

CA, INC.
Form 10-Q
August 07, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

or

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

For the transition period from _____ to _____

Commission File Number 1-9247

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

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

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

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

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

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

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

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

(Check one:)

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

(Do not check if a smaller reporting company)

Emerging growth company

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

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

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

Title of Class	Shares Outstanding
Common Stock	as of July 31, 2018
par value \$0.10 per share	418,179,224

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PART I. FINANCIAL INFORMATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
CA, Inc.:

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated balance sheet of CA, Inc. and subsidiaries as of June 30, 2018, the related condensed consolidated statements of operations and comprehensive income for the three-month periods ended June 30, 2018 and 2017, the related condensed consolidated statements of cash flows for the three-month periods ended June 30, 2018 and 2017, and the related notes (collectively, the consolidated interim financial information).

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheet of the Company as of March 31, 2018, and the related consolidated statements of operations, comprehensive income, stockholders’ equity, and cash flows for the year then ended (not presented herein); and in our report dated May 9, 2018, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2018, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company’s management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

New York, New York

August 7, 2018

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Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	June 30, 2018 (unaudited)	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,328	\$ 3,405
Trade accounts receivable, net of allowance for doubtful accounts of \$12 and \$10, respectively	525	793
Contract assets	797	—
Other current assets	112	210
Total current assets	\$ 4,762	\$ 4,408
Property and equipment, net of accumulated depreciation of \$852 and \$865, respectively	222	237
Goodwill	6,792	6,804
Capitalized software and other intangible assets, net	1,044	1,111
Deferred income taxes	121	346
Contract assets	117	—
Contract costs	408	—
Other noncurrent assets, net	128	154
Total assets	\$ 13,594	\$ 13,060
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 270	\$ 269
Accounts payable	87	85
Accrued salaries, wages and commissions	201	242
Accrued expenses and other current liabilities	324	340
Deferred revenue and advanced payments	1,108	2,289
Taxes payable, other than income taxes payable	31	55
Federal, state and foreign income taxes payable	133	41
Total current liabilities	\$ 2,154	\$ 3,321
Long-term debt, net of current portion	2,510	2,514
Federal, state and foreign income taxes payable	309	311
Deferred income taxes	179	111
Deferred revenue and advanced payments	481	820
Other noncurrent liabilities	100	88
Total liabilities	\$ 5,733	\$ 7,165
Stockholders' equity:		
Preferred stock, no par value, 10,000,000 shares authorized; No shares issued and outstanding	\$ —	\$ —
Common stock, \$0.10 par value, 1,100,000,000 shares authorized; 589,695,081 and 589,695,081 shares issued; 413,232,677 and 412,056,923 shares outstanding, respectively	59	59
Additional paid-in capital	3,699	3,744
Retained earnings	9,134	6,971
Accumulated other comprehensive loss	(440)	(290)
Treasury stock, at cost, 176,462,404 and 177,638,158 shares, respectively	(4,591)	(4,589)
Total stockholders' equity	\$ 7,861	\$ 5,895
Total liabilities and stockholders' equity	\$ 13,594	\$ 13,060

Effective April 1, 2018, the Company adopted Topic 606 utilizing the modified retrospective method. As a result, the financial statements are not comparable to the prior period presented. See accompanying Notes to the Condensed Consolidated Financial Statements for details.

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CA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in millions, except per share amounts)

For the

Three

Months

Ended

June

30,

2018