Operator

Thank you and good afternoon everyone. Welcome to CA's Third Quarter Fiscal 2010 Earnings Call. I am Kelsey Doherty, senior vice president of Investor Relations for CA.

Kelsey Doherty – CA – *SVP, IR*

Joining me today are Bill McCracken, our Chief Executive Officer and Chairman, and Nancy Cooper, our Chief Financial Officer. Also on the call and available to answer questions are Mike Christenson, President and Chief Operating officer, and George Fischer, Executive Vice President Global Sales and Marketing.

Bill will open the call with an overview of the third quarter and Nancy will provide details on our performance. Then we will take your questions before returning with our closing comments.

As a reminder, this conference call is being broadcast on Thursday, January 28th, 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.

As many of you know, CA's Board of Directors announced the unanimous election of Bill McCracken as CA's chief executive officer.

Bill has a long career in the technology industry, having spent more than 30 years at IBM, where he held numerous senior executive positions, including general manager of IBM's printing division. In addition, he served as president of IBM's PC Company in EMEA and Asia Pacific, and as Ggeneral Manager of Marketing, Sales and Distribution for IBM PC Company.

In 2005, Bill joined CA's Board of Directors and became Non-Executive chairman in 2007. Bill has served as Executive Chairman of CA since September of last year.

For the past five months, Bill has been working closely with the executive leadership team and has been increasingly involved in the day to day operations and management of the Company. So, with that, let me turn the call over to Bill.

William McCracken – CA - *CEO*

Thanks Kelsey and good afternoon everyone.

I am very pleased to speak with you in my new role as the Chief Executive Officer at CA.

But before Nancy and I detail our third quarter results, let me first give you some insight on how I got to be the CEO of CA.

Earlier this week, Gary Fernandes, CA's lead independent director and head of the CEO search committee, asked me if I would consider continuing to lead CA as the CEO.

I can tell you this: I was humbled by the Search Committee's confidence in me.

I've had to make some tough decisions during my 40 year career, but to be honest, this was one not one of them. I told Gary, and the committee, that I would be honored to be considered.

Let me tell you why.

I have had the privilege of leading this company as Executive Chairman for the past five months – after serving on the board since 2005 and as Chairman since 2007.

I've gotten to know the management team much better, met many of CA's 13,000 employees and seen firsthand their passion for CA and its customers.

I’ve seen the outstanding work that has gone into our aggressive new strategy, which positions CA in the emerging world of cloud computing and virtualization.

I have seen this team realign the entire company around our strategy, reinvigorate EMEA and our services organizations with new talent, and inject a new winning attitude across our Company.

And, I worked alongside them as they delivered the strong quarter we’re discussing with you today.

Throughout it all, I have seen what this team can do, what it is capable of achieving and, most importantly, the commitment to building the market’s best enterprise management products, to serving our customers and to building a great Company.

So, when the Board offered me the job, I accepted.

With that, let’s get into an overview of the third quarter results.

Obviously, we are very pleased. Revenue for the period was up, cash flow was strong and we again improved operating margins. Another important indicator, revenue backlog, was up – both total revenue backlog and short-term.

Non-GAAP EPS was flat with the prior year, which I realize seems a bit odd given that we increased both revenue and operating margin. This is the result of a lower third quarter fiscal 2009 non-GAAP tax rate, setting us up for a difficult year-over-year comparison. That difference netted out to approximately 4 cents and Nancy will talk about that in more detail in a moment.

So for the highlights of the quarter:

- First, while still in early stages, we made progress getting our EMEA and Services businesses back on track. With the help of a strong renewal base, EMEA reported good growth, while Services bookings are improving and were the strongest since we re-architected that business. In both cases, we made management changes, brought on new talent, and more tightly aligned the sales models.

- Second, Security – our Identity and Access Management business reported record new product sales. Last fall’s product releases in access control and data loss prevention contributed to these results. We continue to view the issues of Identity and Access Management faced by our customers as significant gating factors to successful migration to virtualization and the cloud. CA's expertise in this area will give us a competitive advantage in helping our customers solve these complex issues.

- Third, Clarity - our project and portfolio management solution - had one of its best quarters ever, with more than 40 new customers added in North America alone. What excites me even more about the impressive number of wins was the success we had with our Clarity software-as-a-service offering which accounted for just under 50 percent of the new North America Clarity customers. This progress in software as a service clearly opens up new customers for CA and expands our reach. We're definitely starting to see an upward trend here.

- Fourth, Mainframe 2.0 and our initiatives designed to change mainframe management continue to drive momentum in the business. Since its introduction in May, mainframe software manager – the first deliverable in the Mainframe 2.0 initiative – has been deployed by more than 150 customers such as ANZ bank and BNP Paribas.

- And, finally, our application performance management business recorded its strongest quarterly performance ever. CA Wily now manages the world's most mission critical business services, including nine of the world's top 10 banks, the world's top 10 telecoms, and the world's top four entertainment companies.

We also made significant progress during the quarter in building out our virtualization and cloud computing capabilities, both in acquiring technology that increases the depth of our offerings and forging strategic relationships.

- In November, we closed the acquisition of NetQoS, a leading provider in network performance and service delivery management solutions. Not only did we receive technology vital to successful delivery of cloud services, we also got an immediate contribution to top line growth.

- Two weeks ago, we also announced our acquisition of Oblicore, a leading provider of Service Level Management software for enterprises and service providers. Oblicore supports and strengthens CA's ability to set, measure and optimize service levels to meet business expectations across enterprise and cloud environments.

Our approach makes sense to customers like Qualcomm, the world leader in next generation mobile technologies, where CA is providing technology in support of Qualcomm's virtualization strategy.

We will continue to make acquisitions and develop organic technology to build out our capabilities in this quickly developing market.

On the business side, we announced a strategic partnership with Salesforce.com to deliver agile development management in the cloud on the Force.com platform. These initial solutions are part of our strategy to extend leadership in the IT Governance market by delivering solutions as a service.

As you can see, we have accomplished a great deal this quarter and are quickly moving ahead as we look to CA World in May to showcase our best in new technology and thought leadership.

Let me now turn the call over to Nancy who will provide details on the third-quarter results.

Nancy Cooper – CA *- CFO*

Thank you, Bill and thank you everyone for joining us this afternoon.

As Bill mentioned, we had a very good third quarter.

Many of you have asked me about bookings as an indicator of the business. At this point roughly 2/3rds of CA's bookings are renewals of contracts with various durations. This is a carefully managed portfolio that does not usually lend itself to year-over-year comparisons.

This quarter the renewal bookings came in as scheduled, we are pleased with the metrics underlying those transactions and we had very strong sales of new products.

Let me give you some details:

- Our renewal yield – essentially the same store sales metric that indicates whether we are holding pricing – was in the low 90 percent range. While renewal yields fluctuate slightly, this number - before we add new capacity and new license sales - is exactly where we would expect it to be at this point in the fiscal year.

- Next, new software licenses. We are working to provide more visibility into our new product sales as we roll out SAP globally. What I can say is that new product sales, including capacity, grew single digits year-over-year, both in constant currency and as reported.

  - Our distributed new sales grew double-digits, led by application performance management, infrastructure management and identity and access management.

  - While on a smaller base, sales of new mainframe products outpaced distributed growth.

  - This was offset by mainframe capacity which was down year-over-year, driven by the mix of business in our renewal portfolio.

- And, finally, new standalone transactions – how successful was our sales force in selling new software licenses that were not linked to renewal? The number of standalone transactions this quarter increased by low double-digits year-over-year. This is very encouraging.

As I mentioned, renewals from multi-year contracts can be lumpy. While we are pleased with total bookings which were up 5 percent in constant currency and 10 percent as reported, this lumpiness is reflected in our geographic results. We had a lighter renewal portfolio in North America and a stronger renewal portfolio in EMEA and Latin America which affected these regions. North American bookings were down 12 percent in constant currency and as reported, while international bookings were up 38 percent in constant currency and 52 percent as reported. EMEA renewals included three deals for more than $190 million.

Average duration of subscription and maintenance bookings was 3.2 years. Annualized subscription and maintenance bookings were $373 million, down 1 percent in constant currency and up 4 percent as reported.

Finally - and most importantly, our revenue backlog is the best means of determining future revenue estimates and the most useful metric for modeling our results.

So, let me give you the backlog details.

Year-over-year, total revenue backlog of $7.9 billion increased 9 percent in constant currency and 13 percent as reported. Both the current and non-current portions of backlog grew on a constant currency and as reported basis.

Turning to revenue, total revenue was $1.128 billion, up 4 percent in constant currency and 8 percent as reported.

Subscription and maintenance revenue was $1.0 billion, up 4 percent in constant currency and 9 percent as reported.

Revenue from Professional Services was $74 million, down 20 percent in constant currency and 15 percent as reported. Overall this third quarter decline in Professional Services negatively affected year-over-year total revenue growth by just over 100 basis points.

Revenue from software fees and other was $54 million, up 45 percent in constant currency and 50 percent as reported. This growth reflects a strong quarter in application performance management and revenue from NetQoS.

From a geographic perspective, North American revenue was $655 million, up 7 percent in constant currency and 8 percent as reported. International revenue was $473 million, down 1 percent in constant currency and up 9 percent as reported. We recorded a positive foreign exchange impact on international revenue of approximately $48 million during the quarter.

Third quarter results include approximately $10 million in revenue from the acquisition of NetQoS.

Now, I'd like to turn to the remainder of the income statement, starting with our non-GAAP results.

Operating expenses were $754 million, up one percent on a constant currency basis and up 7 percent as reported. This year-over-year variance in as reported results was driven by a weakening of the U.S. dollar, strategic initiatives, and increased commissions.

Operating income before interest and taxes was $374 million, up 9 percent on a constant currency basis and 11 percent as reported.

For the quarter, our non-GAAP operating margin was 33 percent, an increase of 1 percentage point year-over-year. Excluding the 2 percentage points of stock based compensation our non-GAAP operating margin was 35 percent.

Earnings per share were $0.43, down 2 percent in constant currency and flat as reported.

As Bill mentioned, we had a difficult year-over-year comparison from a tax perspective. Our non-GAAP tax rate fluctuated quarter by quarter last fiscal year reflecting the impact of discrete tax items. This fiscal year our improved visibility allows us to apply a consistent 35.5 percent non-GAAP tax rate quarter-to-quarter.

When compared to the prior year, third quarter non-GAAP EPS was adversely affected by approximately $0.04 due to the low non-GAAP tax rate in the prior year period.

Turning to GAAP results, which, as presented, include purchased software, intangible amortization, restructuring and other, and gains and losses on hedges that do not mature in the quarter.

GAAP operating margin was 31 percent. GAAP operating income was $351 million, up 11 percent in constant currency and 14 percent as reported, while earnings per diluted common share were $0.49, up 22 percent in constant currency and 26 percent as reported.

Our effective GAAP tax rate for the third quarter was 21.6 percent.

When compared to the prior year, third quarter GAAP earnings per share were positively affected by the low rate this quarter by approximately $0.04.

As we have discussed on prior occasions, the GAAP and non-GAAP tax rates apply different methodologies to reflect the impact of discrete items, resulting in a divergence quarter to quarter between the two rates. However, we believe the full-year GAAP and non-GAAP tax rates continue to be aligned between 35 and 36 percent for this fiscal year.

In addition, we believe that longer term we are on a path to a tax rate aligned with industry norms, which is in the lower 30 percent range.

Turning to cash flow from operations:

Cash flow from operations in the quarter was $342 million, compared to $292 million in the third quarter of fiscal 2009. This was up 36 percent in constant currency and 17 percent as reported.

For the third quarter, gross receipts related to single installments for the entire or substantial portion of the contract value were $74 million, compared with $89 million in the third quarter of fiscal 2009.

Year-over-year, total billings backlog of $4.6 billion grew 14 percent in constant currency and 18 percent as reported.

DSOs were essentially flat year-over-year.

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

CA ended the quarter with $2.6 billion in cash and cash equivalents and $1.5 billion of total debt, bringing our net cash position to approximately $1.1 billion.

During the quarter, we closed the acquisition of NetQoS for approximately $200 million.
We also successfully issued $750 million of 10-year Senior Notes at 5 3/8 percent and utilized the proceeds to pay down $500 million of the $750 million drawn on the Company's $1 billion revolving credit facility.

The Company also paid down approximately $636 million of debt which matured in December with cash on hand. Included in this debt payment was approximately $460 million in convertible debt which, when settled in cash, reduced the Company's diluted shares outstanding.

And, finally, we purchased approximately 1.8 million shares of stock for a total of $40 million. This leaves just under $160 million in remaining approval and we continue to be in the market.

With that, I'd like to reaffirm our guidance for fiscal year 2010. We continue to provide guidance on a constant currency basis which we believe best illustrates the operational performance of the Company.

The guidance range presented this afternoon reflects the following factors:

- The first of these is currency fluctuations.

- In addition, we anticipate incremental fourth quarter expenses of approximately $20 - $25 million related to real estate and other costs. These expenses will be included in both our GAAP and non-GAAP results. We believe we have the potential to reduce costs through broader adoption of alternative work strategies and work from home programs.

- We recently closed two acquisitions. For the remainder of fiscal year '10 we expect the combination of NetQoS and Oblicore to be approximately $0.01 dilutive to both GAAP and non-GAAP EPS. For fiscal year '11 our expectation is that both acquisitions will be approximately $0.02 dilutive to GAAP and $0.01 dilutive to non-GAAP EPS.

- And, finally, please note that we anticipate increased interest expense following the debt placed in the third quarter.

Guidance for fiscal year 2010 is as follows:

- Total revenue growth is expected to be in a range of 2 to 4 percent in constant currency. At current exchange rates, this translates to reported revenue of $4.3 to $4.4 billion.

- The range on non-GAAP operating margins is expected to be 32 to 33 percent, or 34 to 35 percent when adjusted for stock based compensation.

- We continue to expect our GAAP and non-GAAP tax rate to range between 35 and 36 percent in this fiscal year. This represents a 100 to 200 basis point improvement over fiscal year 2009.

- GAAP diluted earnings per share growth in constant currency is expected to be in a range of 18 to 26 percent. At current exchange rates, this translates to reported GAAP diluted earnings per share of $1.46 to $1.57.

- Non-GAAP diluted earnings per share growth in constant currency is expected to be in a range of 7 to 15 percent. At current exchange rates, this translates to reported non-GAAP diluted earnings per share of $1.60 to $1.71.

- Cash flow from operations is expected to grow at 12 to 19 percent in constant currency. At current exchange rates, this translates to reported cash flow from operations of $1.3 to $1.4 billion.

Except as previously stated, guidance reflects December foreign exchange rates and includes a partial hedge of operating income.

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

We expect approximately 513 million actual shares outstanding and a weighted average diluted share count of approximately 533 million shares. Please note that share guidance provided this afternoon reflects the impact of our convertible notes which were paid down in December and will reduce our fourth quarter weighted average diluted share count by approximately 18 million shares from the third quarter calculation.

Guidance does not include any impact from future stock repurchases.

So, once again, thank you for joining us this afternoon. I am pleased with our third quarter results and we look forward to taking your questions.

We'll now turn the call over to Kelsey.

Kelsey Doherty – CA – *SVP, IR*

Thank you, Nancy.

As the operator is polling for questions I would like to inform you that CA is presenting at the Pacific Crest Data Center Conference and the Goldman Sachs Technology and Internet Conference on February 24th in San Francisco, the UBS Software Conference on March 4th in San Francisco, the Raymond James Institutional Investor Conference on March 9th in Orlando and the Jefferies Global Technology Conference on March 10th in New York City.

We would also like to invite you to a "Product Portfolio Overview" being held on March 11 at our offices in New York City. RSVPs are required, please contact CA's IR team if you are interested in joining us.

And, finally, please mark your calendars for CA World which starts May 16th and is being held in Las Vegas. Registration will be forthcoming.

Operator, please open the call for questions.

QUESTION AND ANSWER

John Difucci - JPMorgan - *Analyst*

Thank you.Congratulations, Bill. Just wanted to say congratulations to you, and I was wondering if you can tell us is there anything -- you have been involved in the strategy of CA for a while now, but is there anything as CEO in this role that you see as opportunity for you to come in and perhaps show some improvement in any areas?

Bill McCracken - CA - *CEO*

Thanks, John. This team has been very involved now for, coming on to a year in the strategy. The Board has been involved with that, and I was in my role as Chairman of the Board. Now, over the last five months, I have gotten a chance to see it up close with this team, and focus in more on even the market opportunities we're driving at like cloud, like virtualization management, and I think it just has us positioned perfectly for where we want to go for the opportunity, and it builds off of where we've been. So I think just going with this team as we have done, as you have seen in this quarter, and pushing that forward, we're excited about where we are, John.

John DiFucci - JPMorgan - *Analyst*

Okay. Thanks. I agree about your comments about the team. I have a question for I guess Mike and George. Looks like bookings were strong this quarter both year-over-year, but just looking at bookings generally look pretty strong here. Were there any very large deals this quarter, and last quarter, I think, Mike, on the call you mentioned that you saw some strong renewal periods over the next couple of quarters, and do you still feel that way coming into the March period?

Mike Christenson - CA - *President*

We do. In terms of overall bookings we saw very nice growth in new software licenses, which was good to see. As I mentioned, we saw a nice rebound as we came out of September and it lasted all the way through the fall, so we're pleased about that. We have seen a turn of the corner in Services, although and Services revenue was down, our Services bookings were up, so we have seen that rebound. And geographically, EMEA and Latin America rebounded nicely from a weaker September quarters.

In terms of the renewal book, as I described in the last call, the renewal book in the second half of the year is bigger than it was in the first half of the year, and the renewals are scheduled roughly equal between the third and fourth quarters, so everything is coming in as planned. The renewal yields are in the low 90s. So we feel very good about the business across the board.

George Fischer - CA - *Executive VP Global Sales*

Hi, John, it is George Fischer.Just to comment on the macro IT economy seems to be awakening, too, and more importantly for us, when we're involved in the POCs on the new product side, we're doing very well competitively, so we're getting some good traction both with security and service assurance and NetQoS also this quarter created a lot of excitement around the Network Management component, so a lot of good activities, pipelines are strong.

Mike Christenson - CA - *President*

John, as I mentioned in the last call, and I can repeat it again here, the pipelines have grown each week since September, and that continues through the month of January. We have the biggest pipelines we have had in a very long time, and they cover the commitments that Nancy has made in terms of our guidance, so we feel pretty good about the business going into the rest of this quarter, and into next year.

Kelsey Doherty - CA - *IR*

Thanks a lot, John. We'll take our next question, please.

Operator

Next to Phil Winslow with Credit Suisse.

Phil Winslow - Credit Suisse - *Analyst*

Hi, guys. Just wondering if you can give some comments on what you're seeing in your Distributed business, and you mentioned continued strength in Mainframe, but just curious what you're seeing in the quarter in Distributed and what the pipeline looks like?

And then, Bill, just more of a strategic level question, obviously one of the big focuses at CA has been lifting just the top line growth rate of the Company. What do you see as being the primary drivers of that that might be different than before you took over?

George Fischer - CA - *Executive VP Global Sales*

Hi Phil, it is George Fischer. Like I just mentioned to John, we're getting very good strength across the Distributed product line particularly on the security front with Identity Management and Access, and also Network Management, anything to do with service assurance, where you have lots of applications that are network reliant, we're very, very strong. So good growth, and again the Security, we were very happy to see double-digit growth across Security. That shows that customers are opening up wallets on enterprise engagements.

Also both Security and Service Assurance are showing some traction for cloud enablement, and that's a big stepping stone for us and is very exciting to see that activity.

Bill McCracken - CA - *CEO*

Phil, on the strategy piece, I think you see this quarter, and as the quarter at 8% and constant currency of 4%, we've started to drive some of that growth we have been talking about, and it comes off of multiple things. Some was mentioned by Mike a minute ago. He and George made significant management changes and put talent in EMEA and in the Services organization. They reassigned those to drive more there, so we see more coming from that part of our business. We expect that to continue. So I think just on business as usual we see the growth starting to come back into the business the way we want to.

In addition to that, some of the acquisitions we made contributed to that very well. It goes right at the opportunity in the marketplace. It builds with our strength, and as that incorporates into the significant development organization we put in place over the last three years, we're able to take advantage of that capability, those people, and put together that capability, along with the code, we build into the marketplace that allows us to grow where the real opportunities are starting to emerge.

Mike Christenson - CA - *President*

What I will add to what George and Bill said, last quarter, Mainframe new license sales were our number one contributor and the biggest gainer.

In terms of the distributed portfolio, the biggest contributors were Application Performance Management, Infrastructure Management, and Identity and Access Management, in that order, and the biggest gainers year-over-year in the Distributed portfolio were Identity and Access Management, Service Management, and Clarity. So if you look at that, we've touched on nearly everything in the portfolio had some good story in that quarter. We see the pipelines showing that continuing in through this quarter.

Kelsey Doherty - CA - *IR*

Thanks, Bill. We'll take the next question, please.

Operator

Next we have Abhey Lamba with ISI.

Abhey Lamba - ISI Group - *Analyst*

Yes, thanks. Nancy, can you talk about we see good traction in your current revenue backlog growth. What are the drivers behind that? Do you see that growth and should we see that acceleration to continue?

Nancy Cooper - CA - *CFO*

Yes, Abhey. We're very encouraged by that, and I think it is really a function of what you have just heard. We've got solid sales of new products and we have some that you heard Mike just articulate, an Application Management and Infrastructure Management and Security.
I mean, we've got strong performance and we have the ones that were impacted by the recession, Identity and Access Management and Clarity are coming back and coming back strong. So those are really positive aspects for us and you're seeing it reflected in the backlog.

Abhey Lamba - ISI Group - *Analyst*

Got you. Thanks.How should we think about IBM's upcoming mainframe platform? Should it have a business -- more prolonged impact on your main frame bookings?

Mike Christenson - CA - *President*

As we have said in the past, our Mainframe business comes into two areas. We sell new products to customers, new and existing customers, and we sell capacity to our customers.What we have seen over the last three years is that the biggest driver for us is the contracts that are coming up for renewal for individual customers and their capacity requirements, which are driven by their business. The actual hardware cycle has really not had a material impact on our quarter-to-quarter or even year-to-year business. It is more driven by the customer dynamics.

Kelsey Doherty - CA - *IR*

Great. Thanks a lot.

George Fischer - CA - *Executive VP Global Sales*

Just to add, the other dynamic with our Mainframe 2.0 release is we have been very competitive replacing competitors' products as companies consolidate, so very strong market share growth in general, and doing a very good job of servicing the platform.

Kelsey Doherty - CA - *IR*

Great. We'll take our next question, please.

Operator

Next we have Katherine Egbert with Jefferies.

Katherine Egbert - Jefferies & Co. - *Analyst*

Good afternoon. Congratulations.I have a question on the yield, Nancy. You said it is over 90%. I believe it was there last quarter as well. Is that a new bar that we should think about
in terms of yield, and also are you giving up anything on the terms in order to get that up so high?

Mike Christenson - CA - *President*

I will take that. It is Mike.The reason the yield is below 100% is we have given the customer some price benefit on the renewal, or they've removed some product, or they've reduced their capacity, in that order. In the last year or so, we've had almost no capacity reductions, but we have had price reductions. As the machines get bigger, the customer has more processing power in the mainframe environment, we give them a bit of a price benefit so that the price performance of that platform has improved for the customer. They expect it. We want to deliver that. We've offset that by the growth of the overall platform. What they've gained in price, we've picked up in capacity and net net it has been a grower for us.

Katherine Egbert - Jefferies & Co. - *Analyst*

Okay.And then I have one quick question for Bill. How long is your contract as CEO?

Bill McCracken - CA - *CEO*

Don't have a contract yet. The Board is working on that, and we hope to get that closed probably next week.

Kelsey Doherty - CA - *IR*

Great. Thanks, Katherine. Next question, please.

Operator

Next we have Todd Raker with Deutsche Bank.

Todd Raker - Deutsche Bank - *Analyst*

Bill, congratulations on your new role.

Bill McCracken - CA - *CEO*

Thank you, Todd.

Todd Raker - Deutsche Bank - *Analyst*

In your commentary, you talked about how the Company is well-positioned for cloud and virtualization opportunities. Can you give us some insight in terms of where you think CA is differentiated, and what you're seeing competitively as you start to penetrate those opportunities?

Bill McCracken - CA - *CEO*

I think when we look at where this industry is going, it is going now into the virtual and cloud areas, where we have been for a couple decades; where our strength is, where we help our IT customers as they exist today do the kind of things they need to do. As we move into the cloud area, the thing that's probably talked about most by every one of our customers, both large and small, is how do you secure that in that environment? So the Identity Access Management area that we talked about earlier when I was speaking, and others as well, truly becomes one of the main things we need to focus on. In addition to that, products that are put out there as software to service are big and more important areas and we are able to move into those areas as well, too. So what we see is what we have done going forward positions us for where we need to be to work on, both with skills we've acquired in the past, skilled we had in our development organization, to increase virtualization management as it grows into the industry, and especially as you move into the cloud and the areas that we have been strong in.

George Fischer - CA - *Executive VP Global Sales*

The big advantage we have is we manage a lot of physical environments, so we manage the incumbency of the physical into the virtual, so we give a heterogeneous view of physical and virtual. So we manage both.
All of the network reliant applications, as Bill said, we're not going to go – no one is going to go to the cloud unless security is excellent and the network is running, so we're very strong and gaining market share in both of those areas and you just can't get to the cloud without getting that done.

Kelsey Doherty - CA - *IR*

Great. Thanks a lot, Todd. Next question, please.

Operator

Next we have Michael Turits with Raymond James.

Michael Turits - Raymond James - *Analyst*

Two questions. One, the strategy level for Bill, and one for Nancy. Strategically, some of the discussion has been around how much of a growth company CA should be and what it would need to do in terms of acquisitions, how aggressive and how close or far from the existing businesses those acquisitions should be. So could you give us your view on that, Bill?

Bill McCracken - CA - *CEO*

Yes. I think -- you can see, I think, over the past quarters and now moving into this past quarter and as we look forward, we constantly look at the make-versus-buy. That's the reason we do what we have done. As I mentioned earlier, we have put over $600 million a year into our Development Organization for the last three years, and built a tremendous development capability that didn't exist here before.

That now, coupled with the types of acquisitions we make, when we look at a transcaction that brings cloud technology capabilities in the form of people to us. When we look at NetQoS that we did in this past quarter; Oblicore, that we did in the past quarter. When you put those together, what it does is we combine the make-and-buy, and put us in a marketplace first, allow us to compete and help be a leader as we go into that market opportunity.

Michael Turits - Raymond James - *Analyst*

Okay.Nancy, at the beginning of the year, you talked about bookings expectations for full fiscal year, and I think you said that excluding or adjusting for the duration of a large deal in the prior year that it would be up a couple points in terms of bookings and probably on as reported basis it might be down a couple points. That still roughly the trajectory we're on?

Nancy Cooper - CA - *CFO*

Yes. Michael, what you heard Mike say is you can expect the renewal portfolio in the third quarter to be approximately look the same way in the fourth quarter, and the most important thing on that portfolio is the discipline we're bringing to it. We know it is scheduled, the discipline, and that's what's really getting us the yields that are in the 90s where they used to be substantially below that, so we feel it is very controlled, we're managing just the way we want.

You can hear we're very encouraged by our New Product sales, that they are growing, and the pipeline is very strong and you heard Mike earlier say that our services bookings, we feel very encouraged that they have come back.

Mike Christenson - CA - *President*

Michael, let me add one thing to what Nancy said. Because I have seen the way other people describe this and I want to make sure we're clear. When we describe a yield of the low 90s that does not include any additional capacity or any new product. Very important because I heard people using the term run rate. Virtually all of our deals have an improvement in run rate because we've included new product. Very important, because I've heard people using the term "run rate," virtually all of our deals have an improvement in run rate, because we've included new products, and we've included additional mainframe capacity, so when we describe a yield, that's a maintenance yield on a maintenance agreement, capacity to capacity, product to product. It is very important that we make that distinction.

Nancy Cooper - CA - *CFO*

Michael, so to be really explicit, we talk about a yield in 90s. We're talking about a future revenue run rate over 100%.

Michael Turits - Raymond James - *Analyst*

When you include new product in additional capacity.

Kelsey Doherty - CA - *IR*

Great, thanks, Michael. Can we take the next question, please?

Operator

Next we have Sarah Fryer with Goldman Sachs.

Sarah Fryer - Goldman Sachs - *Analyst*

Thank you for taking my question.A couple of things. You mentioned a little bit about wanting to drive more stand alone software sales, so not the big recurring deals we've gotten used to. What's the philosophy behind that? Is it customer driven? Is it wanting to change how you go to market, and how much of a blend do you think that ultimately becomes at a more steady state level?

George Fischer - CA - *Executive VP Global Sales*

Hi Sarah, it is George Fischer. How are you?

Sarah Fryer - Goldman Sachs - *Analyst*

Hi George. I am well, thanks.

George Fischer - CA - *Executive VP Global Sales*

I think that the biggest advantage for us is that there is a lot of customers out there that have very specific requirements that match up to what we're selling today, and as our coverage model matures, we're covering more accounts, and they're very pleased with the technology that we're delivering, so we're getting good traction on the POCs. We're getting very good traction, as you notice, from the analysts and reviews on the customer installation. We have a lot of good stuff that people want, and we found that when we meet the new customers, they are very appreciative of both the support capability we have and the technology, and it is going quite well. So I also think there is a very big opportunity for us in the emerging markets, so we have great growth opportunities. You will notice just in the Latin America, this last quarter was explosive growth. So we're finding where we cover clients, they have needs that are very much centered on what we're selling, and it goes very well.

We're also not waiting for renewal time. It is not just -- our renewal customers are very actively engaged, looking at what we have and they're using us to change their capabilities, so it is very positive.

Sarah Fryer - Goldman Sachs - *Analyst*

Got it. Okay.

Kelsey Doherty - CA - *IR*

Thanks for the question, Sarah. Do you have another one?

Sarah Fryer - Goldman Sachs - *Analyst*

I follow up briefly with Bill? Congratulations, Bill. You have been asked a lot about your philosophy overall. I will ask you one more dimension of that, which is around use of cash, which I think I partially heard your answer to from an M&A standpoint, but generally pro buyback, pro dividend, more M&A, how do you think about how CA evolves from here given the cash flow characteristics?

Bill McCracken - CA - *CEO*

Let me make a comment and have Nancy speak as well, too. But as I said before, make-and-buy are important considerations for us, and we constantly survey the marketplace from both points of view, because when we talk about the market opportunity and we talk about our leadership in the market opportunity, for us, that by definition is says you be first to market.

Therefore we look at what does that for us and try to use our assets in the best way we can. That is the assets we own internally and the assets we have in the form of cash to be able to go do the acquisitions that we think contributed to that directly.Let me stop at that. Nancy, do you want to comment beyond that?

Nancy Cooper - CA - *CFO*

Sure, Sarah, so we have a very disciplined capital allocation program, and we're very encouraged that we follow this build-buy and do the analysis, as Bill mentioned, and then we look at our remaining cash. We are mindful that 48% of our cash is in the US, which not all the cash, and we look at every quarter whether the right thing is to buy more shares or do something with a dividend, and you can see we're in the market right now as we speak buying back shares, and we are buying against about $40 million a quarter.

Kelsey Doherty - CA - *IR*

Great. Thanks, Sarah. Next question, please.

Operator

Next we have Robert Breza with RBC Capital Markets.

Matt Hedberg - RBC Capital Markets - *Analyst*

Thank you. This is Matt Hedberg, sitting in for Rob.Congratulations, Bill, again.My question is around the virtualization opportunity. Is there some way for you to quantify if some of the large virtualization providers sell a dollar's worth of virtualization software, what is your market opportunity for your management software? Is it a dime? Is it a quarter? Any way to quantify that?

Bill McCracken - CA - *CEO*

Let me just comment briefly and let Nancy take the primary piece on that. We think that's a growing marketplace. We think it is big in a growing marketplace and that we play into that as it continues to grow. Go ahead.

Nancy Cooper - CA - *CFO*

Sure, Matt, think about it this way. What people have virtualized is -- what you heard George say, is just starting on their physical devices, and as they start to virtualize, there are going to be many more images out there they're going to have to manage. That basically is our software, and so I think we're in very early stages of a rapidly growing-type market, and maybe George can give you a comment on what he is seeing out there.

George Fischer - CA - *Executive VP Global Sales*

What's going on is that there has been some plateauing of how many applications have been virtualized, so there's a demand for management software to leverage both VMware and some of the other platforms that are out there, so the whole -- we're enabling application portability and we're driving more and more capacity and unlocking the value of these efforts in the data center, so people looking to increase their capacity, lower their costs, so we're riding that along.

Of course, you also have a lot of emerging platforms from Cisco, we're doing a lot of work with the various vendors with virtualization and network appliances. sit is virtualization is a catalyst, a lot of this growth, but it's right in our sweet spot in the Data Center managing these applications and systems.

Kelsey Doherty - CA - *IR*

Great. Thanks, George. Next question, please.

Operator

Next we have Shaul Eyal with Oppenheimer & Co.

Shaul Eyal - Oppenheimer & Co. - *Analyst*

Thank you. Good afternoon and thank you for taking my question, two quick ones. You guys spoke about, I think George mentioned, the biggest pipeline. Is that broad based across all product lines, or any is there any product or service which is more specific in your description?

Mike Christenson - CA - *President*

It is Mike.It is similar to the ranking that we experienced in the third quarter, so at the top of the pipeline, we would put Mainframe, closely followed by Application Performance Management, the Infrastructure Management Portfolio, and then Identity and Access Management.

So what we're seeing, and I think Nancy touched on this briefly, in the last few quarters, customers have been very sensitive to return on investment and how fast do they get their payback, so we were emphasizing our very fast payback technologies, things like Application Performance Management. What we have seen in this quarter, and we see in our pipeline, is they're starting to think more about structural investing and pushout those pay backs and putting in the more sophisticated technology.So it was a little concentrated at the top, the APM-type products a quarter ago, but we're seeing nice expansion across the whole list now.

Shaul Eyal - Oppenheimer & Co. - *Analyst*

Thank you. This is helpful.Just one final one. Forty new customers in North America, are these all new or are these displacements?

George Fischer - CA - *Executive VP Global Sales*

I think you're addressing the growth in the Clarity product. Some of them are competitive placements, but I think what we're most pleased about is we're seeing some, to Mike's comments, we're seeing some growth in the portfolio management market, and SAS as an enabler opened up new areas for us to sell to, so we had a good economic model and could enter into with new customers with SAS. So it is pretty encouraging, and also across all the pipelines, we're working with customers in some cases that have not worked with CA in the past, and the technology is very appealing, the coverage model is working, and it just -- we got new logos, and it is very, very encouraging.

Bill McCracken - CA - *CEO*

That's the important point. Those were new enterprise logos for that product for CA.

Kelsey Doherty - CA - *IR*

Great. Thanks. This will be our last question.

Operator

We'll take it from Scott Zeller with Needham & Company.

Scott Zeller - Needham & Company - *Analyst*

Thanks. The commentary around Identity Access Management was interesting. Can you tell us a little bit more about what people are trying to do there? Is it just single sign-on projects? Are people going deeper than that?

George Fischer - CA - *Executive VP Global Sales*

Sure. It is George Fischer.There are two things encouraging about it. One is security has been a critical strategy and we've built a very solid product line, and it is a huge competitive advantage against some of our competitors that don't have security.

The second piece is it is an indication to us that customers are opening up their wallets and going for larger, bigger enterprise projects. So around Identity Management, knowing who is accessing the cloud, who is accessing applications, so it is Identity Management, its role-based products, and it is also leveraging data leak, which is a huge opportunity for us understanding

who has access, where the data is, and governing that whole process.
As you know, we have our SiteMinder Product 2, which is effectively the market leader for access control across the market, and we saw, as budgets opened up, people expanded capacity sales of that. So strong market leadership and what I would kind of call cut the wood, stack the wood security, and then nice growth in some very aggressive enterprise projects that is are preparing companies to go to the cloud.

Mike Christenson - CA - *President*

Let me add to that. It is Mike.What you will also see is the beginning of the return on investment from the acquisitions that we've made over the last year. So if you look at our Security Portfolio, access control, identity Management, web access control; in each of those areas we have done a small to medium-sized acquisition to expand the capabilities of the product and we're starting to see good traction for that significantly improved product.

Scott Zeller - Needham & Company - *Analyst*

Thank you.

Kelsey Doherty - CA - *IR*

Okay, great. Are you finished, Scott.

Scott Zeller - Needham & Company - *Analyst*

Yes.

Kelsey Doherty - CA - *IR*

Great. Thanks.

Bill McCracken - CA - *CEO*

Let me wrap up. Just a couple points as we do.

First is we're really pleased with the third quarter results. We've built great momentum, and with the announcement today of the CEO, I've been engaged in this leadership team for the last five months on the day-to-day base, and we know where we want to go.

We have seen significant market opportunity, and we don't have a transition now. We just keep going and
doing what we were going to do.

I think finally, third, I would say that we have tried to be very thoughtful and very disciplined about the way we invest in the future, and we talked about that a bit today with respect to make-versus-buy and how we plan to do that, so with that, thank you very much.

Operator

That does conclude today's conference. We thank you for participating.

Nancy Cooper – CA - *CFO*

So, to sum up:

- We are very pleased with our third quarter results.

- We see significant market opportunities for CA as we build out our offerings in cloud computing, virtualization, security, IT management Software-as-a-Service and, of course the mainframe, through organic development and acquisitions.

- We are -- and will -- continue to manage our business in a thoughtful and disciplined manner.

- And we look forward to seeing all of you at CA World in May in Las Vegas.

  Thank you

CA, Inc.
Reconciliation of Projected GAAP Operating Margin to
Projected Non-GAAP Operating Margin
(unaudited)

	Fiscal Year Ending March 31, 2010		
Projected GAAP Operating Margin Range	29%	to	30%
Non-GAAP Adjustments, Net of Taxes:			
Purchased Software and Intangibles Amortization	3%		3%
Non-GAAP Projected Operating Margin Range	32%	to	33%

CA, Inc.
Reconciliation of Projected GAAP Operating Margin to
Projected Non-GAAP Operating Margin (Excluding Projected Stock Based Compensation)
(unaudited)

	Fiscal Year Ending March 31, 2010		
Projected GAAP Operating Margin Range	29%	to	30%
Stock Based Compensation	2%		2%
Projected GAAP Operating Margin Range (Excluding Stock Based Compensation)	31%	to	32%
Non-GAAP Adjustments, Net of Taxes:			
Purchased Software and Intangibles Amortization	3%		3%
Projected Non-GAAP Operating Margin Range (Excluding Stock Based Compensation)	34%	to	35%