CA, INC.
Form 10-K
May 09, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
(Mark One)

ü Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act OF 1934
For the fiscal year ended March 31, 2013
OR
Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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)
One CA Plaza, Islandia, New York	11749
(Address of Principal Executive Offices)	(Zip Code)

1-800-225-5224
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Name of each exchange on which registered)
Common stock, par value $0.10 per share	The NASDAQ Stock Market LLC
Stock Purchase Rights Preferred Stock, Class A	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ü No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No ü
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 ü 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ü No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ü
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ü Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No ü
The aggregate market value of the common stock held by non-affiliates of the registrant as of September 28, 2012 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $8 billion based on the closing price of $25.77 on the NASDAQ Stock Market LLC on that date.
The number of shares of each of the registrant's classes of common stock outstanding at May 2, 2013 was 453,183,538 shares of common stock, par value $0.10 per share.
Documents Incorporated by Reference:
Part III: Portions of the Proxy Statement to be issued in conjunction with the registrant's 2013 Annual Meeting of Stockholders.

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Part IV

This Annual Report on Form 10-K (Form 10-K) contains certain forward-looking information relating to CA, Inc. (which we refer to as the "Company," "Registrant," "CA Technologies," "CA," "we," "our," or "us") that is based on the belie and assumptions made by, our management as well as information currently available to management. When used in this Form 10-K, the words "believes," "plans," "anticipates," "expects," "estimates," "targets," and similar expressions relating the future are intended to identify forward-looking information. Forward-looking information includes, for example, the statements relating to the future made under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7, but also statements relating to the future that appear in other parts of this Form 10-K. This forward-looking information reflects our current views with respect to future events and is subject to certain risks, uncertainties, and assumptions, some of which are described under the caption "Risk Factors" in Part I, Item 1A and elsewhere in this Form 10-K. Should one or more of these risks or uncertainties occur, or should our assumptions prove incorrect, actual results may vary materially from the forward-looking information described in this Form 10-K as believed, planned, anticipated, expected, estimated, targeted or similarly identified. We do not intend to update these forward-looking statements.

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

Repurchases under the Company's stock repurchase program are expected to be made with cash on hand and may be made from time to time, subject to market conditions and other factors, in the open market, through solicited or unsolicited privately negotiated transactions or otherwise. The program, which is authorized through the fiscal year ending March 31, 2014, does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion.

The product and service names mentioned in this Form 10-K are used for identification purposes only and may be protected by trademarks, trade names, service marks and/or other intellectual property rights of the Company and/or other parties in the United States and/or other jurisdictions. The absence of a specific attribution in connection with any such mark does not constitute a waiver of any such right. ITIL® is a registered trademark of the Office of Government Commerce in the United Kingdom and other countries. All other trademarks, trade names, service marks and logos referenced herein belong to their respective companies.

References in this Form 10-K to fiscal 2013, fiscal 2012, fiscal 2011 and fiscal 2010, etc. are to our fiscal years ended on March 31, 2013, 2012, 2011 and 2010, etc., respectively.

Part I

Item 1. Business.
(a) General Development of Business
Overview
We are a leading provider of enterprise information technology (IT) management software and solutions that help customers manage and secure complex IT environments. Organizations of all sizes leverage our software solutions to reduce complexity, transform infrastructure, accelerate IT innovation by adopting new technologies and secure data and identities. We do this across a wide range of environments from mainframe and distributed to virtual, cloud and mobile and across technologies and vendors and throughout the software lifecycle from purchase through use.
This practical approach, which we call Business Service Innovation, helps customers transition from merely maintaining IT systems to delivering new, innovative services and value through IT. The majority of the Global Fortune 500 relies on us to manage their IT environments.
Fiscal 2013 Business Developments and Highlights
The following are significant developments and highlights relating to our business since the beginning of fiscal 2013:

- In March 2013, the Company acquired 100% of the voting equity interest of Nolio Ltd (Nolio), a privately held provider of application service automation software, which brings continuous delivery capabilities to CA Technologies service virtualization business.
- In December 2012, our Board of Directors elected Michael P. Gregoire as the Company's Chief Executive Officer and a member of its Board of Directors, effective January 7, 2013. Mr. Gregoire succeeded William E. McCracken who left the Company's Board, effective January 7, 2013, and retired from CA Technologies, effective March 31, 2013.
- In October 2012, we introduced an enhanced CA Nimsoft Monitor with advanced network flow analysis, enabling customers to visualize their Internet Protocol traffic in ways that can assist them in optimizing application service levels.
- In September 2012, we introduced a new version of CA Infrastructure Management, the cornerstone of our unified management solution that enables customers to resolve performance problems faster and reduce costs.
- In September 2012, the Company was named as a component of the Dow Jones Sustainability Indexes World Index and North America Index for the second consecutive year, in addition to placing fifth out of 500 in Newsweek's 2012 Green Rankings of U.S. companies.
- In April 2012, we established a new CA Global Partner Program that provides an expanded set of benefits to support partners' evolving business models and includes next-generation mainframe modernization solutions to help customers reduce costs and increase efficiency.

(b) Financial Information About Segments
The internal reporting used by our Chief Executive Officer for evaluating segment performance and allocating resources is based on the disaggregation of our operations into three operating segments: Mainframe Solutions, Enterprise Solutions and Services.
Our Mainframe Solutions and Enterprise Solutions segments comprise our software business organized by the nature of our software offerings and the platform on which the products operate. The Mainframe Solutions segment products help customers and partners transform mainframe management, gain more value from existing technology and extend mainframe capabilities. Our Enterprise Solutions segment consists of various product offerings, including service assurance, security (identity and access management), service and portfolio management and application delivery. The Services segment comprises implementation, consulting, education, training and support services. These services include those directly related to our mainframe solutions and enterprise solutions.
Refer to Note 17, “Segment and Geographic Information,” in the Notes to the Consolidated Financial Statements for financial data pertaining to our segment and geographic operations.
(c) Narrative Description of the Business
We are a leading provider of enterprise IT management software and solutions. We help customers maximize their existing technology investments and recognize the potential of new technology to drive innovation. We transform IT

to simplify complexity, free up resources and focus on service quality. We also secure IT to reduce the risk of improper access and fraud. We do this across our customers' choices of platforms - from mainframe and distributed to virtual, cloud and mobile, and across technologies and vendors.

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We call this approach to IT transformation CA Technologies Business Service Innovation. It allows us to deliver solutions across the complete service lifecycle, which ranges from portfolio planning and service modeling in pre-production to service assembly, automation, assurance and management in production. This specialized customer-centric and practical approach helps customers manage and maintain IT systems and deliver new, innovative services with speed and agility, while bridging the gap between what businesses want to compete more effectively and what IT can deliver.

Organizations are looking to IT to gain a competitive edge through faster delivery of products, services and applications, new customer acquisition, and agile responses to market change. To achieve these desired business outcomes, many organizations are improving the efficiency and availability of their IT resources and applications by: adopting server virtualization and cloud computing; delivering an experience that embraces social media and the proliferation of smart devices; leveraging application development and IT operations to speed application release cycles; and looking at the flexibility inherent in the variety of Software-as-a-Service (SaaS) offerings available in the market. Server virtualization lets users run multiple virtual machines on each physical machine. Cloud computing is a shared pool of computing resources that can be accessed, configured and used as needed. Smart devices include mobile and fixed devices with Internet connectivity that are redefining the IT perimeter. With SaaS, customers can obtain software on a subscription-based “pay-as-you-go” model.

While these technologies and new business models can reduce operating costs tied to physical infrastructure and increase agility, they also push IT into more complex and hybrid computing environments comprising mainframes, physical servers, virtualized servers and private and public cloud components.

To address these challenges, we believe it is vital for companies to effectively accelerate IT innovation and transform and secure all of their various computing environments, while being able to deliver new services quickly based on their business needs.

Our core strengths in IT management and security, combined with our investments in innovative technologies, position us to serve a wide range of customers. We have a broad and deep portfolio of software solutions to address customer needs across computing platforms, from mainframe and distributed to virtual, cloud and mobile, and across the service lifecycle. We deliver these solutions on-premises and are continuing to transition many of our products to a SaaS delivery model. We organize our offerings into our Mainframe Solutions, Enterprise Solutions and Services operating segments.

Mainframe Solutions are designed for the mainframe platform, which runs many of our largest customers' most important applications. We help customers seamlessly manage their mainframe as part of their entire enterprise and optimize their infrastructure to achieve savings, deliver value and drive innovation across the enterprise. Our mainframe development delivers innovative and technically current solutions in key areas such as workload automation, performance, DB2 for z/OS and application quality and testing. We are driving innovation in our mainframe business by investing in technologies such as CA Mainframe Chorus that dramatically simplify mainframe management, help current mainframe staff be more productive and enable a new generation of IT staff to assume responsibility for their mainframe environments. Our comprehensive solutions for the Linux on System z platform help customers leverage the cost savings and simplified management that this growing platform offers.

Enterprise Solutions operate on non-mainframe platforms from physical to virtual and cloud (including SaaS, Infrastructure-as-a-Service and Platform-as-a-Service where IT resources are dynamically pooled and shared across multiple physical and virtual computing environments). Our business outcomes-based approach helps customers drive innovation by leveraging new technologies and the cloud to meet business needs, mitigate risk and improve efficiency. Our enterprise solutions can help customers achieve new levels of speed, innovation and performance by making organizations more agile and by freeing up IT resources to invest in growth. Our solutions include:

- Service Assurance, where we are a leader in application performance management and infrastructure management. We help customers transform their IT management systems by linking applications, real users, transactions and services with the underlying IT infrastructure. We enable customers to achieve enterprise reliability by providing a comprehensive, unified understanding of the real-time performance, risk and quality of business services and end-user experience across physical, virtual and cloud environments, as well as the ability to predict quality of service issues.

Enterprise reliability is integral to the success of business model innovation and critical to sustainable growth, competitive differentiation and market relevance. At CA World in April 2013, we announced further capabilities required by customers to manage mobile users, devices, applications and content. Service assurance products include CA Application Performance Management, CA Infrastructure Management (now including server virtualization management), CA Capacity Management, CA Nimsoft Monitor and CA Service Operations Insight.

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- Security (Identity and Access Management), where we are a leader in the fastest growing key segments of web access management, advanced authentication and user provisioning. We provide a broad suite of solutions that give our customers the ability to expand through secure online business initiatives. We make it possible for customers to securely deliver new business services faster to existing and new markets and leverage "bring-your-own-device" and cloud-connected business models for employees and partners while protecting their key digital assets from insider threats, external attacks and unauthorized access. Our security solutions enable our customers to accelerate business growth, reduce overall IT risk, increase operational efficiencies, meet compliance objectives and simplify end-users' online and mobile experiences. We provide comprehensive security capabilities in the form of both on-premises and SaaS delivery models, securely connecting users and device identities across Web, cloud and, increasingly, mobile applications. Our security products and services include CA SiteMinder®, CA ControlMinder™, CA IdentityMinder™, CA GovernanceMinder™, CA RiskMinder™, CA AuthMinder™, CA DataMinder™, CA CloudMinder™ and CA Mobile Device Management.
- Service and Portfolio Management, where we help customers optimize their investments, projects, resources and processes. The first of these solutions is project and portfolio management (PPM), with our market-leading CA Clarity™ Project & Portfolio Management designed to help customers improve IT investment decision-making, enhance productivity and execute projects at a higher value and lower cost. Other PPM products include CA Clarity™ Ideation and CA Clarity™ Agile. The second of these solutions is service management, which helps customers automate end-user service requests, improve incident, problem and change processes, and assist with software license audits and compliance. Service management helps customers improve service quality and user satisfaction. The solutions also enable our customers to use communities and social media to resolve problems on their own. Our offerings include CA Nimsoft Service Desk, CA Service Desk Manager, CA IT Asset Manager and CA Service Catalog. CA Clarity PPM and CA Nimsoft Service Desk are available as a cloud offering.
- Application Delivery, where we are a leader in the fast growing service virtualization niche to help customers converge application development and IT operations (DevOps) to increase collaboration. Our fiscal 2012 acquisition of Interactive TKO, Inc. added innovative service virtualization solutions for developing applications in composite and cloud environments. Service virtualization is a simulation technology that allows customers to develop and test applications by simulating different environments and conditions to resolve software defects and performance issues earlier, lower development costs and deliver business services faster with superior quality. Our acquisition of Nolio has added the ability to move application software efficiently and reliably through the development process and into production across vastly different IT environments spanning physical, virtual and cloud. Our Application Delivery solutions include the CA LISA® Suite, CA LISA® Release Automation (Nolio), CA Automation Suite, CA Client Automation and CA Workload Automation.

Services are intended to enable rapid deployment and increase the value customers realize from our mainframe solutions and enterprise solutions. Our professional services team consists of experienced software and education consultants who provide a variety of customer support services, such as implementation, consulting, education, training and support services to both commercial and government customers. With 1,400 certified consultants, support staff and technical architects located in 25 countries, CA Services works with customers to define the types of services that best meet their business goals. This includes everything from rapid standard implementations to post-deployment health checks.

Seasonality

Some of our business results are seasonal, including software license transactions and cash flows from operations. These business results typically increase during each consecutive quarter of our fiscal year, with the fourth quarter typically having the highest results.

Business Strategy

Our objective is to become the world's leading independent provider of software solutions that help customers and partners drive innovation and business value by effectively managing and securing their evolving IT environments. To accomplish this, key elements of our strategy include:

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Leveraging and exploiting new business and technology trends. In addition to driving new business value by addressing the needs of businesses in the continually evolving IT management markets for which we already provide solutions, we will work to extend our current solutions, and develop new solutions, to address emerging technologies such as cloud and mobile computing.

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- Expanding our business with existing customers. We will continue to help our customers drive value from products that they already have while cross-selling and up-selling new products and services that help them derive and create additional business value.
- Expanding the markets we serve while driving new value from existing markets. We intend to accomplish this by focusing on new customers such as large enterprises that are not current customers and expanding into new growth markets where we currently have little or no substantial presence.
- Extending and expanding our global customer base. We are working to adjust our sales and service models to expand our customer base in areas of the world beyond regions such as North America that have traditionally provided the largest percentage of our revenues.
- Leveraging new business models. We intend to take advantage of new routes to market and delivery models that will make our business more efficient, while meeting consumer demands. For example, we expect to expand and enhance our IT Management SaaS offerings to provide a lower acquisition cost, simplified operation and faster time to value demanded by today's IT consumers.

Customers

Our traditional core customers generally consist of large enterprises that have computing environments from multiple vendors and are highly complex. Many of our customers run critical applications on a mainframe and have sizeable physical systems, but are also adopting virtualization and cloud computing technologies and embracing social media and the proliferation of mobile devices. Our software products are used in a broad range of industries, businesses and applications. We currently serve customers across most major industries worldwide, including: banks, insurance companies, other financial services providers, government agencies, global service providers, telecommunication providers, manufacturers, technology companies, retailers, educational organizations and health care institutions.

In the beginning of fiscal 2013, we divided our customers into three groups: (1) approximately 1,000 core large existing enterprise customers with annual revenue in excess of $2 billion (Large Existing Enterprises), which accounted for approximately 80% of our revenue; (2) enterprises with revenue in excess of $2 billion that were not historically significant customers of ours (Large New Enterprises), a customer segment that included an estimated 4,500 potential new customers, but where we focused on approximately only 1,000 of these customers selected based on our geographical and vertical strengths; and (3) more than 7,000 enterprises with revenue between $300 million and $2 billion and in fast growing geographies like Latin America and Asia (Growth Markets). At the beginning of fiscal 2014 we further refined our approach, combining our Large New Enterprises and Growth Markets go-to-market efforts into a single sales coverage model to better capture these opportunities. All these efforts are designed to accelerate new product sales outside of our contract renewal cycle.

Across all segments, we consider customer relationships important to the success of our business strategy. We remain focused on strengthening relationships with our core customers through product leadership, improved account management and a differentiated customer experience. We believe enhanced relationships in our traditional customer base of Large Existing Enterprises will drive improved renewal pricing and provide opportunities to increase account penetration, which we believe will help to drive revenue growth.

At the same time, we continue to dedicate sales resources and deploy additional solutions to address opportunities to sell to new customers. We believe we can grow our business and increase market share by delivering differentiated technology and working in collaboration with partners to leverage their relationships, market reach and implementation capacity. This go-to-market segmentation allows us to better align marketing and sales resources with how customers want to buy. We have also implemented broad-based business initiatives to drive accountability for execution.

We also continue to expand our reach to organizations in geographies that offer growth opportunities. These geographies include Asia, Eastern Europe and Latin America. We remain specifically focused on Brazil, China, India, Mexico and Southeast Asia, where new technologies are key to business development.

No single customer accounted for 10% or more of our total revenue for fiscal 2013, 2012 or 2011. Approximately 11% of our total revenue backlog at March 31, 2013, is associated with multi-year contracts signed with the U.S. federal government and other U.S. state and local government agencies which are generally subject to any or all of the following: annual fiscal funding approval and renegotiation or termination at the discretion of the government.

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Partners

To reach new customers we continue to expand our go-to-market business model and partner relationships. Our partner strategy aligns our sales and technical resources with a variety of types of business partners to address specific market segments and buyer preferences.

We work with several types of partners:

- Technology partners help us ensure that our software remains compatible with complementary hardware and software, and help us adapt and respond to the emergence of new technologies and trends.
- We also work with global systems integrators who offer our software and solutions in their business practices and leverage their process design, planning and vertical expertise to provide holistic solutions and implementation services for our customers. Regional solution providers have sales and implementation resources to deliver and support IT solutions and have the local market knowledge to reach both the enterprise and more sophisticated midmarket customers.
- For customers of all sizes who prefer to buy IT Management-as-a-Service rather than through a traditional licensed software model, we have tailored our technology solutions and partner strategies to enable a large cross-section of service providers to deliver IT Management-as-a-Service. These service provider partners range from the largest global IT outsourcing and telecommunications firms to regional and local infrastructure service and managed service providers. Service providers are both buyers of technology and "sell through" partners to buyers of IT Management-as-a-Service.

Due to rapid advances in technology capabilities, buyer preferences and competitive dynamics, we are consolidating and aligning partner strategies, program offerings and recruitment and enablement activities to enhance our relationships with partners.

In certain non-U.S. geographic locations, including the Asia-Pacific and Japan region, our primary routes to market are value-added distributors and volume partners. In other non-U.S. geographic locations, principally Eastern Europe, the Middle East and Africa, we use a "franchise" model with representatives, who represent our interests in a particular geography on an exclusive basis.

Sales and Marketing

We offer our solutions through our direct sales force and indirectly through our partners. Our sales and marketing processes include carefully managing the customer lifecycle by continually improving the customer experience from purchase to deployment and beyond.

We rely on market analysis and customer insight to help us identify new market opportunities and provide fact-based insight on industry and customer trends, and we rely on our marketing organization to build awareness of and demand for our products worldwide.

Our sales organization operates globally. We operate through branches, subsidiaries and partners around the world. Approximately 41% of our revenue in fiscal 2013 was from operations outside of the United States. At March 31, 2013 and 2012, we had approximately 3,300 and 3,600 sales and sales support personnel, respectively.

Customer Success

Our Customer Success Team helps our customers unlock and maximize the potential of the investments they make in our software while delivering a superior customer experience. Our programs are designed to ensure each engagement with our customers delivers a successful outcome and maximum value.

For customers who want help in adopting our solutions, we bring together professional services, education, support, communities and partners to manage the total CA Technologies experience. We provide several touch points so customers can deploy our solutions quickly and effectively. We also work with our customers to understand their business requirements and determine the best approach for our technology to help them realize the maximum return on their investment in minimal time.

Through online communities, customers have the opportunity to interact with other customers, partners and CA Technologies experts. Today, we have more than 38,000 distinct community members in 40 active online communities used to network, ask and answer questions and share knowledge about our solutions. Also through our communities, customers can provide input on our products and strategic direction, and receive feedback. We believe connecting our customers with technology leaders is key to ensuring mutual long-term success.

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Research and Development

We have approximately 6,000 employees globally who design and support CA Technologies software. Our engineers are located in and around our global strategic research and development centers in Framingham, Massachusetts; Plano, Texas; Lisle, Illinois; Santa Clara, California; Prague, the Czech Republic; Hyderabad, India; and Beijing, China. Our engineers work collaboratively, increasingly using Agile development methodology. Agile development enables us to more rapidly incorporate customer insights, which strengthens our ability to bring to market innovations that deliver business value to our customers.

Our research and development activities also include a number of efforts to support our technical community in its pursuit of leading solutions for customers. We continue to use CA Technologies Labs and CA University Relations to strengthen our relationships with research communities by working with academia, professional associations, industry standards bodies, customers and partners to explore novel products and emerging technologies. Our CA Council for Technical Excellence leads innovative projects designed to promote communication, collaboration and synergy throughout our global technical community. The CA Architecture Board helps us ensure a strong central architecture that supports our business strategy, and our Distinguished Engineer Board encourages and recognizes excellence in engineering.

To keep us on top of major technological advances and to ensure our products continue to work well with those of other vendors, we are active in most major industry standards organizations and take the lead on many issues. Our professionals are certified across key standards, including Scrum Alliance (a non-profit organization focused on Scrum framework, which is related to Agile development methodology), ITIL®, PMI and CISPP, and are certified in CSM (Certified Scrum Master) and CSP (Certified Scrum Professional) to lead the charge in implementing Agile practices and methodologies across the Company. Our professionals also possess knowledge and expertise in key vertical markets, such as financial services, government, telecommunications, insurance, health care, manufacturing and retail. Further, we were one of the first and only enterprise software companies to have achieved true global ISO 9001:2008 certification, with all offices and aspects of the organization under a single, centrally controlled, certified quality management system. In addition, our Global IT Operations have attained ISO/IEC 20000-1:2005 and ISO/IEC 27001:2005 certifications. These certifications demonstrate our leadership in IT service management and information security.

We have charged to operations $490 million, $510 million, and $471 million in fiscal 2013, 2012 and 2011, respectively, for product development and enhancements. In fiscal 2013, 2012 and 2011, we capitalized costs of $165 million, $180 million and $170 million respectively, for internally developed software.

Intellectual Property

Our products and technology are generally proprietary. We rely on U.S. and foreign intellectual property laws, including patent, copyright, trademark and trade secret laws, to protect our proprietary rights. However, the extent and duration of protection given to different types of intellectual property rights vary under different countries' legal systems. In some countries, full-scale intellectual property protection for our products and technology may be unavailable, and the laws of other jurisdictions may not protect our proprietary technology rights to the same extent as the laws of the United States. We also maintain contractual restrictions in our agreements with customers, employees and others to protect our intellectual property rights. These restrictions generally bind our employees to confidentiality and limit our customers' use of our software and prohibit certain disclosures to third parties.

We regularly license software and technology from third parties, including some competitors, and incorporate them into our own software products. We include third-party technology in our products in accordance with contractual relationships that specify our rights.

We believe that our patent portfolio differentiates our products and services from those of our competitors, enhances our ability to access third-party technology and helps protect our investment in research and development. We have recently enhanced our internal patent program to increase our ability to capture patents, strengthen their quality and increase the pace at which we are able to move our innovations through the patent process. At March 31, 2013, our patent portfolio included more than 800 issued patents and more than 900 pending applications in the United States and across the world. The patents generally expire at various times over the next 20 years. Although the durations and geographic intellectual property protection coverage for our patents may vary, we believe our patent portfolio adequately protects our interests. Although we have a number of patents and pending applications that may be of value to various aspects of our products and technology, we are not aware of any single patent that is essential to us or to any of our principal business product areas.

The source code for our products is protected both as trade secrets and as copyrighted works. Our customers do not generally have access to the source code for our products. Rather, on-premises customers typically access only the executable code for our products, and SaaS customers access only the functionality of our SaaS offerings. Under certain contingent circumstances, some of our customers are beneficiaries of a source code escrow arrangement that enables them to obtain a limited right to access our source code.

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We continue to be engaged in an effort to more fully employ our intellectual property by strategically licensing and/or assigning selected assets within our portfolio. This effort is intended to better position us in the marketplace and allow us the flexibility to reinvest in improving our overall business.

Product Licensing and Maintenance

For traditional, on-premises licensing, we typically license to customers either perpetually or on a subscription basis for a specified term. Our customers also purchase maintenance and support services that provide technical support and any general product enhancements released during the maintenance period.

Under a perpetual license, the customer has the right to use the licensed program for an indefinite period of time upon payment of a one-time license fee. If the customer wants to receive maintenance, the customer is required to pay an additional annual maintenance fee.

Under a subscription license, the customer has the right to usage and maintenance of the licensed products during the term of the agreement. Under our flexible licensing terms, customers can license our software products under multi-year licenses, with most customers choosing terms of one to five years, although some customers seeking greater cost certainty may negotiate longer terms. Thereafter, the license generally renews for the same period of time on the same terms and conditions, but subject to the customer's payment of our then-prevailing subscription license fee.

Within these license categories, our contracts provide customers with the right to use our products under a variety of models including, but not limited to:

- A typical designated CPU (central processing unit) license, under which the customer may use the licensed product on a single, designated CPU.
- A MIPS (millions of instructions per second)-based license, which allows the customer to use the licensed product on one or more CPUs, limited by the aggregate MIPS rating of the CPUs covered by the license.
- A user-based license, under which the customer may use the licensed product by or for the agreed number of licensed users.
- A designated server license, under which the customer may use a certain distributed product on a single, designated server. The licensed products must be licensed for use with a specific operating system.

Customers can obtain licenses to our products through individual discrete purchases to meet their immediate needs or through the adoption of enterprise license agreements (ELAs). ELAs are comprehensive licenses that cover multiple products and also provide for maintenance and support.

For our mainframe solutions, the majority of our licenses provide customers with the right to use one or more of our products up to a specific license capacity, generally measured in MIPS. For these products, customers may acquire additional capacity during the term of a license by paying us an additional license fee. For our enterprise solutions, our licenses may provide customers with the right to use one or more of our products limited to a number of servers, users or copies, among other things. Customers may license these products for additional servers, users or copies, etc., during the term of a license by paying us an additional license fee.

SaaS is another delivery model we offer to our customers when a customer prefers to use our technology off-premises with little to no infrastructure required. Our SaaS offerings are typically licensed using a subscription fee, most commonly on a monthly or annual basis.

Competition

Our industry is extremely competitive and experiences rapid technological change, the steady emergence of new companies and products, evolving industry standards and continually changing customer needs. We compete with many established companies, the majority of which have substantially greater financial, marketing and technological resources than we do. Our primary competitors include BMC Software Inc., Compuware Corporation, Dell Inc., Hewlett-Packard Company, International Business Machines Corporation, Microsoft Corporation, Oracle Corporation and VMware, Inc. These firms compete broadly across our multiple product lines.

We also compete with numerous smaller companies that provide products in a single area of our portfolio. Many of these firms are inherently more agile due to their size and scope, and are able to evolve more rapidly to meet changes in the technology landscape, including delivery of their solutions under the cloud computing model.

We believe our competitive differentiators include: our platform and hardware independence, breadth of offerings, industry expertise, intellectual property, comprehensive distribution, customer relationships, product functionality and scalability, as well as brand name recognition and reputation.

Employees

We had approximately 13,600 employees at March 31, 2013 and 2012, respectively.

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(d) Financial Information About Geographic Areas
Refer to Note 17 “Segment and Geographic Information,” in the Notes to the Consolidated Financial Statements for financial data pertaining to our segment and geographic operations.
(e) Corporate Information
The Company was incorporated in Delaware in 1974, began operations in 1976 and completed an initial public offering of common stock in December 1981. Our common stock is traded on The NASDAQ Global Select Market tier of The NASDAQ Stock Market LLC under the symbol “CA.”
Our corporate website address is www.ca.com. All filings we make with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, our proxy statements and any amendments thereto filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available for free in the Investor Relations section of our website (www.ca.com/invest) as soon as reasonably practicable after they are filed with or furnished to the SEC. Our SEC filings are available to be read or copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information about the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Our filings can also be obtained for free on the SEC's website at www.sec.gov. The reference to our website address does not constitute inclusion or incorporation by reference of the information contained on our website in this Form 10-K or other filings with the SEC, and the information contained on our website is not part of this document.
The Investor Relations section of our website (www.ca.com/invest) also contains information about our initiatives in corporate governance, including: our corporate governance principles; information about our Board of Directors (including specific procedures for communicating with them); information concerning our Board Committees, including the charters of the Audit Committee, the Compensation and Human Resources Committee, the Corporate Governance Committee and the Compliance and Risk Committee; and our Code of Conduct (which qualifies as a “code of ethics” under applicable SEC regulations and is applicable to all of our employees, including our Chief Executive Officer, Chief Financial Officer and principal accounting officer, and our directors). These documents can also be obtained in print by writing to our Corporate Secretary, CA, Inc., One CA Plaza, Islandia, NY 11749.

Item 1A. Risk Factors.
Current and potential stockholders should consider carefully the risk factors described below. Any of these factors, many of which are beyond our control, could materially adversely affect our business, financial condition, operating results, cash flow and stock price.
Failure to achieve success in our business strategy could materially adversely affect our business, financial condition, operating results and cash flow.
As more fully described in Part I, Item 1 “Business,” our business strategy is designed to build on our portfolio of software and services to meet next-generation market opportunities. The success of this strategy could be affected by many of the risk factors discussed in this Form 10-K and also by our ability to:

- Effectively rebalance our sales force to enable us to maintain and enhance our strong relationships in our traditional customer base of Large Existing Enterprises and to increase penetration in our combined Large New Enterprises and Growth Markets where we currently may not have a strong presence and where we may have a dependence on unfamiliar distribution partners and routes;
- Enable our sales force to sell new products, including instances where our offerings are of a type not previously provided by us, to our traditional core and new customers, or where a competitor already has an established relationship with a potential new customer;
- Improve the CA Technologies brand in the marketplace; and
- Ensure our cloud computing, application development and IT operations (DevOps), SaaS, mobile device management and other new offerings address the needs of a rapidly changing market, while not adversely affecting the demand for our traditional products or our profitability.

Failure to achieve success with this strategy could materially adversely affect our business, financial condition, operating results and cash flow.

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Given the global nature of our business, economic factors or political events beyond our control and other business risks associated with non-U.S. operations can affect our business in unpredictable ways.

International revenue has historically represented a significant percentage of our total worldwide revenue. Success in selling and developing our products outside the United States will depend on a variety of factors in various non-U.S. locations, including:

- Foreign exchange currency rates;
- Local economic conditions;
- Political stability and acts of terrorism;
- Workforce reorganizations in various locations, including global reorganizations of sales, research and development, technical services, finance, human resources and facilities functions;
- Effectively staffing key managerial and technical positions;
- Successfully localizing software products for a significant number of international markets;
- Restrictive employment regulation;
- Trade restrictions such as tariffs, duties, taxes or other controls;
- International intellectual property laws, which may be more restrictive or may offer lower levels of protection than U.S. law;
- Compliance by us and our partners (including unaffiliated third-party partners) with differing and changing local laws and regulations in multiple international locations as well as compliance with U.S. laws and regulations where applicable in these international locations; and
- Developing and executing an effective go-to-market strategy in various locations.

Any of the foregoing factors could materially adversely affect our business, financial condition, operating results and cash flow.

General economic conditions and credit constraints, or unfavorable economic conditions in a particular region, business or industry sector, may lead our customers to delay or forgo technology investments and could have other impacts, any of which could materially adversely affect our business, financial condition, operating results and cash flow.

Our products are designed to improve the productivity and efficiency of our customers' information processing resources. However, a general slowdown in the global economy, or in a particular region (such as Europe), or disruption in a business or industry sector (such as the financial services sector), or tightening of credit markets, could cause customers to: have difficulty accessing credit sources; delay contractual payments; or delay or forgo decisions to (i) license new products (particularly with respect to discretionary spending for software), (ii) upgrade their existing environments or (iii) purchase services. Any such impacts could materially adversely affect our business, financial condition, operating results and cash flow.

Such a general slowdown in the global economy may also materially affect the global banking system, including individual institutions as well as a particular business or industry sector, which could cause further consolidations or failures in such a sector. Approximately one third of our revenue is derived from arrangements with financial institutions (i.e., banking, brokerage and insurance companies). The majority of these arrangements are for the renewal of mainframe capacity and maintenance associated with transactions processed by our financial institution customers. While we cannot predict what impact there may be on our business from further consolidation of the financial industry sector, or the impact from the economy in general on our business, to date the impact has not been material to our balance sheet, results of operations or cash flows. The vast majority of our subscription and maintenance revenue in any particular reporting period comes from contracts signed in prior periods, generally pursuant to contracts ranging in duration from three to five years.

Any of these events could affect the manner in which we are able to conduct business, including within a particular industry sector or market and could materially adversely affect our business, financial condition, operating results and cash flow.

Failure to adapt to technological changes and introduce new software products and services in a timely manner could materially adversely affect our business.

If we fail to keep pace with, or in certain cases lead, technological change in our industry, that failure could materially adversely affect our business. We operate in a highly competitive industry characterized by rapid technological change, evolving industry standards, and changes in customer requirements and delivery methods. During the past several years, many new technological advancements and competing products entered the marketplace. The enterprise solutions markets in which we operate (including non-mainframe platforms from physical to virtual and cloud) are far more crowded and competitive than our traditional mainframe systems management markets.

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Our ability to compete effectively and our growth prospects for all of our products, including those associated with our business strategy, depend upon many factors, including the success of our existing enterprise solutions, the timely introduction and success of future software products and services, including those that we acquire or develop, and related delivery methods, and the ability of our products to perform well with existing and future leading databases and other platforms supported by our products that address customer needs and are accepted by the market. We have experienced long development cycles and product delays in the past, particularly with some of our enterprise solutions, and may experience delays in the future. In addition, we have incurred, and expect to continue to incur, significant research and development costs as we introduce new products and integrate products into solution sets. If there are delays in new product introduction or solution set integration, or if there is less-than-anticipated market acceptance of these new products or solution sets, we will have invested substantial resources without realizing adequate revenues in return, which could materially adversely affect our business, financial condition, operating results and cash flow.

We are subject to intense competition in product and service offerings and pricing, and we expect to face increased competition in the future, which could either diminish demand for or inhibit growth of our products and, therefore, reduce our sales, revenue and market presence.

The markets for our products are intensely competitive, and we expect product and service offerings and pricing competition to increase. Some of our competitors have longer operating histories, greater name recognition, a larger installed base of customers in any particular market niche, larger technical staffs, established relationships with hardware vendors, or greater financial, technical and marketing resources. Furthermore, our business strategy is predicated upon our ability to develop and acquire products and services that address customer needs and are accepted by the market better than those of our competitors.

We also face competition from numerous smaller companies that specialize in specific aspects of the highly fragmented software industry, and from shareware authors that may develop competing products. In addition, new companies enter the market on a frequent and regular basis, offering products that compete with those offered by us. Moreover, certain customers historically have developed their own products that compete with those offered by us. The competition may affect our ability to attract and retain the technical skills needed to provide services to our customers, forcing us to become more reliant on delivery of services through third parties. This, in turn, could increase operating costs and decrease our revenue, profitability and cash flow. Additionally, competition from any of these sources could result in price reductions or displacement of our products, which could materially adversely affect our business, financial condition, operating results and cash flow.

Our competitors include large vendors of hardware and operating system software and service providers. The widespread inclusion of products that perform the same or similar functions as our products bundled within computer hardware or other companies' software products, or services similar to those provided by us, could reduce the perceived need for our products and services, or render our products obsolete and unmarketable. Furthermore, even if these incorporated products are inferior or more limited than our products, customers may elect to accept the incorporated products rather than purchase our products. In addition, the software industry is currently undergoing consolidation as software companies seek to offer more extensive suites and broader arrays of software products and services, as well as integrated software and hardware solutions. This consolidation may adversely affect our competitive position, which could materially adversely affect our business, financial condition, operating results and cash flow. Refer to Part I, Item 1, “Business - (c) Narrative Description of the Business - Competition,” for additional information.

Failure to expand our partner programs related to the sale of our solutions may result in lost sales opportunities, increases in expenses and a weakening in our competitive position.

We sell our solutions through global systems integrators, technology partners, managed service providers, solution providers, distributors of volume partners and exclusive representatives in partner programs that require training and expertise to sell these solutions, and global penetration to grow these aspects of our business. The failure to expand these partner programs and penetrate these markets could materially adversely affect our success with partners, resulting in lost sales opportunities and an increase in expenses, and could also weaken our competitive position.

Our business may suffer if we are not able to retain and attract adequate qualified personnel, including key managerial, technical, marketing and sales personnel.

We operate in a business where there is intense competition for experienced personnel in all of our global markets. We depend on our ability to identify, recruit, hire, train, develop and retain qualified and effective personnel and to attract and retain talent needed to execute our business strategy. Our ability to do so depends on numerous factors, including factors that we cannot control, such as competition and conditions in the local employment markets in which we operate. Our future success depends in a large part on the continued contribution of our senior management and other key employees. A loss of a significant number of skilled managerial, technical, marketing or other personnel could have a negative effect on the quality of our products. A loss of a significant number of experienced and effective sales personnel could result in fewer sales of our products. Our failure to retain qualified employees in these categories could materially adversely affect our business, financial condition, operating results and cash flow.

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We may encounter difficulties in successfully integrating companies and products that we have acquired or may acquire into our existing business, which could materially adversely affect our infrastructure, market presence, business, financial condition, operating results and cash flow.

In the past we have acquired, and in the future we expect to acquire, complementary companies, products, services and technologies (including through mergers, asset acquisitions, joint ventures, partnerships, strategic alliances and equity investments). Additionally, we expect to acquire technology and software that are consistent with our business strategy. The risks we may encounter include:

- We may find that the acquired company or assets do not improve our financial and strategic position as planned;
- We may have difficulty integrating the operations, facilities, personnel and commission plans of the acquired business;
- We may have difficulty forecasting or reporting results subsequent to acquisitions;
- We may have difficulty retaining the skills needed to further market, sell or provide services on the acquired products in a manner that will be accepted by the market;
- We may have difficulty incorporating the acquired technologies or products into our existing product lines;
- We may have product liability, customer liability or intellectual property liability associated with the sale of the acquired company's products;
- Our ongoing business may be disrupted by transition or integration issues and our management's attention may be diverted from other business initiatives;
- We may be unable to obtain timely approvals from governmental authorities under applicable competition and antitrust laws;
- We may have difficulty maintaining uniform standards, controls, procedures and policies;
- Our relationships with current and new employees, customers and distributors could be impaired;
- An acquisition may result in increased litigation risk, including litigation from terminated employees or third parties;
- Our due diligence process may fail to identify significant issues with the acquired company's product quality, financial disclosures, accounting practices, internal control deficiencies, including material weaknesses, product architecture, legal and tax contingencies and other matters; and
- We may not be able to realize the benefits of recognized goodwill and intangible assets and this may result in the potential impairment of these assets.

These factors could materially adversely affect our business, results of operations, financial condition and cash flow, particularly in the case of a large acquisition or number of acquisitions. To the extent we issue shares of stock or other rights to purchase stock, including options, to pay for acquisitions or to retain employees, existing stockholders' interests may be diluted and income per share may decrease.

If we do not adequately manage, evolve and protect our managerial and financial reporting systems and processes, including the successful implementation of our enterprise resource planning software, our ability to manage and grow our business may be harmed.

Our ability to successfully implement our business plan and comply with regulations requires effective planning and management systems and processes. We need to continue to improve and implement existing and new operational and financial systems, procedures and controls to manage our business effectively in the future. As a result, we have licensed enterprise resource planning software, consolidated certain finance functions into regional locations, and are in the process of expanding and upgrading our operational and financial systems. Any delay in the implementation of, or disruption in the transition to, our new or enhanced systems, procedures or internal controls, could adversely affect our ability to accurately forecast sales demand, manage our supply chain, achieve accuracy in the conversion of electronic data and records, and report financial and management information, including the filing of our quarterly or annual reports with the SEC, on a timely and accurate basis. Failure to properly or adequately address these issues, as well as managing and protecting our infrastructure, could result in the diversion of management's attention and resources, adversely affect our ability to manage our business and materially adversely affect our business, financial condition, results of operations and cash flow. Refer to Item 9A, “Controls and Procedures,” for additional information.

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If our products do not remain compatible with ever-changing operating environments we could lose customers and the demand for our products and services could decrease, which could materially adversely affect our business, financial condition, operating results and cash flow.

The largest suppliers of systems and computing software are, in most cases, the manufacturers of the computer hardware systems used by most of our customers. Historically, these companies have from time to time modified or introduced new operating systems, systems software and computer hardware. In the future, new products from these companies could incorporate features that perform functions currently performed by our products, or could require substantial modification of our products to maintain compatibility with these companies' hardware or software. Recently, many established enterprise hardware vendors have begun to bundle in basic management functionality software with their hardware offerings, putting additional competitive pressures on independent management software vendors like us. Although we have to date been able to adapt our products and our business to changes introduced by hardware manufacturers and system software developers, there can be no assurance that we will be able to do so in the future. Failure to deliver distinctive management functionality, beyond the basic functionality now being bundled by many hardware vendors, that delivers significant and differentiating value to customers could materially adversely affect our business, financial condition, operating results and cash flow.

In addition, the emergence of cloud computing means that many of our enterprise solutions customers are themselves undergoing a radical shift in the way they deliver IT services to their businesses. The shift towards delivering infrastructure and Software-as-a-Service (SaaS) from the cloud may negatively affect our ability to sell IT management solutions to our traditional enterprise solutions customers. While we believe we adequately understand this risk and are taking steps in our product and business strategy to plan for it, failure to adapt our products, solutions, delivery models and sales approaches to effectively plan for cloud computing may adversely affect our business. If we are not successful in anticipating the rate of market change towards the cloud computing paradigm and evolving with it by delivering solutions for IT management in the cloud computing environment, customers may forgo the use of our products in favor of those with comparable functionality delivered via the cloud, which could materially adversely affect our business, financial condition, operating results and cash flow.

Our customers' data centers and IT environments may be subject to hacking or other cybersecurity threats, harming customer relationships and the market perception of the effectiveness of our products.

An actual or perceived breach of our customers' network security allowing access to our customers' data centers or other parts of their IT environments, including access to confidential and personally identifiable information maintained by a customer, regardless of whether the breach is attributable to our products, may cause contractual disputes and may negatively affect the market perception of the effectiveness of our products and our reputation. Because the techniques used by computer hackers to access or sabotage networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques. Alleviating any of these problems could require significant expenditures of our capital and diversion of our resources from development efforts. Additionally, these efforts could cause interruptions, delays or cessation of our product licensing, or modification of our software, which could cause us to lose existing or potential customers, and/or subject us to legal action by government authorities or private parties, which could materially adversely affect our business, financial condition, operating results and cash flow.

Our software products, data centers and IT environments may be subject to hacking or other cybersecurity threats, resulting in a loss or misuse of proprietary, personally identifiable and confidential information and harm to the market perception of the effectiveness of our products.

Given that our products are intended to manage and secure IT infrastructures and environments, we expect to be an ongoing target of attacks specifically designed to impede the performance of our products. Similarly, experienced computer programmers or hackers may attempt to penetrate our network security or the security of our data centers and IT environments. These hackers, or others, which may include our employees or vendors, may misappropriate proprietary, personally identifiable and confidential information of the Company, our customers, our employees or our business partners or other individuals or cause interruptions of our services. Although we continually seek to improve our countermeasures to prevent and detect such incidents, if these efforts are not successful, our business operations, and those of our customers, could be adversely affected, losses or theft of data could occur, our reputation and future sales could be harmed, governmental regulatory action or litigation could be commenced against us and our business, financial condition, operating results and cash flow could be materially adversely affected.

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Discovery of errors or omissions in our software products could materially adversely affect our revenue and earnings and subject us to costly and time consuming product liability claims.

The software products we offer are inherently complex. Despite testing and quality control, we cannot be certain that errors or omissions will not be found in current versions, new versions, documentation or enhancements of our software products (collectively, our Products) after commencement of commercial shipments. If new or existing customers have difficulty deploying our Products or require significant amounts of customer support, our operating margins could be adversely affected. We could also face possible claims and higher development costs if our Products contain errors that we have not detected or if our Products otherwise fail to meet our customers' expectations. Significant technical challenges also arise with our Products because our customers license and deploy our Products across a variety of computer platforms and integrate them with a number of third-party software applications and databases. These combinations increase our risk further because, in the event of a system-wide failure, it may be difficult to determine which product is at fault. As a result, we may be harmed by the failure of another supplier's products. As a result of the foregoing, we could experience:

- Loss of or delay in revenue and loss of market share;
- Loss of customers, including the inability to obtain repeat business with existing key customers;
- Damage to our reputation;
- Failure to achieve market acceptance;
- Diversion of development resources;
- Remediation efforts that may be required;
- Increased service and warranty costs;
- Legal actions by customers or government authorities against us that could, whether or not successful, be costly, distracting and time-consuming;
- Increased insurance costs; and
- Failure to successfully complete service engagements for product installations and implementations.

Consequently, the discovery of errors in our Products after delivery could materially adversely affect our business, financial condition, operating results and cash flow.

Failure to protect our intellectual property rights and source code would weaken our competitive position.

Our future success is highly dependent upon our proprietary technology, including our software and our source code for that software. Failure to protect such technology could lead to the loss of valuable assets and our competitive advantage. We protect our proprietary information through the use of patents, copyrights, trademarks, trade secret laws, confidentiality procedures and contractual provisions. Notwithstanding our efforts to protect our proprietary rights, policing unauthorized use or copying of our proprietary information is difficult. Unauthorized use or copying occurs from time to time and litigation to enforce intellectual property rights could result in significant costs and diversion of resources. Moreover, the laws of some foreign jurisdictions do not afford the same degree of protection to our proprietary rights as do the laws of the United States. For example, for some of our products, we rely on "shrink-wrap" or "click-on" licenses, which may be unenforceable in whole or in part in some jurisdictions in which we operate. In addition, patents we have obtained may be circumvented, challenged, invalidated or designed around by other companies. If we do not adequately protect our intellectual property for these or other reasons, our business, financial condition, operating results and cash flow could be materially adversely affected. Refer to Part I , Item 1, "Business - (c) Narrative Description of the Business - Intellectual Property," for additional information.

Our sales to government clients subject us to risks, including early termination, renegotiation, audits, investigations, sanctions and penalties.

Approximately 11% of our total revenue backlog at March 31, 2013 is associated with multi-year contracts signed with the U.S. federal government and other U.S. state and local government agencies. These contracts are generally subject to annual fiscal funding approval, may be renegotiated or terminated at the discretion of the government, or all of these. Termination, renegotiation or funding approval for a contract could adversely affect our sales, revenue and reputation. Additionally, our government contracts are generally subject to audits and investigations, which could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with the government, which could materially adversely affect our business, financial condition, operating results and cash flow.

We may encounter events or circumstances that would require us to record an impairment charge relating to our goodwill or capitalized software and other intangible assets balances.

Under GAAP, we are required to evaluate our capitalized software and other intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually, and more frequently if impairment indicators are present. In future periods, we may be subject to factors that may constitute a change in circumstances, indicating that the carrying value of our goodwill exceeds fair value or our capitalized software and other intangible assets may not be recoverable. These changes may consist of, but are not limited to, declines in our stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in our industry. Any of these factors, or others, could require us to record a significant non-cash impairment charge in our financial statements during a period. If we determine that a significant impairment of our goodwill or our capitalized software and other intangible assets has occurred in any of our operating segments, this could materially adversely affect our business, financial condition and operating results.

Certain software that we use in our products is licensed from third parties and, for that reason, may not be available to us in the future, which has the potential to delay product development and production or cause us to incur additional expense, which could materially adversely affect our business, financial condition, operating results and cash flow.

Some of our solutions contain software licensed from third parties. Some of these licenses may not be available to us in the future on terms that are acceptable to us or allow our products to remain competitive. The loss of these licenses or the inability to maintain any of them on commercially acceptable terms could delay development of future products or the enhancement of existing products. We may also choose to pay a premium price for such a license in certain circumstances where continuity of the licensed product would outweigh the premium cost of the license. The unavailability of these licenses or the necessity of agreeing to commercially unreasonable terms for such licenses could materially adversely affect our business, financial condition, operating results and cash flow.

Certain software we use is from open source code sources, which, under certain circumstances, may lead to unintended consequences and, therefore, could materially adversely affect our business, financial condition, operating results and cash flow.

Some of our products contain software from open source code sources. The use of such open source code may subject us to certain conditions, including the obligation to offer our products that use open source code for no cost. We monitor our use of such open source code to avoid subjecting our products to conditions we do not intend. However, the use of such open source code may ultimately subject some of our products to unintended conditions, which could require us to take remedial action that may divert resources away from our development efforts and, therefore, could materially adversely affect our business, financial condition, operating results and cash flow.

We may lose access to third-party code and specifications for the development of code, which could materially adversely affect our ability to develop software compatible with third-party software products in the future.

Our solutions interact with a variety of software and hardware developed by third parties. Some software providers and hardware manufacturers, including some of the largest vendors, have a policy of restricting the use or availability of their code or technical documentation for some of their operating systems, applications, or hardware. To date, this policy has not had a material effect on us. Some companies, however, may adopt more restrictive policies in the future or impose unfavorable terms and conditions for such access. These restrictions may, in the future, result in higher research and development costs for us in connection with the enhancement and modification of our existing products and the development of new products. Any additional restrictions could materially adversely affect our business, financial condition, operating results and cash flow.

Third parties could claim that our products infringe or contribute to the infringement of their intellectual property rights or that we owe royalty payments to them, which could result in significant litigation expense or settlement with unfavorable terms, which could materially adversely affect our business, financial condition, operating results and cash flow.

From time to time, third parties have claimed and may claim that our products infringe various forms of their intellectual property or that we owe royalty payments to them. Investigation of these claims can be expensive and could affect development, marketing or shipment of our products. As the number of software patents issued increases, it is likely that additional claims will be asserted. Defending against such claims is time consuming and could result in significant litigation expense or settlement on unfavorable terms, which could materially adversely affect our business, financial condition, operating results and cash flow.

The number, terms and duration of our license agreements as well as the timing of orders from our customers and channel partners, may cause fluctuations in some of our key financial metrics, which may affect our quarterly financial results.

Historically, a substantial portion of our license agreements are executed in the last month of a quarter and the number of contracts executed during a given quarter can vary substantially. In addition, we experience a historically long sales cycle, which is driven in part by the varying terms and conditions of our software contracts. These factors can make it difficult for us to predict sales and cash flow on a quarterly basis. Any failure or delay in executing new or renewed license agreements in a given quarter could cause declines in some of our key financial metrics (e.g., revenue or cash flow), and, accordingly, increases the risk of unanticipated variations in our quarterly results and financial condition.

Failure to renew large license agreement transactions on a satisfactory basis could materially adversely affect our business, financial condition, operating results and cash flow.

Our core customers are large enterprises with multi-year enterprise license agreements each of which involves substantial aggregate fee amounts. The failure to renew those transactions in the future, or to replace those enterprise license agreements with new transactions of similar scope, on terms that are commercially attractive to us could materially adversely affect our business, financial condition, operating results and cash flow.

Changes in market conditions or our credit ratings could increase our interest costs and adversely affect the cost of refinancing our debt and our ability to refinance our debt, which could materially adversely affect our business, financial condition, operating results and cash flow.

At March 31, 2013, we had $1,290 million of debt outstanding, consisting mostly of unsecured fixed-rate senior note obligations and credit facility borrowings. Refer to Note 8, “Debt,” in the Notes to the Consolidated Financial Statements for the payment schedule of our long-term debt obligations. Our senior unsecured notes are rated by Moody's Investors Service, Fitch Ratings, and Standard and Poor's. These agencies or any other credit rating agency could downgrade or take other negative action with respect to our credit ratings in the future. If our credit ratings were downgraded or other negative action is taken, we could be required to, among other things, pay additional interest on outstanding borrowings under our principal revolving credit agreement. Any downgrades could affect our ability to obtain additional financing in the future and may affect the terms of any such financing.

We expect that existing cash, cash equivalents, marketable securities, cash provided from operations and our bank credit facilities will be sufficient to meet ongoing cash requirements. However, our failure to generate sufficient cash as our debt becomes due or to renew credit lines prior to their expiration could materially adversely affect our business, financial condition, operating results and cash flow.

Fluctuations in foreign currencies could result in translation losses.

Our consolidated financial results are reported in U.S. dollars. Most of the revenue and expenses of our foreign subsidiaries are denominated in local currencies. Given that cash is typically received over an extended period of time for many of our license agreements and given that a substantial portion of our revenue is generated outside of the U.S., fluctuations in foreign currency exchange rates (such as the euro) against the U.S. dollar could result in substantial changes in reported revenues and operating results due to the foreign currency impact upon translation of these transactions into U.S. dollars.

In the normal course of business, we employ various strategies to manage these risks, including the use of derivative instruments. These strategies may not be effective in protecting us against the effects of fluctuations from movements in foreign exchange rates. Fluctuations of the foreign currency exchange rates could materially adversely affect our business, financial condition, operating results and cash flow.

Failure by us to effectively execute on our announced workforce reductions, workforce re-balancing and facilities consolidations could result in total costs that are greater than expected or revenues that are less than anticipated.

In May 2013 and previously, we have announced workforce reductions, workforce re-balancing, global facility consolidations and other cost reduction initiatives to reallocate resources of our business as part of our strategy. We may have further workforce reductions, workforce re-balancing, global facilities consolidations and other cost reduction initiatives in the future. Risks associated with these actions and other workforce management issues include delays in implementation, changes in plans that increase or decrease the number of employees affected, adverse effects on employee morale and the failure to meet operational targets due to the loss of employees, any of which may impair our ability to achieve anticipated cost reductions or may otherwise harm our business, which could materially adversely affect our financial condition, operating results and cash flow.

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We have outsourced various functions to third parties and use third parties as vendors pursuant to arrangements that may not be successful or fully secure, thereby resulting in increased costs or an increased chance of a cybersecurity threat, which may adversely affect service levels and our public reporting.

We have outsourced various functions to third parties, including certain development and administrative functions and hosting for our SaaS business, and may outsource additional functions to third-party providers in the future. We use third party vendors for a variety of functions including a number of which expressly involve confidential and/or personally identifiable information. We rely on all of these third parties to provide services on a timely and effective basis and to adequately address their own cybersecurity threats. Although we periodically monitor the performance of these third parties and maintain contingency plans in case the third parties are unable to perform as agreed, we do not ultimately control the performance of our outsourcing partners. The failure of third-party outsourcing partners or vendors to perform as expected or as contractually required could result in significant disruptions and costs to our operations or our customers' operations, including the potential loss of personally identifiable data of our customers, employees and business partners and could subject us to legal action by government authorities or private parties, which could materially adversely affect our business, financial condition, operating results and cash flow, and our ability to file our financial statements with the SEC timely or accurately.

Potential tax liabilities may materially adversely affect our results.

We are subject to income taxes in the United States and in numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes. In the ordinary course of our business, we engage in many transactions and calculations where the ultimate tax determination is uncertain.

We are regularly under audit by tax authorities. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from that which is reflected in our income tax provisions and accruals. Additional tax assessments resulting from audit, litigation or changes in tax laws may result in increased tax provisions or payments which could materially adversely affect our business, financial condition, operating results and cash flow in the period or periods in which that determination is made.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal real estate properties are located in areas necessary to meet our operating requirements. All of the properties are considered to be both suitable and adequate to meet our current and anticipated operating requirements. At March 31, 2013, we leased 60 facilities throughout the United States, including our corporate headquarters located in Islandia, New York, and 85 facilities outside the United States. Our lease obligations expire on various dates with the longest commitment extending to 2023. We believe that substantially all of our leases will be renewable at market terms at our option as they become due.

We own one facility in Germany totaling approximately 100,000 square feet, two facilities in Italy totaling approximately 140,000 square feet, two facilities in India totaling approximately 455,000 square feet and one facility in the United Kingdom totaling approximately 215,000 square feet.

We utilize our leased and owned facilities for sales, technical support, research and development and administrative functions.

Item 3. Legal Proceedings.

Refer to Note 11, “Commitments and Contingencies,” in the Notes to the Consolidated Financial Statements for information regarding certain legal proceedings, the contents of which are herein incorporated by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

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Executive Officers of the Registrant.

The name, age, present position, and business experience for at least the past five years of each of our executive officers at May 9, 2013 are listed below:

Michael P. Gregoire, 47, has been Chief Executive Officer and a director of the Company since January 2013. Previously, he served as President and Chief Executive Officer of Taleo Corporation (Taleo), a provider of on-demand talent management software solutions, from March 2005 until Taleo's acquisition by Oracle Corporation in April 2012. Mr. Gregoire also served as a director of Taleo from April 2005 until April 2012 and served as Taleo's Chairman of the Board from May 2008 until April 2012. Mr. Gregoire served as Executive Vice President, Global Services and held various other senior management positions at PeopleSoft, Inc. (PeopleSoft), an enterprise software company, from May 2000 to January 2005. Mr. Gregoire served as Managing Director for global financial markets at Electronic Data Systems, Inc., a global technology services company, from 1996 to April 2000, and in various other roles from 1988 to 1996. Mr. Gregoire has been a director of ShoreTel, Inc., a provider of business communication solutions, since November 2008.

Richard J. Beckert, 51, has been Executive Vice President and Chief Financial Officer of the Company since May 2011. He served as the Company's Corporate Controller from June 2008 to May 2011 and as Senior Vice President, Strategic Pricing and Offerings from September 2006, when he joined the Company, through June 2008.

Adam Elster, 45, has been Executive Vice President and Group Executive, Mainframe and Customer Success Group since February 2012. He is responsible for innovation and growth of our mainframe business and customer success, which includes customer support, portfolio management and integration of acquisitions. In addition, he leads a business transformation program that focuses on organizational alignment initiatives with our business strategy to meet long-term goals and objectives. Since joining the Company in 1999, Mr. Elster has held a number of senior management positions, including Executive Vice President, Global Business Organization and Business Transformation from August 2011 to February 2012, General Manager, CA Services, Support and Education from June 2011 to August 2011, Corporate Senior Vice President and General Manager, CA Services from November 2009 to June 2011, and Senior Vice President, Area Sales Manager for the Eastern United States, from July 2007 to November 2009.

George J. Fischer, 50, has been the Company's Executive Vice President and Group Executive, Worldwide Sales and Services since February 2012. He is responsible for all revenue for the Company and for building and maintaining customer and partner relationships across all sectors and geographies. Since joining the Company in 1999, Mr. Fischer has held a number of senior management positions, including Executive Vice President and Group Executive, Worldwide Sales and Operations from June 2010 to February 2012, Executive Vice President, Global Sales and Marketing from 2009 to June 2010 and Executive Vice President and General Manager, Worldwide Sales from 2007 to 2009.

Amy Fliegelman Olli, 49, has been Executive Vice President and General Counsel of the Company since February 2007. She is responsible for all of the Company's legal, compliance, internal audit and enterprise risk management functions worldwide. Ms. Fliegelman Olli joined the Company in September 2006. From September 2006 to February 2007, she served as Executive Vice President and Co-General Counsel of the Company.

Peter JL Griffiths, 49, has been the Company's Executive Vice President and Group Executive, Enterprise Solutions and Technology Group since February 2012. He is responsible for managing a broad portfolio of enterprise products and solutions and for managing the Company's development function. Mr. Griffiths joined the Company in May 2011 as Executive Vice President, Technology and Development and held that position until February 2012. Prior to that, he was Vice President of Worldwide Research and Development Business, Analytics and Applications at International Business Machines Corporation from January 2008 to May 2011.

Jacob Lamm, 48, has been the Company's Executive Vice President, Strategy and Corporate Development since February 2009. He is responsible for directing the Company's overall business strategy, as well as the Company's strategy for acquisitions. Mr. Lamm has held various management positions since joining the Company in 1998, including serving as Executive Vice President, Governance Group from January 2008 to February 2009 and as Executive Vice President and General Manager, Business Service Optimization Business Unit from March 2007 to

January 2008.

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Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on The NASDAQ Global Select Market tier of The NASDAQ Stock Market LLC (NASDAQ) under the symbol "CA." The following table sets forth, for the fiscal quarters indicated, the quarterly high and low closing sales prices on NASDAQ:

	Fiscal 2013		Fiscal 2012	
	High	Low	High	Low
Fourth Quarter	$25.52	$22.65	$27.91	$20.16
Third Quarter	$25.50	$21.77	$22.46	$18.99
Second Quarter	$27.31	$24.07	$23.42	$18.62
First Quarter	$27.78	$24.39	$25.06	$21.35

At April 30, 2013, we had approximately 5,800 stockholders of record.

We have paid cash dividends each year since July 1990. For fiscal 2013, 2012 and 2011, we paid annual cash dividends of $1.00, $0.40 and $0.16 per share, respectively.

On January 23, 2012, our Board of Directors approved a capital allocation program that targets the return of up to $2.5 billion to shareholders through fiscal 2014. This included an increase in the annual dividend from $0.20 to $1.00 per share on our common stock as and when declared by the Board of Directors and the authorization to acquire up to $1.5 billion of our common stock. In fiscal 2013, we paid quarterly cash dividends of $0.25 per share. We paid a cash dividend of $0.25 per share in the fourth quarter of fiscal 2012 and $0.05 per share in each of the first three quarters of fiscal 2012. In fiscal 2011, we paid quarterly cash dividends of $0.04 per share.

Purchases of Equity Securities by the Issuer

The following table sets forth, for the months indicated, our purchases of common stock in the fourth quarter of fiscal 2013:

Issuer Purchases of Equity Securities

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs	Approximate Dollar Value Of Shares That May Yet Be Purchased Under The Plans Or Programs
	(in thousands, except average price paid per share)			
January 1, 2013 — January 31, 2013	759	$25.01	759	$559,645
February 1, 2013 — February 28, 2013	1,436	24.82	1,436	$524,000
March 1, 2013 — March 31, 2013	765	24.98	765	$504,899
Total	2,960		2,960	

On January 23, 2012, our Board of Directors approved a capital allocation program that authorized us to acquire up to $1.5 billion of our common stock through our fiscal year ending March 31, 2014.

In January 2012, we entered into an Accelerated Share Repurchase (ASR) agreement with a bank to repurchase $500 million of our common stock. Under the agreement, we paid $500 million to the bank for an initial delivery of 15 million shares in the fourth quarter of fiscal 2012. The fair market value of the initially delivered shares on the date of purchase was $375 million. The remaining $125 million was included in "Additional paid-in capital" in our Consolidated Balance Sheet at March 31, 2012.

The ASR transaction was completed in the first quarter of fiscal 2013, during which time we received 3.7 million additional shares. As a result, the initial amount of $125 million recorded as additional paid-in capital during the fourth quarter of fiscal 2012 was reclassified to treasury stock. The final number of shares delivered upon settlement of the agreement was determined based on the average price of our common stock over the term of the ASR agreement.

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Excluding the settlement of the ASR agreement, we repurchased 20 million additional shares of our common stock for $495 million during fiscal 2013. At March 31, 2013, we remained authorized to purchase $505 million of our common stock under the capital allocation program. The timing and amount of share repurchases will be determined by our management based on evaluation of market conditions, trading price, legal requirements and other factors.

Item 6. Selected Financial Data.

The information set forth below should be read in conjunction with the "Results of Operations" section included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Statement Of Operations Data	Year Ended March 31, 2013	2012	2011	2010	2009
	(in millions, except per share amounts)				
Revenue	$4,643	$4,814	$4,429	$4,227	$4,138
Income from continuing operations[1]	$955	$938	$823	$759	$661
Basic income per common share from continuing operations	$2.07	$1.91	$1.60	$1.46	$1.27
Diluted income per common share from continuing operations	$2.07	$1.90	$1.60	$1.45	$1.27
Dividends declared per common share[2]	$1.00	$0.40	$0.16	$0.16	$0.16

Balance Sheet And Other Data	At March 31, 2013	2012	2011	2010	2009
	(in millions)				
Cash provided by operating activities — continuing operations	$1,408	$1,505	$1,377	$1,336	$1,184
Working capital surplus	$585	$214	$448	$409	$147
Working capital, excluding deferred revenue[3]	$3,067	$2,872	$3,045	$2,913	$2,553
Total assets	$11,811	$11,997	$12,411	$11,888	$11,241
Long-term debt (less current maturities)	$1,274	$1,287	$1,282	$1,530	$1,287
Stockholders' equity	$5,450	$5,397	$5,620	$4,987	$4,362

(1) In fiscal 2010 and 2009, we incurred after-tax charges of $33 million and $64 million, respectively, for restructuring and other costs.

(2) In fiscal 2013, dividends declared per common share were $0.25 per quarter. Dividends declared per common share were $0.05 in each of the first three quarters of fiscal 2012 and $0.25 in the fourth quarter of fiscal 2012. In fiscal 2009 through fiscal 2011, dividends declared per common share were $0.04 per quarter.

(3) Deferred revenue includes amounts billed or collected in advance of revenue recognition, including subscription license agreements, maintenance and professional services. It does not include unearned revenue on future installments not yet billed at the respective balance sheet dates.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Introduction

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" (MD&A) is intended to provide an understanding of our financial condition, changes in financial condition, cash flow, liquidity and results of operations. This MD&A should be read in conjunction with our Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements appearing elsewhere in this Form 10-K and the Risk Factors included in Part I, Item 1A of this Form 10-K, as well as other cautionary statements and risks described elsewhere in this Form 10-K.

Business Overview

We are a leading provider of enterprise information technology (IT) management software and solutions. We help customers maximize their existing technology investments and recognize the potential of new technology to drive innovation. We transform IT to simplify complexity, free up resources and focus on service quality. We also secure IT to reduce the risk of improper access and fraud. We do this across our customers' choices of platforms - from mainframe and distributed to virtual, cloud and mobile, and across technologies and vendors.

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We deliver solutions across the complete service lifecycle, which ranges from portfolio planning and service modeling in pre-production to service assembly, automation, assurance and management in production. This specialized customer-centric and practical approach helps customers manage and maintain IT systems and deliver new, innovative services with speed and agility, while bridging the gap between what businesses want to compete more effectively and what IT can deliver.

Organizations are looking to IT to gain a competitive edge through faster delivery of products, services and applications, new customer acquisition, and agile responses to market change. To achieve these desired business outcomes, many organizations are improving the efficiency and availability of their IT resources and applications by: adopting server virtualization and cloud computing; delivering an experience that embraces social media and the proliferation of smart devices; leveraging application development and IT operations to speed application release cycles; and looking at the flexibility inherent in the variety of Software-as-a-Service (SaaS) offerings available in the market. While these technologies and new business models can reduce operating costs tied to physical infrastructure and increase agility, they also push IT into more complex and hybrid computing environments comprising mainframes, physical servers, virtualized servers and private, public and hybrid (a combination of public and private) cloud environments.

To address these challenges, we believe it is vital for companies to effectively accelerate IT innovation and transform and secure all of their various computing environments, while being able to deliver new services quickly based on their business needs.

Our core strengths in IT management and security, combined with our investments in innovative technologies, position us to serve a wide range of customers. We have a broad and deep portfolio of software solutions to address customer needs across computing platforms, from mainframe and distributed to virtual, cloud and mobile, and across the service lifecycle. We deliver these solutions on-premises and are continuing to transition many of our products to a SaaS delivery model. We organize our offerings into our Mainframe Solutions, Enterprise Solutions and Services operating segments.

In the beginning of fiscal 2013, we divided our customers into three groups: (1) approximately 1,000 core large existing enterprise customers with annual revenue in excess of $2 billion (Large Existing Enterprises), which accounted for approximately 80% of our revenue; (2) enterprises with revenue in excess of $2 billion that were not historically significant customers of ours (Large New Enterprises), a customer segment that included an estimated 4,500 potential new customers, but where we focused on approximately only 1,000 of these customers selected based on our geographical and vertical strengths; and (3) more than 7,000 enterprises with revenue between $300 million and $2 billion and in fast growing geographies like Latin America and Asia (Growth Markets). At the beginning of fiscal 2014 we further refined our approach, combining our Large New Enterprises and Growth Markets go-to-market efforts into a single sales coverage model to better capture these opportunities. All these efforts are designed to accelerate new product sales outside of our contract renewal cycle.

At the same time, we continue to dedicate sales resources and deploy additional solutions to address opportunities to sell to new customers. We believe we can grow our business and increase market share by delivering differentiated technology and working through partners. Market segmentation allows us to better align marketing and go-to-market initiatives with how customers want to buy. We have also implemented broad-based business initiatives to drive accountability for execution. We believe that these initiatives will benefit our performance in the long-term.

CA Technologies Business Model

We generate revenue from the following sources: license fees — licensing our products on a right-to-use basis; maintenance fees —providing customer technical support and product enhancements; and service fees — providing professional services such as product implementation, consulting and education. The timing and amount of fees recognized as revenue during a reporting period are determined in accordance with generally accepted accounting principles in the United States of America (GAAP). Revenue is reported net of applicable sales taxes.

Under our business model, we offer customers a wide range of licensing options. For traditional, on-premises licensing, we typically license to customers either perpetually or on a subscription basis for a specified term. Our customers also purchase maintenance and support services that provide technical support and any general product enhancements released during the maintenance period.

Under a perpetual license, the customer has the right to use the licensed program for an indefinite period of time upon payment of a one-time license fee. If the customer wants to receive maintenance, the customer is required to pay an additional annual maintenance fee.

Under a subscription license, the customer has the right to usage and maintenance of the licensed products during the term of the agreement. Under our flexible licensing terms, customers can license our software products under multi-year licenses, with most customers choosing terms of one-to-five years, although longer terms may sometimes be negotiated by customers in order to obtain greater cost certainty. Thereafter, the license generally renews for the same period of time on the same terms and conditions, but subject to the customer’s payment of our then prevailing subscription license fee.

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For our mainframe solutions, the majority of our licenses provide customers with the right to use one or more of our products up to a specific license capacity, generally measured in millions of instructions per second (MIPS). For these products, customers may acquire additional capacity during the term of a license by paying us an additional license fee. For our enterprise solutions, our licenses may provide customers with the right to use one or more of our products limited to a number of servers, users or copies, among other things. Customers may license these products for additional servers, users or copies, etc., during the term of a license by paying us an additional license fee.

SaaS is another delivery model we offer to our customers who prefer to utilize our technology off-premises with little to no infrastructure required. Our SaaS offerings are typically licensed using a subscription fee, most commonly on a monthly or annual basis.

Our services are typically delivered on a time and materials basis, but alternative pay arrangements, such as fixed fee or staff augmentations, can also be arranged.

Executive Summary

The following is a summary of the analysis of our results contained in our MD&A.

Total revenue for fiscal 2013 decreased 4% to $4,643 million compared with $4,814 million in fiscal 2012 primarily due to an unfavorable foreign exchange effect and a decrease in subscription and maintenance revenue. Subscription and maintenance revenue declined primarily due to lower new product and mainframe capacity sales in prior periods. For fiscal 2012, software fees and other revenue included $39 million in revenue under a license agreement we entered into in connection with a litigation settlement (refer to the "Software Fees and Other" section under Results of Operations for additional information). The unfavorable foreign exchange effect for fiscal 2013 was $95 million. Due to our sales performance during fiscal 2013 and the resulting decrease in our current revenue backlog, we expect a year-over-year decrease in total revenue for fiscal 2014 compared with fiscal 2013.

Total bookings for fiscal 2013 decreased 12% to $4,114 million compared with $4,663 million in fiscal 2012 primarily as a result of a year-over-year decline in mainframe renewals, enterprise and mainframe new product sales and mainframe capacity sales reflected in subscription and maintenance bookings and to a lesser extent a decrease in professional services bookings. These decreases were slightly offset by an increase in software fees and other bookings that are or will be recognized as software fees and other revenue and were primarily driven by growth in our SaaS offerings. For fiscal 2012, software fees and other bookings included the $39 million from the license agreement we entered into in connection with a litigation settlement. Renewal bookings, which generally do not include new product and capacity sales and professional services arrangements, for fiscal 2013 declined by a high single digit percentage compared with fiscal 2012, which is slightly better than the expected decline of approximately 10%. For the fourth quarter of fiscal 2013, our percentage renewal yield was in the low 90% range. We currently expect the value of our fiscal 2014 renewals to increase by a percentage in the high single digits, excluding a large customer renewal that is expected to occur in the fourth quarter of fiscal 2014, compared with fiscal 2013. We expect a majority of the increase in renewals to occur in the second half of fiscal 2014.

Total expense before interest and income taxes for fiscal 2013 decreased 4% to $3,281 million compared with $3,425 million in fiscal 2012. The decrease was primarily attributable to a decrease in selling and marketing expenses, a decrease in general and administrative expenses and a favorable foreign exchange effect on operating expenses for fiscal 2013. The decrease in operating expenses for fiscal 2013 compared with fiscal 2012 was also due to $35 million of income from an intellectual property transaction recognized in “Other (gains) expenses, net” in the first quarter of fiscal 2013. Partially offsetting these decreases was an increase in amortization of capitalized software costs, which includes an impairment of $55 million of our purchased software intangible assets. We currently expect the costs associated with our fiscal 2014 re-balancing actions to unfavorably affect operating expenses for fiscal 2014 (see Note 19, “Subsequent Events,” in the Notes to the Consolidated Financial Statements for additional information).

Income before interest and income taxes for fiscal 2013 decreased 2% to $1,362 million compared with $1,389 million in fiscal 2012, which reflects the overall decrease in revenue.

Tax expense for fiscal 2013 decreased 13% to $363 million compared with $416 million in fiscal 2012, primarily as a result of a decrease in income before taxes, and from resolutions of uncertain tax positions relating to U.S and

non-U.S. jurisdictions that are not expected to recur. The positive resolution of a tax audit subsequent to the end of fiscal 2013 is expected to favorably affect tax expense for fiscal 2014 (see Note 19, “Subsequent Events,” in the Notes to the Consolidated Financial Statements for additional information).
Diluted income per common share from continuing operations for fiscal 2013 was $2.07 compared with $1.90 in fiscal 2012, primarily reflecting an increase in income from continuing operations, our repurchases of common shares and a decrease in our fiscal 2013 effective tax rate.

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For fiscal 2013, our segment results were as follows:

For fiscal 2013, Mainframe Solutions revenue decreased from the year ago period by $123 million, or 5%. The reduction was driven primarily by an unfavorable foreign exchange effect of $56 million, $39 million in revenue received in the third quarter of fiscal 2012 under a license agreement we entered into in connection with a litigation settlement (see the "Software Fees and Other" section under Results of Operations for additional information), and a decrease in new product and capacity sales in prior periods. The increase in Mainframe Solutions operating margin for fiscal 2013 was primarily a result of the decrease in selling and marketing expenses, a favorable effect of foreign exchange on operating expenses, a decrease in general and administrative expenses and a decrease in severance costs.

For fiscal 2013, Enterprise Solutions revenue decreased from the year ago period by $48 million, or 3%, primarily due to an unfavorable foreign exchange effect of $32 million and lower new product sales from prior periods. Within Enterprise Solutions revenue, there was a decrease in revenue from our service assurance, automation and data management products, partially offset by an increase in revenue attributable to our ITKO and Nimsoft products. Enterprise Solutions operating margin for fiscal 2013 increased by one percentage point from 8 percent to 9 percent as a result of the income from a $35 million intellectual property transaction in the first quarter of fiscal 2013 (see "Other gains, net" under Results of Operations for additional information), which contributed two percentage points to Enterprise Solutions operating margin in fiscal 2013, as well as a decrease in severance costs compared with fiscal 2012. These favorable items were offset by our additional investments in ITKO and Nimsoft products.

For fiscal 2013, Services revenue and expenses compared with fiscal 2012 remained consistent. Services operating margin was 6% for fiscal 2013 and fiscal 2012.

Total revenue backlog for fiscal 2013 decreased 8% to $7,774 million compared with $8,473 million in fiscal 2012. The decrease was primarily due to the decline of total bookings in fiscal 2013 and prior periods and the increase in the percentage of bookings recognized as up-front revenue in software fees and other revenue in fiscal 2013, which is not included in revenue backlog. The current portion of revenue backlog for fiscal 2013 decreased 4% to $3,563 million compared with $3,714 million in fiscal 2012. Excluding the effect of foreign exchange, the current portion of revenue backlog decreased 3%. Based on fiscal 2013 performance and our expectation that our renewal portfolio for fiscal 2014 will be back-end loaded, we expect a continued decline in current revenue backlog into the second half of fiscal 2014. Generally, we believe that a change in the current portion of revenue backlog on a year-over-year basis is an indicator of future subscription and maintenance revenue performance due to the high percentage of our revenue that is recognized from license agreements that are already committed and being recognized ratably.

Cash provided by operating activities-continuing operations for fiscal 2013 decreased 6% to $1,408 million compared with $1,505 million in fiscal 2012. The decrease was primarily due to the decrease in cash collections from billings of $285 million, partially offset by the decrease in vendor disbursements, payroll and other disbursements, net of $101 million and the decrease in income tax payments of $87 million. For fiscal 2013, there was an increase in single installment payments of $193 million. Product development and enhancements expenses are expected to increase in future periods as the amount capitalized for internally developed software costs decreases (see “Amortization of Capitalized Software Costs” under Results of Operations for additional information). This will result in additional operating cash outflows relating to development expenses for fiscal 2014. In addition, we currently expect the payments associated with our fiscal 2014 re-balancing actions (see Note 19, “Subsequent Events,” in the Notes to the Consolidated Financial Statements for additional information) and an increase in cash taxes to have unfavorable effects on cash flows from operations for fiscal 2014. As a result, we expect a year-over-year decrease in cash flows from operations for fiscal 2014 compared with fiscal 2013.

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Performance Indicators

Management uses several quantitative and qualitative performance indicators to assess our financial results and condition. Each provides a measurement of the performance of our business and how well we are executing our plan. Our predominantly subscription-based business model is less common among our competitors in the software industry and it may be difficult to compare the results for many of our performance indicators with those of our competitors. The following is a summary of the principal performance indicators that management uses to review performance:

	Year Ended March 31, 2013	2012	Change	Percent Change
	(dollars in millions)			
Total revenue	$4,643	$4,814	$(171)	(4)%
Income from continuing operations	$955	$938	$17	2%
Cash provided by operating activities — continuing operations	$1,408	$1,505	$(97)	(6)%
Total bookings	$4,114	$4,663	$(549)	(12)%
Subscription and maintenance bookings	$3,238	$3,776	$(538)	(14)%
Weighted average subscription and maintenance license agreement duration in years	3.27	3.46	(0.19)	(5)%

	At March 31, 2013	2012	Change	Percent Change
	(dollars in millions)			
Cash, cash equivalents and short-term investments[1]	$2,776	$2,679	$97	4%
Total debt	$1,290	$1,301	$(11)	(1)%
Total expected future cash collections from committed contracts[2]	$5,173	$5,745	$(572)	(10)%
Total revenue backlog[2]	$7,774	$8,473	$(699)	(8)%
Total current revenue backlog[2]	$3,563	$3,714	$(151)	(4)%

(1) At March 31, 2013, short-term investments were $183 million. At March 31, 2012, short-term investments were less than $1 million.

(2) Refer to the discussion in the “Liquidity and Capital Resources” section of this MD&A for additional information about expected future cash collections from committed contracts, billing backlog and revenue backlog.

Analyses of our performance indicators shown above and our segment performance can be found in the “Results of Operations” and “Liquidity and Capital Resources” sections of this MD&A.

Total Revenue — Total revenue is the amount of revenue recognized during the reporting period from the sale of license, maintenance and professional services agreements. Amounts recognized as subscription and maintenance revenue are recognized ratably over the term of the agreement. Professional services revenue is generally recognized as the services are performed or recognized on a ratable basis over the term of the related software license. Software fees and other revenue generally represents license fee revenue recognized at the inception of a license agreement (up-front basis) and also includes our SaaS revenue, which is recognized as services are provided.

Total Bookings — Total bookings, or sales, includes the incremental value of all subscription, maintenance and professional services contracts and software fees and other contracts entered into during the reporting period and is generally reflective of the amount of products and services during the period that our customers have agreed to purchase from us. Revenue for bookings attributed to sales of software products for which license fee revenue is recognized on an up-front basis is reflected in “Software fees and other” in our Consolidated Statements of Operations. As our business strategy has evolved, our management looks within bookings at total new product and capacity sales, which we define as sales of products or mainframe capacity that are new or in addition to products or mainframe capacity previously contracted for by a customer. The amount of new product and capacity sales for a period, as currently tracked by us, requires estimation by management and has not been historically reported. Within a given period, the amount of new product and capacity sales may not be material to the change in our total bookings or revenue compared with prior periods. New product and capacity sales can be reflected as subscription and maintenance bookings in the period (for which revenue would be recognized ratably over the term of the contract) or in software fees and other bookings (which are recognized as software fees and other revenue in the current period).

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Subscription and Maintenance Bookings —Subscription and maintenance bookings is the aggregate incremental amount we expect to collect from our customers over the terms of the underlying subscription and maintenance agreements entered into during a reporting period. These amounts include the sale of products directly by us and may include additional products, services or other fees for which we have not established vendor specific objective evidence (VSOE). Subscription and maintenance bookings also includes indirect sales by distributors and volume partners, value-added resellers and exclusive representatives to end-users, where the contracts incorporate the right for end-users to receive unspecified future software products, and other contracts without these rights entered into in close proximity or contemplation of such agreements. These amounts are expected to be recognized ratably as subscription and maintenance revenue over the applicable term of the agreements. Subscription and maintenance bookings exclude the value associated with certain perpetual licenses, license-only indirect sales, SaaS offerings and professional services arrangements.

The license and maintenance agreements that contribute to subscription and maintenance bookings represent binding payment commitments by customers over periods that range generally from three to five years, although in certain cases customer commitments can be for longer or shorter periods. These current period bookings are often renewals of prior contracts that also had various durations, usually from three to five years. The amount of new subscription and maintenance bookings recorded in a period is affected by the volume, duration and value of contracts renewed during that period. Subscription and maintenance bookings typically increases in each consecutive quarter during a fiscal year, with the first quarter having the least bookings and the fourth quarter having the most bookings. However, subscription and maintenance bookings may not always follow the pattern of increasing in consecutive quarters during a fiscal year, and the quarter-to-quarter differences in subscription and maintenance bookings may vary. Given the varying durations of the contracts being renewed, year-over-year comparisons of bookings are not always indicative of the overall bookings trend.

Within bookings, we also consider the yield on our renewals. We define “renewal yield” as the percentage of the renewable value of a prior contract (i.e., the maintenance value and, in the case of non-perpetual licenses, the license value) realized in current period bookings. The renewable value of a prior contract is an estimate affected by various factors including contractual renewal terms, price increases and other conditions. We estimate the aggregate yield for a quarter based on a review of material transactions representing a substantial majority of the dollar value of renewals during the current period. There may be no correlation between year-over-year changes in bookings and year-over-year changes in renewal yield, since renewal yield is based on the renewable value of contracts of various durations, most of which are longer than one year.

Additionally, period-to-period changes in subscription and maintenance bookings do not necessarily correlate to changes in cash receipts. The contribution to current period revenue from subscription and maintenance bookings from any single license or maintenance agreement is relatively small, since revenue is recognized ratably over the applicable term for these agreements.

Weighted Average Subscription and Maintenance License Agreement Duration in Years — The weighted average subscription and maintenance license agreement duration in years reflects the duration of all subscription and maintenance agreements executed during a period, weighted by the total contract value of each individual agreement. Weighted average subscription and maintenance license agreement duration in years can fluctuate from period to period depending on the mix of license agreements entered into during a period. Weighted average duration information is disclosed in order to provide additional understanding of the volume of our bookings.

Total Revenue Backlog — Total revenue backlog represents the aggregate amount we expect to recognize as revenue in the future as either subscription and maintenance revenue, professional services revenue or software fees and other revenue associated with contractually committed amounts billed or to be billed as of the balance sheet date. Total revenue backlog is composed of amounts recognized as liabilities in our Consolidated Balance Sheets as deferred revenue (billed or collected) as well as unearned amounts yet to be billed under subscription and maintenance and software fees and other agreements. Classification of amounts as current and noncurrent depends on when such amounts are expected to be earned and therefore recognized as revenue. Amounts that are expected to be earned and therefore recognized as revenue in 12 months or less are classified as current, while amounts expected to be earned in greater than 12 months are classified as noncurrent. The portion of the total revenue backlog that relates to subscription and maintenance agreements is recognized as revenue evenly on a monthly basis over the duration of the underlying agreements and is reported as subscription and maintenance revenue in our Consolidated Statements of Operations. Generally, we believe that an increase or decrease in the current portion of revenue backlog on a year-over-year basis is a favorable or unfavorable indicator of future subscription and maintenance revenue performance, respectively, due to the high percentage of our revenue that is recognized from license agreements that are already committed and being recognized ratably.

“Deferred revenue (billed or collected)” is composed of: (i) amounts received from customers in advance of revenue recognition and (ii) amounts billed but not collected for which revenue has not yet been earned.

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Results of Operations

The following table presents revenue and expense line items reported in our Consolidated Statements of Operations for fiscal 2013, 2012 and 2011 and the period-over-period dollar and percentage changes for those line items.

	Year Ended March 31, 2013	2012	2011	Dollar Change 2013/2012	Percent Change 2013/2012	Dollar Change 2012/2011	Percent Change 2012/2011
	(dollars in millions)						
Revenue:							
Subscription and maintenance revenue	$3,858	$4,021	$3,822	$(163)	(4)%	$199	5%
Professional services	382	382	327	—	—%	55	17%
Software fees and other	403	411	280	(8)	(2)%	131	47%
Total revenue	$4,643	$4,814	$4,429	$(171)	(4)%	$385	9%
Expenses:							
Costs of licensing and maintenance	$284	$286	$278	$(2)	(1)%	$8	3%
Cost of professional services	354	357	303	(3)	(1)%	54	18%
Amortization of capitalized software costs	319	225	192	94	42%	33	17%
Selling and marketing	1,276	1,394	1,286	(118)	(8)%	108	8%
General and administrative	405	462	451	(57)	(12)%	11	2%
Product development and enhancements	490	510	471	(20)	(4)%	39	8%
Depreciation and amortization of other intangible assets	158	176	187	(18)	(10)%	(11)	(6)%
Other (gains) expenses, net	(5)	15	7	(20)	(133)%	8	114%
Total expense before interest and income taxes	$3,281	$3,425	$3,175	$(144)	(4)%	$250	8%
Income before interest and income taxes	$1,362	$1,389	$1,254	$(27)	(2)%	$135	11%
Interest expense, net	44	35	45	9	26%	(10)	(22)%
Income before income taxes	$1,318	$1,354	$1,209	$(36)	(3)%		