

CA, INC.
Form 10-Q
August 03, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-9247

CA, Inc.
(Exact name of registrant as specified in its charter)

Delaware	13-2857434
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

520 Madison Avenue,
New York, New York 10022
(Address of principal executive offices) (Zip Code)

1-800-225-5224
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

(Check one:)

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Title of Class	Shares Outstanding
Common Stock	as of July 27, 2017
par value \$0.10 per share	421,270,100

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PART I. FINANCIAL INFORMATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

CA, Inc.:

We have reviewed the condensed consolidated balance sheet of CA, Inc. and subsidiaries as of June 30, 2017, and the related condensed consolidated statements of operations, comprehensive income and cash flows for the three-month periods ended June 30, 2017 and 2016. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of CA, Inc. and subsidiaries as of March 31, 2017, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated May 12, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2017 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

New York, New York

August 3, 2017

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Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share amounts)

	June 30, 2017 (unaudited)	March 31, 2017 (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,971	\$ 2,771
Trade accounts receivable, net of allowance for doubtful accounts of \$12 and \$11, respectively	461	764
Other current assets	180	198
Total current assets	\$ 3,612	\$ 3,733
Property and equipment, net of accumulated depreciation of \$829 and \$841, respectively	\$ 234	\$ 237
Goodwill	6,864	6,857
Capitalized software and other intangible assets, net	1,299	1,307
Deferred income taxes	313	327
Other noncurrent assets, net	154	149
Total assets	\$ 12,476	\$ 12,610
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 18	\$ 18
Accounts payable	62	91
Accrued salaries, wages and commissions	158	256
Accrued expenses and other current liabilities	337	326
Deferred revenue (billed or collected)	2,111	2,222
Taxes payable, other than income taxes payable	31	63
Federal, state and foreign income taxes payable	—	30
Total current liabilities	\$ 2,717	\$ 3,006
Long-term debt, net of current portion	\$ 2,770	\$ 2,773
Federal, state and foreign income taxes payable	133	131
Deferred income taxes	129	119
Deferred revenue (billed or collected)	772	794
Other noncurrent liabilities	86	98
Total liabilities	\$ 6,607	\$ 6,921
Stockholders' equity:		
Preferred stock, no par value, 10,000,000 shares authorized; No shares issued and outstanding	\$ —	\$ —
Common stock, \$0.10 par value, 1,100,000,000 shares authorized; 589,695,081 and 589,695,081 shares issued; 416,279,810 and 413,409,346 shares outstanding, respectively	59	59
Additional paid-in capital	3,660	3,702
Retained earnings	6,994	6,923
Accumulated other comprehensive loss	(399)	(483)
Treasury stock, at cost, 173,415,271 and 176,285,735 shares, respectively	(4,445)	(4,512)
Total stockholders' equity	\$ 5,869	\$ 5,689
Total liabilities and stockholders' equity	\$ 12,476	\$ 12,610
See accompanying Notes to the Condensed Consolidated Financial Statements		

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CA, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (unaudited)
 (in millions, except per share amounts)

	For the Three Months Ended June 30,	
	2017	2016
Revenue:		
Subscription and maintenance	\$817	\$826
Professional services	75	77
Software fees and other	133	96
Total revenue	\$1,025	\$999
Expenses:		
Costs of licensing and maintenance	\$71	\$68
Cost of professional services	73	75
Amortization of capitalized software costs	70	66
Selling and marketing	246	242
General and administrative	107	88
Product development and enhancements	158	148
Depreciation and amortization of other intangible assets	26	20
Other expenses, net	11	—
Total expenses before interest and income taxes	\$762	\$707
Income before interest and income taxes	\$263	\$292
Interest expense, net	25	15
Income before income taxes	\$238	\$277
Income tax expense	60	79
Net income	\$178	\$198
Basic income per common share	\$0.42	\$0.47
Basic weighted average shares used in computation	415	414
Diluted income per common share	\$0.42	\$0.47
Diluted weighted average shares used in computation	417	415
See accompanying Notes to the Condensed Consolidated Financial Statements		

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CA, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (unaudited)
 (in millions)

	For the Three Months Ended June 30, 2017 2016	
Net income	\$178	\$198
Other comprehensive income (loss):		
Foreign currency translation adjustments	84	(29)
Total other comprehensive income (loss)	\$84	\$(29)
Comprehensive income	\$262	\$169
See accompanying Notes to the Condensed Consolidated Financial Statements		

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CA, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (unaudited)
 (in millions)

	For the Three Months Ended June 30, 2017 2016	
Operating activities:		
Net income	\$ 178	\$ 198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96	86
Deferred income taxes	5	3
Provision for bad debts	2	1
Share-based compensation expense	32	29
Other non-cash items	1	1
Foreign currency transaction losses (gains)	1	(2)
Changes in other operating assets and liabilities, net of effect of acquisitions:		