CA, INC.
Form 10-Q
October 22, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015
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 (State or other jurisdiction of incorporation or organization)	13-2857434 (I.R.S. Employer Identification Number)
520 Madison Avenue, New York, New York (Address of principal executive offices)	10022 (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 þ 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 þ No ¨
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.
(Check one:)

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	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 þ

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 October 15, 2015
par value $0.10 per share	438,741,700

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PART I. FINANCIAL INFORMATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
CA, Inc.:

We have reviewed the condensed consolidated balance sheet of CA, Inc. and subsidiaries as of September 30, 2015, and the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended September 30, 2015 and 2014, and the related condensed consolidated statements of cash flows for the six-month periods ended September 30, 2015 and 2014. These condensed consolidated financial statements are the responsibility of the Company’s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of CA, Inc. and subsidiaries as of March 31, 2015, 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 8, 2015, 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, 2015, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP
New York, New York
October 22, 2015

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Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2015 (unaudited)	March 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$2,458	$2,804
Trade accounts receivable, net	439	652
Deferred income taxes	342	318
Other current assets	183	213
Total current assets	$3,422	$3,987
Property and equipment, net of accumulated depreciation of $846 and $812, respectively	$246	$252
Goodwill	6,120	5,806
Capitalized software and other intangible assets, net	953	731
Deferred income taxes	39	92
Other noncurrent assets, net	113	111
Total assets	$10,893	$10,979
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$8	$10
Accounts payable	92	105
Accrued salaries, wages and commissions	156	219
Accrued expenses and other current liabilities	402	428
Deferred revenue (billed or collected)	1,870	2,114
Taxes payable, other than income taxes payable	27	55
Deferred income taxes	7	7
Total current liabilities	$2,562	$2,938
Long-term debt, net of current portion	$1,649	$1,253
Federal, state and foreign income taxes payable	161	150
Deferred income taxes	70	45
Deferred revenue (billed or collected)	646	863
Other noncurrent liabilities	103	105
Total liabilities	$5,191	$5,354
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; 434,306,231 and 435,502,730 shares outstanding, respectively	59	59
Additional paid-in capital	3,614	3,631
Retained earnings	6,387	6,221
Accumulated other comprehensive loss	(439)	(418)
Treasury stock, at cost, 155,388,850 and 154,192,351 shares, respectively	(3,919)	(3,868)
Total stockholders' equity	$5,702	$5,625

Total liabilities and stockholders’ equity	$10,893	$10,979

See accompanying Notes to the Condensed Consolidated Financial Statements

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

	For the Three Months Ended September 30, 2015	2014	For the Six Months Ended September 30, 2015	2014
Revenue:				
Subscription and maintenance	$832	$908	$1,668	$1,817
Professional services	83	91	162	178
Software fees and other	90	80	152	153
Total revenue	$1,005	$1,079	$1,982	$2,148
Expenses:				
Costs of licensing and maintenance	$70	$71	$136	$143
Cost of professional services	78	88	149	169
Amortization of capitalized software costs	67	75	127	142
Selling and marketing	248	253	474	499
General and administrative	99	87	189	179
Product development and enhancements	151	150	287	300
Depreciation and amortization of other intangible assets	29	34	56	68
Other expenses, net	4	1	1	15
Total expenses before interest and income taxes	$746	$759	$1,419	$1,515
Income from continuing operations before interest and income taxes	$259	$320	$563	$633
Interest expense, net	12	12	21	26
Income from continuing operations before income taxes	$247	$308	$542	$607
Income tax expense	75	73	163	160
Income from continuing operations	$172	$235	$379	$447
Income from discontinued operations, net of income taxes	2	21	7	26
Net income	$174	$256	$386	$473
Basic income per common share:				
Income from continuing operations	$0.39	$0.53	$0.86	$1.01
Income from discontinued operations	—	0.05	0.02	0.06
Net income	$0.39	$0.58	$0.88	$1.07
Basic weighted average shares used in computation	436	440	436	440
Diluted income per common share:				
Income from continuing operations	$0.39	$0.53	$0.86	$1.00
Income from discontinued operations	—	0.05	0.02	0.06
Net income	$0.39	$0.58	$0.88	$1.06
Diluted weighted average shares used in computation	437	441	437	441

See accompanying Notes to the Condensed Consolidated Financial Statements

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

	For the Three Months Ended September 30,		For the Six Months Ended September 30,	
	2015	2014	2015	2014
Net income	$174	$256	$386	$473
Other comprehensive loss:				
Foreign currency translation adjustments	(53)	(94)	(21)	(84)
Total other comprehensive loss	$(53)	$(94)	$(21)	$(84)
Comprehensive income	$121	$162	$365	$389

See accompanying Notes to the Condensed Consolidated Financial Statements

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

	For the Six Months Ended September 30, 2015	2014
Operating activities from continuing operations:		
Net income	$386	$473
Income from discontinued operations	(7)	(26)
Income from continuing operations	$379	$447
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	183	210
Deferred income taxes	(28)	(49)
Provision for bad debts	1	1
Share-based compensation expense	45	42
Foreign currency transaction losses	6	3
Changes in other operating assets and liabilities, net of effect of acquisitions:		
Decrease in trade accounts receivable	231	263
Decrease in deferred revenue	(496)	(497)
Increase (decrease) in taxes payable, net	2	(42)
Decrease in accounts payable, accrued expenses and other	(9)	(22)
Decrease in accrued salaries, wages and commissions	(66)	(79)
Changes in other operating assets and liabilities	(17)	(45)
Net cash provided by operating activities - continuing operations	$231	$232
Investing activities from continuing operations:		
Acquisitions of businesses, net of cash acquired, and purchased software	$(647)	$(12)
Purchases of property and equipment	(23)	(34)
Proceeds from sale of short-term investments	48	—
Net cash used in investing activities - continuing operations	$(622)	$(46)
Financing activities from continuing operations:		
Dividends paid	$(220)	$(222)
Purchases of common stock	(115)	(50)
Notional pooling borrowings	2,494	2,703
Notional pooling repayments	(2,497)	(2,647)
Debt borrowings	800	—
Debt repayments	(406)	(5)
Debt issuance costs	(3)	—
Exercise of common stock options	4	14
Other financing activities	(18)	—
Net cash provided by (used in) financing activities - continuing operations	$39	$(207)
Effect of exchange rate changes on cash	$(1)	$(185)
Net change in cash and cash equivalents - continuing operations	$(353)	$(206)
Cash provided by (used in) operating activities - discontinued operations	$7	$(23)
Cash provided by investing activities - discontinued operations	—	170
Net effect of discontinued operations on cash and cash equivalents	$7	$147
Decrease in cash and cash equivalents	$(346)	$(59)

Cash and cash equivalents at beginning of period	$2,804	$3,252
Cash and cash equivalents at end of period	$2,458	$3,193

See accompanying Notes to the Condensed Consolidated Financial Statements

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CA, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – ACCOUNTING POLICIES
Basis of Presentation: The accompanying unaudited Condensed Consolidated Financial Statements of CA, Inc. (Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 270, for interim financial information and with the instructions to Rule 10-01 of Securities and Exchange Commission Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the Company's Consolidated Financial Statements and Notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2015 (2015 Form 10-K). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal, recurring nature.
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, these estimates may ultimately differ from actual results.
Operating results for the three and six months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2016.
Divestitures: In the second quarter of fiscal year 2015, the Company sold its CA arcserve data protection solution assets (arcserve). In the fourth quarter of fiscal year 2014, the Company identified its CA ERwin Data Modeling solution assets (ERwin) as available for sale. The results of operations associated with these businesses have been presented as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Condensed Consolidated Statements of Cash Flows. The effects of the discontinued operations were immaterial to the Company's Condensed Consolidated Balance Sheets at September 30, 2015 and March 31, 2015. See Note C, "Divestitures," for additional information.
Cash and Cash Equivalents: The Company's cash and cash equivalents are held in numerous locations throughout the world, with approximately 78% being held by the Company's foreign subsidiaries outside the United States at September 30, 2015.
New Accounting Pronouncements: In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In July 2015, the FASB issued a one-year deferral of the effective date of the new revenue recognition standard. The new standard will be effective for the Company's first quarter of fiscal year 2019 and early application for fiscal year 2018 would be permitted. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. ASU 2014-09 is expected to have a significant impact on the Company's revenue recognition policies and disclosures. The Company has not yet selected a transition method nor has it determined when it will adopt the standard and the effect of the standard on its ongoing financial reporting.

NOTE B – ACQUISITIONS
On July 8, 2015, the Company completed its acquisition of Rally Software Development Corp. (Rally), a provider of Agile development software and services. The acquisition of Rally broadens the Company's solution set and capabilities to better serve customers in the application economy. Pursuant to the terms of the acquisition agreement and related tender offer, the Company acquired 100% of the outstanding shares of Rally common stock for approximately $519 million. The preliminary purchase price allocation for Rally is provided within the table below. The preliminary purchase price allocation for the Company's other acquisitions during fiscal year 2016, including the second quarter acquisition of Xceedium, Inc. (Xceedium), is included within the "Other Fiscal Year 2016 Acquisitions" column below. The acquisition of Xceedium and the Company's other acquisitions during fiscal year 2016 were

immaterial, both individually and in the aggregate.

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CA, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars in millions)	Rally	Other Fiscal Year 2016 Acquisitions	Estimated Useful Life
Finite-lived intangible assets [1]	$78	$14	1-15 years
Purchased software	190	93	5-7 years
Goodwill	256	60	Indefinite
Deferred tax liabilities, net	(56)	(23)	—
Other assets net of other liabilities assumed [2]	51	2	—
Purchase price	$519	$146	

(1) Includes customer relationships and trade names.
(2) Includes approximately $13 million of cash acquired and approximately $48 million of short-term investments acquired relating to Rally.

The excess purchase price over the estimated value of the net tangible and identifiable intangible assets was recorded to goodwill. The preliminary allocation of the purchase price to goodwill was predominantly due to synergies the Company expects to achieve through integration of the acquired technology with the Company's existing product portfolio and the intangible assets that are not separable, such as assembled workforce and going concern. The goodwill relating to the Company's acquisition of Rally is not expected to be deductible for tax purposes and is allocated to the Enterprise Solutions segment. The allocation of purchase price to acquired identifiable assets, including intangible assets, is preliminary due to the ongoing analysis to determine the fair value of acquired intangibles and the tax basis of acquired assets and liabilities. The goodwill relating to the Company's other fiscal year 2016 acquisitions is not expected to be deductible for tax purposes and is allocated to the Enterprise Solutions segment.

Transaction costs for the Company's fiscal year 2016 acquisitions, which are primarily included in "General and administrative" in the Company's Condensed Consolidated Statements of Operations, were $17 million and $20 million for the three and six months ended September 30, 2015, respectively.

The pro forma effects of the Company's fiscal year 2016 acquisitions on the Company's revenues and results of operations during fiscal years 2016 and 2015 were considered immaterial.

The Condensed Consolidated Statements of Operations for the three and six months ended September 30, 2015 included total revenue of $25 million and net loss of $13 million since the date of acquisition through September 30, 2015 for the Company's fiscal year 2016 acquisitions of Rally and Xceedium. Revenues and results of operations since the date of acquisition for the Company's other fiscal 2016 acquisitions were considered immaterial.

The Company had approximately $7 million and $27 million of accrued acquisition-related costs at September 30, 2015 and March 31, 2015, respectively, related to purchase price amounts withheld subject to indemnification protections.

NOTE C – DIVESTITURES

In the second quarter of fiscal year 2015, the Company sold arcserve for approximately $170 million and recognized a gain on disposal of approximately $20 million, including tax expense of approximately $77 million. The effective tax rate on the disposal was unfavorably affected by non-deductible goodwill of approximately $109 million. In the fourth quarter of fiscal year 2014, the Company identified ERwin as available for sale. The divestiture of arcserve and the planned divestiture of ERwin result from an effort to rationalize the Company's product portfolio within the Enterprise Solutions segment.

The income from discontinued operations relating to both ERwin and the sale of arcserve for the three and six months ended September 30, 2015 and 2014 consisted of the following:

(in millions)	Three Months Ended September 30, 2015	2014
Subscription and maintenance	$5	$10
Software fees and other	2	5
Total revenue	$7	$15
Income from operations of discontinued components, net of tax expense of $2 million and $2 million, respectively	$2	$1
Gain on disposal of discontinued component, net of tax	—	20
Income from discontinued operations, net of tax	$2	$21

(in millions)	Six Months Ended September 30, 2015	2014
Subscription and maintenance	$11	$31
Software fees and other	4	15
Total revenue	$15	$46
Income from operations of discontinued components, net of tax expense of $4 million and $6 million, respectively	$7	$6
Gain on disposal of discontinued component, net of tax	—	20
Income from discontinued operations, net of tax	$7	$26

NOTE D – SEVERANCE AND EXIT COSTS

Fiscal Year 2015 Severance Actions: During the fourth quarter of fiscal year 2015, the Company committed to and initiated severance actions (Fiscal 2015 Severance Actions) to further improve efficiencies in its operations and align its business with strategic objectives and cost savings initiatives. These actions comprised the termination of approximately 690 employees and resulted in a charge of approximately $40 million during the fourth quarter of fiscal year 2015. The Fiscal 2015 Severance Actions were substantially completed by the first quarter of fiscal year 2016.

Fiscal Year 2014 Rebalancing Plan: In fiscal year 2014, the Company's Board of Directors approved and committed to a rebalancing plan (Fiscal 2014 Plan) to better align its business priorities. This included a termination of approximately 1,900 employees and global facility consolidations. Costs associated with the Fiscal 2014 Plan are presented in "Other expenses, net" in the Company's Condensed Consolidated Statements of Operations. The total amount incurred under the Fiscal 2014 Plan was approximately $188 million. Severance and facility consolidation actions under the Fiscal 2014 Plan were substantially completed by the end of fiscal year 2014.

Accrued severance and exit costs and changes in the accruals during the six months ended September 30, 2015 and 2014 were as follows:

(in millions)	Accrued Balance at March 31, 2015	Expense	Change in Estimate	Payments	Accretion and Other	Accrued Balance at September 30, 2015
Severance charges	$28	$—	$(2)	$(21)	$—	$5
Facility exit charges	21	—	—	(3)	1	19
Total accrued liabilities	$49					$24

(in millions)	Accrued Balance at March 31, 2014	Expense	Change in Estimate	Payments	Accretion and Other	Accrued Balance at September 30, 2014
Severance charges	$55	$21	$(1)	$(43)	$(2)	$30
Facility exit charges	29	—	—	(5)	(1)	23
Total accrued liabilities	$84					$53

The balance at September 30, 2015 includes a severance accrual of approximately $2 million for plans and actions prior to the Fiscal 2015 Severance Actions.

The severance liabilities are included in "Accrued salaries, wages and commissions" in the Condensed Consolidated Balance Sheets. The facility exit liabilities are included in "Accrued expenses and other current liabilities" and "Other noncurrent liabilities" in the Condensed Consolidated Balance Sheets.

Accretion and other includes accretion of the Company's lease obligations related to facility exits as well as changes in the assumptions related to future sublease income. These costs are included in "General and administrative" expense in the Condensed Consolidated Statements of Operations.

NOTE E – TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable, net represents amounts due from the Company's customers and is presented net of allowances. These balances include revenue recognized in advance of customer billings but do not include unbilled contractual commitments executed under license agreements. The components of "Trade accounts receivable, net" were as follows:

	September 30, 2015	March 31, 2015
	(in millions)	
Accounts receivable – billled	$380	$591
Accounts receivable – unbilled	59	63
Other receivables	12	15
Less: Allowances	(12)	(17)
Trade accounts receivable, net	$439	$652

NOTE F – GOODWILL, CAPITALIZED SOFTWARE AND OTHER INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization for capitalized software and other intangible assets at September 30, 2015 were as follows:

	At September 30, 2015				
	Gross Amortizable Assets	Less: Fully Amortized Assets	Remaining Amortizable Assets	Accumulated Amortization on Remaining Amortizable Assets	Net Assets
	(in millions)				
Purchased software products	$6,000	$4,865	$1,135	$474	$661
Internally developed software products	1,485	979	506	330	176
Other intangible assets	927	604	323	207	116
Total capitalized software and other intangible assets	$8,412	$6,448	$1,964	$1,011	$953

The gross carrying amounts and accumulated amortization for capitalized software and other intangible assets at March 31, 2015 were as follows:

	At March 31, 2015				
	Gross Amortizable Assets	Less: Fully Amortized Assets	Remaining Amortizable Assets	Accumulated Amortization on Remaining Amortizable Assets	Net Assets
	(in millions)				
Purchased software products	$5,717	$4,859	$858	$413	$445
Internally developed software products	1,486	835	651	414	237
Other intangible assets	836	556	280	231	49
Total capitalized software and other intangible assets	$8,039	$6,250	$1,789	$1,058	$731

Based on the capitalized software and other intangible assets recorded through September 30, 2015, the projected annual amortization expense for fiscal year 2016 and the next four fiscal years is expected to be as follows:

	Year Ended March 31,				
	2016	2017	2018	2019	2020
	(in millions)				
Purchased software products	$144	$152	$149	$107	$88
Internally developed software products	110	79	37	10	1
Other intangible assets	44	16	8	7	6
Total	$298	$247	$194	$124	$95

The Company evaluates the useful lives and recoverability of capitalized software and other intangible assets when events or changes in circumstances indicate that an impairment may exist. These evaluations require complex assumptions about key factors such as future customer demand, technology trends and the impact of those factors on the technology the Company acquires and develops for its products. Impairments or revisions to useful lives could result from the use of alternative assumptions that reflect reasonably possible outcomes related to future customer demand or technology trends for assets within the Enterprise Solutions segment.

Goodwill activity by segment for the six months ended September 30, 2015 was as follows:

(in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Balance at March 31, 2015	$4,178	$1,547	$81	$5,806
Acquisitions	—	316	—	316
Foreign currency translation adjustment	—	(2)	—	(2)
Balance at September 30, 2015	$4,178	$1,861	$81	$6,120

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CA, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE G – DEFERRED REVENUE
The current and noncurrent components of “Deferred revenue (billed or collected)” at September 30, 2015 and March 31, 2015 were as follows:

	September 30, 2015	March 31, 2015
	(in millions)	
Current:		
Subscription and maintenance	$1,727	$1,966
Professional services	106	115
Software fees and other	37	33
Total deferred revenue (billed or collected) – current	$1,870	$2,114
Noncurrent:		
Subscription and maintenance	$620	$832
Professional services	24	28
Software fees and other	2	3
Total deferred revenue (billed or collected) – noncurrent	$646	$863
Total deferred revenue (billed or collected)	$2,516	$2,977

NOTE H – DEBT
Senior Notes: In August 2015, the Company issued $400 million of 3.600% Senior Notes due August 2020 (3.600% Notes) for proceeds of approximately $400 million, reflecting a discount of less than $1 million. The 3.600% Notes are senior unsecured obligations that rank equally in right of payment with all of the Company’s existing and future unsecured and unsubordinated obligations and are redeemable by the Company at any time, subject to a “make-whole” premium of 30 basis points. Interest on the 3.600% Notes is payable semiannually in February and August, beginning February 2016. In the event of a change of control, each note holder will have the right to require the Company to repurchase all or any part of the holder’s 3.600% Notes in cash at a price equal to 101% of the principal amount of such 3.600% Notes plus accrued and unpaid interest, if any, to the date of repurchase. This is subject to the right of holders of record on the relevant interest payment date to receive interest due. The 3.600% Notes contain customary covenants and events of default. The maturity of the 3.600% Notes may be accelerated by holders upon certain events of default, including failure to make payments when due and failure to comply with covenants.
The Company capitalized transaction costs of approximately $3 million associated with the 3.600% Notes and will amortize these costs to “Interest expense, net” in the Company's Condensed Consolidated Statements of Operations.
Revolving Credit Facility: In April 2015, the Company amended its revolving credit facility to extend the termination date from June 2018 to June 2019. The maximum committed amount available under the revolving credit facility is $1 billion. The facility also provides the Company with an option to increase the available credit by an amount up to $500 million. This option is subject to certain conditions and the agreement of the facility lenders. The Company capitalized transaction costs of less than $1 million associated with the April 2015 amendment of the revolving credit facility. These fees are being amortized to “Interest expense, net” in the Company’s Condensed Consolidated Statements of Operations.
In July 2015 and in connection with the acquisition of Rally, the Company borrowed $400 million under its revolving credit facility. The interest rate applicable to the Company at the time of borrowing under the revolving credit facility was approximately 1.19%. In August 2015, the Company repaid the $400 million borrowing under its revolving credit facility with proceeds received from the Company’s issuance of the 3.600% Notes described above. Interest expense in connection with the borrowing under the revolving credit facility was less than $1 million for the three and six months ended September 30, 2015.
At September 30, 2015 and March 31, 2015, there were no outstanding borrowings under the revolving credit facility.

For additional information concerning the Company’s debt obligations, refer to the Company’s Consolidated Financial Statements and Notes thereto included in the Company’s 2015 Form 10-K.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – DERIVATIVES
The Company is exposed to financial market risks arising from changes in interest rates and foreign exchange rates. Changes in interest rates could affect the Company’s monetary assets and liabilities, and foreign exchange rate changes could affect the Company’s foreign currency denominated monetary assets and liabilities and forecasted transactions. The Company enters into derivative contracts with the intent of mitigating a portion of these risks.
Interest Rate Swaps: At September 30, 2015 and March 31, 2015, the Company had no interest rate swap derivatives outstanding.
Foreign Currency Contracts: The Company enters into foreign currency option and forward contracts to manage foreign currency risks. The Company has not designated its foreign exchange derivatives as hedges. Accordingly, changes in fair value from these contracts are recorded as “Other expenses, net” in the Company’s Condensed Consolidated Statements of Operations.
At September 30, 2015, foreign currency contracts outstanding consisted of purchase and sale contracts with a total gross notional value of approximately $1,338 million and durations of less than six months. The net fair value of these contracts at September 30, 2015 was a net asset of approximately $7 million, of which approximately $19 million is included in “Other current assets” and approximately $12 million is included in “Accrued expenses and other current liabilities” in the Company’s Condensed Consolidated Balance Sheet.
At March 31, 2015, foreign currency contracts outstanding consisted of purchase and sale contracts with a total gross notional value of approximately $298 million and durations of less than three months. The net fair value of these contracts at March 31, 2015 was a net asset of approximately $2 million, of which approximately $5 million is included in “Other current assets” and approximately $3 million is included in “Accrued expenses and other current liabilities” in the Company’s Condensed Consolidated Balance Sheet.
A summary of the effect of the interest rate and foreign exchange derivatives on the Company’s Condensed Consolidated Statements of Operations was as follows:

	Amount of Net (Gain)/Loss Recognized in the Condensed Consolidated Statements of Operations			
	Three Months Ended September 30,		Six Months Ended September 30,	
(in millions)	2015	2014	2015	2014
Interest expense, net – interest rate swaps designated as fair value hedges	$—	$(3)	$—	$(6)
Other expenses, net – foreign currency contracts	$(8)	$(17)	$3	$(12)

The Company is subject to collateral security arrangements with most of its major counterparties. These arrangements require the Company or the counterparty to post collateral when the derivative fair values exceed contractually established thresholds. The aggregate fair values of all derivative instruments under these collateralized arrangements were either in a net asset position or under the established threshold at September 30, 2015 and March 31, 2015. The Company posted no collateral at September 30, 2015 or March 31, 2015. Under these agreements, if the Company’s credit ratings had been downgraded one rating level, the Company would still not have been required to post collateral.

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NOTE J – FAIR VALUE MEASUREMENTS
The following table presents the Company's assets and liabilities that were measured at fair value on a recurring basis at September 30, 2015 and March 31, 2015:

(in millions)	At September 30, 2015 Fair Value Measurement Using Input Types Level 1	Level 2	Estimated Fair Value Total	At March 31, 2015 Fair Value Measurement Using Input Types Level 1	Level 2	Estimated Fair Value Total
Assets:						
Money market funds [1]	$319	$—	$319	$749	$—	$749
Foreign exchange derivatives [2]	—	19	19	—	5	5
Total assets	$319	$19	$338	$749	$5	$754
Liabilities:						
Foreign exchange derivatives [2]	$—	$12	$12	$—	$3	$3
Total liabilities	$—	$12	$12	$—	$3	$3

(1) The Company's investments in money market funds are classified as "Cash and cash equivalents" in its Condensed Consolidated Balance Sheets.
(2) See Note I, "Derivatives" for additional information.

At September 30, 2015 and March 31, 2015, the Company did not have any assets or liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3).
The carrying values of financial instruments classified as current assets and current liabilities, such as cash and cash equivalents, short-term investments, accounts payable, accrued expenses, and short-term borrowings, approximate fair value due to the short-term maturity of the instruments.
The following table presents the carrying amounts and estimated fair values of the Company's other financial instruments that were not measured at fair value on a recurring basis at September 30, 2015 and March 31, 2015:

(in millions)	At September 30, 2015 Carrying Value	Estimated Fair Value	At March 31, 2015 Carrying Value	Estimated Fair Value
Liabilities:				
Total debt [1]	$1,657	$1,746	$1,263	$1,376
Facility exit reserve [2]	$19	$21	$21	$23

(1) Estimated fair value of total debt is based on quoted prices for similar liabilities for which significant inputs are observable except for certain long-term lease obligations, for which fair value approximates carrying value (Level 2).
(2) Estimated fair value for the facility exit reserve is determined using the Company's incremental borrowing rate at September 30, 2015 and March 31, 2015. At September 30, 2015 and March 31, 2015, the facility exit reserve included approximately $4 million and $4 million, respectively, in "Accrued expenses and other current liabilities" and approximately $15 million and $17 million, respectively, in "Other noncurrent liabilities" in the Company's Condensed Consolidated Balance Sheets (Level 3).

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NOTE K – COMMITMENTS AND CONTINGENCIES
The Company, various subsidiaries, and certain current and former officers have been or, from time to time, may be named as defendants in various lawsuits and claims arising in the normal course of business. The Company may also become involved with contract issues and disputes with customers, including government customers.
On March 24, 2014, the U.S. Department of Justice (DOJ) filed under seal in the United States District Court for the District of Columbia a complaint against the Company in partial intervention under the qui tam provisions of the civil False Claims Act (FCA). The underlying complaint was filed under seal by an individual plaintiff on August 24, 2009. On May 29, 2014, the case was unsealed. Both the DOJ and the individual plaintiff have filed amended complaints. The current complaints relate to government sales transactions under the Company’s General Services Administration (GSA) schedule contract, entered into in 2002 and extended until present through subsequent amendments. In sum and substance, the current complaints allege that the Company provided inaccurate commercial discounting information to the GSA during contract negotiations and that, as a result, the GSA’s contract discount was lower than it otherwise would have been. In addition, the complaints allege that the Company failed to apply the full negotiated discount in some instances and to pay sufficient rebates pursuant to the contract’s price reduction clause. In addition to FCA claims, the current complaints also assert common law causes of action. The DOJ complaint seeks an unspecified amount of damages, including treble damages and civil penalties. The complaint by the individual plaintiff alleges that the U.S. government has suffered damages in excess of $100 million and seeks an unspecified amount of damages, including treble damages and civil penalties. The Company filed motions to dismiss the current complaints. On March 31, 2015, the court issued decisions denying the Company's motion to dismiss the DOJ complaint, and granting in part and denying in part the Company's motion to dismiss the individual plaintiff's complaint. The discovery phase of the case is scheduled to conclude in April 2016. On October 30, 2014, the GSA Suspension and Debarment Division issued a Show Cause Letter to the Company in response to the complaints summarized above. In sum, the letter called on the Company to demonstrate why the U.S. government should continue to contract with the Company, given the litigation allegations made in these complaints. On December 19, 2014, the Company provided a detailed response to the Show Cause Letter. In July 2015, after the Company agreed to assume certain additional reporting requirements during the pendency of the litigation, the GSA Suspension and Debarment Division advised the Company that it had concluded its review and determined that the Company is a responsible contractor with which government agencies could continue to contract. The Company cannot predict the amount of damages likely to result from the litigation summarized above. Although the timing and ultimate outcome of this litigation cannot be determined, the Company believes that the material aspects of the liability theories set forth in the litigation complaints are unfounded. The Company also believes that it has meritorious defenses and intends to vigorously contest the lawsuit.
Based on the Company’s experience, management believes that the damages amounts claimed in a case are not a meaningful indicator of the potential liability. Claims, suits, investigations and proceedings are inherently uncertain and it is not possible to predict the ultimate outcome of cases. The Company believes that it has meritorious defenses in connection with its current lawsuits and material claims and disputes, and intends to vigorously contest each of them.
In the opinion of the Company’s management based upon information currently available to the Company, while the outcome of these lawsuits, claims and disputes is uncertain, the likely results of these lawsuits, claims and disputes are not expected, either individually or in the aggregate, to have a material adverse effect on the Company’s financial position, results of operations or cash flows, although the effect could be material to the Company’s results of operations or cash flows for any interim reporting period. For some of these matters, the Company is unable to estimate a range of reasonably possible loss due to the stage of the matter and/or other particular circumstances of the matter. For others, a range of reasonably possible loss can be estimated. For those matters for which such a range can be estimated, the Company estimates that, in the aggregate, the range of reasonably possible loss is from zero to $40 million. This is in addition to amounts, if any, that have been accrued for those matters.
The Company is obligated to indemnify its officers and directors under certain circumstances to the fullest extent permitted by Delaware law. As a part of that obligation, the Company may, from time to time, advance certain

attorneys' fees and expenses incurred by officers and directors in various lawsuits and investigations, as permitted under Delaware law.

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NOTE L – STOCKHOLDERS' EQUITY

Stock Repurchases: On May 14, 2014, the Company's Board of Directors approved a stock repurchase program that authorizes the Company to acquire up to $1 billion of its common stock. During the six months ended September 30, 2015, the Company repurchased approximately 4 million shares of its common stock for approximately $115 million. At September 30, 2015, the Company remained authorized to purchase approximately $670 million of its common stock under its current stock repurchase program.

Accumulated Other Comprehensive Loss: Foreign currency translation losses included in "Accumulated other comprehensive loss" in the Company's Condensed Consolidated Balance Sheets at September 30, 2015 and March 31, 2015 were approximately $439 million and $418 million, respectively.

Cash Dividends: The Company's Board of Directors declared the following dividends during the six months ended September 30, 2015 and 2014:

Six Months Ended September 30, 2015:
(in millions, except per share amounts)

Declaration Date	Dividend Per Share	Record Date	Total Amount	Payment Date
May 5, 2015	$0.25	May 28, 2015	$110	June 16, 2015
August 6, 2015	$0.25	August 27, 2015	$110	September 15, 2015

Six Months Ended September 30, 2014:
(in millions, except per share amounts)

Declaration Date	Dividend Per Share	Record Date	Total Amount	Payment Date
May 15, 2014	$0.25	May 29, 2014	$111	June 17, 2014
July 31, 2014	$0.25	August 21, 2014	$111	September 9, 2014

NOTE M – INCOME FROM CONTINUING OPERATIONS PER COMMON SHARE

Basic net income per common share excludes dilution and is calculated by dividing net income allocable to common shares by the weighted average number of common shares outstanding for the period. Diluted net income per common share is calculated by dividing net income allocable to common shares by the weighted average number of common shares, as adjusted for the potential dilutive effect of non-participating share-based awards.

The following table presents basic and diluted income from continuing operations per common share information for the three and six months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(in millions, except per share amounts)			
Basic income from continuing operations per common share:				
Income from continuing operations	$172	$235	$379	$447
Less: Income from continuing operations allocable to participating securities	(2)	(2)	(4)	(4)
Income from continuing operations allocable to common shares	$170	$233	$375	$443
Weighted average common shares outstanding	436	440	436	440
Basic income from continuing operations per common share	$0.39	$0.53	$0.86	$1.01
Diluted income from continuing operations per common share:				
Income from continuing operations	$172	$235	$379	$447
Less: Income from continuing operations allocable to participating securities	(2)	(2)	(4)	(4)
Income from continuing operations allocable to common shares	$170	$233	$375	$443
Weighted average shares outstanding and common share equivalents:				
Weighted average common shares outstanding	436	440	436	440
Weighted average effect of share-based payment awards	1	1	1	1
Denominator in calculation of diluted income per share	437	441	437	441
Diluted income from continuing operations per common share	$0.39	$0.53	$0.86	$1.00

For the three months ended September 30, 2015 and 2014, respectively, approximately 2 million and 2 million shares of Company common stock underlying restricted stock awards and options to purchase common stock were excluded from the calculation because their effect on income per share was anti-dilutive during the respective periods. Weighted average restricted stock awards of approximately 5 million and 5 million for the three months ended September 30, 2015 and 2014, respectively, were considered participating securities in the calculation of net income allocable to common stockholders.

For the six months ended September 30, 2015 and 2014, respectively, approximately 2 million and 2 million shares of Company common stock underlying restricted stock awards and options to purchase common stock were excluded from the calculation because their effect on income per share was anti-dilutive during the respective periods. Weighted average restricted stock awards of approximately 4 million and 4 million for the six months ended September 30, 2015 and 2014, respectively, were considered participating securities in the calculation of net income allocable to common stockholders.

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NOTE N – ACCOUNTING FOR SHARE-BASED COMPENSATION
The Company recognized share-based compensation in the following line items in the Condensed Consolidated Statements of Operations for the periods indicated:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)			
Costs of licensing and maintenance	$1	$1	$3	$2
Cost of professional services	1	1	2	2
Selling and marketing	8	8	16	15
General and administrative	9	7	16	13
Product development and enhancements	4	5	8	10
Share-based compensation expense before tax	$23	$22	$45	$42
Income tax benefit	(7)	(7)	(14)	(13)
Net share-based compensation expense	$16	$15	$31	$29

The following table summarizes information about unrecognized share-based compensation costs at September 30, 2015:

	Unrecognized Share-Based Compensation Costs	Weighted Average Period Expected to be Recognized
	(in millions)	(in years)
Stock option awards	$7	2.0
Restricted stock units	24	2.2
Restricted stock awards	80	2.2
Performance share units	28	2.6
Total unrecognized share-based compensation costs	$139	2.3

There were no capitalized share-based compensation costs for the three and six months ended September 30, 2015 and 2014.
The value of performance share units (PSUs) is determined using the closing price of the Company’s common stock on the last trading day of the quarter until the awards are granted. Compensation costs for the PSUs are amortized over the requisite service periods based on the expected level of achievement of the performance targets. At the conclusion of the performance periods for the PSUs, the applicable number of shares of common stock, restricted stock awards (RSAs) or restricted stock units (RSUs) granted may vary based upon the level of achievement of the performance targets and the approval of the Company’s Compensation and Human Resources Committee (which may reduce any award for any reason in its discretion).

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For the six months ended September 30, 2015 and 2014, the Company issued stock options for approximately 0.9 million shares and 0.6 million shares, respectively. The weighted average fair values and assumptions used for the options granted were as follows:

	Six Months Ended September 30,	
	2015	2014
Weighted average fair value	$4.68	$5.87
Dividend yield	3.37 %	3.29 %
Expected volatility factor (1)	23 %	29 %
Risk-free interest rate (2)	1.9 %	2.1 %
Expected life (in years) (3)	6.0	6.0

(1) Expected volatility is measured using historical daily price changes of the Company's stock over the respective expected term of the options and the implied volatility derived from the market prices of the Company's traded options.

(2) The risk-free rate for periods within the contractual term of the stock options is based on the U.S. Treasury yield curve in effect at the time of grant.

(3) The expected life is the number of years the Company estimates that options will be outstanding prior to exercise. The Company's computation of expected life was determined based on the simplified method (the average of the vesting period and option term).

The table below summarizes the RSAs and RSUs granted under the 1-year PSUs for the Company's fiscal year 2015 and 2014 incentive plan years. The RSAs and RSUs were granted in the first quarter of fiscal years 2016 and 2015, respectively. The RSAs and RSUs vest 34% on the date of grant and 33% on the first and second anniversaries of the grant date.

		RSAs		RSUs	
Incentive Plans for Fiscal Years	Performance Period	Shares (in millions)	Weighted Average Grant Date Fair Value	Shares (in millions)	Weighted Average Grant Date Fair Value
2015	1 year	0.5	$31.41	0.1	$30.42
2014	1 year	0.7	$29.91	0.1	$28.92

The table below summarizes the shares of common stock issued under the 3-year PSUs for the Company's fiscal year 2013 incentive plan year in the first quarter of fiscal year 2016.

Incentive Plans for Fiscal Years	Performance Period	Shares of Common Stock (in millions)	Weighted Average Grant Date Fair Value
2013	3 years	0.1	$31.41

The table below summarizes the RSAs and RSUs granted under the 1-year PSUs for the Company's fiscal year 2015 and 2014 sales retention equity programs. The RSAs and RSUs were granted in the first quarter of fiscal years 2016 and 2015, respectively. The RSAs and RSUs vest on the third anniversary of the grant date.

		RSAs		RSUs	
Incentive Plans for Fiscal Years	Performance Period	Shares (in millions)	Weighted Average Grant Date Fair Value	Shares (in millions)	Weighted Average Grant Date Fair Value
2015	1 year	0.2	$30.45	0.1	$27.50
2014	1 year	0.2	$28.69	0.1	$25.73

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The table below summarizes all of the RSAs and RSUs, including grants made pursuant to the long-term incentive plans discussed above, granted during the three and six months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(shares in millions)			
RSAs:				
Shares	0.1	0.1	2.8	3.0
Weighted average grant date fair value (1)	$29.86	$28.29	$30.64	$28.95
RSUs:				
Shares	0.1	— (3)	0.9	0.8
Weighted average grant date fair value (2)	$27.72	$26.33	$28.72	$26.91

(1) The fair value is based on the quoted market value of the Company's common stock on the grant date.

(2) The fair value is based on the quoted market value of the Company's common stock on the grant date reduced by the present value of dividends expected to be paid on the Company's common stock prior to vesting of the RSUs, which is calculated using a risk-free interest rate.

(3) Less than 0.1 million.

Employee Stock Purchase Plan: The Company maintains the 2012 Employee Stock Purchase Plan (ESPP) for all eligible employees. The ESPP offer period is semi-annual and allows participants to purchase the Company's common stock at 95% of the closing price of the stock on the last day of the offer period. The ESPP is non-compensatory. For the six-month offer period ended June 30, 2015, the Company issued approximately 0.1 million shares under the ESPP at $27.83 per share. As of September 30, 2015, approximately 29.3 million shares are available for future issuances under the ESPP.

NOTE O – INCOME TAXES

Income tax expense for the three and six months ended September 30, 2015 was approximately $75 million and $163 million, respectively, compared with income tax expense for the three and six months ended September 30, 2014 of approximately $73 million and $160 million, respectively. For the three and six months ended September 30, 2014, the Company recognized a discrete tax benefit of approximately $19 million resulting from the resolutions of uncertain tax positions upon the completion of the examination of the Company's U.S. federal income tax returns for the tax years ended March 31, 2012 and 2011.

The Company's estimated annual effective tax rate, which excludes the impact of discrete items, for the six months ended September 30, 2015 and 2014 was 29.6% and 29.2%, respectively. Changes in tax laws, the outcome of tax audits and any other changes in potential tax liabilities may result in additional tax expense or benefit in fiscal year 2016, which are not considered in the Company's estimated annual effective tax rate. While the Company does not currently view any such items as individually material to the results of the Company's consolidated financial position or results of operations, the impact of certain items may yield additional tax expense or benefit in the remaining quarters of fiscal year 2016 and the Company is anticipating a fiscal year 2016 effective tax rate between 28% and 29%.

NOTE P – SUPPLEMENTAL STATEMENT OF CASH FLOWS INFORMATION

For the six months ended September 30, 2015 and 2014, interest payments, net were approximately $32 million and $40 million, respectively, and income taxes paid, net from continuing operations were approximately $131 million and $181 million, respectively. For the six months ended September 30, 2015 and 2014, the excess tax benefits from share-based incentive awards included in financing activities from continuing operations were approximately $3 million and $3 million, respectively.

Non-cash financing activities for the six months ended September 30, 2015 and 2014 consisted of treasury common shares issued in connection with the following: share-based incentive awards issued under the Company's equity compensation plans of approximately $41 million (net of approximately $27 million of income taxes withheld) and $42 million (net of approximately $27 million of income taxes withheld), respectively; and discretionary stock contributions to the CA, Inc. Savings Harvest Plan of approximately $24 million and $26 million, respectively. Non-cash financing activities for the six months ended September 30, 2015 and 2014 included approximately $2 million and $3 million, respectively, in treasury common shares issued in connection with the Company's Employee Stock Purchase Plan.

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The Company uses a notional pooling arrangement with an international bank to help manage global liquidity. Under this pooling arrangement, the Company and its participating subsidiaries may maintain either cash deposit or borrowing positions through local currency accounts with the bank, so long as the aggregate position of the global pool is a notionally calculated net cash deposit. Because it maintains a security interest in the cash deposits and has the right to offset the cash deposits against the borrowings, the bank provides the Company and its participating subsidiaries favorable interest terms on both. The activity under this notional pooling arrangement for the six months ended September 30, 2015 and 2014 was as follows:

	Six Months Ended September 30,	
	2015	2014
	(in millions)	
Total borrowings outstanding at beginning of period [1]	$138	$139
Borrowings	2,494	2,703
Repayments	(2,497)	(2,647)
Foreign exchange effect	4	(56)
Total borrowings outstanding at end of period [1]	$139	$139

(1) Included in “Accrued expenses and other current liabilities” in the Company’s Condensed Consolidated Balance Sheets.

NOTE Q – SEGMENT INFORMATION

The Company’s Mainframe Solutions and Enterprise Solutions segments comprise its software business organized by the nature of the Company’s software offerings and the platform on which the products operate. The Services segment comprises product implementation, consulting, customer education and customer training, including those directly related to the Mainframe Solutions and Enterprise Solutions software that the Company sells to its customers.
Segment expenses do not include share-based compensation expense; amortization of purchased software; amortization of other intangible assets; certain foreign exchange derivative hedging gains and losses; charges relating to rebalancing initiatives that are large enough to require approval from the Company’s Board of Directors (i.e., costs associated with the Company’s Fiscal 2014 Plan); and other miscellaneous costs. The Company considers all costs of internally developed software as segment expense in the period the costs are incurred and as a result, the Company excludes amortization of internally developed software costs previously capitalized from segment expenses. A measure of segment assets is not currently provided to the Company’s Chief Executive Officer and has therefore not been disclosed.
The Company’s segment information for the three and six months ended September 30, 2015 and 2014 was as follows:

Three Months Ended September 30, 2015 (dollars in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Revenue	$554	$368	$83	$1,005
Expenses	212	357	79	648
Segment profit	$342	$11	$4	$357
Segment operating margin	62%	3%	5%	36%
Depreciation	$9	$6	$—	$15

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Reconciliation of segment profit to income from continuing operations before income taxes for the three months ended September 30, 2015:

(in millions)	
Segment profit	$357
Less:	
Purchased software amortization	39
Other intangibles amortization	14
Internally developed software products amortization	28
Share-based compensation expense	23
Other gains, net [(1)]	(6)
Interest expense, net	12
Income from continuing operations before income taxes	$247

(1) Other gains, net consists of costs associated with certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

Six Months Ended September 30, 2015 (dollars in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Revenue	$1,114	$706	$162	$1,982
Expenses	423	647	150	1,220
Segment profit	$691	$59	$12	$762
Segment operating margin	62 %	8 %	7 %	38 %
Depreciation	$18	$13	$—	$31

Reconciliation of segment profit to income from continuing operations before income taxes for the six months ended September 30, 2015:

(in millions)	
Segment profit	$762
Less:	
Purchased software amortization	67
Other intangibles amortization	25
Internally developed software products amortization	60
Share-based compensation expense	45
Other expenses, net [(1)]	2
Interest expense, net	21
Income from continuing operations before income taxes	$542

(1) Other expenses, net consists of costs associated with certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

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Three Months Ended September 30, 2014 (dollars in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Revenue	$610	$378	$91	$1,079
Expenses	234	327	89	650
Segment profit	$376	$51	$2	$429
Segment operating margin	62 %	13 %	2 %	40 %
Depreciation	$11	$7	$—	$18

Reconciliation of segment profit to income from continuing operations before income taxes for the three months ended September 30, 2014:

(in millions)	
Segment profit	$429
Less:	
Purchased software amortization	31
Other intangibles amortization	16
Internally developed software products amortization	44
Share-based compensation expense	22
Other gains, net [(1)]	(4)
Interest expense, net	12
Income from continuing operations before income taxes	$308

(1) Other gains, net consists of costs associated with the Fiscal 2014 Plan, certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

Six Months Ended September 30, 2014 (dollars in millions)	Mainframe Solutions	Enterprise Solutions	Services	Total
Revenue	$1,224	$746	$178	$2,148
Expenses	469	652	171	1,292
Segment profit	$755	$94	$7	$856
Segment operating margin	62 %	13 %	4 %	40 %
Depreciation	$23	$14	$—	$37

Reconciliation of segment profit to income from continuing operations before income taxes for the six months ended September 30, 2014:

(in millions)	
Segment profit	$856
Less:	
Purchased software amortization	59
Other intangibles amortization	31
Internally developed software products amortization	83
Share-based compensation expense	42
Other expenses, net [(1)]	8
Interest expense, net	26
Income from continuing operations before income taxes	$607

(1) Other expenses, net consists of costs associated with the Fiscal 2014 Plan, certain foreign exchange derivative hedging gains and losses, and other miscellaneous costs.

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The table below summarizes the Company’s revenue from the United States and from international (i.e., non-U.S.) locations:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)			
United States	$645	$656	$1,264	$1,299
EMEA [(1)]	228	259	449	518
Other	132	164	269	331
Total revenue	$1,005	$1,079	$1,982	$2,148

(1) Consists of Europe, the Middle East and Africa.

NOTE R – SUBSEQUENT EVENTS

On October 20, 2015, the Company entered into a Term Loan Agreement with Bank of America, N.A. (the “Term Loan Agreement”). The Term Loan Agreement provides for a $300 million term loan (the “Term Loan”) with a maturity date of April 20, 2022. The Term Loan Agreement will require quarterly principal and interest payments. The Term Loan will bear interest at a rate dependent on the Company’s credit ratings applicable from time to time and, at the Company’s option, will be calculated according to a base rate or a Eurodollar rate, plus an applicable margin. The Company may, at any time on or after October 20, 2016, prepay the outstanding principal amount of the Term Loan in whole or in part without premium or penalty. The Term Loan Agreement provides that the Company may use the proceeds of the Term Loan for general corporate purposes of the Company and its subsidiaries, which may include, but is not limited to, share repurchases, acquisitions and the refinancing of existing indebtedness. The Term Loan Agreement also contains covenants consistent with the Company’s revolving credit facility.

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Item 2: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (Form 10-Q) 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-Q, 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, not only the statements relating to the future made in this Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A), but also statements relating to the future that appear in other parts of this Form 10-Q. This forward-looking information reflects our current views with respect to future events and is subject to certain risks, uncertainties and assumptions.

The declaration and payment of future dividends by the Company 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 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 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.

A number of important factors could cause actual results or events to differ materially from those indicated by such forward-looking statements, including: the ability to achieve success in the Company’s strategy by, among other things, enabling the Company’s sales force to accelerate growth of new product sales (at levels sufficient to offset any decline in revenue in the Company’s Mainframe Solutions segment), improving the Company’s brand, technology and innovation awareness in the marketplace, ensuring the Company’s offerings for cloud computing, application development and IT operations (DevOps), Software-as-a-Service (SaaS), and mobile device management, as well as other new offerings, address the needs of a rapidly changing market, while not adversely affecting the demand for the Company’s traditional products or its profitability to an extent greater than anticipated, and effectively managing the strategic shift in the Company’s business model to develop more easily installed software, provide additional SaaS offerings and refocus the Company’s professional services and education engagements on those engagements that are connected to new product sales, without affecting the Company’s performance to an extent greater than anticipated; the failure to innovate or adapt to technological changes and introduce new software products and services in a timely manner; competition in product and service offerings and pricing; the ability of the Company’s products to remain compatible with ever-changing operating environments, platforms or third party products; global economic factors or political events beyond the Company’s control and other business and legal risks associated with non-U.S. operations; the failure to expand partner programs; the ability to retain and attract qualified professionals; general economic conditions and credit constraints, or unfavorable economic conditions in a particular region, industry or business sector; the ability to successfully integrate acquired companies and products into the Company’s existing business; risks associated with sales to government customers; breaches of the Company’s data center, network, as well as the Company’s software products, and the IT environments of the Company’s vendors and customers; the ability to adequately manage, evolve and protect the Company’s information systems, infrastructure and processes; fluctuations in foreign exchange rates; discovery of errors or omissions in the Company’s software products or documentation and potential product liability claims; the failure to protect the Company’s intellectual property rights and source code; the failure to renew large license transactions on a satisfactory basis; access to software licensed from third parties; risks associated with the use of software from open source code sources; third-party claims of intellectual property infringement or royalty payments; fluctuations in the number, terms and duration of the Company’s license agreements, as well as the timing of orders from customers and channel partners; events or circumstances that would require the Company to record an impairment charge relating to the Company’s goodwill or capitalized software and other intangible assets balances; potential tax liabilities; changes in market conditions or the Company's credit ratings; the failure to effectively execute the Company's workforce reductions, workforce rebalancing and facilities consolidations; successful and secure outsourcing of various functions to third parties; changes in generally accepted accounting principles; and other factors described more fully in this Form 10-Q and the Company's other filings with the Securities and Exchange Commission. 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-Q as believed, planned, anticipated, expected, estimated, targeted or similarly identified. We do not intend to update these forward-looking statements, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. This MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes to the financial statements. References in this Form 10-Q to fiscal 2016 and fiscal 2015 are to our fiscal years ending on March 31, 2016 and 2015, respectively.

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OVERVIEW

We are one of the world's leading providers of information technology (IT) management software and solutions. Our solutions help organizations of all sizes plan, develop, manage, and secure applications and IT infrastructure that increase productivity and enhance competitiveness in their businesses. We do this across a wide range of environments, such as mainframe, distributed, cloud and mobile. The majority of the Global Fortune 500 relies on us to help manage their IT environments.

Our goal is to be the world's leading independent software provider for IT management and security solutions that help organizations and enterprises plan, develop, manage, and secure modern IT architectures, across mainframe, distributed, cloud and mobile environments. To accomplish this, key elements of our strategy include:

- Innovating in key product areas to extend our market position and differentiation. Our product development strategy is built around three key growth areas, where we are focused on innovating and delivering differentiated products and solutions: application development and IT operations (DevOps), Management Cloud and Security across multiple platforms.
- Addressing shifts in market dynamics and technology. We will innovate to deliver new differentiated solutions that enable our customers to manage the challenges and capture the opportunities of disruptive technologies, such as ambient data (the massive amounts of data being generated and stored within and outside the enterprise), unwired enterprise (the ubiquitously connected network of devices that are changing how we view computing), and Application Programming Interface (API) assembled apps (opening up and connecting data and business logic from multiple internal and external parties to create user apps that drive business value).
- Accelerating growth in our global customer base. We are focused on maintaining strong relationships with our core, large enterprise customer base, and will proactively target growth with these customers as well as new enterprises we do not currently serve. In parallel, we are broadening our customer base to new buyer segments beyond the customer's Chief Information Officer and IT department and increasingly to geographic regions we have underserved.
- Pursuing new business models and expanded routes to market. While our traditional on-premise software delivery remains core to many enterprise customers, we see cloud-based and lightweight try-and-buy models as increasingly attractive for our customers. This simplifies their decision-making and accelerates the value they can derive from new solution investments.

We have a broad and deep portfolio of software solutions with which to execute our business strategy. We organize our offerings in Mainframe Solutions, Enterprise Solutions and Services operating segments.

- Mainframe Solutions products are designed mainly for the IBM System z mainframe platform, which runs many of our largest customers' mission-critical applications. We help customers seamlessly manage the mainframe as part of their strategy to succeed in the Application Economy through unified management approaches, end-to-end visibility and application portability.
- Enterprise Solutions products operate on mainly non-mainframe platforms and include our DevOps, Management Cloud and Security product groups. Our DevOps solutions include Application Delivery solutions, Application Performance Management solutions and Infrastructure Management solutions. Our suite of management applications delivered from the cloud enables increased speed and scale and includes our IT Business Management solutions, API Management solutions and Enterprise Mobility Management solutions. Our Security solutions focus on smart authentication and deliver identity-centric security solutions to meet the needs of today's mobile, cloud-connected, open enterprises to succeed in the Application Economy.
- Services helps customers reach their IT and business goals by enabling the rapid implementation and adoption of our mainframe solutions and enterprise solutions.

Our traditional core customers generally consist of large enterprises that have computing environments from multiple vendors and are highly complex. 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.

We offer our solutions through our direct sales force and indirectly through our partners. We remain focused on strengthening relationships with our core customers and partners–which we refer to as our “Platinum” accounts, consisting of approximately our top 500 accounts–through product leadership, account management and a differentiated customer experience. We believe enhanced relationships in our traditional customer base of large enterprises with multi-year enterprise license agreements will drive renewals and provide opportunities to increase account penetration that will help to drive revenue growth.

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At the same time, we continue to dedicate sales resources and deploy additional solutions to address opportunities to sell to new enterprises and to expand our relationship with existing non-Platinum customers–which we refer to as our “Named” and “Growth” customers. Named customers are large potential customers with whom we currently do not have a strong presence and where a competitor often has an established relationship, while Growth customers are mid-size potential customers with whom we currently do not have a strong presence. In addition to this dedication of additional sales resources, we will service some of these customers through partners. We believe we can grow our business and increase market share by delivering differentiated technology and collaborating with partners to leverage their relationships, market reach and implementation capacity. We are deploying new routes to market, and simplifying the buying and deployment process for our customers.

This customer focus 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 sales execution.

We continue to onboard and integrate new talent, tools and processes to create a contemporary demand capability to support sales. Going forward, we will focus on further enhancing our connection with new and existing customers, contributing directly to business growth and expanding our customer base globally.

EXECUTIVE SUMMARY

A summary of key results for the second quarter of fiscal 2016 compared with the second quarter of fiscal 2015 is as follows:

Revenue

- Total revenue declined $74 million primarily as a result of an unfavorable foreign exchange effect of $67 million and, to a lesser extent, a decrease in subscription and maintenance revenue.
- Although total new product sales were up for the quarter, there was a decrease in the percentage of enterprise solutions product sales recognized on an up-front basis, which resulted in insufficient revenue from new sales to offset the decline in revenue contribution from renewals. Due to these factors, as well as decrease in the percentage of enterprise solutions product sales recognized on an up-front basis in the first quarter of fiscal 2016, and an expected unfavorable foreign exchange effect, we expect a year-over-year decrease in total revenue for fiscal 2016 compared with fiscal 2015. Excluding the expected unfavorable foreign exchange effect: we currently expect fiscal 2016 revenue to be slightly down or consistent as compared with fiscal 2015; and if the percentage of enterprise solutions new product sales recognized on an up-front basis continues to be lower than historical levels, we believe it is more likely that our fiscal 2016 revenue would be slightly down compared with fiscal 2015.

Bookings

- Total bookings increased 85% primarily due to a renewal with a large system integrator in excess of $500 million for a term greater than five years that occurred during the second quarter of fiscal 2016 and, to a lesser extent, an increase in total new product sales and Mainframe Solutions renewals.
- Primarily due to the aforementioned renewal with a large system integrator:
  Total renewals more than doubled;
  Total new product sales increased by a percentage in the low forties;
  Mainframe Solutions new product sales more than doubled; and
  Enterprise Solutions new product sales increased by approximately twenty percent.
- Excluding the aforementioned renewal with a large system integrator:
  Total renewals increased by a percentage in the high single digits;
  Total new product sales increased by a percentage in the high teens; and
  Enterprise Solutions new product sales increased by a percentage in the high single digits.
- We currently expect our fiscal 2016 renewal portfolio to increase by approximately 20% compared with fiscal 2015. Excluding a large system integrator renewal in the second quarter of fiscal 2016, we expect our fiscal 2016 renewal portfolio to decrease by a percentage in the low single digits.

Expenses

- Operating expenses decreased primarily as a result of a favorable foreign exchange effect and a decrease in personnel-related costs, partially offset by costs from our second quarter fiscal 2016 acquisitions of Rally and

Xceedium.

Income taxes

- Income tax expense was generally consistent with the year-ago period and we anticipate a fiscal 2016 effective tax rate between 28% and 29%.

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Diluted income per common share from continuing operations

- Diluted income per common share from continuing operations decreased to $0.39 from $0.53 primarily due to the decrease in revenue from an unfavorable foreign exchange effect and an increase in expenses from of our second quarter fiscal 2016 acquisitions of Rally and Xceedium.

Segment results

- Mainframe Solutions revenue decreased primarily due to an unfavorable foreign exchange effect and, to a lesser extent, insufficient revenue from prior period new sales to offset the decline in revenue contribution from renewals. Mainframe Solutions operating margin was generally consistent compared with the year-ago period.
- Enterprise Solutions revenue decreased due to an unfavorable foreign exchange effect. Excluding the unfavorable effect of foreign exchange, Enterprise Solutions revenue increased as a result of additional revenue associated with our second quarter fiscal 2016 acquisitions of Rally and Xceedium. Enterprise Solutions operating margin decreased primarily due to an increase in expenses as a result of our second quarter fiscal 2016 acquisitions of Rally and Xceedium.
- Services revenue decreased primarily due to an unfavorable foreign exchange effect and, to a lesser extent, a decline in fiscal 2015 professional services engagements. Operating margin for professional services increased primarily due to a decrease in personnel-related costs as a result of our prior period severance actions.

Cash flows from continuing operations

- Net cash provided by operating activities from continuing operations was $43 million, representing a decrease of $23 million. Net cash provided by operating activities decreased compared with the year-ago period due to a decrease in cash collections of $124 million, primarily as a result of lower single installment collections and an unfavorable effect of foreign exchange, partially offset by a decrease in vendor disbursements and payroll of $40 million, which is due to a favorable foreign exchange effect, a decrease in income tax payments, net of $37 million and a decrease of other disbursements, net of $24 million.

QUARTERLY UPDATE

- In July 2015, the Company completed the acquisition of Rally Software Development Corp. (Rally), a leading provider of Agile development software and services.
- In July 2015, the Company appointed Ayman Sayed as its Chief Product Officer. Working in partnership with Otto Berkes, the Company’s Chief Technology Officer, Mr. Sayed will be responsible for building a differentiated product portfolio targeted at customers’ most difficult business problems.
- In August 2015, the Company issued $400 million of 3.600% Senior Notes due August 2020 (3.600% Notes) for proceeds of approximately $400 million.
- In August 2015, the Company completed the acquisition of Xceedium, Inc. (Xceedium), a privately held provider of privileged identity management solutions that protect on-premise, cloud and hybrid IT environments.

PERFORMANCE INDICATORS

Management uses several quantitative performance indicators to assess our financial results and condition. Following is a summary of the principal quantitative performance indicators that management uses to review performance:

	Second Quarter Comparison Fiscal			
	2016 (1)	2015 (1)	Dollar Change	Percentage Change
	(dollars in millions)			
Total revenue	$1,005	$1,079	$(74)	(7)%
Income from continuing operations	$172	$235	$(63)	(27)%
Net cash provided by operating activities - continuing operations	$43	$66	$(23)	(35)%
Total bookings	$1,383	$749	$634	85%
Subscription and maintenance bookings	$1,192	$571	$621	109%

Weighted average subscription and maintenance license agreement duration in years	4.46	3.10	1.36	44	%

(1) Information presented excludes the results of our discontinued operations.

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	First Half Comparison Fiscal 2016 [1]	2015 [1]	Dollar Change	Percentage Change
	(dollars in millions)			
Total revenue	$1,982	$2,148	$(166)	(8)%
Income from continuing operations	$379	$447	$(68)	(15)%
Net cash provided by operating activities - continuing operations	$231	$232	$(1)	— %
Total bookings	$2,045	$1,473	$572	39 %
Subscription and maintenance bookings	$1,717	$1,174	$543	46 %
Weighted average subscription and maintenance license agreement duration in years	4.01	3.22	0.79	25 %

(1) Information presented excludes the results of our discontinued operations.

	September 30, 2015	March 31, 2015	Change From Year End	September 30, 2014	Change From Prior Year Quarter
	(in millions)				
Cash and cash equivalents	$2,458	$2,804	$(346)	$3,193	$(735)
Total debt	$1,657	$1,263	$394	$1,763	$(106)
Total expected future cash collections from committed contracts [1] [2]	$4,537	$4,205	$332	$4,586	$(49)
Total revenue backlog [1] [2]	$6,614	$6,530	$84	$6,811	$(197)
Total current revenue backlog [1] [2]	$3,006	$3,141	$(135)	$3,230	$(224)

(1) Information presented excludes the results of our discontinued operations.

(2) Refer to the discussion in the “Liquidity and Capital Resources” section of this MD&A for additional information on 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 Software-as-a-Service (SaaS) revenue, which is recognized as services are provided.

Subscription and Maintenance Revenue: Subscription and maintenance revenue is the amount of revenue recognized ratably during the reporting period from: (i) subscription license agreements that were in effect during the period, generally including maintenance that is bundled with and not separately identifiable from software usage fees or product sales, (ii) maintenance agreements associated with providing customer technical support and access to software fixes and upgrades that are separately identifiable from software usage fees or product sales, and (iii) license agreements bundled with additional products, maintenance or professional services for which vendor specific objective evidence (VSOE) has not been established. These amounts include the sale of products directly by us, as well as 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 entered into in close proximity or contemplation of such agreements.

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. License fees for bookings attributed to sales of software products for which revenue is recognized on an up-front basis is reflected in “Software fees and other” in our Condensed Consolidated Statements of Operations, while the maintenance portion is reflected in “Subscription and maintenance” in our Condensed Consolidated Statements of Operations.

Our management looks within total bookings at renewal bookings, which we define as bookings attributable to the renewable value of a prior contract (i.e., the maintenance value and, in the case of non-perpetual licenses, the license value), and at total new product sales, which we define as sales of mainframe and enterprise solutions products and mainframe solutions capacity that are new or in addition to products or mainframe solutions capacity previously contracted for by a customer. Renewal bookings, as we report them, do not include new product and capacity sales and professional services arrangements and are reflected as subscription and maintenance bookings in the period (for which revenue would be recognized ratably over the term of the contract). Renewals can close before their scheduled renewal date for a number of reasons, including customer preference, customer needs for additional products or capacity, or our preference. The level of contracts closed prior to scheduled expiration dates and the reasons for such closings can vary from quarter to quarter. Generally, quarters with smaller renewal inventories result in a lower level of bookings because renewal bookings will be lower and, to a lesser extent, because renewals remain an important opportunity for new product sales.

Mainframe solutions new product sales and capacity growth can be inconsistent on both a quarterly and annual basis. We believe the period-over-period change in mainframe solutions new product sales and capacity combined is a more appropriate measure of performance and, therefore, we provide only total mainframe solutions new sales information, which includes mainframe solutions capacity. The amount of new product sales for a period, as currently tracked by us, requires estimation by management and has been historically reported by providing only growth rate comparisons. Within a given period, the amount of new product sales may not be material to the change in our total bookings or revenue compared with prior periods. New product 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).

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 either directly by us or through distributors and volume partners, value-added resellers and exclusive representatives to end-users and may include the right for the customer to receive unspecified future software products and/or additional products, services or other fees for which we have not established VSOE for all undelivered elements. These amounts are expected to be recognized ratably as subscription and maintenance revenue over the applicable term of the agreements. Subscription and maintenance bookings excludes the value associated with perpetual licenses for which revenue is recognized on an up-front basis, SaaS offerings and professional services arrangements.

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. Price increases are not considered as part of the renewable value of the prior period contract. We estimate the aggregate renewal yield for a quarter based on a review of material transactions representing a 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.

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.

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.

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Annualized Subscription and Maintenance Bookings: Annualized subscription and maintenance bookings is an indicator that normalizes the bookings recorded in the current period to account for contract length. It is calculated by dividing the total value of all new subscription and maintenance license agreements entered into during a period by the weighted average subscription and license agreement duration in years for all such subscription and maintenance license agreements recorded during the same period.

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 Condensed 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 Condensed 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. The value of backlog can fluctuate based upon the timing of contract expirations.

“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 tables present revenue and expense line items reported in our Condensed Consolidated Statements of Operations for the second quarter and first half of fiscal 2016 and fiscal 2015 and the period-over-period dollar and percentage changes for those line items. These comparisons of past results are not necessarily indicative of future results.

	Second Quarter Comparison Fiscal 2016 Versus Fiscal 2015					
			Dollar Change	Percentage Change	Percentage of Total Revenue	
	2016 (1)	2015 (1)	2016 / 2015	2016 / 2015	2016	2015
	(dollars in millions)					
Revenue:						
Subscription and maintenance	$832	$908	$(76)	(8)%	83%	84%
Professional services	83	91	(8)	(9)	8	9
Software fees and other	90	80	10	13	9	7
Total revenue	$1,005	$1,079	$(74)	(7)%	100%	100%
Expenses:						
Costs of licensing and maintenance	$70	$71	$(1)	(1)%	7%	7%
Cost of professional services	78	88	(10)	(11)	8	8
Amortization of capitalized software costs	67	75	(8)	(11)	7	7
Selling and marketing	248	253	(5)	(2)	25	23
General and administrative	99	87	12	14	10	8
Product development and enhancements	151	150	1	1	15	14
Depreciation and amortization of other intangible assets	29	34	(5)	(15)	3	3
Other expenses, net	4	1	3	300	—	—
Total expenses before interest and income taxes	$746	$759	$(13)	(2)%	74%	70%
Income from continuing operations before interest and income taxes	$259	$320	$(61)	(19)%	26%	30%
Interest expense, net	12	12	—	—	1	1
Income from continuing operations before income taxes	$247	$308	$(61)	(20)%	25%	29%
Income tax expense	75	73	2	3	7	7
Income from continuing operations	$172	$235	$(63)	(27)%	17%	22%

(1) Information presented excludes the results of our discontinued operations.

Note: Amounts may not add to their respective totals due to rounding.

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First Half Comparison Fiscal 2016 Versus Fiscal 2015

	2016 [1]	2015 [1]	Dollar Change 2016 / 2015	Percentage Change 2016 / 2015	Percentage of Total Revenue 2016	Percentage of Total Revenue 2015
	(dollars in millions)					
Revenue:						
Subscription and maintenance	$1,668	$1,817	$(149)	(8)%	84%	85%
Professional services	162	178	(16)	(9)	8	8
Software fees and other	152	153	(1)	(1)	8	7
Total revenue	$1,982	$2,148	$(166)	(8)%	100%	100%
Expenses:						
Costs of licensing and maintenance	$136	$143	$(7)	(5)%	7%	7%
Cost of professional services	149	169	(20)	(12)	8	8
Amortization of capitalized software costs	127	142	(15)	(11)	6	7
Selling and marketing	474	499	(25)	(5)	24	23
General and administrative	189	179	10	6	10	8
Product development and enhancements	287	300	(13)	(4)	14	14
Depreciation and amortization of other intangible assets	56	68	(12)	(18)	3	3
Other expenses, net	1	15	(14)	(93)	—	1
Total expenses before interest and income taxes	$1,419	$1,515	$(96)	(6)%	72%	71%
Income from continuing operations before interest and income taxes	$563	$633	$(70)	(11)%	28%	29%
Interest expense, net	21	26	(5)	(19)	1	1
Income from continuing operations before income taxes	$542	$607	$(65)	(11)%	27%	28%
Income tax expense	163	160	3	2	8	7
Income from continuing operations	$379	$447	$(68)	(15)%	19%	21%

(1) Information presented excludes the results of our discontinued operations.

Note: Amounts may not add to their respective totals due to rounding.

Revenue

Total Revenue

Total revenue in the second quarter and first half of fiscal 2016 decreased compared with the second quarter and first half of fiscal 2015 primarily as a result of an unfavorable foreign exchange effect of $67 million and $132 million during the second quarter and first half of fiscal 2016, respectively, and, to a lesser extent, a decrease in subscription and maintenance revenue as described below. The decreases were partially offset by an increase in revenue of $25 million associated with our fiscal 2016 acquisition of Rally and Xceedium ("our second quarter fiscal 2016 acquisitions"), primarily reflected within Software Fees and Other revenue.

Although total new product sales were up for the quarter, there was a decrease in the percentage of enterprise solutions product sales recognized on an up-front basis, which resulted in insufficient revenue from new sales to offset the decline in revenue contribution from renewals. Due to these factors, as well as decrease in the percentage of enterprise solutions product sales recognized on an up-front basis in the first quarter of fiscal 2016, and an expected unfavorable foreign exchange effect, we expect a year-over-year decrease in total revenue for fiscal 2016 compared with fiscal

2015. Excluding the expected unfavorable foreign exchange effect: we currently expect fiscal 2016 revenue to be slightly down or consistent as compared with fiscal 2015; and if the percentage of enterprise solutions new product sales recognized on an up-front basis continues to be lower than historical levels, we believe it is more likely that our fiscal 2016 revenue would be slightly down compared with fiscal 2015. We anticipate a stronger fourth quarter fiscal 2016 year-over-year revenue performance when compared to our third quarter fiscal 2016 year-over-year revenue performance.

Subscription and Maintenance

Subscription and maintenance revenue for the second quarter and first half of fiscal 2016 decreased compared with the second quarter and first half of fiscal 2015, respectively, primarily due to an unfavorable foreign exchange effect of $58 million and $115 million for the second quarter and first half of fiscal 2016, respectively, and, to a lesser extent, a decrease in Mainframe Solutions revenue (see “Performance of Segments” below).

Professional Services

Professional services revenue primarily includes product implementation, consulting, customer education and customer training. Professional services revenue for the second quarter and first half of fiscal 2016 decreased compared with the second quarter and first half of fiscal 2015, respectively. This decrease was primarily due to an unfavorable foreign exchange effect of $5 million and $10 million for the second quarter and first half of fiscal 2016, respectively, and, to a lesser extent, a decline in fiscal 2015 professional services engagements. For the second quarter and first half of fiscal 2016, these unfavorable effects were partially offset by an increase in revenue of $5 million from our second quarter fiscal 2016 acquisitions. For the long term, we expect new versions of our on-premise software to be easier to implement and a higher percentage of our business to shift to a SaaS-based model, which could potentially reduce the demand for our professional services engagements.

Software Fees and Other

Software fees and other revenue consists primarily of revenue that is recognized on an up-front basis. This includes revenue associated with enterprise solutions products sold on an up-front basis directly by our sales force or through transactions with distributors and volume partners, value-added resellers and exclusive representatives (sometimes referred to as our “indirect” or “channel” revenue). It also includes our SaaS revenue, which is recognized as the services are provided, generally ratably over the term of the SaaS arrangement, rather than up-front.

Software fees and other revenue for the second quarter of fiscal 2016 increased compared with the second quarter of fiscal 2015 primarily due to an increase of $18 million from revenue associated with our second quarter fiscal 2016 acquisitions, mainly due to SaaS revenue from Rally. This increase was partially offset by an unfavorable foreign exchange effect of $4 million for the second quarter of fiscal 2016 and a decrease in the percentage of enterprise solutions product sales recognized on an up-front basis.

Software fees and other revenue for the first half of fiscal 2016 decreased slightly compared with the first half of fiscal 2015 primarily due to an unfavorable foreign exchange effect of $7 million for the first half of fiscal 2016 and a decrease in the percentage of enterprise solutions product sales recognized on an up-front basis. This decrease was partially offset by an increase of $18 million from revenue associated with our second quarter fiscal 2016 acquisitions, as mentioned above.

Total Revenue by Geography

The following tables present the amount of revenue earned from sales to unaffiliated customers in the United States and international regions and corresponding percentage changes for the second quarter and first half of fiscal 2016 and the second quarter and first half of fiscal 2015.

Second Quarter Comparison Fiscal 2016 Versus Fiscal 2015

	2016 [1]	Percentage of Total Revenue	2015 [1]	Percentage of Total Revenue	Dollar Change	Percentage Change
	(dollars in millions)					
United States	$645	64 %	$656	61 %	$(11)	(2)%
International	360	36	423	39	(63)	(15)
Total Revenue	$1,005	100 %	$1,079	100 %	$(74)	(7)%

(1) Information presented excludes the results of our discontinued operations.

First Half Comparison Fiscal 2016 Versus Fiscal 2015

	2016 [1]	Percentage of Total Revenue	2015 [1]	Percentage of Total Revenue	Dollar Change	Percentage Change
	(dollars in millions)					
United States	$1,264	64 %	$1,299	60 %	$(35)	(3)%
International	718	36	849	40	(131)	(15)

Total Revenue	$1,982	100 %	$2,148	100 %	$(166)	(8)%

(1) Information presented excludes the results of our discontinued operations.

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Revenue in the United States for the second quarter of fiscal 2016 decreased compared with the second quarter of fiscal 2015 primarily due to a decrease in subscription and maintenance revenue, partially offset by revenue from our second quarter fiscal 2016 acquisitions. International revenue decreased for the second quarter of fiscal 2016 compared with the second quarter of fiscal 2015 due to an unfavorable foreign exchange effect of $67 million during the second quarter of fiscal 2016.

Revenue in the United States for the first half of fiscal 2016 decreased compared with the first half of fiscal 2015 primarily due to a decrease in subscription and maintenance revenue, partially offset by revenue from our second quarter fiscal 2016 acquisitions. International revenue decreased for the first half of fiscal 2016 compared with the first half of fiscal 2015 due to an unfavorable foreign exchange effect of $132 million during the first half of fiscal 2016.

Product price changes do not have a material effect on revenue in a given period as a result of our ratable subscription model.

Expenses

Operating Expenses

Operating expenses for the second quarter of fiscal 2016 decreased compared with the second quarter of fiscal 2015 primarily as a result of a favorable foreign exchange effect of $31 million and a decrease in personnel-related costs of $20 million, partially offset by costs of $55 million from our second quarter fiscal 2016 acquisitions. Our second quarter fiscal 2016 acquisitions costs predominately affected our Enterprise Solutions segment. In addition, during the second quarter of fiscal 2015, amortization expenses included an impairment charge of $13 million.

Operating expenses for the first half of fiscal 2016 decreased compared with the first half of fiscal 2015 primarily as a result of a favorable foreign exchange effect of $60 million and decrease in personnel-related costs of $33 million and changes within “Other expenses, net” as described below. These amounts were partially offset by costs of $58 million from our second quarter fiscal 2016 acquisitions. Our second quarter fiscal 2016 acquisitions costs predominately affected our Enterprise Solutions segment. In addition, during the first half of fiscal 2015, amortization expenses included an impairment charge of $13 million.

Costs of Licensing and Maintenance

Costs of licensing and maintenance include technical support, royalties, SaaS hosting, and other manufacturing and distribution costs. Costs of licensing and maintenance in the second quarter of fiscal 2016 was generally consistent compared with the second quarter of fiscal 2015. Costs of licensing and maintenance in the first half of fiscal 2016 decreased compared with the first half of fiscal 2015 primarily due to a decrease in personnel-related costs.

Cost of Professional Services

Cost of professional services consists primarily of our personnel-related costs associated with providing professional services and training to customers. Cost of professional services for the second quarter and first half of fiscal 2016 decreased compared with the second quarter and first half of fiscal 2015 primarily due to a decrease in personnel-related costs as a result of our prior period severance actions, partially offset by an increase in expenses of $5 million in the second quarter and first half of fiscal 2016, respectively, from our second quarter fiscal 2016 acquisitions.

Operating margin for professional services increased to 6% for the second quarter of fiscal 2016 compared with 3% for the second quarter of fiscal 2015. Operating margin for professional services increased to 8% for the first half of fiscal 2016 compared with 5% for the first half of fiscal 2015. The increase in operating margin for professional services was primarily attributable to the decrease in personnel-related costs as mentioned above.

Operating margin for professional services does not include certain additional direct costs that are included within the Services segment (see “Performance of Segments” below). Expenses for the Services segment consist of cost of professional services and other direct costs included within selling and marketing and general and administrative expenses.

Amortization of Capitalized Software Costs

Amortization of capitalized software costs consists of the amortization of both purchased software and internally generated capitalized software development costs. Internally generated capitalized software development costs relate to new products and significant enhancements to existing software products that have reached the technological feasibility stage.

We evaluate the useful lives and recoverability of capitalized software and other intangible assets when events or changes in circumstances indicate that an impairment may exist. These evaluations require complex assumptions about key factors such as future customer demand, technology trends and the impact of those factors on the technology we acquire and develop for our products. Impairments or revisions to useful lives could result from the use of alternative assumptions that reflect reasonably possible outcomes related to future customer demand or technology trends for assets within the Enterprise Solutions segment.

Amortization of capitalized software costs for the second quarter and first half of fiscal 2016 decreased compared with the second quarter and first half of fiscal 2015 as a result of a decrease in amortization expense from capitalized software costs that became fully amortized in recent periods, partially offset by amortization of capitalized software costs related to our second quarter fiscal 2016 acquisitions. In addition, during the second quarter of fiscal 2015, amortization expenses included an impairment charge of $13 million. As disclosed in our 2015 Form 10-K under Management’s Discussion and Analysis of Financial Condition and Results of Operations, due to our Agile development methodologies, we no longer capitalize any significant amounts of internally developed software costs.

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Selling and Marketing

Selling and marketing expenses include the costs relating to our sales force, channel partners, corporate and business marketing and customer training programs. For the second quarter of fiscal 2016, the decrease in selling and marketing expenses compared with the second quarter of fiscal 2015 was primarily attributable to a favorable foreign exchange effect of $14 million and a decrease in personnel-related costs of $8 million as a result of a lower headcount, partially offset by costs of $16 million from our second quarter fiscal 2016 acquisitions.

For the first half of fiscal 2016, the decrease in selling and marketing expenses compared with the first half of fiscal 2015 was primarily attributable to a favorable foreign exchange effect of $27 million and a decrease in personnel-related costs of $16 million as a result of a lower headcount, partially offset by costs of $16 million from our second quarter fiscal 2016 acquisitions.

General and Administrative

General and administrative expenses include the costs of corporate and support functions, including our executive leadership and administration groups, finance, legal, human resources, corporate communications and other costs such as provisions for doubtful accounts. General and administrative expenses increased for the second quarter of fiscal 2016 compared with the second quarter of fiscal 2015 primarily due to $20 million of costs associated with our second quarter fiscal 2016 acquisitions, partially offset by a favorable foreign exchange effect. General and administrative expenses increased for the first half of fiscal 2016 compared with the first half of fiscal 2015 primarily due to $22 million of costs associated with our second quarter fiscal 2016 acquisitions, partially offset by a favorable foreign exchange effect of $12 million.

Product Development and Enhancements

For the second quarter of fiscal 2016 and fiscal 2015, product development and enhancements expense represented 15% and 14%, respectively, of total revenue. For the second quarter of fiscal 2016, product development and enhancements expense was generally consistent with the second quarter of fiscal 2015 as a result of an increase in costs of $10 million from our second quarter fiscal 2016 acquisitions, offset by a decrease in personnel-related costs as a result of a lower headcount.

For the first half of fiscal 2016 and fiscal 2015, product development and enhancements expense represented 14% of total revenue. The decrease in product development and enhancements expense was primarily attributable to the decrease in personnel-related costs as a result of a lower headcount, partially offset by an increase in costs of $11 million from our second quarter fiscal 2016 acquisitions.

Depreciation and Amortization of Other Intangible Assets

For the second quarter and first half of fiscal 2016, depreciation and amortization expense decreased compared with the second quarter and first half of fiscal 2015, respectively, primarily due to a decrease in property and equipment depreciation expense and, to a lesser extent, a decrease in amortization expense associated with other intangible assets that became fully amortized in recent periods.

Other Expenses, Net

The summary of other expenses, net was as follows:

	Second Quarter Fiscal 2016	Second Quarter Fiscal 2015
	(dollars in millions)	
Fiscal 2014 Plan	$—	$12
Legal settlements	2	2
Losses (gains) from foreign exchange derivative contracts	(8)	(17)
Losses from foreign exchange rate fluctuations	8	5
Other miscellaneous items	2	(1)
Total	$4	$1

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	First Half Fiscal 2016	First Half Fiscal 2015
	(dollars in millions)	
Fiscal 2014 Plan	$—	$21
Legal settlements	(15)	2
Losses (gains) from foreign exchange derivative contracts	3	(12)
Losses from foreign exchange rate fluctuations	12	5
Other miscellaneous items	1	(1)
Total	$1	$15

During the first half of fiscal 2016, we recognized a gain from various favorable adjustments associated with our legal accruals and a legal settlement.

Interest Expense, Net

Interest expense, net for the second quarter of fiscal 2016 was generally consistent compared with the second quarter of fiscal 2015, as a result of the repayment of our 6.125% Senior Notes Due December 2014 during the third quarter of fiscal 2015, offset primarily by the issuance of our August 2015 3.600% Senior Notes Due August 2020 during the second quarter of fiscal 2016. Interest expense, net for the first half of fiscal 2016 decreased compared with the first half of fiscal 2015 primarily due to the repayment of our 6.125% Senior Notes Due December 2014 during the third quarter of fiscal 2015.

Income Taxes

Income tax expense for the second quarter and first half of fiscal 2016 was $75 million and $163 million, respectively, compared with income tax expense for the second quarter and first half of fiscal 2015 of $73 million and $160 million, respectively. For the second quarter and first half of fiscal 2015, we recognized a discrete tax benefit of $19 million resulting from the resolutions of uncertain tax positions upon the completion of the examination of our U.S. federal income tax returns for the tax years ended March 31, 2012 and 2011.

Our estimated annual effective tax rate, which excludes the impact of discrete items, for the first half of fiscal 2016 and fiscal 2015 was 29.6% and 29.2%, respectively. Changes in tax laws, the outcome of tax audits and any other changes in potential tax liabilities may result in additional tax expense or benefit in fiscal 2016, which are not considered in our estimated annual effective tax rate. While we do not currently view any such items as individually material to the results of our consolidated financial position or results of operations, the impact of certain items may yield additional tax expense or benefit in the remaining quarters of fiscal 2016 and we are anticipating a fiscal 2016 effective tax rate between 28% and 29%.

Discontinued Operations

In the second quarter of fiscal 2015, we sold CA arcserve data protection solution assets (arcserve) for $170 million and recognized a gain on disposal of $20 million, including tax expense of $77 million. The effective tax rate on the disposal of arcserve was unfavorably affected by non-deductible goodwill of $109 million. In the fourth quarter of fiscal 2014, we identified our CA ERwin Data Modeling solution assets (ERwin) as available for sale. The divestiture of arcserve and the planned divestiture of ERwin result from an effort to rationalize our product portfolio within the Enterprise Solutions segment.

Refer to Note C, “Divestitures,” in the Notes to the Condensed Consolidated Financial Statements for additional information.

Performance of Segments

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 Services segment comprises product implementation, consulting, customer education and customer training, including those directly related to the Mainframe Solutions and Enterprise Solutions software that we sell to our customers.

Segment expenses do not include share-based compensation expense; amortization of purchased software; amortization of other intangible assets; certain foreign exchange derivative hedging gains and losses; charges relating to rebalancing initiatives that are large enough to require approval from our Board of Directors (i.e., costs associated with our Fiscal 2014 Plan); and other miscellaneous costs. We consider all costs of internally developed software as segment expenses in the period the costs are incurred, and as a result, we will add back capitalized internal software costs and exclude amortization of internally developed software costs previously capitalized from segment expenses.

Segment financial information for the second quarter and first half of fiscal 2016 and fiscal 2015 was as follows:

Mainframe Solutions	Second Quarter Fiscal 2016 (1)		Second Quarter Fiscal 2015 (1)	
	(dollars in millions)			
Revenue	$554		$610	
Expenses	212		234	
Segment profit	$342		$376	
Segment operating margin	62	%	62	%

(1) Information presented excludes the results of our discontinued operations.

Mainframe Solutions	First Half Fiscal 2016 (1)		First Half Fiscal 2015 (1)	
	(dollars in millions)			
Revenue	$1,114		$1,224	
Expenses	423		469	
Segment profit	$691		$755	
Segment operating margin	62	%	62	%

(1) Information presented excludes the results of our discontinued operations.

Mainframe Solutions revenue for the second quarter of fiscal 2016 decreased compared with the year-ago period primarily due to an unfavorable foreign exchange effect of $40 million and, to a lesser extent, insufficient revenue from prior period new sales to offset the decline in revenue contribution from renewals. Mainframe Solutions operating margin for the second quarter of fiscal 2016 was consistent compared with the year-ago period.

Mainframe Solutions revenue for the first half of fiscal 2016 decreased compared with the year-ago period primarily due to an unfavorable foreign exchange effect of $79 million and, to a lesser extent, insufficient revenue from prior period new sales to offset the decline in revenue contribution from renewals. Mainframe Solutions operating margin for the first half of fiscal 2016 was consistent compared with the year-ago period.

Enterprise Solutions	Second Quarter Fiscal 2016 (1)		Second Quarter Fiscal 2015 (1)	
	(dollars in millions)			
Revenue	$368		$378	
Expenses	357		327	
Segment profit	$11		$51	
Segment operating margin	3	%	13	%

(1) Information presented excludes the results of our discontinued operations.

Enterprise Solutions	First Half Fiscal 2016 (1)		First Half Fiscal 2015 (1)	
	(dollars in millions)			
Revenue	$706		$746	
Expenses	647		652	
Segment profit	$59		$94	
Segment operating margin	8	%	13	%

(1) Information presented excludes the results of our discontinued operations.

Enterprise Solutions revenue for the second quarter of fiscal 2016 decreased compared with the year-ago period due to an unfavorable foreign exchange effect of $22 million. Excluding the unfavorable effect of foreign exchange, Enterprise Solutions revenue increased as a result of additional revenue associated with our second quarter fiscal 2016 acquisitions. Enterprise Solutions operating margin for the second quarter of fiscal 2016 decreased compared with the year-ago period primarily due to an increase in expenses as a result of our second quarter fiscal 2016 acquisitions.

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Enterprise Solutions revenue for the first half of fiscal 2016 decreased compared with the year-ago period due to an unfavorable foreign exchange effect of $43 million. Enterprise Solutions operating margin for the first half of fiscal 2016 decreased compared with the year-ago period primarily due to an increase in expenses as a result of our second quarter fiscal 2016 acquisitions.

Services	Second Quarter Fiscal 2016	Second Quarter Fiscal 2015
	(dollars in millions)	
Revenue	$83	$91
Expenses	79	89
Segment profit	$4	$2
Segment operating margin	5 %	2 %

Services	First Half Fiscal 2016	First Half Fiscal 2015
	(dollars in millions)	
Revenue	$162	$178
Expenses	150	171
Segment profit	$12	$7
Segment operating margin	7 %	4 %

Services revenue for the second quarter of fiscal 2016 decreased compared with the year-ago period primarily due to an unfavorable foreign exchange effect of $5 million and, to a lesser extent, a decline in fiscal 2015 professional services engagements. Operating margin for Services increased to 5% for the second quarter of fiscal 2016 compared with 2% for the second quarter of fiscal 2015 primarily due to a decrease in personnel-related costs as a result of our prior period severance actions.

Services revenue for the first half of fiscal 2016 decreased compared with the year-ago period primarily due to an unfavorable foreign exchange effect of $10 million and, to a lesser extent, a decline in fiscal 2015 professional services engagements. Operating margin for Services increased to 7% for the first half of fiscal 2016 compared with 4% for the first half of fiscal 2015 primarily due to a decrease in personnel-related costs as a result of our prior period severance actions.

Refer to Note Q, "Segment Information," in the Notes to the Condensed Consolidated Financial Statements for additional information.

Bookings - Second Quarter Fiscal 2016 Compared with the Second Quarter of Fiscal 2015

Total Bookings: For the second quarter of fiscal 2016 and fiscal 2015, total bookings were $1,383 million and $749 million, respectively. The increase in total bookings was primarily due to a renewal with a large system integrator in excess of $500 million for a term greater than five years that occurred during the second quarter of fiscal 2016 and, to a lesser extent, an increase in total new product sales and Mainframe Solutions renewals.

Subscription and Maintenance Bookings: For the second quarter fiscal 2016 and fiscal 2015, subscription and maintenance bookings were $1,192 million and $571 million, respectively. The increase in subscription and maintenance bookings was primarily attributable to the aforementioned renewal with a large system integrator and, to a lesser extent, an increase in Mainframe Solutions renewals.

- Renewal Bookings:

Including the Large System Integrator: For the second quarter of fiscal 2016, renewal bookings more than doubled compared with the second quarter of fiscal 2015, primarily due to the aforementioned renewal with a large system integrator and an increase in Mainframe Solutions renewals. Excluding the unfavorable effect of foreign exchange, renewal bookings for the second quarter of fiscal 2016 more than doubled compared with the second quarter of fiscal 2015.

Excluding the Large System Integrator: Excluding the large system integrator renewal, renewal bookings for the second quarter of fiscal 2016 increased in a percentage in the high single digits compared with the second quarter of fiscal 2015. Excluding the unfavorable effect of foreign exchange and the large system integrator renewal, renewal bookings for the second quarter of fiscal 2016 increased by a percentage in the low teens compared with the second quarter of fiscal 2015. This increase was primarily due to a higher dollar value of contract renewals in the second quarter of fiscal 2016 compared with fiscal 2015, as detailed below within “License Agreements over $10 million.”

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Renewal Yield: For the second quarter of fiscal 2016, our percentage renewal yield was in the high-90 percentage range. Excluding the aforementioned renewal with a large system integrator, our percentage renewal yield was in the low-90 percentage range.

Full Year 2016 Outlook: As a result of the terms of the aforementioned large system integrator renewal, we now expect our fiscal 2016 renewal portfolio to increase by approximately 20% compared with fiscal 2015. Excluding the aforementioned large system integrator renewal, we currently expect our fiscal 2016 renewal portfolio to decrease by a percentage in the low single digits. Excluding the unfavorable effect of foreign exchange only, we currently expect our fiscal 2016 renewal portfolio to increase by a percentage in the mid-twenties. Excluding both the aforementioned large system integrator renewal and the unfavorable effect of foreign exchange, we currently expect our fiscal 2016 renewal portfolio to increase by a percentage in the low single digits.

License Agreements over $10 million: During the second quarter of fiscal 2016, we executed a total of 11 license agreements with incremental contract values in excess of $10 million each, for an aggregate contract value of $887 million. During the second quarter of fiscal 2015, we executed a total of six license agreements with incremental contract values in excess of $10 million each, for an aggregate contract value of $217 million.

- Annualized Subscription and Maintenance Bookings and Weighted Average Subscription and Maintenance License Agreement Duration in Years: Annualized subscription and maintenance bookings is an indicator that normalizes the bookings recorded in the current period to account for contract length. It is calculated by dividing the total value of all new subscription and maintenance license agreements entered into during a period by the weighted average subscription and license agreement duration in years for all such subscription and maintenance license agreements recorded during the same period. Annualized subscription and maintenance bookings increased from $184 million in the second quarter of fiscal 2015 to $267 million in the second quarter of fiscal 2016. The increase in annualized subscription and maintenance bookings was primarily a result of the aforementioned renewal with a large system integrator and the contract length of our other renewals during the second quarter of fiscal 2016. The weighted average subscription and maintenance license agreement duration in years increased from 3.10 in the second quarter of fiscal 2015 to 4.46 in the second quarter of fiscal 2016. This increase was primarily a result of the aforementioned renewal with a large system integrator which had a term greater than 5 years. Excluding this large renewal, weighted average subscription and maintenance license agreement duration in years would still have been 3.75 for the second quarter of fiscal 2016. Although each contract is subject to terms negotiated by the respective parties, we do not expect the weighted average subscription and maintenance agreement duration in years to change materially from historical levels for end-user contracts.

Total New Product Sales:

Including the Large System Integrator: Within total bookings, total new product sales increased by a percentage in the low forties for the second quarter of fiscal 2016 compared with the year-ago period primarily due to new product sales in connection with the aforementioned renewal with a large system integrator and new product sales contribution from our second quarter fiscal 2016 acquisitions, led by Rally. Excluding the unfavorable effect of foreign exchange, total new product sales increased by a percentage in the high forties compared with the year-ago period.

Excluding the Large System Integrator: Excluding the aforementioned renewal with a large system integrator, total new product sales increased by a percentage in the high teens for the second quarter of fiscal 2016 compared with the year-ago period. Excluding the aforementioned renewal with a large system integrator and the unfavorable effect of foreign exchange, total new product sales increased by a percentage in the mid-twenties compared with the year-ago period. Excluding the aforementioned renewal with a large system integrator and excluding our second quarter fiscal 2016 acquisitions, total new product sales increased by a percentage in the low teens and increased by a percentage in the high teens excluding the unfavorable effect of foreign exchange.

Within Total New Product Sales:

- Mainframe Solutions New Product Sales: For the second quarter of fiscal 2016 mainframe solutions new product sales, including capacity, more than doubled compared with the year-ago period primarily due to new product sales in connection with the aforementioned renewal with a large system integrator and several other large renewals. Excluding the unfavorable effect of foreign exchange, mainframe solutions new sales, including capacity, more than doubled compared with the year-ago period. Overall, we expect our mainframe solutions revenue to decline by a percentage in the low single digits over the medium term, which we believe is in line with the mainframe market.

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- Enterprise Solutions New Product Sales:

Including the Large System Integrator: For the second quarter of fiscal 2016, enterprise solutions new product sales increased by approximately twenty percent compared with the year-ago period primarily due to new sales connected with the aforementioned renewal with a large system integrator, which included a favorable new sales attach rate, and new sales attributable to our second quarter fiscal 2016 acquisitions, led by Rally. Excluding the unfavorable effect of foreign exchange, enterprise solutions new product sales increased by a percentage in the high twenties compared with the year-ago period.

Excluding the Large System Integrator: Excluding the aforementioned renewal with a large system integrator, total enterprise solutions new product sales increased by percentage in the high single digits for the second quarter of fiscal 2016 compared with the year-ago period. Excluding the aforementioned renewal with a large system integrator and the unfavorable effect of foreign exchange, total enterprise solutions new product sales increased by percentage in the mid-teens compared with the year-ago period. Excluding the aforementioned renewal with a large system integrator and excluding our second quarter fiscal 2016 acquisitions, total enterprise solutions new product sales were flat and increased by a percentage in the mid-single digits excluding the unfavorable effect of foreign exchange.

Total Bookings by Geography: Total bookings in the second quarter fiscal 2016 compared with the year-ago period increased in the United States, primarily as a result of the aforementioned renewal with a large system integrator, and the Europe, Middle East and Africa regions. Total bookings decreased in the Asia Pacific Japan region and was generally consistent in the Latin America region.

New Product Sales by Geography: Total new product sales in the second quarter of fiscal 2016 compared with the year-ago period increased in all regions, except the Asia Pacific Japan region. The increase in the United States was primarily a result of new sales connected with the aforementioned renewal with a large system integrator.

Bookings - First Half Fiscal 2016 Compared with the First Half of Fiscal 2015

Total Bookings: For the first half of fiscal 2016 and fiscal 2015, total bookings were $2,045 million and $1,473 million, respectively. The increase in bookings was primarily due to a renewal with a large system integrator in excess of $500 million that occurred during the second quarter of fiscal 2016.

Subscription and Maintenance Bookings: For the first half fiscal 2016 and fiscal 2015, subscription and maintenance bookings were $1,717 million and $1,174 million, respectively. The increase in subscription and maintenance bookings was primarily attributable to the aforementioned renewal with a large system integrator.

- Renewal Bookings:

Including the Large System Integrator: For the first half of fiscal 2016, renewal bookings increased by a percentage in the mid-fifties compared with the year-ago period, primarily due to the aforementioned renewal with a large system integrator. Excluding the unfavorable effect of foreign exchange, renewal bookings for the first half of fiscal 2016 increased by a percentage in the low sixties compared with the year-ago period.

Excluding the Large System Integrator: Excluding the large system integrator renewal, renewal bookings decreased by a percentage in the low single digits for the first half of fiscal 2016 compared with the year-ago period. Excluding the unfavorable effect of foreign exchange, renewal bookings for the first half of fiscal 2016 increased by a percentage in the low single digits compared with the year-ago period.

- License Agreements over $10 million: During the first half of fiscal 2016, we executed a total of 17 license agreements with incremental contract values in excess of $10 million each, for an aggregate contract value of $1,101 million. During the first half of fiscal 2015, we executed a total of 14 license agreements with incremental contract values in excess of $10 million each, for an aggregate contract value of $547 million.

- Annualized Subscription and Maintenance Bookings and Weighted Average Subscription and Maintenance License Agreement Duration in Years: Annualized subscription and maintenance bookings increased from $365 million in the first half of fiscal 2015 to $428 million in the first half of fiscal 2016. The weighted average subscription and maintenance license agreement duration in years increased from 3.22 in the first half of fiscal 2015 to 4.01 in the first half of fiscal 2016. These increases were attributable to the factors listed above for the second quarter of fiscal 2016.

Total New Product Sales: Within total bookings, total new product sales increased by a percentage in the high teens for the first half of fiscal 2016 compared with the year-ago period. Excluding the unfavorable effect of foreign exchange, total new product sales increased by a percentage in the mid-twenties. These increases were primarily due to the aforementioned renewal with a large system integrator and mainframe solutions new products sales growth.

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- Mainframe Solutions New Product Sales: For the first half of fiscal 2016, mainframe solutions new product sales, including capacity, increased by a percentage in the low forties compared with the year-ago period primarily due to the aforementioned renewal with a large system integrator and new product sales in connection with other renewals. Excluding the unfavorable effect of foreign exchange, mainframe solutions new product sales increased by approximately 50%.
- Enterprise Solutions New Product Sales: For the first half of fiscal 2016, enterprise solutions new product sales increased by a percentage in the high-single digits compared with the year-ago period primarily as a result of aforementioned renewal with a large system integrator. Excluding the unfavorable effect of foreign exchange, enterprise solutions new product sales increased by a percentage in the mid-teens.

Total Bookings by Geography: Total bookings in the first half fiscal 2016 compared with the year-ago period increased in the United States, primarily as a result of the aforementioned renewal with a large system integrator, and in the Latin America region. Total bookings decreased in the Europe, Middle East and Africa and Asia Pacific Japan regions.

New Product Sales by Geography: Total new product sales in the first half of fiscal 2016 compared with the year-ago period increased in all regions, except the Asia Pacific Japan region. The increase in the United States was primarily a result of the aforementioned renewal with a large system integrator.

LIQUIDITY AND CAPITAL RESOURCES

Our cash and cash equivalent balances are held in numerous locations throughout the world, with 78% held in our subsidiaries outside the United States at September 30, 2015. Cash and cash equivalents totaled $2,458 million at September 30, 2015, representing a decrease of $346 million from the March 31, 2015 balance of $2,804 million. During the first half of fiscal 2016, there was a $1 million unfavorable translation effect from foreign exchange rates on cash held outside the United States in currencies other than the U.S. dollar.

Although 78% of our cash and cash equivalents is held by foreign subsidiaries, we currently neither intend nor expect a need to repatriate these funds to the United States in the foreseeable future. We expect existing domestic cash, cash equivalents, cash flows from operations and borrowings to be sufficient to fund our domestic operating activities and our investing and financing activities, including, among other things, the payment of regular quarterly dividends, compliance with our debt repayment schedules, repurchases of our common stock and the funding for capital expenditures, for at least the next 12 months and for the foreseeable future thereafter. In addition, we expect existing foreign cash, cash equivalents and cash flows from foreign operations to be sufficient to fund our foreign operating activities and investing activities, including, among other things, the funding for capital expenditures, acquisitions and research and development, for at least the next 12 months and for the foreseeable future thereafter.

Sources and Uses of Cash

Under our subscription and maintenance agreements, customers generally make installment payments over the term of the agreement, often with at least one payment due at contract execution, for the right to use our software products and receive product support, software fixes and new products when available. The timing and actual amounts of cash received from committed customer installment payments under any specific agreement can be affected by several factors, including the time value of money and the customer’s credit rating. Often, the amount received is the result of direct negotiations with the customer when establishing pricing and payment terms. In certain instances, the customer negotiates a price for a single up-front installment payment and seeks its own internal or external financing sources. In other instances, we may assist the customer by arranging financing on the customer’s behalf through a third-party financial institution. Alternatively, we may decide to transfer our rights to the future committed installment payments due under the license agreement to a third-party financial institution in exchange for a cash payment. Once transferred, the future committed installments are payable by the customer to the third-party financial institution. Whether the future committed installments have been financed directly by the customer with our assistance or by the transfer of our rights to future committed installments to a third party, these financing agreements may contain limited recourse provisions with respect to our continued performance under the license agreements. Based on our historical experience, we believe that any liability that we may incur as a result of these limited recourse provisions will be immaterial.

Amounts billed or collected as a result of a single installment for the entire contract value, or a substantial portion of the contract value, rather than being invoiced and collected over the life of the license agreement, are reflected in the liability section of our Condensed Consolidated Balance Sheets as “Deferred revenue (billed or collected).” Amounts received from either a customer or a third-party financial institution that are attributable to later years of a license agreement have a positive impact on billings and cash provided by operating activities in the current period. Accordingly, to the extent these collections are attributable to the later years of a license agreement, billings and cash provided by operating activities during the license’s later years will be lower than if the payments were received over the license term. We are unable to predict with certainty the amount of cash to be collected from single installments for the entire contract value, or a substantial portion of the contract value, under new or renewed license agreements to be executed in future periods.

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For the second quarter of fiscal 2016, gross receipts related to single installments for the entire contract value, or a substantial portion of the contract value, were $105 million compared with $167 million for the second quarter of fiscal 2015. For the first half of fiscal 2016, gross receipts related to single installments for the entire contract value, or a substantial portion of the contract value, were $142 million compared with $235 million for the first half of fiscal 2015.

In any quarter, we may receive payments in advance of the contractually committed date on which the payments were otherwise due. In limited circumstances, we may offer discounts to customers to ensure payment in the current period of invoices that have been billed, but might not otherwise be paid until a subsequent period because of payment terms. Historically, any such discounts have not been material.

Amounts due from customers from our subscription licenses are offset by deferred revenue related to these license agreements, leaving no or minimal net carrying value on our Condensed Consolidated Balance Sheets for those amounts. The fair value of these amounts may exceed or be less than this carrying value but cannot be practically assessed since there is no existing market for a pool of customer receivables with contractual commitments similar to those owned by us. The actual fair value may not be known until these amounts are sold, securitized or collected. Although these customer license agreements commit the customer to payment under a fixed schedule, to the extent amounts are not yet due and payable by the customer, the agreements are considered executory in nature due to our ongoing commitment to provide maintenance and unspecified future software products as part of the agreement terms.

We can estimate the total amounts to be billed from committed contracts, referred to as our “billings backlog,” and the total amount to be recognized as revenue from committed contracts, referred to as our “revenue backlog.” The aggregate amounts of our billings backlog and trade receivables already reflected in our Condensed Consolidated Balance Sheets represent the amounts we expect to collect in the future from committed contracts.

(in millions)	September 30, 2015 (1)	March 31, 2015 (1)	September 30, 2014 (1)
Billings backlog:			
Amounts to be billed – current	$1,825	$1,867	$1,997
Amounts to be billed – noncurrent	2,273	1,686	2,078
Total billings backlog	$4,098	$3,553	$4,075
Revenue backlog:			
Revenue to be recognized within the next 12 months – current	$3,006	$3,141	$3,230
Revenue to be recognized beyond the next 12 months – noncurrent	3,608	3,389	3,581
Total revenue backlog	$6,614	$6,530	$6,811
Deferred revenue (billed or collected)	$2,516	$2,977	$2,736
Total billings backlog	4,098	3,553	4,075
Total revenue backlog	$6,614	$6,530	$6,811

(1) Information presented excludes the results of our discontinued operations.

Note: Revenue backlog includes deferred subscription and maintenance, professional services and software fees and other revenue.

We can also estimate the total cash to be collected in the future from committed contracts, referred to as our “Expected future cash collections,” by adding the total billings backlog to the trade accounts receivable, which represent amounts already billed but not collected, from our Condensed Consolidated Balance Sheets.

(in millions)	September 30, 2015 (1)	March 31, 2015 (1)	September 30, 2014 (1)
Expected future cash collections:			
Total billings backlog	$4,098	$3,553	$4,075
Trade accounts receivable, net	439	652	511
Total expected future cash collections	$4,537	$4,205	$4,586

(1) Information presented excludes the results of our discontinued operations.

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The increase of 15% in billings backlog at September 30, 2015 compared with March 31, 2015 was primarily a result the renewal with a large system integrator in excess of $500 million that occurred during the second quarter of fiscal 2016. Excluding the unfavorable effect of foreign exchange, billings backlog increased 16% at September 30, 2015 compared with March 31, 2015. The increase of 1% in billings backlog at September 30, 2015 compared with September 30, 2014 was primarily a result of the renewal with a large system integrator in excess of $500 million that occurred during the second quarter of fiscal 2016. Excluding the unfavorable effect of foreign exchange, billings backlog increased 6% at September 30, 2015 compared with September 30, 2014.

The increase in expected future cash collections at September 30, 2015 compared with March 31, 2015 was primarily driven by the increase in billings backlog, as described above, offset by a decrease in trade accounts receivable, net. Expected future cash collections at September 30, 2015 was generally consistent with September 30, 2014.

The increase in total revenue backlog of 1% at September 30, 2015 compared with March 31, 2015 was primarily a result of the aforementioned renewal with the large system integrator. The decrease of 3% in total revenue backlog at September 30, 2015 compared with September 30, 2014 was primarily a result of an unfavorable effect of foreign exchange. Excluding the unfavorable effect of foreign exchange, total revenue backlog increased 2%.

Revenue to be recognized in the next 12 months decreased 4% at September 30, 2015 compared with March 31, 2015. Revenue to be recognized in the next 12 months decreased 7% at September 30, 2015 compared with September 30, 2014. Excluding the unfavorable effect of foreign exchange, revenue to be recognized in the next 12 months decreased 2%. Revenue to be recognized in the next 12 months decreased due to the timing of large deals within the renewal portfolio and a lower level of professional services bookings. Revenue to be recognized in the next 12 months declines as contracts move closer to their renewal dates and given the timing of our renewal portfolio, within revenue backlog, we expect revenue to be recognized in the next 12 months to decline in the next couple of quarters.

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. We also believe that we would need to demonstrate multiple quarters of total new product and capacity sales growth while maintaining a renewal yield in the low 90% range before growth in the current portion of revenue backlog would be likely to occur.

Net Cash Provided by Operating Activities - Continuing Operations

	Second Quarter of Fiscal		Change
	2016 [1]	2015 [1]	2016 / 2015
	(in millions)		
Cash collections from billings [2]	$821	$945	$(124)
Vendor disbursements and payroll [2]	(664)	(704)	40
Income tax payments, net	(114)	(151)	37
Other disbursements, net [3]	—	(24)	24
Net cash provided by operating activities - continuing operations	$43	$66	$(23)

(1) Information presented excludes the results of our discontinued operations.

(2) Amounts include value added taxes and sales taxes.

(3) For the second quarter of fiscal 2016, amount includes payments associated with the Fiscal 2014 Plan of $1 million, interest, prior period restructuring plans and miscellaneous receipts and disbursements. For the second quarter of fiscal 2015, amount includes payments associated with the Fiscal 2014 Plan of $16 million, interest, prior period restructuring plans and miscellaneous receipts and disbursements.

	First Half of Fiscal		Change
	2016 [1]	2015 [1]	2016 / 2015
	(in millions)		
Cash collections from billings [2]	$1,833	$2,033	$(200)
Vendor disbursements and payroll [2]	(1,441)	(1,537)	96
Income tax payments, net	(131)	(181)	50
Other disbursements, net [3]	(30)	(83)	53
Net cash provided by operating activities - continuing operations	$231	$232	$(1)

(1) Information presented excludes the results of our discontinued operations.

(2) Amounts include value added taxes and sales taxes.

(3) For the first half of fiscal 2016, amount includes payments associated with the Fiscal 2014 Plan of $4 million, interest, prior period restructuring plans and miscellaneous receipts and disbursements. For the first half of fiscal 2015, amount includes payments associated with the Fiscal 2014 Plan of $46 million, interest, prior period restructuring plans and miscellaneous receipts and disbursements.

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Second Quarter Comparison Fiscal 2016 Versus Fiscal 2015

Operating Activities

Net cash provided by operating activities from continuing operations for the second quarter of fiscal 2016 was $43 million, representing a decrease of $23 million compared with the second quarter of fiscal 2015. Net cash provided by operating activities decreased compared with the year-ago period due to a decrease in cash collections of $124 million, primarily as a result of lower single installment collections and an unfavorable effect of foreign exchange, offset by a decrease in vendor disbursements and payroll of $40 million, which was due to a favorable foreign exchange effect, a decrease in income tax payments, net of $37 million and a decrease of other disbursements, net of $24 million.

Investing Activities

Net cash used in investing activities from continuing operations for the second quarter of fiscal 2016 was $572 million compared with $14 million for the second quarter of fiscal 2015. The increase in net cash used in investing activities was primarily due to an increase in cash paid for acquisitions of $609 million, partially offset by proceeds received of $48 million from the sale of short-term investments, which were received from the acquisition of Rally during the second quarter of fiscal 2016.

Financing Activities

Net cash provided by financing activities from continuing operations for the second quarter of fiscal 2016 was $239 million compared with net cash used in financing activities from continuing operations of $67 million for the second quarter of fiscal 2015. The change in financing activities was primarily due to the $400 million of net borrowings associated with our August 2015 debt offering, partially offset by an increase in common shares repurchased of $65 million. In July 2015 and in connection with the acquisition of Rally, we borrowed $400 million under our revolving credit facility, which we repaid from the borrowings received from our $400 million issuance of the 3.600% Notes.

First Half Comparison Fiscal 2016 Versus Fiscal 2015

Operating Activities

Net cash provided by operating activities from continuing operations for the first half of fiscal 2016 was $231 million, representing a decrease of $1 million compared with the first half of fiscal 2015. Net cash provided by operating activities decreased slightly compared with the year-ago period due to a decrease in cash collections of $200 million, primarily as a result of lower single installment collections and an unfavorable effect of foreign exchange, offset by a decrease in vendor disbursements and payroll of $96 million, which was due to a favorable foreign exchange effect, a decrease in income tax payments, net of $50 million, and a decrease of other disbursements, net of $53 million.

Investing Activities

Net cash used in investing activities from continuing operations for the first half of fiscal 2016 was $622 million compared with $46 million for the first half of fiscal 2015. The increase in net cash used in investing activities was primarily due to an increase in cash paid for acquisitions of $635 million, partially offset by proceeds received of $48 million from the sale of short-term investments, which were received from the acquisition of Rally during the second quarter of fiscal 2016.

Financing Activities

Net cash provided by financing activities from continuing operations for the first half of fiscal 2016 was $39 million compared with net cash used in financing activities from continuing operations of $207 million for the first half of fiscal 2015. The change in financing activities was primarily due to the $400 million of net borrowings associated with our August 2015 debt offering, partially offset by an increase in common shares repurchased of $65 million, an increase in net repayments from our notional pooling arrangement of $59 million, an increase in other financing activities of $18 million, which were primarily due to payments associated with a prior year acquisition, and a decrease in cash received from exercises of stock options of $10 million compared with the year-ago period. In July 2015 and in connection with the acquisition of Rally, we borrowed $400 million under our revolving credit facility, which we repaid from the borrowings received from our $400 million issuance of the 3.600% Notes.

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Debt Obligations

At September 30, 2015 and March 31, 2015, our debt obligations consisted of the following:

	September 30, 2015	March 31, 2015
	(in millions)	
Revolving credit facility	$—	$—
5.375% Senior Notes due December 2019	750	750
3.600% Senior Notes due August 2020	400	—
2.875% Senior Notes due August 2018	250	250
4.500% Senior Notes due August 2023	250	250
Other indebtedness, primarily capital leases	11	17
Unamortized discount for Senior Notes	(4)	(4)
Total debt outstanding	$1,657	$1,263
Less the current portion	(8)	(10)
Total long-term debt portion	$1,649	$1,253

Significant changes to our debt obligations during the first half of fiscal 2016 consisted of the following:

Senior Notes: In August 2015, we issued $400 million of 3.600% Senior Notes due August 2020 (3.600% Notes) for proceeds of approximately $400 million, reflecting a discount of less than $1 million. Interest on the 3.600% Notes is payable semiannually in February and August, beginning February 2016.

Revolving Credit Facility: In April 2015, we amended our revolving credit facility to extend the termination date from June 2018 to June 2019. The maximum committed amount available under the revolving credit facility is $1 billion. The facility also provides us with an option to increase the available credit by an amount up to $500 million. In July 2015 and in connection with the acquisition of Rally, we borrowed $400 million under our revolving credit facility, which we repaid from the borrowings received from our $400 million issuance of the 3.600% Notes described above. For additional information concerning our 3.600% Notes and revolving credit facility, refer to Note H, “Debt” in the Notes to the Condensed Consolidated Financial Statements for additional information.

Other Indebtedness

We have available an unsecured and uncommitted multi-currency line of credit to meet short-term working capital needs for our subsidiaries operating outside the United States. We use guarantees and letters of credit issued by financial institutions to guarantee performance on certain contracts. At September 30, 2015 and March 31, 2015, $25 million and $27 million, respectively, of this line of credit was pledged in support of bank guarantees and other local credit lines. At September 30, 2015 and March 31, 2015, none of these arrangements were drawn down by third parties.

We use a notional pooling arrangement with an international bank to help manage global liquidity. Under this pooling arrangement, we and our participating subsidiaries may maintain either cash deposit or borrowing positions through local currency accounts with the bank, so long as the aggregate position of the global pool is a notionally calculated net cash deposit. Because it maintains a security interest in the cash deposits and has the right to offset the cash deposits against the borrowings, the bank provides us and our participating subsidiaries favorable interest terms on both. The activity under this notional pooling arrangement for the six months ended September 30, 2015 and 2014 was as follows:

	Six Months Ended September 30, 2015	2014
	(in millions)	
Total borrowings outstanding at beginning of period [1]	$138	$139
Borrowings	2,494	2,703
Repayments	(2,497)	(2,647)
Foreign exchange effect	4	(56)
Total borrowings outstanding at end of period [1]	$139	$139

(1) Included in "Accrued expenses and other current liabilities" in our Condensed Consolidated Balance Sheets.

For additional information concerning our debt obligations, refer to our Consolidated Financial Statements and Notes thereto included in our 2015 Form 10-K.

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Effect of Exchange Rate Changes

There was a $1 million unfavorable impact to our cash balances in the first half of fiscal 2016 predominantly due to the strengthening of the U.S. dollar against the Brazilian real (19%), the Australian dollar (8%), the Norwegian krone (5%), the Indian rupee (5%) and the New Zealand dollar (14%) offset by the weakening of the U.S. dollar against the euro (4%) and the Israeli shekel (1%).

There was a $185 million unfavorable impact to our cash balances in the first half of fiscal 2015 predominantly due to the strengthening of the U.S. dollar against the euro (8%), Israeli shekel (5%), the Australian dollar (6%) and the Brazilian real (7%).

CRITICAL ACCOUNTING POLICIES AND BUSINESS PRACTICES

The preparation of financial statements in accordance with generally accepted accounting principles requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses. We base our estimates on historical experience and various other assumptions that we believe are reasonable under the circumstances. Our estimates form the basis for making judgments about amounts and timing of revenue and expenses, the carrying values of assets and the recorded amounts of liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and the estimates may change if the underlying conditions or assumptions change. Information with respect to our critical accounting policies that we believe could have the most significant effect on our reported results or require subjective or complex judgments by management is contained in our 2015 Form 10-K under Management's Discussion and Analysis of Financial Condition and Results of Operations. At September 30, 2015, there was no material change to this information.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In July 2015, the FASB issued a one-year deferral of the effective date of the new revenue recognition standard. The new standard will be effective for our first quarter of fiscal 2019 and early application for fiscal 2018 would be permitted. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. ASU 2014-09 is expected to have a significant impact on our revenue recognition policies and disclosures. We have not yet selected a transition method nor have we determined when we will adopt the standard and the effect of the standard on our ongoing financial reporting.

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including foreign exchange rate fluctuations, interest rate changes and changes in the market value of our investments. In the normal course of business, we employ established policies and procedures to manage these risks including the use of derivative instruments. There have been no material changes in our financial risk management strategy or our portfolio management strategy, which is described in our 2015 Form 10-K, subsequent to March 31, 2015.

Item 4: CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company has evaluated the effectiveness of its disclosure controls and procedures as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures are effective as of the end of the period covered by this quarterly report.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting, as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS
Refer to Note K, "Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements for information regarding certain legal proceedings, the contents of which are herein incorporated by reference.

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," of our 2015 Form 10-K, 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-Q and also by our ability to:

- Enable our sales force to accelerate growth of new product sales (at levels sufficient to offset any decline in revenue in our Mainframe Solutions segment):
  - in our Platinum customer accounts where we already have strong relationships;
  - in our Named customer accounts where a competitor already has an established relationship; and
  - in our Growth customer accounts where we currently do not have a strong presence and where we may have a dependence on unfamiliar distribution routes and offerings of a type not previously provided by us;
- Improve CA Technologies brand, technology and innovation awareness in the marketplace;
- Ensure our offerings for cloud computing, application development and IT operations (DevOps), SaaS, and mobile device management, as well as other new offerings, address the needs of a rapidly changing market, while not adversely affecting the demand for our traditional products or our profitability to an extent greater than anticipated; and
- Effectively manage the strategic shift in our business model to develop more easily installed software, provide additional SaaS offerings and refocus our professional services and education engagements on those engagements that are connected to new product sales, without affecting our performance to an extent greater than anticipated.

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

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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 purchasing 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," of our 2015 Form 10-K for additional information.

If our products do not remain compatible with ever-changing operating environments, platforms, or third party products, 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 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.

Further, since our solutions interact with a variety of software and hardware developed by third parties, 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. 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.

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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 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.

Given the global nature of our business, economic factors or political events beyond our control and other business and legal 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 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;
- Developing and executing an effective go-to-market strategy in various locations; and
- Compliance by us and our partners (including unaffiliated third-party partners) with differing, changing and potentially inconsistent local laws, regulations and interpretations in multiple international jurisdictions, as well as compliance with U.S. laws and regulations where applicable in these international locations, such as anti-corruption, anti-money laundering, export control and data privacy laws and regulations, including the U.S. Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, trade controls and sanctions administered by the U.S. Office of Foreign Assets Control and similar laws and regulations in other jurisdictions.

In addition to affecting our success, negative effects of any of these factors may increase the cost of doing business internationally. The cost of our international revenue may be increased further with respect to products and lines of business acquired in connection with inorganic growth, as the efforts undertaken by the target companies with respect to these factors may be less robust or effective than the efforts we have undertaken with respect to these factors. Any such rise in costs could individually or in the aggregate make our products and services less attractive to our customers, delay the introduction of new products in one or more regions or cause us to change or limit our business practices. We have implemented policies, procedures and controls designed to achieve compliance with applicable laws and regulations, but our corporate policies, process and controls may not prevent or detect all potential breaches of law or other governance practices. We occasionally identify or are apprised of information or allegations that certain employees, affiliates, agents or associated persons may have violated these laws. Any violation of these laws could lead to substantial civil and criminal fines and penalties, litigation, loss of operating licenses or permits and other collateral consequences. An unfavorable development regarding any of the foregoing factors could materially adversely affect our business, financial condition, operating results and cash flow.

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 of our market position.

We sell our products and solutions through various partner channels, which include managed service providers, regional solution providers and value-added distributors. Through our various global partner programs, we provide incentives, training, enablement and marketing investments so that our partners have the capability and expertise to sell and deliver these solutions to their customers. We also leverage global system integrators and technology partners to assist with and influence the sales of solutions to our Platinum and Named customers. The failure to expand these partner programs and investments could adversely affect our overall business success. This could result in lost incremental sales opportunities that partners provide and, as a result, materially adversely affect our business, financial condition, operating results and cash flow.

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Our business may suffer if we are not able to retain and attract qualified professionals, including key managerial, technical, marketing and sales professionals.
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 professionals and to attract and retain talent needed to execute our business strategy. We also depend on our ability to perform these tasks with respect to professionals from acquired companies, which ability may be negatively impacted by our efforts to integrate and rationalize the products and lines of business we have acquired. 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. Effective succession planning is also important for our long-term success. Failure to ensure effective transfers of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution. 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 professionals could have a negative effect on the quality of our products. A loss of a significant number of experienced and effective sales professionals 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.
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.
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 solutions 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 flow. 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.
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;

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- 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 risks can be heightened during periods when we seek to integrate multiple acquisitions at the same time or in a relatively short period of time. 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.

Our sales to government clients subject us to risks, including lack of fiscal funding approval, renegotiation or termination at the discretion of the government, as well as audits and investigations, which could result in litigation, penalties and sanctions including suspension, early termination and debarment.

Approximately 8% of our total revenue backlog at September 30, 2015 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 and may be renegotiated or terminated at the discretion of the government. Termination, renegotiation or the lack of 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 actions and 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. Refer to Note K, "Commitments and Contingencies," in the Notes to the Condensed Consolidated Financial Statements for additional information about litigation and related matters in this area.

Our data center, network, as well as our software products, and the IT environments of our vendors and customers are subject to hacking or other cybersecurity threats, resulting in a loss or misuse of proprietary, personally identifiable and confidential information and/or harm to our customer relationships and the market perception of the effectiveness of our products.

Given that some of 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. Use of open source code or other third-party software in our products and infrastructure could also bring increased cybersecurity risks. This risk can be heightened with acquired products, which may not have gone through the same testing and quality control measures as our organically developed products. Experienced computer programmers or hackers may attempt to penetrate our network security or the security of our data centers and IT environments. Others, including employees or vendors, may also intentionally or unintentionally provide unauthorized access to our IT environments or to our customers' IT environments. These hackers or others 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 or our customers' IT operations, services and businesses. This may cause contractual disputes and may negatively affect the market perception of the effectiveness of our products and our reputation even if the unauthorized access is not attributable to our products or personnel. Our SaaS solutions/services business includes the hosting of customer data, including large amounts of sensitive information. The SaaS business uses third-party data centers that may also be subject to hacking incidents. If our SaaS business increases substantially, whether due to growth of our existing SaaS business or if we acquire a SaaS company, such as in the second quarter of fiscal 2016, our exposure to hacking incidents could increase due to the nature of the increase in the volume of SaaS business activity and the potential increase in the number of SaaS technology platforms we maintain. Although we continually seek to improve our countermeasures to prevent and detect such incidents, we may be unable to anticipate these problems and such incidents could require significant expenditures of our capital and diversion of our resources from development activities. Additionally, these efforts by hackers or others 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. If these efforts are successful and a third party obtains unauthorized access to our or our customers' IT environments, 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 private or governmental 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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If we do not adequately manage, evolve and protect our information systems, infrastructure and processes, including the successful implementation of our enterprise resource planning software, our ability to manage and grow our business may be harmed.

We rely on our information systems and information systems of third parties for managing the financial information of our business. Any disruption in our information systems and those of the third parties upon whom we rely could have a significant impact on our business. In addition, we continuously work to enhance our information systems and infrastructure and integrate those of acquired companies. The implementation of these types of enhancements, including the successful implementation of our enterprise resource planning software, and the integration with information systems of acquired companies is frequently disruptive to the underlying business, which may especially be the case for us due to the size and complexity of our business. Additionally, delays in adapting our information systems to address new business models, such as SaaS, could limit the success or result in the failure of those initiatives and impair the effectiveness of our internal controls.

Although we have implemented a disaster recovery program, our system redundancy may be ineffective or inadequate and our disaster recovery planning may not be sufficient for all eventualities, including scenarios associated with acquired companies. With regard to the implementation of our enterprise resource planning software, any delay in the implementation of, or disruption in the transition to, our new or enhanced systems, procedures or internal controls, both for our systems and those of acquired companies, 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 to manage and protect our infrastructure, could result in the diversion of management’s attention and resources, adversely affect our ability to manage our business, including our SaaS business, and to meet our obligations to our customers, and materially adversely affect our business, financial condition, results of operations and cash flow.

Fluctuations in foreign exchange rates could result in 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 United States, fluctuations in foreign 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 exchange impact upon translation of these transactions into U.S. dollars.

In the normal course of business, we employ various hedging strategies to partially mitigate 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 exchange rates could materially adversely affect our business, financial condition, operating results and cash flow.

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 after commencement of commercial shipments. This risk can be heightened with acquired products which may not have gone through the same testing and quality control measures as our organically developed products (our organically developed products and acquired products collectively, our Products). 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

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- 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, both organic and acquired. 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,” of our 2015 Form 10-K for additional information.

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. These customers have no contractual obligation to purchase additional solutions and renewal rates may decline or fluctuate as a result of a number of factors, including the level of customer satisfaction with our solutions or customer support, customer budgets and the pricing of our solutions as compared with the solutions offered by our competitors, any of which may cause our revenue to grow more slowly than expected, if at all. 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.

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, both organic and acquired, 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. Further, although some open source vendors provide warranty and support agreements in conjunction with the use of their open source software, it is common for many open source software authors to make their open source software available “as-is” with no warranty, indemnity or support. 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.

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, both organic and acquired, 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.

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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, it is characteristic of our industry when dealing with enterprise customers to experience long sales cycles, which for us 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, 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 U.S. generally accepted accounting principles, 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. Acquisitions can result in additional goodwill or capitalized software and other intangible assets balances subject to impairment risk. 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.

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.

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 September 30, 2015, we had $1,657 million of debt outstanding, consisting mostly of unsecured senior note 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.

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

In recent years, we have announced workforce reductions, workforce rebalancing, global facilities consolidations and other cost reduction initiatives to reallocate resources of our business as part of our strategy. We may have further workforce reductions, workforce rebalancing, 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. These arrangements may not be successful or fully secure, which could result in increased costs or an increased chance of a cybersecurity breach, which could adversely affect customer service levels.

We have outsourced various functions to third parties, including certain product development and administrative functions and hosting for our SaaS business, and we may outsource additional functions to third parties in the future. These outsourced functions may involve confidential and/or personally identifiable information. We rely on these third parties to provide outsourced 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 these third parties. The failure of third-party outsourcing partners or vendors to perform as expected could result in significant disruptions and costs to our operations or our customers' operations, including the potential loss of personally identifiable information 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.

Changes in generally accepted accounting principles may materially adversely affect our reported results of operation or financial condition.

From time to time, the Financial Accounting Standards Board ("FASB") issues new accounting principles, including the May 2014 Accounting Standards Update (ASU) No. 2014-09 regarding revenue recognition (refer to Note A, "Accounting Policies," in the Notes to the Condensed Consolidated Financial Statements for additional information). Changes to existing rules, or changes to the interpretations of existing rules, could lead to changes in our accounting practices, and such changes could materially adversely affect our reported financial results.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth, for the months indicated, our purchases of common stock in the second quarter of fiscal 2016:

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)			
July 1, 2015 - July 31, 2015	—	$—	—	$735,000
August 1, 2015 - August 31, 2015	377	$26.49	377	$725,000
September 1, 2015 - September 30, 2015	1,920	$28.55	1,920	$670,185
Total	2,297		2,297	

On May 14, 2014, our Board of Directors approved a stock repurchase program that authorized us to acquire up to $1 billion of our common stock. We expect to complete the program by the end of fiscal 2017. We expect to repurchase shares on the open market, through solicited or unsolicited privately negotiated transactions or otherwise from time to time based on market conditions and other factors.

During the first half of fiscal 2016, we repurchased 4 million shares of our common stock for $115 million. At September 30, 2015, we remained authorized to purchase $670 million of our common stock under the current stock repurchase program.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES
Not applicable.

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Item 5. OTHER INFORMATION

On October 20, 2015, CA, Inc. (the “Company”), as borrower, entered into a Term Loan Agreement (the “Term Loan Agreement”), by and between the Company and Bank of America, N.A. (“BofA”), as administrative agent and initial lender. The Term Loan Agreement provides for a $300 million term loan (the “Term Loan”), which was made on October 22, 2015 (the “Funding Date”).

The Term Loan has a maturity date of April 20, 2022. Additionally, commencing on April 1, 2017, the Term Loan Agreement will require quarterly principal amortization payments in an amount equal to, through January 1, 2021, 1.25%, and, commencing April 1, 2021 and thereafter, 2.50%, of the stated principal amount of the Term Loan made on the Funding Date. The Company may, at any time on or after October 20, 2016, prepay the outstanding principal amount of the Term Loan in whole or in part without premium or penalty.

The Term Loan will bear interest at a rate dependent on the Company’s credit ratings applicable from time to time and, at the Company’s option, will be calculated according to a base rate or a Eurodollar rate, as the case may be, plus an applicable margin. Depending on the Company’s credit ratings, the applicable margin for any portion of the Term Loan accruing interest based on the base rate ranges from 0.125% to 1.000% and the applicable margin for any portion of the Term Loan accruing interest based on the Eurodollar rate ranges from 1.125% to 2.000%. At the Company’s current credit ratings, the applicable margin would be 0.500% for interest at the base rate and 1.500% for interest at the Eurodollar rate.

The Term Loan Agreement provides that the Company may use the proceeds of the Term Loan for general corporate purposes of the Company and its subsidiaries, which may include, but is not limited to, share repurchases, acquisitions and the refinancing of existing indebtedness. The Term Loan Agreement also contains covenants consistent with the Company’s $1.0 billion Amended and Restated Credit Agreement, as amended by Amendment No. 1 thereto (as so amended, the “Credit Agreement”), including two financial covenants: (i) for the 12 months as of any date, the ratio of consolidated debt for borrowed money to consolidated cash flow, each as defined in the Term Loan Agreement (consistent with the Credit Agreement), must not exceed 4.00 to 1.00 and (ii) for the 12 months as of any date, the ratio of consolidated cash flow to the sum of interest payable on, and amortization of debt discount in respect of, all consolidated debt for borrowed money, as defined in the Term Loan Agreement (consistent with the Credit Agreement), must not be less than 3.50 to 1.00. In addition, the Term Loan Agreement provides for events of default consistent with the Credit Agreement, including, among other things, defaults relating to other indebtedness of at least $100,000,000 in the aggregate being rendered against the Company or its subsidiaries, judgments in excess of $100,000,000 in the aggregate being rendered against the Company or its subsidiaries, the acquisition by any person or group of 40% or the Common Stock (or any outstanding class of capital stock having ordinary voting power in the election of directors of the Company), and the incurrence of certain liabilities in excess of $100,000,000 in the aggregate under The Employee Retirement Income Security Act of 1974.

BofA, the administrative agent and initial lender under the Term Loan Agreement, and its affiliates, have in the past provided, and may in the future provide, investment banking, underwriting, lending, commercial banking and other advisory services to the Company and its subsidiaries and have received, and may in the future receive, customary compensation from the Company and its subsidiaries for these services.

The foregoing description of the Term Loan Agreement and related matters is qualified in its entirety by reference to the Term Loan Agreement, which is filed as Exhibit 10.3 hereto and incorporated herein by reference.

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Item 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference Form	Exhibit	Filing Date	Filed or Furnished Herewith
3.1	Restated Certificate of Incorporation.	8-K	3.3	3/9/06	
3.2	By-Laws of the Company, as amended.	10-K	3.2	5/8/15	
4.2	Officers' Certificate dated August 4, 2015 establishing the terms of the 3.600% Senior Notes due 2020 (including the forms of the Senior Notes) pursuant to the Company's Indenture dated as of June 1, 2008 with U.S. Bank National Association, as trustee.	8-K	4.2	8/4/15	
10.1*	CA, Inc. Change in Control Severance Policy (amended and restated effective August 5, 2015).				X
10.2*	Schedules A, B and C (as amended effective August 5, 2015) to CA, Inc. Change in Control Severance Policy.				X
10.3	Term Loan Agreement dated October 20, 2015.				X
12	Statement of Ratios of Earnings to Fixed Charges.				X
15	Accountants' Acknowledgment Letter.				X
31.1	Certification of the Principal Executive Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of the Principal Financial Officer pursuant to §302 of the Sarbanes-Oxley Act of 2002.				X
32†	Certification pursuant to §906 of the Sarbanes-Oxley Act of 2002.				X
101	The following financial statements from CA, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets - September 30, 2015 (Unaudited) and March 31, 2015. (ii) Unaudited Condensed Consolidated Statements of Operations - Three and Six Months Ended September 30, 2015 and 2014. (iii) Unaudited Condensed Consolidated Statements of Comprehensive Income - Three and Six Months Ended September 30, 2015 and 2014. (iv) Unaudited Condensed Consolidated Statements of Cash Flows - Six Months Ended September 30, 2015 and 2014. (v) Notes to Condensed Consolidated Financial Statements - September 30, 2015.				X

* Management contract or compensatory plan or arrangement

† Furnished herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CA, INC.

By:	/s/ Michael P. Gregoire Michael P. Gregoire Chief Executive Officer
By:	/s/ Richard J. Beckert Richard J. Beckert Executive Vice President and Chief Financial Officer

Dated: October 22, 2015