are essential to growth. Excluding capacity, these were up more than 20 percent in fiscal 2010.

    - We are #1 or #2 in every significant mainframe management product category in which we compete. We are winning because of our strong commitment to the platform which focuses on innovation and a continuing and expanded role for the mainframe. We call this Mainframe 2.0.

Then there is the growth part of our portfolio – which features market growth rates that range from the high single digits to more than 20 percent compounded annually over the next few years. These markets are where we are focusing our investment and we are seeing progress.

- The first of these growth businesses – our Identity and Access Management business – reported another quarter of record new product sales.

- During the fourth quarter we saw strong sales of both our flagship SiteMinder product and CA Access Control. We added more than 45 new Identity and Access Management customers – some of these were existing CA customers, some were completely new.

- Here is what is behind these strong results: We talk to customers every day who want to take advantage of the cloud, but have concerns about security. Our Identity and Access Management portfolio enables them to confidently move forward with adoption. CA SiteMinder authenticates and federates users to cloud-based applications and CA Identity Manager provisions users to cloud applications such as Salesforce.com.

- Our next growth business is Service Management and Assurance – CA's monitoring and performance management technology.

  - In the fourth quarter Service Assurance – which includes application performance management, eHealth and Spectrum – grew new product sales low double-digits year-over-year, excluding NetQoS.

  - Including NetQoS – Service Assurance sales grew more than 25 percent year-over-year. In its first full quarter with CA, NetQoS new product sales accelerated sequentially and more than doubled year-over-year.

- And, finally, our Cloud portfolio.

- We closed the acquisition of 3Tera on March 25th. 3Tera's AppLogic allows CA customers to provision, deploy and scale both public and private cloud services. Customers range from large telcos offering cloud computing services to ecommerce applications such as Jewelry.com.

- We plan to extend support of 3Tera to both VMware ESX and Microsoft Hyper-V in the back half of this fiscal year.

- And, on March 17th, we closed the acquisition of Nimsoft – IT management solutions particularly suited for emerging markets and emerging enterprises. Nimsoft new product sales grew more than 75 percent year-over-year, with more than half of that business completed after the close of the acquisition.

- We also introduced Nimsoft on Demand, our new software as a service Unified Monitoring solution. In the few weeks since it was launched, more than 100 customers have requested trials of Nimsoft on Demand. We believe Infrastructure Management as a Service will be an important software delivery model for CA.

With a successful fiscal year 2010 behind us – we now turn our attention to 2011 and beyond. The technology market is at an inflection point – recognized by our customers and industry analysts - creating what I believe is a significant opportunity. I also believe CA is well positioned to capitalize on this evolution.

Our customers want to leverage emerging technologies, while also getting the most from their existing investments.

This convergence of requirements is well suited for CA.

- Customers want CA's platform independence. Our heterogeneous approach lets them choose any combination of hardware vendors right for their needs.
- They want CA's decades of experience and expertise across multiple platforms – from mainframe, to physical, to virtual and cloud.
- They want CA's global presence with 24 hour support. They can call on us any time of the day or night to solve problems if and when they arise.
- And, they want technologies to help them keep pace with business demands. We will continue to invest in our products and solutions driving for market leadership in the key markets that underlie our strategy – Mainframe, Service Assurance, Identity and Access Management, Virtualization and Cloud.

We feel good about our strategic direction and we believe 2011 will be a good step towards achieving our longer-term financial objective of high single digit revenue growth.

As you may have read in our press release this afternoon, Mike Christenson is leaving CA effective May 31. I will not be replacing Mike in the COO role. He leaves the Company on a solid operational footing – with many of his accomplishments over the last 5 years having become the fabric of how we run our business today. On behalf of all of us at CA, I would like to thank Mike for his many contributions to CA and wish him well.

With that, let me now turn the call over to Nancy who will provide details on the fourth quarter and full-year results.

Nancy Cooper – CA - CFO

Thank you, Bill.

As Bill mentioned, we had a solid fourth quarter and close to fiscal year 2010, which I will discuss in a moment.

Our results reflect the hard work of our global team, a focus on implementing our strategy and continued operational execution.

Bill took you through the fourth-quarter results, let me put these in the context of our financial performance for the full year:

- Revenue was $4.35 billion, up 3 percent in constant currency and 2 percent as reported.
- Non-GAAP operating expense was $3 billion, up 2 percent in constant currency and as reported. This is good performance in light of the fact that it includes our fiscal year 2010 restructuring and other investments to pursue our growth strategy.
- Non-GAAP operating margin was 31 percent. This would have been 34 percent excluding stock based compensation. Both include 1 percentage point from restructuring and were flat with last year.
- Non-GAAP diluted earnings per share were $1.62, up 8 percent in constant currency and 5 percent as reported. This includes $0.06 per share in restructuring and a $0.04 headwind from

currency… and it also reflects an approximate $0.07 per share benefit from our improvements in our approach to taxes as we continue to work to align our profile with industry norms.

- And, finally, cash flow from operations was $1.4 billion, up 19 percent in constant currency and 12 percent as reported. Four points of growth in cash flow improvements resulted from reduced restructuring payments in fiscal 2010 vs. fiscal 2009.
- On a GAAP basis, our operating margin also improved 3 percentage points to 29 percent and our diluted EPS was $1.47, up 19 percent in constant currency and 14 percent as reported.

I am also pleased to announce that we completed our stock repurchase authorization and CA's Board of Directors approved a new stock repurchase program for $500 million which we announced this afternoon.

Let me now provide some details on fourth quarter performance which reflects our business as we enter 2011.

As we have said, our revenue backlog is the best means of determining future revenue estimates.

Total revenue backlog at the end of the quarter was $8.2 billion – a new record, up 8 percent in constant currency and 11 percent as reported. Both the current and non-current portions of backlog grew on a constant currency and as reported basis – with the current portion growing 4 percent on a constant currency basis and 7 percent as reported year-over-year.

Nimsoft contributed approximately $40 million to revenue backlog in the fourth quarter. As a reminder, Nimsoft primarily sells software on a subscription basis.

So, let me give you some color behind this revenue backlog**:**

Our renewal portfolio is comprised of contracts with various durations – often making year-over-year bookings comparisons less meaningful than at other companies who do not use a subscription model. But to understand our growth dynamics, we will focus on yields on renewals and new product sales.

And, in the fourth quarter:

- Our renewal yield – essentially a same-store-sales metric that indicates the underlying pricing on the renewal portfolio – was just under 90 percent for the quarter. This slight sequential decrease in renewal yield was driven by three data center consolidations resulting from our customers' mergers and acquisitions. Without those three deals, renewal yield would have been more than 90 percent. For the full year, this renewal yield was in the low 90 percent range, an improvement over the past several years.
- Next, new software sales. In percentage terms fourth quarter new software sales, including capacity, grew low single-digits year-over-year, both in constant currency and as reported.
    - Our distributed new software sales grew high single-digits, led by two areas: Service Management & Assurance and Identity & Access Management. We want to see even

more growth out of these businesses which are significant to our strategy.

    - After an exceptionally strong third quarter, sales of new mainframe products, excluding capacity, were down slightly year-over-year in the fourth quarter. But, for the full year sales of new mainframe products were up over 20 percent and validate our investments in the mainframe.
    - Mainframe capacity was flat year-over-year, reflecting the mix of business in our renewal portfolio.

- And, finally, the dollar value of new standalone software sales increased more than 20 percent year-over-year.

Bill gave you many of the details on our fourth quarter results, so I have just a few additional things to cover:

- Total revenue for the quarter was $1.1 billion and grew year-over-year 3 percent in constant currency and 7 percent as reported. This includes a positive foreign exchange impact of approximately $37 million year-over-year. We did see a slight sequential decline in total revenue which is primarily attributable to currency.

- Subscription and maintenance revenue was $968 million, up year-over-year 2 percent in constant currency and 6 percent as reported.

- Revenue from Professional Services was $76 million, down 13 percent in constant currency and 10 percent as reported. While revenue improvements in Services will be a lagging indicator, new engagements accelerated in the back half of the year – the dollar value of new services contracts grew sequentially and more than 30 percent year-over-year in the fourth quarter.

- Revenue from software fees and other was $59 million, up 50 percent in constant currency and 55 percent as reported. This growth includes $11 million in revenue from NetQoS.

Please note that the revenue contribution from Nimsoft was not material due to its subscription pricing model.

On the income statement for the quarter:

- Non-GAAP operating income before interest and taxes was $257 million, down 14 percent on a constant currency basis and 18 percent as reported.

- As Bill mentioned, our non-GAAP operating margin was 23 percent. Excluding the 3 percentage points of stock based compensation expense, our non-GAAP operating margin was 26 percent. This was negatively affected by 5 percentage points due to restructuring.

Turning to GAAP results for the quarter:

- GAAP operating income was $232 million, up 33 percent in constant currency and 29 percent as reported,

- Our effective GAAP tax rate for the fourth quarter was 54 percent due to the effect of discrete items in the quarter. Our full year GAAP tax rate was 34 percent. From a GAAP perspective this yielded a $0.02 year-over-year benefit to EPS in the fourth quarter and a $0.06 year-over-year benefit to full-year EPS.

Now, for cash flow from operations:

Cash flow from operations in the quarter was $636 million, compared to $648 million in the fourth quarter of fiscal 2009. This was down 4 percent in constant currency and 2 percent as reported. Fourth quarter cash flow from operations was affected by a year-over-year decrease in single installment payments which were $182 million in fiscal 2010, compared to $244 million in the fourth quarter of fiscal 2009.

Year-over-year, total billings backlog of $4.6 billion was up 13 percent in constant currency and 16 percent as reported.

DSOs were up slightly year-over-year.

Now I would like to turn to a review of our balance sheet.

CA ended the quarter with approximately $2.5 billion in cash and cash equivalents and $1.5 billion of total debt, bringing our net cash position to approximately $1.0 billion.

During the quarter, we closed the acquisition of Nimsoft for approximately $350 million and this was funded through offshore cash.

As I mentioned, between January and April we purchased approximately 6.7 million shares of stock for a total of $156 million. This completes our $250 million stock repurchase authorization which was announced in October of 2008.

Now I will turn to fiscal year 2011 guidance.

Please note that all non-GAAP operating measures will be reported excluding stock based compensation expense on an ongoing basis. Guidance provided this afternoon reflects that change.

In addition, guidance presented this afternoon includes approximately $0.06 of dilution from the acquisitions closed during fiscal year 2010.

Let me remind you, as has been our practice, guidance is based upon March 31st exchange rates and includes a partial hedge of operating income.

Guidance for fiscal year 2011 reflects our decision to invest in the Company and at the same time to continue improvements in financial performance. Guidance is as follows:

- Total revenue growth is expected to be in a range of 3 to 5 percent in constant currency. At March 31st exchange rates, this translates to reported revenue of $4.5 to $4.6 billion.

- The range on non-GAAP operating margins excluding stock based compensation expense is expected to be 34 to 35 percent which is flat to up one percentage point from fiscal year 2010.

- We continue to expect our GAAP and non-GAAP tax rate to range between 33 and 34 percent in this fiscal year, flat to a one point improvement over fiscal year 2010.

- Non-GAAP diluted earnings per share growth, excluding stock based compensation expense, in constant currency is expected to be in a range of 7 to 12 percent. At March 31st exchange rates, this translates to reported non-GAAP diluted earnings per share of $1.87 to $1.95. Fiscal year 2010 non-GAAP diluted earnings per share was $1.74 excluding stock based compensation expense.

- GAAP diluted earnings per share growth in constant currency is expected to be in a range of 5 to 11 percent. At March 31st exchange rates, this translates to reported GAAP diluted earnings per share of $1.56 to $1.64.

- Cash flow from operations is expected to grow at 2 to 7 percent in constant currency. At March 31st exchange rates, this translates to reported cash flow from operations of $1.4 to $1.475 billion. This includes approximately $50 million in restructuring costs which will reduce cash flow by 3 percent and is why our non-GAAP earnings per share and cash flow from operations growth differ in fiscal 2011.

For the full year we expect approximately 513 million actual shares outstanding and a weighted average diluted share count of approximately 514 million shares. This does not include the affect of any future stock repurchases.

Guidance does not include the affect of any future material acquisitions.

Before I close today's remarks, I would like to give you a little additional color on the first quarter:

- First, as Bill mentioned, we expect revenue to accelerate as we move through the year. As a result, we expect that first quarter revenue growth will be the trough for the year.
- Second, fiscal year 2010 first quarter included approximately $400 million in managed service provider contracts that will not recur in the first quarter of fiscal year 2011.
- Third, first quarter results will include approximately $0.02 of expenses related to CA World, our user conference.
- In addition, last year's first quarter cash flow from operations included a single installment payment of more than $100 million which we do not expect to recur this year.
- And, finally, please note that – from a full-year perspective – our renewal portfolio in fiscal 2011 is weighted towards the back half of the year.

We talked with you in March about our longer term objectives of revenue growth in the high single digits, protecting and expanding profitability and double-digit cash flow growth. Fiscal 2011 guidance is the first step in that direction. It reflects strategic investments made to position CA as a market leader, accelerating growth in our strategic product areas which translates into growing revenue over the year in a gradually improving business environment.

I look forward to seeing many of you at CA World next week and will now turn the call over to Bill.

William McCracken – CA - CEO
Thank you, Nancy.

Before I turn the call back to Kelsey for questions, I would like to make a few closing comments.

We have set this Company on a course for market leadership.

- We have a great asset in mainframe that we are nurturing and that will help fund our future.
- We are investing in growth markets where we have established market leadership – such as identity and access management and service assurance – and are committed to establishing leadership in high growth, next generation technologies such as virtualization and cloud.
- We are focusing on gaining new customers – the more than 14,000 emerging enterprises with revenue from $300 million to $2 billion, a market we have not reached in the past and will now serve through our acquisition of Nimsoft and investments in the channel.
- We are investing in emerging markets: Countries with growth rates well above our currently established market.

- And, we will be offering some of our management solutions in a software as a service delivery model that is easy to use.

I am working very closely with the teams to ensure operational discipline around these initiatives and removing any obstacles that prevent our growth.

As I have said, we will measure our success through growth – both at the top of the P&L in revenue and at the bottom in earnings per share, as well as cash flow.

In a few days, we will kick-off CA World in Las Vegas. It is our premier user conference and we expect about 5,000 customers to attend. For those of you who plan to be there, I assure you, you will come away with a clear understanding of why I am so confident that CA is the company to help customers get the most out of their data centers whether internal systems, in the cloud or a combination of both.

So, with that I will turn it back to Kelsey and we look forward to your questions.

Kelsey Doherty – CA – SVP, IR
Thank you, Bill.

As the operator is polling for questions I would like to inform you that CA will be hosting an investor track at CA World next Monday, May 17th. Portions of this event will be webcast. For details please consult our investor relations website at investor.ca.com.

In addition, CA is presenting at the Morgan Stanley Cloud Computing Symposium on May 25th, the Cowen and Company 38th Annual Technology Media & Telecom Conference on June 2nd, the UBS Global Technology and Services on June 8th and the RBC Technology, Media & Communications Conference on June 9th - all in New York City. Operator, please open the call for questions.

Operator

Our first question will come from Michael Turits with Raymond James.

Michael Turits - Raymond James - Analyst

First off, I don't know how much you were thinking you'd be getting from acquisitions, so how much of that is inorganic, my first thought was maybe a point, so if that's the case regarding basically the same kind of growth rate as you did in fiscal 2010 when you would start to see acceleration off of a relatively weak year so first question and I do have a follow-up is why acceleration given where you expect to be stronger renewals in the back half.

Nancy Cooper - CA - EVP, CFO

Sure, Michael. It's Nancy. First of all we are encouraged. If you look at our revenue backlog it's hit a new level of $8.2 billion so that is encouraging to us and you are correct, the acquisitions do add to the revenue growth of 3 to 5 is a point up from our prior year guidance. We have a recovering service business which actually decelerated our revenue so we are encouraged but this is the level we feel encouraged at right now. I think we've talked about in the last couple of calls that we've had items in Europe that we needed to address and we changed the management team and then when you change the Management team our revenue model is a lagging model, so we have the impacts of that EMEA still coming through and you heard Bill mention that in his commentary so you kind of have to take the combination of services gradually recovering, EMEA gradually recovering, positive effects from the acquisition which made us comfortable feeling 3% to 5% was the appropriate level.

Kelsey Doherty - CA - SVP IR

Great, I think Michael you got disconnected. If you did, please dial back in and we'll take your second question. Next question, please?

Operator

Our next question will come from John DiFucci with JPMorgan.

John DiFucci - JPMorgan - Analyst

Yes, thank you. I have a question for George and maybe a quick follow-up for Nancy. George, just looking out across software in this quarter and most other names have reported before you, we saw sort of less than normal seasonality for a lot of names out there and I'm just curious for what you're seeing in the market, I guess are you seeing December quarter seemed like sort of normal seasonality, the March quarter seemed a little less than that and I'm just curious, what are you seeing and did you see any difference as the quarter progressed? Was this a normal linearity quarter or did it get better or worse as it progressed?

George Fisher - CA - EVP, Global Sales & Marketing

Hi, John.

John DiFucci - JPMorgan - Analyst

Hi.

George Fisher - CA - EVP, Global Sales & Marketing

Well what I'm seeing across-the-board particularly in the key areas that were noted the pipelines are accelerating. I saw some broad based recovery of the IT economy, Brazil, India, EMEA, we had some very strong orders so I'm seeing an acceleration in pipelines in most of the areas, so from my perspective, we're looking at a much more normal environment. In terms of seasonality on the services side we saw an increase in the number of transactions and also an increase in the size of the transactions which you tell me that people are willing to move ahead with larger and broader projects.

John DiFucci - JPMorgan - Analyst

Okay, thank you.

George Fisher - CA - EVP, Global Sales & Marketing

Does that answer your question?

John DiFucci - JPMorgan - Analyst

Yes, it did, thanks, but when I listen to that, George and Nancy to yours, just sort of follow-up to Mike's question, you would expect your anticipation of this year to be a little bit better and Mike was talking about revenue. I'll talk a little bit about cash flow for fiscal 2011 your guidance is low relative to your long term goals of mid to high teens growth. I understand you have the restructuring this year of $50 million but that will hit cash flow but I believe most of that is personnel expenses and if you started to do the back of the envelope calculations you should more than make up for that I would think, that $50 million in savings on personnel even if you just got half the savings this year or so, and I'm not sure, listen, the cash flow growth is a good thing, and that's what you're saying but at the same time, 2% to 7% is different from the mid to high teens and it's actually materially different, so if you can comment on that, please?

Nancy Cooper - CA - EVP, CFO

Sure, John. The reason on both fiscal year 2010 and fiscal year 2011 guidance I called out restructuring is I wanted to show the impact of how those kind of flow at different times and your P & L hit takes place so it really is important to kind of factor that in. I mean the other thing you have is you noticed in the call we mentioned commissions were higher in the fourth Quarter and as part of why we landed at the 162. The cash affect of that hits next year and is actually another two points so you put the two points plus the three points you get a five point impact and you can see that then your cash flow is aligned with your earnings growth.

John DiFucci - JPMorgan - Analyst

Yes, but that happens every year, right? It's your fiscal fourth quarter so you pay that in the first quarter the following year and again I think the restructuring, you're going to incur this as far as the cash expense had to do with mostly had to do with personnel cuts so you won't be paying those people going forward and just it just seems—

Nancy Cooper - CA - EVP, CFO

Oh, okay, John you just cleared up your question for me, thank you. The big thing about the restructuring was the restructuring was a reinvestment in the Business, so the people that we remove from the business were actually reinvesting and we started that in the fourth quarter and we're actually going to end up slightly ahead of where we were last year in the first quarter by about 100 or so heads, so what we did to do the strategy, the restructuring was really critical to accelerate our adoption of the strategy because we had a skill mismatch so we are ending up with more people but they are the right people to excel in the strategy.

William McCracken - CA - CEO
John, let me comment. This is Bill, a little bit too. Because Nancy is really hitting on the right points here and I think it answers your question, but as we said, we started last year investing in where we're going. That's why we drove the restructuring we did. We wanted to rebalance the skills that we had on to the new places we're going, virtualization management, cloud, security in the cloud, and as we move into this year we're continuing to add the skills we want, we'll continue through the year and increase it as it goes through the year and another piece is very important.

You may recall this when we talked before and that is we're going after emerging geographies and going after additionally the emerging enterprise, 14,000 accounts between $300 million and $2 billion and the Nimsoft acquisition we made was for two reasons, one for the technology and two for the channel of delivery through that primarily NSPs. One primary reason I mentioned this before, one of the reasons we did that and Gary, the CEO there, wanted to come with us is he couldn't fund going after the demand was actually out there, we can. We are, we're developing that channel, we're investing heavily in that channel, we're increasing our investment in international markets by 28% this year so we're going after the strategy that we defined for you in what we're going to do and we're investing in that and it's going to turn it back to us as we go through the year because that revenue growth does accelerate as we go through the year. Does that help, John?

John DiFucci - JPMorgan - Analyst

It does help and I'm sorry, I'll have to follow-up with that. I mean if I heard you right, and I understand all of that and you're investing for the future and all that, but it just seems that you should start to see some benefit to that if you're getting the right people, like for instance if I heard you right, Bill, you said you're going to extend support of 3Tera to VMware ESX by the second half of this year. I mean, it's just if you were going to try to create an infrastructure to support cloud computing, I don't see how you can't, I mean wouldn't that be your number one priority to have everybody get that done like as soon as possible. I mean if you aren't supporting VMware, how can you even call yourself a cloud computing company, at least using 3Tera.

William McCracken - CA - CEO

John, a couple things. First of all you know the model that we're on as far as revenue and closing transactions and so when we're closing them out at increasing rate as we go through the year, revenue for us is a lagging indicator, so if we say it's growing as you're going into the back end of the year, you can fast forward that into the following year and understand what that means. Now, on the 3Tera, we're already in the market with that on the platform that was a part of it and you will see and hear as everyone will when you come to CA World next week that in fact we are introducing significant capability into the marketplace and you'll see a demonstration of what our strategy is and delivery of those products so that's one of the reasons I've said in the back end what I said on the introductory part is that you will see that we're starting to deliver on that and yes, we're going to push hard on the additional platforms, that's one of the things we bring to the marketplace and you can trust that we'll be on it but I give you a range of where it's going to be. It's a reasonable range and we'll continue to push out so I think when you walk away from where we already are with cloud capability, virtualization capability and walk away from next week at CA World, I think you'll understand we've got all of the resources.

Kelsey Doherty - CA - SVP IR

Next question, please?

Operator

We'll take your next question from Phil Winslow with Credit Suisse.

Phil Winslow - Credit Suisse - Analyst

Hi guys. Just a question on the mainframe side. Just curious what you're thinking as far as pricing goes or what are you seeing as far as pricing goes this quarter and the past couple quarters and also with the release of the new IBM mainframe coming later this year any sort of changes you're expecting to the environment or unique features that will be part of this mainframe launch?

Nancy Cooper - CA - EVP, CFO

Sure, thanks. On the mainframe we're really encouraged from the reception we've received on Mainframe 2.0. We feel we've added terrific value to what we've offered our customer and because of that we just recently announced a 5% increase in their maintenance price and we fell that will be well received for the feature functionality we provided and in addition we provided our mainframe customers with you saw a 20% growth year-over-year in new capabilities to run their mainframe Business and that and we're seeing an up lift in the mainframe work load that maybe George can give color.

George Fisher - CA - EVP, Global Sales & Marketing
Hi, this is George. Often we're asked to correlate the IBM shipments with our capacity, not directly but what it does do is there's a big move for more work load to be driven in the IBM platform, so we have a number of announcements at CAWorld and both the DB2 products and the entire mainframe line, very bullish on those pipelines as Bill said in his remarks. We had two quarters of very good new license growth on the mainframe. We're also seeing quite a bit of capacity being driven by the move to the cloud and we still see customers looking to increase capacity through this year, so we're bullish. We're looking forward to the IBM announcements as they come out. It drives a lot of work load to the platform and that's good for CA.

Phil Winslow - Credit Suisse - Analyst
Great. Thanks guys.

Operator
We'll hear next question from Katherine Egbert from Jefferies.

Katherine Egbert - Jefferies & Co - Analyst

Hi, good afternoon. My question is on the revenue backlog and bookings so the revenue backlog has been going on but the bookings are still down 5% or 6% with the currency effect year on year. It feels like you're doing better mainly because of the increasing renewal yield not so much because of new deals. Can you comment on that?

Nancy Cooper - CA - EVP, CFO

Sure, so Katherine, one of the things we really swing people to is the revenue backlog. It's the best indicator of us building our business and that's why we hit a new record level of $8.2 billion and it grew both on the current and the non-current portion, it grew 4% constant currency on the current portion, so that really is the main indicator for us because when you look at bookings, you're comparing one set of renewals to another set of renewals and the most important thing for CA is to have a disciplined approach to establish renewal schedules and when we renew a product make sure it's renewed at an appropriate renewal yield. That along with selling new products is how you're seeing that revenue backlog starting to grow and that we feel is much more indicative or much more better indicator of a leading indicator than strictly a bookings renewal.

Katherine Egbert - Jefferies & Co - Analyst

Okay, can you just tell us what's sustainable as far as a renewal yield? Is 90% the right number to be using?

Nancy Cooper - CA - EVP, CFO

Actually we feel very encouraged, a couple years ago we were at 70 and we're up to 90 and we'll always try to dive a little bit higher in the 90s.

Operator

We will take our next question from Abhey Lamba with ISI.

Abhey Lamba - ISI Group - Analyst

Yes, thanks. Nancy, can you talk about the amount of option expense included in next years' guidance and also what is a little bit about your hedging activities and how should we think about movement of currency and its impact on your guidance, which elements are hedged and which elements are more exposed?

Nancy Cooper - CA - EVP, CFO

Could you just clarify your first question a little bit more?

Abhey Lamba - ISI Group - Analyst

The amount of option expense included in your guidance, the stock option expense?

Nancy Cooper - CA - EVP, CFO

Oh, okay, stock option, thank you. Well we are excluding it now from non-GAAP pro forma, but what you will have is you'll see we added 1.62 became 1.74, so it's $0.12 impact and in the guidance we gave you for next year of a 1.87 to 1.95, it's $0.12 and it comes in evenly by quarters. Does that answer your question?

Abhey Lamba - ISI Group - Analyst

Yes, that does, thank you and how about the impact of hedging on your guidance?

Nancy Cooper - CA - EVP, CFO

Sure. On hedging, we hedge the majority of our cash flow and that's what we feel is important to hedge and we hedged it at the beginning of the year. If you're asking the impact on currency, we thought it was very important to call out; we did currency as of March 31 because that is the practice we've been using here because that's our year-end and how we start the next year. It's even more important right now because I'll tell you if you'd asked me that question four days ago I would have told you it's a $0.02 headwind. You asked me that question two days ago I'd tell you it's a $0.04 headwind and I expect us to have quite a bit of variability and not all currencies moving in the direction, so we thought about that carefully and decided it was best to keep it at March 31 because we seen currency go in a variety of directions this year.

Operator

And our next question will come from Derek Bingham from Goldman Sachs.

Derek Bingham - Goldman Sachs - Analyst

Hi, thank you. I wondered if you could just, I want to make sure I was clear on the maintenance pricing increase. That was 5% for all mainframe products?

Nancy Cooper - CA - EVP, CFO

Yes. And we announced it and it's effective July 1.

Derek Bingham - Goldman Sachs - Analyst

And then could you just remind me how that compares to your pace of maintenance price increases in the past, when have you done those historically?

Nancy Cooper - CA - EVP, CFO

Sure. So three years ago, we did a 6% increase. Two years ago we did a 3% increase. During the downturn we did nothing and so now this will be the next, it is 5%.

Operator

We'll hear next question from Matt Hedberg with RBC Capital Markets.

Matt Hedberg - RBC Capital Markets - Analyst

Hi guys, good afternoon. Nancy could you talk a little bit about Q4 close rates, specifically on a year-over-year basis and are your assumptions for 11, are they for consistent close rates?

Nancy Cooper - CA - EVP, CFO

Would you, Matt, kindly define what you're calling a close rate so I answer the question correct?

Matt Hedberg - RBC Capital Markets - Analyst

Yes, just looking at your pipeline business, you obviously make certain assumptions on which deals are closing or scheduled to close. Are those more or less conservative than they kind of exited Q4?

George Fisher - CA - EVP, Global Sales & Marketing

Hi, it's George Fisher. We were very pleased with the close rates across the line, as I said we had very good surge in pipeline across our strong new license sales areas. Bill addressed all of our work around assurance; service assurance and service management were very strong so we had a high close rate. We also had one of the best security quarters ever, so we added 45 new clients for enterprise management which was very strong so we had good pipelines, good close rates. On the portfolio side, we also had a very successful basically the entire inventory went very smoothly and we closed successfully, and we're looking forward to continued expansion in pipelines and also a good portfolio year.

Matt Hedberg - RBC Capital Markets - Analyst

Great. Thanks and then real quickly on the acquisitions that you guys have done, can you give us a status update? Obviously you put in good organic numbers in the Q4 quarter, Nimsoft had a good quarter. Can you talk about the integration efforts ahead of schedule at this point and maybe how much left is to do in terms of integration?

George Fisher - CA - EVP, Global Sales & Marketing

Yes, I'll just the rest of the team will answer also, I just want to comment on the NetQoS. That's worked out great for us because along with our application management product Wylie and NetQoS pretty much put us in the dominant position for marketplace for covering network reliant operations so it was very powerful. Also obviously for revenue and new customers so it's a great technology boost for us and it covers a broad spectrum so you couple that with what's going on with spectrum, our network Management we closed some of the largest transactions ever for that technology, so those integrations both on our story and also direct integrations were great.

On the Nimsoft side, we're very pleased the technology continues to prove to be in some cases even better than we thought it was before we purchased the asset. It has incredible customer response for quality, ease-of-use, and the Business model, so it's covering all the basis for us and it's actually igniting more infrastructure Business as you know, we have a continuum solution from Nimsoft all the way up to application management, so we're very encouraged about how well these acquisitions are integrating into our markets and also into the story.

William McCracken - CA - CEO
This is Bill. Let me comment too. We've talked about this at different times and I've talked about it with a lot of you in the past too. We're really pleased with the acquisitions that we've done. The performance from NetQoS like George said was great this quarter.

Nimsoft is new but the transition is very good and the close rate that they had during the quarter was record setting for them, but if you just take a look at all of the acquisitions we've done over the last five or six months, they are all designed to be part of the strategy we were talking about and when I was talking to John earlier in the call here, each of those is specifically oriented toward the cloud and toward virtualization Management and they address each of the pieces and combined with the capability we already had so delivering new capability into the marketplace and so we're very pleased with the way they have fit into our Company and with the way they allow us to grow as we go through the year.

Kelsey Doherty - CA - SVP IR

Great. Next question please.

Operator

We'll hear next from Kirk Materne from Rafferty Capital Markets.

Kirk Materne - Rafferty Capital Markets - Analyst

Yes, thanks very much. Can you just give me some idea about how I guess the sales kickoff has gone? George, did you do any sort of territory changes, are quotas in place? I assume all of the salesforce is ready to go in the CA world next week with their quotas and territory set?

George Fisher - CA - EVP, Global Sales & Marketing

Yes, hi, Kirk. I'll take that. We had a very good fast start for the forth year in a row, we issued pay plans and quotas the very first week of our year which we're proud of so no operational issues, in fact we think it's a big competitive advantage of ours and we pay commissions on time and have stable territories, also very much improved over the last four years on the continuity of account coverage which is a great yield for us. In addition, we held a series of regional kickoffs around the globe that were very successful in terms of training and getting us ready for this year. As you know, we have an opportunity to talk about a lot of the new solutions and offerings that we have we're bringing to market so that was a great opportunity. Obviously with a new strategy and some enhanced products, the salespeople are very excited about bringing that to market.

We also had very successful recruiting campaign in our fourth quarter so we had a lot of new salespeople. The good news on that for us, many of them are experienced hires, so they ramp very quickly and our ramp rates are going quickly and as you know this weekend we have our CA World and it is the best that we've had in several years and we're launching a series of solutions there, so we're very bullish on the fast start that we have so far and obviously we're also very pleased that the IT economy is waking up and people are much more receptive. The other thing that's very positive is we're getting a lot of technical traction and we're winning a higher level of trials, POCs and head-to-head competition, so that's leading to a good fight and obviously a very good close rate so we expect to have a nice jump off CA World too with the new products.

Kirk Materne - Rafferty Capital Markets - Analyst
Maybe just one-

Nancy Cooper - CA - EVP, CFO
Go ahead.

Kirk Materne - Rafferty Capital Markets - Analyst
Maybe just one follow-up for Nancy. So when you look at the back end loaded nature of this year, is it fair for us to look at the model as we exit this year either from a backlog growth standpoint or from a revenue growth standpoint as sort of the benchmark you'd like to be running at for the full year, your fiscal 2012?

Nancy Cooper - CA - EVP, CFO

Sure, we're going to have accelerating revenue growth all year and that should bode well for the next year, absolutely.

Michael Turits - Raymond James - Analyst

We'll hear next question from Michael Turits with Raymond James. Hi guys, thanks. My line dropped in the middle of the first question. I don't know if anybody addressed it but with Christianson leaving any discussion of where you'll push through these two?

William McCracken - CA - CEO

I'm sorry the last part about it I heard you say was Mike leaving I didn't hear the last part of the question.

Michael Turits - Raymond James - Analyst

Sure, so what happens to his reports? What do you do with what he was covering?

William McCracken - CA - CEO

George has Worldwide Sales and support and service that he runs completely and the operational day-to-day pieces I take on and that is frankly what I do, it's what I've done all my career is the operation side, so that's why after he made that decision, we decided not to replace it because I pick up the operations piece, George runs the Worldwide Sales and Marketing for us and that will continue as it was before.

Michael Turits - Raymond James - Analyst

And maybe answered it, while my line dropped did you say how much of the 3-5% constant currency growth was inorganic for next year?

Nancy Cooper - CA - EVP, CFO

I didn't say but it is around a point.

Michael Turits - Raymond James - Analyst

Okay.

Kelsey Doherty - CA - SVP IR

Great, thanks. This will be our last question.

Operator

Our last question will come from Scott Zeller with Needham & Company.

Scott Zeller - Needham & Co - Analyst

Thanks. Back to the earlier questions about acceleration for this year. Could you give us some more color around the bookings that you have teed up for the year and specifically around deal size and contract opportunity size? Is there a difference this year in what you're looking at versus what we saw last year where there was some quite sizeable deals?

Nancy Cooper - CA - EVP, CFO

Yes, so Scott, it's really important, with our model on revenue, to think about bookings in the following manner. We sell new product sales, that's part of our bookings. We're selling those, you heard George talk about the pipeline. We have services, we expect that to be recovering over this year and then our renewal portfolio is a very managed portfolio of exposure coming up for renewal so what we're doing is we manage those for their expected dates and we try to make sure we optimize the best economic value on those renewals, so they are back end loaded this year.

That's why I mentioned the renewal portfolio will get managed that way, and that should improve. The beginning of the year has this impact from EMEA. The back end part of the year has much better portfolio of new products to sell which you heard George and Bill talk through, a recovering services business that will take off in the second half and the EMEA team has been dramatically changed and we're very encouraged by what we see.

William McCracken - CA - CEO
So let me just sort of wrap here a little bit, because I think what Nancy has just taken for Scott is an important flow of what happens. That's why we look so much at revenue backlog, because that's really where we look and manage the Company from. It's the best indicator for us when you have new sales and service to that. And then when you add to that the acquisitions we've made the way they are Incorporated into what we do, the improvement we saw coming through the second half of the year in EMEA, the improvement we saw coming through the second half of the year on the services side it all points to the continuing growth as we go through next year, and we're very pleased with where we sit and we think we're right in the heart of where the industry is going and we think we will be a leader going into that so thanks to all of you for joining us today and we look forward to talking to you again.

CA, Inc.

Reconciliation of Projected GAAP Operating Margin to Projected Non-GAAP Operating Margin
(unaudited)

	Fiscal Year Ending March 31, 2011		
Projected GAAP Operating Margin Range	28%	to	29%
Non-GAAP Adjustments, Net of Taxes:			
Purchased Software and Intangibles Amortization	4%		4%
Share-based Compensation	2%		2%
Non-GAAP Projected Operating Margin Range	34%	to	35%