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SunGard Conference Call Commentary

Thursday, May 6, 2010

Conference Call Operator:

Welcome to SunGard's First Quarter 2010 Earnings Call. Please note that this call is being recorded and that all statements made by SunGard officers on this call are the property of SunGard and are subject to copyright protection.

If you wish to ask a question, please press star then the number one on your telephone keypad. If you find that your question has already been asked, please press the pound key to remove yourself from the queue.

A replay will be available shortly after the end of the call through midnight on May 13, 2010. To listen to the replay, please dial 706-645-9291, conference ID 71492899.

Please also note that this conference call is complementary to SunGard's earnings release, and that all statements concerning the Company's outlook, future performance, and expectations are forward-looking statements and are covered by the Private Securities Litigation Reform Act of 1995. Please see the press release for further details.

Also, please keep in mind that all comparisons exclude amortization of intangible assets, stock-based compensation and purchase accounting adjustments and merger and other costs that are detailed in Notes 1 and 2 to the financial results included in the press release.

I will now turn the call over to Cris Conde, SunGard's president and CEO. Mr. Conde, please go ahead.

Cris Conde, president and chief executive officer:

Good morning everyone, and thanks for joining us. With me on the phone today are Bob Woods, our CFO, Eric Erickson, our treasurer, and Karen Mullane, our controller.

Let me give you the three key takeaways: **First**, our performance in the quarter reflects the lag effect of our recurring revenue business model and the challenging operating environment. We continue to see long sales cycles and strong pricing pressure. **Second**, our results also reflect a one-time drop in revenue from our trading systems business, a consequence of the changing dynamic and regulatory environment in the financial services industry. Otherwise, our software and processing businesses are showing signs of renewed growth. **Third**, while it is too early to call the bottom of the market, we are cautiously optimistic. We had a number of significant, multi-million dollar competitive wins and renewals in the quarter and our sales pipelines reflect a higher quality of deals. Demand for professional services is also increasing as customers look for help to extend the life and get the most out of their existing solutions, and also to deal with regulatory change.

Let me give you the key figures. For the quarter, revenue decreased 6% to $1.25 billion. Adjusted EBITDA decreased by 9% to $297 million.

Let's drill down into the revenue line – three points: **First**, excluding the broker/dealer business, revenue increased approximately 3%. **Second**, organic revenue decreased 9%, with the broker/dealer business accounting for all of the decline. **Third**, professional services revenue, after declining year-on-year for five quarters, was flat. License fees increased 54% to $48 million.

Let me give you the breakdown **for each of our four segments**, starting with **Financial Systems**.

Revenue decreased 11% to $659 million in the quarter. Organic revenue decreased 13%. Excluding the broker/dealer I mentioned earlier, organic revenue increased **4**%. License fees doubled to $40 million in the quarter.

In Financial Systems, industry trends continue with long sales cycles and strong pricing pressure, and we're now feeling the full-year impact of banking consolidation. Nevertheless, we're seeing higher quality deals in our sales pipelines. Bundling and cross-selling are working well for us and are helping us to differentiate. Demand for professional services has increased as customers look to drive efficiencies and anticipate regulatory reform. Net-net, we are well positioned to benefit both from our strong competitiveness and from regulatory reform and changes in the OTC derivatives markets.

Now let's turn to Higher Ed. Revenue decreased 9% to $120 million in the quarter. In Higher Education, customer spending is still constrained by reduced budgets, especially at state institutions. Renewal rates remain high but so is pricing pressure. For new solutions, "pay as you go" is preferred over big upfront investments. Managed services is holding steady and our 360 offerings, which combine software, hosting and technology management services, are helping us compete better. All in all, customers are giving high marks to our Open Digital Campus strategy and our new hosted administrative solutions.

Let me now discuss **Public Sector.** Revenue increased 11% to $101 million in the quarter. Organic revenue increased by 5%. Public Sector is off to a great start as revenue comes in from the strong sales we had in the second half of 2009. However, the 2010 pipeline does not have as many big deals as last year. Budgets are tight and customers are realizing that government stimulus funding isn't really making a difference. Spending is cautious for large systems implementations and biased towards light-weight solutions with quick returns.

The silver lining, in Public Sector and Higher Education, is that customers are spending on consulting services, add-ons and enhancements to extend the life of the systems they already have in place.

And finally, **Availability Services**. Organic revenue decreased 3%. Reported revenue decreased $1 million to $369 million in the quarter. In Availability Services, we are executing on our growth strategy and increasing our investments in data centers and product development. Managed Services had solid sales bookings in the quarter, and overall, we are encouraged by the market response to our new products and services. There is strong demand for our Secure2Disk backup and recovery solution as well as our enterprise grade cloud computing services, which we recently expanded to North America after a successful launch in the U.K.

Let’s turn to our investment program. We have a recurring revenue model that drives strong and predictable cash flow generation, which in turn allows us to consistently invest in the business. During the first quarter, we generated $80 million of cash flow from operations, an increase of $152 million from last year. We spent 11% of Software & Processing revenue on product development, $76 million on capital expenditures company-wide, and we completed two acquisitions for a total purchase price of $13 million. Our debt to EBITDA leverage ratio was 5.08 times.

To sum it all up, industry conditions remain challenging but I am optimistic that we are doing the right things and headed in the right direction. As I told you on the Q4 call, we have not changed our outlook for **mid** to **upper** ~ **single** digit ~ top-line growth over the **long** term. Our competitive position continues to be very strong and we are more relevant and mission critical to our customers than ever.

I’d like to take this opportunity to thank all our employees for their hard work. It’s due to their amazing efforts that we surprised even ourselves by moving up 55 spots in the Fortune 500 rankings to #380. We’ve moved up nearly 100 spots in the last three years.

Thank you for joining us this morning, and we look forward to talking with you again next quarter! Good-bye.