

opentext™

Annual Report 2019

The Information Advantage





DEAR SHAREHOLDERS,

Fiscal 2019 was a great year for OpenText, full of amazing milestones and achievements that shaped the company for tremendous opportunity ahead.

We delivered a compelling Enterprise Information Management (EIM) platform that included powerful new products and expanded cloud capabilities to enter Fiscal 2020 with the strongest EIM offering in the industry. By focusing relentlessly on Total Growth and our disciplined value-creation strategy, OpenText empowers enterprise companies to unlock the value of their information to gain the Information Advantage and win in industry 4.0.

In Fiscal 2019, OpenText demonstrated why we are the best choice to help customers gain the Information Advantage to become Intelligent and Connected Enterprises. Our products, market recognition and brand image have never been stronger. This year, we were named:

- #1 in Content Services Platforms by Gartner¹
- #1 in Business Networks by IDC²
- An industry leader in the Software for Digital Process Automation for Deep Deployments, Q2 2019 Forrester Wave³
- An industry leader in ECM Content Platforms, Q3 2019 Forrester Wave⁴

OpenText EIM solutions enable enterprises to leverage information to its full potential, driving productivity, growth, and lasting competitive advantage. This is what matters to our customers and why they place so much trust in OpenText. The most trusted companies, trust OpenText.

OUR VISION: INFORMATION ADVANTAGE

Today's market-disrupting technologies are driving new and exciting opportunities to transform the way we live our personal lives, the way we do business, and the way we run our governments. The capacity for organizations to generate and collect information is greater than ever. Harnessing it to its full potential creates an Information Advantage that reveals insights and drives better results.

Over the last 20 years in enterprise software, Enterprise Resource Planning (ERP) software has provided a process advantage. As we look forward, it is EIM software that will provide an Information Advantage, and it is information that is driving our new world and industry 4.0. Our information platform supports the best run content services and business networks, that connect humans and machines, that is secure, and open to analytics, AI and machine learning.

Those who create an Information Advantage today will ride the next wave of transformation in productivity and growth. OpenText innovations in EIM make that possible.

1. Gartner Magic Quadrant for Content Services Platforms. Karen Hobert, Michael Woodbridge, Monica Basso, Oct. 25, 2018

2. IDC MarketScape: Worldwide Multi-Enterprise Supply Chain Commerce Network 2018 Vendor Assessment, Simon Ellis, December 2018

3. Forrester Wave™: Software For Digital Process Automation For Deep Deployments, Q2 2019, Rob Koplowitz, June 19, 2019

4. Forrester Wave™: ECM Content Platforms, Q3 2019, Cheryl McKinnon, July 24, 2019

CONTINUING OUR PROVEN GROWTH STRATEGY

Over the last five years, OpenText has achieved a Total Revenue Growth CAGR of 12%. Our Total Growth strategy is a powerful trifecta of three components: retain, grow and acquire. These are proven components within our OpenText Business System.

Retain

The most trusted companies, trust OpenText. We have over 100,000 customers that trust OpenText every day, and that customer trust has created a durable OpenText where 75% of our revenues are recurring. Our Annual Recurring Revenue (ARR) renewal rates are over 90% and our Net Promoter Scores are among the best in enterprise software and continue to improve.

Grow

We have an amazing opportunity within our install-base to expand product adoption and migrate customers to the OpenText Cloud. It is now a Cloud-First world, and OpenText is in a marquee position to be a strategic provider of a cloud platform focused on enabling the Information Advantage. Over the next few years, we plan to further invest in software and cloud R&D and operations.

Acquire

Over the last five years, we deployed approximately \$4.8 billion for acquisitions. Over the coming years, Mergers and Acquisitions (M&A) will continue to be our leading growth contributor. We run a value-oriented M&A playbook, and with a strong balance sheet and our liquidity position, we will remain patient and prudent. As a strategic buyer of assets, Return on Invested Capital (ROIC) is a key financial metric, and in Fiscal 2019 we expanded our ROIC to 18.7%.

In Fiscal 2019, we acquired Liaison Technologies, Inc. and Catalyst Repository Systems, Inc., putting \$381 million of capital to work, all from cash on hand. Both Liaison and Catalyst further enhance our cloud opportunity and recurring cloud revenue business. Liaison's strong innovation in multi-enterprise application integration extends OpenText Business Network leadership and the Catalyst acquisition expands OpenText's eDiscovery solutions in the legal market.

THE CLOUD: OPENTEXT'S GREATEST OPPORTUNITY

It is now a Cloud-First world, and OpenText is in a marquee position to be a strategic provider of a cloud platform that provides an Information Advantage. Our Cloud is scaling to a \$1 billion run-rate business and we own and operate the OpenText Cloud from 37 data centers in 9 countries. Thus, we control our own service, our own features, our own capabilities, and our own certifications on a global basis. We have over 6,000 professionals educated, trained and certified on the OpenText Cloud and we now have 74,000 customers running in the OpenText Cloud.

OpenText is in the best possible position to run, operate and secure OpenText software in the OpenText Cloud so customers don't have to. Our partnerships with Google Cloud platform, Amazon AWS and Microsoft Azure extend the options for our customers and we believe are untapped go-to-market opportunities for us.

The OpenText Cloud strategy is unique and diversified and has three core offerings. The first is our Business Network, connecting business-to-business, application-to-application. The second is our private cloud, via managed services. We now have 2,000 global customers running in our private cloud. OpenText OT2 is the third part and is the public cloud. OT2 is deeply integrated into our off-cloud EIM solutions, will compete standalone as a public SaaS offering and will compete against pure-play SaaS providers.

Our recently announced next generation product line, OpenText Cloud Edition to be released in CY2020, will enable customers to accelerate innovation, be more secure, and support the changing nature of work and the workforce. OpenText Cloud Edition will help revolutionize the way businesses capture, govern, exchange and use information to their full potential, unlocking the Information Advantage for our customers.

GROWING OUR GLOBAL 10,000 CUSTOMER BASE

The world's largest organizations trust OpenText to help scale and differentiate their business. We are planning on both broadening and deepening our coverage within the Global 10,000 and we have a tremendous opportunity to grow our business within our existing customer base and product set.

NEW PARTNERSHIPS TO ENHANCE VALUE

OpenText is committed to working together with our partners to create next-generation EIM solutions and deliver them to market. Our expanded partnerships and product integrations with Google, SAP and Mastercard will provide greater content services options in the cloud for our customers. Customers can leverage the performance, scalability and security of Google Cloud, while deploying cutting-edge enterprise information management applications from OpenText. Our recently announced partnership with Mastercard will help automotive enterprises increase financial efficiencies across global supply chains. As part of our Total Growth strategy, OpenText will continue to look for ways to create even more value from our expanded partnerships.

OPENTEXT EMPLOYEES: OUR MOST VALUABLE RESOURCE

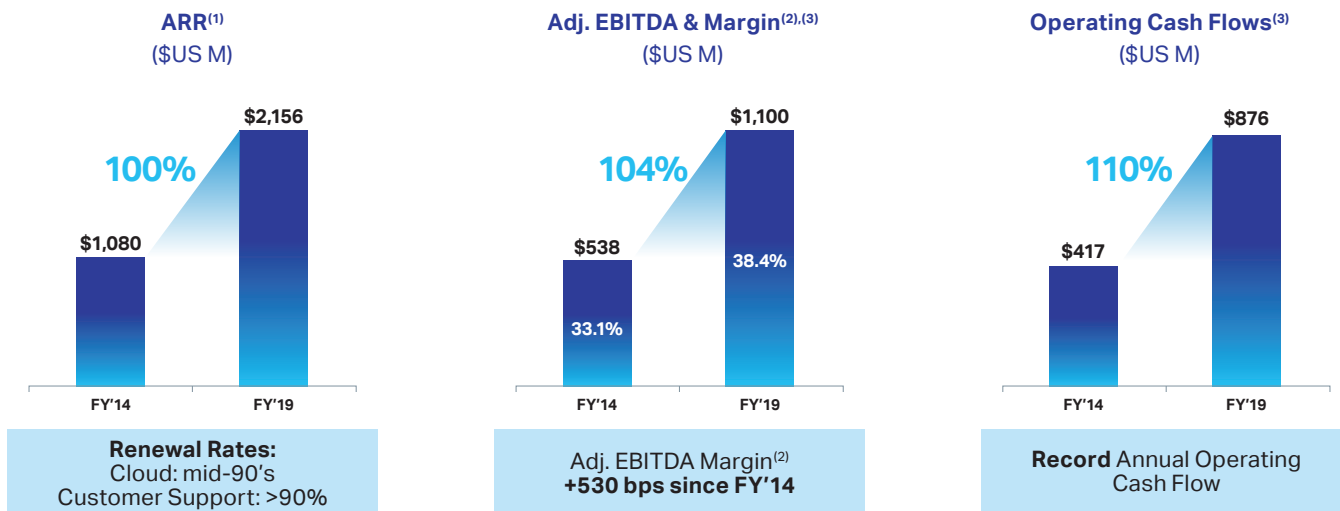
Our people are what truly makes OpenText successful. With the dedication of our 13,000 employees worldwide, our vision is stronger, our decision making faster, and our value to customers accelerated. Fiscal 2019 is a great reflection of the high performance of the OpenText team to drive operational excellence while running the OpenText Business System playbook to deepen and strengthen our intelligent information platform.

"Doing good while doing well" has always been central to OpenText and its employees. In Fiscal 2020, we will also increase our focus on Technology for Good initiatives, managing our environmental footprint, sustainability, volunteerism, community giving, and diversity and inclusion.

FISCAL 2019 FINANCIAL PERFORMANCE: A RECORD YEAR

In Fiscal 2019, OpenText delivered a record \$2.87 billion in total revenues and our Annual Recurring Revenues business surpassed \$2 billion. Our Cloud business surpassed \$900 million in revenues and is scaling into a \$1 billion business. Our adjusted EBITDA Margin of 38.4% surpassed our Fiscal 2019 target range and OpenText delivered record Operating Cash Flows of \$876.3 million. These robust results reflect OpenText's commitment to drive shareholder value through disciplined execution and operational excellence.

KEY METRICS



1. ARR – Annual recurring revenue is defined as the sum of cloud services and subscriptions revenue and customer support revenue.

2. Please see reconciliation of GAAP to Non-GAAP measures in our historical filings on Forms 10-Q and 10-K.

3. Refer to Note 1 of our Fiscal 2019 10-K for details on the impact of recently adopted accounting standards on prior period results..

DRIVING SHAREHOLDER VALUE

Our confidence in enhancing operational excellence and expanding cash flows is reflective in our disciplined shareholder value-creation strategy: increasing business value driven by consistent high-ROIC returns and a dividend program. Our total returns strategy continues to grow the value of the business and targets returning 20% of our trailing 12-month operating cash flows to shareholders via our dividend program. We have raised our dividend every year since 2014 and in Fiscal 2019, returned \$169 million of cash to shareholders.

LOOKING AHEAD

OpenText's strong Fiscal 2019 results and the continued trust from our customers places us in a great position for the years ahead. Around the world, enterprise companies continue to make incredible investments in their digital transformation, and they look to OpenText to leverage information to their full potential to become Intelligent and Connected Enterprises. In Fiscal 2020 and beyond, we will help our customers harness the power of information in ways they are just beginning to imagine. This is our time.

As we step into Fiscal 2020, OpenText has never been stronger operationally. We have the flexibility to continue our investments in product innovation, go-to-market and strategic M&A. We remain focused on improving efficiency and margin expansion to meet our Fiscal 2022 aspirational targets and maximize shareholder value. As we look forward to the coming years, our priorities remain consistent: Total Growth, cash flow expansion and disciplined value creation.

We have the power to connect humans and machines with market leading content services and business networks. Industry 4.0 will create unlimited potential for us through new business models and new technologies such as 5G, IoT and machine learning. OpenText will be a trusted leader, helping our customers achieve the Information Advantage in this wave of innovation and new technologies to come.

On behalf of the Board of Directors, the OpenText Executive Leadership Team, and all our employees worldwide, thank you for your continued support and confidence.



Sincerely,

Mark J. Barrenechea

OpenText CEO & CTO

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Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this Annual Report, including statements about the focus of Open Text Corporation ("OpenText" or "the Company") in our fiscal year ending June 30, 2019 (Fiscal 2019) on growth in earnings and cash flows, anticipated benefits of our partnerships and next generation product lines, the strength of our operating framework and balance sheet flexibility, continued investments in product innovation, go-to-market and strategic acquisitions, M&A continuing to be our leading growth contributor, our capital allocation strategy, creating value through investments in broader Enterprise Information Management (EIM) capabilities, the Company's presence in the cloud and in growth markets, expected growth in our revenue lines, total growth from acquisitions, innovation and organic initiatives, the focus on recurring revenues, improving operational efficiency, expanding cash flow and strengthening the business, adjusted operating income and cash flow, its financial condition, the adjusted operating margin target range, results of operations and earnings, announced acquisitions, ongoing tax matters, the integration of the acquired businesses, declaration of quarterly dividends, future tax rates, new platform and product offerings, scaling OpenText to new levels in Fiscal 2020 and beyond, and other matters, may contain words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "could", "would", "might", "will" and variations of these words or similar expressions are considered forward-looking statements or information under applicable securities laws. In addition, any information or statements that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking, and based on our current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. Forward-looking statements reflect our current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances, such as certain assumptions about the economy, as well as market, financial and operational assumptions. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. We can give no assurance that such estimates, beliefs and assumptions will prove to be correct. Such forward-looking statements involve known and unknown risks, uncertainties and other factors and assumptions that may cause the actual results, performance or achievements to differ materially. Such factors include, but are not limited to: (i) the future performance, financial and otherwise, of OpenText; (ii) the ability of OpenText to bring new products and services to market and to increase sales; (iii) the strength of the Company's product development pipeline; (iv) the Company's growth and profitability prospects; (v) the estimated size and growth prospects of the EIM market including expected growth in the Artificial Intelligence market; (vi) the Company's competitive position in the EIM market and its ability to take advantage of future opportunities in this market; (vii) the benefits of the Company's products and services to be realized by customers; (viii) the demand for the Company's products and services and the extent of deployment of the Company's products and services in the EIM marketplace; (ix) downward pressure on our share price and dilutive effect of future sales or issuances of equity securities (including in connection with future acquisitions); (x) the Company's financial condition and capital requirements; and (xi) statements about the impact of product releases. The risks and uncertainties that may affect forward-looking statements include, but are not limited to: (i) integration of acquisitions and related restructuring efforts, including the quantum of restructuring charges and the timing thereof; (ii) the potential for the incurrence of or assumption of debt in connection with acquisitions and the impact on the ratings or outlooks of rating agencies on the Company's outstanding debt securities; (iii) the possibility that the Company may be unable to meet its future reporting requirements under the U.S. Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder, or applicable Canadian securities regulation; (iv) the risks associated with bringing new products and services to market; (v) failure to comply with privacy laws and regulations that are extensive, open to various interpretations and complex to implement including General Data Protection Regulation (GDPR) and Country by Country Reporting (CBCR); (vi) fluctuations in currency exchange rates; (vii) delays in the purchasing decisions of the Company's customers; (viii) the competition the Company faces in its industry and/or marketplace; (ix) the final determination of litigation, tax audits (including tax examinations in the United States and elsewhere) and other legal proceedings; (x) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, U.S. or international tax regimes including tax reform legislation enacted through the Tax Cuts and Jobs Act in the United States; (xi) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (xii) the continuous commitment of the Company's customers; and (xiii) demand for the Company's products and services. For additional information with respect to risks and other factors which could occur, see the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other securities filings with the Securities and Exchange Commission (SEC) and other securities regulators. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Notes

- (1) All dollar amounts in this letter are in U.S. Dollars unless otherwise indicated.
- (2) Use of Non-GAAP Financial Measures: In addition to reporting financial results in accordance with U.S. GAAP, the Company provides certain financial measures that are not in accordance with U.S. GAAP (Non-GAAP). These Non-GAAP financial measures have certain limitations in that they do not have a standardized meaning and thus the Company's definition may be different from similar Non-GAAP financial measures used by other companies and/or analysts and may differ from period to period. Thus, it may be more difficult to compare the Company's financial performance to that of other companies. However, the Company's management compensates for these limitations by providing the relevant disclosure of the items excluded in the calculation of these Non-GAAP financial measures both in its reconciliation to the U.S. GAAP financial measures and its consolidated financial statements, all of which should be considered when evaluating the Company's results.

The Company uses these Non-GAAP financial measures to supplement the information provided in its consolidated financial statements, which are presented in accordance with U.S. GAAP. The presentation of Non-GAAP financial measures are not meant to be a substitute for financial measures presented in accordance with U.S. GAAP, but rather should be evaluated in conjunction with and as a supplement to such U.S. GAAP measures. OpenText strongly encourages investors to review its financial information in its entirety and not to rely on a single financial measure. The Company therefore believes that despite these limitations, it is appropriate to supplement the disclosure of the U.S. GAAP measures with certain Non-GAAP measures defined below.

Non-GAAP-based net income and Non-GAAP-based EPS, attributable to OpenText, are consistently calculated as GAAP-based net income or earnings per share, attributable to OpenText, on a diluted basis, after giving effect to the amortization of acquired intangible assets, other income (expense), share-based compensation, and Special charges (recoveries), all net of tax and any tax benefits/expense items unrelated to current period income, as further described in the tables below. Non-GAAP-based gross profit is the arithmetical sum of GAAP-based gross profit and the amortization of acquired technology-based intangible assets and share-based compensation within cost of sales. Non-GAAP-based gross margin is calculated as Non-GAAP-based gross profit expressed as a percentage of total revenue. Non-GAAP-based income from operations is calculated as income from operations, excluding the amortization of acquired intangible assets, Special charges (recoveries), and share-based compensation expense.

Adjusted earnings (loss) before interest, taxes, depreciation and amortization (Adjusted EBITDA) is consistently calculated as GAAP-based net income, attributable to OpenText, excluding interest income (expense), provision for income taxes, depreciation and amortization of acquired intangible assets, other income (expense), share-based compensation and Special charges (recoveries).

The Company's management believes that the presentation of the above defined Non-GAAP financial measures provides useful information to investors because they portray the financial results of the Company before the impact of certain non-operational charges. The use of the term "non-operational charge" is defined for this purpose as an expense that does not impact the ongoing operating decisions taken by the Company's management. These items are excluded based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal reports and are not excluded in the sense that they may be used under U.S. GAAP.

The Company does not acquire businesses on a predictable cycle, and therefore believes that the presentation of non-GAAP measures, which in certain cases adjust for the impact of amortization of intangible assets and the related tax effects that are primarily related to acquisitions, will provide readers of financial statements with a more consistent basis for comparison across accounting periods and be more useful in helping readers understand the Company's operating results and underlying operational trends. Additionally, the Company has engaged in various restructuring activities over the past several years, primarily due to acquisitions, that have resulted in costs associated with reductions in headcount, consolidation of leased facilities and related costs, all which are recorded under the Company's "Special Charges (recoveries)" caption on the Consolidated Statements of Income. Each restructuring activity is a discrete event based on a unique set of business objectives or circumstances, and each differs in terms of its operational implementation, business impact and scope, and the size of each restructuring plan can vary significantly from period to period. Therefore, the Company believes that the exclusion of these special charges (recoveries) will also better aid readers of financial statements in the understanding and comparability of the Company's operating results and underlying operational trends.

In summary the Company believes the provision of supplemental Non-GAAP measures allow investors to evaluate the operational and financial performance of the Company's core business using the same evaluation measures that management uses, and is therefore a useful indication of OpenText's performance or expected performance of future operations and facilitates period-to-period comparison of operating performance (although prior performance is not necessarily indicative of future performance). As a result, the Company considers it appropriate and reasonable to provide, in addition to U.S. GAAP measures, supplementary Non-GAAP financial measures that exclude certain items from the presentation of its financial results.

The following charts provide (unaudited) reconciliations of U.S. GAAP-based financial measures to Non-U.S. GAAP-based financial measures for the following periods presented. Results for reporting periods commencing July 1, 2018 are presented under the new Topic 606 revenue standard, while prior period results continue to be reported under the previous standard. For more details relating to our adoption of Topic 606 please see Note 1 "Basis of Presentation" and Note 3 "Revenues" to our Consolidated Financial Statements on Form 10-K.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended **June 30, 2019**.

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: **0-27544**

OPEN TEXT CORPORATION

(Exact name of Registrant as specified in its charter)

Canada

(State or other jurisdiction of incorporation or organization)

98-0154400

(IRS Employer Identification No.)

275 Frank Tompa Drive,

Waterloo, Ontario Canada

(Address of principal executive offices)

N2L 0A1

(Zip code)

Registrant's telephone number, including area code: (519) 888-7111

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock without par value	OTEX	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

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

Aggregate market value of the Registrant's Common Shares held by non-affiliates, based on the closing price of the Common Shares as reported by the NASDAQ Global Select Market ("NASDAQ") on December 31, 2018, the end of the registrant's most recently completed second fiscal quarter, was approximately \$8.6 billion. At July 30, 2019, there were 270,011,817 outstanding Common Shares of the registrant.

DOCUMENTS INCORPORATED BY REFERENCE

None.

OPEN TEXT CORPORATION

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Part I

Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act), and is subject to the safe harbors created by those sections. Words such as “anticipates”, “expects”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “may”, “could”, “would”, “might”, “will” and variations of these words or similar expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements, and are based on our current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. Forward-looking statements reflect our current estimates, beliefs and assumptions, which are based on management’s perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These forward-looking statements are based on certain assumptions including the following: (i) countries continuing to implement and enforce existing and additional customs and security regulations relating to the provision of electronic information for imports and exports; (ii) our continued operation of a secure and reliable business network; (iii) the stability of general political, economic and market conditions, currency exchange rates, and interest rates; (iv) equity and debt markets continuing to provide us with access to capital; (v) our continued ability to identify and source attractive and executable business combination opportunities, as well as our ability to continue to successfully integrate any such opportunities, including in accordance with the expected timeframe and/or cost budget for such integration; and (vi) our continued compliance with third party intellectual property rights. These forward-looking statements involve known and unknown risks as well as uncertainties, including those discussed herein and in the Notes to Consolidated Financial Statements for the year ended June 30, 2019, which are set forth in Part II, Item 8 of this Annual Report. The actual results that we achieve may differ materially from any forward-looking statements, which reflect management's current expectations and projections about future results only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements. A number of factors may materially affect our business, financial condition, operating results and prospects. These factors include, but are not limited to, those set forth in Part I, Item 1A “Risk Factors” and elsewhere in this Annual Report as well as other documents we file from time to time with the United States Securities and Exchange Commission (the SEC). Any one of these factors may cause our actual results to differ materially from recent results or from our anticipated future results. You should not rely too heavily on the forward-looking statements contained in this Annual Report on Form 10-K because these forward-looking statements are relevant only as of the date they were made.

Throughout this Annual Report on Form 10-K: (i) the term “Fiscal 2020” means our fiscal year beginning on July 1, 2019 and ending June 30, 2020; (ii) the term “Fiscal 2019” means our fiscal year beginning on July 1, 2018 and ended June 30, 2019; (iii) the term “Fiscal 2018” means our fiscal year beginning on July 1, 2017 and ended June 30, 2018; (iv) the term “Fiscal 2017” means our fiscal year beginning on July 1, 2016 and ended June 30, 2017; and (v) the term “Fiscal 2016” means our fiscal year beginning on July 1, 2015 and ended June 30, 2016. Our Consolidated Financial Statements are presented in U.S. dollars and, unless otherwise indicated, all amounts included in this Annual Report on Form 10-K are expressed in U.S. dollars. References herein to the “Company”, “OpenText”, “we” or “us” refer to Open Text Corporation and, unless context requires otherwise, its subsidiaries.

Item 1. Business

Incorporated in 1991, OpenText has grown to be a leader in providing Enterprise Information Management (EIM) solutions. We offer a comprehensive line of products and services that aim to enable businesses to grow faster, obtain lower operational costs and reduce information governance and security risks by improving business insight, impact and process speed.

Our software is offered through traditional on-premises solutions, on the OpenText Cloud or a combination of both. We believe our customers will operate in hybrid on-premises and cloud environments, and we are ready to support the delivery method the customer prefers. In providing choice and flexibility, we strive to maximize the lifetime value of the relationship with our customers.

Business Overview and Strategy

About OpenText

For more than 25 years, we have developed enterprise software to help customers create a sustainable information advantage in the digital economy. We have a vision of the “Intelligent and Connected Enterprise” enabling businesses and

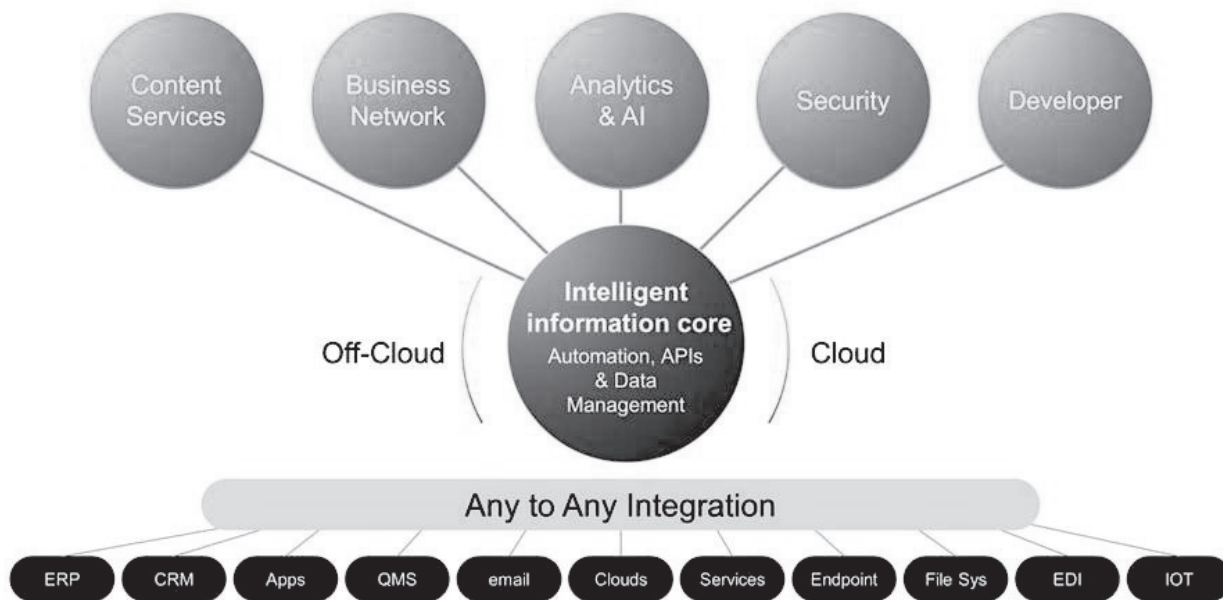
governments to accelerate their digital transformation. The comprehensive OpenText EIM platform and suite of software products and services provide secure and scalable solutions for global companies and governments around the world. With our software, organizations manage a valuable asset - information. Information that is made more valuable by connecting it to digital business processes, information that is enriched with analytics, information that is protected and secure throughout its entire lifecycle, information that captivates customers, and information that connects and fuels some of the world's largest digital supply chains in manufacturing, retail, and financial services. Our EIM solutions are designed to enable organizations to secure their information so that they can collaborate with confidence, validate endpoints with all machines and the Internet of Things (IoT), stay ahead of the regulatory technology curve, identify threats that cross their networks, leverage discovery with information forensics, and gain insight and action through analytics, artificial intelligence (AI) and automation.

At OpenText, we follow the big workloads and the unstructured content from customer information and case files, to employee information, transactions and interactions along the supply chain, to information used to manage assets such as planes, trains, automobiles, nuclear power plants, and oil rigs, to industry accelerators like information technology (IT) and innovation platforms.

Our Products and Services

We combine digital applications with an information platform, bringing together Content Services, Business Networks (BN), Analytics and AI, Security and the Developer for optimized customer experience, employee engagement, asset utilization, and supply chain efficiency. Our software capabilities bring together information from both humans and machines, where it can be securely managed, stored, accessed and mined with analytics for actionable and relevant insights.

Our Vision: The Intelligent and Connected Enterprise



*Off-cloud is a term we use to describe license transactions

Below is a listing of our EIM solutions. In all of this, the developer is critical to the development of "secure-from-day-1" applications. This is why our EIM platform expands our low-code development capabilities with additional out-of-the-box integrations designed to support the developer with a unified application development environment. In addition, with our cloud-based IoT platform, the enterprise can dynamically integrate multi-tiered supply chain communities and build IoT solutions for greater efficiency, agility, and new value-added services. Information from machines is supported, whether it's a smart machine, industrial machine, or an automotive or medical device.

Content Services

Content Services, such as Extended Enterprise Content Management (ECM) and records management, integrate with platforms, such as SAP, to manage the entire lifecycle of information, in its many formats, from creation through to disposition.

Our Content Services help organizations connect content to their digital business to accelerate productivity, improve governance and drive digital transformation. Additionally, OpenText Content Services adhere to the Content Management Interoperability Services (CMIS) standard and support a broad range of operating systems, databases, application servers, and enterprise applications. Our Content Services solutions range from intelligent capture to records management and archiving and are available on-premises, as a subscription in the OpenText Cloud or as a managed service.

Business Network

The OpenText Business Network (BN) supports intelligent connections at a global scale providing a proven foundation for digital business and secure e-commerce.

Our BN is a cloud-based platform that facilitates efficient, secure and compliant collaboration and exchange of information inside and outside of organizations. The platform comprises solutions that simplify the inherent complexities of business-to-business (B2B) data exchange and offer insights that help drive operational efficiencies, accelerate time to transaction and improve customer satisfaction. Our BN enables businesses to accelerate and control how information is delivered which we believe increases the security and reliability of sensitive or complex communications.

Artificial Intelligence and Analytics

The OpenText Artificial Intelligence platform incorporates Apache Spark, the powerful, open source computing foundation that lets customers take advantage of the flexibility, extensibility, and diversity of an open product stack while maintaining full ownership of their data and algorithms. As our enterprise software has historically focused on managing data and content archives, we are now able to turn these archives of data into active “data lakes” and incorporate AI to transform this digital information into useful knowledge and insight for our customers.

Our analytics and AI suite helps organizations improve decision-making, gain operational efficiency and increase visibility by enabling IT to place interactive dashboards, reports and data visualizations quickly into the hands of business users. Our AI leverages a comprehensive set of data analytics software to identify patterns, relationships and trends. Our analytics and AI suite can leverage structured or unstructured data to help organizations increase their opportunities for growth.

Security

The OpenText EIM platform offers multi-level, multi-role, multi context security to make it one of the most secure information platforms in the world. Information is secured at the database level, by user enrolled security, context rights, and time-based security. Our EIM platform supports single sign-on for system protection and encryption at rest for document-level security.

OpenText security also helps organizations address information security and digital investigation needs with leading digital forensic tools for endpoint detection and response. Encase™ provides 360-degree visibility across all endpoints, devices and networks, for proactive discovery of sensitive data, identification and remediation of threats and discreet, forensically-sound data collection and investigation.

Digital Process Automation (DPA)

Our DPA enables organizations to transform into digital, data-driven businesses through automation. Our DPA solutions simplify and streamline processes from front office to back office with intelligent automation, artificial intelligence and ready access to valuable enterprise information.

Customer Experience Management (CEM)

CEM is a set of processes used to track customer interactions throughout the customer journey. The purpose of CEM is to gain insight into these customer interactions and optimize them to drive loyalty and improve customer lifetime value. Our CEM platform suite offers a set of CEM solutions and extensions that focus on delivering highly personalized content and customer engagement along a continuous customer journey. Our CEM suite also helps provide a solid foundation for implementing a successful customer experience strategy.

Discovery

Our Discovery suite provides leading forensics and unstructured data analytics for searching, collecting, and investigating enterprise data to manage legal obligations and risk. Our Discovery suite has powerful machine learning capabilities to help legal and compliance teams quickly find critical information for litigation discovery, investigations, compliance, data breach response, business projects, and financial contract analysis.

Our Strategy

Growth

As an organization, our management believes in delivering “Total Growth”, meaning we strive towards delivering value through organic initiatives, innovations and acquisitions, as well as financial performance. This growth is further enhanced through our direct and indirect sales distribution channels. With an emphasis on increasing recurring revenues and expanding our margins, we believe our “Total Growth” strategy will ultimately drive overall cash flow generation, thus helping to fuel our disciplined capital allocation approach and further drive our ability to deepen our account coverage and identify and execute strategic acquisitions. With strategic acquisitions, we are better positioned to expand our product portfolio and improve our ability to innovate and grow organically, which then further helps us to meet our long-term growth targets. We believe this “Total Growth” strategy is a durable model that will create shareholder value over both the near and long-term.

We are committed to continuous innovation. Our investments in research and development (R&D) drive product innovation, increasing the value of our offerings to our installed customer base, which includes Global 10,000 companies. The Global 10,000 are the worlds largest companies, typically those with greater than \$2billion in revenues, as well as the world's largest governments and organizations. More valuable products, coupled with our established global partner program, lead to greater distribution and cross-selling opportunities which further help us to achieve organic growth. Over the last three fiscal years, we have invested a cumulative total of approximately \$926 million in R&D or approximately 11.6% of cumulative revenue for such three year period and we typically target to spend approximately 11% to 13% of revenues for R&D each fiscal year.

We remain a value oriented and disciplined acquirer and consolidator, having efficiently deployed \$6.2 billion on acquisitions over the last 10 years. Mergers and acquisitions are one of our leading growth drivers. We believe in creating value by focusing on acquiring strategic businesses, integrating them into our business model and using our acquired assets to innovate. We have developed a philosophy, which we refer to as “The OpenText Business System”, that is designed to create value by leveraging a clear set of operational mandates for integrating newly acquired companies and assets. We see our ability to successfully integrate acquired companies and assets into our business as a strength and pursuing strategic acquisitions is an important aspect to our Total Growth strategy. We expect to continue to acquire strategically, to integrate and innovate, to deepen and strengthen our intelligent information platform for customers.

In Fiscal 2019, we further demonstrated the implementation of our strategy by acquiring Liaison Technologies, Inc. (Liaison) and Catalyst Repository Systems Inc. (Catalyst). We regularly evaluate acquisition opportunities on an ongoing basis and at any time may be at various stages of discussion with respect to such opportunities. For additional details on our acquisitions, please see "Acquisitions During the Last Five Fiscal Years", elsewhere in Item 1 of this Annual Report on Form 10-K.

Our OpenText Release 16 platform (Release 16), helps organizations with their digital transformation by digitizing information, experiences, processes and supply chains, to create a better way to work within their enterprise. Release 16 has a major focus on analysis and reporting across all product lines and use cases. It offers customers a coordinated platform for digital transformation that is intended to yield the benefits of scale and single-vendor interaction.

We also introduced OpenText OT2, the next generation EIM as a service platform. With OT2, organizations can leverage existing investments in their on-premises platforms and extend solutions where cloud can quickly improve time to value, such as customer, supplier and partner collaboration. Delivering SaaS applications that extend existing solutions prevents new information silos and simplifies technology investment decisions by providing compelling enterprise applications for business users.

We continue to make significant investments to our cloud infrastructure, and with products like Release 16 and OT2, virtually all of our products are available in the "OpenText Cloud".

Looking Towards the Future

In Fiscal 2020 we intend to continue to implement strategies that are designed to:

Broaden Our Reach into EIM through the Global 10,000. As technologies and customers become more sophisticated, we intend to be a leader in expanding the definition of traditional market sectors. This is the marquee target for EIM and organic growth. We continue to focus on connecting the G10K to our information platform and we believe we are well positioned to expand our penetration in this market.

Invest in the Cloud. The cloud is quickly becoming a business imperative. What used to be discussed as a potential option for managing budgets, is now a strategic direction that drives competitive positioning, product innovation, business agility, and cost management. We are committed to continue our investment in The OpenText Cloud, which is a purpose-built cloud

environment for enterprise solutions spanning Information Management, Compliance, and B2B Integration. Supported by a global, scalable, and secure infrastructure, OpenText Cloud includes a foundational platform of technology services, and packaged business applications for industry and business processes. The OpenText Cloud enables organizations to protect and manage information in public, private or hybrid deployments.

Deepen Existing Customer Footprint. We believe one of our greatest opportunities is to sell newly acquired technologies to our existing customer base, and cross-sell historical OpenText products to newly acquired customers. We have significant expertise in a number of industry sectors and aim to increase our customer penetration based on our strong credentials. We are particularly focused on circumstances where the customer is looking to consolidate multiple vendors with solutions from a single source while addressing a broader spectrum of business problems or equally new or existing customers looking to take a more holistic approach to digital transformation.

Invest in Technology Leadership. We believe we are well-positioned to develop additional innovative solutions to address the evolving market. We plan to continue investing in technology “innovation” by funding internal development as well as collaborating with third-parties.

Deepen Strategic Partnerships. OpenText is committed culturally, programmatically and strategically to be a partner-embracing company. Our partnerships with companies such as SAP SE, Google Cloud, Microsoft Corporation, Oracle Corporation, Salesforce.com Corporation and others serve as an example of how we are working together with our partners to create next-generation EIM solutions and deliver them to market. We will continue to look for ways to create more customer value from our strategic partnerships.

Broaden Global Presence. As customers become increasingly multi-national and as international markets continue to adopt EIM, we plan to further grow our brand, presence, and partner networks in these new markets. We are focused on using our direct sales for targeting existing customers and plan to address new geographies jointly with our partners.

Selectively Pursue Acquisitions. We expect to continue to pursue strategic acquisitions to strengthen our service offerings in the EIM market. In light of the continually evolving marketplace in which we operate, we regularly evaluate acquisition opportunities within the EIM market and at any time may be in various stages of discussions with respect to such opportunities. We plan to continue to pursue acquisitions that complement our existing business, represent a strong strategic fit and are consistent with our overall growth strategy and disciplined financial management. We may also target future acquisitions to expand or add functionality and capabilities to our existing portfolio of solutions, as well as add new solutions to our portfolio.

OpenText Revenues

Our business consists of four revenue streams: license, cloud services and subscriptions, customer support, and professional service and other. For information regarding our revenues and assets by geography for Fiscal 2019, Fiscal 2018 and Fiscal 2017, see note 19 “Segment Information” in the Notes to Consolidated Financial Statements included in Item 8 to this Annual Report on Form 10-K.

License

License revenues consist of fees earned from the licensing of software products to our customers. Our license revenues are impacted by the strength of general economic and industry conditions, the competitive strength of our software products, and our acquisitions. The decision by a customer to license our software products often involves a comprehensive implementation process across the customer’s network or networks and the licensing and implementation of our software products may entail a significant commitment of resources by prospective customers.

Cloud Services and Subscriptions

Cloud services and subscription revenues consist of (i) SaaS offerings, (ii) hosted services and (iii) managed service arrangements. These offerings allow customers to transmit a variety of content between various mediums and to securely manage enterprise information without the commitment of investing in related hardware infrastructure.

We offer B2B integration solutions such as messaging and managed services. Messaging services allow for the automated and reliable exchange of electronic transaction information, such as purchase orders, invoices, shipment notices and other business documents, among businesses worldwide. Managed services provide an end-to-end fully outsourced B2B integration solution to our customers, including program implementation, operational management, and customer support. Our cloud-based Business Network enables customers to effectively manage the flow of electronic transaction information with their trading partners and reduces the complexity of disparate standards and communication protocols.

Customer Support

The first year of our customer support offering is usually purchased by customers together with the license of our EIM software products. Customer support is typically renewed on an annual basis and historically customer support revenues have been a significant portion of our total revenue. Through our OpenText customer support programs, customers receive access to software upgrades, a knowledge base, discussions, product information, and an online mechanism to post and review “trouble tickets”. Additionally, our customer support teams handle questions on the use, configuration, and functionality of OpenText products and can help identify software issues, develop solutions, and document enhancement requests for consideration in future product releases.

Professional Service and Other

We provide consulting and learning services to customers and generally these services relate to the implementation, training and integration of our licensed product offerings into the customer's systems.

Our consulting services help customers build solutions that enable them to leverage their investments in our technology and in existing enterprise systems. The implementation of these services can range from simple modifications to meet specific departmental needs to enterprise applications that integrate with multiple existing systems.

Our learning services consultants analyze our customers' education and training needs, focusing on key learning outcomes and timelines, with a view to creating an appropriate education plan for the employees of our customers who work with our products. Education plans are designed to be flexible and can be applied to any phase of implementation: pilot, roll-out, upgrade or refresher. OpenText learning services employ a blended approach by combining mentoring, instructor-led courses, webinars, eLearning and focused workshops.

Marketing and Sales

Customers

Our customer base consists of Global 10,000 organizations, enterprise companies, mid-market companies and public sector agencies. Historically, including in Fiscal 2019, no single customer has accounted for 10% or more of our total revenues.

Partners and Alliances

We are also committed to establishing relationships with the best resellers and technology and service providers to ensure customer success. Together as partners, we fulfill key market objectives to drive new business, establish a competitive advantage, and create demonstrable business value.

Our Global Partner Program enables us to focus on the core roots of our partnerships. The framework offers five distinct programs: Referral, Reseller, Services, Technology, and Support. This creates an extended organization to develop technologies, repeatable service offerings, and solutions that enhance the way our customers maximize their investment in our products and services. Through the Global Partner Program, we are extending market coverage, building stronger relationships, and providing customers with a more complete local ecosystem of partners to meet their needs. Each distinct program is focused to provide valuable business benefits to the joint relationship. A complete listing of our partners can be found on our website.

Our strategic partners include:

- *SAP SE (SAP)*: Our solutions help SAP customers improve the way they manage content in SAP systems in order to assist them to improve efficiency in key processes, manage compliance, or gain new insights.
- *Google Cloud*: We work together with Google Cloud to deploy our EIM solutions on the Google Cloud Platform. This includes a containerized application architecture for flexible cloud or hybrid deployment models. Deploying our solutions on the Google Cloud Platform allows our customers to scale their deployments as their businesses demand. We also work with the Google Cloud engineering team to explore integrations with Google Analytics, G-Suite and other functions.
- *Microsoft Corporation (Microsoft)*: Our partnership enables organizations to connect all aspects of their content infrastructure and take advantage of their most valuable asset - information. This helps organizations to better scale operations with confidence and improve IT and developer efficiency - all with the aim of obtaining a lower total cost of ownership over competitive solutions.
- *Oracle Corporation (Oracle)*: We develop innovative solutions for Oracle applications that enhance the experience and productivity of users working with these tools.

- *Salesforce.com Corporation (Salesforce)*: The company-to-company partnership between OpenText and Salesforce is focused on continuing to grow a full portfolio of EIM solutions to complement the Salesforce ecosystem by uniting the structured and unstructured information experience.

Our main global systems integrators include, but are not limited to, Accenture plc, Deloitte Consulting LLP, Tata Consultancy Services, ATOS and Ernst & Young.

International Markets

We provide our product offerings worldwide. Our geographic coverage allows us to draw on business and technical expertise from a geographically diverse workforce, providing greater stability to our operations and revenue streams by diversifying our portfolio to better mitigate against the risks of a single geographically focused business.

There are inherent risks to conducting operations internationally. For more information about these risks, see “Risk Factors” included in Item 1A of this Annual Report on Form 10-K.

Competition

The market for our products and services is highly competitive, subject to rapid technological change and shifting customer needs and economic pressures. We compete with multiple companies, some that have single or narrow solutions and some that have a range of information management solutions, like us. Our primary competitor is International Business Machines Corporation (IBM), with numerous other software vendors competing with us in the EIM sector, such as Veeva Systems Inc., j2 Global Inc., Pegasystems Inc., Hyland Software Inc., SPS Commerce Inc., Box Inc. and Adobe Systems Inc. In certain markets, OpenText competes with Oracle and Microsoft, who are also our partners. In addition, we also face competition from systems integrators that configure hardware and software into customized systems. Additionally, new competitors or alliances among existing competitors may emerge and could rapidly acquire additional market share. We also expect that competition will increase as a result of ongoing software industry consolidation.

We believe that certain competitive factors affect the market for our software products and services, which may include: (i) vendor and product reputation; (ii) product quality, performance and price; (iii) the availability of software products on multiple platforms; (iv) product scalability; (v) product integration with other enterprise applications; (vi) software functionality and features; (vii) software ease of use; (viii) the quality of professional services, customer support services and training; and (ix) the ability to address specific customer business problems. We believe the relative importance of each of these factors depends upon the concerns and needs of each specific customer.

Research and Development

The industry in which we compete is subject to rapid technological developments, evolving industry standards, changes in customer requirements and competitive new products and features. As a result, our success, in part, depends on our ability to continue to enhance our existing products in a timely and efficient manner and to develop and introduce new products that meet customer needs while reducing total cost of ownership. To achieve these objectives, we have made and expect to continue to make investments in research and development, through internal and third-party development activities, third-party licensing agreements and potentially through technology acquisitions. Our R&D expenses were \$321.8 million for Fiscal 2019, \$322.9 million for Fiscal 2018, and \$281.2 million for Fiscal 2017. We believe our spending on research and development is an appropriate balance between managing our organic growth and results of operations. We expect to continue to invest in R&D to maintain and improve our products and services offerings.

Acquisitions During the Last Five Fiscal Years

Our competitive position in the marketplace requires us to maintain a complex and evolving array of technologies, products, services and capabilities. In light of the continually evolving marketplace in which we operate, we regularly evaluate acquisition opportunities within the EIM market and at any time may be in various stages of discussions with respect to such opportunities.

Below is a summary of the more material acquisitions we have made over the last five fiscal years.

In Fiscal 2019, we completed the following acquisitions:

- On January 31, 2019, we acquired Catalyst for approximately \$70.8 million.
- On December 17, 2018, we acquired Liaison for approximately \$310.6 million.

Prior to Fiscal 2019, we completed the following acquisitions:

- On February 14, 2018, we acquired Hightail, a leading cloud service for file sharing and creative collaboration, for approximately \$20.5 million.
- On September 14, 2017, we acquired Guidance, a leading provider of forensic security solutions, for approximately \$240.5 million.
- On July 26, 2017, we acquired Covisint, a leading cloud platform for building Identity, Automotive, and IoT applications, for approximately \$102.8 million.
- On January 23, 2017, we acquired certain assets and assumed certain liabilities of the enterprise content division of EMC Corporation, a Massachusetts corporation, and certain of its subsidiaries (ECD Business) for approximately \$1.62 billion.
- On July 31, 2016, we acquired certain customer communications management software services assets and liabilities from HP Inc. (CCM Business) for approximately \$315.0 million.
- On July 20, 2016, we acquired Recommind, a leading provider of eDiscovery and information analytics, based in San Francisco, California, United States, for approximately \$170.1 million.
- On May 1, 2016, we acquired ANXe Business Corporation (ANX), a leading provider of cloud-based information exchange services to the automotive and healthcare industries, based in Michigan, United States. Total consideration for ANX was approximately \$104.6 million.
- On April 30, 2016, we acquired certain customer experience software and services assets and liabilities from HP Inc. (CEM Business) for approximately \$160.0 million.
- On November 23, 2015, we acquired Daegis Inc. (Daegis), a global information governance, data migration solutions and development company, based in Texas, United States. Total consideration for Daegis was approximately \$23.3 million.
- On January 16, 2015, we acquired Actuate Corporation (Actuate), based in San Francisco, California, United States, for \$332.0 million, comprised of approximately \$322.4 million in cash and shares we purchased of Actuate in the open market with a fair value of approximately \$9.5 million as of the date of acquisition. Actuate was a leader in personalized analytics and insights.
- On January 2, 2015, we acquired Informative Graphics Corporation (IGC), based in Scottsdale, Arizona, United States, for approximately \$40.0 million. IGC was a leading developer of viewing, annotation, redaction and publishing commercial software.

We believe our acquisitions support our long-term strategy for growth, strengthen our competitive position, expand our customer base and provide greater scale to accelerate innovation, grow our earnings and provide superior shareholder value. We expect to continue to strategically acquire companies, products, services and technologies to augment our existing business.

Intellectual Property Rights

Our success and ability to compete depends in part on our ability to develop, protect and maintain our intellectual property and proprietary technology and to operate without infringing on the proprietary rights of others. Our software products are generally licensed to our customers on a non-exclusive basis for internal use in a customer's organization. We also grant rights to our intellectual property to third parties that allow them to market certain of our products on a non-exclusive or limited-scope exclusive basis for a particular application of the product(s) or to a particular geographic area.

We rely on a combination of copyright, patent, trademark and trade secret laws, non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We have obtained or applied for trademark registration for most corporate and strategic product names in most major markets. We have a number of U.S. and foreign patents and pending applications, including patents and rights to patent applications acquired through strategic transactions, which relate to various aspects of our products and technology. The duration of our patents is determined by the laws of the country of issuance and is typically 20 years from the date of filing of the patent application resulting in the patent. From time to time, we may enforce our intellectual property rights through litigation in line with our strategic and business objectives. While we believe our intellectual property is valuable and our ability to maintain and protect our intellectual property rights is important to our success, we also believe that our business as a whole is not materially dependent on any particular patent, trademark, license, or other intellectual property right.

For more information on the risks related to our intellectual property rights, see "Risk Factors" included in Item 1A of this Annual Report on Form 10-K.

Employees

As of June 30, 2019, we employed a total of approximately 13,100 individuals. The approximate composition of our employee base is as follows: (i) 2,100 employees in sales and marketing, (ii) 3,700 employees in product development, (iii) 3,100 employees in cloud services, (iv) 1,500 employees in professional services, (v) 1,100 employees in customer support, and (vi) 1,600 employees in general and administrative roles. We believe that relations with our employees are strong. None of our employees are represented by a labour union, nor do we have collective bargaining arrangements with any of our employees. However, in certain international jurisdictions in which we operate, a “Workers' Council” represents our employees.

Available Information

OpenText Corporation was incorporated on June 26, 1991. Our principal office is located at 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1, and our telephone number at that location is (519) 888-7111. Our internet address is www.opentext.com. Our website is included in this Annual Report on Form 10-K as an inactive textual reference only. Except for the documents specifically incorporated by reference into this Annual Report, information contained on our website is not incorporated by reference in this Annual Report on Form 10-K and should not be considered to be a part of this Annual Report.

Access to our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed with or furnished to the SEC may be obtained free of charge through the Investors section of our website at investors.opentext.com as soon as is reasonably practical after we electronically file or furnish these reports. In addition, our filings with the SEC may be accessed through the SEC's website at www.sec.gov and our filings with the Canadian Securities Administrators (CSA) may be accessed through the CSA's System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. Except for the documents specifically incorporated by reference into this Annual Report, information contained on the SEC or CSA websites is not incorporated by reference in the Annual Report on Form 10-K and should not be considered to be a part of the Annual Report. All statements made in any of our securities filings, including all forward-looking statements or information, are made as of the date of the document in which the statement is included, and we do not assume or undertake any obligation to update any of those statements or documents unless we are required to do so by applicable law.

Item 1A. Risk Factors

The following important factors could cause our actual business and financial results to differ materially from our current expectations, estimates, forecasts and projections. These forward-looking statements contained in this Annual Report on Form 10-K or made elsewhere by management from time to time are subject to important risks, uncertainties and assumptions which are difficult to predict. The risks and uncertainties described below are not the only risks and uncertainties facing us. Additional risks not currently known to us or that we currently believe are immaterial may also impair our operating results, financial condition and liquidity. Our business is also subject to general risks and uncertainties that affect many other companies. The risks discussed below are not necessarily presented in order of importance or probability of occurrence.

The length of our sales cycle can fluctuate significantly which could result in significant fluctuations in revenues being recognized from quarter to quarter

The decision by a customer to license our software products or purchase our services often involves a comprehensive implementation process across the customer's network or networks. As a result, the licensing and implementation of our software products and any related services may entail a significant commitment of resources by prospective customers, accompanied by the attendant risks and delays frequently associated with significant technology implementation projects. Given the significant investment and commitment of resources required by an organization to implement our software products, our sales cycle may be longer compared to other companies within our own industry, as well as companies in other industries. Also, because of changes in customer spending habits, it may be difficult for us to budget, forecast and allocate our resources properly. In weak economic environments, it is not uncommon to see reduced information technology spending. It may take several months, or even several quarters, for marketing opportunities to materialize. If a customer's decision to license our software or purchase our services is delayed or if the implementation of these software products takes longer than originally anticipated, the date on which we may recognize revenues from these licenses or sales would be delayed. Such delays and fluctuations could cause our revenues to be lower than expected in a particular period and we may not be able to adjust our costs quickly enough to offset such lower revenues, potentially negatively impacting our business, operating results and financial condition.

Our success depends on our relationships with strategic partners, distributors and third party service providers and any reduction in the sales efforts by distributors, cooperative efforts from our partners or service from third party providers could materially impact our revenues

We rely on close cooperation with strategic partners for sales and software product development as well as for the optimization of opportunities that arise in our competitive environment. A portion of our license revenues is derived from the licensing of our software products through third parties. Also, a portion of our service revenues may be impacted by the level of service provided by third party service providers relating to Internet, telecommunications and power services. Our success will depend, in part, upon our ability to maintain access to existing channels of distribution and to gain access to new channels if and when they develop. We may not be able to retain a sufficient number of our existing distributors or develop a sufficient number of future distributors. Distributors may also give higher priority to the licensing or sale of software products and services other than ours (which could include competitors' products and services) or may not devote sufficient resources to marketing our software products and services. The performance of third party distributors and third party service providers is largely outside of our control, and we are unable to predict the extent to which these distributors and service providers will be successful in either marketing and licensing or selling our software products and services or providing adequate Internet, telecommunication and power services so that disruptions and outages are not experienced by our customers. A reduction in strategic partner cooperation or sales efforts, a decline in the number of distributors, a decision by our distributors to discontinue the licensing of our software products or a decline or disruption in third party services could cause users and the general public to perceive our software products and services as inferior and could materially reduce revenues. In addition, our financial results could be materially adversely affected if the financial condition of our distributors or third party service providers were to weaken. Some of our distributors and third party service providers may have insufficient financial resources and may not be able to withstand changes in business conditions, including economic weakness, industry consolidation and market trends.

If we do not continue to develop technologically advanced products that successfully integrate with the software products and enhancements used by our customers, future revenues and our operating results may be negatively affected

Our success depends upon our ability to design, develop, test, market, license, sell and support new software products and services and enhancements of current products and services on a timely basis in response to both competitive threats and marketplace demands. The software industry is increasingly focused on cloud computing, mobility, social media and SaaS among other continually evolving shifts. In addition, our software products, services, and enhancements must remain compatible with standard platforms and file formats. Often, we must integrate software licensed or acquired from third parties with our proprietary software to create or improve our products. If we are unable to achieve a successful integration with third party software, we may not be successful in developing and marketing our new software products, services, and enhancements. If we are unable to successfully integrate third party software to develop new software products, services, and enhancements to existing software products and services, or to complete the development of new software products and services which we license or acquire from third parties, our operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, our operating results will materially suffer. Moreover, if new industry standards emerge that we do not anticipate or adapt to, or with rapid technological change occurring, if alternatives to our services and solutions are developed by our competitors, our software products and services could be rendered less competitive or obsolete, causing us to lose market share and, as a result, harm our business and operating results, and our ability to compete in the marketplace.

If our software products and services do not gain market acceptance, our operating results may be negatively affected

We intend to pursue our strategy of being a market leading consolidator for cloud-based EIM solutions, and growing the capabilities of our EIM software offerings through our proprietary research and the development of new software product and service offerings, as well as through acquisitions. In response to customer demand, it is important to our success that we continue to enhance our software products and services and to seek to set the standard for EIM capabilities. The primary market for our software products and services is rapidly evolving which means that the level of acceptance of products and services that have been released recently, or that are planned for future release to the marketplace is not certain. If the markets for our software products and services fail to develop, develop more slowly than expected or become subject to increased competition, our business may suffer. As a result, we may be unable to: (i) successfully market our current products and services, (ii) develop new software products and services and enhancements to current software products and services, (iii) complete customer implementations on a timely basis, or (iv) complete software products and services currently under development. In addition, increased competition could put significant pricing pressures on our products which could negatively impact our margins and profitability. If our software products and services are not accepted by our customers or by other businesses in the marketplace, our business, operating results and financial condition will be materially adversely affected.

Our existing customers might cancel contracts with us, fail to renew contracts on their renewal dates, and/or fail to purchase additional services and products, and we may be unable to attract new customers, which could materially adversely affect our operating results

We depend on our installed customer base for a significant portion of our revenues. We have significant contracts with our license customers for ongoing support and maintenance, as well as significant service contracts that provide recurring services revenues to us. In addition, our installed customer base has historically generated additional new license and services revenues for us. Service contracts are generally renewable at a customer's option and/or subject to cancellation rights, and there are generally no mandatory payment obligations or obligations to license additional software or subscribe for additional services.

If our customers fail to renew or cancel their service contracts or fail to purchase additional services or products, then our revenues could decrease and our operating results could be materially adversely affected. Factors influencing such contract terminations and failure to purchase additional services or products could include changes in the financial circumstances of our customers, dissatisfaction with our products or services, our retirement or lack of support for our legacy products and services, our customers selecting or building alternate technologies to replace us, the cost of our products and services as compared to the cost of products and services offered by our competitors, our ability to attract, hire and maintain qualified personnel to meet customer needs, consolidating activities in the market, changes in our customers' business or in regulation impacting our customers' business that may no longer necessitate the use of our products or services, general economic or market conditions, or other reasons. Further, our customers could delay or terminate implementations or use of our services and products or be reluctant to migrate to new products. Such customers will not generate the revenues we may have anticipated within the timelines anticipated, if at all, and may be less likely to invest in additional services or products from us in the future. We may not be able to adjust our expense levels quickly enough to account for any such revenue losses.

Our investment in our current research and development efforts may not provide a sufficient, timely return

The development of EIM software products is a costly, complex and time-consuming process, and the investment in EIM software product development often involves a long wait until a return is achieved on such an investment. We are making, and will continue to make, significant investments in software research and development and related product and service opportunities. Investments in new technology and processes are inherently speculative. Commercial success depends on many factors, including the degree of innovation of the software products and services developed through our research and development efforts, sufficient support from our strategic partners, and effective distribution and marketing. Accelerated software product introductions and short product life cycles require high levels of expenditures for research and development. These expenditures may adversely affect our operating results if they are not offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts in order to maintain our competitive position. However, significant revenues from new software product and service investments may not be achieved for a number of years, if at all. Moreover, new software products and services may not be profitable, and even if they are profitable, operating margins for new software products and services may not be as high as the margins we have experienced for our current or historical software products and services.

Product development is a long, expensive and uncertain process, and we may terminate one or more of our development programs

We may determine that certain software product candidates or programs do not have sufficient potential to warrant the continued allocation of resources. Accordingly, we may elect to terminate one or more of our programs for such product candidates. If we terminate a software product in development in which we have invested significant resources, our prospects may suffer, as we will have expended resources on a project that does not provide a return on our investment and we may have missed the opportunity to have allocated those resources to potentially more productive uses and this may negatively impact our business, operating results and financial condition.

Failure to protect our intellectual property could harm our ability to compete effectively

We are highly dependent on our ability to protect our proprietary technology. We rely on a combination of copyright, patent, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We intend to protect our intellectual property rights vigorously; however, there can be no assurance that these measures will, in all cases, be successful, and these measures can be costly and/or subject us to counterclaims. Enforcement of our intellectual property rights may be difficult, particularly in some countries outside of North America in which we seek to market our software products and services. While Canadian and U.S. copyright laws, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of Canada or the United States. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent

protection of our proprietary rights. Software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of our software products represents a loss of revenue to us. Where applicable, certain of our license arrangements have required us to make a limited confidential disclosure of portions of the source code for our software products, or to place such source code into escrow for the protection of another party. Despite the precautions we have taken, unauthorized third parties, including our competitors, may be able to copy certain portions of our software products or reverse engineer or obtain and use information that we regard as proprietary. Our competitive position may be adversely affected by our possible inability to effectively protect our intellectual property. In addition, certain of our products contain open source software. Licensees of open source software may be required to make public certain source code, to license proprietary software for free or to make certain derivative works available to others. While we monitor and control the use of open source software in our products and in any third party software that is incorporated into our products, and we try to ensure that no open source software is used in such a way as to require us to disclose the source code to the related product or service, there can be no guarantee that such use could not inadvertently occur. If this happened it could harm our intellectual property position and have a material adverse effect on our business, results of operations and financial condition.

Other companies may claim that we infringe their intellectual property, which could materially increase costs and materially harm our ability to generate future revenues and profits

Claims of infringement (including misappropriation and/or other intellectual property violation) are common in the software industry and increasing as related legal protections, including copyrights and patents, are applied to software products. Although most of our technology is proprietary in nature, we do include certain third party and open source software in our software products. In the case of third party software, we believe this software is licensed from the entity holding the intellectual property rights. While we believe that we have secured proper licenses for all third-party intellectual property that is integrated into our products, third parties have and may continue to assert infringement claims against us in the future, including the sometimes aggressive and opportunistic actions of non-practicing entities whose business model is to obtain patent-licensing revenues from operating companies such as us. Any such assertion, regardless of merit, may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. Such licenses may not be available or they may not be available on commercially reasonable terms. In addition, as we continue to develop software products and expand our portfolio using new technology and innovation, our exposure to threats of infringement may increase. Any infringement claims and related litigation could be time-consuming, disruptive to our ability to generate revenues or enter into new market opportunities and may result in significantly increased costs as a result of our defense against those claims or our attempt to license the intellectual property rights or rework our products to avoid infringement of third party rights. Typically our agreements with our partners and customers contain provisions which require us to indemnify them for damages sustained by them as a result of any infringement claims involving our products. Any of the foregoing infringement claims and related litigation could have a significant adverse impact on our business and operating results as well as our ability to generate future revenues and profits.

The loss of licenses to use third-party software or the lack of support or enhancement of such software could adversely affect our business

We currently depend upon a limited number of third-party software products. If such software products were not available, we might experience delays or increased costs in the development of our own software products. For a limited number of our product modules, we rely on software products that we license from third parties, including software that is integrated with internally developed software and which is used in our products to perform key functions. These third-party software licenses may not continue to be available to us on commercially reasonable terms and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors. The loss by us of the license to use, or the inability by licensors to support, maintain, or enhance any of such software, could result in increased costs, lost revenues or delays until equivalent software is internally developed or licensed from another third party and integrated with our software. Such increased costs, lost revenues or delays could adversely affect our business.

Current and future competitors could have a significant impact on our ability to generate future revenues and profits

The markets for our software products and services are intensely competitive and are subject to rapid technological change and other pressures created by changes in our industry. The convergence of many technologies has resulted in unforeseen competitors arising from companies that were traditionally not viewed as threats to our marketplace. We expect competition to increase and intensify in the future as the pace of technological change and adaptation quickens and as additional companies enter our markets, including those competitors who offer solutions similar to ours, but offer it through a different form of delivery. Numerous releases of competitive products have occurred in recent history and are expected to continue in the future. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could lose market share if our current or prospective competitors: (i) develop technologies that are perceived to be substantially equivalent or superior to our technologies, (ii) introduce new competitive products or services, (iii) add new

functionality to existing products and services, (iv) acquire competitive products and services, (v) reduce prices, or (vi) form strategic alliances or cooperative relationships with other companies. If other businesses were to engage in aggressive pricing policies with respect to competing products, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our software products and services, we would need to lower the prices we charge for the products and services we offer. This could result in lower revenues or reduced margins, either of which may materially adversely affect our business and operating results. Moreover, our competitors may affect our business by entering into exclusive arrangements with our existing or potential customers, distributors or third party service providers. Additionally, if prospective consumers choose other methods of EIM delivery different from that which we offer, our business and operating results could also be materially adversely affected.

Acquisitions, investments, joint ventures and other business initiatives may negatively affect our operating results

The growth of our Company through the successful acquisition and integration of complementary businesses is a critical component of our corporate strategy. In light of the continually evolving marketplace in which we operate, we regularly evaluate acquisition opportunities on an ongoing basis and at any time may be in various stages of discussions with respect to such opportunities. We plan to continue to pursue acquisitions that complement our existing business, represent a strong strategic fit and are consistent with our overall growth strategy and disciplined financial management. We may also target future acquisitions to expand or add functionality and capabilities to our existing portfolio of solutions, as well as add new solutions to our portfolio. We may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. These activities create risks such as: (i) the need to integrate and manage the businesses and products acquired with our own business and products; (ii) additional demands on our resources, systems, procedures and controls; (iii) disruption of our ongoing business; and (iv) diversion of management's attention from other business concerns. Moreover, these transactions could involve: (i) substantial investment of funds or financings by issuance of debt or equity or equity-related securities; (ii) substantial investment with respect to technology transfers and operational integration; and (iii) the acquisition or disposition of product lines or businesses. Also, such activities could result in charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance or assumption of debt, which could have a negative impact on the credit ratings of our outstanding debt securities or the market price of our common shares. Such acquisitions, investments, joint ventures or other business collaborations may involve significant commitments of financial and other resources of our Company. Any such activity may not be successful in generating revenues, income or other returns to us, and the resources committed to such activities will not be available to us for other purposes. In addition, while we conduct due diligence prior to consummating an acquisition, joint venture or business collaboration, such diligence may not identify all material issues associated with such activities. We may also experience unanticipated challenges or difficulties identifying suitable new acquisition candidates that are available for purchase at reasonable prices. Even if we are able to identify such candidates, we may be unable to consummate an acquisition on suitable terms. Moreover, if we are unable to access capital markets on acceptable terms or at all, we may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. Our inability (i) to take advantage of growth opportunities for our business or for our products and services, or (ii) to address risks associated with acquisitions or investments in businesses, may negatively affect our operating results and financial condition. Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges associated with any acquisition or investment activity, may materially impact our results of operations and financial condition which, in turn, may have a material adverse effect on the market price of our Common Shares or credit ratings of our outstanding debt securities.

Businesses we acquire may have disclosure controls and procedures and internal controls over financial reporting, cybersecurity and compliance with data privacy laws that are weaker than or otherwise not in conformity with ours

We have a history of acquiring complementary businesses of varying size and organizational complexity. Upon consummating an acquisition, we seek to implement our disclosure controls and procedures, our internal controls over financial reporting as well as procedures relating to cybersecurity and compliance with data privacy laws and regulations at the acquired company as promptly as possible. Depending upon the nature and scale of the business acquired, the implementation of our disclosure controls and procedures as well as the implementation of our internal controls over financial reporting at an acquired company may be a lengthy process and may divert our attention from other business operations. Our integration efforts may periodically expose deficiencies in the disclosure controls and procedures and internal controls over financial reporting as well as procedures relating to cybersecurity and compliance with data privacy laws and regulations of an acquired company that were not identified in our due diligence undertaken prior to consummating the acquisition. If such deficiencies exist, we may not be in a position to comply with our periodic reporting requirements and, as a result, our business and financial condition may be materially harmed.

We may be unable to successfully integrate acquired businesses or do so within the intended timeframes, which could have an adverse effect on our financial condition, results of operations and business prospects

Our ability to realize the anticipated benefits of acquired businesses will depend, in part, on our ability to successfully and efficiently integrate acquired businesses and operations with our own. The integration of acquired operations with our existing business will be complex, costly and time-consuming, and may result in additional demands on our resources, systems, procedures and controls, disruption of our ongoing business, and diversion of management's attention from other business concerns. Although we cannot be certain of the degree and scope of operational and integration problems that may arise, the difficulties and risks associated with the integration of acquired businesses may include, among others:

- the increased scope and complexity of our operations;
- coordinating geographically separate organizations, operations, relationships and facilities;
- integrating (i) personnel with diverse business backgrounds, corporate cultures and management philosophies, and (ii) the standards, policies and compensation structures, as well as the complex systems, technology, networks and other assets, of the businesses;
- preserving important strategic and customer relationships;
- retention of key employees;
- the possibility that we may have failed to discover obligations of acquired businesses or risks associated with those businesses during our due diligence investigations as part of the acquisition for which we, as a successor owner, may be responsible or subject to; and
- provisions in contracts with third parties that may limit flexibility to take certain actions.

As a result of these difficulties and risks, we may not accomplish the integration of acquired businesses smoothly, successfully or within our budgetary expectations and anticipated timetables, which may result in a failure to realize some or all of the anticipated benefits of our acquisitions.

We may not generate sufficient cash flow to satisfy our unfunded pension obligations

Through our acquisitions, we have assumed certain unfunded pension plan liabilities. We will be required to use the operating cash flow that we generate in the future to meet these obligations. As a result, our future net pension liability and cost may be materially affected by the discount rate used to measure these pension obligations and by the longevity and actuarial profile of the relevant workforce. A change in the discount rate may result in a significant increase or decrease in the valuation of these pension obligations, and these changes may affect the net periodic pension cost in the year the change is made and in subsequent years. We cannot assure that we will generate sufficient cash flow to satisfy these obligations. Any inability to satisfy these pension obligations may have a material adverse effect on the operational and financial health of our business.

For more details see note 11 "Pension Plans and Other Post Retirement Benefits" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Consolidation in the industry, particularly by large, well-capitalized companies, could place pressure on our operating margins which could, in turn, have a material adverse effect on our business

Acquisitions by large, well-capitalized technology companies have changed the marketplace for our software products and services by replacing competitors which are comparable in size to our Company with companies that have more resources at their disposal to compete with us in the marketplace. In addition, other large corporations with considerable financial resources either have products and/or services that compete with our software products and services or have the ability to encroach on our competitive position within our marketplace. These companies have considerable financial resources, channel influence, and broad geographic reach; thus, they can engage in competition with our software products and services on the basis of price, marketing, services or support. They also have the ability to introduce items that compete with our maturing software products and services. The threat posed by larger competitors and their ability to use their better economies of scale to sell competing products and services at a lower cost may materially reduce the profit margins we earn on the software products and services we provide to the marketplace. Any material reduction in our profit margin may have a material adverse effect on the operations or finances of our business, which could hinder our ability to raise capital in the public markets at opportune times for strategic acquisitions or general operational purposes, which may then prevent effective strategic growth, improved economies of scale or put us at a disadvantage to our better capitalized competitors.

We must continue to manage our internal resources during periods of company growth or our operating results could be adversely affected

The EIM market in which we compete continues to evolve at a rapid pace. Moreover, we have grown significantly through acquisitions in the past and expect to continue to review acquisition opportunities as a means of increasing the size and scope of our business. Our growth, coupled with the rapid evolution of our markets, has placed, and will continue to place, significant strains on our administrative and operational resources and increased demands on our internal systems, procedures and controls. Our administrative infrastructure, systems, procedures and controls may not adequately support our operations. In addition, our management may not be able to achieve the rapid, effective execution of the product and business initiatives necessary to successfully implement our operational and competitive strategy. If we are unable to manage growth effectively, our operating results will likely suffer which may, in turn, adversely affect our business.

If we lose the services of our executive officers or other key employees or if we are not able to attract or retain top employees, our business could be significantly harmed

Our performance is substantially dependent on the performance of our executive officers and key employees. We do not maintain “key person” life insurance policies on any of our employees. Our success is also highly dependent on our continuing ability to identify, hire, train, retain and motivate highly qualified management, technical, sales and marketing personnel. In particular, the recruitment and retention of top research developers and experienced salespeople, particularly those with specialized knowledge, remains critical to our success, including providing consistent and uninterrupted service to our customers. Competition for such people is intense, substantial and continuous, and we may not be able to attract, integrate or retain highly qualified technical, sales or managerial personnel in the future. In our effort to attract and retain critical personnel, we may experience increased compensation costs that are not offset by either improved productivity or higher prices for our software products or services. In addition, the loss of the services of any of our executive officers or other key employees could significantly harm our business, operating results and financial condition.

Loss of key personnel could impair the integration of acquired businesses, lead to loss of customers and a decline in revenues, or otherwise could have an adverse effect on our operations

Our success as a combined business with any prior or future acquired businesses will depend, in part, upon our ability to retain key employees, especially during the integration phase of the businesses. It is possible that the integration process could result in current and prospective employees of ours and the acquired business to experience uncertainty about their future roles with us, which could have an adverse effect on our ability to retain or recruit key managers and other employees. If, despite our retention and recruiting efforts, key employees depart or fail to continue employment with us, the loss of their services and their experience and knowledge regarding our business or an acquired business could have an adverse effect on our future operating results and the successful ongoing operation of our businesses.

Our compensation structure may hinder our efforts to attract and retain vital employees

A portion of our total compensation program for our executive officers and key personnel includes the award of options to buy our Common Shares. If the market price of our Common Shares performs poorly, such performance may adversely affect our ability to retain or attract critical personnel. In addition, any changes made to our stock option policies, or to any other of our compensation practices, which are made necessary by governmental regulations or competitive pressures could adversely affect our ability to retain and motivate existing personnel and recruit new personnel. For example, any limit to total compensation which may be prescribed by the government or applicable regulatory authorities or any significant increases in personal income tax levels levied in countries where we have a significant operational presence may hurt our ability to attract or retain our executive officers or other employees whose efforts are vital to our success. Additionally, payments under our long-term incentive plans (the details of which are described in Item 11 of this Annual Report on Form 10-K) are dependent to a significant extent upon the future performance of our Company both in absolute terms and in comparison to similarly situated companies. Any failure to achieve the targets set under our long-term incentive plan could significantly reduce or eliminate payments made under this plan, which may, in turn, materially and adversely affect our ability to retain the key personnel who are subject to this plan.

Unexpected events may materially harm our ability to align when we incur expenses with when we recognize revenues

We incur operating expenses based upon anticipated revenue trends. Since a high percentage of these expenses are relatively fixed, a delay in recognizing revenues from transactions related to these expenses (such a delay may be due to the factors described elsewhere in this risk factor section or it may be due to other factors) could cause significant variations in operating results from quarter to quarter and could materially reduce operating income. If these expenses are not subsequently matched by revenues, our business, financial condition, or results of operations could be materially and adversely affected.

We may fail to achieve our financial forecasts due to inaccurate sales forecasts or other factors

Our revenues and particularly our new software license revenues are difficult to forecast, and, as a result, our quarterly operating results can fluctuate substantially. We use a “pipeline” system, a common industry practice, to forecast sales and trends in our business. By reviewing the status of outstanding sales proposals to our customers and potential customers, we make an estimate as to when a customer will make a purchasing decision involving our software products. These estimates are aggregated periodically to make an estimate of our sales pipeline, which we use as a guide to plan our activities and make internal financial forecasts. Our sales pipeline is only an estimate and may be an unreliable predictor of actual sales activity, both in a particular quarter and over a longer period of time. Many factors may affect actual sales activity, such as weakened economic conditions, which may cause our customers and potential customers to delay, reduce or cancel IT related purchasing decisions and the tendency of some of our customers to wait until the end of a fiscal period in the hope of obtaining more favorable terms from us. If actual sales activity differs from our pipeline estimate, then we may have planned our activities and budgeted incorrectly and this may adversely affect our business, operating results and financial condition. In addition, for newly acquired companies, we have limited ability to immediately predict how their pipelines will convert into sales or revenues following the acquisition and their conversion rate post-acquisition may be quite different from their historical conversion rate.

The restructuring of our operations may adversely affect our business or our finances and we may incur restructuring charges in connection with such actions

We often undertake initiatives to restructure or streamline our operations, particularly during the period post acquisition. We may incur costs associated with implementing a restructuring initiative beyond the amount contemplated when we first developed the initiative and these increased costs may be substantial. Additionally, such costs would adversely impact our results of operations for the periods in which those adjustments are made. We will continue to evaluate our operations, and may propose future restructuring actions as a result of changes in the marketplace, including the exit from less profitable operations or the decision to terminate products or services which are not valued by our customers. Any failure to successfully execute these initiatives on a timely basis may have a material adverse effect on our business, operating results and financial condition.

Fluctuations in foreign currency exchange rates could materially affect our financial results

Our Consolidated Financial Statements are presented in U.S. dollars. In general, the functional currency of our subsidiaries is the local currency. For each subsidiary, assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates in effect at the balance sheet dates and revenues and expenses are translated at the average exchange rates prevailing during the month of the transaction. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies affect our net operating revenues, operating income and the value of balance sheet items denominated in foreign currencies. In addition, unexpected and dramatic devaluations of currencies in developing, as well as developed, markets could negatively affect our revenues from, and the value of the assets located in, those markets. Transactional foreign currency gains (losses) included in the Consolidated Statements of Income under the line item “Other income (expense) net” for Fiscal 2019, Fiscal 2018 and Fiscal 2017 were \$(4.3) million, \$4.8 million, and \$3.1 million, respectively. While we use derivative financial instruments to attempt to reduce our net exposure to currency exchange rate fluctuations, fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against major currencies or the currencies of large developing countries, could continue to materially affect our financial results. These risks and their potential impacts may be exacerbated by Brexit and any policy changes, including those resulting from trade and tariff disputes. See “-The vote by the United Kingdom to leave the European Union (EU) could adversely affect us.”

Our international operations expose us to business, political and economic risks that could cause our operating results to suffer

We intend to continue to make efforts to increase our international operations and anticipate that international sales will continue to account for a significant portion of our revenues. These international operations are subject to certain risks and costs, including the difficulty and expense of administering business and compliance abroad, differences in business practices, compliance with domestic and foreign laws (including without limitation domestic and international import and export laws and regulations and the Foreign Corrupt Practices Act, including potential violations by acts of agents or other intermediaries), costs related to localizing products for foreign markets, costs related to translating and distributing software products in a timely manner, costs related to increased financial accounting and reporting burdens and complexities, longer sales and collection cycles for accounts receivables, failure of laws to protect our intellectual property rights adequately, local competition, and economic or political instability and uncertainties, including inflation, recession, interest rate fluctuations and actual or anticipated military or geopolitical conflicts. International operations also tend to be subject to a longer sales and collection cycle. In addition, regulatory limitations regarding the repatriation of earnings may adversely affect the transfer of cash earned from foreign operations. Significant international sales may also expose us to greater risk from political and

economic instability, unexpected changes in Canadian, United States or other governmental policies concerning import and export of goods and technology, regulatory requirements, tariffs and other trade barriers. Additionally, international earnings may be subject to taxation by more than one jurisdiction, which may materially adversely affect our effective tax rate. Also, international expansion may be difficult, time consuming, and costly. These risks and their potential impacts may be exacerbated by Brexit. See “-The vote by the United Kingdom to leave the EU could adversely affect us.” As a result, if revenues from international operations do not offset the expenses of establishing and maintaining foreign operations, our business, operating results and financial condition will suffer.

The vote by the United Kingdom to leave the European Union (EU) could adversely affect us

The June 2016 United Kingdom referendum on its membership in the EU resulted in a majority of United Kingdom voters voting to exit the EU (Brexit). We have operations in the United Kingdom and the EU, and as a result, we face risks associated with the potential uncertainty and disruptions that may follow Brexit, including with respect to volatility in exchange rates and interest rates and potential material changes to the regulatory regime applicable to our operations in the United Kingdom. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets. For example, depending on the terms of Brexit (or a so called "no deal" Brexit), the United Kingdom could also lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members. Disruptions and uncertainty caused by Brexit may also cause our customers to closely monitor their costs and reduce their spending budget on our products and services. Continued uncertainty as to the terms of Brexit may result in heightened near term economic volatility. While we have not experienced any material financial impact from Brexit on our business to date, we cannot predict its future implications. Any impact from Brexit on our business and operations over the long term will depend, in part, on the outcome of tariff, tax treaties, trade, regulatory, and other negotiations the United Kingdom conducts (as well as the possibility of a "no deal" Brexit), and could adversely affect our business, operating results and financial condition.

Our software products and services may contain defects that could harm our reputation, be costly to correct, delay revenues, and expose us to litigation

Our software products and services are highly complex and sophisticated and, from time to time, may contain design defects, software errors, hardware failures or other computer system failures that are difficult to detect and correct. Errors, defects and/or other failures may be found in new software products or services or improvements to existing products or services after delivery to our customers. If these defects, errors and/or other failures are discovered, we may not be able to successfully correct them in a timely manner. In addition, despite the extensive tests we conduct on all our software products or services, we may not be able to fully simulate the environment in which our products or services will operate and, as a result, we may be unable to adequately detect the design defects or software or hardware errors which may become apparent only after the products are installed in an end-user's network, and after users have transitioned to our services. The occurrence of errors, defects and/or other failures in our software products or services could result in the delay or the denial of market acceptance of our products and alleviating such errors, defects and/or other failures may require us to make significant expenditure of our resources. Customers often use our services and solutions for critical business processes and as a result, any defect or disruption in our solutions, any data breaches or misappropriation of proprietary information, or any error in execution, including human error or intentional third-party activity such as denial of service attacks or hacking, may cause customers to reconsider renewing their contract with us. The errors in or failure of our software products and services could also result in us losing customer transaction documents and other customer files, causing significant customer dissatisfaction and possibly giving rise to claims for monetary damages. The harm to our reputation resulting from product and service errors, defects and/or other failures may be material. Since we regularly provide a warranty with our software products, the financial impact of fulfilling warranty obligations may be significant in the future. Our agreements with our strategic partners and end-users typically contain provisions designed to limit our exposure to claims. These agreements regularly contain terms such as the exclusion of all implied warranties and the limitation of the availability of consequential or incidental damages. However, such provisions may not effectively protect us against claims and the attendant liabilities and costs associated with such claims. Any claims for actual or alleged losses to our customers' businesses may require us to spend significant time and money in litigation or arbitration or to pay significant settlements or damages. Defending a lawsuit, regardless of merit, can be costly and would divert management's attention and resources. Although we maintain errors and omissions insurance coverage and comprehensive liability insurance coverage, such coverage may not be adequate to cover all such claims. Accordingly, any such claim could negatively affect our business, operating results or financial condition.

Our software products rely on the stability of infrastructure software that, if not stable, could negatively impact the effectiveness of our products, resulting in harm to our reputation and business

Our development of Internet and intranet applications depends on the stability, functionality and scalability of the infrastructure software of the underlying intranet, such as the infrastructure software produced by Hewlett-Packard, Oracle,

Microsoft and others. If weaknesses in such infrastructure software exist, we may not be able to correct or compensate for such weaknesses. If we are unable to address weaknesses resulting from problems in the infrastructure software such that our software products do not meet customer needs or expectations, our reputation, and consequently, our business may be significantly harmed.

Risks associated with the evolving use of the Internet, including changing standards, competition, and regulation and associated compliance efforts, may adversely impact our business

The use of the Internet as a vehicle for electronic data interchange (EDI), and related services currently raises numerous issues, including reliability, data security, data integrity and rapidly evolving standards. New competitors, which may include media, software vendors and telecommunications companies, offer products and services that utilize the Internet in competition with our products and services and may be less expensive or process transactions and data faster and more efficiently. Internet-based commerce is subject to increasing regulation by Canadian, U.S. federal and state and foreign governments, including in the areas of data privacy and breaches, and taxation. Laws and regulations relating to the solicitation, collection, processing or use of personal or consumer information could affect our customers' ability to use and share data, potentially reducing demand for Internet-based solutions and restricting our ability to store, process, analyze and share data through the Internet. Although we believe that the Internet will continue to provide opportunities to expand the use of our products and services, we cannot ensure that our efforts to exploit these opportunities will be successful or that increased usage of the Internet for business integration products and services or increased competition, and regulation will not adversely affect our business, results of operations and financial condition.

Business disruptions, including those related to data security breaches, may adversely affect our operations

Our business and operations are highly automated and a disruption or failure of our systems may delay our ability to complete sales and to provide services. Business disruptions can be caused by several factors, including natural disasters, terrorist attacks, power loss, telecommunications and system failures, computer viruses, physical attacks and cyber-attacks. A major disaster or other catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems, including our cloud services, could severely affect our ability to conduct normal business operations. We operate data centers in various locations around the world and although we have redundancy capability built into our disaster recovery plan, we cannot ensure that our systems and data centers will remain fully operational during and immediately after a disaster or disruption. We also rely on third parties that provide critical services in our operations and despite our diligence around their disaster recovery processes, we cannot provide assurances as to whether these third party service providers can maintain operations during a disaster or disruption. Global climate change may furthermore aggravate natural disasters that effect our business operations, thereby compelling us to build additional resiliency in order to mitigate impact. Any business disruption could negatively affect our business, operating results or financial condition.

In addition, if data security is compromised, this could materially and adversely affect our operating results given that we have customers that use our systems to store and exchange large volumes of proprietary and confidential information and the security and reliability of our services are significant to these customers. We have experienced attempts by third parties to identify and exploit product and service vulnerabilities, penetrate or bypass our security measures, and gain unauthorized access to our or our customers' or service providers' cloud offerings and other products and systems. If our products or systems, or the products or systems of third-party service providers on whom we rely, are attacked or accessed by unauthorized parties, it could lead to major disruption or denial of service and access to or loss, modification or theft of our and our customers' data which may involve us having to spend material resources on correcting the breach and indemnifying the relevant parties and/or on litigation, regulatory investigations, regulatory proceedings, increased insurance premiums, lost revenues, penalties, fines and/or other potential liabilities, which could have adverse effects on our reputation, business, operating results and financial condition.

Unauthorized disclosures and breaches of data security may adversely affect our operations

Most of the jurisdictions in which we operate have laws and regulations relating to data privacy, security and protection of information. We have certain measures to protect our information systems against unauthorized access and disclosure of personal information and of our confidential information and confidential information belonging to our customers. We have policies and procedures in place dealing with data security and records retention. However, there is no assurance that the security measures we have put in place will be effective in every case. Breaches in security could result in a negative impact for us and for our customers, adversely affecting our and our customers' businesses, assets, revenues, brands and reputations and resulting in penalties, fines, litigation, regulatory proceedings, regulatory investigations, increase insurance premiums, remediation efforts, indemnification expenditures, lost revenues and/or other potential liabilities, in each case depending on the nature of the information disclosed. Security breaches could also affect our relations with our customers, injure our reputation and harm our ability to keep existing customers and to attract new customers. Some jurisdictions have enacted laws requiring

companies to notify individuals of data security breaches involving certain types of personal data, and in some cases our agreements with certain customers require us to notify them in the event of a data security incident. Such mandatory disclosures could lead to negative publicity and may cause our current and prospective customers to lose confidence in the effectiveness of our data security measures. These circumstances could also result in adverse impact on the market price of our Common Shares. These risks to our business may increase as we expand the number of web-based and cloud-based products and services we offer and as we increase the number of countries in which we operate.

Our revenues and operating results are likely to fluctuate, which could materially impact the market price of our Common Shares

We experience significant fluctuations in revenues and operating results caused by many factors, including:

- Changes in the demand for our software products and services and for the products and services of our competitors;
- The introduction or enhancement of software products and services by us and by our competitors;
- Market acceptance of our software products, enhancements and/or services;
- Delays in the introduction of software products, enhancements and/or services by us or by our competitors;
- Customer order deferrals in anticipation of upgrades and new software products;
- Changes in the lengths of sales cycles;
- Changes in our pricing policies or those of our competitors;
- Delays in software product implementation with customers;
- Change in the mix of distribution channels through which our software products are licensed;
- Change in the mix of software products and services sold;
- Change in the mix of international and North American revenues;
- Changes in foreign currency exchange rates, London Inter-Bank Offered Rate (LIBOR) and other applicable interest rates (including the anticipated replacement of LIBOR as a benchmark rate);
- Acquisitions and the integration of acquired businesses;
- Restructuring charges taken in connection with any completed acquisition or otherwise;
- Outcome and impact of tax audits and other contingencies;
- Investor perception of our Company;
- Changes in earnings estimates by securities analysts and our ability to meet those estimates;
- Changes in laws and regulations affecting our business, including data privacy and cybersecurity laws and regulations;
- Changes in general economic and business conditions; and
- Changes in general political developments, such as the impact of Brexit, changes to international trade policies and policies taken to stimulate or to preserve national economies.

A general weakening of the global economy or a continued weakening of the economy in a particular region or economic or business uncertainty could result in the cancellation of or delay in customer purchases. A cancellation or deferral of even a small number of license sales or services or delays in the implementation of our software products could have a material adverse effect on our business, operating results and financial condition. As a result of the timing of software product and service introductions and the rapid evolution of our business as well as of the markets we serve, we cannot predict whether patterns or trends experienced in the past will continue. For these reasons, you should not rely upon period-to-period comparisons of our financial results to forecast future performance. Our revenues and operating results may vary significantly and this possible variance could materially reduce the market price of our Common Shares.

Our sales to government clients expose us to business volatility and risks, including government budgeting cycles and appropriations, early termination, audits, investigations, sanctions and penalties

We derive revenues from contracts with U.S. and Canadian federal, state, provincial and local governments, and other foreign governments and their respective agencies, which may terminate most of these contracts at any time, without cause. There is increased pressure on governments and their agencies, both domestically and internationally, to reduce spending. Further, our U.S. federal government contracts are subject to the approval of appropriations made by the U.S. Congress to fund the expenditures under these contracts. Similarly, our contracts with U.S. state and local governments, Canadian federal, provincial and local governments and other foreign governments and their agencies are generally subject to government funding authorizations. Additionally, government contracts are generally subject to audits and investigations which could result in various civil and criminal penalties and administrative sanctions, including termination of contracts, refund of a portion of fees received, forfeiture of profits, suspension of payments, fines and suspensions or debarment from future government business.

Changes in the market price of our Common Shares and credit ratings of our outstanding debt securities could lead to losses for shareholders and debt holders

The market price of our Common Shares and credit ratings of our outstanding debt securities are subject to fluctuations. Such fluctuations in market price or credit ratings may continue in response to: (i) quarterly and annual variations in operating results; (ii) announcements of technological innovations or new products or services that are relevant to our industry; (iii) changes in financial estimates by securities analysts; (iv) changes to the ratings or outlook of our outstanding debt securities by rating agencies; or (v) other events or factors. In addition, financial markets experience significant price and volume fluctuations that particularly affect the market prices of equity securities of many technology companies. These fluctuations have often resulted from the failure of such companies to meet market expectations in a particular quarter, and thus such fluctuations may or may not be related to the underlying operating performance of such companies. Broad market fluctuations or any failure of our operating results in a particular quarter to meet market expectations may adversely affect the market price of our Common Shares or the credit ratings of our outstanding debt securities. Occasionally, periods of volatility in the market price of a company's securities may lead to the institution of securities class action litigation against a company. If we are subject to such volatility in our stock price, we may be the target of such securities litigation in the future. Such legal action could result in substantial costs to defend our interests and a diversion of management's attention and resources, each of which would have a material adverse effect on our business and operating results.

Our indebtedness could limit our operations and opportunities.

Our debt service obligations could have an adverse effect on our earnings and cash flows for as long as the indebtedness is outstanding, which could reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes.

As of June 30, 2019, our credit facilities consisted of a \$1.0 billion term loan facility (Term Loan B) and a \$450 million committed revolving credit facility (the Revolver). Borrowings under Term Loan B and the Revolver, if any, are or will be secured by a first charge over substantially all of our assets.

Repayments made under Term Loan B are equal to 0.25% of the original principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. The terms of Term Loan B and the Revolver include customary restrictive covenants that impose operating and financial restrictions on us, including restrictions on our ability to take actions that could be in our best interests. These restrictive covenants include certain limitations on our ability to make investments, loans and acquisitions, incur additional debt, incur liens and encumbrances, consolidate, amalgamate or merge with any other person, dispose of assets, make certain restricted payments, including a limit on dividends on equity securities or payments to redeem, repurchase or retire equity securities or other indebtedness, engage in transactions with affiliates, materially alter the business we conduct, and enter into certain restrictive agreements. Term Loan B and the Revolver includes a financial covenant relating to a maximum consolidated net leverage ratio, which could restrict our operations, particularly our ability to respond to changes in our business or to take specified actions. Our failure to comply with any of the covenants that are included in Term Loan B and the Revolver could result in a default under the terms thereof, which could permit the lenders thereunder to declare all or part of any outstanding borrowings to be immediately due and payable.

As of June 30, 2019, we also have \$800 million in aggregate principal amount of our 5.625% senior unsecured notes due 2023 (Senior Notes 2023) and \$850 million in aggregate principal amount of our 5.875% senior unsecured notes due 2026 (Senior Notes 2026, and with the Senior Notes 2023, the Senior Notes) outstanding, both respectively issued in private placements to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Our failure to comply with any of the covenants that are included in the indentures governing the Senior Notes could result in a default under the terms thereof, which could result in all or a portion of the Senior Notes to be immediately due and payable.

Our Term Loan B and Revolver have variable rates of interest, some of which use LIBOR as a benchmark. There is currently uncertainty regarding the continued use and reliability of LIBOR. As a result, any financial instruments or agreements using LIBOR as a benchmark interest rate may be adversely affected. This uncertainty about the future of LIBOR and the potential discontinuance of LIBOR may exacerbate the risk to us of increased interest rates, and our business, prospects, financial condition and results of operations could be materially adversely affected.

The risks discussed above would be increased to the extent that we engage in acquisitions that involve the incurrence of material additional debt, or the acquisition of businesses with material debt, and such incurrences or acquisitions could potentially negatively impact the ratings or outlook of the rating agencies on our outstanding debt securities and the market price of our common shares.

For more details see note 10 "Long-Term Debt" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

We may become involved in litigation that may materially adversely affect us

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operating results or financial condition.

Our provision for income taxes and effective income tax rate may vary significantly and may adversely affect our results of operations and cash resources

Significant judgment is required in determining our provision for income taxes. Various internal and external factors may have favorable or unfavorable effects on our future provision for income taxes, income taxes receivable, and our effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, the impact of transactions we complete, future levels of research and development spending, changes in the valuation of our deferred tax assets and liabilities, transfer pricing adjustments, changes in the overall mix of income among the different jurisdictions in which we operate, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretations of existing accounting pronouncements, and/or any internal restructuring initiatives we may implement from time to time to streamline our operations, can have a material impact on our effective income tax rate.

Tax examinations are often complex as tax authorities may disagree with the treatment of items reported by us and our transfer pricing methodology based upon our limited risk distributor model, the result of which could have a material adverse effect on our financial condition and results of operations. Although we believe our estimates are reasonable, the ultimate outcome with respect to the taxes we owe may differ from the amounts recorded in our financial statements, and this difference may materially affect our financial position and financial results in the period or periods for which such determination is made.

For more details of tax audits to which we are subject, see notes 13 "Guarantees and Contingencies" and 14 "Income Taxes", respectively, to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

As part of a tax examination by the United States Internal Revenue Service (IRS), we have received a Notice of Proposed Adjustment (NOPA) proposing a material increase to our taxes arising from the reorganization in Fiscal 2010 and an additional NOPA proposing a material increase to our taxes arising in connection with our integration of Global 360 in Fiscal 2012 into the structure that resulted from our reorganization. An adverse outcome of these tax examinations could have a material adverse effect on our financial position and results of operations.

As we have previously disclosed, the United States IRS is examining certain of our tax returns for our fiscal year ended June 30, 2010 (Fiscal 2010) through our fiscal year ended June 30, 2012 (Fiscal 2012), and in connection with those examinations is reviewing our internal reorganization in Fiscal 2010 to consolidate certain intellectual property ownership in Luxembourg and Canada and our integration of certain acquisitions into the resulting structure. We also previously disclosed that the examinations may lead to proposed adjustments to our taxes that may be material, individually or in the aggregate, and that we have not recorded any material accruals for any such potential adjustments in our Consolidated Financial Statements.

We previously disclosed that, as part of these examinations, on July 17, 2015 we received from the IRS an initial Notice of Proposed Adjustment (NOPA) in draft form, that, as revised by the IRS on July 11, 2018 proposes a one-time approximately \$335 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010 (the 2010 NOPA), plus penalties equal to 20% of the additional proposed taxes for Fiscal 2010, and interest at the applicable statutory rate published by the IRS.

On July 11, 2018, we also received, consistent with previously disclosed expectations, a draft NOPA proposing a one-time approximately \$80 million increase to our U.S. federal taxes for Fiscal 2012 (the 2012 NOPA), arising from the integration of Global 360 Holding Corp. into the structure that resulted from the internal reorganization in Fiscal 2010, plus penalties equal to 40% of the additional proposed taxes for Fiscal 2012, and interest.

On January 7, 2019, we received from the IRS official notification of proposed adjustments to our taxable income for Fiscal 2010 and Fiscal 2012, together with the 2010 NOPA and 2012 NOPA in final form. In each case, such documentation was as expected and on substantially the same terms as provided for in the previously disclosed respective draft NOPAs, with the exception of an additional proposed penalty as part of the 2012 NOPA.

A NOPA is an IRS position and does not impose an obligation to pay tax. We continue to strongly disagree with the IRS' positions within the NOPAs and we are vigorously contesting the proposed adjustments to our taxable income, along with any proposed penalties and interest.

As of our receipt of the final 2010 NOPA and 2012 NOPA, our estimated potential aggregate liability, as proposed by the IRS, including additional state income taxes plus penalties and interest that may be due, to be approximately \$770 million,

comprised of approximately \$455 million in U.S. federal and state taxes, approximately \$130 million of penalties, and approximately \$185 million of interest. Interest will continue to accrue at the applicable statutory rates until the matter is resolved and may be substantial.

As previously disclosed and noted above, we strongly disagree with the IRS' position and we are vigorously contesting the proposed adjustments to our taxable income, along with the proposed penalties and interest. We are examining various alternatives available to taxpayers to contest the proposed adjustments, including through IRS Appeals and U.S. Federal court. Any such alternatives could involve a lengthy process and result in the incurrence of significant expenses. As of the date of this Annual Report on Form 10-K, we have not recorded any material accruals in respect of these examinations in our Consolidated Financial Statements. An adverse outcome of these tax examinations could have a material adverse effect on our financial position and results of operations.

For details of this and other tax audits to which we are subject, see notes 13 "Guarantees and Contingencies" and 14 "Income Taxes" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

The declaration, payment and amount of dividends will be made at the discretion of our Board of Directors and will depend on a number of factors

We have adopted a policy to declare non-cumulative quarterly dividends on our Common Shares. The declaration, payment and amount of any dividends will be made pursuant to our dividend policy and is subject to final determination each quarter by our Board of Directors in its discretion based on a number of factors that it deems relevant, including our financial position, results of operations, available cash resources, cash requirements and alternative uses of cash that our Board of Directors may conclude would be in the best interest of our shareholders. Our dividend payments are subject to relevant contractual limitations, including those in our existing credit agreements and to solvency conditions established by the *Canada Business Corporations Act* (CBCA), the statute under which we are incorporated. Accordingly, there can be no assurance that any future dividends will be equal or similar in amount to any dividends previously paid or that our Board of Directors will not decide to reduce, suspend or discontinue the payment of dividends at any time in the future.

Our operating results could be adversely affected by any weakening of economic conditions

Our overall performance depends in part on worldwide economic conditions. Certain economies have experienced periods of downturn as a result of a multitude of factors, including, but not limited to, turmoil in the credit and financial markets, concerns regarding the stability and viability of major financial institutions, declines in gross domestic product, increases in unemployment, volatility in commodity prices and worldwide stock markets, excessive government debt and disruptions to global trade or tariffs. The severity and length of time that a downturn in economic and financial market conditions may persist, as well as the timing, strength and sustainability of any recovery, are unknown and are beyond our control. Recently, Brexit and its impact on the United Kingdom and the EU, as well as any policy changes resulting from trade and tariff disputes, have raised additional concerns regarding economic uncertainties. Moreover, any instability in the global economy affects countries in different ways, at different times and with varying severity, which makes the impact to our business complex and unpredictable. During such downturns, many customers may delay or reduce technology purchases. Contract negotiations may become more protracted or conditions could result in reductions in the licensing of our software products and the sale of cloud and other services, longer sales cycles, pressure on our margins, difficulties in collection of accounts receivable or delayed payments, increased default risks associated with our accounts receivables, slower adoption of new technologies and increased price competition. In addition, deterioration of the global credit markets could adversely impact our ability to complete licensing transactions and services transactions, including maintenance and support renewals. Any of these events, as well as a general weakening of, or declining corporate confidence in, the global economy, or a curtailment in government or corporate spending could delay or decrease our revenues and therefore have a material adverse effect on our business, operating results and financial condition.

Risks associated with data privacy issues, including evolving laws and regulations and associated compliance efforts, may adversely impact our business

Our business depends on the processing of personal data, including data transfer between our affiliated entities, to and from our business partners and customers, and with third-party service providers. The laws and regulations relating to personal data constantly evolve, as federal, state and foreign governments continue to adopt new measures addressing data privacy and processing (including collection, storage, transfer, disposal and use) of personal data. Moreover, the interpretation and application of many existing or recently enacted privacy and data protection laws and regulations in the European Union, the U.S. and elsewhere are uncertain and fluid, and it is possible that such laws and regulations may be interpreted or applied in a manner that is inconsistent with our existing data management practices or the features of our products and services. Any such new laws or regulations, any changes to existing laws and regulations and any such interpretation or application may affect demand for our products and services, impact our ability to effectively transfer data across borders in support of our business

operations, or increase the cost of providing our products and services. Additionally, any actual or perceived breach of such laws or regulations may subject us to claims and may lead to administrative, civil, or criminal liability, as well as reputational harm to our Company and its employees. We could also be required to fundamentally change our business activities and practices, or modify our products and services, which could have an adverse effect on our business.

In the U.S., various laws and regulations apply to the collection, processing, transfer, disposal, unauthorized disclosure and security of personal data. For example, data protection laws passed by most states within the U.S. require notification to users when there is a security breach for personal data. Additionally, the Federal Trade Commission (FTC) and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, transfer and security of data. The U.S. Congress and state legislatures, along with federal regulatory authorities have recently increased their attention to matters concerning personal data, and this may result in new legislation which could increase the cost of compliance. In addition to government regulation, privacy advocacy and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us or our clients.

Some of our operations are subject to the European Union's General Data Protection Regulation (GDPR), which took effect from May 25, 2018. The GDPR introduces a number of new obligations for subject companies and we will need to continue dedicating financial resources and management time to GDPR compliance. The GDPR enhances the obligations placed on companies that control or process personal data including, for example, expanded disclosures about how personal data is to be used, new mechanisms for obtaining consent from data subjects, new controls for data subjects with respect to their personal data (including by enabling them to exercise rights to erasure and data portability), limitations on retention of personal data and mandatory data breach notifications. Additionally, the GDPR places companies under new obligations relating to data transfers and the security of the personal data they process. The GDPR provides that supervisory authorities in the European Union may impose administrative fines for certain infringements of the GDPR of up to EUR 20,000,000 or 4% of an undertaking's total, worldwide, annual turnover of the preceding financial year, whichever is higher. Individuals who have suffered damage as a result of a subject company's non-compliance with the GDPR also have the right to seek compensation from such company. Given the breadth of the GDPR, compliance with its requirements is likely to continue to require significant expenditure of resources on an ongoing basis, and there can be no assurance that the measures we have taken for the purposes of compliance will be successful in preventing breach of the GDPR. Given the potential fines, liabilities and damage to our reputation in the event of an actual or perceived breach of the GDPR, such a breach may have an adverse effect on our business and operations.

Outside of the U.S. and the European Union, many jurisdictions have adopted or are adopting new data privacy laws that may impose further onerous compliance requirements, such as data localization, which prohibits companies from storing and/or processing outside the jurisdiction data relating to resident individuals. The proliferation of such laws within the jurisdictions in which we operate may result in conflicting and contradictory requirements, particularly in relation to evolving technologies such as cloud computing. Any failure to successfully navigate the changing regulatory landscape could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, results of operations and financial condition.

Privacy-related claims or lawsuits initiated by governmental bodies, customers or other third parties, whether meritorious or not, could be time consuming, result in costly regulatory proceedings, litigation, penalties and fines, or require us to change our business practices, sometimes in expensive ways, or other potential liabilities. Unfavorable publicity regarding our privacy practices could injure our reputation, harm our ability to keep existing customers or attract new customers or otherwise adversely affect our business, assets, revenue, brands and reputation.

Certain of our products may be perceived as, or determined by the courts to be, a violation of privacy rights and related laws. Any such perception or determination could adversely affect our revenues and results of operations.

Because of the nature of certain of our products, including those relating to digital investigations, potential customers and purchasers of our products or the public in general may perceive that use of these products may result in violations of their individual privacy rights. In addition, certain courts or regulatory authorities could determine that the use of our software solutions or other products is a violation of privacy laws, particularly in jurisdictions outside of the United States. Any such determination or perception by potential customers, the general public, government entities or the judicial system could harm our reputation and adversely affect our revenues and results of operations.

Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against

Financial developments seemingly unrelated to us or to our industry may adversely affect us over the course of time. For example, material increases in LIBOR or other applicable interest rate benchmarks may increase the debt payment costs for our credit facilities. There is currently uncertainty regarding the continued use and reliability of LIBOR. As a result, any financial instruments or agreements using LIBOR as a benchmark interest rate may be adversely affected. This uncertainty about the future of LIBOR and the potential discontinuance of LIBOR may exacerbate the risk to us of increased interest rates, and our business, prospects, financial condition and results of operations could be materially and adversely affected. Credit contraction in financial markets may hurt our ability to access credit in the event that we identify an acquisition opportunity or require significant access to credit for other reasons. Similarly, volatility in the market price of our Common Shares due to seemingly unrelated financial developments could hurt our ability to raise capital for the financing of acquisitions or other reasons. Potential price inflation caused by an excess of liquidity in countries where we conduct business may increase the cost we incur to provide our solutions and may reduce profit margins on agreements that govern the licensing of our software products and/or the sale of our services to customers over a multi-year period. A reduction in credit, combined with reduced economic activity, may adversely affect businesses and industries that collectively constitute a significant portion of our customer base such as the public sector. As a result, these customers may need to reduce their licensing of our software products or their purchases of our services, or we may experience greater difficulty in receiving payment for the licenses and services that these customers purchase from us. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on our business, operating results, and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our properties consist of owned and leased office facilities for sales, support, research and development, consulting and administrative personnel, totaling approximately 336,000 square feet of owned facilities and approximately 2.4 million square feet of leased facilities.

Owned Facilities

Waterloo, Ontario, Canada

Our headquarters is located in Waterloo, Ontario, Canada, and it consists of approximately 232,000 square feet. The land upon which the buildings stand is leased from the University of Waterloo for a period of 49 years beginning in December 2005, with an option to renew for an additional term of 49 years. The option to renew is exercisable by us upon providing written notice to the University of Waterloo not earlier than the 40th anniversary and not later than the 45th anniversary of the lease commencement date.

Brook Park, Ohio, United States

We also own a building, along with its land, located in Brook Park, Ohio, that consists of approximately 104,000 square feet. This building is used primarily as a data center.

Leased Facilities

The following table sets forth the location and approximate square footage of our leased facilities:

	Square Footage
Americas ⁽¹⁾	1,143,000
EMEA ⁽²⁾	582,000
Asia Pacific ⁽³⁾	705,000
Total	<u>2,430,000</u>

(1) Americas consists of countries in North, Central and South America.

(2) EMEA primarily consists of countries in Europe, the Middle East and Africa.

(3) Asia Pacific primarily consists of the countries Japan, Australia, China, Korea, Philippines, Singapore and New Zealand.

Included in the total approximate square footage of leased facilities is approximately 279,000 square feet of vacated space which has either been sublet or is being actively marketed for sublease or disposition.

Item 3. Legal Proceedings

In the normal course of business, we are subject to various legal claims, as well as potential legal claims. While the results of litigation and claims cannot be predicted with certainty, we believe that the final outcome of these matters will not have a materially adverse effect on our consolidated results of operations or financial conditions.

For more information regarding litigation and the status of certain regulatory and tax proceedings, please refer to Part I, Item 1A "Risk Factors" and to note 13 "Guarantees and Contingencies" to our Consolidated Financial Statements, which are set forth in Part IV, under Item 15 of this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Our Common Shares have traded on the NASDAQ stock market since 1996 under the symbol "OTEX" and our Common Shares have traded on the Toronto Stock Exchange (TSX) since 1998, first under the symbol "OTC", and since 2017, trades under the symbol "OTEX".

On June 30, 2019, the closing price of our Common Shares on the NASDAQ was \$41.20 per share, and on the TSX was Canadian \$54.04 per share.

As at June 30, 2019, we had 346 shareholders of record holding our Common Shares of which 294 were U.S. shareholders.

Unregistered Sales of Equity Securities

None.

Dividend Policy

We currently expect to continue paying cash dividends on a quarterly basis. However, future declarations of dividends are subject to the final determination of our Board of Directors, in its discretion, based on a number of factors that it deems relevant, including our financial position, results of operations, available cash resources, cash requirements and alternative uses of cash that our Board of Directors may conclude would be in the best interest of our shareholders. Our dividend payments are subject to relevant contractual limitations, including those in our existing credit agreements and to solvency conditions established under the *Canada Business Corporations Act* (CBCA), the statute under which we are incorporated. We have historically declared dividends in U.S. dollars, but registered shareholders can elect to receive dividends in U.S. dollars or Canadian dollars by contacting the Company's transfer agent.

Stock Purchases

No shares were repurchased during the three months ended June 30, 2019.

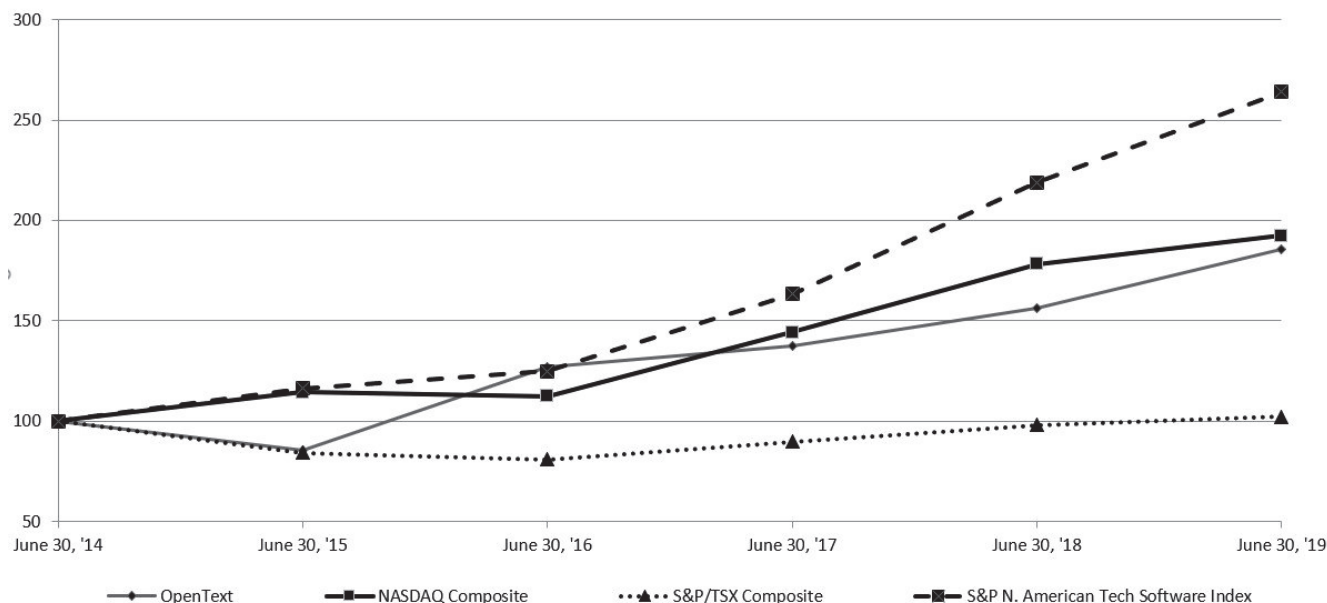
Stock Performance Graph and Cumulative Total Return

The following graph compares for each of the five fiscal years ended June 30, 2019, the yearly percentage change in the cumulative total shareholder return on our Common Shares with the cumulative total return on:

- an index of companies in the software application industry (S&P North American Technology-Software Index);
- the NASDAQ Composite Index; and
- the S&P/TSX Composite Index.

The graph illustrates the cumulative return on a \$100 investment in our Common Shares made on June 30, 2014, as compared with the cumulative return on a \$100 investment in the S&P North American Technology-Software Index, the NASDAQ Composite Index and the S&P/TSX Composite Index (the Indices) made on the same day. Dividends declared on securities comprising the respective Indices and declared on our Common Shares are assumed to be reinvested. The performance of our Common Shares as set out in the graph is based upon historical data and is not indicative of, nor intended to forecast, future performance of our Common Shares. The graph lines merely connect measurement dates and do not reflect fluctuations between those dates.

COMPARISON OF CUMULATIVE TOTAL RETURN



The chart below provides information with respect to the value of \$100 invested on June 30, 2014 in our Common Shares as well as in the other Indices, assuming dividend reinvestment when applicable:

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Open Text Corporation	\$100.00	\$85.71	\$127.21	\$137.67	\$156.12	\$185.85
S&P North American Technology-Software Index	\$100.00	\$116.33	\$124.89	\$163.28	\$218.94	\$264.11
NASDAQ Composite	\$100.00	\$114.44	\$112.51	\$144.35	\$178.42	\$192.30
S&P/TSX Composite	\$100.00	\$84.45	\$81.05	\$89.92	\$98.10	\$102.28

To the extent that this Annual Report on Form 10-K has been or will be specifically incorporated by reference into any filing by us under the Securities Act or the Exchange Act, the foregoing “Stock Performance Graph and Cumulative Total Return” shall not be deemed to be “soliciting materials” or to be so incorporated, unless specifically otherwise provided in any such filing.

For information relating to our various stock compensation plans, see Item 12 of this Annual Report on Form 10-K.

Canadian Tax Matters

Dividends

Since June 21, 2013 and unless stated otherwise, dividends paid by the Company to Canadian residents are eligible dividends as per the *Income Tax Act* (Canada).

Non-residents of Canada

Dividends paid or credited to non-residents of Canada are subject to a 25% withholding tax unless reduced by treaty. Under the *Canada-United States Tax Convention (1980)* (the Treaty), U.S. residents who are entitled to all of the benefits of the Treaty are generally subject to a 15% withholding tax.

Beginning in calendar year 2012, the Canada Revenue Agency has introduced new rules requiring residents of any country with which Canada has a tax treaty to certify that they reside in that country and are eligible to have Canadian non-resident tax withheld on the payment of dividends at the tax treaty rate. Registered shareholders should have completed the Declaration of Eligibility for Benefits (Reduced Tax) under a Tax Treaty for a Non-Resident Person and returned it to our transfer agent, ComputerShare Investor Services Inc.

United States Tax Matters

U.S. residents

The following discussion summarizes certain U.S. federal income tax considerations relevant to an investment in the Common Shares by a U.S. holder. For purposes of this summary, a “U.S. holder” is a beneficial owner of Common Shares that holds such shares as capital assets under the U.S. Internal Revenue Code of 1986, as amended (the Code), and is a citizen or resident of the United States and not of Canada, a corporation organized under the laws of the United States or any political subdivision thereof, or a person that is otherwise subject to U.S. federal income tax on a net income basis in respect of Common Shares. It does not address any aspect of U.S. federal gift or estate tax, or of state, local or non-U.S. tax laws and does not address aspects of U.S. federal income taxation applicable to U.S. holders holding options, warrants or other rights to acquire Common Shares. Further, this discussion does not address the U.S. federal income tax consequences to U.S. holders that are subject to special treatment under U.S. federal income tax laws, including, but not limited to U.S. holders owning directly, indirectly or by attribution 10% or more of the voting power or value of the Company's stock; broker-dealers; banks or insurance companies; financial institutions; regulated investment companies; taxpayers who have elected mark-to-market accounting; tax-exempt organizations; taxpayers who hold Common Shares as part of a “straddle,” “hedge,” or “conversion transaction” with other investments; individual retirement or other tax-deferred accounts; taxpayers whose functional currency is not the U.S. dollar; partnerships or the partners therein; S corporations; or U.S. expatriates.

The discussion is based upon the provisions of the Code, the Treasury regulations promulgated thereunder, the Convention Between the United States and Canada with Respect to Taxes on Income and Capital, together with related Protocols and Competent Authority Agreements (the Convention), the administrative practices published by the IRS and U.S. judicial decisions, all of which are subject to change. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

Distributions on the Common Shares

Subject to the discussion below under “Passive Foreign Investment Company Rules,” U.S. holders generally will treat the gross amount of distributions paid by the Company equal to the U.S. dollar value of such dividends on the date the dividends are received or treated as received (based on the exchange rate on such date), without reduction for Canadian withholding tax (see “Canadian Tax Matters - Dividends - Non-residents of Canada”), as dividend income for U.S. federal income tax purposes to the extent of the Company's current and accumulated earnings and profits. Because the Company does not expect to maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions paid to U.S. holders generally will be reported as dividends.

Individual U.S. holders will generally be eligible to treat dividends as “qualified dividend income” taxable at preferential rates with certain exceptions for short-term and hedged positions, and provided that the Company is not during the taxable year in which the dividends are paid (and was not in the preceding taxable year) classified as a “passive foreign investment company” (PFIC) as described below under “Passive Foreign Investment Company Rules.” Dividends paid on the Common Shares generally will not be eligible for the “dividends received” deduction allowed to corporate U.S. holders in respect of dividends from U.S. corporations.

If a U.S. holder receives foreign currency on a distribution that is not converted into U.S. dollars on the date of receipt, the U.S. holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date the dividends are received or treated as received. Any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including an exchange for U.S. dollars, will be U.S. source ordinary income or loss.

The amount of Canadian tax withheld generally will give rise to a foreign tax credit or deduction for U.S. federal income tax purposes (see “Canadian Tax Matters - Dividends - Non-residents of Canada”). Dividends paid by the Company generally will constitute “passive category income” for purposes of the foreign tax credit (or in the case of certain U.S. holders, “general category income”). The Code, as modified by the Convention, applies various limitations on the amount of foreign tax credit that may be available to a U.S. taxpayer. The Common Shares are currently traded on both the NASDAQ and TSX. Dividends paid by a foreign corporation that is at least 50% owned by U.S. persons may be treated as U.S. source income (rather than foreign source income) for foreign tax credit purposes to the extent they are attributable to earnings and profits of the foreign corporation from sources within the United States, if the foreign corporation has more than an insignificant amount of U.S. source earnings and profits. Although this rule does not appear to be intended to apply in the context of a public company such as the Company, we are not aware of any authority that would render it inapplicable. In part because the Company does not expect to calculate its earnings and profits for U.S. federal income tax purposes, the effect of this rule may be to treat all or a portion of any dividends paid by the Company as U.S. source income, which in turn may limit a U.S. holder's ability to claim a foreign tax credit for the Canadian withholding taxes payable in respect of the dividends. Subject to limitations, the Code permits a U.S. holder entitled to benefits under the Convention to elect to treat any dividends paid by the Company as foreign-source income for foreign tax credit purposes. The foreign tax credit rules are complex. U.S. holders

should consult their own tax advisors with respect to the implications of those rules for their investments in the Common Shares.

Sale, Exchange, Redemption or Other Disposition of Common Shares

Subject to the discussion below under “Passive Foreign Investment Company Rules,” the sale of Common Shares generally will result in the recognition of gain or loss to a U.S. holder in an amount equal to the difference between the amount realized and the U.S. holder’s adjusted basis in the Common Shares. A U.S. holder’s tax basis in a Common Share will generally equal the price it paid for the Common Share. Any capital gain or loss will be long-term if the Common Shares have been held for more than one year. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Rules

Special U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. The Company will be classified as a PFIC in a particular taxable year if either: (i) 75 percent or more of the Company’s gross income for the taxable year is passive income, or (ii) the average percentage of the value of the Company’s assets that produce or are held for the production of passive income is at least 50 percent. If the Company is treated as a PFIC for any year, U.S. holders may be subject to adverse tax consequences upon a sale, exchange, or other disposition of the Common Shares, or upon the receipt of certain “excess distributions” in respect of the Common Shares. Dividends paid by a PFIC are not qualified dividends eligible for taxation at preferential rates. Based on audited consolidated financial statements, we believe that the Company was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2018 or 2019 taxable years. In addition, based on a review of the Company’s audited consolidated financial statements and its current expectations regarding the value and nature of its assets and the sources and nature of its income, the Company does not anticipate being treated as a PFIC for the 2020 taxable year.

Information Reporting and Backup Withholding

Except in the case of corporations or other exempt holders, dividends paid to a U.S. holder may be subject to U.S. information reporting requirements and may be subject to backup withholding unless the U.S. holder provides an accurate taxpayer identification number on a properly completed IRS Form W-9 and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding will be allowed as a credit against the U.S. holder’s U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that certain required information is timely furnished to the IRS.

Item 6. Selected Financial Data

The following table summarizes our selected consolidated financial data for the periods indicated. The selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements and related notes and “Management's Discussion and Analysis of Financial Condition and Results of Operations” appearing elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of income and balance sheet data for each of the five fiscal years indicated below has been derived from our audited Consolidated Financial Statements. Over the last five fiscal years we have acquired a number of companies including, but not limited to Catalyst, Liaison, Hightail, Guidance, Covisint, ECD Business, CCM Business, Recommind, ANX, CEM Business, Daegis, and Actuate. The results of these companies and all of our previously acquired companies have been included herein and have contributed to the growth in our revenues, net income and net income per share and such acquisitions affect period-to-period comparability.

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
(In thousands, except per share data)					
Statement of Income Data:					
Revenues ⁽¹⁾	\$ 2,868,755	\$ 2,815,241	\$ 2,291,057	\$ 1,824,228	\$ 1,851,917
Net income, attributable to OpenText ⁽²⁾	\$ 285,501	\$ 242,224	\$ 1,025,659	\$ 284,477	\$ 234,327
Net income per share, basic, attributable to OpenText ⁽¹⁾	\$ 1.06	\$ 0.91	\$ 4.04	\$ 1.17	\$ 0.96
Net income per share, diluted, attributable to OpenText ⁽¹⁾	\$ 1.06	\$ 0.91	\$ 4.01	\$ 1.17	\$ 0.95
Weighted average number of Common Shares outstanding, basic	268,784	266,085	253,879	242,926	244,184
Weighted average number of Common Shares outstanding, diluted	269,908	267,492	255,805	244,076	245,914

⁽¹⁾ Effective July 1, 2018, we adopted Accounting Standards Codification (ASC) Topic 606 "Revenue from Contracts with Customers" (Topic 606) using the cumulative effect approach. We applied the standard to contracts that were not completed as of the date of the initial adoption. Results for reporting periods commencing on July 1, 2018 are presented under the new revenue standard, while prior period results continue to be reported under the previous standard.

⁽²⁾ Fiscal 2017 included a significant one-time tax benefit of \$876.1 million recorded in the first quarter of Fiscal 2017.

	As of June 30,				
	2019	2018	2017	2016	2015
Balance Sheet Data:					
Total assets	\$ 7,933,975	\$ 7,765,029	\$ 7,480,562	\$ 5,154,144	\$ 4,353,330
Total Long-term liabilities	\$ 3,034,588	\$ 3,053,172	\$ 2,820,200	\$ 2,503,918	\$ 1,899,086
Cash dividends per Common Share	\$ 0.6300	\$ 0.5478	\$ 0.4770	\$ 0.4150	\$ 0.3588

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

This Annual Report on Form 10-K, including this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act), and is subject to the safe harbors created by those sections. All statements other than statements of historical facts are statements that could be deemed forward-looking statements.

When used in this report, the words "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "could", "would", "might", "will" and other similar language, as they relate to Open Text Corporation ("OpenText" or the "Company"), are intended to identify forward-looking statements under applicable securities laws. Specific forward-looking statements in this report include, but are not limited to: (i) statements about our focus in the fiscal year beginning July 1, 2019 and ending June 30, 2020 (Fiscal 2020) on growth in earnings and cash flows; (ii) creating value through investments in broader Enterprise Information Management (EIM) capabilities; (iii) our future business plans and business planning process; (iv) statements relating to business trends; (v) statements relating to distribution; (vi) the Company's presence in the cloud and in growth markets; (vii) product and solution developments, enhancements and releases and the timing thereof; (viii) the Company's financial conditions, results of operations and earnings; (ix) the basis for any future growth and for our financial performance; (x) declaration of quarterly dividends; (xi) future tax rates; (xii) the changing regulatory environment including the tax reform legislation enacted through the Tax Cuts and Jobs Act in the United States and its impact on our business; (xiii) annual recurring revenues; (xiv) research and development and related expenditures; (xv) our building, development and consolidation of our network infrastructure; (xvi) competition and changes in the competitive landscape; (xvii) our management and protection of intellectual property and other proprietary rights; (xviii) foreign sales and exchange rate fluctuations; (xix) cyclical or seasonal aspects of our business; (xx) capital expenditures; (xxi) potential legal and/or regulatory proceedings; (xxii) statements about the impact of Magellan and Release 16; (xxiii) statements about acquisitions and their expected impact; and (xxiv) other matters.

In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking, and based on our current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. Forward-looking statements reflect our current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The forward-looking statements contained in this report are based on certain assumptions including the following: (i) countries continuing to implement and enforce existing and additional customs and security regulations relating to the provision of electronic information for imports and exports; (ii) our continued operation of a secure and reliable business network; (iii) the stability of general economic and market conditions, currency exchange rates, and interest rates; (iv) equity and debt markets continuing to provide us with access to capital; (v) our continued ability to identify, source and finance attractive and executable business combination opportunities; and (vi) our continued compliance with third party intellectual property rights. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. We can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. The risks and uncertainties that may affect forward-looking statements include, but are not limited to: (i) integration of acquisitions and related restructuring efforts, including the quantum of restructuring charges and the timing thereof; (ii) the potential for the incurrence of or assumption of debt in connection with acquisitions and the impact on the ratings or outlooks of rating agencies on our outstanding debt securities; (iii) the possibility that the Company may be unable to meet its future reporting requirements under the Exchange Act, and the rules promulgated thereunder, or applicable Canadian securities regulation; (iv) the risks associated with bringing new products and services to market; (v) fluctuations in currency exchange rates (including as a result of the impact of Brexit and any policy changes resulting from trade and tariff disputes); (vi) delays in the purchasing decisions of the Company's customers; (vii) the competition the Company faces in its industry and/or marketplace; (viii) the final determination of litigation, tax audits (including tax examinations in the United States, Canada or elsewhere) and other legal proceedings; (ix) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, U.S. or international tax regimes; (x) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (xi) the continuous commitment of the Company's customers; (xii) demand for the Company's products and services; (xiii) increase in exposure to international business risks (including as a result of the impact of Brexit and any policy changes resulting from the new U.S. administration, including any transition from the North American Free Trade Agreement to the United States-Mexico-Canada Agreement) as we continue to increase our international operations; (xiv) inability to raise capital at all or on not unfavorable terms in the future; (xv) downward pressure on our share price and dilutive effect of future sales or issuances of equity securities (including in connection with future acquisitions); and (xvi) potential changes in ratings or outlooks of rating agencies on our outstanding debt securities. Other factors that may affect forward-looking statements include, but are not limited to: (i) the future performance, financial and

otherwise, of the Company; (ii) the ability of the Company to bring new products and services to market and to increase sales; (iii) the strength of the Company's product development pipeline; (iv) failure to secure and protect patents, trademarks and other proprietary rights; (v) infringement of third-party proprietary rights triggering indemnification obligations and resulting in significant expenses or restrictions on our ability to provide our products or services; (vi) failure to comply with privacy laws and regulations that are extensive, open to various interpretations and complex to implement including General Data Protection Regulation (GDPR) and Country by Country Reporting; (vii) the Company's growth and other profitability prospects; (viii) the estimated size and growth prospects of the EIM market; (ix) the Company's competitive position in the EIM market and its ability to take advantage of future opportunities in this market; (x) the benefits of the Company's products and services to be realized by customers; (xi) the demand for the Company's products and services and the extent of deployment of the Company's products and services in the EIM marketplace; (xii) the Company's financial condition and capital requirements; (xiii) system or network failures or information security breaches in connection with the Company's offerings and information technology systems generally; and (xiv) failure to attract and retain key personnel to develop and effectively manage the Company's business.

Readers should carefully review Part I, Item 1A "Risk Factors" and other documents we file from time to time with the Securities and Exchange Commission (SEC) and other securities regulators. A number of factors may materially affect our business, financial condition, operating results and prospects. These factors include but are not limited to those set forth in Part I, Item 1A "Risk Factors" and elsewhere in this Annual Report on Form 10-K. Any one of these factors, and other factors that we are unaware of, or currently deem immaterial, may cause our actual results to differ materially from recent results or from our anticipated future results.

The following MD&A is intended to help readers understand our results of operations and financial condition, and is provided as a supplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying Notes to our Consolidated Financial Statements under Part II, Item 8 of this Annual Report on Form 10-K.

All dollar and percentage comparisons made herein refer to the year ended June 30, 2019 (Fiscal 2019) compared with the year ended June 30, 2018 (Fiscal 2018). Please refer to Part II, Item 7 of our Annual Report on Form 10-K for Fiscal 2018 for a comparative discussion of our Fiscal 2018 financial results as compared to Fiscal 2017.

Where we say "we", "us", "our", "OpenText" or "the Company", we mean Open Text Corporation or Open Text Corporation and its subsidiaries, as applicable.

EXECUTIVE OVERVIEW

We operate in the Enterprise Information Management (EIM) market where we enable the intelligent and connected enterprise. We develop enterprise software to support businesses in becoming digital businesses and governments in becoming digital governments. The comprehensive OpenText EIM platform and suite of software products and services provide secure and scalable solutions for global companies and governments around the world. With our software, organizations manage a valuable asset - information. Information that is made more valuable by connecting it to digital business processes, information that is enriched with analytics, information that is protected and secure throughout its entire lifecycle, information that captivates customers, and information that connects and fuels some of the world's largest digital supply chains in manufacturing, retail, and financial services. Our EIM solutions are designed to enable organizations to secure their information so that they can collaborate with confidence, validate endpoints with all machines and the Internet of Things (IoT), stay ahead of the regulatory technology curve, identify threats that cross their networks, leverage discovery with information forensics, and gain insight and action through analytics, artificial intelligence (AI) and automation.

We offer software through traditional on-premises solutions, cloud solutions or a combination of both. We believe our customers will operate in hybrid on-premises and cloud environments, and we are ready to support the delivery method the customer prefers. In providing choice and flexibility, we strive to maximize the lifetime value of the relationship with our customers.

Our initial public offering was on the NASDAQ in 1996 and we were subsequently listed on the Toronto Stock Exchange (TSX) in 1998. We are a multinational company and as of June 30, 2019, employed approximately 13,100 people worldwide.

Our ticker symbol on both the NASDAQ and the TSX is "OTEX".

Fiscal 2019 Summary:

During the first quarter of Fiscal 2019, we adopted Accounting Standards Codification (ASC) Topic 606 "Revenue from Contracts with Customers" (Topic 606) using the cumulative effect approach and recorded a net increase of approximately \$30 million to retained earnings as of July 1, 2018. Results for reporting periods commencing on July 1, 2018 are presented under Topic 606, while prior periods, unless specifically referred to in this MD&A, continue to be reported under the previous

standard. Please refer to Note 1 "Basis of Presentation" and Note 3 "Revenues" to our Consolidated Financial Statements for additional details.

During Fiscal 2019 we saw the following activity:

- Total revenue was \$2,868.8 million, up 1.9% compared to the prior fiscal year; up 3.8% after factoring the impact of \$53.2 million of foreign exchange rate changes.
- Total annual recurring revenue, which we define as the sum of cloud services and subscriptions revenue and customer support revenue, was \$2,155.7 million, up 4.6% compared to the prior fiscal year; up 6.2% after factoring the impact of \$34.0 million of foreign exchange rate changes.
- Cloud services and subscriptions revenue was \$907.8 million, up 9.5% compared to the prior fiscal year; up 10.8% after factoring the impact of \$10.8 million of foreign exchange rate changes.
- License revenue was \$428.1 million, down 2.2% compared to the prior fiscal year; up 0.4% after factoring the impact of \$11.2 million of foreign exchange rate changes.
- GAAP-based EPS, diluted, was \$1.06 compared to \$0.91 in the prior fiscal year.
- Non-GAAP-based EPS, diluted, was \$2.76 compared to \$2.56 in the prior fiscal year.
- GAAP-based gross margin was 67.6% compared to 66.2% in the prior fiscal year.
- Non-GAAP-based gross margin was 74.1% compared to 73.0% in the prior fiscal year.
- GAAP-based net income attributable to OpenText was \$285.5 million compared to \$242.2 million in the prior fiscal year.
- Non-GAAP-based net income attributable to OpenText was \$744.7 million compared to \$683.6 million in the prior fiscal year.
- Adjusted EBITDA was \$1,100.3 million compared to \$1,020.4 million in the prior fiscal year.
- Operating cash flow was \$876.3 million for the year ended June 30, 2019, up 23.8% from the prior fiscal year.
- Cash and cash equivalents was \$941.0 million as of June 30, 2019, compared to \$682.9 million as of June 30, 2018.

See "Use of Non-GAAP Financial Measures" below for definitions and reconciliations of GAAP-based measures to Non-GAAP-based measures.

See "Acquisitions" below for the impact of acquisitions on the period-to-period comparability of results.

Acquisitions

Our competitive position in the marketplace requires us to maintain a complex and evolving array of technologies, products, services and capabilities. In light of the continually evolving marketplace in which we operate, on an ongoing basis we regularly evaluate acquisition opportunities within the EIM market and at any time may be in various stages of discussions with respect to such opportunities.

We believe our acquisitions support our long-term strategic direction, strengthen our competitive position, expand our customer base, provide greater scale to accelerate innovation, grow our earnings and provide superior shareholder value. We expect to continue to strategically acquire companies, products, services and technologies to augment our existing business. Our acquisitions, particularly significant ones, can affect the period-to-period comparability of our results. See note 18 "Acquisitions" to our Consolidated Financial Statements for more details.

Catalyst Repository Systems Inc. (Catalyst)

On January 31, 2019, we acquired all of the equity interest in Catalyst, a leading provider of eDiscovery that designs, develops and supports market-leading cloud eDiscovery software, for approximately \$70.8 million in an all cash transaction. This acquisition complements and extends our EIM portfolio. The results of operations of this acquisition have been consolidated with those of OpenText beginning January 31, 2019.

Liaison Technologies, Inc. (Liaison)

On December 17, 2018, we acquired all of the equity interest in Liaison, a leading provider of cloud-based business to business integration, for approximately \$310.6 million in an all cash transaction. This acquisition complements and extends our EIM portfolio. The results of operations of this acquisition have been consolidated with those of OpenText beginning December 17, 2018.

Outlook for Fiscal 2020

As an organization, our management believes in delivering "Total Growth", meaning we strive towards delivering value through organic initiatives, innovations and acquisitions, as well as financial performance. This growth is further enhanced

through our direct and indirect sales distribution channels. With an emphasis on increasing recurring revenues and expanding our margins, we believe our “Total Growth” strategy will ultimately drive overall cash flow generation, thus helping to fuel our disciplined capital allocation approach and further drive our ability to deepen our account coverage and identify and execute strategic acquisitions. With strategic acquisitions, we are better positioned to expand our product portfolio and improve our ability to innovate and grow organically, which then further helps us to meet our long-term growth targets. We believe this “Total Growth” strategy is a durable model that will create shareholder value over both the near and long-term.

We are committed to continuous innovation. Our investments in research and development (R&D) drive product innovation, increasing the value of our offerings to our installed customer base, which includes Global 10,000 companies. More valuable products, coupled with our established global partner program, lead to greater distribution and cross-selling opportunities which further help us to achieve organic growth. This fiscal year we invested approximately \$322 million or approximately 11% of revenue in R&D, in line with our target to spend approximately 11% to 13% of revenues for R&D each fiscal year.

We remain a value oriented and disciplined acquirer and consolidator, having efficiently deployed \$6.2 billion on acquisitions over the last 10 years. Mergers and acquisitions are one of our leading growth drivers. We believe in creating value by focusing on acquiring strategic businesses, integrating them into our business model and using our acquired assets to innovate. We have developed a philosophy, which we refer to as “The OpenText Business System”, that is designed to create value by leveraging a clear set of operational mandates for integrating newly acquired companies and assets. We see our ability to successfully integrate acquired companies and assets into our business as a strength and pursuing strategic acquisitions is an important aspect to our Total Growth strategy. We expect to continue to acquire strategically, to integrate and innovate, to deepen and strengthen our intelligent information platform for customers.

In Fiscal 2019, we further demonstrated the implementation of our strategy by acquiring Liaison Technologies, Inc. (Liaison) and Catalyst Repository Systems Inc. (Catalyst). We regularly evaluate acquisition opportunities on an ongoing basis and at any time may be at various stages of discussion with respect to such opportunities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time. Actual results may differ materially from those estimates. Note 2 “Accounting Policies and Recent Accounting Pronouncements” to the Consolidated Financial Statements contains a summary of the policies that involve assumptions, judgments and estimates and have the greatest impact on our Consolidated Financial Statements. The policies listed below are areas that may contain key components of our results of operations and are based on complex rules requiring us to make judgments and estimates and consequently, we consider these to be our critical accounting policies. Some of these accounting policies involve complex situations and require a higher degree of judgment, either in the application and interpretation of existing accounting literature or in the development of estimates that affect our financial statements. The critical accounting policies which we believe are the most important to aid in fully understanding and evaluating our reported financial results include the following:

- (i) Revenue recognition,
- (ii) Goodwill,
- (iii) Acquired intangibles, and
- (iv) Income taxes.

For a full discussion of all our accounting policies, please see Note 2 "Accounting Policies and Recent Accounting Pronouncements" to our Consolidated Financial Statements included in this Annual Report on Form 10-K.

Revenue recognition

In accordance with Topic 606, we account for a customer contract when we obtain written approval, the contract is committed, the rights of the parties, including the payment terms, are identified, the contract has commercial substance and consideration is probable of collection. Revenue is recognized when, or as, control of a promised product or service is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for our products and services (at its transaction price). Estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based on readily available information, which may include historical, current and forecasted information, taking into consideration the type of customer, the type of transaction and specific facts and circumstances of each arrangement. We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue producing transactions.

We have four revenue streams: license, cloud services and subscriptions, customer support, and professional service and other.

License revenue

Our license revenue can be broadly categorized as perpetual licenses, term licenses and subscription licenses, all of which are deployed on the customer's premises (on-premise).

Perpetual licenses: We sell perpetual licenses which provide customers the right to use software for an indefinite period of time in exchange for a one-time license fee, which is generally paid at contract inception. Our perpetual licenses provide a right to use intellectual property (IP) that is functional in nature and have significant stand-alone functionality. Accordingly, for perpetual licenses of functional IP, revenue is recognized at the point-in-time when control has been transferred to the customer, which normally occurs once software activation keys have been made available for download.

Term licenses and Subscription licenses: We sell both term and subscription licenses which provide customers the right to use software for a specified period in exchange for a fee, which may be paid at contract inception or paid in installments over the period of the contract. Like perpetual licenses, both our term licenses and subscription licenses are functional IP that have significant stand-alone functionality. Accordingly, for both term and subscription licenses, revenue is recognized at the point-in-time when the customer is able to use and benefit from the software, which is normally once software activation keys have been made available for download at the commencement of the term.

Cloud services and subscriptions revenue

Cloud services and subscriptions revenue are from hosting arrangements where, in connection with the licensing of software, the end user doesn't take possession of the software, as well as from end-to-end fully outsourced business-to-business (B2B) integration solutions to our customers (collectively referred to as cloud arrangements). The software application resides on our hardware or that of a third party, and the customer accesses and uses the software on an as-needed basis. Our cloud arrangements can be broadly categorized as "platform as a service" (PaaS), "software as a service" (SaaS), cloud subscriptions and managed services.

PaaS/ SaaS/ Cloud Subscriptions (collectively referred to here as cloud-based solutions): We offer cloud-based solutions that provide customers the right to access our software through the internet. Our cloud-based solutions represent a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. These services are made available to the customer continuously throughout the contractual period, however, the extent to which the customer uses the services may vary at the customer's discretion. The payment for cloud-based solutions may be received either at inception of the arrangement, or over the term of the arrangement.

These cloud-based solutions are considered to have a single performance obligation where the customer simultaneously receives and consumes the benefit, and as such we recognize revenue for these cloud-based solutions ratably over the term of the contractual agreement. For example, revenue related to cloud-based solutions that are provided on a usage basis, such as the number of users, is recognized based on a customer's utilization of the services in a given period.

Additionally, a software license is present in a cloud-based solutions arrangement if all of the following criteria are met:

- (i) The customer has the contractual right to take possession of the software at any time without significant penalty; and
- (ii) It is feasible for the customer to host the software independent of us.

In these cases where a software license is present in a cloud-based solutions arrangement it is assessed to determine if it is distinct from the cloud-based solutions arrangement. The revenue allocated to the distinct software license would be recognized at the point in time the software license is transferred to the customer, whereas the revenue allocated to the hosting performance obligation would be recognized ratably on a monthly basis over the contractual term unless evidence suggests that revenue is earned, or obligations are fulfilled in a different pattern over the contractual term of the arrangement.

Managed services: We provide comprehensive B2B process outsourcing services for all day-to-day operations of a customers' B2B integration program. Customers using these managed services are not permitted to take possession of our software and the contract is for a defined period, where customers pay a monthly or quarterly fee. Our performance obligation is satisfied as we provide services of operating and managing a customer's electronic data interchange (EDI) environment. Revenue relating to these services is recognized using an output method based on the expected level of service we will provide over the term of the contract.

In connection with cloud subscription and managed service contracts, we often agree to perform a variety of services before the customer goes live, such as, converting and migrating customer data, building interfaces and providing training. These services are considered an outsourced suite of professional services which can involve certain project-based activities. These services can be provided at the initiation of a contract, during the implementation or on an ongoing basis as part of the customer life cycle. These services can be charged separately on a fixed fee or time and materials basis, or the costs associated may be recovered as part of the ongoing cloud subscription or managed services fee. These outsourced professional services are considered to be distinct from the ongoing hosting services and represent a separate performance obligation within our cloud subscription or managed services arrangements. The obligation to provide outsourced professional services is satisfied over time, with the customer simultaneously receiving and consuming the benefits as we satisfy our performance obligations. For outsourced professional services, we recognize revenue by measuring progress toward the satisfaction of our performance obligation. Progress for services that are contracted for a fixed price is generally measured based on hours incurred as a portion of total estimated hours. As a practical expedient, when we invoice a customer at an amount that corresponds directly with the value to the customer of our performance to date, we recognize revenue at that amount.

Customer support revenue

Customer support revenue is associated with perpetual, term license and on-premise subscription arrangements. As customer support is not critical to the customer's ability to derive benefit from its right to use our software, customer support is considered as a distinct performance obligation when sold together in a bundled arrangement along with the software.

Customer support consists primarily of technical support and the provision of unspecified updates and upgrades on a when-and-if-available basis. Customer support for perpetual licenses is renewable, generally on an annual basis, at the option of the customer. Customer support for term and subscription licenses is renewable concurrently with such licenses for the same duration of time. Payments for customer support are generally made at the inception of the contract term or in installments over the term of the maintenance period. Our customer support team is ready to provide these maintenance services, as needed, to the customer during the contract term. As the elements of customer support are delivered concurrently and have the same pattern of transfer, customer support is accounted for as a single performance obligation. The customer benefits evenly throughout the contract period from the guarantee that the customer support resources and personnel will be available to them, and that any unspecified upgrades or unspecified future products developed by us will be made available. Revenue for customer support is recognized ratably over the contract period based on the start and end dates of the maintenance term, in line with how we believe services are provided.

Professional service and other revenue

Our professional services, when offered along with software licenses, consist primarily of technical services and training services. Technical services may include installation, customization, implementation or consulting services. Training services may include access to online modules or delivering a training package customized to the customer's needs. At the customer's discretion, we may offer one, all, or a mix of these services. Payment for professional services is generally a fixed fee or is a fee based on time and materials.

Professional services can be arranged in the same contract as the software license or in a separate contract.

As our professional services do not significantly change the functionality of the license and our customers can benefit from our professional services on their own or together with other readily available resources, we consider professional services as distinct within the context of the contract.

Professional service revenue is recognized over time so long as: (i) the customer simultaneously receives and consumes the benefits as we perform them, (ii) our performance creates or enhances an asset the customer controls as we perform, and (iii) our performance does not create an asset with alternative use and we have enforceable right to payment.

If all of the above criteria are met, we use an input-based measure of progress for recognizing professional service revenue. For example, we may consider total labor hours incurred compared to total expected labor hours. As a practical expedient, when we invoice a customer at an amount that corresponds directly with the value to the customer of our performance to date, we will recognize revenue at that amount.

Material rights

To the extent that we grant our customer an option to acquire additional products or services in one of our arrangements, we will account for the option as a distinct performance obligation in the contract only if the option provides a material right to the customer that the customer would not receive without entering into the contract. For example, if we give the customer an option to acquire additional goods or services in the future at a price that is significantly lower than the current price, this would be a material right as it allows the customer to, in effect, pay in advance for the option to purchase future products or services. If a material right exists in one of our contracts then revenue allocated to the option is deferred and we would recognize that deferred revenue only when those future products or services are transferred or when the option expires.

Based on history, our contracts do not typically contain material rights and when they do, the material right is not significant to our consolidated financial statements.

Arrangements with multiple performance obligations

Our contracts generally contain more than one of the products and services listed above. Determining whether goods and services are considered distinct performance obligations that should be accounted for separately or as a single performance obligation may require judgment, specifically when assessing whether both of the following two criteria are met:

- the customer can benefit from the product or service either on its own or together with other resources that are readily available to the customer; and
- our promise to transfer the product or service to the customer is separately identifiable from other promises in the contract.

If these criteria are not met, we determine an appropriate measure of progress based on the nature of our overall promise for the single performance obligation.

If these criteria are met, each product or service is separately accounted for as a distinct performance obligation and the total transaction price is allocated to each performance obligation on a relative standalone selling price (SSP) basis.

Standalone selling price

The SSP reflects the price we would charge for a specific product or service if it was sold separately in similar circumstances and to similar customers. In most cases we are able to establish the SSP based on observable data. We typically establish a narrow SSP range for our products and services and assess this range on a periodic basis or when material changes in facts and circumstances warrant a review.

If the SSP is not directly observable, then we estimate the amount using either the expected cost plus a margin or residual approach. Estimating SSP requires judgment that could impact the amount and timing of revenue recognized. SSP is a formal process whereby management considers multiple factors including, but not limited to, geographic or regional specific factors, competitive positioning, internal costs, profit objectives, and pricing practices.

Transaction Price Allocation

In bundled arrangements, where we have more than one distinct performance obligation, we must allocate the transaction price to each performance obligation based on its relative SSP. However, in certain bundled arrangements, the SSP may not always be directly observable. For instance, in bundled arrangements with license and customer support, we allocate the transaction price between the license and customer support performance obligations using the residual approach because we have determined that the SSP for licenses in these arrangements are highly variable. We use the residual approach only for our license arrangements. When the SSP is observable but contractual pricing does not fall within our established SSP range, then an adjustment is required and we will allocate the transaction price between license and customer support at a constant ratio reflecting the mid-point of the established SSP range.

When two or more contracts are entered into at or near the same time with the same customer, we evaluate the facts and circumstances associated with the negotiation of those contracts. Where the contracts are negotiated as a package, we will account for them as a single arrangement and allocate the consideration for the combined contracts among the performance obligations accordingly.

In accordance with Topic 606, we believe there are significant assumptions, judgments and estimates involved in the accounting for revenue recognition discussed above and these assumptions, judgment and estimates could impact the timing of when revenue is recognized and could have a material impact on our Consolidated Financial Statements.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. The carrying amount of goodwill is periodically reviewed for impairment (at a minimum annually) and whenever events or changes in circumstances indicate that the carrying value of this asset may not be recoverable.

Our operations are analyzed by management and our chief operating decision maker (CODM) as being part of a single industry segment: the design, development, marketing and sales of Enterprise Information Management (EIM) software and solutions. Therefore, our goodwill impairment assessment is based on the allocation of goodwill to a single reporting unit.

We perform a qualitative assessment to test our reporting unit's goodwill for impairment. Based on our qualitative assessment, if we determine that the fair value of our reporting unit is more likely than not (i.e. a likelihood of more than 50 percent) to be less than its carrying amount, the second step of the impairment test is performed. In the second step of the impairment test, we compare the fair value of our reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of the net assets of our reporting unit exceeds its fair value, then an impairment loss equal to the difference, but not exceeding the total carrying value of goodwill allocated to the reporting unit, would be recorded.

Our annual impairment analysis of goodwill was performed as of April 1, 2019. Our qualitative assessment indicated that there were no indications of impairment and therefore there was no impairment of goodwill required to be recorded for Fiscal 2019 (no impairments were recorded for Fiscal 2018 and Fiscal 2017).

Acquired intangibles

In accordance with business combinations accounting, we allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. Such valuations may require management to make significant estimates and assumptions, especially with respect to intangible assets. Acquired intangible assets typically consist of acquired technology and customer relationships associated with various acquisitions.

In valuing our acquired intangible assets, we may make assumptions and estimates based in part on information obtained from the management of the acquired company, which may make our assumptions and estimates inherently uncertain. Examples of critical estimates we may make in valuing certain of the intangible assets that we acquire include, but are not limited to:

- future expected cash flows of our individual revenue streams;
- historical and expected customer attrition rates and anticipated growth in revenue from acquired customers;
- the expected use of the acquired assets; and
- discount rates.

As a result of the judgments that need to be made, we obtain the assistance of independent valuation firms. We complete these assessments as soon as practical after the closing dates. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill.

Although we believe the assumptions and estimates of fair value we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain and subject to refinement. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill, if the changes are related to conditions that existed at the time of the acquisition. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments, based on events that occurred subsequent to the acquisition date, are recorded in our consolidated statements of income.

Income taxes

We account for income taxes in accordance with ASC Topic 740, "Income Taxes" (Topic 740). Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the Consolidated Financial Statements that will result in taxable or deductible amounts in future years. These temporary differences are measured using enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets to the extent that we consider it is more likely than not that a deferred tax asset will not be realized. In determining the valuation allowance, we consider factors such as the reversal of deferred income tax liabilities, projected taxable income, and the character of income tax assets and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

We account for our uncertain tax provisions by using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not that the position will be sustained on audit. On subsequent recognition and measurement the maximum amount which is more likely than not to be recognized at each reporting date will represent the Company's best estimate, given the information available at the reporting date, although the outcome of the tax position is not absolute or final. We recognize both accrued interest and penalties related to liabilities for income taxes within the "Provision for (recovery of) income taxes" line of our Consolidated Statements of Income

The Company's tax positions are subject to audit by local taxing authorities across multiple global subsidiaries and the resolution of such audits may span multiple years. Since tax law is complex and often subject to varied interpretations, it is uncertain whether some of the Company's tax positions will be sustained upon audit. Our assumptions, judgments and estimates relative to the current provision for income taxes considers current tax laws, our interpretations of current tax laws and possible outcomes of current and future audits conducted by domestic and foreign tax authorities. While we believe the assumptions and estimates that we have made are reasonable, such assumptions and estimates could have a material impact to our Consolidated Financial Statements upon ultimate resolution of the tax positions. For additional details, please see note 14 "Income Taxes" elsewhere in this Annual Report on Form 10-K.

RESULTS OF OPERATIONS

The following tables provide a detailed analysis of our results of operations and financial condition. For each of the periods indicated below, we present our revenues by product type, revenues by major geography, cost of revenues by product type, total gross margin, total operating margin, gross margin by product type, and their corresponding percentage of total revenue. In addition, we provide Non-GAAP measures for the periods discussed in order to provide additional information to investors that we believe will be useful as this presentation is in line with how our management assesses our Company's performance. See "Use of Non-GAAP Financial Measures" below for a reconciliation of GAAP-based measures to Non-GAAP-based measures.

Summary of Results of Operations

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
<u>Total Revenues by Product Type:</u>					
License	\$ 428,092	\$ (9,420)	\$ 437,512	\$ 68,368	\$ 369,144
Cloud services and subscriptions	907,812	78,844	828,968	123,473	705,495
Customer support	1,247,915	15,411	1,232,504	251,402	981,102
Professional service and other	284,936	(31,321)	316,257	80,941	235,316
Total revenues	2,868,755	53,514	2,815,241	524,184	2,291,057
Total Cost of Revenues	930,703	(20,296)	950,999	189,442	761,557
Total GAAP-based Gross Profit	1,938,052	73,810	1,864,242	334,742	1,529,500
Total GAAP-based Gross Margin %	67.6%		66.2%		66.8%
Total GAAP-based Operating Expenses	1,371,042	13,493	1,357,549	182,749	1,174,800
Total GAAP-based Income from Operations	\$ 567,010	\$ 60,317	\$ 506,693	\$ 151,993	\$ 354,700
<u>% Revenues by Product Type:</u>					
License	14.9%		15.6%		16.1%
Cloud services and subscriptions	31.7%		29.4%		30.8%
Customer support	43.5%		43.8%		42.8%
Professional service and other	9.9%		11.2%		10.3%
<u>Total Cost of Revenues by Product Type:</u>					
License	\$ 14,347	\$ 654	\$ 13,693	\$ 61	\$ 13,632
Cloud services and subscriptions	383,993	19,833	364,160	64,310	299,850
Customer support	124,343	(9,546)	133,889	11,324	122,565
Professional service and other	224,635	(28,754)	253,389	58,435	194,954
Amortization of acquired technology-based intangible assets	183,385	(2,483)	185,868	55,312	130,556
Total cost of revenues	\$ 930,703	\$ (20,296)	\$ 950,999	\$ 189,442	\$ 761,557
<u>% GAAP-based Gross Margin by Product Type:</u>					
License	96.6%		96.9%		96.3%
Cloud services and subscriptions	57.7%		56.1%		57.5%
Customer support	90.0%		89.1%		87.5%
Professional service and other	21.2%		19.9%		17.2%
<u>Total Revenues by Geography:⁽¹⁾</u>					
Americas ⁽²⁾	\$ 1,683,282	\$ 63,648	\$ 1,619,634	\$ 262,215	\$ 1,357,419
EMEA ⁽³⁾	920,422	2,655	917,767	197,207	720,560
Asia Pacific ⁽⁴⁾	265,051	(12,789)	277,840	64,762	213,078
Total revenues	\$ 2,868,755	\$ 53,514	\$ 2,815,241	\$ 524,184	\$ 2,291,057
<u>% Revenues by Geography:</u>					
Americas ⁽²⁾	58.7%		57.5%		59.2%
EMEA ⁽³⁾	32.1%		32.6%		31.5%
Asia Pacific ⁽⁴⁾	9.2%		9.9%		9.3%

	Year Ended June 30,		
	2019	2018	2017
GAAP-based gross margin	67.6%	66.2%	66.8%
GAAP-based EPS, diluted	\$ 1.06	\$ 0.91	\$ 4.01
Net income, attributable to OpenText	\$ 285,501	\$ 242,224	\$ 1,025,659
Non-GAAP-based gross margin ⁽⁵⁾	74.1%	73.0%	72.6%
Non-GAAP-based EPS, diluted ⁽⁵⁾	\$ 2.76	\$ 2.56	\$ 2.02
Adjusted EBITDA ⁽⁵⁾	\$ 1,100,291	\$ 1,020,351	\$ 794,285

- (1) Total revenues by geography are determined based on the location of our end customer.
- (2) Americas consists of countries in North, Central and South America.
- (3) EMEA primarily consists of countries in Europe, the Middle East and Africa.
- (4) Asia Pacific primarily consists of the countries Japan, Australia, China, Korea, Philippines, Singapore and New Zealand.
- (5) See "Use of Non-GAAP Financial Measures" (discussed later in this MD&A) for definitions and reconciliations of GAAP-based measures to Non-GAAP-based measures.

Revenues, Cost of Revenues and Gross Margin by Product Type

1) License:

Our license revenue can be broadly categorized as perpetual licenses, term licenses and subscription licenses, all of which are deployed on the customer's premises (on-premise). Our license revenues are impacted by the strength of general economic and industry conditions, the competitive strength of our software products, and our acquisitions. Cost of license revenues consists primarily of royalties payable to third parties.

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
License Revenues:					
Americas	\$ 215,871	\$ 8,216	\$ 207,655	\$ 29,257	\$ 178,398
EMEA	163,622	(7,009)	170,631	23,788	146,843
Asia Pacific	48,599	(10,627)	59,226	15,323	43,903
Total License Revenues	428,092	(9,420)	437,512	68,368	369,144
Cost of License Revenues	14,347	654	13,693	61	13,632
GAAP-based License Gross Profit	\$ 413,745	\$ (10,074)	\$ 423,819	\$ 68,307	\$ 355,512
GAAP-based License Gross Margin %	96.6%		96.9%		96.3%

% License Revenues by Geography:

Americas	50.4%	47.5%	48.3%
EMEA	38.2%	39.0%	39.8%
Asia Pacific	11.4%	13.5%	11.9%

License revenues decreased by \$9.4 million or 2.2% during the year ended June 30, 2019 as compared to the prior fiscal year; up 0.4% after factoring the impact of \$11.2 million of foreign exchange rate changes. Geographically, the overall change was attributable to an increase in Americas of \$8.2 million, offset by a decrease in Asia Pacific of \$10.6 million and a decrease in EMEA of \$7.0 million.

During Fiscal 2019, we closed 153 license deals greater than \$0.5 million, of which 49 deals were greater than \$1.0 million, contributing approximately \$144.1 million of license revenues. This was compared to 140 deals greater than \$0.5 million during Fiscal 2018, of which 58 deals were greater than \$1.0 million, contributing \$152.2 million of license revenues.

Cost of license revenues increased by \$0.7 million during the year ended June 30, 2019 as compared to the prior fiscal year. The gross margin percentage on license revenues remained at approximately 97%.

For illustrative purposes only, had we accounted for revenues under proforma Topic 605, license revenues would have been \$390.4 million for the year ended June 30, 2019, which would have been lower by approximately \$47.1 million or 10.8% as compared to the prior fiscal year; and would have been lower by 8.4% after factoring the impact of \$10.4 million of foreign exchange rate changes. Geographically, the overall change would have been attributable to a decrease in Americas of \$17.7 million, a decrease in EMEA of \$15.7 million and a decrease in Asia Pacific of \$13.7 million.

The \$37.7 million difference between license revenues recognized under Topic 606 and those proforma Topic 605 license revenues described above is the result of timing differences, where under Topic 605, revenues would have been deferred and recognized over time, but under Topic 606 these revenues are recognized up front. For more details, see note 3 "Revenues" to our Consolidated Financial Statements.

2) *Cloud Services and Subscriptions:*

Cloud services and subscriptions revenues are from hosting arrangements where in connection with the licensing of software, the end user doesn't take possession of the software, as well as from end-to-end fully outsourced business-to-business (B2B) integration solutions to our customers (collectively referred to as cloud arrangements). The software application resides on our hardware or that of a third party, and the customer accesses and uses the software on an as-needed basis via an identified line. Our cloud arrangements can be broadly categorized as "platform as a service" (PaaS), "software as a service" (SaaS), cloud subscriptions and managed services.

Cost of Cloud services and subscriptions revenues is comprised primarily of third party network usage fees, maintenance of in-house data hardware centers, technical support personnel-related costs, and some third party royalty costs.

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
<i>Cloud Services and Subscriptions:</i>					
Americas	\$ 616,776	\$ 61,553	\$ 555,223	\$ 70,216	\$ 485,007
EMEA	206,227	14,707	191,520	40,673	150,847
Asia Pacific	84,809	2,584	82,225	12,584	69,641
Total Cloud Services and Subscriptions Revenues	907,812	78,844	828,968	123,473	705,495
Cost of Cloud Services and Subscriptions Revenues	383,993	19,833	364,160	64,310	299,850
GAAP-based Cloud Services and Subscriptions Gross Profit	\$ 523,819	\$ 59,011	\$ 464,808	\$ 59,163	\$ 405,645
GAAP-based Cloud Services and Subscriptions Gross Margin %	57.7%		56.1%		57.5%
<i>% Cloud Services and Subscriptions Revenues by Geography:</i>					
Americas	67.9%		67.0%		68.7%
EMEA	22.7%		23.1%		21.4%
Asia Pacific	9.4%		9.9%		9.9%

Cloud services and subscriptions revenues increased by \$78.8 million or 9.5% during the year ended June 30, 2019 as compared to the prior fiscal year; up 10.8% after factoring the impact of \$10.8 million of foreign exchange rate changes. Geographically, the overall change was attributable to an increase in Americas of \$61.6 million, an increase in EMEA of \$14.7 million, and an increase in Asia Pacific of \$2.6 million.

The number of Cloud services deals greater than \$1.0 million that closed during Fiscal 2019 was 46 deals, consistent with that in Fiscal 2018.

Cost of Cloud services and subscriptions revenues increased by \$19.8 million during the year ended June 30, 2019 as compared to the prior fiscal year, due to an increase in labour-related costs of approximately \$19.1 million and an increase in third party network usage fees of \$1.3 million. These were partially offset by a decrease in other miscellaneous costs of \$0.6 million. The increase in labour-related costs was primarily due to increased headcount from recent acquisitions.

Overall, the gross margin percentage on Cloud services and subscriptions revenues increased to approximately 58% from approximately 56%.

For illustrative purposes only, had we accounted for revenues under proforma Topic 605, Cloud services and subscriptions revenues would have been \$901.5 million for the year ended June 30, 2019, which would have been higher by approximately \$72.5 million or 8.7% as compared to the prior fiscal year; and would have been up 10.1% after factoring the impact of \$11.0 million of foreign exchange rate changes. Geographically, the overall change would have been attributable to

an increase in Americas of \$56.4 million, and an increase in EMEA of \$12.4 million and an increase in Asia Pacific of \$3.7 million.

The \$6.4 million difference between cloud service and subscription revenues recognized under Topic 606 and those proforma Topic 605 cloud services and subscriptions revenues described above is primarily the result of timing differences on professional services related to cloud contracts, where under Topic 605, revenues would have been deferred over the estimated life of the contract, but under Topic 606 these revenues are recognized as services are performed. For more details, see note 3 "Revenues" to our Consolidated Financial Statements.

3) Customer Support:

Customer support revenues consist of revenues from our customer support and maintenance agreements. These agreements allow our customers to receive technical support, enhancements and upgrades to new versions of our software products when and if available. Customer support revenues are generated from support and maintenance relating to current year sales of software products and from the renewal of existing maintenance agreements for software licenses sold in prior periods. Therefore, changes in Customer support revenues do not always correlate directly to the changes in license revenues from period to period. The terms of support and maintenance agreements are typically twelve months, and are renewable, generally on an annual basis, at the option of the customer. Our management reviews our Customer support renewal rates on a quarterly basis and we use these rates as a method of monitoring our customer service performance. For the quarter ended June 30, 2019, our Customer support renewal rate was approximately 91%, stable compared with the Customer support renewal rate during the quarter ended June 30, 2018.

Cost of Customer support revenues is comprised primarily of technical support personnel and related costs, as well as third party royalty costs.

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
Customer Support Revenues:					
Americas	\$ 718,209	\$ 12,924	\$ 705,285	\$ 122,870	\$ 582,415
EMEA	427,712	3,939	423,773	103,145	320,628
Asia Pacific	101,994	(1,452)	103,446	25,387	78,059
Total Customer Support Revenues	1,247,915	15,411	1,232,504	251,402	981,102
Cost of Customer Support Revenues	124,343	(9,546)	133,889	11,324	122,565
GAAP-based Customer Support Gross Profit	\$ 1,123,572	\$ 24,957	\$ 1,098,615	\$ 240,078	\$ 858,537
GAAP-based Customer Support Gross Margin %	90.0%		89.1%		87.5%

% Customer Support Revenues by Geography:

Americas	57.6%	57.2%	59.4%
EMEA	34.3%	34.4%	32.7%
Asia Pacific	8.1%	8.4%	7.9%

Customer support revenues increased by \$15.4 million or 1.3% during the year ended June 30, 2019 as compared to the prior fiscal year; up 3.1% after factoring the impact of \$23.2 million of foreign exchange rate changes. Geographically, the overall change was attributable to an increase in Americas of \$12.9 million, an increase in EMEA of \$3.9 million, partially offset by a decrease in Asia Pacific of \$1.5 million.

Cost of Customer support revenues decreased by \$9.5 million during the year ended June 30, 2019 as compared to the prior fiscal year, due to a decrease in labour-related costs of approximately \$9.9 million, partially offset by an increase in other miscellaneous costs of \$0.4 million. Overall, the gross margin percentage on Customer support revenues increased to approximately 90% from approximately 89%.

For illustrative purposes only, had we accounted for revenues under proforma Topic 605, customer support revenues would have been \$1,246.3 million for the year ended June 30, 2019, which would have been higher by approximately \$13.8 million or 1.1% as compared to the prior fiscal year; and would have been up 3.0% after factoring the impact of \$23.3 million of foreign exchange rate changes. Geographically, the overall change would have been attributable to an increase in Americas of \$13.0 million and an increase in EMEA of \$2.7 million, partially offset by a decrease in Asia Pacific of \$1.9 million.

4) *Professional Service and Other:*

Professional service and other revenues consist of revenues from consulting contracts and contracts to provide implementation, training and integration services (professional services). Other revenues consist of hardware revenues, which are grouped within the “Professional service and other” category because they are relatively immaterial to our service revenues. Professional services are typically performed after the purchase of new software licenses. Professional service and other revenues can vary from period to period based on the type of engagements as well as those implementations that are assumed by our partner network.

Cost of professional service and other revenues consists primarily of the costs of providing integration, configuration and training with respect to our various software products. The most significant components of these costs are personnel-related expenses, travel costs and third party subcontracting.

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
<i>Professional Service and Other Revenues:</i>					
Americas	\$ 132,426	\$ (19,045)	\$ 151,471	\$ 39,872	\$ 111,599
EMEA	122,861	(8,982)	131,843	29,601	102,242
Asia Pacific	29,649	(3,294)	32,943	11,468	21,475
Total Professional Service and Other Revenues	284,936	(31,321)	316,257	80,941	235,316
Cost of Professional Service and Other Revenues	224,635	(28,754)	253,389	58,435	194,954
GAAP-based Professional Service and Other Gross Profit	\$ 60,301	\$ (2,567)	\$ 62,868	\$ 22,506	\$ 40,362
GAAP-based Professional Service and Other Gross Margin %	21.2%		19.9%		17.2%

% Professional Service and Other Revenues by Geography:

Americas	46.5%	47.9%	47.4%
EMEA	43.1%	41.7%	43.4%
Asia Pacific	10.4%	10.4%	9.2%

Professional service and other revenues decreased by \$31.3 million or 9.9% during the year ended June 30, 2019 as compared to the prior fiscal year; down 7.4% after factoring the impact of \$8.1 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in Americas of \$19.0 million, a decrease in EMEA of \$9.0 million and a decrease in Asia Pacific of \$3.3 million.

Cost of Professional service and other revenues decreased by \$28.8 million during the year ended June 30, 2019 as compared to the prior fiscal year as a result of a decrease in labour-related costs of approximately \$29.0 million resulting primarily from a reduction in the use of external labour resources, partially offset by an increase in other miscellaneous costs of \$0.2 million.

Overall, the gross margin percentage on Professional service and other revenues increased to approximately 21% from approximately 20%. This is the result of effectively executing our strategy of optimizing margins by being selective about the professional service engagements we accept.

Professional service and other revenues under proforma Topic 605 were not materially different from those under Topic 606 as discussed above.

Amortization of Acquired Technology-based Intangible Assets

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
Amortization of acquired technology-based intangible assets	\$ 183,385	\$ (2,483)	\$ 185,868	\$ 55,312	\$ 130,556

Amortization of acquired technology-based intangible assets decreased during the year ended June 30, 2019 by \$2.5 million, as compared to the same period in the prior fiscal year. This was due to a reduction of \$20.6 million, relating to intangible assets from certain previous acquisitions becoming fully amortized, partially offset by an increase in amortization of \$18.1 million, relating to newly acquired technology-based intangible assets from our recent acquisitions of Catalyst and

Liaison in Fiscal 2019, as well as Hightail, Guidance Software Inc. (Guidance), and Covisint Corporation (Covisint), which were acquired during Fiscal 2018.

Operating Expenses

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
Research and development	\$ 321,836	\$ (1,073)	\$ 322,909	\$ 41,694	\$ 281,215
Sales and marketing	518,035	(11,106)	529,141	84,687	444,454
General and administrative	207,909	2,682	205,227	34,874	170,353
Depreciation	97,716	10,773	86,943	22,625	64,318
Amortization of acquired customer-based intangible assets	189,827	5,709	184,118	33,276	150,842
Special charges (recoveries)	35,719	6,508	29,211	(34,407)	63,618
Total operating expenses	\$ 1,371,042	\$ 13,493	\$ 1,357,549	\$ 182,749	\$ 1,174,800

<u>% of Total Revenues:</u>				
Research and development	11.2%		11.5%	12.3%
Sales and marketing	18.1%		18.8%	19.4%
General and administrative	7.2%		7.3%	7.4%
Depreciation	3.4%		3.1%	2.8%
Amortization of acquired customer-based intangible assets	6.6%		6.5%	6.6%
Special charges (recoveries)	1.2%		1.0%	2.8%

Research and development expenses consist primarily of payroll and payroll-related benefits expenses, contracted research and development expenses, and facility costs. Research and development assists with organic growth and improves product stability and functionality, and accordingly, we dedicate extensive efforts to update and upgrade our product offerings. The primary driver is typically budgeted software upgrades and software development.

(In thousands)	Change between Fiscal increase (decrease)	
	2019 and 2018	2018 and 2017
Payroll and payroll-related benefits	\$ 12,629	\$ 39,119
Contract labour and consulting	(6,791)	(3,899)
Share-based compensation	(385)	(1,490)
Travel and communication	(588)	(343)
Facilities	(4,775)	7,834
Other miscellaneous	(1,163)	473
Total change in research and development expenses	\$ (1,073)	\$ 41,694

Research and development expenses decreased by \$1.1 million during the year ended June 30, 2019 as compared to the prior fiscal year. This was primarily due to a reduction in contract labour and consulting of \$6.8 million and a reduction in the use of facility and related expenses of \$4.8 million, partially offset by an increase in payroll and payroll-related benefits of \$12.6 million. The increase in payroll and payroll-related benefits was driven primarily by increased headcount from recent acquisitions. Overall, our research and development expenses, as a percentage of total revenues, remained stable at approximately 11% compared to prior fiscal year.

Our research and development labour resources increased by 336 employees, from 3,331 employees at June 30, 2018 to 3,667 employees at June 30, 2019.

Sales and marketing expenses consist primarily of personnel expenses and costs associated with advertising, marketing events and trade shows.

(In thousands)	Change between Fiscal increase (decrease)	
	2019 and 2018	2018 and 2017
Payroll and payroll-related benefits	\$ (48)	\$ 48,717
Commissions	(6,588)	16,993
Contract labour and consulting	(871)	609
Share-based compensation	(752)	(454)
Travel and communication	(1,113)	271
Marketing expenses	(5,742)	3,880
Facilities	808	8,373
Bad debt expense	3,519	4,013
Other miscellaneous	(319)	2,285
Total change in sales and marketing expenses	<u>\$ (11,106)</u>	<u>\$ 84,687</u>

Sales and marketing expenses decreased by \$11.1 million during the year ended June 30, 2019 as compared to the prior fiscal year. This was primarily due to (i) a decrease in commissions expense of \$6.6 million, of which approximately \$8.9 million is the net result of the Company capitalizing more commission expense under Topic 606, whereas previously, under Topic 605, such costs would have been expensed as incurred, (ii) a decrease in marketing expenses of \$5.7 million and (iii) a decrease in travel and communication expenses of \$1.1 million. These were partially offset by (i) an increase in bad debt expense of \$3.5 million as certain low dollar receivables were provided for entirely as they became aged greater than one year. Overall, our sales and marketing expenses, as a percentage of total revenues, decreased to approximately 18% from approximately 19% in the prior fiscal year.

Our sales and marketing labour resources increased by 103 employees, from 1,948 employees at June 30, 2018 to 2,051 employees at June 30, 2019.

General and administrative expenses consist primarily of payroll and payroll related benefits expenses, related overhead, audit fees, other professional fees, contract labour and consulting expenses and public company costs.

(In thousands)	Change between Fiscal increase (decrease)	
	2019 and 2018	2018 and 2017
Payroll and payroll-related benefits	\$ 4,089	\$ 22,908
Contract labour and consulting	(618)	(1,054)
Share-based compensation	768	(1,709)
Travel and communication	794	80
Facilities	(4,537)	5,777
Other miscellaneous	2,186	8,872
Total change in general and administrative expenses	<u>\$ 2,682</u>	<u>\$ 34,874</u>

General and administrative expenses increased by \$2.7 million during the year ended June 30, 2019 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of \$4.1 million and an increase in other miscellaneous expenses of \$2.2 million, which includes professional fees such as legal, audit and tax related expenses. These were partially offset by a reduction in the use of facility and related expenses of \$4.5 million. The remainder of the change was attributable to other activities associated with normal growth in our business operations. Overall, general and administrative expenses, as a percentage of total revenue, remained at approximately 7%.

Our general and administrative labour resources increased by 119 employees, from 1,501 employees at June 30, 2018 to 1,620 employees at June 30, 2019.

Depreciation expenses:

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
Depreciation	\$ 97,716	\$ 10,773	\$ 86,943	\$ 22,625	\$ 64,318

Depreciation expenses increased during the year ended June 30, 2019 by \$10.8 million as compared to the prior fiscal year. Depreciation expense, as a percentage of total revenue, remained at approximately 3%.

Amortization of acquired customer-based intangible assets:

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
Amortization of acquired customer-based intangible assets	\$ 189,827	\$ 5,709	\$ 184,118	\$ 33,276	\$ 150,842

Amortization of acquired customer-based intangible assets increased during the year ended June 30, 2019 by \$5.7 million as compared to the prior fiscal year. This was due to an increase in amortization of \$12.6 million, relating to newly acquired customer-based intangible assets from our recent acquisitions of Catalyst and Liaison in Fiscal 2019, as well as of Hightail, Guidance and Covisint, which were acquired during Fiscal 2018. The increase in amortization was partially offset by a reduction of \$6.9 million, relating to intangible assets from certain previous acquisitions becoming fully amortized.

Special charges (recoveries):

Special charges typically relate to amounts that we expect to pay in connection with restructuring plans relating to employee workforce reduction and abandonment of excess facilities, acquisition-related costs and other similar charges and recoveries. Generally, we implement such plans in the context of integrating acquired entities with existing OpenText operations. Actions related to such restructuring plans are typically completed within a period of one year. In certain limited situations, if the planned activity does not need to be implemented, or an expense lower than anticipated is paid out, we record a recovery of the originally recorded expense to Special charges.

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
Special charges (recoveries)	\$ 35,719	\$ 6,508	\$ 29,211	\$ (34,407)	\$ 63,618

Special charges increased by \$6.5 million during the year ended June 30, 2019 as compared to the prior fiscal year. This was primarily due to (i) an increase in restructuring activities of \$11.5 million and (ii) an increase of \$2.8 million relating to a lower net impact of reversals from certain pre-acquisition sales and use tax liabilities and interest being settled, or in certain cases, becoming statute barred. These increases were partially offset by a reduction in expense of \$5.3 million relating to one-time system implementation costs. The remainder of the change is due to other miscellaneous items.

For more details on Special charges (recoveries), see note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements.

Other Income (Expense), Net

Other income (expense), net relates to certain non-operational charges primarily consisting of income or losses in our share of marketable equity securities accounted for under the equity method and of transactional foreign exchange gains (losses). The income (expense) from foreign exchange is dependent upon the change in foreign currency exchange rates vis-à-vis the functional currency of the legal entity.

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
Foreign exchange gains (losses)	\$ (4,330)	\$ (9,175)	\$ 4,845	\$ 1,776	\$ 3,069
OpenText share in net income (loss) of equity investees (note 8)	13,668	7,703	5,965	13	5,952
Income from long-term other receivable	—	(1,327)	1,327	(5,099)	6,426
Gain on shares held in Guidance ⁽¹⁾	—	(841)	841	841	—
Gain from contractual settlement ⁽²⁾	—	(5,000)	5,000	5,000	—
Other miscellaneous income (expense)	818	823	(5)	(301)	296
Total other income (expense), net	\$ 10,156	\$ (7,817)	\$ 17,973	\$ 2,230	\$ 15,743

⁽¹⁾ Represents the release to income from other comprehensive income relating to the mark to market on shares we held in Guidance prior to our acquisition in the first quarter of Fiscal 2018.

⁽²⁾ Represents a gain recognized in connection with the settlement of a certain breach of contractual arrangement in the second quarter of Fiscal 2018.

Interest and Other Related Expense, Net

Interest and other related expense, net is primarily comprised of interest paid and accrued on our debt facilities, offset by interest income earned on our cash and cash equivalents.

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
Interest expense related to total outstanding debt ⁽¹⁾	\$ 137,487	\$ 5,106	\$ 132,381	\$ 16,202	\$ 116,179
Interest income	(8,014)	(6,342)	(1,672)	1,443	(3,115)
Other miscellaneous expense	7,119	(712)	7,831	3	7,828
	\$ 136,592	\$ (1,948)	\$ 138,540	\$ 17,648	\$ 120,892

⁽¹⁾ For more details see note 10 "Long-Term Debt" to our Consolidated Financial Statements.

Provision for (Recovery of) Income Taxes

We operate in several tax jurisdictions and are exposed to various foreign tax rates. We also note that we are subject to tax rate discrepancies between our domestic tax rate and foreign tax rates that are significant and these discrepancies are primarily related to earnings in the United States.

Please also see Part I, Item 1A "Risk Factors" elsewhere in this Annual Report on Form 10-K.

(In thousands)	Year Ended June 30,				
	2019	Change increase (decrease)	2018	Change increase (decrease)	2017
Provision for (recovery of) income taxes	\$ 154,937	\$ 11,111	\$ 143,826	\$ 920,190	\$ (776,364)

The effective tax rate decreased to a provision of 35.2% for the year ended June 30, 2019, compared to 37.2% for the year ended June 30, 2018. The increase in tax expense of \$11.1 million was primarily due to the increase in net income taxed at foreign rates of \$10.7 million, an increase of \$26.4 million in reserves for unrecognized tax benefits, an increase of \$16.1 million arising on the introduction of BEAT in Fiscal 2019, and an increase of \$16.3 million relating to the tax impact of internal reorganizations of subsidiaries, partially offset by the reversal of accruals for undistributed United States earnings of \$14.8 million, the Fiscal 2018 impact of United States tax reform of \$19.0 million which did not recur in Fiscal 2019, an increase in tax credits for research and development of \$9.7 million, an increase of \$6.8 million in the release of valuation allowance, a decrease of \$5.8 million in the impact of withholding taxes in Fiscal 2019. The remainder of the difference was due to normal course movements and non-material items.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changed the existing US tax laws, including a reduction in the federal corporate tax rate from 35% to 21%, and the transition of US international taxation from a worldwide tax system to a partially territorial tax system. As a result of the enactment of the legislation, the Company incurred a one-time tax expense of \$19.0 million in the year ended June 30, 2018,

primarily related to the transition tax on accumulated foreign earnings and the re-measurement of certain deferred tax assets and liabilities. During the year ended June 30, 2019, there was a reduction of \$0.9 million to this amount, mainly attributable to evaluating the portion of our existing Alternative Minimum Tax (AMT) credit carryforwards expected to be refundable as a result of the repeal of corporate AMT. The portion of the tax expense attributable to the transition tax is payable over a period of up to eight years.

In accordance with Staff Accounting Bulletin 118 "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118), the Company completed its analysis of the impact of the Tax Cuts and Jobs Act by December 22, 2018. The Company's final determination of the total one-time tax expense as a result of the enactment of the Tax Cuts and Jobs Act is \$18.1 million.

For information with regards to certain potential tax contingencies, see note 13 "Guarantees and Contingencies" to our Consolidated Financial Statements.

Use of Non-GAAP Financial Measures

In addition to reporting financial results in accordance with U.S. GAAP, the Company provides certain financial measures that are not in accordance with U.S. GAAP (Non-GAAP). These Non-GAAP financial measures have certain limitations in that they do not have a standardized meaning and thus the Company's definition may be different from similar Non-GAAP financial measures used by other companies and/or analysts and may differ from period to period. Thus it may be more difficult to compare the Company's financial performance to that of other companies. However, the Company's management compensates for these limitations by providing the relevant disclosure of the items excluded in the calculation of these Non-GAAP financial measures both in its reconciliation to the U.S. GAAP financial measures and its Consolidated Financial Statements, all of which should be considered when evaluating the Company's results.

The Company uses these Non-GAAP financial measures to supplement the information provided in its Consolidated Financial Statements, which are presented in accordance with U.S. GAAP. The presentation of Non-GAAP financial measures are not meant to be a substitute for financial measures presented in accordance with U.S. GAAP, but rather should be evaluated in conjunction with and as a supplement to such U.S. GAAP measures. OpenText strongly encourages investors to review its financial information in its entirety and not to rely on a single financial measure. The Company therefore believes that despite these limitations, it is appropriate to supplement the disclosure of the U.S. GAAP measures with certain Non-GAAP measures defined below.

Non-GAAP-based net income and Non-GAAP-based EPS, attributable to OpenText, is consistently calculated as GAAP-based net income or earnings per share, attributable to OpenText, on a diluted basis, after giving effect to the amortization of acquired intangible assets, other income (expense), share-based compensation, and Special charges (recoveries), all net of tax and any tax benefits/expense items unrelated to current period income, as further described in the tables below. Non-GAAP-based gross profit is the arithmetical sum of GAAP-based gross profit and the amortization of acquired technology-based intangible assets and share-based compensation within cost of sales. Non-GAAP-based gross margin is calculated as Non-GAAP-based gross profit expressed as a percentage of total revenue. Non-GAAP-based income from operations is calculated as GAAP-based income from operations, excluding the amortization of acquired intangible assets, Special charges (recoveries), and share-based compensation expense.

Adjusted earnings (loss) before interest, taxes, depreciation and amortization (Adjusted EBITDA) is consistently calculated as GAAP-based net income, attributable to OpenText excluding interest income (expense), provision for income taxes, depreciation and amortization of acquired intangible assets, other income (expense), share-based compensation and Special charges (recoveries).

The Company's management believes that the presentation of the above defined Non-GAAP financial measures provides useful information to investors because they portray the financial results of the Company before the impact of certain non-operational charges. The use of the term "non-operational charge" is defined for this purpose as an expense that does not impact the ongoing operating decisions taken by the Company's management. These items are excluded based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal reports and are not excluded in the sense that they may be used under U.S. GAAP.

The Company does not acquire businesses on a predictable cycle, and therefore believes that the presentation of non-GAAP measures, which in certain cases adjust for the impact of amortization of intangible assets and the related tax effects that are primarily related to acquisitions, will provide readers of financial statements with a more consistent basis for comparison across accounting periods and be more useful in helping readers understand the Company's operating results and underlying operational trends. Additionally, the Company has engaged in various restructuring activities over the past several years, primarily due to acquisitions, that have resulted in costs associated with reductions in headcount, consolidation of leased facilities and related costs, all which are recorded under the Company's "Special Charges (recoveries)" caption on the Consolidated Statements of Income. Each restructuring activity is a discrete event based on a unique set of business objectives or circumstances, and each differs in terms of its operational implementation, business impact and scope, and the size of each restructuring plan can vary significantly from period to period. Therefore, the Company believes that the exclusion of these special charges (recoveries) will also better aid readers of financial statements in the understanding and comparability of the Company's operating results and underlying operational trends.

In summary, the Company believes the provision of supplemental Non-GAAP measures allow investors to evaluate the operational and financial performance of the Company's core business using the same evaluation measures that management uses, and is therefore a useful indication of OpenText's performance or expected performance of future operations and facilitates period-to-period comparison of operating performance (although prior performance is not necessarily indicative of future performance). As a result, the Company considers it appropriate and reasonable to provide, in addition to U.S. GAAP measures, supplementary Non-GAAP financial measures that exclude certain items from the presentation of its financial results.

The following charts provide unaudited reconciliations of U.S. GAAP-based financial measures to Non-GAAP-based financial measures for the following periods presented. Results for reporting periods commencing July 1, 2018 are presented

under the new Topic 606 revenue standard, while prior period results continue to be reported under the previous standard. For more details relating to our adoption of Topic 606 please see Note 1 "Basis of Presentation" and Note 3 "Revenues" to our Consolidated Financial Statements.

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2019
(in thousands except for per share data)

	Year Ended June 30, 2019					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	\$ 383,993		\$ (948)	(1)	\$ 383,045	
Customer support	124,343		(1,242)	(1)	123,101	
Professional service and other	224,635		(1,764)	(1)	222,871	
Amortization of acquired technology-based intangible assets	183,385		(183,385)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,938,052	67.6%	187,339	(3)	2,125,391	74.1%
Operating expenses						
Research and development	321,836		(4,991)	(1)	316,845	
Sales and marketing	518,035		(7,880)	(1)	510,155	
General and administrative	207,909		(9,945)	(1)	197,964	
Amortization of acquired customer-based intangible assets	189,827		(189,827)	(2)	—	
Special charges (recoveries)	35,719		(35,719)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	567,010		435,701	(5)	1,002,711	
Other income (expense), net	10,156		(10,156)	(6)	—	
Provision for (recovery of) income taxes	154,937		(33,680)	(7)	121,257	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	285,501		459,225	(8)	744,726	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	\$ 1.06		\$ 1.70	(8)	\$ 2.76	

- (1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.
- (2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.
- (3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.
- (4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Condensed Consolidated Financial Statements for more details.
- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars.
- (6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in non-marketable securities investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.
- (7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 35% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Year Ended June 30, 2019	
	Per share diluted	
GAAP-based net income, attributable to OpenText	\$ 285,501	\$ 1.06
Add:		
Amortization	373,212	1.38
Share-based compensation	26,770	0.10
Special charges (recoveries)	35,719	0.13
Other (income) expense, net	(10,156)	(0.04)
GAAP-based provision for (recovery of) income taxes	154,937	0.57
Non-GAAP-based provision for income taxes	(121,257)	(0.44)
Non-GAAP-based net income, attributable to OpenText	\$ 744,726	\$ 2.76

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2019	
GAAP-based net income, attributable to OpenText	\$ 285,501	
Add:		
Provision for (recovery of) income taxes	154,937	
Interest and other related expense, net	136,592	
Amortization of acquired technology-based intangible assets	183,385	
Amortization of acquired customer-based intangible assets	189,827	
Depreciation	97,716	
Share-based compensation	26,770	
Special charges (recoveries)	35,719	
Other (income) expense, net	(10,156)	
Adjusted EBITDA	\$ 1,100,291	

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2018
(in thousands except for per share data)

	Year Ended June 30, 2018					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	\$ 364,160		\$ (1,429)	(1)	\$ 362,731	
Customer support	133,889		(1,233)	(1)	132,656	
Professional service and other	253,389		(1,838)	(1)	251,551	
Amortization of acquired technology-based intangible assets	185,868		(185,868)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,864,242	66.2%	190,368	(3)	2,054,610	73.0%
Operating expenses						
Research and development	322,909		(5,659)	(1)	317,250	
Sales and marketing	529,141		(9,231)	(1)	519,910	
General and administrative	205,227		(8,204)	(1)	197,023	
Amortization of acquired customer-based intangible assets	184,118		(184,118)	(2)	—	
Special charges (recoveries)	29,211		(29,211)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	506,693		426,791	(5)	933,484	
Other income (expense), net	17,973		(17,973)	(6)	—	
Provision for (recovery of) income taxes	143,826		(32,534)	(7)	111,292	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	242,224		441,352	(8)	683,576	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	\$ 0.91		\$ 1.65	(8)	\$ 2.56	

- (1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.
- (2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.
- (3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.
- (4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Condensed Consolidated Financial Statements for more details.
- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars.
- (6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in non-marketable securities investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.
- (7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 37% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense. We also took into consideration changes in US tax reform legislation that was enacted on December 22, 2017 through the Tax Cuts and Jobs Act.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Year Ended June 30, 2018	
	Per share diluted	
GAAP-based net income, attributable to OpenText	\$ 242,224	\$ 0.91
Add:		
Amortization	369,986	1.38
Share-based compensation	27,594	0.10
Special charges (recoveries)	29,211	0.11
Other (income) expense, net	(17,973)	(0.07)
GAAP-based provision for (recovery of) income taxes	143,826	0.54
Non-GAAP-based provision for income taxes	(111,292)	(0.41)
Non-GAAP-based net income, attributable to OpenText	<u>\$ 683,576</u>	<u>\$ 2.56</u>

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2018	
GAAP-based net income, attributable to OpenText	\$ 242,224	
Add:		
Provision for (recovery of) income taxes		143,826
Interest and other related expense, net		138,540
Amortization of acquired technology-based intangible assets		185,868
Amortization of acquired customer-based intangible assets		184,118
Depreciation		86,943
Share-based compensation		27,594
Special charges (recoveries)		29,211
Other (income) expense, net		(17,973)
Adjusted EBITDA	<u>\$</u>	<u>1,020,351</u>

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2017
(in thousands except for per share data)

	Year Ended June 30, 2017					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	\$ 299,850		\$ (1,229)	(1)	\$ 298,621	
Customer support	122,565		(1,079)	(1)	121,486	
Professional service and other	194,954		(1,451)	(1)	193,503	
Amortization of acquired technology-based intangible assets	130,556		(130,556)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,529,500	66.8%	134,315	(3)	1,663,815	72.6%
Operating expenses						
Research and development	281,215		(7,149)	(1)	274,066	
Sales and marketing	444,454		(9,680)	(1)	434,774	
General and administrative	170,353		(9,919)	(1)	160,434	
Amortization of acquired customer-based intangible assets	150,842		(150,842)	(2)	—	
Special charges (recoveries)	63,618		(63,618)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	354,700		375,523	(5)	730,223	
Other income (expense), net	15,743		(15,743)	(6)	—	
Provision for (recovery of) income taxes	(776,364)		867,764	(7)	91,400	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	1,025,659		(507,984)	(8)	517,675	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	\$ 4.01		\$ (1.99)	(8)	\$ 2.02	

- (1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.
- (2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.
- (3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.
- (4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Condensed Consolidated Financial Statements for more details.
- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars.
- (6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in non-marketable securities investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.
- (7) Adjustment relates to differences between the GAAP-based tax recovery rate of approximately 311% and a Non-GAAP-based tax rate of approximately 15%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization (see note 14 "Income Taxes") assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 15%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

(8) Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Year Ended June 30, 2017	
	Per share diluted	
GAAP-based net income, attributable to OpenText	\$ 1,025,659	\$ 4.01
Add:		
Amortization	281,398	1.10
Share-based compensation	30,507	0.12
Special charges (recoveries)	63,618	0.25
Other (income) expense, net	(15,743)	(0.06)
GAAP-based provision for (recovery of) income taxes	(776,364)	(3.03)
Non-GAAP-based provision for income taxes	(91,400)	(0.37)
Non-GAAP-based net income, attributable to OpenText	\$ 517,675	\$ 2.02

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2017
GAAP-based net income, attributable to OpenText	\$ 1,025,659
Add:	
Provision for (recovery of) income taxes	(776,364)
Interest and other related expense, net	120,892
Amortization of acquired technology-based intangible assets	130,556
Amortization of acquired customer-based intangible assets	150,842
Depreciation	64,318
Share-based compensation	30,507
Special charges (recoveries)	63,618
Other (income) expense, net	(15,743)
Adjusted EBITDA	\$ 794,285

LIQUIDITY AND CAPITAL RESOURCES

The following tables set forth changes in cash flows from operating, investing and financing activities for the periods indicated:

(In thousands)	As of June 30, 2019	Change increase (decrease)	As of June 30, 2018	Change increase (decrease)	As of June 30, 2017
Cash and cash equivalents	\$ 941,009	\$ 258,067	\$ 682,942	\$ 239,585	\$ 443,357
Restricted cash included in Other assets	2,534	1,485	1,049	(1,804)	2,853
Total Cash, cash equivalents and restricted cash	<u>\$ 943,543</u>	<u>\$ 259,552</u>	<u>\$ 683,991</u>	<u>\$ 237,781</u>	<u>\$ 446,210</u>

(In thousands)	Year Ended June 30,				
	2019	Change	2018	Change	2017
Cash provided by operating activities	\$ 876,278	\$ 168,197	\$ 708,081	\$ 267,728	\$ 440,353
Cash used in investing activities	\$ (464,526)	\$ (20,085)	\$ (444,441)	\$ 1,746,523	\$ (2,190,964)
Cash provided by (used in) financing activities	\$ (148,374)	\$ (124,701)	\$ (23,673)	\$ (933,217)	\$ 909,544

Cash and cash equivalents

Cash and cash equivalents primarily consist of balances with banks as well as deposits with original maturities of 90 days or less.

We continue to anticipate that our cash and cash equivalents, as well as available credit facilities, will be sufficient to fund our anticipated cash requirements for working capital, contractual commitments, capital expenditures, dividends and operating needs for the next twelve months. Any further material or acquisition-related activities may require additional sources of financing and would be subject to the financial covenants established under our credit facilities. For more details, see "Long-term Debt and Credit Facilities" below.

As of June 30, 2019, we recognized a provision of \$17.4 million (June 30, 2018—\$28.5 million) in respect of both additional foreign taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries, and planned periodic repatriations from certain United States and German subsidiaries, that will be subject to withholding taxes upon distribution.

Cash flows provided by operating activities

Cash flows from operating activities increased by \$168.2 million due to an increase in changes from working capital of \$157.5 million and an increase in net income before the impact of non-cash items of \$10.7 million. The increase in operating cash flow from changes in working capital was primarily due to the net impact of the following increases: (i) \$98.1 million relating to a decrease in accounts receivable, (ii) \$69.9 million relating to an increase in accounts payable and accrued liabilities, (iii) \$58.6 million relating to income taxes payable and (iv) \$6.5 million relating to a decrease in prepaid expenses and other current assets. These increases in operating cash flows were partially offset by decreases of (i) \$37.6 million relating to higher contract assets, (ii) \$37.5 million relating to lower deferred revenues, and (iii) \$0.5 million relating to higher balances of other assets.

During the fourth quarter of Fiscal 2019 our days sales outstanding (DSO) was 56 days, compared to a DSO of 58 days during the fourth quarter of Fiscal 2018. The per day impact of our DSO in the fourth quarters of Fiscal 2019 and Fiscal 2018 on our cash flows was \$8.3 million and \$8.4 million, respectively. In arriving at DSO, we exclude contract assets as these assets do not provide an unconditional right to the related consideration from the customer.

Cash flows used in investing activities

Our cash flows used in investing activities is primarily on account of acquisitions and additions of property and equipment.

Cash flows used in investing activities increased by \$20.1 million, primarily due to an increase of \$63.2 million in consideration paid for acquisitions during Fiscal 2019, as compared to Fiscal 2018. This was partially offset by a decrease of \$41.5 million in purchases of property and equipment. The remainder of the change was due to miscellaneous items.

Cash flows provided by (used in) financing activities

Our cash flows from financing activities generally consist of long-term debt financing and amounts received from stock options exercised by our employees. These inflows are typically offset by scheduled and non-scheduled repayments of our long-term debt financing and, when applicable, the payment of dividends and/or the repurchases of our Common Shares.

Cash flows used in financing activities increased by \$124.7 million. This was primarily due to (i) a net increase of \$56.3 million on long-term debt repayments, (ii) \$23.2 million relating to higher dividend payments to our shareholders, (iii) \$26.5 million relating to funds we provide to an independent agent to facilitate the repurchase of Common Shares on the open market, for potential reissuance under our long-term incentive and other plans and (iv) \$18.2 million relating to less cash collected from the issuance of Common Shares for the exercise of options and the OpenText Employee Share Purchase Plan (ESPP).

Cash Dividends

During the year ended June 30, 2019, we declared and paid cash dividends of \$0.6300 per Common Share in the aggregated amount of \$168.9 million. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of the Board. See Item 5 "Dividend Policy" in this Annual Report on Form 10-K for more information.

During the year ended June 30, 2018, we declared and paid cash dividends of \$0.5478 per Common Share in the aggregate amount of \$145.6 million.

During the year ended June 30, 2017, we declared and paid cash dividends of \$0.4770 per Common Share in the aggregate amount of \$120.6 million.

Long-term Debt and Credit Facilities

Senior Unsecured Fixed Rate Notes

Senior Notes 2026

On May 31, 2016 we issued \$600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 bear interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 will mature on June 1, 2026, unless earlier redeemed, in accordance with their terms, or repurchased.

On December 20, 2016, we issued an additional \$250 million in aggregate principal amount by reopening our Senior Notes 2026 at an issue price of 102.75%. The additional notes have identical terms, are fungible with and are a part of a single series with the previously issued \$600 million aggregate principal amount of Senior Notes 2026. The outstanding aggregate principal amount of Senior Notes 2026, after taking into consideration the additional issuance, is \$850 million.

We may redeem all or a portion of the Senior Notes 2026 at any time prior to June 1, 2021 at a redemption price equal to 100% of the principal amount of Senior Notes 2026 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. We may also, on one or more occasions, redeem Senior Notes 2026, in whole or in part, at any time on and after June 1, 2021 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2026, dated as of May 31, 2016, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2026 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of changes of control triggering events specified in the 2026 Indenture, we will be required to make an offer to repurchase Senior Notes 2026 at a price equal to 101% of the principal amount of Senior Notes 2026, plus accrued and unpaid interest, if any, to the date of purchase.

The 2026 Indenture contains covenants that limit our and certain of our subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee additional indebtedness of the Company or the guarantors without such subsidiary becoming a subsidiary guarantor of the notes; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2026 Indenture. The 2026 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding notes to be due and payable immediately.

Senior Notes 2026 are guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our existing senior credit facilities. Senior Notes 2026 and the guarantees rank equally in right of payment with all of our and our guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of our and our guarantors' future subordinated debt. Senior Notes 2026 and the guarantees will be effectively subordinated to all of our and our guarantors' existing and future secured debt, including the obligations under the senior credit facilities, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2026 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2026 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on May 31, 2016.

Senior Notes 2023

On January 15, 2015, we issued \$800 million in aggregate principal amount of our 5.625% Senior Notes due 2023 (Senior Notes 2023) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2023 bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2015. Senior Notes 2023 will mature on January 15, 2023, unless earlier redeemed in accordance with their terms, or repurchased.

We may, on one or more occasion, redeem Senior Notes 2023, in whole or in part, at any time at the applicable redemption prices set forth in the indenture governing the Senior Notes 2023, dated as of January 15, 2015, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon (as successor to Citibank N.A.), as U.S. trustee, and BNY Trust Company of Canada (as successor to Citi Trust Company Canada), as Canadian trustee (the 2023 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of changes of control triggering events specified in the 2023 Indenture, we will be required to make an offer to repurchase Senior Notes 2023 at a price equal to 101% of the principal amount of Senior Notes 2023, plus accrued and unpaid interest, if any, to the date of purchase.

The 2023 Indenture contains covenants that limit our and certain of our subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee additional indebtedness of the Company or the subsidiary guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2023; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2023 Indenture. The 2023 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding notes to be due and payable immediately.

Senior Notes 2023 are guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our existing senior credit facilities. Senior Notes 2023 and the guarantees rank equally in right of payment with all of our and our subsidiary guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of our and our subsidiary guarantors' future subordinated debt. Senior Notes 2023 and the guarantees will be effectively subordinated to all of ours and our guarantors' existing and future secured debt, including the obligations under the Revolver and Term Loan B (as defined herein), to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2023 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2023 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on January 15, 2015.

Term Loan B

On May 30, 2018, we entered into a credit facility, which provides for a \$1 billion term loan facility with certain lenders named therein, Barclays Bank PLC (Barclays), as sole administrative agent and collateral agent, and as lead arranger and joint bookrunner (Term Loan B) and borrowed the full amount on May 30, 2018 to, among other things, repay in full the loans under our prior \$800 million term loan credit facility originally entered into on January 16, 2014. Repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity.

Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with the Revolver. Term Loan B has a seven year term, maturing in May 2025.

Borrowings under Term Loan B bear interest at a rate per annum equal to an applicable margin plus, at the borrower's option, either (1) the eurodollar rate for the interest period relevant to such borrowing or (2) an ABR rate. The applicable

margin for borrowings under Term Loan B is 1.75%, with respect to LIBOR advances and 0.75%, with respect to ABR advances. The interest on the current outstanding balance for Term Loan B is equal to 1.75% plus LIBOR (subject to a 0.00% floor). As of June 30, 2019, the outstanding balance on the Term Loan B bears an interest rate of approximately 4.19%.

Term Loan B has incremental facility capacity of (i) \$250 million plus (ii) additional amounts, subject to meeting a “consolidated senior secured net leverage” ratio not exceeding 2.75:1.00, in each case subject to certain conditions. Consolidated senior secured net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, that is secured by our or any of our subsidiaries’ assets, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges.

Under Term Loan B, we must maintain a “consolidated net leverage” ratio of no more than 4:1 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of June 30, 2019, our consolidated net leverage ratio was 1.5:1.

Revolver

We currently have a \$450 million committed revolving credit facility (the Revolver) which matures on May 5, 2022. Borrowings under the Revolver are secured by a first charge over substantially all of our assets, and on a pari passu basis with Term Loan B. The Revolver has no fixed repayment date prior to the end of the term. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%.

As of June 30, 2019, we have no outstanding balance on the Revolver. There was no activity during the year ended June 30, 2019 and we recorded no interest expense.

During the year ended June 30, 2018, we drew down \$200 million from the Revolver, partially to finance acquisitions (June 30, 2017—\$225 million). Additionally, during the year ended June 30, 2018, we repaid \$375 million and recorded interest expense of \$9.0 million relating to amounts drawn on the Revolver (June 30, 2017—\$50 million and \$2.6 million, respectively).

For further details relating to our debt, please see note 10 "Long-Term Debt" to our Consolidated Financial Statements.

Shelf Registration Statement

On August 30, 2017, we filed a universal shelf registration statement on Form S-3 with the SEC, which became effective automatically (the Shelf Registration Statement). The Shelf Registration Statement allows for primary and secondary offerings from time to time of equity, debt and other securities, including Common Shares, Preference Shares, debt securities, depositary shares, warrants, purchase contracts, units and subscription receipts. A base shelf short-form prospectus qualifying the distribution of such securities was concurrently filed with Canadian securities regulators on August 30, 2017. The type of securities and the specific terms thereof will be determined at the time of any offering and will be described in the applicable prospectus supplement to be filed separately with the SEC and Canadian securities regulators.

Pensions

As of June 30, 2019, our total unfunded pension plan obligations were \$77.5 million, of which \$2.3 million is payable within the next twelve months. We expect to be able to make the long-term and short-term payments related to these obligations in the normal course of operations.

Our anticipated payments under our most significant plans for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,		
	CDT	GXS GER	GXS PHP
2020	\$ 675	\$ 1,012	\$ 161
2021	758	1,011	153
2022	832	1,044	352
2023	933	1,043	208
2024	1,041	1,050	272
2025 to 2028	6,009	5,308	2,389
Total	\$ 10,248	\$ 10,468	\$ 3,535

For a detailed discussion on pensions, see note 11 "Pension Plans and Other Post Retirement Benefits" to our Consolidated Financial Statements.

Commitments and Contractual Obligations

As of June 30, 2019, we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

	Payments due between				
	Total	July 1, 2019— June 30, 2020	July 1, 2020— June 30, 2022	July 1, 2022— June 30, 2024	July 1, 2024 and beyond
Long-term debt obligations ⁽¹⁾	\$ 3,408,565	\$ 147,059	\$ 292,156	\$ 1,045,567	\$ 1,923,783
Operating lease obligations ⁽²⁾	318,851	72,853	106,394	59,441	80,163
Purchase obligations	11,280	8,364	2,747	169	—
	\$ 3,738,696	\$ 228,276	\$ 401,297	\$ 1,105,177	\$ 2,003,946

⁽¹⁾ Includes interest up to maturity and principal payments. Please see note 10 "Long-Term Debt" for more details.

⁽²⁾ Net of \$30.7 million of sublease income to be received from properties which we have subleased to third parties.

Guarantees and Indemnifications

We have entered into customer agreements which may include provisions to indemnify our customers against third party claims that our software products or services infringe certain third party intellectual property rights and for liabilities related to a breach of our confidentiality obligations. We have not made any material payments in relation to such indemnification provisions and have not accrued any liabilities related to these indemnification provisions in our Consolidated Financial Statements.

Occasionally, we enter into financial guarantees with third parties in the ordinary course of our business, including, among others, guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business. Such agreements have not had a material effect on our results of operations, financial position or cash flows.

Litigation

We are currently involved in various claims and legal proceedings.

Quarterly, we review the status of each significant legal matter and evaluate such matters to determine how they should be treated for accounting and disclosure purposes in accordance with the requirements of ASC Topic 450-20 "Loss Contingencies" (Topic 450-20). Specifically, this evaluation process includes the centralized tracking and itemization of the status of all our disputes and litigation items, discussing the nature of any litigation and claim, including any dispute or claim that is reasonably likely to result in litigation, with relevant internal and external counsel, and assessing the progress of each matter in light of its merits and our experience with similar proceedings under similar circumstances.

If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this Annual Report on Form 10-K, the aggregate of such estimated losses was not material to our consolidated financial position or results of operations and we do not believe as of the date of this filing that it is reasonably possible that a loss exceeding the amounts already recognized will be incurred that would be material to our consolidated financial position or results of operations.

Contingencies

IRS Matter

As we have previously disclosed, the United States Internal Revenue Service (IRS) is examining certain of our tax returns for our fiscal year ended June 30, 2010 (Fiscal 2010) through our fiscal year ended June 30, 2012 (Fiscal 2012), and in connection with those examinations is reviewing our internal reorganization in Fiscal 2010 to consolidate certain intellectual property ownership in Luxembourg and Canada and our integration of certain acquisitions into the resulting structure. We also previously disclosed that the examinations may lead to proposed adjustments to our taxes that may be material, individually or in the aggregate, and that we have not recorded any material accruals for any such potential adjustments in our Consolidated Financial Statements.

We previously disclosed that, as part of these examinations, on July 17, 2015 we received from the IRS an initial Notice of Proposed Adjustment (NOPA) in draft form, that, as revised by the IRS on July 11, 2018 proposes a one-time approximately \$335 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010 (the 2010 NOPA), plus penalties equal to 20% of the additional proposed taxes for Fiscal 2010, and interest at the applicable statutory rate published by the IRS.

On July 11, 2018, we also received, consistent with previously disclosed expectations, a draft NOPA proposing a one time approximately \$80 million increase to our U.S. federal taxes for Fiscal 2012 (the 2012 NOPA) arising from the integration of Global 360 Holding Corp. into the structure that resulted from the internal reorganization in Fiscal 2010, plus penalties equal to 40% of the additional proposed taxes for Fiscal 2012, and interest.

On January 7, 2019, we received from the IRS official notification of proposed adjustments to our taxable income for Fiscal 2010 and Fiscal 2012, together with the 2010 NOPA and 2012 NOPA in final form. In each case, such documentation was as expected and on substantially the same terms as provided for in the previously disclosed respective draft NOPAs, with the exception of an additional proposed penalty as part of the 2012 NOPA.

A NOPA is an IRS position and does not impose an obligation to pay tax. We continue to strongly disagree with the IRS' positions within the NOPAs and we are vigorously contesting the proposed adjustments to our taxable income, along with any proposed penalties and interest.

As of our receipt of the final 2010 NOPA and 2012 NOPA, our estimated potential aggregate liability, as proposed by the IRS, including additional state income taxes plus penalties and interest that may be due, was approximately \$770 million, comprised of approximately \$455 million in U.S. federal and state taxes, approximately \$130 million of penalties, and approximately \$185 million of interest. Interest will continue to accrue at the applicable statutory rates until the matter is resolved and may be substantial.

As previously disclosed and noted above, we strongly disagree with the IRS' positions and we are vigorously contesting the proposed adjustments to our taxable income, along with the proposed penalties and interest. We are examining various alternatives available to taxpayers to contest the proposed adjustments, including through IRS Appeals and U.S. Federal court. Any such alternatives could involve a lengthy process and result in the incurrence of significant expenses. As of the date of this Annual Report on Form 10-K, we have not recorded any material accruals in respect of these examinations in our Consolidated Financial Statements. An adverse outcome of these tax examinations could have a material adverse effect on our financial position and results of operations.

For additional information regarding the history of this IRS matter, please see Note 13 "Guarantees and Contingencies" in our Annual Report on Form 10-K for Fiscal 2018.

CRA Matter

As part of its ongoing audit of our Canadian tax returns, the Canada Revenue Agency (CRA) has disputed our transfer pricing methodology used for certain intercompany transactions with our international subsidiaries and has issued notices of reassessment for Fiscal 2012, Fiscal 2013 and Fiscal 2014. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of June 30, 2019, in connection with the CRA's reassessments for Fiscal 2012, Fiscal 2013 and Fiscal 2014 to be limited to penalties and interest that may be due of approximately \$25 million.

The notices of reassessment for Fiscal 2012, Fiscal 2013 and Fiscal 2014 would, as drafted, increase our taxable income by approximately \$90 million to \$100 million for each of those years, as well as impose a 10% penalty on the proposed adjustment to income.

We strongly disagree with the CRA's positions and believe the reassessments of Fiscal 2012, Fiscal 2013 and Fiscal 2014 (including any penalties) are without merit. We have filed notices of objection for Fiscal 2012 and Fiscal 2013, and we are currently seeking competent authority consideration under applicable international treaties in respect of these reassessments. We intend to file the notice of objection for Fiscal 2014 shortly.

Even if we are unsuccessful in challenging the CRA's reassessments to increase our taxable income for Fiscal 2012, Fiscal 2013 and Fiscal 2014, or potential reassessments that may be proposed for subsequent years currently under audit, we have elective deductions available for those years (including carry-backs from later years) that would offset such increased amounts so that no additional cash tax would be payable, exclusive of any assessed penalties and interest, as described above.

We will continue to vigorously contest the proposed adjustments to our taxable income and any penalty and interest assessments. As of the date of this Annual Report on Form 10-K, we have not recorded any accruals in respect of these reassessments in our Consolidated Financial Statements. Audits by the CRA of our tax returns for fiscal years prior to Fiscal 2012 have been completed with no reassessment of our income tax liability in respect of our international transactions, including the transfer pricing methodology applied to them. The CRA is currently auditing Fiscal 2015, Fiscal 2016 and Fiscal 2017 and have proposed to reassess Fiscal 2015 in a manner consistent with Fiscal 2012, Fiscal 2013 and Fiscal 2014. We are engaged in ongoing discussions with the CRA and continue to vigorously contest the CRA's audit positions.

GXS Brazil Matter

As previously disclosed and in connection with the intercompany charges between GXS Group, Inc. and its subsidiary, GXS Tecnologia da Informação (Brasil) Ltda., based on the historical transfer pricing studies, approximately \$1.5 million accrued in relation to this matter became statute barred during the year ended June 30, 2019 and accordingly was released as a recovery under "Special charges".

GXS India Matter

Our Indian subsidiary, GXS India Technology Centre Private Limited (GXS India), is subject to potential assessments by Indian tax authorities in the city of Bangalore. GXS India has received assessment orders from the Indian tax authorities alleging that the transfer price applied to intercompany transactions was not appropriate. Based on advice from our tax advisors, we believe that the facts that the Indian tax authorities are using to support their assessment are incorrect. We have filed appeals and anticipate an eventual settlement with the Indian tax authorities. We have accrued \$1.3 million to cover our anticipated financial exposure in this matter.

Please also see Part I, Item 1A "Risk Factors" in this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We do not enter into off-balance sheet financing as a matter of practice, except for guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business, and the use of operating leases for office space, computer equipment, and vehicles. None of the operating leases described in the previous sentence has, and we currently do not believe that they potentially may have, a material effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources. In accordance with U.S. GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet, as the terms of the leases do not meet the criteria for capitalization.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to market risks associated with fluctuations in interest rates on our term loans, revolving loans and foreign currency exchange rates.

Interest rate risk

Our exposure to interest rate fluctuations relate primarily to our Term Loan B and, if drawn, the Revolver.

As of June 30, 2019, we had an outstanding balance of \$987.5 million on Term Loan B. Term Loan B bears a floating interest rate of 1.75% plus LIBOR. As of June 30, 2019, an adverse change of one percent on the interest rate would have the effect of increasing our annual interest payment on Term Loan B by approximately \$9.9 million, assuming that the loan balance as of June 30, 2019 is outstanding for the entire period (June 30, 2018—\$10.0 million). No amounts were drawn on the Revolver during Fiscal 2019.

Foreign currency risk

Foreign currency transaction risk

We transact business in various foreign currencies. Our foreign currency exposures typically arise from intercompany fees, intercompany loans and other intercompany transactions that are expected to be cash settled in the near term. We expect that we will continue to realize gains or losses with respect to our foreign currency exposures. Our ultimate realized gain or loss with respect to foreign currency exposures will generally depend on the size and type of cross-currency transactions that we

enter into, the currency exchange rates associated with these exposures and changes in those rates. Additionally, we have hedged certain of our Canadian dollar foreign currency exposures relating to our payroll expenses in Canada.

Based on the foreign exchange forward contracts outstanding as of June 30, 2019, a one cent change in the Canadian dollar to U.S. dollar exchange rate would have caused a change of approximately \$0.6 million in the mark to market on our existing foreign exchange forward contracts (June 30, 2018—\$0.5 million).

Foreign currency translation risk

Our reporting currency is the U.S. dollar. Fluctuations in foreign currencies impact the amount of total assets and liabilities that we report for our foreign subsidiaries upon the translation of these amounts into U.S. dollars. In particular, the amount of cash and cash equivalents that we report in U.S. dollars for a significant portion of the cash held by these subsidiaries is subject to translation variance caused by changes in foreign currency exchange rates as of the end of each respective reporting period (the offset to which is recorded to accumulated other comprehensive income on our Consolidated Balance Sheets).

The following table shows our cash and cash equivalents denominated in certain major foreign currencies as of June 30, 2019 (equivalent in U.S. dollar):

(In thousands)	U.S. Dollar Equivalent at June 30, 2019	U.S. Dollar Equivalent at June 30, 2018
Euro	\$ 120,417	\$ 120,346
British Pound	33,703	31,211
Canadian Dollar	12,635	24,590
Swiss Franc	56,776	52,652
Other foreign currencies	105,273	117,459
Total cash and cash equivalents denominated in foreign currencies	328,804	346,258
U.S. dollar	612,205	336,684
Total cash and cash equivalents	\$ 941,009	\$ 682,942

If overall foreign currency exchange rates in comparison to the U.S. dollar uniformly weakened by 10%, the amount of cash and cash equivalents we would report in equivalent U.S. dollars would decrease by approximately \$32.9 million (June 30, 2018—\$34.6 million), assuming we have not entered into any derivatives discussed above under "Foreign Currency Transaction Risk".

Item 8. Financial Statements and Supplementary Data

The response to this Item 8 is submitted as a separate section of this Annual Report on Form 10-K. See Part IV, Item 15.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, our management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2019, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that information required to be disclosed by us in the reports we file under the Exchange Act (according to Rule 13(a)-15(e)) is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

(B) Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR), as such term is defined in Exchange Act Rule 13a-15(f). ICFR is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. ICFR includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorizations of our management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Our management assessed our ICFR as of June 30, 2019, the end of our most recent fiscal year. In making our assessment, our management used the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our management has excluded the ICFR of Liaison Technologies Inc. (Liaison), which we acquired on December 17, 2018, as discussed in note 18 "Acquisitions" to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K. Total revenues subject to Liaison's ICFR represented approximately 1.9% of our consolidated total revenues for the fiscal year ended June 30, 2019. Total assets subject to Liaison's ICFR represented approximately 4.7% of our consolidated total assets as of June 30, 2019 (of which approximately \$321.1 million represents goodwill and net intangible assets subject to our internal control over financial reporting as of June 30, 2019).

Based on the results of our evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our ICFR was effective as of June 30, 2019.

The results of our management's assessment were reviewed with our Audit Committee and the conclusion that our ICFR was effective as of June 30, 2019 has been audited by KPMG LLP, our independent registered public accounting firm, as stated in their report which is included in Part IV, Item 15 of this Annual Report.

Our management, including the Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our ICFR will prevent or detect all error or all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any evaluation of prospective control effectiveness, with respect to future periods, is subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

(C) Attestation Report of the Independent Registered Public Accounting Firm

KPMG LLP, our independent registered public accounting firm, has issued a report under Public Company Accounting Oversight Board Auditing Standard No. 5 on the effectiveness of our ICFR. See Part IV, Item 15 of this Annual Report on Form 10-K.

(D) Changes in Internal Control over Financial Reporting (ICFR)

Based on the evaluation completed by our management, in which our Chief Executive Officer and Chief Financial Officer participated, our management has concluded that there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Matters

As of June 30, 2019, in anticipation of our adoption of ASU No. 2016-02 “Leases (Topic 842)”, we were in the process of finalizing certain changes to our policies, procedures, information systems and the related control activities, to monitor and maintain appropriate internal controls over financial reporting. These changes in policies and procedures, information systems and the related control activities were implemented in July 2019.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth certain information as to our directors and executive officers as of July 25, 2019.

<u>Name</u>	<u>Age</u>	<u>Office and Position Currently Held With Company</u>
Mark J. Barrenechea	54	Vice Chair, Chief Executive Officer and Chief Technology Officer, Director
Madhu Ranganathan	55	Executive Vice President, Chief Financial Officer
Savinay Berry	43	Senior Vice President, Cloud Service Delivery
Gordon A. Davies	57	Executive Vice President, Chief Legal Officer and Corporate Development
Prentiss Donohue	49	Senior Vice President, Portfolio Group
Paul Duggan	44	Senior Vice President, Revenue Operations
Simon Harrison	49	Executive Vice President, Worldwide Sales
David Jamieson	54	Senior Vice President, Chief Information Officer
Aditya Maheshwari	45	Senior Vice President and Chief Accounting Officer
Muhi Majzoub	59	Executive Vice President, Engineering
James McGourlay	50	Executive Vice President, Customer Operations
Patricia E. Nagle	54	Senior Vice President, Chief Marketing Officer
Brian Sweeney	55	Senior Vice President, Chief Human Resources Officer
P. Thomas Jenkins	59	Chairman of the Board
Randy Fowlie ⁽²⁾⁽³⁾	59	Director
Major General David Fraser ⁽³⁾	62	Director
Gail E. Hamilton ⁽¹⁾	69	Director
Stephen J. Sadler	68	Director
Harmit Singh ⁽²⁾	56	Director
Michael Slaunwhite ⁽¹⁾⁽³⁾	58	Director
Katharine B. Stevenson ⁽²⁾	57	Director
Carl Jürgen Tinggren ⁽²⁾	61	Director
Deborah Weinstein ⁽¹⁾⁽³⁾	59	Director

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Member of the Corporate Governance and Nominating Committee.

Mark J. Barrenechea

Mr. Barrenechea joined OpenText in January 2012 as the President and Chief Executive Officer. In January 2016, Mr. Barrenechea took on the role of Chief Technology Officer, while remaining the Company's Chief Executive Officer. In September 2017, Mr. Barrenechea was appointed Vice Chair, in addition to remaining the Chief Executive Officer and Chief Technology Officer. Before joining OpenText, Mr. Barrenechea was President and Chief Executive Officer of Silicon Graphics International Corporation (SGI), where he also served as a member of the Board. During Mr. Barrenechea's tenure at SGI, he led strategy and execution, which included transformative acquisition of assets, as well as penetrating diverse new markets and geographic regions. Mr. Barrenechea also served as a director of SGI from 2006 to 2012. Prior to SGI, Mr. Barrenechea served as Executive Vice President and CTO for CA, Inc. (CA), (formerly Computer Associates International, Inc.) from 2003 to 2006 and was a member of the executive management team. Before going to CA, Mr. Barrenechea was the Senior Vice President of Applications Development at Oracle Corporation from 1997 to 2003, managing a multi-thousand person global team while

serving as a member of the executive management team. From 1994 to 1997, Mr. Barrenechea served as Vice President of Development at Scopus, a software applications company. Prior to Scopus, Mr. Barrenechea was the Vice President of Development at Tesseract, where he was responsible for reshaping the company's line of CRM and human capital management software. Mr. Barrenechea serves as a member of the Board and Audit Committee of Dick's Sporting Goods and also serves as a board member of Avery Dennison Corporation. In the past five years, Mr. Barrenechea also served as a director of Hamilton Insurance Group. Mr. Barrenechea holds a Bachelor of Science degree in computer science from Saint Michael's College. Mr. Barrenechea has authored several books including *The Intelligent and Connected Enterprise*, *The Golden Age of Innovation*, *Digital Manufacturing*, *Digital Financial Services*, *On Digital*, *Digital: Disrupt or Die*, *eGovernment or Out of Government*, *Enterprise Information Management: The Next Generation of Enterprise Software*, *Software Rules and e-Business or out of Business*.

Madhu Ranganathan

Ms. Ranganathan joined OpenText as Executive Vice President, Chief Financial Officer in April 2018. With more than 25 years of financial leadership experience, Ms. Ranganathan most recently served as the Chief Financial Officer for [24]7.ai from June 2008 to March 2018. Ms. Ranganathan also held senior financial roles at Rackable Systems from December 2005 to May 2008, Redback Networks from August 2002 to November 2005, and Backweb Technologies from December 1996 to January 2000. She also has public accounting experience with PriceWaterhouseCoopers LLC. Ms. Ranganathan currently serves as Board Member for Akamai Technologies. In the past five years she served as a Board Member of ServiceSource and Watermark, a Bay Area organization focused on professional development for women. Ms. Ranganathan holds an MBA in Finance from the University of Massachusetts, is a Certified Public Accountant in California and a Chartered Accountant (India).

Savinay Berry

Mr. Berry has served as the Company's Senior Vice President, Cloud Service Delivery since January 2019. He is responsible for all OpenText Cloud Services, including infrastructure, Service Delivery, Managed Services, eDiscovery, Security Cloud Services and Professional Services in the Philippines. Prior to this role, Mr. Berry served as Vice President, Engineering and Products from 2017 to 2019. Prior to joining OpenText, Mr. Berry was Vice President, Product Management at Dell EMC from 2015 to 2017 and Director, Advanced Product and Technology at Intuit from 2013 to 2014. He also served as Vice President of Product Management at Empowered Inc (acquired by Qualcomm) from 2011 to 2012 and from 2008 to 2011, Mr. Berry served as Principal, Granite Ventures. Mr. Berry holds both a Bachelor and Master's Degree in Electrical and Computer Engineering and an MBA from Kellogg School of Management at Northwestern University.

Gordon A. Davies

Mr. Davies joined OpenText as Chief Legal Officer in September 2009. Mr. Davies also serves as the Company's Chief Compliance Officer, and has responsibility for Corporate Development and the Corporate Secretary Group. Prior to joining OpenText, Mr. Davies was the Chief Legal Officer and Corporate Secretary of Nortel Networks Corporation. During his sixteen years at Nortel, Mr. Davies acted as Deputy General Counsel and Corporate Secretary during 2008, and as interim Chief Legal Officer and Corporate Secretary in 2005 and again in 2007. He led the Corporate Securities legal team as General Counsel-Corporate from 2003, with responsibility for providing legal support on all corporate and securities law matters, and spent five years in Europe supporting all aspects of the Europe, Middle East and Africa (EMEA) business, ultimately as General Counsel, EMEA. Prior to joining Nortel, Mr. Davies practiced securities law at a major Toronto law firm. Mr. Davies holds an LL.B and an MBA from the University of Ottawa, and a B.A. from the University of British Columbia. He is a member of the Law Society of Upper Canada, the Canadian Bar Association, the Association of Canadian General Counsel and the Society of Corporate Secretaries and Governance Professionals.

Prentiss Donohue

Mr. Donohue has served as Senior Vice President, Portfolio group since January 2019. Prior to this role, Mr. Donohue served as Senior Vice President of Professional Services from April 2016 to January 2019. He brings over 20 years of experience in support and services management. Prior to joining OpenText, Mr. Donohue served as Group Vice President and General Manager of Advanced Customer Services for Oracle Corporation from January 2010 to March 2016, where he was responsible for driving Oracle's innovative software, systems and cloud services. From April 1998 to December 2010, Mr. Donohue worked at Sun Microsystems in various leadership roles, including in Managed Services Management and Corporate Marketing. Mr. Donohue served on the board of directors of Summit Charter School until May 2016. Mr. Donohue holds a BA from the University of Colorado and has completed executive leadership programs at the University of Michigan's Ross School of Business and the University of Hong Kong.

Paul Duggan

Mr. Duggan joined OpenText as Senior Vice President of Revenue Operations in January 2017. He is responsible for operations across sales, professional services, business networks, and customer support. Prior to joining OpenText, Mr. Duggan held various roles at Oracle Corporation, including Group Vice President of Support Renewal Sales, North America from December 1999 to January 2017. Previously, Mr. Duggan served on the advisory board for the Technology Services Industry Association from 2016 to 2017. He has completed executive leadership programs at the University of Michigan Ross School of Business and IESE Business School in Barcelona, Spain.

Simon Harrison

Mr. Harrison has served as the Company's Executive Vice President of Worldwide Sales since October 2017. Prior to this, Mr. Harrison, who joined the Company through its acquisition of IXOS AG, has held a number of senior leadership roles, including serving as its Senior Vice President of Enterprise Sales from 2015 to 2017, Senior Vice President of Fast Growth Markets from 2014 to 2015 and as the Company's Senior Vice President of Sales for the EMEA region from 2012 to 2014. Mr. Harrison holds an honors degree in Computer Science from Leeds University.

David Jamieson

Mr. Jamieson joined OpenText as the Chief Information Officer in November 2014. He brings over 25 years of experience in leading Information Technology organizations through the ever-changing technology landscape. Prior to joining OpenText, Mr. Jamieson worked at Barrick Gold Corporation, where he served as Director of Information Technology for four years before being appointed as the Vice President of Information Management and Technology in 2005. Mr. Jamieson has held senior positions with companies, such as Universal Studios Canada from 1999 to 2001, EDS/SHL Systemhouse from 1996 to 1999, and Canadian Pacific Railway from 1988 to 1996. Mr. Jamieson holds a Bachelor of Applied Science, Mechanical Engineering from the University of Toronto and received his Professional Engineer designation in 1990.

Aditya Maheshwari

Mr. Maheshwari joined OpenText as Senior Vice President and Chief Accounting Officer in February 2016. Prior to joining OpenText, Mr. Maheshwari was an Audit Partner in the Technology, Media and Telecommunications practice at KPMG LLP, Canada until February 5, 2016. With 15 years of experience at KPMG including international postings in the UK and India, Mr. Maheshwari has the experience of working with several large multinational companies under U.S. GAAP and International Financial Reporting Standards. Mr. Maheshwari represented Canada on KPMG's global think-tank for the Technology sector and is the co-author of 11 technical and thought-leadership publications, published by KPMG, on revenue recognition for the Technology, Media and Telecommunications sector. During his tenure in the UK, Mr. Maheshwari worked in KPMG's technical accounting group, International Standards Group, specializing in revenue recognition. Mr. Maheshwari is a Chartered Professional Accountant (Ontario), Certified Public Accountant (Colorado) and Chartered Accountant (India).

Muhi Majzoub

Mr. Majzoub has served as Executive Vice President, Engineering since January 2016. Prior to that he served as Senior Vice President, Engineering from June 2012 to January 2016. Mr. Majzoub is responsible for managing product development cycles, global development organization and driving internal operations and development processes. Mr. Majzoub is a seasoned enterprise software technology executive having recently served as Head of Products for NorthgateArinso, a private company that provides global Human Resources software and services. Prior to this, Mr. Majzoub was Senior Vice President of Product Development for CA, Technologies from June 2004 to July 2010. Mr. Majzoub also worked for several years as Vice President for Product Development at Oracle Corporation from January 1989 to June 2004. Mr. Majzoub attended San Francisco State University.

James McGourlay

Mr. McGourlay has served as Executive Vice President, Customer Operations since October 2017. Prior to this, Mr. McGourlay was the Company's Senior Vice President of Global Technical Services from May 2015 to October 2017 and Senior Vice President of Worldwide Customer Service from February 2012 to May 2015. Mr. McGourlay joined OpenText in 1997 and held progressive positions in information technology, technical support, product support and special projects, including, Director, Customer Service and Vice President, Customer Service.

Patricia Nagle

Ms. Nagle has served as Senior Vice President, Chief Marketing Officer since February 2018 and is responsible for all marketing and demand generation initiatives, including field marketing, programs, events, product marketing, industry

marketing, demonstrations, partners and alliances as well as inside sales. Prior to this role, Ms. Nagle held various positions within the Company since joining OpenText in 2007, including Vice President of Global Partners and Strategic Alliances, from January 2007 to February 2018. Prior to joining OpenText, Ms. Nagle was SVP of World Wide Sales, Services and Marketing at Percussion Software, where she was responsible for direct and indirect sales and all customer facing, external media communications, client satisfaction and demand generation activities globally. Ms. Nagle holds a BA in Business Administration, a BA in Economics and a concentration in Marketing from the University of New Hampshire as well as an MBA in Business Administration & Management from Harvard University.

Brian Sweeney

Mr. Sweeney joined OpenText as Chief Human Resources Officer in October 2018. He has over 25 years of experience as a Human Resource (HR) leader in high growth, global technology businesses, and professional services consulting. He has led organizational growth and transformation initiatives, including international expansion, M&A, global talent management, compensation and benefits, employee engagement, communication and cultural transformation. Prior to joining OpenText, Mr. Sweeney worked at Amgen Inc. from 2003 to 2008, where he served in various HR leadership roles, including Global VP of HR, Head of HR for Global R&D, and VP of International Human Resources. Prior to this, Mr. Sweeney worked at Dell, where he served as Director of Worldwide Compensation and Benefits from 1999 to 1997 and HR Director from 1997 to 2001. From 1989 to 1992, Mr. Sweeney was a Human Resources consultant at AON Hewitt Associates, working across multiple client industry sectors in the practice areas of employee benefits and executive compensation. Earlier in his professional career, Mr. Sweeney worked in corporate sales and sales management for Steelcase, Inc. Mr. Sweeney holds an MBA from the University of Michigan and a Bachelor's degree in Sociology from Vanderbilt University.

P. Thomas Jenkins

Mr. Jenkins is Chair of the Board of OpenText. From 1994 to 2005, Mr. Jenkins was President, then Chief Executive Officer and then from 2005 to 2013, Chief Strategy Officer of OpenText. Mr. Jenkins has served as a Director of OpenText since 1994 and as its Chairman since 1998. In addition to his OpenText responsibilities, Mr. Jenkins is Chair of the World Wide Web Foundation, a Commissioner of the Tri-Lateral Commission, founding Chair of the Ontario Global 100 (OG100) and Canadian Co-Chair of the Atlantik Bruecke. Currently, Mr. Jenkins is a board member of Manulife Financial Corporation. In the past five years, Mr. Jenkins also served as a board member of Thomson Reuters Inc. and TransAlta Corporation. He was the tenth Chancellor of the University of Waterloo and was the Chair of the National Research Council of Canada (NRC). Mr. Jenkins received an M.B.A. from Schulich School of Business at York University, an M.A.Sc. from the University of Toronto and a B.Eng. & Mgt. from McMaster University. Mr. Jenkins received honorary doctorates from six universities. He is a member of the Waterloo Region Entrepreneur Hall of Fame, a Companion of the Canadian Business Hall of Fame and recipient of the Ontario Entrepreneur of the Year award, the McMaster Engineering L.W. Shemilt Distinguished Alumni Award and the Schulich School of Business Outstanding Executive Leadership award. He is a Fellow of the Canadian Academy of Engineering (FCAE). Mr. Jenkins was awarded the Canadian Forces Decoration (CD) and the Queen's Diamond Jubilee Medal (QJDM). Mr. Jenkins is an Officer of the Order of Canada (OC).

Randy Fowlie

Mr. Fowlie has served as a director of OpenText since March 1998. From March 2011 to April 2017, Mr. Fowlie was the President and CEO of RDM Corporation, a leading provider of specialized hardware and software solutions in the electronic payment industry. Mr. Fowlie operated a consulting practice from July 2006 to December 2010. From January 2005 until July 2006, Mr. Fowlie held the position of Vice President and General Manager, Digital Media, of Harris Corporation, formerly Leitch Technology Corporation (Leitch), a company that was engaged in the design, development, and distribution of audio and video infrastructure to the professional video industry. Leitch was acquired in August 2005 by Harris Corporation. From June 1999 to January 2005, Mr. Fowlie held the position of Chief Operating Officer and Chief Financial Officer of Insciber Technology Corporation (Insciber), a computer software company and from February 1998 to June 1999 Mr. Fowlie was the Chief Financial Officer of Insciber. Insciber was acquired by Leitch in January 2005. Prior to working at Insciber Mr. Fowlie was a partner with KPMG LLP, Chartered Accountants, where he worked from 1984 to February 1998. Mr. Fowlie received a B.B.A. (Honours) from Wilfrid Laurier University and is a Chartered Professional Accountant. Currently, Mr. Fowlie is also a director of InvestorCom Inc, and Dye & Durham Corporation. In the last five years, Mr. Fowlie also served as a director of RDM Corporation.

Major General David Fraser

Major-General (Ret.) David Fraser has served as a director of OpenText since September 2018. Mr. Fraser is the President of Aegis Six Corporation of Toronto. Mr. Fraser was commissioned as an Infantry Officer following graduation from Carleton University with a Bachelor of Arts in 1980. He served in various command and staff positions in the Princess Patricia's

Canadian Light Infantry from platoon to Division throughout his 30 year career. Most notable, he commanded the NATO coalition in southern Afghanistan in 2006. He is a graduate of the Canadian Forces Command and Staff College in Toronto, holds a Master's of Management and Policy and is a graduate of the United States Capstone Program (Executive School for generals). His honors and awards including the Commander of Military Merit, the Canadian Meritorious Service Cross, the Meritorious Service Medal, the United States Legion of Honor and Bronze Star (for service in Afghanistan), and awards from the Netherlands, Poland, and NATO. He is the recipient of the Vimy award for contributions to leadership and international affairs and the Atlantic Council Award for international leadership. Upon his departure from the military, Mr. Fraser joined the private sector and, along with his partners, created Blue Goose Pure Foods. Mr. Fraser joined INKAS® Armored Vehicle Manufacturing as their Chief Operating Officer in 2015 until 2017. In 2016, he founded Aegis Six Corporation, which aims at addressing the needs of capacity building abroad and for the private sector within Canada. Mr. Fraser currently works with the Bank of Montreal on their Canadian Defence Community Banking Program, serves as a director of Route1, Inc and the Canadian Forces College Foundation, is a member of The Prince's Charities Advisory Council as well as the Conference of Defence Association board. Mr. Fraser is also a mentor at the Ivey Business School and is the co-author of *Operation Medusa, The Furious Battle that Saved Afghanistan from the Taliban*.

Gail E. Hamilton

Ms. Hamilton has served as a director of OpenText since December 2006. For the five years prior thereto, Ms. Hamilton led a team of over 2,000 employees worldwide as Executive Vice President at Symantec Corp (Symantec), an infrastructure software company, and most recently had "P&L" responsibility for their global services and support business. While leading Symantec's \$2B enterprise and consumer business, Ms. Hamilton helped steer the company through an aggressive acquisition strategy. In 2003, Information Security magazine recognized Ms. Hamilton as one of the "20 Women Luminaries" shaping the security industry. Ms. Hamilton has over 20 years of experience growing leading technology and services businesses in the enterprise market. She has extensive management experience at Compaq and Hewlett Packard, as well as Microtec Research. Ms. Hamilton received both a BSEE from the University of Colorado and an MSEE from Stanford University. Currently, Ms. Hamilton is also a director of Arrow Electronics. In the past five years Ms. Hamilton also served as a director of Ixia and Westmoreland Coal Company. She was recently named as one of WomenInc.'s 2018 Most Influential Corporate Board Directors.

Stephen J. Sadler

Mr. Sadler has served as a director of OpenText since September 1997. From April 2000 to present, Mr. Sadler has served as the Chairman and CEO of Enghouse Systems Limited, a publicly traded software engineering company that develops geographic information systems as well as contact center systems. Mr. Sadler was previously Chief Financial Officer, President and Chief Executive Officer of GEAC Computer Corporation Ltd. (GEAC). Prior to Mr. Sadler's involvement with GEAC, he held executive positions with Phillips Electronics Limited and Loblaw's Companies Limited, and was Chairman of Helix Investments (Canada) Inc. Currently, Mr. Sadler is a director of Enghouse Systems Limited. Mr. Sadler holds a B.A. Sc. (Honours) in Industrial Engineering and an M.B.A. (Dean's List) and he is a Chartered Professional Accountant.

Harmit Singh

Mr. Singh has served as a director of OpenText since September 2018. He is the Executive Vice President and Chief Financial Officer of Levi Strauss & Co., where he is responsible for managing the company's finance, information technology, strategic sourcing and global business services functions globally. This includes: financial planning and analysis; strategic planning and corporate development; accounting and controls; tax; enterprise risk management; treasury; internal audit; and investor relations. Mr. Singh is a seasoned financial executive with almost 30 years of experience in driving growth for global consumer brands. Prior to joining Levi Strauss & Co. in January 2013, Mr. Singh has served as Chief Financial Officer of Hyatt Hotels Corporation, where he played an instrumental role in successfully establishing a global financial structure, taking the company public, building a strong balance sheet, and driving growth by supporting capital deployment for acquisition and investments. Before Hyatt Hotels Corporation, Mr. Singh held various global leadership roles at Yum! Brands Inc., one of the world's largest restaurant companies, (including acting as Chief Financial Officer of Pizza Hut and Chief Financial Officer of Yum International). Early in his career, Mr. Singh also worked at American Express India and PriceWaterhouse in India. Mr. Singh holds a Bachelor of Commerce from Shri Ram College of Commerce, Delhi University, and is a Chartered Accountant from India. He is also a member of the CNBC Global CFO Council and Wall Street Journal CFO Network. In October 2016, Mr. Singh was named to the board of directors of Buffalo Wild Wings Inc., the owner, operator and franchisor of Buffalo Wings® restaurants, where he served as a director and Chair of the Audit Committee until February 2018.

Michael Slaunwhite

Mr. Slaunwhite has served as a director of OpenText since March 1998. Mr. Slaunwhite has also been Director and Chairman of Vector Talent Holdings, L.P., the parent holding company of Saba Software, since 2017. Prior to his appointment at Vector Talent Holdings, Mr. Slaunwhite served as CEO and Chairman of Halogen Software Inc. from 2000 to August 2006, as President and Chairman from 1995 to 2000, and as a Director and Chairman from 1995 up to its acquisition by Vector Talent Holdings in 2017. From 1994 to 1995, Mr. Slaunwhite was an independent consultant to a number of companies, assisting them with strategic and financing plans. Mr. Slaunwhite was the Chief Financial Officer of Corel Corporation from 1988 to 1993. Mr. Slaunwhite holds a B.A. Commerce (Honours) from Carleton University.

Katharine B. Stevenson

Ms. Stevenson has served as a director of OpenText since December of 2008. She is a corporate director who has served on a variety of public and Not-for-Profit boards in Canada and the United States. Ms. Stevenson is director of the Canadian Imperial Bank of Commerce (CIBC) where she chairs its Corporate Governance Committee. Ms. Stevenson is also a director of CAE Inc. and Capital Power Corporation (Audit Committee Chair). CIBC, CAE Inc., and Capital Power Corporation are all publicly listed companies. She also serves on the St. Michael's Hospital Foundation Board. She was formerly a senior finance executive of Nortel Networks Corporation from 1995 to 2007. Previously, she held a variety of positions in investment and corporate banking at JP Morgan Chase & Co. Ms. Stevenson holds a B.A. (*Magna Cum Laude*) from Harvard University. She is certified with the professional designation ICD.D. granted by the Institute of Corporate Directors (ICD). Ms. Stevenson was named one of the 2018 Top 100 Most Powerful Women in Canada. In the last five years, Ms. Stevenson also served as a director of Valeant Pharmaceuticals International Inc., currently Bausch Health Companies Inc., and OSI Pharmaceuticals Inc.

Carl Jürgen Tinggren

Mr. Tinggren has served as a director of OpenText since February 2017. Mr. Tinggren is the former Chief Executive Officer of Schindler Group, a European based global industrial corporation, and has over 30 years of international business experience. Previous to Schindler Group, Mr. Tinggren gained extensive management experience at Sika AG, a public specialty chemicals company, based out of Switzerland, Sweden and North America, as well as at Booz Allen & Hamilton. Mr. Tinggren is currently the Chairman of the board of Bekaert SA and a member of the board of directors of Johnson Controls International, where he also serves as lead director and as chair of the audit committee. Previously, Mr. Tinggren also served as a director of Schindler Group, the Conference Board and Sika AG. Mr. Tinggren received an M.B.A. from Stockholm School of Economics and New York University Business School.

Deborah Weinstein

Ms. Weinstein has served as a director of OpenText since December 2009. Ms. Weinstein is a co-founder and partner of LaBarge Weinstein LLP, a business law firm based in Ottawa, Ontario, since 1997. Ms. Weinstein's legal practice specializes in corporate finance, securities law, mergers and acquisitions and business law representation of public and private companies, primarily in knowledge-based growth industries. Prior to founding LaBarge Weinstein LLP, Ms. Weinstein was a partner of the law firm Blake, Cassels & Graydon LLP, where she practiced from 1990 to 1997 in Ottawa, and in Toronto from 1985 to 1987. Ms. Weinstein also serves on a number of not-for-profit boards. Ms. Weinstein holds an LL.B. from Osgoode Hall Law School of York University.

Involvement in Certain Legal Proceedings

Ms. Stevenson served as a director of Valeant Pharmaceuticals International, Inc. (Valeant), currently Bausch Health Companies Inc., from 2010 until her voluntary resignation in March 2016. During her tenure, Valeant was, and continues to be, the subject of certain putative securities class action claims in Canada and the United States. These claims allege, among other things, misrepresentations by Valeant in certain of its public disclosure documents.

Mr. Fowlie was a director of Meikle Group Inc. (Meikle Group), a private company, from June 2009 to April 2010. Subsequent to Mr. Fowlie's resignation, as part of a restructuring, creditors appointed a receiver to sell the business assets and transfer employees of Meikle Group, as a going concern, to a newly financed company.

Mr. Sadler was a director of Frontline Technologies Inc. (formerly Belzberg Technologies Inc.) from October 1997 to April 2012. Subsequent to Mr. Sadler's resignation, Frontline Technologies Inc. filed an assignment into bankruptcy under applicable bankruptcy and insolvency laws of Canada.

Audit Committee

The Audit Committee currently consists of four directors, Mr. Fowlie (Chair), Mr. Tinggren, Mr. Singh and Ms. Stevenson, all of whom have been determined by the Board of Directors to be independent as that term is defined in NASDAQ Rule 5605(a)(2) and in Rule 10A-3 promulgated by the SEC under the Exchange Act, and within the meaning of our director independence standards and those of any exchange, quotation system or market upon which our securities are traded.

The responsibilities, mandate and operation of the Audit Committee are set out in the Audit Committee Charter, a copy of which is available on the Company's website, *investors.opentext.com* under the Corporate Governance section.

The Board of Directors has determined that Mr. Fowlie qualifies as an “audit committee financial expert” as such term is defined in SEC Regulation S-K, Item 407(d)(5)(ii).

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics (the Ethics Code) that applies to all of our directors, officers and employees. The Ethics Code incorporates our guidelines designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and compliance with all applicable laws and regulations. The Ethics Code also incorporates our expectations of our employees that enable us to provide full, fair, accurate, timely and understandable disclosure in our filings with the SEC and other public communications.

The full text of the Ethics Code is published on our web site at *investors.opentext.com* under the Corporate Governance section.

If we make any substantive amendments to the Ethics Code or grant any waiver, including any implicit waiver, from a provision of the Ethics Code to our Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, we will disclose the nature of the amendment or waiver on our website at *investors.opentext.com* or on a Current Report on Form 8-K.

Board Diversity and Term Limits

The Company, including the Corporate Governance and Nominating Committee, views diversity in a broad context and considers a variety of factors when assessing nominees for the Board. The Company has established a Board Diversity Policy recognizing that a Board made up of highly qualified directors from diverse backgrounds, including diversity of gender, age, race, sexual orientation, religion, ethnicity and geographic representation, is important. The Company has not established a specific target number or date by which to achieve a specific number of women on the Board, as we consider a multitude of factors, including skills, experience, expertise and character, in determining the best nominee at the time and consider the Company's objectives and challenges at such time. There are currently three women on the Board which represents approximately 27% of the current Board and of the director nominees, and 33% of the current independent Board members.

The Company has not set term limits for independent directors because it values the cumulative experience and comprehensive knowledge of the Company that long serving directors possess. The Company does not have a director retirement policy, however the Corporate Governance and Nominating Committee considers the results of its director assessment process in determining the nominees to be put forward. In conducting director evaluations and nominations, the Corporate Governance and Nominating Committee considers the composition of the Board and whether there is a need to include nominees with different skills, experiences and perspectives on the Board. This flexible approach allows the Company to consider each director individually as well as the Board composition generally to determine if the appropriate balance is being achieved.

Diversity in Executive Officer Positions

The Company is committed to a diverse and inclusive workplace, including advancing women to executive officer positions. The Company has not adopted specific objectives or targets regarding women at the executive officer level; however, the Company has adopted a formal written Global Diversity and Inclusion Policy which expresses its commitment to fostering a diverse and inclusive workplace for all employees. The Company currently has two women (17%) on the executive leadership team (ELT), while approximately 21% of existing positions on the senior leadership team (SLT), exclusive of our ELT, are held by women. A principal objective of our Global Diversity and Inclusion Policy is to support and monitor the identification, development and retention of diverse employees, including gender diversity at executive and leadership positions. We will continue to develop a sustainable culture of diversity and inclusion that provides all employees an opportunity to excel.

Item 11. Executive Compensation

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed with our management the following Compensation Discussion and Analysis (CD&A). Based on this review and discussion, our Compensation Committee has recommended to the Board that the following CD&A be included in our Annual Report on Form 10-K for Fiscal 2019.

This report is provided by the following independent directors, who comprise our Compensation Committee:

Michael Slaunwhite (Chair), Gail E. Hamilton, Deborah Weinstein.

To the extent that this Annual Report on Form 10-K has been or will be specifically incorporated by reference into any filing by us under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (Exchange Act), this “Compensation Committee Report” shall not be deemed “soliciting materials”, unless specifically otherwise provided in any such filing.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis of compensation arrangements of the following individuals for the fiscal year which ended on June 30, 2019 (Fiscal 2019), should be read together with the compensation tables and related disclosures set forth below: (i) our principal executive officer, (ii) our principal financial officer, and (iii) our three most highly compensated executive officers, other than our principal executive officer and principal financial officer (collectively, the Named Executive Officers). This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and projections regarding future compensation programs. Actual compensation programs that we adopt in the future may differ materially from the various planned programs summarized in this discussion.

Payments in Canadian dollars included herein, unless otherwise specified, are converted to U.S. dollars using an average annual exchange rate of 0.756489.

Overview of Compensation Program

Determining the compensation of our Named Executive Officers is the responsibility of the Compensation Committee of OpenText's board of directors (the Compensation Committee or the Committee), either alone or in certain circumstances, in consultation with the Board. The Compensation Committee ensures compensation decisions are in line with our goal to provide total compensation to our Named Executive Officers that (i) is fair, reasonable and consistent with our compensation philosophy to achieve our short-term and long-term business goals, and (ii) provides market competitive compensation. The Named Executive Officers who are the subject of this CD&A are:

- Mark J. Barrenechea - Vice Chair, Chief Executive Officer and Chief Technology Officer (CEO)
- Madhu Ranganathan - Executive Vice President and Chief Financial Officer (CFO)
- Muhi Majzoub - Executive Vice President, Engineering
- Gordon A. Davies - Executive Vice President, Chief Legal Officer and Corporate Development
- Simon Harrison - Executive Vice President, Worldwide Sales

Compensation Oversight Process

Role of Compensation Committee

The Compensation Committee has responsibility for the oversight of executive compensation within the terms and conditions of our various compensation plans. The Compensation Committee approves the compensation of our executive officers, with the exception of our CEO. In making compensation decisions relating to, among other things, performance targets, base salary, bonuses, executive benefits, short-term incentives and long-term incentives, the Compensation Committee considers the input of the CEO. With respect to the compensation of our CEO, the Compensation Committee makes recommendations to the Board (excluding the CEO) for approval. The Compensation Committee reviews and approves all equity awards related to executive compensation prior to final approval and granting by the Board.

The Board, the Compensation Committee, and our management have instituted a set of detailed policies and procedures to evaluate the performance of each of our Named Executive Officers which help determine the amount of the short-term incentives and long-term incentives to award to each Named Executive Officer.

The Compensation Committee considers previous compensation awards, competitive market practice, the impact of tax, accounting treatments and applicable regulatory requirements when approving compensation programs.

During Fiscal 2019, the Committee's work included the following:

- **Executive Compensation Review** - The Compensation Committee continually reviews compensation practices and policies with respect to our senior management team against similar-sized global technology companies, in order to allow us to place our compensation practices for these positions in a market context. This benchmarking may include a review of base salary, short-term incentives and long-term incentives.
- **Long-Term Incentive Plan** - The Compensation Committee reviewed semi-annual analysis provided by Mercer Canada Limited (Mercer) related to performance under all outstanding Performance Share Unit Programs (for details on the programs, refer to the section titled "Long Term Incentives").

Although the Compensation Committee has responsibility for decisions on executive compensation, it may consider input from management, analysis provided from the compensation consultant, as well as other factors that the Committee considers appropriate.

Compensation Consultant

NASDAQ standards require compensation committees to have certain responsibilities and authority regarding the retention, oversight and funding of committees' advisors and perform an evaluation of each advisor's independence, taking into consideration all factors relevant to that person's independence from management. NASDAQ standards also require that such rights and responsibilities be enumerated in the compensation committee's charter. While, as a foreign private issuer under the U.S. federal securities laws, we are exempt from these rules, nonetheless, our Compensation Committee has the sole authority to retain and terminate outside consultants. From time to time, the Compensation Committee seeks the advice of an outside compensation consultant to provide assistance and guidance on compensation issues. The compensation consultant may provide the Compensation Committee with relevant information pertaining to market compensation levels, alternative compensation plan designs, market trends and best practices and may assist the Compensation Committee with respect to determining the appropriate benchmarks for each Named Executive Officer's compensation.

In Fiscal 2019, the Compensation Committee retained Hugessen Consulting Inc. (Hugessen), an independent consulting firm specializing in executive compensation consulting. During Fiscal 2019 representatives of Hugessen were consulted from time to time by members of the Compensation Committee. Hugessen reviewed relevant information and industry benchmarks and independently advised members of the Compensation Committee on matters relating to CEO and executive officer compensation. Hugessen did not provide any other services to the Company during Fiscal 2019, outside of its capacity as compensation consultants.

The Compensation Committee met five times during Fiscal 2019. Management assisted in the coordination and preparation of the meeting agenda and materials for each meeting. The agenda is reviewed and approved by the Chairman of the Compensation Committee. The meeting materials are generally posted and made available to the other Committee members and invitees, if any, for review approximately one week in advance of each meeting.

Compensation Philosophy and Objectives

We believe that compensation plays an important role in achieving short and long-term business objectives that ultimately drives business success in alignment with long-term shareholder value creation.

Our compensation philosophy is based on three fundamental principles:

- **Strong link to business strategy** - Our short and long-term goals are reflected in our overall compensation program.

The objectives of our compensation program are to:

- **Attract and retain** highly qualified executive officers who have a history of proven success

- **Pay for performance** - We aim to reward sustained company performance by aligning a significant portion of total compensation to our financial results and strategic objectives. We believe compensation should fluctuate with financial performance and accordingly, we structure total compensation to be at or above our peer group median when our financial performance exceeds our target performance and likewise, we structure total compensation to be below our peer group median if our financial performance falls below our targets.
- **Market relevant** - Our compensation program provides market competitive pay in terms of value and structure in order to retain talent who are performing according to their objectives and to attract new talent of the highest caliber. We aim to position our executive officers' compensation targets at the median in relation to our peer group, however, actual pay depends on performance of the executive officers and the Company.
- **Align the interests of executive officers with our shareholders' interests and with the execution of our business strategy** by evaluating executive performance on the basis of key financial metrics which we believe closely correlate to long-term shareholder value
- **Motivate and reward** our high caliber executive team through competitive pay practices and an appropriate mix of short and long-term incentives
- **Tie compensation awards directly to key financial metrics** with evaluations based on achieving and overachieving predetermined objectives

Our reward package is based primarily on results achieved by the Company as a whole. The Compensation Committee has the flexibility to exercise discretion to ensure total compensation appropriately reflects performance. The Compensation Committee rarely exercises said discretion.

Competitive Compensation

Aggregate compensation for each Named Executive Officer is designed to be market competitive. The Compensation Committee researches and refers to the compensation practices of similarly situated companies in determining our compensation policy. Although the Compensation Committee reviews each element of compensation for market competitiveness, and may weigh a particular element more heavily than another based on our Named Executive Officer's role within the Company, the focus remains on being competitive in the market with respect to total compensation.

The Compensation Committee periodically reviews data related to compensation levels and programs of a peer group of comparable organizations. Our last peer group analysis was prepared for management by Radford, an AON Hewitt Company (Radford), in July 2018 using the criteria described in the table below, and was presented to and approved by the Compensation Committee at that time. Our peer group consists of 16 companies that include 15 US-based companies and one Israel-based company. No additional comparable companies were added to our peer group in Fiscal 2019.

General Description	Criteria Considered	Peer Group List
Global software and service providers that are similar in size, business complexity, and scope of operations to us.	Key metrics considered include revenue, market capitalization, number of employees, and net income. Generally, organizations within our peer group are in a similar software/technology industry with similar revenues, market size and number of employees.	Akamai Technologies, Inc. Autodesk, Inc. Broadridge Financial Solutions, Inc. CA Technologies Cadence Design Systems, Inc. Check Point Software Technologies Ltd. Citrix Systems, Inc. Global Payments Inc. Nuance Communications, Inc. Pitney Bowes Inc. Red Hat, Inc. Sabre Corporation Symantec Corporation Synopsys, Inc. Teradata Corporation The Dun & Bradstreet Corporation

Taking into account the benchmarking review performed in July 2018, further efforts were made to align our Named Executive Officers' compensation packages more closely with our stated compensation objectives. Accordingly, Messrs. Majzoub and Davies received an adjustment to their respective total cash compensation and Mr. Harrison received an adjustment to his short-term incentive compensation during Fiscal 2019.

Aligning Officers' Interests with Shareholders' Interests

We believe that transparent, objective and easily verifiable corporate goals play an important role in creating and maintaining an effective compensation strategy for our Named Executive Officers. Our objective is to facilitate an increase in shareholder value, over the longer term, through the achievement of these corporate goals under the leadership of our Named Executive Officers working in conjunction with all of our valued employees.

We use a combination of fixed and variable compensation to motivate our executive officers to achieve our corporate goals. For Fiscal 2019, the basic components of our executive officer compensation program were:

- Fixed pay;
- Short-term incentives; and
- Long-term incentives.

To ensure alignment of the interests of our executive officers with the interests of our shareholders, our executive officers have a significant proportion of compensation "at risk". Compensation that is "at risk" means compensation that may or may not be paid to an executive officer depending on whether the Company and such executive officer is able to meet or exceed applicable performance targets. Short-term incentives and long-term incentives meet this definition of compensation which is at risk, and long-term incentives are an additional incentive used to promote the creation of longer-term shareholder value. In general, the greater the executive officer's influence upon our financial or operational results, the higher is the "at risk" portion of the executive officer's compensation.

The Compensation Committee annually considers the percentage of each Named Executive Officer's total compensation that is "at risk" depending on the Named Executive Officer's responsibilities and objectives.

The chart below provides the approximate percentage of target total compensation provided to each Named Executive Officer that was either fixed pay or "at risk" for Fiscal 2019:

Named Executive Officer	Fixed Pay Percentage	Short-Term Incentive	Long-Term Incentive
	("Not At Risk")	Percentage (at 100% target) ("At Risk")	Percentage (at 100% target) ("At Risk")
Mark J. Barrenechea	12%	18%	70%
Madhu Ranganathan	25%	25%	50%
Muhi Majzoub	21%	22%	57%
Gordon A. Davies	21%	22%	57%
Simon Harrison	32%	34%	34%

Fixed Pay

Fixed pay includes:

- Base salary;
- Perquisites; and
- Other benefits.

Base Salary

The base salary review for each Named Executive Officer takes into consideration factors such as current competitive market conditions and particular skills (such as leadership ability and management effectiveness, experience, responsibility and proven or expected performance) of the particular individual. The Compensation Committee obtains information regarding competitive market conditions through the assistance of management and our compensation consultants.

The performance of each of our Named Executive Officers, other than our CEO, is assessed by our CEO in his capacity as the direct supervisor of the other Named Executive Officers. The performance of our CEO is assessed by the Board (excluding the CEO). The Board conducts the initial discussions and makes the initial decisions with respect to the performance of our CEO in a special session from which management is absent.

For details on our benchmarking process, see "Competitive Compensation" above.

Perquisites

Our Named Executive Officers receive a minimal amount of non-cash compensation in the form of executive perquisites. In order to remain competitive in the market place, our Named Executive Officers are entitled to some limited benefits that are not otherwise available to all of our employees, including:

- An annual executive medical physical examination;
- A base allowance to cover expenses such as financial planning, tax preparation or club memberships.

Other Benefits

We provide various employee benefit programs on the same terms to all employees, including our Named Executive Officers, such as, but not limited to:

- Medical health insurance;
- Dental insurance;
- Life insurance; and
- Tax based retirement savings plans matching contributions.

Short-Term Incentives

In Fiscal 2019, all of our Named Executive Officers participated in our short-term incentive plan, which is designed to motivate achievement of our short-term corporate goals. These short-term corporate goals are typically derived from our annual business plan which is prepared by management and approved by the Board. Awards made under the short-term incentive plan are made by way of cash payments only.

The amount of the short-term incentive payable to each Named Executive Officer, in general, is based on the ability of each Named Executive Officer to meet pre-established, qualitative and quantitative corporate objectives related to improving shareholder and company value, as applicable, which are reviewed and approved by the Compensation Committee and the Board. For all Named Executive Officers these objectives consist of worldwide revenues and worldwide adjusted operating income with the exception of Mr. Harrison. Due to his responsibilities relating to sales, Mr. Harrison's objectives consist of worldwide license and cloud revenues and minimum contract value (MCV) and worldwide adjusted operating income.

Worldwide revenues are derived from the "Total Revenues" line of our audited income statement with certain adjustments relating to the aging of accounts receivable. Worldwide revenues are an important variable that helps us to assess our Named Executive Officers' performance in helping us to grow and manage our business.

Worldwide license and cloud revenues are derived from sum of the "License" and "Cloud services and subscriptions" lines of our audited income statement.

MCV is the total projected commissionable incremental revenue defined in a signed and written agreement between the Company and its customer. It represents the minimum amount of revenue that we expect to receive from a contract. For the purposes of calculating the achievement of this performance objective, we only consider MCV that is derived from new business.

Worldwide adjusted operating income, which is intended to reflect the operational effectiveness of our leadership, is calculated as total revenues less the total cost of revenues and operating expenses excluding amortization of intangible assets, special charges and stock-based compensation expense. Worldwide adjusted operating income is also adjusted to remove the impact of foreign exchange.

For Fiscal 2019, the following table illustrates the total short-term target awards for each Named Executive Officer, along with the associated weighting of the related performance measures.

Named Executive Officer	Total Target Award	Worldwide Revenues	Worldwide Adjusted Operating Income	Worldwide License and Cloud Revenues and MCV
Mark J. Barrenechea	\$ 1,425,000	50%	50%	N/A
Madhu Ranganathan	\$ 500,000	50%	50%	N/A
Muhi Majzoub	\$ 425,000	50%	50%	N/A
Gordon A. Davies	\$ 389,592	50%	50%	N/A
Simon Harrison	\$ 437,500	N/A	40%	60%

For the short-term incentive award amounts that would be earned at each of threshold, target and maximum levels of performance, for applicable objectives, see “Grants of Plan-Based Awards for Fiscal 2019” below.

For each performance measure noted above, the Compensation Committee approves the total target award eligible to be earned by a Named Executive Officer, and the Board applies a threshold and target level of performance. Where applicable, the Board also applies an objective formula for determining the percentage payout under awards for levels of performance above and below threshold and target. To the extent target performance is exceeded, the award will be proportionately greater. The threshold and target levels and payout formula are set forth below as well as actual performance and payout percentages achieved in Fiscal 2019. The Board has discretion to make positive or negative adjustments if it considers them to be reasonably appropriate. The Board did not make any discretionary adjustments for Fiscal 2019 awards.

Objectives (in millions)	Threshold Target	Target	Fiscal 2019 Actual ⁽¹⁾	% Target Actually Achieved	% of Payment per Fiscal 2019 Payout Table
Worldwide Revenues	\$ 2,639	\$ 2,932	\$ 2,898	99%	85%
Worldwide Adjusted Operating Income	\$ 873	\$ 970	\$ 1,012	104%	200%
Worldwide License and Cloud Revenues and MCV	\$ 1,498	\$ 1,664	\$ 1,600	96%	70%

(1) Adjusted to remove the impact of foreign exchange and, in some cases, reflect certain adjustments relating to the aging of accounts receivable.

The table below illustrates the percentage of the target awards paid to our Named Executives Officers, with the exception of Mr. Harrison, in accordance with our actual results achieved during Fiscal 2019.

Worldwide Revenues and Worldwide Adjusted Operating Income - Attainment and Corresponding Payment

% Attainment	% Payment	% Attainment	% Payment
0 - 89%	—%	100.0%	100%
90 - 91%	15%	100.5%	125%
92 - 93%	40%	101.0%	150%
94 - 95%	55%	101.5%	175%
96 - 97%	70%	102% and above	200%
98 - 99%	85%		

Formula:

Actual / Budget = % of Attainment
 Linear x25 for every 0.5% over 100%

Example: an attainment of 101.0% results in a payment of 150%

In Fiscal 2019, we achieved 99% of our worldwide revenue target and 104% of our worldwide adjusted operating income target. The “Worldwide Revenues and Worldwide Adjusted Operating Income Calculations” table above illustrates under the “% Attainment” column that an achievement of 99% of target for the worldwide revenue performance criteria results in an award payment of 85% of the target award amount and an achievement of 104% of target for the worldwide adjusted operating income performance criterion results in an award payment of 200% of the target award amount.

The table below illustrates the percentage of the target awards paid to Mr. Harrison, as a result of more direct responsibilities relating to sales, in accordance with our actual results achieved during Fiscal 2019.

Worldwide License and Cloud Revenues and MCV and Worldwide Adjusted Operating Income - Attainment and Corresponding Payment

% Attainment	% Payment	% Attainment	% Payment
0 - 89%	—%	102%	150%
90 - 91%	15%	103%	175%
92 - 93%	40%	104%	200%
94 - 95%	55%	105%	225%
96 - 97%	70%	106%	250%
98 - 99%	85%	107%	275%
100%	100%	108% and above	300% cap
101%	125%		

Formula:

Actual / Budget = % of Attainment
 Linear x25 for every 0.5% over 100%

Example: an attainment of 101% results in a payment of 125%

In Fiscal 2019, Mr. Harrison achieved 96% of his worldwide license and cloud revenue and MCV target and 104% of his worldwide adjusted operating income target. The “Worldwide License and Cloud Revenue and MCV and Worldwide Adjusted Operating Income Calculation” table above illustrates under the “% Attainment” column that an achievement of 96% of target for the worldwide license and cloud revenue and MCV performance criteria results in an award payment of 70% of the target award amount and an achievement of 104% of target for the worldwide adjusted operating income performance criterion results in an award payment of 200% of the target award amount.

The actual short-term incentive award earned by each Named Executive Officer for Fiscal 2019 was determined in accordance with the formulas described above. We have set forth below for each Named Executive Officer the award amount actually paid for Fiscal 2019, and the percentage of target award amount represented by the actual award paid broken out by performance measure as follows:

Mark J. Barrenechea

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide Revenues	\$ 712,500	\$ 106,875	\$ 605,625	85%
Worldwide Adjusted Operating Income	\$ 712,500	\$ 106,875	\$ 1,425,000	200%
Total	\$ 1,425,000	\$ 213,750	\$ 2,030,625	143%

Madhu Ranganathan

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide Revenues	\$ 250,000	\$ 37,500	\$ 212,500	85%
Worldwide Adjusted Operating Income	\$ 250,000	\$ 37,500	\$ 500,000	200%
Total	\$ 500,000	\$ 75,000	\$ 712,500	143%

Muhi Majzoub

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide Revenues	\$ 212,500	\$ 31,875	\$ 180,625	85%
Worldwide Adjusted Operating Income	\$ 212,500	\$ 31,875	\$ 425,000	200%
Total	\$ 425,000	\$ 63,750	\$ 605,625	143%

Gordon A. Davies

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide Revenues	\$ 194,796	\$ 29,219	\$ 165,577	85%
Worldwide Adjusted Operating Income	\$ 194,796	\$ 29,219	\$ 389,592	200%
Total	\$ 389,592	\$ 58,438	\$ 555,169	143%

Simon Harrison

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable (\$)	Actual Payable (% of Target)
Worldwide License and Cloud Revenues and MCV	\$ 262,500	\$ 39,375	\$ 183,750	70%
Worldwide Adjusted Operating Income	\$ 175,000	\$ 26,250	\$ 350,000	200%
Total	\$ 437,500	\$ 65,625	\$ 533,750	122%

Long-Term Incentives

As with many North American technology companies, we have a general practice of granting variable long-term incentives to executive officers, including our Named Executive Officers. Our long-term incentives represent a significant proportion of our Named Executive Officers' total compensation, and its purpose is two-fold: (i) as a component of a competitive compensation package; and (ii) to align the interests of our Named Executive Officers with the interests of our shareholders. Grants are consistent with competitive market practice, and vesting occurs over time, to ensure alignment with our performance over the longer term. Usually a very high percentage of the long-term incentive is "at risk" indicating we will not provide any compensation to the executive unless shareholders have received a positive return.

Long-Term Incentive Plans (LTIP) - General

We incentivize our executive officers, including our Named Executive Officers, in part, with long-term compensation pursuant to our LTIP. For each LTIP grant, a target value is established by the Compensation Committee for each Named Executive Officer, except for the CEO, whose target value is established by the Board, based on competitive market practice and by the respective Named Executive Officer's ability to influence financial or operational performance.

The performance targets and the weightings of performance targets under each LTIP are first recommended by the Compensation Committee and then approved by the Board. Grants are generally made annually and are comprised of the components outlined in the table below. No dividends are paid or accrued on PSUs or RSUs.

Vehicle	% of Total LTIP	Description	Vesting	Payout
Performance Share Units (PSU)	50% of LTIP target award value	The value of each PSU is equivalent to one Common Share. The number of PSUs granted is determined by converting the dollar value of the target award to PSUs, based on an average share price determined at time of Board grant. The number of PSUs to vest will be based on the Company's total shareholder return (TSR) at the end of a three year period as compared to the TSR of companies comprising the constituents of the S&P MidCap400 Software and Services Index.	Cliff vesting in the third year following the determination by the Board that the performance criteria have been met.	Once vested, units will be settled in either Common Shares or cash, at the discretion of the Board. We expect to settle these awards in Common Shares.
Restricted Share Units (RSU)	25% of LTIP target award value	The value of each RSU is equivalent to one Common Share. The number of RSUs granted is determined by converting the dollar value of the target award to RSUs, based on an average share price determined at time of Board grant.	Cliff vesting, generally three years after grant date.	Once vested, units will be settled in either Common Shares or cash, at the discretion of the Board. We expect to settle these awards in Common Shares.
Stock Options	25% of LTIP target award value	The dollar value of the target award is converted to a number of options using a Black Scholes model. The exercise price is equal to the closing price of our Common Shares on the trading day preceding the date of grant.	Vesting is typically 25% on each of the first four anniversaries of grant date. Options expire seven years after the grant date.	Once vested, participants may exercise options for Common Shares.

Payouts under LTIP grants

- may also be subject to certain limitations in the event of early termination of employment or change in control of the Company; and
- are subject to mandatory repayment or "claw-back" in the event of fraud, willful misconduct or gross negligence by any executive officer, including a Named Executive Officer, affecting the financial performance or financial statements of the Company or the price of our Common Shares.

Fiscal 2021 LTIP

Grants made in Fiscal 2019 under the Fiscal 2021 LTIP took effect on August 6, 2018 with the goal of measuring performance over the three year period starting July 1, 2018. The table below illustrates the target value of each element under the Fiscal 2021 LTIP for each Named Executive Officer.

Named Executive Officer	Performance Share Units	Restricted Share Units	Stock Options	Total
Mark J. Barrenechea	\$ 2,815,000	\$ 1,407,500	\$ 1,407,500	\$ 5,630,000
Madhu Ranganathan	\$ 500,000	\$ 250,000	\$ 250,000	\$ 1,000,000
Muhi Majzoub	\$ 550,000	\$ 275,000	\$ 275,000	\$ 1,100,000
Gordon A. Davies	\$ 500,000	\$ 250,000	\$ 250,000	\$ 1,000,000
Simon Harrison	\$ 218,750	\$ 109,375	\$ 109,375	\$ 437,500

Awards granted in Fiscal 2019 under the Fiscal 2021 LTIP were in addition to the awards granted in Fiscal 2018, Fiscal 2017, and prior years. For details of our previous LTIPs, see Item 11 of our Annual Report on Form 10-K for the appropriate year.

Fiscal 2021 LTIP - PSUs

With respect to our PSUs, we use relative TSR to benchmark the Company's performance against the performance of the corporations comprising the constituents of the S&P Mid Cap 400 Software & Services Index (the Index). The Index is comprised of 400 U.S. public companies with unadjusted market capitalization of \$1.8 billion to \$13.6 billion and is a useful

measure of the performance of mid-sized companies. Relative TSR is the sole measure for each Named Executive Officer's performance over the relevant three year period for the Fiscal 2021 LTIP with respect to PSUs.

If the Company's relative cumulative TSR, compared to the cumulative TSR of the Index is:	Then the percentage of the PSU target award that will be paid out will be:
Negative	—%
1st percentile	1.5%
66th percentile	100%
100th percentile	150%

Any target percentile achieved between 1 and 100th percentile will be interpolated to determine a payout that can range from 1.5% to 150% of the target award.

The amounts that may be realized for PSU awards under the Fiscal 2021 LTIP are as follows, calculated based on the market price of our Common Shares on the NASDAQ as of June 30, 2019, and applied to the number of PSUs to be issued to the Named Executive Officers based on the levels of achievement disclosed above.

Fiscal 2021 LTIP PSUs			
Named Executive Officer	1.5% Payout at June 30, 2021	100% Payout at June 30, 2021	150% Payout at June 30, 2021
Mark J. Barrenechea	\$ 46,128	\$ 3,075,168	\$ 4,612,752
Madhu Ranganathan	\$ 8,195	\$ 546,312	\$ 819,468
Muhi Majzoub	\$ 9,010	\$ 600,696	\$ 901,044
Gordon A. Davies	\$ 8,195	\$ 546,312	\$ 819,468
Simon Harrison	\$ 3,584	\$ 238,960	\$ 358,440

Fiscal 2021 LTIP - RSUs

RSUs vest over three years and do not have any specific performance-based vesting criteria. Provided the eligible employee remains employed throughout the vesting period, all RSUs granted shall become vested RSUs at the end of the Fiscal 2021 LTIP period.

The amounts that may be realized for RSU awards under the Fiscal 2021 LTIP are as follows, calculated based on the market price of our Common Shares on the NASDAQ as of June 30, 2019, and applied to the number of equivalent RSUs to be issued to the Named Executive Officers.

Fiscal 2021 LTIP RSUs	
Named Executive Officer	Value upon Payout at June 30, 2021
Mark J. Barrenechea	\$ 1,537,584
Madhu Ranganathan	\$ 273,156
Muhi Majzoub	\$ 300,348
Gordon A. Davies	\$ 273,156
Simon Harrison	\$ 119,480

Fiscal 2021 LTIP - Stock Options

The stock options granted in connection with the Fiscal 2021 LTIP vest over four years, do not have any specific performance-based vesting criteria and, if not exercised, expire after seven years. Our Named Executive Officers will only realize value on these stock options with future OpenText share price appreciation from the date of grant. For a discussion of the assumptions used in the valuation of stock options, see note 12 "Share Capital, Option Plans and Share-based Payments" to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.

Other Long-Term Equity Grants

In addition to grants made in connection with our LTIP program, from time to time, we may grant stock options and/or RSUs to new strategic hires and to our employees in recognition of their service, such as for promotions, retention, or other reasons. In Fiscal 2019, we granted stock options to two of our Named Executive Officers, namely, Mr. Majzoub and Mr.

Davies in recognition of their service. Details of these grants are contained in the table below under "Grants of Plan Based Awards". Our RSUs and stock options vest over a specified contract date, typically over three and four years, respectively, and do not have any specific performance criteria. With respect to stock option grants, the Board will determine the following, based upon the recommendation of the Compensation Committee: the executive officers entitled to participate in our stock option plan, the number of options to be granted, and any other material terms and conditions of the stock option grant.

All stock option grants, whether part of the LTIP or granted separately for new hires, promotions, retention or other reasons, are governed by our stock option plans. In addition, grants and exercises of stock options are subject to our Insider Trading Policy. For details of our Insider Trading Policy, see "Other Information With Respect to Our Compensation Program - Insider Trading Policy" below.

For details on the determination of targeted awards and our benchmarking process, see "Compensation Objective - Competitive Compensation" above.

Executive Change in Control and Severance Benefits

Our severance benefit agreements are designed to provide reasonable compensation to departing senior executive officers under certain circumstances. While we do not believe that the severance benefits would be a determinative factor in a senior executive's decision to join or remain with the Company, the absence of such benefits, we believe, would present a distinct competitive disadvantage in the market for talented executive officers. Furthermore, we believe that it is important to set forth the benefits payable in triggering circumstances in advance in an attempt to avoid future disputes or litigation.

The severance benefits we offer to our senior executive officers are competitive with similarly situated individuals and companies. We have structured our senior executive officers' change in control benefits as "double trigger" benefits, meaning that the benefits are only paid in the event of, first, a change in control transaction, and second, the loss of employment within one year after the transaction. These benefits attempt to provide an incentive to our senior executive officers to remain employed with the Company in the event of such a transaction.

Other Information With Respect to Our Compensation Program

Pension Plans

We do not provide pension benefits or any non-qualified deferred compensation to any of our Named Executive Officers.

Share Ownership Guidelines

We currently have equity ownership guidelines (Share Ownership Guidelines), the objective of which is to encourage our senior management, including our Named Executive Officers, and our directors to buy and hold Common Shares in the Company based upon an investment target. We believe that the Share Ownership Guidelines help align the financial interests of our senior management team and directors with the financial interests of our shareholders.

The equity ownership levels are as follows:

CEO	4x base salary
Other senior management	1x base salary
Non-management director	3x annual retainer

For purposes of the Share Ownership Guidelines, individuals are deemed to hold all securities over which he or she is the registered or beneficial owner thereof under the rules of Section 13(d) of the Exchange Act through any contract, arrangement, understanding, relationship or otherwise in which such person has or shares:

- voting power which includes the power to vote, or to direct the voting of, such security; and/or
- investment power which includes the power to dispose, or to direct the disposition of, such security.

Also, Common Shares will be valued at the greater of their book value (i.e., purchase price) or the current market value. On an annual basis, the Compensation Committee reviews the recommended ownership levels under the Share Ownership Guidelines and the compliance by our executive officers and directors with the Share Ownership Guidelines.

The Board implemented the Share Ownership Guidelines in October 2009 and recommends that equity ownership levels be achieved within five years of becoming a member of the executive leadership team, including Named Executive Officers. The Board also recommends that the executive leadership team retain their ownership levels for so long as they remain members of the executive leadership team.

Named Executive Officers

Named Executive Officers may achieve these Share Ownership Guidelines through the exercise of stock option awards, purchases under the OpenText Employee Stock Purchase Plan (ESPP), through open market purchases made in compliance with applicable securities laws or through any equity plan(s) we may adopt from time to time providing for the acquisition of Common Shares. Until the Share Ownership Guidelines are met, it is recommended that a Named Executive Officer retain a portion of any stock option exercise or LTIP award in Common Shares to contribute to the achievement of the Share Ownership Guidelines. Common Shares issuable pursuant to the unexercised options shall not be counted towards meeting the equity ownership target.

As of the date of this Annual Report on Form 10-K, all Named Executive Officers comply with the Share Ownership Guidelines for Fiscal 2019, as they have either met the share ownership guidelines or, in the case of Ms. Ranganathan and Mr. Harrison, have five years from becoming subject to these guidelines to achieve the equity ownership guidelines required by their position.

Directors

With respect to non-management directors, both Common Shares and deferred stock units (DSUs) are counted towards the achievement of the Share Ownership Guidelines. The Company currently has a Directors' Deferred Share Unit Plan (DSU Plan), whereby any non-management director of the Company may elect to defer all or part of his or her retainer and/or fees in the form of common stock equivalents. As of the date of this Annual Report on Form 10-K, all non-management directors have exceeded the Share Ownership Guidelines applicable to them, which is three times their annual retainer. For further details, see the table below titled "Director Compensation for Fiscal 2019".

Insider Trading Policy

All of our employees, officers and directors, including our Named Executive Officers, are required to comply with our Insider Trading Policy. Our Insider Trading Policy prohibits the purchase, sale or trade of our securities with the knowledge of material inside information. In addition, our Insider Trading Policy prohibits our employees, officers and directors, including our Named Executive Officers, from, directly or indirectly, short selling any security of the Company or entering into any other arrangement that results in a gain only if the value of the Company's securities decline in the future, selling a "call option" giving the holder an option to purchase securities of the Company, or buying a "put option" giving the holder an option to sell securities of the Company. The definition of "trading in securities" includes any derivatives-based, monetization, non-recourse loan or similar arrangement that changes the insider's economic exposure to or interest in securities of the Company and which may not necessarily involve a sale.

All grants of stock options are subject to our Insider Trading Policy and as a result, stock options may not be granted during the "blackout" period beginning on the fifteenth day of the last month of each quarter and ending at the beginning of the second trading day following the date on which the Company's quarterly or annual financial results, as applicable, have been publicly released. If the Board approves the issuance of stock options during the blackout period, these stock options are not granted until the blackout period is over. The price at which stock options are granted is not less than the closing price of the Company's Common Shares on the trading day for the NASDAQ market immediately preceding the applicable grant date.

Tax Deductibility of Compensation

Under Section 162(m) of the United States Internal Revenue Code (or Section 162(m)) publicly-held corporations cannot deduct compensation paid in excess of \$1,000,000 to certain executive officers in any taxable year. The Tax Cuts and Jobs Act amended Section 162(m) to expand the corporations and executives to which it applies. Beginning in Fiscal 2019, we are no longer able to deduct under Section 162(m) compensation paid in excess of \$1,000,000 to any person who served as CEO or CFO during the taxable year and any other Named Executive Officer serving as an executive at the end of the taxable year (each, a "covered employee") as well any person who was a covered employee in a preceding taxable year, subject to limited transition relief.

Summary Compensation Table

The following table sets forth summary information concerning the annual compensation of our Named Executive Officers. All numbers are rounded to the nearest dollar or whole share. Changes in exchange rates will impact payments illustrated below that are made in currencies other than the U.S. dollar. Any Canadian dollar payments included herein have been converted to U.S. dollars at an annual average rate of 0.756489, 0.786589, and 0.754836, for Fiscal 2019, Fiscal 2018, and Fiscal 2017, respectively. Any British pounds sterling payments included herein have been converted to U.S. dollars at an annual average rate of 1.342283 for Fiscal 2018.

	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) ⁽¹⁾	Option Awards (\$) ⁽²⁾	Non-Equity Incentive Plan Compensation (\$) ⁽³⁾	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
Mark J. Barrenechea	2019	\$ 950,000	—	\$ 3,693,934	\$ 1,407,800	\$ 2,030,625	N/A	\$ 17,315 ⁽⁵⁾	\$ 8,099,674
Vice Chair, Chief Executive Officer and Chief Technology Officer	2018	\$ 950,000	—	\$ 3,538,963	\$ 1,407,556	\$ 1,211,250	N/A	\$ 37,161 ⁽⁶⁾	\$ 7,144,930
	2017	\$ 945,000	—	\$ 3,233,360	\$ 5,821,023	\$ 1,925,625	N/A	\$ 13,926 ⁽⁶⁾	\$ 11,938,934
Madhu Ranganathan	2019	\$ 500,000	—	\$ 656,237	\$ 250,019	\$ 712,500	N/A	\$ —	\$ 2,118,756
EVP, Chief Financial Officer	2018	\$ 125,000	—	\$ 315,057	\$ 2,275,143	\$ 106,250	N/A	\$ — ⁽⁶⁾	\$ 2,821,450
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A ⁽⁸⁾	N/A
Muhi Majzoub	2019	\$ 412,500	—	\$ 721,564	\$ 938,260	\$ 605,625	N/A	\$ — ⁽⁷⁾	\$ 2,677,949
Executive Vice President, Engineering	2018	\$ 400,000	—	\$ 691,379	\$ 274,993	\$ 340,000	N/A	\$ — ⁽⁶⁾	\$ 1,706,372
	2017	\$ 356,000	—	\$ 535,825	\$ 212,651	\$ 527,313	N/A	\$ — ⁽⁶⁾	\$ 1,631,789
Gordon A. Davies	2019	\$ 371,310	—	\$ 656,237	\$ 913,258	\$ 555,169	N/A	\$ 14,730 ⁽⁹⁾	\$ 2,510,704
Executive Vice President, Chief Legal Officer and Corporate Development	2018	\$ 367,077	—	\$ 628,627	\$ 249,994	\$ 312,015	N/A	\$ 15,969 ⁽⁶⁾	\$ 1,573,682
	2017	\$ 314,012	—	\$ 630,050	\$ 250,270	\$ 464,681	N/A	\$ — ⁽⁶⁾	\$ 1,659,013
Simon Harrison	2019	\$ 400,000	—	\$ 287,042	\$ 109,361	\$ 533,750	N/A	\$ 655,329 ⁽¹⁰⁾	\$ 1,985,482
Executive Vice President, Worldwide Sales	2018	\$ 388,916	—	\$ 221,328	\$ 868,563	\$ 288,972	N/A	\$ 11,470 ⁽⁶⁾	\$ 1,779,249
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A ⁽⁸⁾	N/A

- (1) PSUs and RSUs were granted pursuant to the Fiscal 2021 LTIP. The amounts set forth in this column represent the aggregate grant date fair value, as computed in accordance with ASC Topic 718 “Compensation-Stock Compensation” (Topic 718). Grant date fair value may vary from the target value indicated in the table set forth above in the section “Fiscal 2021 LTIP”. For a discussion of the assumptions used in these valuations, see note 12 “Share Capital, Option Plans and Share-based Payments” to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K. For the maximum value that may be received under the PSU awards granted in Fiscal 2019 by each Named Executive Officer, see the “Maximum” column under “Estimated Future Payouts under Equity Incentive Plan Awards” under the “Grants of Plan-Based Awards in Fiscal 2019” table below.
- (2) Amounts set forth in this column represent the amount recognized as the aggregate grant date fair value of stock option awards, as calculated in accordance with Topic 718 for the fiscal year in which the awards were granted. In all cases, these amounts do not reflect whether the recipient has actually realized a financial benefit from the exercise of the awards. For a discussion of the assumptions used in this valuation, see note 12 “Share Capital, Option Plans and Share-based Payments” to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.
- (3) The amounts set forth in this column for Fiscal 2019 represent payments under the short-term incentive plan.
- (4) Except as otherwise indicated the amounts in “All Other Compensation” primarily include (i) car allowance; (ii) medical examinations; (iii) club memberships reimbursed, and (iv) tax preparation and financial advisory fees paid. “All Other Compensation” does not include benefits received by the Named Executive Officers which are generally available to all our salaried employees.
- (5) Represents amounts we paid or reimbursed for tax, financial, and estate planning.
- (6) For details of the amounts of fees or expenses we paid or reimbursed please refer to Summary Compensation Table in Item 11 of our Annual Report on Form 10-K for the corresponding fiscal years ended June 30, 2018 and June 30, 2017.

- (7) The total value of all perquisites and personal benefits for this Named Executive Officer was less than \$10,000, and, therefore, excluded.
- (8) The executive officer was not a Named Executive Officer during the fiscal year, and, therefore compensation details have been excluded.
- (9) Represents amounts we paid or reimbursed for:
- Club membership fees (\$3,505)
 - Taxable benefit on annual sales event (\$11,225)
- (10) Represents amounts we paid or reimbursed for:
- Tax equalization in respect of taxes incurred in 2015-2017 in connection with Mr. Harrison's transition from the UK to the United States (\$549,403).
 - Housing allowance (\$101,368)
 - Taxable benefit on annual sales event (\$4,558)

Grants of Plan-Based Awards in Fiscal 2019

The following table sets forth certain information concerning grants of awards made to each Named Executive Officer during Fiscal 2019.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			All Other Option Awards: Number of Securities Underlying ⁽²⁾	Exercise or Base Price of Option Awards	Grant Date Fair Value of Options ⁽³⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Options (#)	(\$/share)	Awards (\$)
Mark J. Barrenechea	August 6, 2018	\$ 213,750	\$ 1,425,000	\$ 2,850,000	161,040	\$ 39.27	\$ 1,407,800
Madhu Ranganathan	August 6, 2018	\$ 75,000	\$ 500,000	\$ 1,000,000	28,600	\$ 39.27	\$ 250,019
Muhi Majzoub	August 6, 2018	\$ 63,750	\$ 425,000	\$ 850,000	31,460	\$ 39.27	\$ 275,021
	May 7, 2019				75,000	\$ 40.20	\$ 663,239
Gordon A. Davies	August 6, 2018	\$ 58,438	\$ 389,592	\$ 779,184	28,600	\$ 39.27	\$ 250,019
	May 7, 2019				75,000	\$ 40.20	\$ 663,239
Simon Harrison	August 6, 2018	\$ 65,625	\$ 437,500	\$ 1,312,500	12,510	\$ 39.27	\$ 109,361

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards ⁽⁴⁾			All Other Stock Awards: Number of Securities Underlying ⁽⁵⁾	Grant Date Fair Value of Stock ⁽³⁾
		Threshold (#)	Target (#)	Maximum (#)	Stock (#)	Awards (\$)
Mark J. Barrenechea	August 6, 2018	1,120	74,640	111,960	37,320	\$ 3,693,934
Madhu Ranganathan	August 6, 2018	199	13,260	19,890	6,630	\$ 656,237
Muhi Majzoub	August 6, 2018	219	14,580	21,870	7,290	\$ 721,564
Gordon A. Davies	August 6, 2018	199	13,260	19,890	6,630	\$ 656,237
Simon Harrison	August 6, 2018	87	5,800	8,700	2,900	\$ 287,042

- (1) Represents the threshold, target and maximum estimated payouts under our short-term incentive plan for Fiscal 2019. For further information, see "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Short-Term Incentives" above.
- (2) For further information regarding our options granting procedures, see "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives" above.
- (3) Amounts set forth in this column represent the amount recognized as the aggregate grant date fair value of equity-based compensation awards, as calculated in accordance with ASC Topic 718 for the fiscal year in which the awards were granted. In all cases, these amounts do not reflect whether the recipient has actually realized a financial benefit from the exercise of the awards. For a discussion of the assumptions used in this valuation, see note 12 "Share Capital, Option Plan and Share-based Payments" to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.
- (4) Represents the threshold, target and maximum estimated payouts under our Fiscal 2021 LTIP PSUs. For further information, see "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives - Fiscal 2021 LTIP" above.
- (5) Represents the estimated payouts under our Fiscal 2021 LTIP RSUs granted in Fiscal 2019. For further information, see "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives - Fiscal 2021 LTIP" above.

Outstanding Equity Awards at End of Fiscal 2019

The following table sets forth certain information regarding outstanding equity awards held by each Named Executive Officer as of June 30, 2019.

Name	Grant Date	Option Awards ⁽¹⁾				Stock Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Non-exercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ⁽²⁾	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²⁾	Equity Incentive Plan Awards: Number of unearned shares, units or rights that have not vested (#) ⁽³⁾	Equity Incentive Plan Awards: Market or payout value of unearned shares, units or other rights that have not vested (\$) ⁽³⁾
Mark J. Barrenechea	August 1, 2014	127,740	—	\$ 27.83	August 1, 2021				
	January 29, 2015	300,000	100,000	\$ 27.09	January 29, 2022				
	January 29, 2015	—	800,000	\$ 27.09	January 29, 2022				
	July 31, 2015	171,300	57,100	\$ 22.87	July 31, 2022				
	July 29, 2016	98,280	98,280	\$ 29.75	July 29, 2023				
	June 1, 2017	—	600,000	\$ 32.63	June 1, 2024				
	August 7, 2017	47,295	141,885	\$ 34.49	August 7, 2024				
	August 6, 2018	—	161,040	\$ 39.27	August 6, 2025				
	August 14, 2016					41,600	\$ 1,713,920		
	August 14, 2016							83,200	\$ 3,427,840
	August 7, 2017					41,730	\$ 1,719,276		
	August 7, 2017							83,470	\$ 3,438,964
	August 6, 2018					37,320	\$ 1,537,584		
August 6, 2018							74,640	\$ 3,075,168	
Madhu Ranganathan	May 11, 2018	73,378	220,132	\$ 34.71	May 11, 2025				
	August 6, 2018	—	28,600	\$ 39.27	August 6, 2025				
	May 11, 2018					3,980	\$ 163,976		
	May 11, 2018							7,960	\$ 327,952
	August 6, 2018					6,630	\$ 273,156		
	August 6, 2018							13,260	\$ 546,312
Muhi Majzoub	November 2, 2012	18,788	—	\$ 13.19	November 2, 2019				
	August 2, 2013	20,996	—	\$ 16.58	August 2, 2020				
	August 1, 2014	23,140	—	\$ 27.83	August 1, 2021				
	July 31, 2015	28,380	9,460	\$ 22.87	July 31, 2022				
	July 29, 2016	16,280	16,280	\$ 29.75	July 29, 2023				
	August 7, 2017	9,240	27,720	\$ 34.49	August 7, 2024				
	August 6, 2018	—	31,460	\$ 39.27	August 6, 2025				
	May 7, 2019	—	75,000	\$ 40.20	May 7, 2026				
	August 14, 2016					6,900	\$ 284,280		
	August 14, 2016							13,780	\$ 567,736
	August 7, 2017					8,150	\$ 335,780		
	August 7, 2017							16,310	\$ 671,972
	August 6, 2018					7,290	\$ 300,348		
August 6, 2018							14,580	\$ 600,696	
Gordon A. Davies	August 1, 2014	7,154	—	\$ 27.83	August 1, 2021				
	July 31, 2015	11,130	11,130	\$ 22.87	July 31, 2022				
	July 29, 2016	9,580	19,160	\$ 29.75	July 29, 2023				
	August 7, 2017	8,400	25,200	\$ 34.49	August 7, 2024				
	August 6, 2018	—	28,600	\$ 39.27	August 6, 2025				

	May 7, 2019	—	75,000	\$ 40.20	May 7, 2026			
	August 14, 2016					8,100	\$ 333,720	
	August 14, 2016							16,220 \$ 668,264
	August 7, 2017					7,410	\$ 305,292	
	August 7, 2017							14,830 \$ 610,996
	August 6, 2018					6,630	\$ 273,156	
	August 6, 2018							13,260 \$ 546,312
Simon Harrison	August 2, 2013	7,266	—	\$ 16.58	August 2, 2020			
	August 7, 2017	2,960	8,880	\$ 34.49	August 7, 2024			
	November 6, 2017	20,000	80,000	\$ 34.48	November 6, 2024			
	August 6, 2018	—	12,510	\$ 39.27	August 6, 2025			
	August 14, 2016					5,680	\$ 234,016	
	August 7, 2017					2,610	\$ 107,532	
	August 7, 2017							5,220 \$ 215,064
	August 6, 2018					2,900	\$ 119,480	
	August 6, 2018							5,800 \$ 238,960

- (1) Options in the table above vest annually over a period of 4 years starting from the date of grant, with the exception of (i) 1,200,000 options granted to the CEO in Fiscal 2015 and 600,000 options granted to the CEO in Fiscal 2017. For additional detail, see "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives - Long-Term Equity Grants to CEO" above and under Item 11 of our Annual Report on Form 10-K for Fiscal 2015 and Fiscal 2017 and (ii) options granted to certain of our executive officers on May 7, 2019 in recognition of their service. These options vest annually over a 5 year period, with the first vesting date being two years from the date of grant.
- (2) Represents each Named Executive Officer's target number of RSUs granted pursuant to the Fiscal 2019, Fiscal 2020, and Fiscal 2021 LTIPs, which vest upon the schedules described above in "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long Term Incentives". These amounts illustrate the market value as of June 30, 2019 based upon the closing price for the Company's Common Shares as traded on the NASDAQ on such date of \$41.20.
- (3) Represents each Named Executive Officer's target number of PSUs granted pursuant to the Fiscal 2019, Fiscal 2020, and Fiscal 2021 LTIPs, which vest upon the schedules described above in "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long Term Incentives", and the market value as of June 30, 2019 based upon the closing price for the Company's Common Shares as traded on the NASDAQ on such date of \$41.20.

As of June 30, 2019, options to purchase an aggregate of 7,102,753 Common Shares had been previously granted and are outstanding under our stock option plans, of which 2,176,002 Common Shares were vested. Options to purchase an additional 9,397,479 Common Shares remain available for issuance pursuant to our stock option plans. Our outstanding options pool represents 2.6% of the Common Shares issued and outstanding as of June 30, 2019.

During Fiscal 2019, the Company granted options to purchase 1,870,340 Common Shares or 0.7% of the Common Shares issued and outstanding as of June 30, 2019.

Option Exercises and Stock Vested in Fiscal 2019

The following table sets forth certain details with respect to each of the Named Executive Officers concerning the exercise of stock options and vesting of stock in Fiscal 2019:

Name	Option Awards		Stock Awards ⁽³⁾	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ⁽¹⁾ (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ⁽²⁾ (\$)
Mark J. Barrenechea	135,208	\$ 2,801,023	65,820	\$ 7,625,905
Madhu Ranganathan	—	\$ —	—	\$ —
Muhi Majzoub	100,000	\$ 2,592,411	10,900	\$ 1,263,646
Gordon A. Davies	—	\$ —	12,840	\$ 1,486,870
Simon Harrison	26,504	\$ 714,495	8,980	\$ 346,808

- (1) "Value realized on exercise" is the excess of the market price, at date of exercise, of the shares underlying the options over the exercise price of the options.
- (2) "Value realized on vesting" is the market price of the underlying Common Shares on the vesting date.
- (3) Relates to the vesting of PSUs and RSUs under our Fiscal 2018 LTIP.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

We have entered into employment contracts with each of our Named Executive Officers. These contracts may require us to make certain types of payments and provide certain types of benefits to the Named Executive Officers upon the occurrence of any of these events:

- If the Named Executive Officer is terminated without cause; and
- If there is a change in control in the ownership of the Company and subsequent to the change in control, there is a change in the relationship between the Company and the Named Executive Officer.

When determining the amounts and the type of compensation and benefits to provide in the event of a termination or change in control described above, we considered available information with respect to amounts payable to similarly situated officers of our peer groups and the position held by the Named Executive Officer within the Company. The amounts payable upon termination or change in control represent the amounts determined by the Company and are not the result of any individual negotiations between us and any of our Named Executive Officers.

Our employment agreements with our Named Executive Officers are similar in structure, terms and conditions, with the key exception of the amount of severance payments, which is determined by the position held by the Named Executive Officer. Details are set out below of each of their potential payments upon a termination by the Company without cause and upon a change in control event where there is a subsequent change in the relationship between the Company and the Named Executive Officer.

Termination Without Cause

If the Named Executive Officer is terminated without cause, we may be obligated to make payments or provide benefits to the Named Executive Officer. A termination without cause means a termination of a Named Executive Officer for any reason other than the following, each of which provides “cause” for termination:

- The failure by the Named Executive Officer to attempt in good faith to perform his duties, other than as a result of a physical or mental illness or injury;
- The Named Executive Officer's willful misconduct or gross negligence of a material nature in connection with the performance of his duties which is or could reasonably be expected to be injurious to the Company;
- The breach by the Named Executive Officer of his fiduciary duty or duty of loyalty to the Company;
- The Named Executive Officer's intentional and unauthorized removal, use or disclosure of information relating to the Company, including customer information, which is injurious to the Company or its customers;
- The willful performance by the Named Executive Officer of any act of dishonesty or willful misappropriation of funds or property of the Company or its affiliates;
- The indictment of the Named Executive Officer or a plea of guilty or nolo contendere to a felony or other serious crime involving moral turpitude;
- The material breach by the Named Executive Officer of any obligation material to his employment relationship with the Company; or
- The material breach by the Named Executive Officer of the Company's policies and procedures which breach causes or could reasonably be expected to cause harm to the Company;

provided that in certain of the circumstances listed above, OpenText has given the Named Executive Officer reasonable notice of the reason for termination as well as a reasonable opportunity to correct the circumstances giving rise to the termination.

Change in Control

If there is a change in control of the Company and within one year of such change in control event, there is a change in the relationship between the Company and the Named Executive Officer without the Named Executive Officer's written consent, we may be obligated to provide payments or benefits to the Named Executive Officer, unless such a change is in connection with the termination of the Named Executive Officer either for cause or due to the death or disability of the Named Executive Officer.

A change in control includes the following events:

- The sale, lease, exchange or other transfer, in one transaction or a series of related transactions, of all or substantially all of the Company's assets;
- The approval by the holders of Common Shares of any plan or proposal for the liquidation or dissolution of the Company;
- Any transaction in which any person or group acquires ownership of more than 50% of outstanding Common Shares; or

- Any transaction in which a majority of the Board is replaced over a twelve-month period and such replacement of the Board was not approved by a majority of the Board still in office at the beginning of such period.

Examples of a change in the relationship between the Named Executive Officer and the Company where payments or benefits may be triggered following a change in control event include:

- A material diminution in the duties and responsibilities of the Named Executive Officer, other than (a) a change arising solely out of the Company becoming part of a larger organization following the change in control event or any related change in the reporting hierarchy or (b) a reorganization of the Company resulting in similar changes to the duties and responsibilities of similarly situated executive officers;
- A material reduction to the Named Executive Officer's compensation, other than a similar reduction to the compensation of similarly situated executive officers;
- A relocation of the Named Executive Officer's primary work location by more than fifty miles;
- A reduction in the title or position of the Named Executive Officer, other than (a) a change arising solely out of the Company becoming part of a larger organization following the change in control event or any related change in the reporting hierarchy or (b) a reorganization of the Company resulting in similar changes to the titles or positions of similarly situated executive officers;

None of our Named Executive Officers are entitled to the payments or benefits described below, or any other payments or benefits, solely upon a change in control where there is no change to the Named Executive Officer's relationship with the Company.

Amounts Payable Upon Termination or Change in Control

Pursuant to our employment agreements with our Named Executive Officers and the terms of our LTIP, each Named Executive Officer's entitlement upon termination of employment without cause or following a change in the Named Executive Officer's relationship with the Company, both absent a change in control event and within twelve months of a change in control event, are set forth below.

No Change in Control

		No change in control				
		Base	Short term incentives ⁽¹⁾	LTIP ⁽²⁾	Options ⁽³⁾	Employee and Medical Benefits ⁽⁴⁾
Mark J. Barrechea	Termination without cause or Change in relationship	24 months	24 months	Prorated	Vested	24 months ⁽⁵⁾
Madhu Ranganathan	Termination without cause or Change in relationship	12 months	12 months	Prorated	Vested	12 months
Muhi Majzoub	Termination without cause or Change in relationship	12 months	12 months	Prorated	Vested	12 months
Gordon A. Davies	Termination without cause or Change in relationship	12 months	12 months	Prorated	Vested	12 months
Simon Harrison	Termination without cause or Change in relationship	12 months	12 months	Prorated	Vested	12 months

- (1) Assuming 100% achievement of the expected targets for the fiscal year in which the triggering event occurred.
- (2) LTIP amounts are prorated for the number of months of participation at termination date in the applicable 38 month performance period. If the termination date is before the commencement of the 19th month of the performance period, a prorated LTIP will not be paid.
- (3) Already vested as of termination date with no acceleration of unvested options. For a period of 90 days following the termination date, the Named Executive Officer has the right to exercise all options which have vested as of the date of termination.
- (4) Employee and medical benefits provided to each Named Executive Officer immediately prior to the occurrence of the trigger event.
- (5) In accordance with the terms of his employment agreement, as amended, Mr. Barrechea is entitled to participate until the age of 65 in healthcare benefits substantially similar to what he currently receives as Vice Chair, Chief Executive Officer and Chief Technology Officer of the Company. These benefits will be provided at the cost of the Company, provided that Mr. Barrechea continues to be responsible for funding an amount that is equal to his

employee contribution as Vice Chair, Chief Executive Officer and Chief Technology Officer, unless he becomes employed elsewhere, at which point this benefit will terminate. In the event that the employee or company contribution funding increases, Mr. Barrenechea would be responsible for that increase.

Within 12 Months of a Change in Control

		Within 12 Months of a Change in Control				
		Base	Short term incentives ⁽¹⁾	LTIP	Options ⁽²⁾	Employee and Medical Benefits ⁽³⁾
Mark J. Barrenechea	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months ⁽⁴⁾
Madhu Ranganathan	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months
Muhi Majzoub	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months
Gordon A. Davies	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months
Simon Harrison	Termination without cause or Change in relationship	24 months	24 months	100% Vested	100% Vested	24 months

- (1) Assuming 100% achievement of the expected targets for the fiscal year in which the triggering event occurred.
- (2) For a period of 90 days following the termination date, the Named Executive Officer has the right to exercise all options which are deemed to have vested as of the date of termination.
- (3) Employee and medical benefits provided to each Named Executive Officer immediately prior to the occurrence of the trigger event.
- (4) In accordance with the terms of his employment agreement, as amended, Mr. Barrenechea is entitled to participate until the age of 65 in healthcare benefits substantially similar to what he currently receives as Vice Chair, Chief Executive Officer and Chief Technology Officer of the Company. These benefits will be provided at the cost of the Company, provided that Mr. Barrenechea continues to be responsible for funding an amount that is equal to his employee contribution as Vice Chair, Chief Executive Officer and Chief Technology Officer, unless he becomes employed elsewhere, at which point this benefit will terminate. In the event that the employee or company contribution funding increases, Mr. Barrenechea would be responsible for that increase.

In addition to the information identified above, each Named Executive Officer is entitled to all accrued payments up to the date of termination, including all earned but unpaid short-term incentive amounts and earned but unsettled LTIP. Except as otherwise required by law, we are required to make all these payments and provide these benefits over a period of 12 months or 24 months, depending on the Named Executive Officer's entitlement and the circumstances which triggered our obligation to make such payments and provide such benefits, from the date of the event which triggered our obligation. With respect to payments to Mr. Barrenechea, the Company intends to make all required payments to Mr. Barrenechea no later than two and a half months after the end of the later of the fiscal year or calendar year in which the payments are no longer subject to a substantial risk of forfeiture.

In return for receiving the payments and the benefits described above, each Named Executive Officer must comply with certain obligations in favour of the Company, including a non-disparagement obligation. Also, each Named Executive Officer is bound by a confidentiality and non-solicitation agreement where the non-solicitation obligation lasts 6 months from the date of termination of his employment.

Any breach by a Named Executive Officer of any provision of his contractual agreements may only be waived upon the review and approval of the Board.

Quantitative Estimates of Payments upon Termination or Change in Control

Further information regarding payments to our Named Executive Officers in the event of a termination or a change in control may be found in the table below. This table sets forth the estimated amount of payments and other benefits each Named Executive Officer would be entitled to receive upon the occurrence of the indicated event, assuming that the event occurred on June 30, 2019. Amounts (i) potentially payable under plans which are generally available to all salaried employees, such as life and disability insurance, and (ii) earned but unpaid, in both cases, are excluded from the table. The values related to vesting of stock options and awards are based upon the fair market value of our Common Shares of \$41.20 per share as reported on the

NASDAQ on June 30, 2019, the last trading day of our fiscal year. The other material assumptions made with respect to the numbers reported in the table below are:

- Payments in Canadian dollars included herein are converted to U.S. dollars using an exchange rate, as of June 30, 2019, of 0.756489;
- The salary and incentive payments are calculated based on the amounts of salary, incentive and benefit payments which were payable to each Named Executive Officer as of June 30, 2019; and
- Payments under the LTIPs are calculated as though 100% of Fiscal 2021 LTIP (granted in Fiscal 2019), Fiscal 2020 LTIP (granted in Fiscal 2018), and Fiscal 2019 LTIP (granted in Fiscal 2017) have vested with respect to a termination without cause or change in relationship following a change in control event, and as though a pro-rated amount have vested with respect to no change in control event.

Actual payments made at any future date may vary, including the amount the Named Executive Officer would have accrued under the applicable benefit or compensation plan as well as the price of our Common Shares.

Named Executive Officer		Salary (\$)	Short-term Incentive Payment (\$)	Gain on Vesting of LTIP and Non-LTIP RSUs (\$)	Gain on Vesting of Stock Options (\$)	Employee Benefits (\$)	Total (\$)
Mark J. Barrenechea	Termination Without Cause / Change in Relationship with no Change in Control	\$ 1,900,000	\$ 2,850,000	\$ 8,128,977	\$ —	\$ 45,008 ⁽¹⁾	\$ 12,923,985
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$ 1,900,000	\$ 2,850,000	\$ 14,912,752	\$ 21,281,081	\$ 45,008	\$ 40,988,841
Madhu Ranganathan	Termination Without Cause / Change in Relationship with no Change in Control	\$ 500,000	\$ 500,000	\$ 310,691	\$ —	\$ 3,581	\$ 1,314,272
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$ 1,000,000	\$ 1,000,000	\$ 1,311,396	\$ 1,483,855	\$ 7,162	\$ 4,802,413
Muhi Majzoub	Termination Without Cause / Change in Relationship with no Change in Control	\$ 412,500	\$ 425,000	\$ 1,443,648	\$ —	\$ 10,515	\$ 2,291,663
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$ 825,000	\$ 850,000	\$ 2,760,812	\$ 681,656	\$ 21,029	\$ 5,138,497
Gordon A. Davies	Termination Without Cause / Change in Relationship with no Change in Control	\$ 371,310	\$ 389,592	\$ 1,527,956	\$ —	\$ 16,208	\$ 2,305,066
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$ 742,620	\$ 779,183	\$ 2,737,740	\$ 722,836	\$ 32,417	\$ 5,014,796
Simon Harrison	Termination Without Cause / Change in Relationship with no Change in Control	\$ 400,000	\$ 437,500	\$ 425,444	\$ —	\$ 107,088	\$ 1,370,032
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	\$ 800,000	\$ 875,000	\$ 915,052	\$ 621,329	\$ 214,176	\$ 3,425,557

- (1) In accordance with the terms of his employment agreement, as amended, Mr. Barrenechea is entitled to participate until the age of 65 in healthcare benefits substantially similar to what he currently receives as Chief Executive Officer of the Company. These benefits will be provided at the cost of the Company, provided that Mr. Barrenechea continues to be responsible for funding an amount that is equal to his employee contribution as Chief Executive Officer, unless he becomes employed elsewhere, at which point this benefit will terminate. In the event that the employee or company contribution funding increases, Mr. Barrenechea would be responsible for that increase.

Director Compensation for Fiscal 2019

The following table sets forth summary information concerning the annual compensation received by each of the non-management directors of OpenText for the fiscal year ended June 30, 2019.

	Fees Earned or Paid in Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non- qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
P. Thomas Jenkins ⁽³⁾	\$ —	\$ 559,776	\$ —	\$ —	N/A	\$ —	\$ 559,776
Randy Fowlie ⁽⁴⁾	\$ 57,500	\$ 336,309	\$ —	\$ —	N/A	\$ —	\$ 393,809
David Fraser ⁽⁵⁾	\$ 75,000	\$ 253,999	\$ —	\$ —	N/A	\$ —	\$ 328,999
Gail E. Hamilton ⁽⁶⁾	\$ 91,000	\$ 267,520	\$ —	\$ —	N/A	\$ —	\$ 358,520
Stephen J. Sadler ⁽⁷⁾	\$ —	\$ 345,754	\$ —	\$ —	N/A	\$ 638,401 ⁽¹³⁾	\$ 984,155
Harmit Singh ⁽⁸⁾	\$ 104,083	\$ 247,241	\$ —	\$ —	N/A	\$ —	\$ 351,324
Michael Slaunwhite ⁽⁹⁾	\$ 3,500	\$ 386,414	\$ —	\$ —	N/A	\$ —	\$ 389,914
Katharine B. Stevenson ⁽¹⁰⁾	\$ —	\$ 369,904	\$ —	\$ —	N/A	\$ —	\$ 369,904
Carl Jurgen Tinggren ⁽¹¹⁾	\$ 95,000	\$ 234,915	\$ —	\$ —	N/A	\$ —	\$ 329,915
Deborah Weinstein ⁽¹²⁾	\$ —	\$ 382,796	\$ —	\$ —	N/A	\$ —	\$ 382,796
Brain Jackman ⁽¹⁴⁾	\$ —	\$ 15,609	\$ —	\$ —	N/A	\$ —	\$ 15,609

- (1) Non-management directors may elect to defer all or a portion of their retainer and/or fees in the form of Common Share equivalent units under our Directors' Deferred Share Unit Plan (DSU Plan) based on the value of the Company's shares as of the date fees would otherwise be paid. The DSU Plan, originally effective February 2, 2010, and amended and restated in October 2018, is available to any non-management director of the Company and is designed to promote greater alignment of long-term interests between directors of the Company and its shareholders. DSUs granted as compensation for directors fees vest immediately whereas the annual DSU grant vests at the Company's next annual general meeting. No DSUs are payable by the Company until the director ceases to be a member of the Board.
- (2) The amounts set forth in this column represents the amount recognized as the aggregate grant date fair value of equity-based compensation awards, inclusive of DSU dividend equivalents, as calculated in accordance with ASC Topic 718. These amounts do not reflect whether the recipient has actually realized a financial benefit from the awards. For a discussion of the assumptions used in this valuation, see note 12 "Share Capital, Option Plan and Share-based Payments" to our consolidated financial statements. In Fiscal 2019, Messrs. Jenkins, Fowlie, Fraser, Sadler, Singh, Slaunwhite and Tinggren and Meses. Hamilton, Stevenson and Weinstein received 16,559, 9,844, 7,588, 10,192, 7,398, 11,303, 7,007, 7,875, 10,859, and 11,206 DSUs, respectively.
- (3) As of June 30, 2019, Mr. Jenkins holds 107,560 DSUs. Mr. Jenkins serves as Chairman of the Board.
- (4) As of June 30, 2019, Mr. Fowlie holds 88,141 DSUs.
- (5) As of June 30, 2019, Mr. Fraser holds 7,588 DSUs.
- (6) As of June 30, 2019, Ms. Hamilton holds 69,792 DSUs.
- (7) As of June 30, 2019, Mr. Sadler holds 83,405 DSUs.
- (8) As of June 30, 2019, Mr. Singh holds 7,398 DSUs.
- (9) As of June 30, 2019, Mr. Slaunwhite holds 101,417 DSUs.
- (10) As of June 30, 2019, Ms. Stevenson holds 82,330 DSUs.
- (11) As of June 30, 2019, Mr. Tinggren holds 17,499 DSUs.
- (12) As of June 30, 2019, Ms. Weinstein holds 96,712 DSUs.
- (13) During Fiscal 2019, Mr. Sadler received \$638,401 in consulting fees, paid or payable in cash, for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.
- (14) Mr. Jackman retired from the board of directors effective September 5, 2019, being the date of our annual general meeting.

Directors who are salaried officers or employees receive no compensation for serving as directors. Mr. Barrenechea was the only employee director in Fiscal 2019. The material terms of our director compensation arrangements are as follows:

Description	Amount and Frequency of Payment
Annual Chairman retainer fee payable to the Chairman of the Board	\$200,000 per year payable following our Annual General Meeting
Annual retainer fee payable to each non-management director	\$70,000 per director payable following our Annual General Meeting
Annual Audit Committee retainer fee payable to each member of the Audit Committee	\$25,000 per year payable at \$6,250 at the beginning of each quarterly period.
Annual Audit Committee Chair retainer fee payable to the Chair of the Audit Committee	\$10,000 per year payable at \$2,500 at the beginning of each quarterly period.
Annual Compensation Committee retainer fee payable to each member of the Compensation Committee	\$15,000 per year payable at \$3,750 at the beginning of each quarterly period.
Annual Compensation Committee Chair retainer fee payable to the Chair of the Compensation Committee	\$10,000 per year payable at \$2,500 at the beginning of each quarterly period.
Annual Corporate Governance Committee retainer fee payable to each member of the Corporate Governance Committee	\$8,000 per year payable at \$2,000 at the beginning of each quarterly period.
Annual Corporate Governance Committee Chair retainer fee payable to the Chair of the Corporate Governance Committee	\$6,000 per year payable at \$1,500 at the beginning of each quarterly period.

The Board has adopted a DSU Plan which is available to any non-management director of the Company. In Fiscal 2019, certain directors elected to receive DSUs instead of a cash payment for their directors' fees. In addition to the scheduled fee arrangements set forth in the table above, whether paid in cash or DSUs, non-management directors also receive an annual DSU grant representing the long term component of their compensation. The amount of the annual DSU grant is discretionary; however, historically, the amount of this grant has been determined and updated on a periodic basis with the assistance of the Compensation Committee and the compensation consultant and benchmarked against director compensation for comparable companies. For Fiscal 2019, the annual DSU grant was approximately \$225,000 for each non-management director and approximately \$295,000 for the Chairman of the Board. As newly elected members of our board, Mr. Singh and Mr. Fraser each also received a pro rata portion of the annual DSU grant to compensate for their initial month of service of approximately \$18,750. DSUs granted as compensation for directors fees vest immediately whereas the annual DSU grant vests at the Company's next annual general meeting. No DSUs are payable by the Company until the director ceases to be a member of the Board.

As with its employees, the Company believes that granting compensation to directors in the form of equity, such as DSUs, promotes a greater alignment of long-term interests between directors of the Company and the shareholders of the Company and since Fiscal 2013 the Company has taken the position that non-management directors will receive DSUs instead of stock options where granting of equity awards is appropriate. All non-management directors have exceeded the Share Ownership Guidelines applicable to them, which is three times their annual retainer. For further details of our Share Ownership Guidelines as they relate to directors, see "Share Ownership Guidelines" above.

The Company does not have a retirement policy for its directors; however, the Company does review its director performance annually as part of its governance process.

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee consist of Mr. Slaunwhite (Chair) and Mses. Hamilton and Weinstein. None of the members of the Compensation Committee have been or are an officer or employee of the Company, or any of our subsidiaries, or had any relationship requiring disclosure herein. None of our executive officers served as a member of the

compensation committee of another entity (or other committee of the board of directors performing equivalent functions, or in the absence of any such committee, the entire board of directors) one of whose executive officers served as a director of ours.

Board's Role in Risk Oversight

The Board has overall responsibility for risk oversight. The Board is responsible for overseeing management's implementation and operation of enterprise risk management, either directly or through its committees, which shall report to the Board with respect to risk oversight undertaken in accordance with their respective charters. At least annually, the Board shall review reports provided by management on the risks inherent in the business of the Company (including appropriate crisis preparedness, business continuity, information system controls, cybersecurity and disaster recovery plans), the appropriate degree of risk mitigation and risk control, overall compliance with and the effectiveness of the Company's risk management policies, and residual risks remaining after implementation of risk controls. In addition, each committee reviews and reports to the Board on risk oversight matters, as described below.

The Audit Committee oversees risks related to our accounting, financial statements and financial reporting process. On a quarterly basis, the Audit Committee also reviews reports provided by management on the risks inherent in the business of the Company, including those related to cybersecurity and disaster recovery plans, and reports to the Board with respect to risk oversight undertaken.

The Compensation Committee oversees risks which may be associated with our compensation policies, practices and programs, in particular with respect to our executive officers. The Compensation Committee assesses such risks with the review and assistance of the Company's management and the Compensation Committee's external compensation consultants.

The Corporate Governance and Nominating Committee monitors risk and potential risks with respect to the effectiveness of the Board, and considers aspects such as director succession, Board composition and the principal policies that guide the Company's overall corporate governance.

The members of each of the Audit Committee, Compensation Committee, and the Corporate Governance and Nominating Committee are all "independent" directors within the meaning ascribed to it in Multilateral Instrument 52-110-*Audit Committees* as well as the listing standards of NASDAQ, and, in the case of the Audit Committee, the additional independence requirements set out by the SEC.

All of our directors are kept informed of our business through open discussions with our management team, including our CEO, who serves on our Board. The Board also receives documents, such as quarterly and periodic management reports and financial statements, as well our directors have access to all books, records and reports upon request, and members of management are available at all times to answer any questions which Board members may have.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information as of June 30, 2019 regarding Common Shares beneficially owned by the following persons or companies: (i) each person or company known by us to be the beneficial owner of approximately 5% or more of our outstanding Common Shares, (ii) each director of our Company, (iii) each Named Executive Officer, and (iv) all directors and executive officers as a group. Except as otherwise indicated, we believe that the beneficial owners of the Common Shares listed below have sole investment and voting power with respect to such Common Shares, subject to community property laws where applicable.

The number and percentage of shares beneficially owned as exhibited in Item 12 is based on filings made in accordance with the rules of the SEC, and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which a person has sole or shared voting or investment power and also any shares of Common Shares underlying options or warrants that are exercisable by that person within 60 days of June 30, 2019. Unless otherwise indicated, the address of each person or entity named in the table is "care of" Open Text Corporation, 275 Frank Tompa Drive, Waterloo, Ontario, Canada, N2L 0A1.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Shares Outstanding
Caisse de Depot et Placement du Quebec ⁽¹⁾ 1000 Place Jean-Paul Riopelle, Montreal H2Z 2B3	15,956,800	5.91%
Jarislowky, Fraser Ltd. ⁽¹⁾ 1010 Sherbrooke St. West, Montreal QC H3A 2R7	15,808,651	5.86%
P. Thomas Jenkins ⁽²⁾	3,204,859	1.18%
Mark J. Barrenechea ⁽³⁾	1,666,571	*
Michael Slaunwhite ⁽⁴⁾	562,874	*
Randy Fowlie ⁽⁵⁾	292,398	*
Muhi Majzoub ⁽⁶⁾	222,124	*
Stephen J. Sadler ⁽⁷⁾	211,662	*
Katharine B. Stevenson ⁽⁸⁾	128,202	*
Gordon A. Davies ⁽⁹⁾	119,746	*
Deborah Weinstein ⁽¹⁰⁾	109,969	*
Madhu Ranganathan ⁽¹¹⁾	81,615	*
Gail E. Hamilton ⁽¹²⁾	77,049	*
Simon Harrison ⁽¹³⁾	53,076	*
Carl Jürgen Tinggren ⁽¹⁴⁾	10,756	*
David Fraser ⁽¹⁵⁾	284	*
Harmit Singh ⁽¹⁶⁾	94	*
All executive officers and directors as a group ⁽¹⁷⁾	6,957,189	2.56%

* Less than 1%

- (1) Information regarding the shares outstanding is based on information filed in Schedule 13G, 13F, or Schedule 13G/A with the SEC. The percentage of Common Shares outstanding is calculated using the total shares outstanding as of June 30, 2019.
- (2) Includes 3,106,139 Common Shares owned and 98,720 deferred stock units (DSUs) which are exercisable.
- (3) Includes 728,161 Common Shares owned, 744,615 options which are exercisable and 193,795 options which will become exercisable within 60 days of June 30, 2019.
- (4) Includes 468,200 Common Shares owned and 94,674 DSUs which are exercisable.
- (5) Includes 211,000 Common Shares owned and 81,398 DSUs which are exercisable.
- (6) Includes 70,595 Common Shares owned, 116,824 options which are exercisable and 34,705 options which will become exercisable within 60 days of June 30, 2019.
- (7) Includes 135,000 Common Shares owned and 76,662 DSUs which are exercisable.
- (8) Includes 52,615 Common Shares owned and 75,587 DSUs which are exercisable.
- (9) Includes 47,222 Common Shares owned, 36,264 options which are exercisable and 36,260 options which will become exercisable within 60 days of June 30, 2019.
- (10) Includes 20,000 Common Shares owned and 89,969 DSUs which are exercisable.
- (11) Includes 1,087 Common Shares owned, 73,378 options which are exercisable and 7,150 options which will become exercisable within 60 days of June 30, 2019.
- (12) Includes 14,000 Common Shares owned and 63,049 DSUs which are exercisable.
- (13) Includes 16,762 Common Shares owned, 30,226 options which are exercisable and 6,088 options which will become exercisable within 60 days of June 30, 2019.
- (14) Includes 10,756 DSUs which are exercisable.
- (15) Includes 284 DSUs which are exercisable.
- (16) Includes 94 DSUs which are exercisable.
- (17) Includes 4,892,004 Common Shares owned, 1,139,091 options which are exercisable, 334,901 options which will become exercisable within 60 days of June 30, 2019, and 591,193 DSUs which are exercisable.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth summary information relating to our various stock compensation plans as of June 30, 2019:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders:	7,102,753	\$31.82	9,397,479
Equity compensation plans not approved by security holders :			
Under deferred stock unit awards	661,842	N/A	—
Under performance stock unit awards	420,323	N/A	—
Under restricted stock unit awards	615,966	N/A	—
Total	8,800,884	N/A	9,397,479

For more information regarding stock compensation plans, please refer to note 12 "Share Capital, Option Plans and Share-Based Payments" to our Consolidated Financial Statements, under Part IV, Item 15 of this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Related Transactions Policy and Director Independence

We have adopted a written policy that all transactional agreements between us and our officers, directors and affiliates will be first approved by a majority of the independent directors. Once these agreements are approved, payments made pursuant to the agreements are approved by the members of our Audit Committee.

Our procedure regarding the approval of any related party transaction is that the material facts of such transaction shall be reviewed by the independent members of our Audit Committee and the transaction approved by a majority of the independent members of our Audit Committee. The Audit Committee reviews all transactions wherein we are, or will be a participant and any related party has or will have a direct or indirect interest. In determining whether to approve a related party transaction, the Audit Committee generally takes into account, among other facts it deems appropriate: whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; the extent and nature of the related person's interest in the transaction; the benefits to the company of the proposed transaction; if applicable, the effects on a director's independence; and if applicable, the availability of other sources of comparable services or products.

The Board has determined that all directors, except Messrs. Barnechea and Sadler, meet the independence requirements under the NASDAQ Listing Rules and qualify as "independent directors" under those Listing Rules. Mr. Barnechea is not considered independent by virtue of being our Vice Chair, Chief Executive Officer and Chief Technology Officer. See "Transactions with Related Persons" below with respect to payments made to Mr. Sadler. Each of the members of our Compensation Committee, Audit Committee and Corporate Governance and Nominating Committee is an independent director.

Transactions With Related Persons

One of our directors, Mr. Sadler, received consulting fees for assistance with acquisition-related business activities pursuant to a consulting agreement with the Company. Mr. Sadler's consulting agreement, which was adopted by way of Board resolution effective July 1, 2011, is for an indefinite period. The material terms of the agreement are as follows: Mr. Sadler is paid at the rate of Canadian dollars (CAD) \$450 per hour for services relating to his consulting agreement. In addition, he is eligible to receive a bonus fee equivalent to 1.0% of the acquired company's revenues, up to CAD \$10.0 million in revenue, plus an additional amount of 0.5% of the acquired company's revenues above CAD \$10.0 million. The total bonus fee payable, for any given fiscal year, is subject to an annual limit of CAD \$450,000 per single acquisition and an aggregate annual limit of CAD \$980,000. The acquired company's revenues, for this purpose, is equal to the acquired company's revenues for the 12 months prior to the date of acquisition.

During Fiscal 2019, Mr. Sadler received approximately CAD \$0.9 million in consulting fees from OpenText (equivalent to \$0.6 million USD), inclusive of CAD \$0.8 million bonus fees for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

Item 14. Principal Accountant Fees and Services

The aggregate fees for professional services rendered by our independent registered public accounting firm, KPMG LLP, for Fiscal 2019 and Fiscal 2018 were:

(In thousands)	Year ended June 30,	
	2019	2018
Audit fees ⁽¹⁾	\$ 4,598	\$ 4,701
Audit-related fees ⁽²⁾	—	—
Tax fees ⁽³⁾	108	116
All other fees ⁽⁴⁾	40	101
Total	\$ 4,746	\$ 4,918

- (1) Audit fees were primarily for professional services rendered for (a) the annual audits of our consolidated financial statements and the accompanying attestation report regarding our ICFR contained in our Annual Report on Form 10-K, (b) the review of quarterly financial information included in our Quarterly Reports on Form 10-Q, (c) audit services related to mergers and acquisitions and offering documents, and (d) annual statutory audits where applicable.
- (2) Audit-related fees were primarily for assurance and related services, such as the review of non-periodic filings with the SEC.
- (3) Tax fees were for services related to tax compliance, including the preparation of tax returns, tax planning and tax advice.
- (4) All other fees consist of fees for services other than the services reported in audit fees, audit-related fees, and tax fees.

OpenText's Audit Committee has established a policy of reviewing, in advance, and either approving or not approving, all audit, audit-related, tax and other non-audit services that our independent registered public accounting firm provides to us. This policy requires that all services received from our independent registered public accounting firm be approved in advance by the Audit Committee or a delegate of the Audit Committee. The Audit Committee has delegated the pre-approval responsibility to the Chair of the Audit Committee. All services that KPMG LLP provided to us in Fiscal 2019 and Fiscal 2018 have been pre-approved by the Audit Committee.

The Audit Committee has determined that the provision of the services as set out above is compatible with the maintaining of KPMG LLP's independence in the conduct of its auditing functions.

Part IV

Item 15. Exhibits and Financial Statements Schedules

(a) Financial Statements and Schedules

<u>Index to Consolidated Financial Statements and Supplementary Data (Item 8)</u>	<u>Page Number</u>
Report of Independent Registered Public Accounting Firm	107
Report of Independent Registered Public Accounting Firm	110
Consolidated Balance Sheets as of June 30, 2019 and 2018	112
Consolidated Statements of Income for the years ended June 30, 2019, 2018, and 2017	113
Consolidated Statements of Comprehensive Income for the years ended June 30, 2019, 2018, and 2017	114
Consolidated Statements of Shareholders' Equity for the years ended June 30, 2019, 2018, and 2017	115
Consolidated Statements of Cash Flows for the years ended June 30, 2019, 2018, and 2017	116
Notes to Consolidated Financial Statements	118

(b) The following documents are filed as a part of this report:

- 1) Consolidated financial statements and Reports of Independent Registered Public Accounting Firm and the related notes thereto are included under Item 8, in Part II.
- 2) Valuation and Qualifying Accounts; see note 4 "Allowance for Doubtful Accounts" and note 14 "Income Taxes" in the Notes to Consolidated Financial Statements included under Item 8, in Part II.
- 3) Exhibits: The following exhibits are filed as part of this Annual Report on Form 10-K or are incorporated by reference to exhibits previously filed with the SEC.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
2.1	Agreement and Plan of Merger between Open Text Corporation, EPIC Acquisition Sub Inc., a Delaware corporation and an indirect wholly-owned subsidiary of OpenText and EasyLink Services International Corporation dated May 1, 2012. (14)
2.2	Agreement and Plan of Merger, dated as of November 4, 2013, among Open Text Corporation, Ocelot Merger Sub, Inc., GXS Group, Inc. and the stockholders' representative named therein. (20)
2.3	Support Agreement, dated as of November 4, 2013, among GXS Group, Inc., Open Text Corporation, and Global Acquisition LLC. (20)
2.4	Support Agreement, dated as of November 4, 2013, among GXS Group, Inc., Open Text Corporation, CCG Investment Fund, L.P., CCG Associates - QP, LLC, CCG Investment Fund - AI, LP, CCG AV, LLC - Series A, CCG AV, LLC - Series C and CCG CI, LLC. (20)
2.5	Agreement and Plan of Merger, dated as of December 5, 2014, by and among Open Text Corporation, Asteroid Acquisition Corporation and Actuate. (24)
2.6	Agreement and Plan of Merger, dated September 12, 2016, by and among Open Text Corporation, EMC Corporation, EMC International Company, and EMC (Benelux) B.V. (26)
3.1	Articles of Amalgamation of the Company. (1)
3.2	Articles of Amendment of the Company. (1)
3.3	Articles of Amendment of the Company. (1)
3.4	Articles of Amalgamation of the Company. (1)
3.5	Articles of Amalgamation of the Company, dated July 1, 2001. (2)
3.6	Articles of Amalgamation of the Company, dated July 1, 2002. (3)
3.7	Articles of Amalgamation of the Company, dated July 1, 2003. (4)
3.8	Articles of Amalgamation of the Company, dated July 1, 2004. (5)
3.9	Articles of Amalgamation of the Company, dated July 1, 2005. (6)
3.10	Articles of Continuance of the Company, dated December 29, 2005. (7)
3.11	By-Law 1 of Open Text Corporation. (39)
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934

4.2	Form of Common Share Certificate. (1)
4.3	Amended and Restated Shareholder Rights Plan Agreement between Open Text Corporation and Computershare Investor Services, Inc. dated September 23, 2016. (19)
4.4	Registration Rights Agreement, dated as of November 4, 2013, by and among Open Text Corporation and the principal stockholders named therein, and for the benefit of the holders (as defined therein). (20)
4.5	Indenture, dated as of January 15, 2015, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon (as successor to Citibank, N.A.), as U.S. trustee, and BNY Trust Company of Canada (as successor to Citi Trust Company Canada), as Canadian trustee (including form of 5.625% Senior Notes due 2023). (27)
4.6	Indenture, dated as of May 31, 2016, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (including form of 5.875% Senior Notes due 2026). (30)
4.7	Supplemental Indenture, dated as of December 9, 2016, to the Indenture governing 5.625% Senior Notes due 2023, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee. (31)
4.8	Supplemental Indenture, dated as of December 9, 2016, to the Indenture governing 5.875% Senior Notes due 2026, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee. (31)
10.1*	1998 Stock Option Plan. (8)
10.2*	Form of Indemnity Agreement between the Company and certain of its officers dated September 7, 2006. (9)
10.3*	Consulting Agreement between Steven Sadler and SJS Advisors Inc. and the Company, dated May 3, 2005. (10)
10.4*	OpenText Corporation Directors' Deferred Share Unit Plan, as amended and restated October 30, 2018 (11)
10.5	Amended and Restated Credit Agreement among Open Text Corporation and certain of its subsidiaries, the Lenders, Barclays Bank PLC, Royal Bank of Canada, Barclays Capital and RBC Capital Markets, dated as of November 9, 2011. (12)
10.6*	OpenText Corporation 2004 Stock Option Plan, as amended and restated September 26, 2016. (15)
10.7*	OpenText Corporation Long-Term Incentive Plan 2015 for eligible employees, effective October 3, 2012. (16)
10.8*	Employment Agreement, dated October 30, 2012 between Mark Barrenechea and the Company. (16)
10.9*	Amendment No. 1 to the Employment Agreement between Mark J. Barrenechea and the Company dated January 24, 2013 (amending the Employment Agreement between Mark J. Barrenechea and the Company dated October 30, 2012). (17)
10.10*	Employment Agreement, as of December 19, 2012, between Gordon A. Davies and the Company. (18)
10.11	Commitment Letter, dated as of November 4, 2013, by and among Barclays Bank PLC, Royal Bank of Canada and Open Text Corporation. (20)
10.12	First Amendment to Amended and Restated Credit Agreement and Amended and Restated Security and Pledge Agreement, dated as of December 16, 2013, between Open Text ULC, as term borrower, Open Text ULC, Open Text Inc. and Open Text Corporation, as revolving credit borrowers, the domestic guarantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as sole administrative agent and collateral agent, and Royal Bank of Canada, as documentary credit lender. (21)
10.13	Credit Agreement, dated as of January 16, 2014, among Open Text Corporation, as guarantor, Ocelot Merger Sub, Inc., which on January 16, 2014 merged with and into GXS Group, Inc. which survived such merger, as borrower, the other domestic guarantors party thereto, the lenders named therein, as lenders, Barclays Bank PLC, as sole administrative agent and collateral agent, and with Barclays and RBC Capital Markets, as lead arrangers and joint bookrunners. (22)
10.14	Second Amendment to Amended and Restated Credit Agreement, dated as of December 22, 2014, between Open Text ULC, as term borrower, Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as revolving credit borrowers, the domestic guarantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as sole administrative agent and collateral agent, and Royal Bank of Canada, as documentary credit lender. (25)
10.15	Tender and Voting Agreement, dated as of December 5, 2014, by and among Open Text Corporation, Asteroid Acquisition Corporation and certain stockholders of Actuate. (24)
10.16*	Employment Agreement, dated November 30, 2012, between Muhi Majzoub and the Company. (23)
10.17*	Amendment No. 2 to the Employment Agreement between Mark J. Barrenechea and the Company dated July 30, 2014 (amending the Employment Agreement between Mark J. Barrenechea and the Company dated October 30, 2012). (23)
10.18*	Employment Agreement, dated October 13, 2014, between David Jamieson and the Company. (28)
10.19*	Amended and Restated Employee Stock Purchase Plan (29)

10.20	Repricing Amendment and Amendment No. 2 dated as of February 22, 2017 to Credit Agreement, by and among Open Text Corporation, as guarantor, Open Text GXS ULC, as borrower, the other guarantors party thereto, each of the lenders party thereto and Barclays Bank PLC, as administrative agent. (32)
10.21	Amendment No. 3 to Second Amended and Restated Credit Agreement, dated as of May 5, 2017, among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, and Barclays Bank PLC, as sole administrative agent and collateral agent. (33)
10.22*	Amendment No. 3 to the Employment Agreement between Mark J. Barrenechea and the Company dated June 1, 2017 (amending the Employment Agreement between Mark J. Barrenechea and the Company dated October 30, 2012). (34)
10.23*	Employment Agreement, dated January 2, 2014, between George Schulze and the Company (35)
10.24	Amendment No. 4 to Second Amended and Restated Credit Agreement, dated as of September 6, 2017, among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, and Barclays Bank PLC, as sole administrative agent and collateral agent. (36)
10.25*	Employment Agreement, dated January 30, 2018, among the Company, Open Text Inc. and Madhu Ranganathan (37)
10.26	Amended and Restated Credit Agreement dated as of May 30, 2018, by and among Open Text Corporation, as borrower, the guarantors party thereto, each of the lenders party thereto and Barclays Bank PLC, as administrative agent and collateral agent (38)
10.27	Third Amended and Restated Credit Agreement dated as of May 30, 2018, by and among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as administrative agent, collateral agent and swing line lender and Royal Bank of Canada as documentary credit lender. (38)
10.28*	Employment Agreement, dated October 1, 2017, between Simon (Ted) Harrison and the Company (40)
18.1	Preferability letter dated February 2, 2012 from the Company's auditors, KPMG LLP, regarding a change in the Company's accounting policy relating to the income statement classification of tax related interest and penalties. (13)
21.1	List of the Company's Subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL instance document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL taxonomy extension schema.
101.CAL	Inline XBRL taxonomy extension calculation linkbase.
101.DEF	Inline XBRL taxonomy extension definition linkbase.
101.LAB	Inline XBRL taxonomy extension label linkbase.
101.PRE	Inline XBRL taxonomy extension presentation.

* Indicates management contract relating to compensatory plans or arrangements

- (1) Filed as an Exhibit to the Company's Registration Statement on Form F-1 (Registration Number 33-98858) as filed with the Securities and Exchange Commission (the "SEC") on November 1, 1995 or Amendments 1, 2 or 3 thereto (filed on December 28, 1995, January 22, 1996 and January 23, 1996 respectively), and incorporated herein by reference.
- (2) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 28, 2001 and incorporated herein by reference.
- (3) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 28, 2002 and incorporated herein by reference.
- (4) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 29, 2003 and incorporated herein by reference.

- (5) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 13, 2004 and incorporated herein by reference.
- (6) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 27, 2005 and incorporated herein by reference.
- (7) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on February 3, 2006 and incorporated herein by reference.
- (8) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 20, 1999 and incorporated herein by reference.
- (9) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 12, 2006 and incorporated herein by reference.
- (10) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 26, 2008 and incorporated herein by reference.
- (11) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on January 31, 2019 and incorporated herein by reference.
- (12) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on November 9, 2011 and incorporated herein by reference.
- (13) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on February 2, 2012 and incorporated herein by reference.
- (14) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on July 3, 2012 and incorporated herein by reference.
- (15) Filed as an exhibit to the Company's Registration Statement on Form S-8, as filed with the SEC on November 4, 2016, and incorporated herein by reference.
- (16) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 1, 2012 and incorporated herein by reference.
- (17) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on January 25, 2013 and incorporated herein by reference.
- (18) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 1, 2013 and incorporated herein by reference.
- (19) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on September 23, 2016 and incorporated herein by reference.
- (20) Filed as an Exhibit to the Company's Current Report on Form 8-K/A, as filed with the SEC on November 6, 2013 and incorporated herein by reference.
- (21) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on December 20, 2013 and incorporated herein by reference.
- (22) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on January 16, 2014 and incorporated herein by reference.
- (23) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on July 31, 2014 and incorporated herein by reference.
- (24) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on December 5, 2014 and incorporated herein by reference.
- (25) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on December 23, 2014 and incorporated herein by reference.
- (26) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on September 13, 2016 and incorporated herein by reference.
- (27) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on January 15, 2015 and incorporated herein by reference.
- (28) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on July 29, 2015 and incorporated herein by reference.
- (29) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on October 2, 2015 and incorporated herein by reference.
- (30) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on May 31, 2016 and incorporated herein by reference.
- (31) Filed as an Exhibit to the Post-Effective Amendment No. 2 to the Company's Registration Statement on Form S-3, as filed with the SEC on December 12, 2016 and incorporated herein by reference.
- (32) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on February 22, 2017 and incorporated herein by reference.
- (33) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on May 8, 2017 and incorporated herein by reference.

- (34) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on June 6, 2017 and incorporated herein by reference.
- (35) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 3, 2017 and incorporated herein by reference.
- (36) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on November 2, 2017 and incorporated herein by reference.
- (37) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on February 1, 2018 and incorporated herein by reference.
- (38) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on May 30, 2018 and incorporated herein by reference.
- (39) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on September 26, 2013 and incorporated herein by reference.
- (40) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 2, 2018 and incorporated herein by reference.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Open Text Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Open Text Corporation (the Company) as of June 30, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated July 31, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Changes in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, Open Text Corporation adopted two new accounting standards, "Revenues from Contracts with Customers" and "Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory" on a modified retrospective basis through a cumulative-effect adjustment to opening retained earnings, in the year ended June 30, 2019.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Allocation of the contract's transaction price to identified performance obligations

As discussed in Note 3 to the consolidated financial statements, the Company generally sells or licenses its software in combination with other products and services such as customer support and professional services. The accounting for contracts with multiple performance obligations (units of accounting) which include a software license requires an allocation of the contract's transaction price to the identified performance obligations based on whether the product or service is distinct from some or all of the other products or services in the contract.

The Company generally does not sell or license its products on a standalone basis and as such is required to estimate standalone selling price (SSP) for each performance obligation within these customer contracts with the residual of the contract's transaction price allocated to the software license performance obligation. This allocation affects the amount and timing of revenue recognized for each performance obligation. SSP for a performance obligation in a contract is an estimate of the price that would be charged for the specific product or service if it was sold separately in similar circumstances and to similar customers.

Considering the nature and volume of contracts with multiple performance obligations including a license product, we identified the evaluation of the allocation of the contract price to the identified performance obligations within these contracts as a critical audit matter because a higher degree of auditor judgment was required in evaluating the methodology and frequency used to establish SSP (observable data, or cost plus margin approach) for the non-license performance obligations of a contract. In addition there was auditor subjectivity in evaluating the assumptions that were used in determining the SSP for each non-license performance obligation. The sensitivity of reasonably possible changes to those assumptions could have a significant impact on the determination of SSP thereby impacting the contract's transaction price allocation conclusion and the amount and timing of revenues recognized for both the license and non-license performance obligations. Typical assumptions include the basis for stratification of the underlying population for purposes of the SSP evaluation and the impact of geographic or regional specific factors, competitive positioning, internal costs, profit objectives and pricing practices for different performance obligations.

The primary procedures we performed to address the critical audit matter included the following: We tested certain internal controls over the Company's process to (1) identify the appropriateness of the methodology used to determine SSP over identified non-license performance obligations in contracts that include software licenses (2) compile a complete listing of historical standalone transactions included in the SSP evaluation (3) stratify the complete population of historical standalone transactions based on factors such as geography and level of employee for professional services and (4) capture the relevant information for purposes of establishing a range of observable pricing for the underlying SSP evaluation.

We evaluated the appropriateness of the methodology used to determine SSP by comparing to historical analysis completed by the Company and practices observed in the industry. We evaluated whether there was management bias in the selection of the assumptions used to perform the SSP evaluation. We assessed the stratification of the population used in the SSP evaluation based on our knowledge of factors such as historical period, geography, product category and level of employee for professional services. We inspected a sample of contracts from the population to assess whether attributes such as price and employee consultant level were properly evaluated. For software license contracts with multiple performance obligations, we tested the allocation of the transaction price to each performance obligation.

Assessment of recognition of uncertain tax positions

As discussed in Note 14 to the consolidated financial statements, as of June 30, 2019 the Company has recognized uncertain tax positions including associated interest and penalties. The Company's tax positions are subject to audit by local taxing authorities across multiple global subsidiaries and the resolution of such audits may span multiple years. Tax law is complex and often subject to varied interpretations, accordingly, the ultimate outcome with respect to taxes the Company may owe may differ from the amounts recognized.

We identified the evaluation of uncertain tax positions as a critical audit matter because a higher degree of auditor judgment was required in evaluating the Company's interpretation of, and compliance with tax law globally across its multiple subsidiaries. In addition, a higher degree of auditor judgment was required in evaluating the Company's estimate of the ultimate resolution of its tax positions.

The primary procedures we performed to address this critical audit matter included the following: We tested certain internal controls over the Company's process to assess uncertain tax positions to (1) interpret tax law and identify uncertain tax

positions (2) evaluate which of the Company's tax positions may not be sustained upon audit and (3) estimate the uncertain tax positions.

We involved domestic and international tax professionals with specialized skills and knowledge who assisted in obtaining an understanding and assessing tax filed positions, transfer pricing studies and the Company's compliance with applicable laws and regulations. We evaluated the Company's interpretation of tax laws by developing an independent assessment based on our understanding and interpretation of tax laws. We inspected settlement documents with applicable taxing authorities, and assessed the expiration of statutes of limitations.

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

We have served as the Company's auditor since 2001.

Toronto, Canada

July 31, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Open Text Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Open Text Corporation's (the Company) internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2019 and 2018, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2019 and related notes (collectively, the consolidated financial statements), and our report dated July 31, 2019 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Liaison Technologies, Inc. on December 17, 2018, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2019, Liaison Technology, Inc.'s internal control over financial reporting associated with total assets of \$376.8 million (of which approximately \$321.1 million represents goodwill and net intangible assets included within the scope of the assessment) and total revenues of \$53.4 million included in the consolidated financial statements of the Company as of and for the year ended June 30, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Liaison Technologies, Inc.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual Report on Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
July 31, 2019

OPEN TEXT CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars, except share data)

ASSETS	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 941,009	\$ 682,942
Accounts receivable trade, net of allowance for doubtful accounts of \$17,011 as of June 30, 2019 and \$9,741 as of June 30, 2018 (note 4)	463,785	487,956
Contract assets (note 3)	20,956	—
Income taxes recoverable (note 14)	38,340	55,623
Prepaid expenses and other current assets	97,238	101,059
Total current assets	1,561,328	1,327,580
Property and equipment (note 5)	249,453	264,205
Long-term contract assets (note 3)	15,386	—
Goodwill (note 6)	3,769,908	3,580,129
Acquired intangible assets (note 7)	1,146,504	1,296,637
Deferred tax assets (note 14)	1,004,450	1,122,729
Other assets (note 8)	148,977	111,267
Deferred charges	—	38,000
Long-term income taxes recoverable (note 14)	37,969	24,482
Total assets	\$ 7,933,975	\$ 7,765,029
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$ 329,903	\$ 302,154
Current portion of long-term debt (note 10)	10,000	10,000
Deferred revenues	641,656	644,211
Income taxes payable (note 14)	33,158	38,234
Total current liabilities	1,014,717	994,599
Long-term liabilities:		
Accrued liabilities (note 9)	49,441	52,827
Deferred credits	—	2,727
Pension liability (note 11)	75,239	65,719
Long-term debt (note 10)	2,604,878	2,610,523
Deferred revenues	46,974	69,197
Long-term income taxes payable (note 14)	202,184	172,241
Deferred tax liabilities (note 14)	55,872	79,938
Total long-term liabilities	3,034,588	3,053,172
Shareholders' equity:		
Share capital and additional paid-in capital (note 12)		
269,834,442 and 267,651,084 Common Shares issued and outstanding at June 30, 2019 and June 30, 2018, respectively; authorized Common Shares: unlimited	1,774,214	1,707,073
Accumulated other comprehensive income	24,124	33,645
Retained earnings	2,113,883	1,994,235
Treasury stock, at cost (802,871 shares at June 30, 2019 and 690,336 shares at June 30, 2018, respectively)	(28,766)	(18,732)
Total OpenText shareholders' equity	3,883,455	3,716,221
Non-controlling interests	1,215	1,037
Total shareholders' equity	3,884,670	3,717,258
Total liabilities and shareholders' equity	\$ 7,933,975	\$ 7,765,029

Guarantees and contingencies (note 13)
Related party transactions (note 22)
Subsequent event (note 23)

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands of U.S. dollars, except share and per share data)

	Year Ended June 30,		
	2019	2018	2017
Revenues:			
License	\$ 428,092	\$ 437,512	\$ 369,144
Cloud services and subscriptions	907,812	828,968	705,495
Customer support	1,247,915	1,232,504	981,102
Professional service and other	284,936	316,257	235,316
Total revenues	<u>2,868,755</u>	<u>2,815,241</u>	<u>2,291,057</u>
Cost of revenues:			
License	14,347	13,693	13,632
Cloud services and subscriptions	383,993	364,160	299,850
Customer support	124,343	133,889	122,565
Professional service and other	224,635	253,389	194,954
Amortization of acquired technology-based intangible assets (note 7)	183,385	185,868	130,556
Total cost of revenues	<u>930,703</u>	<u>950,999</u>	<u>761,557</u>
Gross profit	<u>1,938,052</u>	<u>1,864,242</u>	<u>1,529,500</u>
Operating expenses:			
Research and development	321,836	322,909	281,215
Sales and marketing	518,035	529,141	444,454
General and administrative	207,909	205,227	170,353
Depreciation	97,716	86,943	64,318
Amortization of acquired customer-based intangible assets (note 7)	189,827	184,118	150,842
Special charges (recoveries) (note 17)	35,719	29,211	63,618
Total operating expenses	<u>1,371,042</u>	<u>1,357,549</u>	<u>1,174,800</u>
Income from operations	<u>567,010</u>	<u>506,693</u>	<u>354,700</u>
Other income (expense), net	10,156	17,973	15,743
Interest and other related expense, net	(136,592)	(138,540)	(120,892)
Income before income taxes	440,574	386,126	249,551
Provision for (recovery of) income taxes (note 14)	154,937	143,826	(776,364)
Net income for the period	<u>\$ 285,637</u>	<u>\$ 242,300</u>	<u>\$ 1,025,915</u>
Net (income) loss attributable to non-controlling interests	(136)	(76)	(256)
Net income attributable to OpenText	<u>\$ 285,501</u>	<u>\$ 242,224</u>	<u>\$ 1,025,659</u>
Earnings per share—basic attributable to OpenText (note 21)	<u>\$ 1.06</u>	<u>\$ 0.91</u>	<u>\$ 4.04</u>
Earnings per share—diluted attributable to OpenText (note 21)	<u>\$ 1.06</u>	<u>\$ 0.91</u>	<u>\$ 4.01</u>
Weighted average number of Common Shares outstanding—basic (in '000's)	<u>268,784</u>	<u>266,085</u>	<u>253,879</u>
Weighted average number of Common Shares outstanding—diluted (in '000's)	<u>269,908</u>	<u>267,492</u>	<u>255,805</u>

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of U.S. dollars)

	Year Ended June 30,		
	2019	2018	2017
Net income for the period	\$ 285,637	\$ 242,300	\$ 1,025,915
Other comprehensive income (loss)—net of tax:			
Net foreign currency translation adjustments	(3,882)	(9,582)	(4,756)
Unrealized gain (loss) on cash flow hedges:			
Unrealized gain (loss) - net of tax expense (recovery) effect of \$6, (\$171) and \$34 for the year ended June 30, 2019, 2018 and 2017, respectively	16	(476)	95
(Gain) loss reclassified into net income - net of tax (expense) recovery effect of \$539, (\$489) and \$67 for the year ended June 30, 2019, 2018 and 2017, respectively	1,494	(1,357)	186
Actuarial gain (loss) relating to defined benefit pension plans:			
Actuarial gain (loss) - net of tax expense (recovery) effect of (\$2,004), (\$1,846) and \$840 for the year ended June 30, 2019, 2018 and 2017, respectively	(7,421)	(3,383)	6,216
Amortization of actuarial (gain) loss into net income - net of tax (expense) recovery effect of \$292, \$183 and \$241 for the year ended June 30, 2019, 2018 and 2017, respectively	272	260	565
Unrealized net gain (loss) on marketable securities - net of tax effect of nil for the year ended June 30, 2019, 2018 and 2017 respectively	—	—	184
Release of unrealized gain on marketable securities - net of tax effect of nil for the year ended June 30, 2019, 2018 and 2017 respectively	—	(617)	—
Total other comprehensive income (loss) net, for the period	(9,521)	(15,155)	2,490
Total comprehensive income	276,116	227,145	1,028,405
Comprehensive (income) loss attributable to non-controlling interests	(136)	(76)	(256)
Total comprehensive income attributable to OpenText	\$ 275,980	\$ 227,069	\$ 1,028,149

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars and shares)

	Common Shares and Additional Paid in Capital		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Non- Controlling Interests	Total
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2016	242,810	\$ 965,068	(1,268)	\$ (25,268)	\$ 992,546	\$ 46,310	\$ 541	\$ 1,979,197
Issuance of Common Shares								
Under employee stock option plans	1,012	20,732	—	—	—	—	—	20,732
Under employee stock purchase plans	427	11,604	—	—	—	—	—	11,604
Under the public Equity Offering	19,811	604,223	—	—	—	—	—	604,223
Income tax effect related to public Equity offering	—	5,077	—	—	—	—	—	5,077
Equity issuance costs	—	(19,574)	—	—	—	—	—	(19,574)
Share-based compensation	—	30,507	—	—	—	—	—	30,507
Income tax effect related to share-based compensation	—	1,534	—	—	—	—	—	1,534
Purchase of treasury stock	—	—	(244)	(8,198)	—	—	—	(8,198)
Issuance of treasury stock	—	(5,946)	410	5,946	—	—	—	—
Dividends declared (\$0.4770 per Common Share)	—	—	—	—	(120,581)	—	—	(120,581)
Other comprehensive income - net	—	—	—	—	—	2,490	—	2,490
Non-controlling interest	—	229	—	—	—	—	164	393
Net income for the year	—	—	—	—	1,025,659	—	256	1,025,915
Balance as of June 30, 2017	264,060	\$ 1,613,454	(1,102)	\$ (27,520)	\$ 1,897,624	\$ 48,800	\$ 961	\$ 3,533,319
Issuance of Common Shares								
Under employee stock option plans	2,870	54,355	—	—	—	—	—	54,355
Under employee stock purchase plans	721	20,458	—	—	—	—	—	20,458
Share-based compensation	—	27,594	—	—	—	—	—	27,594
Issuance of treasury stock	—	(8,788)	411	8,788	—	—	—	—
Dividends declared (\$0.5478 per Common Share)	—	—	—	—	(145,613)	—	—	(145,613)
Other comprehensive income - net	—	—	—	—	—	(15,155)	—	(15,155)
Net income for the year	—	—	—	—	242,224	—	76	242,300
Balance as of June 30, 2018	267,651	\$ 1,707,073	(691)	\$ (18,732)	\$ 1,994,235	\$ 33,645	\$ 1,037	\$ 3,717,258
Issuance of Common Shares								
Under employee stock option plans	1,472	35,626	—	—	—	—	—	35,626
Under employee stock purchase plans	711	21,835	—	—	—	—	—	21,835
Share-based compensation	—	26,770	—	—	—	—	—	26,770
Purchase of treasury stock	—	—	(726)	(26,499)	—	—	—	(26,499)
Issuance of treasury stock	—	(16,465)	614	16,465	—	—	—	—
Dividends declared (\$0.6300 per Common Share)	—	—	—	—	(168,859)	—	—	(168,859)
Cumulative effect of ASU 2016-16	—	—	—	—	(26,780)	—	—	(26,780)
Cumulative effect of Topic 606	—	—	—	—	29,786	—	—	29,786
Other comprehensive income - net	—	—	—	—	—	(9,521)	—	(9,521)
Non-controlling interest	—	(625)	—	—	—	—	42	(583)
Net income for the year	—	—	—	—	285,501	—	136	285,637
Balance as of June 30, 2019	269,834	\$ 1,774,214	(803)	\$ (28,766)	\$ 2,113,883	\$ 24,124	\$ 1,215	\$ 3,884,670

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended June 30,		
	2019	2018	2017
Cash flows from operating activities:			
Net income for the period	\$ 285,637	\$ 242,300	\$ 1,025,915
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangible assets	470,928	456,929	345,715
Share-based compensation expense	26,770	27,594	30,507
Excess tax (benefits) expense on share-based compensation expense	—	—	(1,534)
Pension expense	4,624	3,738	3,893
Amortization of debt issuance costs	4,330	4,646	5,014
Amortization of deferred charges and credits	—	4,242	6,298
Loss on sale and write down of property and equipment	9,438	2,234	784
Release of unrealized gain on marketable securities to income	—	(841)	—
Deferred taxes	47,425	89,736	(871,195)
Share in net (income) loss of equity investees	(13,668)	(5,965)	(5,952)
Write off of unamortized debt issuance costs	—	155	833
Other non-cash charges	—	—	1,033
Changes in operating assets and liabilities:			
Accounts receivable	75,508	(22,566)	(126,784)
Contract assets	(37,623)	—	—
Prepaid expenses and other current assets	(819)	(7,274)	(7,766)
Income taxes and deferred charges and credits	27,291	(31,323)	(1,683)
Accounts payable and accrued liabilities	(21,732)	(91,650)	53,490
Deferred revenue	(1,827)	35,629	3,484
Other assets	(4)	497	(21,699)
Net cash provided by operating activities	<u>876,278</u>	<u>708,081</u>	<u>440,353</u>
Cash flows from investing activities:			
Additions of property and equipment	(63,837)	(105,318)	(79,592)
Proceeds from maturity of short-term investments	—	—	9,212
Purchase of Catalyst Repository Systems Inc.	(70,800)	—	—
Purchase of Liaison Technologies, Inc.	(310,644)	—	—
Purchase of Hightail, Inc., net of cash acquired	—	(20,535)	—
Purchase of Guidance Software, Inc., net of cash acquired	(2,279)	(229,275)	—
Purchase of Covisint Corporation, net of cash acquired	—	(71,279)	—
Purchase of ECD Business	—	—	(1,622,394)
Purchase of HP Inc. CCM Business	—	—	(315,000)
Purchase of Recommind, Inc.	—	—	(170,107)
Purchase consideration for acquisitions completed prior to Fiscal 2017	—	—	(7,146)
Other investing activities	(16,966)	(18,034)	(5,937)
Net cash used in investing activities	<u>(464,526)</u>	<u>(444,441)</u>	<u>(2,190,964)</u>
Cash flows from financing activities:			
Excess tax benefits (expense) on share-based compensation expense	—	—	1,534
Proceeds from long-term debt and Revolver	—	1,200,000	481,875
Proceeds from issuance of Common Shares from exercise of stock options and ESPP	57,889	75,935	35,593
Proceeds from issuance of Common Shares under the public Equity Offering	—	—	604,223
Repayment of long-term debt and Revolver	(10,000)	(1,149,620)	(57,880)
Debt issuance costs	(322)	(4,375)	(7,240)
Equity issuance costs	—	—	(19,574)
Purchase of Treasury Stock	(26,499)	—	(8,198)
Purchase of non-controlling interests	(583)	—	(208)
Payments of dividends to shareholders	(168,859)	(145,613)	(120,581)
Net cash provided by (used in) financing activities	<u>(148,374)</u>	<u>(23,673)</u>	<u>909,544</u>
Foreign exchange gain (loss) on cash held in foreign currencies	(3,826)	(2,186)	1,767
Increase (decrease) in cash, cash equivalents and restricted cash during the period	259,552	237,781	(839,300)
Cash, cash equivalents and restricted cash at beginning of the period	683,991	446,210	1,285,510
Cash, cash equivalents and restricted cash at end of the period	<u>\$ 943,543</u>	<u>\$ 683,991</u>	<u>\$ 446,210</u>

OPEN TEXT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

Reconciliation of cash, cash equivalents and restricted cash:	June 30, 2019	June 30, 2018	June 30, 2017
Cash and cash equivalents	\$ 941,009	\$ 682,942	\$ 443,357
Restricted cash included in Other assets	2,534	1,049	2,853
Total cash, cash equivalents and restricted cash	<u>\$ 943,543</u>	<u>\$ 683,991</u>	<u>\$ 446,210</u>

Supplemental cash flow disclosures (note 20)

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019
(Tabular amounts in thousands of U.S. dollars, except share and per share data)

NOTE 1—BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements include the accounts of Open Text Corporation and our subsidiaries, collectively referred to as "OpenText" or the "Company". We wholly own all of our subsidiaries with the exception of Open Text South Africa Proprietary Ltd. (OT South Africa) and EC1 Pte. Ltd. (GXS Singapore), which as of June 30, 2019, were 70% and 81% owned, respectively, by OpenText. All inter-company balances and transactions have been eliminated.

Previously, our ownership in GXS Inc. (GXS Korea) was 85%. During the first quarter of Fiscal 2019, we acquired all of the outstanding non-controlling interests in GXS Korea for \$0.6 million in cash.

These Consolidated Financial Statements are expressed in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). The information furnished reflects all adjustments necessary for a fair presentation of the results for the periods presented and includes the financial results of Liaison Technologies, Inc. (Liaison), with effect from December 17, 2018, and Catalyst Repository Systems Inc. (Catalyst), with effect from January 31, 2019 (see note 18 "Acquisitions").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make certain estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. In particular, key estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) accounting for income taxes, (iii) testing of goodwill for impairment, (iv) the valuation of acquired intangible assets, (v) the valuation of long-lived assets, (vi) the recognition of contingencies, (vii) restructuring accruals, (viii) acquisition accruals and pre-acquisition contingencies, (ix) the realization of investment tax credits, (x) the valuation of stock options granted and obligations related to share-based payments, including the valuation of our long-term incentive plans, and (xi) the valuation of pension obligations.

Impact of Recently Adopted Accounting Pronouncements

Revenue Recognition

Effective July 1, 2018, we adopted Accounting Standards Codification (ASC) Topic 606 "Revenue from Contracts with Customers" (Topic 606) using the cumulative effect approach. We applied the accounting standard to contracts that were not completed as of the date of the initial adoption. Results for reporting periods commencing on July 1, 2018 are presented under the new revenue standard, while prior period results continue to be reported under the previous revenue standard. As a result of this adoption, we recorded a net increase of approximately \$30 million to retained earnings as of July 1, 2018 on the Consolidated Balance Sheets, with the following corresponding impacts:

- A decrease to deferred revenues of approximately \$31 million;
- A decrease to other assets of approximately \$22 million in connection with deferred implementation costs;
- An increase to other assets of approximately \$14 million in connection with the capitalization of sales commission costs;
- An increase in contract assets of approximately \$18 million representing future billings in excess of revenues; and
- An increase in net deferred tax liabilities of approximately \$11 million.

Please refer to Note 3 "Revenues" for additional information relating to Topic 606, including our updated revenue recognition policies.

Additionally, certain prior period balances have been reclassified within other assets on the Consolidated Balance Sheets, to conform to the current period presentation as a result of this adoption. Please refer to Note 8 "Other Assets" for details.

Income Taxes

Effective July 1, 2018, we adopted Accounting Standards Update (ASU) No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16) which requires entities to recognize the income tax consequence of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. We adopted ASU 2016-16 on a modified retrospective basis through a cumulative-effect adjustment to opening retained earnings. Results for reporting periods effective as of July 1, 2018 are presented under the new standard, while prior period results continue to be reported under the previous standard. As a result of this adoption, we recorded a net decrease of approximately \$27 million to retained earnings as of July 1, 2018 on the Consolidated Balance Sheets, with the following corresponding impacts:

- A decrease to deferred charges of approximately \$38 million;
- An increase to deferred tax assets of approximately \$8 million; and
- A decrease to deferred credits of approximately \$3 million.

There was no impact to the Consolidated Statements of Income, Consolidated Statements of Comprehensive Income or Consolidated Statements of Cash Flows as a result of this adoption.

Restricted Cash

Effective July 1, 2018, we adopted ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" (ASU 2016-18), which requires amounts described as restricted cash and cash equivalents to be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts in the statement of cash flows. We adopted ASU 2016-18 using the retrospective method. As a result, certain prior period comparative figures in the Consolidated Statements of Cash Flows have been adjusted to conform to current period presentation as follows:

	Year Ended June 30, 2018			Year Ended June 30, 2017		
	As Previously Reported	Adjustments	As Adjusted	As Previously Reported	Adjustments	As Adjusted
Net cash provided by operating activities	\$ 709,885	\$ (1,804)	\$ 708,081	\$ 439,253	\$ 1,100	\$ 440,353
Cash, cash equivalents and restricted cash at beginning of period	443,357	2,853	446,210	1,283,757	1,753	1,285,510
Increase (decrease) in cash, cash equivalents and restricted cash during the period	239,585	(1,804)	237,781	(840,400)	1,100	(839,300)
Cash, cash equivalents and restricted cash at end of period	\$ 682,942	\$ 1,049	\$ 683,991	\$ 443,357	\$ 2,853	\$ 446,210

There was no impact to the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Shareholders' Equity or Consolidated Statements of Comprehensive Income as a result of this adoption.

Pension Expense

Effective July 1, 2018, we adopted ASU No. 2017-07, "Retirement Benefits - Presentation of Net Period Pension Costs (Topic 715)" (ASU 2017-07), which provides guidance on the capitalization, presentation and disclosure of net benefit costs related to postretirement benefit plans. Upon adoption, only service-related net periodic pension costs will be recorded within operating expense. All other non-service related net periodic pension costs will be classified under "Interest and other related expense" on our Condensed Consolidated Statements of Income. We adopted ASU 2017-07 on a retrospective basis. As a result, certain prior period comparative figures in the Consolidated Statements of Income have been adjusted to conform to current period presentation as follows:

	Year Ended June 30, 2018			Year Ended June 30, 2017		
	As Previously Reported	Adjustments	As Adjusted	As Previously Reported	Adjustments	As Adjusted
Cost of revenues - Cloud services	\$ 364,091	\$ 69	\$ 364,160	\$ 300,255	\$ (405)	\$ 299,850
Cost of revenues - Customer Support	\$ 134,089	\$ (200)	\$ 133,889	\$ 122,753	\$ (188)	\$ 122,565
Cost of revenues - Professional service and other	\$ 253,670	\$ (281)	\$ 253,389	\$ 195,195	\$ (241)	\$ 194,954
Total cost of revenues	\$ 951,411	\$ (412)	\$ 950,999	\$ 762,391	\$ (834)	\$ 761,557
Gross profit	\$ 1,863,830	\$ 412	\$ 1,864,242	\$ 1,528,666	\$ 834	\$ 1,529,500
Research and Development	\$ 323,461	\$ (552)	\$ 322,909	\$ 281,680	\$ (465)	\$ 281,215
Sales and Marketing	\$ 529,381	\$ (240)	\$ 529,141	\$ 444,838	\$ (384)	\$ 444,454
General and administrative	\$ 205,313	\$ (86)	\$ 205,227	\$ 170,438	\$ (85)	\$ 170,353
Total operating expense	\$ 1,358,427	\$ (878)	\$ 1,357,549	\$ 1,175,734	\$ (934)	\$ 1,174,800
Income from operations	\$ 505,403	\$ 1,290	\$ 506,693	\$ 352,932	\$ 1,768	\$ 354,700
Interest and other related expense, net	\$ (137,250)	\$ (1,290)	\$ (138,540)	\$ (119,124)	\$ (1,768)	\$ (120,892)

There was no change to net income or net earnings per share in any of the periods presented as a result of this adoption. Additionally, there was no impact to the Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income, Consolidated Statements of Shareholders' Equity or Consolidated Statements of Cash Flows as a result of this adoption.

NOTE 2—ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include balances with banks as well as deposits that have terms to maturity of three months or less. Cash equivalents are recorded at cost and typically consist of term deposits, commercial paper, certificates of deposit and short-term interest bearing investment-grade securities of major banks in the countries in which we operate.

Accounts Receivable and Allowance for doubtful accounts

From time to time, we may sell certain accounts receivable to a financial institution on a non-recourse basis for cash, less a discount. Proceeds from the sale of receivables approximate their discounted book value are included in operating cash flows on the Consolidated Statement of Cash Flows.

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make payments. We evaluate the creditworthiness of our customers prior to order fulfillment and based on these evaluations, we adjust our credit limit to the respective customer. In addition to these evaluations, we conduct on-going credit evaluations of our customers' payment history and current creditworthiness. The allowance is maintained for 100% of all accounts deemed to be uncollectible and, for those receivables not specifically identified as uncollectible, an allowance is maintained for a specific percentage of those receivables based upon the aging of accounts, our historical collection experience and current economic expectations. To date, the actual losses have been within our expectations. No single customer accounted for more than 10% of the accounts receivable balance as of June 30, 2019 and 2018.

Property and equipment

Property and equipment are stated at the lower of cost or net realizable value, and shown net of depreciation which is computed on a straight-line basis over the estimated useful lives of the related assets. Gains and losses on asset disposals are taken into income in the year of disposition. Fully depreciated property and equipment are retired from the consolidated balance sheet when they are no longer in use. We did not recognize any significant property and equipment impairment charges in Fiscal 2019, Fiscal 2018, or Fiscal 2017. The following represents the estimated useful lives of property and equipment as of June 30, 2019:

Furniture and fixtures	5 years
Office equipment	5 years
Computer hardware	3 years
Computer software	3 to 7 years
Capitalized software	3 to 5 years
Leasehold improvements	Lesser of the lease term or 5 years
Building	40 years

Capitalized Software

We capitalize software development costs in accordance with ASC Topic 350-40 "Accounting for the Costs of Computer Software Developed or Obtained for Internal-Use". We capitalize costs for software to be used internally when we enter the application development stage. This occurs when we complete the preliminary project stage, management authorizes and commits to funding the project, and it is feasible that the project will be completed and the software will perform the intended function. We cease to capitalize costs related to a software project when it enters the post implementation and operation stage. If different determinations are made with respect to the state of development of a software project, then the amount capitalized and the amount charged to expense for that project could differ materially.

Costs capitalized during the application development stage consist of payroll and related costs for employees who are directly associated with, and who devote time directly to, a project to develop software for internal use. We also capitalize the direct costs of materials and services, which generally includes outside contractors, and interest. We do not capitalize any general and administrative or overhead costs or costs incurred during the application development stage related to training or data conversion costs. Costs related to upgrades and enhancements to internal-use software, if those upgrades and enhancements result in additional functionality, are capitalized. If upgrades and enhancements do not result in additional functionality, those costs are expensed as incurred. If different determinations are made with respect to whether upgrades or enhancements to software projects would result in additional functionality, then the amount capitalized and the amount charged to expense for that project could differ materially.

We amortize capitalized costs with respect to development projects for internal-use software when the software is ready for use. The capitalized software development costs are generally amortized using the straight-line method over a 3 to 5 year period. In determining and reassessing the estimated useful life over which the cost incurred for the software should be amortized, we consider the effects of obsolescence, technology, competition and other economic factors. If different determinations are made with respect to the estimated useful life of the software, the amount of amortization charged in a particular period could differ materially.

As of June 30, 2019 and 2018 our capitalized software development costs were \$95.7 million and \$81.1 million, respectively. Our additions, relating to capitalized software development costs, incurred during Fiscal 2019 and Fiscal 2018 were \$14.3 million and \$14.6 million, respectively.

Acquired intangibles

Acquired intangibles consist of acquired technology and customer relationships associated with various acquisitions.

Acquired technology is initially recorded at fair value based on the present value of the estimated net future income-producing capabilities of software products acquired on acquisitions. We amortize acquired technology over its estimated useful life on a straight-line basis.

Customer relationships represent relationships that we have with customers of the acquired companies and are either based upon contractual or legal rights or are considered separable; that is, capable of being separated from the acquired entity and being sold, transferred, licensed, rented or exchanged. These customer relationships are initially recorded at their fair value based on the present value of expected future cash flows. We amortize customer relationships on a straight-line basis over their estimated useful lives.

We continually evaluate the remaining estimated useful life of our intangible assets being amortized to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Impairment of long-lived assets

We account for the impairment and disposition of long-lived assets in accordance with ASC Topic 360, "Property, Plant, and Equipment" (Topic 360). We test long-lived assets or asset groups, such as property and equipment and definite lived intangible assets, for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of before the end of its estimated useful life.

Recoverability is assessed based on comparing the carrying amount of the asset to the aggregate pre-tax undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group. Impairment is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset or asset group. The impairment loss, if any, is measured as the amount by which the carrying amount exceeds fair value, which for this purpose is based upon the discounted projected future cash flows of the asset or asset group.

We have not recorded any significant impairment charges for long-lived assets during Fiscal 2019, Fiscal 2018 and Fiscal 2017.

Business combinations

We apply the provisions of ASC Topic 805, "Business Combinations" (Topic 805), in the accounting for our acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities, including contingent consideration where applicable, assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement, particularly since these assumptions and estimates are based in part on historical experience and information obtained from the management of the acquired companies. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill in the period identified. Furthermore, when valuing certain intangible assets that we have acquired, critical estimates may be made relating to, but not limited to: (i) future expected cash flows from software license sales, cloud SaaS, DaaS and PaaS contracts, support agreements, consulting agreements and other customer contracts (ii) the acquired company's technology and competitive position, as well as assumptions about the period of time that the acquired technology will continue to be used in the combined company's product portfolio, and (iii) discount rates. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded to our Consolidated Statements of Income.

For a given acquisition, we may identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the purchase price allocation and, if so, to determine the estimated amounts.

If we determine that a pre-acquisition contingency (non-income tax related) is probable in nature and estimable as of the acquisition date, we record our best estimate for such a contingency as a part of the preliminary purchase price allocation. We often continue to gather information and evaluate our pre-acquisition contingencies throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies during the measurement period, such amounts will be included in the purchase price allocation during the measurement period and, subsequently, in our results of operations.

Uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We review these items during the measurement period as we continue to actively seek and collect information relating to facts and circumstances that existed at the acquisition date. Changes to these uncertain tax positions and tax related valuation allowances made subsequent to the measurement period, or if they relate to facts and circumstances that did not exist at the acquisition date, are recorded in the "Provision for (recovery of) income taxes" line of our Consolidated Statements of Income.

Goodwill

Goodwill represents the excess of the purchase price in a business combination over the fair value of net tangible and intangible assets acquired. The carrying amount of goodwill is periodically reviewed for impairment (at a minimum annually) and whenever events or changes in circumstances indicate that the carrying value of this asset may not be recoverable.

Our operations are analyzed by management and our chief operating decision maker (CODM) as being part of a single industry segment: the design, development, marketing and sales of Enterprise Information Management (EIM) software and solutions. Therefore, our goodwill impairment assessment is based on the allocation of goodwill to a single reporting unit.

We perform a qualitative assessment to test our reporting unit's goodwill for impairment. Based on our qualitative assessment, if we determine that the fair value of our reporting unit is more likely than not (i.e. a likelihood of more than 50 percent) to be less than its carrying amount, the second step of the impairment test is performed. In the second step of the impairment test, we compare the fair value of our reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of the net assets of our reporting unit exceeds its fair value, then an impairment loss equal to the difference, but not exceeding the total carrying value of goodwill allocated to the reporting unit, would be recorded.

Our annual impairment analysis of goodwill was performed as of April 1, 2019. Our qualitative assessment indicated that there were no indications of impairment and therefore there was no impairment of goodwill required to be recorded for Fiscal 2019 (no impairments were recorded for Fiscal 2018 and Fiscal 2017).

Derivative financial instruments

We use derivative financial instruments to manage foreign currency rate risk. We account for these instruments in accordance with ASC Topic 815, "Derivatives and Hedging" (Topic 815), which requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value as of the reporting date. Topic 815 also requires that changes in our derivative financial instruments' fair values be recognized in earnings; unless specific hedge accounting and documentation criteria are met (i.e. the instruments are accounted for as hedges). We recorded the effective portions of the gain or loss on derivative financial instruments that were designated as cash flow hedges in "Accumulated other comprehensive income", net of tax, in our accompanying Consolidated Balance Sheets. Any ineffective or excluded portion of a designated cash flow hedge, if applicable, was recognized in our Consolidated Statements of Income.

Asset retirement obligations

We account for asset retirement obligations in accordance with ASC Topic 410, "Asset Retirement and Environmental Obligations" (Topic 410), which applies to certain obligations associated with "leasehold improvements" within our leased office facilities. Topic 410 requires that a liability be initially recognized for the estimated fair value of the obligation when it is incurred. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset and depreciated over the remaining life of the underlying asset and the associated liability is accreted to the estimated fair value of the obligation at the settlement date through periodic accretion charges recorded within general and administrative expenses. When the obligation is settled, any difference between the final cost and the recorded amount is recognized as income or loss on settlement in our Consolidated Statements of Income.

Revenue recognition

In accordance with Topic 606, we account for a customer contract when we obtain written approval, the contract is committed, the rights of the parties, including the payment terms, are identified, the contract has commercial substance and consideration is probable of collection. Revenue is recognized when, or as, control of a promised product or service is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for our products and services (at its transaction price). Estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based on readily available information, which may include historical, current and forecasted information, taking into consideration the type of customer, the type of transaction and specific facts and circumstances of each arrangement. We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue producing transactions. Refer to note 3 "Revenues" for our full revenue recognition policy.

Research and development costs

Research and development costs internally incurred in creating computer software to be sold, licensed or otherwise marketed are expensed as incurred unless they meet the criteria for deferral and amortization, as described in ASC Topic 985-20, "Costs of Software to be Sold, Leased, or Marketed" (Topic 985-20). In accordance with Topic 985-20, costs related to research, design and development of products are charged to expense as incurred and capitalized between the dates that the product is considered to be technologically feasible and is considered to be ready for general release to customers. In our historical experience, the dates relating to the achievement of technological feasibility and general release of the product have substantially coincided. In addition, no significant costs are incurred subsequent to the establishment of technological

feasibility. As a result, we do not capitalize any research and development costs relating to internally developed software to be sold, licensed or otherwise marketed.

Income taxes

We account for income taxes in accordance with ASC Topic 740, "Income Taxes" (Topic 740). Deferred tax assets and liabilities arise from temporary differences between the tax bases of assets and liabilities and their reported amounts in the Consolidated Financial Statements that will result in taxable or deductible amounts in future years. These temporary differences are measured using enacted tax rates. A valuation allowance is recorded to reduce deferred tax assets to the extent that we consider it is more likely than not that a deferred tax asset will not be realized. In determining the valuation allowance, we consider factors such as the reversal of deferred income tax liabilities, projected taxable income, and the character of income tax assets and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense.

We account for our uncertain tax provisions by using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not that the position will be sustained on audit. On subsequent recognition and measurement the maximum amount which is more likely than not to be recognized at each reporting date will represent the Company's best estimate, given the information available at the reporting date, although the outcome of the tax position is not absolute or final. We recognize both accrued interest and penalties related to liabilities for income taxes within the "Provision for (recovery of) income taxes" line of our Consolidated Statements of Income (see note 14 "Income Taxes" for more details).

Fair value of financial instruments

Carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable and accounts payable (trade and accrued liabilities) approximate their fair value due to the relatively short period of time between origination of the instruments and their expected realization.

The fair value of our total long-term debt approximates its carrying value since the interest rate is at market.

We apply the provisions of ASC 820, "Fair Value Measurements and Disclosures", to our derivative financial instruments that we are required to carry at fair value pursuant to other accounting standards (see note 15 "Fair Value Measurement" for more details).

Foreign currency

Our Consolidated Financial Statements are presented in U.S. dollars. In general, the functional currency of our subsidiaries is the local currency. For each subsidiary, assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates in effect at the balance sheet dates and revenues and expenses are translated at the average exchange rates prevailing during the previous month of the transaction. The effect of foreign currency translation adjustments not affecting net income are included in Shareholders' equity under the "Cumulative translation adjustment" account as a component of "Accumulated other comprehensive income". Transactional foreign currency gains (losses) included in the Consolidated Statements of Income under the line item "Other income (expense), net" for Fiscal 2019, Fiscal 2018 and Fiscal 2017 were \$(4.3) million, \$4.8 million and \$3.1 million, respectively.

Restructuring charges

We record restructuring charges relating to contractual lease obligations and other exit costs in accordance with ASC Topic 420, "Exit or Disposal Cost Obligations" (Topic 420). Topic 420 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at its fair value in the period in which the liability is incurred. In order to incur a liability pursuant to Topic 420, our management must have established and approved a plan of restructuring in sufficient detail. A liability for a cost associated with involuntary termination benefits is recorded when benefits have been communicated and a liability for a cost to terminate an operating lease or other contract is incurred, when the contract has been terminated in accordance with the contract terms or we have ceased using the right conveyed by the contract, such as vacating a leased facility.

The recognition of restructuring charges requires us to make certain judgments regarding the nature, timing and amount associated with the planned restructuring activities, including estimating sub-lease income and the net recoverable amount of

equipment to be disposed of. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances (see note 17 "Special Charges (Recoveries)" for more details).

Loss Contingencies

We are currently involved in various claims and legal proceedings. Quarterly, we review the status of each significant legal matter and evaluate such matters to determine how they should be treated for accounting and disclosure purposes in accordance with the requirements of ASC Topic 450-20 "Loss Contingencies" (Topic 450-20). Specifically, this evaluation process includes the centralized tracking and itemization of the status of all our disputes and litigation items, discussing the nature of any litigation and claim, including any dispute or claim that is reasonably likely to result in litigation, with relevant internal and external counsel, and assessing the progress of each matter in light of its merits and our experience with similar proceedings under similar circumstances.

If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this filing on Form 10-K for the year ended June 30, 2019, we do not believe that the outcomes of any of these matters not already disclosed, individually or in the aggregate, will result in losses that are materially in excess of amounts already recognized (see note 13 "Guarantees and Contingencies" for more details).

Net income per share

Basic net income per share is computed using the weighted average number of Common Shares outstanding including contingently issuable shares where the contingency has been resolved. Diluted net income per share is computed using the weighted average number of Common Shares and stock equivalents outstanding using the treasury stock method during the year (see note 21 "Earnings Per Share" for more details).

Share-based payment

We measure share-based compensation costs, in accordance with ASC Topic 718, "Compensation - Stock Compensation" (Topic 718) on the grant date, based on the calculated fair value of the award. We have elected to treat awards with graded vesting as a single award when estimating fair value. Compensation cost is recognized on a straight-line basis over the employee requisite service period, which in our circumstances is the stated vesting period of the award, provided that total compensation cost recognized at least equals the pro-rata value of the award that has vested. Compensation cost is initially based on the estimated number of options for which the requisite service is expected to be rendered. This estimate is adjusted in the period once actual forfeitures are known (see note 12 "Share Capital, Option Plans and Share-based Payments" for more details).

Accounting for Pensions, post-retirement and post-employment benefits

Pension expense is accounted for in accordance with ASC Topic 715, "Compensation-Retirement Benefits" (Topic 715). Pension expense consists of: actuarially computed costs of pension benefits in respect of the current year of service, imputed returns on plan assets (for funded plans) and imputed interest on pension obligations. The expected costs of post retirement benefits, other than pensions, are accrued in the Consolidated Financial Statements based upon actuarial methods and assumptions. The over-funded or under-funded status of defined benefit pension and other post retirement plans are recognized as an asset or a liability (with the offset to "Accumulated other comprehensive income", net of tax, within "Shareholders' equity"), respectively, on the Consolidated Balance Sheets (see note 11 "Pension Plans and Other Post Retirement Benefits" for more details).

Accounting Pronouncements Adopted in Fiscal 2019

During Fiscal 2019, we adopted the following ASU's, in addition to those discussed in note 1 "Basis of Presentation". These ASU's did not have a material impact to our reported financial position, results of operations or cash flows:

- ASU 2016-15 "Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments". When classifying distributions received from equity method investees, the Company uses the cumulative earnings approach.
- ASU 2017-01 "Business Combinations (Topic 805): Clarifying the Definition of a Business"
- ASU 2018-05 "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118"

Accounting Pronouncements Not Yet Adopted

Retirement Benefits

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-14 “Compensation-Retirement Benefits-Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans” (ASU 2018-14), which modifies the disclosure requirements for defined benefit pension plans and other post retirement plans. ASU 2018-14 is effective for us in the first quarter of our fiscal year ending June 30, 2021. We are currently evaluating the impact of our pending adoption of ASU 2018-14 on our consolidated financial statements.

Implementation Costs in a Cloud Computing Arrangement

In August 2018, the FASB issued ASU No. 2018-15 “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract” (ASU 2018-15). ASU 2018-15 clarifies the accounting treatment for implementation costs incurred as a customer in cloud computing arrangements. We will adopt ASU 2018-15 in the first quarter of our fiscal year ending June 30, 2020. We do not expect the adoption of ASU 2018-15 will have a material impact to our consolidated financial statements.

Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13 “Financial Instruments - Credit Losses (Topic 326)” and also issued subsequent amendments to the initial guidance under ASU 2018-19, ASU 2019-04 and ASU 2019-05 (collectively Topic 326). Topic 326 requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. This replaces the existing incurred loss model with an expected loss model and requires the use of forward looking information to calculate credit loss estimates. Topic 326 is effective for us in our first quarter of our fiscal year ending June 30, 2021 with earlier adoption permitted beginning in the first quarter of our fiscal year ending June 30, 2020. Topic 326 must be adopted by applying a cumulative effect adjustment to retained earnings. We are currently evaluating Topic 326, including its potential impact to our process and controls. We believe the effect on our consolidated financial statements will largely depend on the composition and credit quality of our financial assets and the economic conditions at the time of adoption.

Leases

In February 2016, the FASB issued ASU No. 2016-02 “Leases (Topic 842)” and issued subsequent amendments to the initial guidance under ASU 2017-13, ASU 2018-10, ASU 2018-11 and ASU 2018-20 (collectively, Topic 842). Topic 842 supersedes the guidance in former ASC Topic 840 “Leases”. Topic 842 requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use (ROU) assets. For OpenText, the most significant change will result in the recognition of lease assets for the right to use the underlying asset and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. Upon adoption, we expect to recognize ROU assets ranging from approximately \$218 million to \$228 million and lease liabilities ranging from approximately \$255 million to \$265 million. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows related to leases. We will adopt Topic 842 in the first quarter of our fiscal year ending June 30, 2020 using the modified retrospective transition and by applying the new standard to all leases existing at the date of initial adoption and not restating comparative periods, as allowed for under Topic 842. Upon adoption, we will also elect the transition provisions of permitted practical expedients, which among other things, allows the carryforward of the historical lease classification. Furthermore, upon adoption, we will make an accounting policy election that will keep leases with an initial term of 12 months or less off our Consolidated Balance Sheets and we will recognize these short-term lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term.

NOTE 3—REVENUES

In accordance with Topic 606, we account for a customer contract when we obtain written approval, the contract is committed, the rights of the parties, including the payment terms, are identified, the contract has commercial substance and consideration is probable of collection. Revenue is recognized when, or as, control of a promised product or service is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for our products and services (at its transaction price). Estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based on readily available information, which may include historical, current and forecasted information, taking into consideration the type of customer, the type of transaction and specific facts and circumstances of each arrangement. We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue producing transactions.

We have four revenue streams: license, cloud services and subscriptions, customer support, and professional service and other.

License revenue

Our license revenue can be broadly categorized as perpetual licenses, term licenses and subscription licenses, all of which are deployed on the customer's premises (on-premise).

Perpetual licenses: We sell perpetual licenses which provide customers the right to use software for an indefinite period of time in exchange for a one-time license fee, which is generally paid at contract inception. Our perpetual licenses provide a right to use intellectual property (IP) that is functional in nature and have significant stand-alone functionality. Accordingly, for perpetual licenses of functional IP, revenue is recognized at the point-in-time when control has been transferred to the customer, which normally occurs once software activation keys have been made available for download.

Term licenses and Subscription licenses: We sell both term and subscription licenses which provide customers the right to use software for a specified period in exchange for a fee, which may be paid at contract inception or paid in installments over the period of the contract. Like perpetual licenses, both our term licenses and subscription licenses are functional IP that have significant stand-alone functionality. Accordingly, for both term and subscription licenses, revenue is recognized at the point-in-time when the customer is able to use and benefit from the software, which is normally once software activation keys have been made available for download at the commencement of the term.

Cloud services and subscriptions revenue

Cloud services and subscriptions revenue are from hosting arrangements where in connection with the licensing of software, the end user doesn't take possession of the software, as well as from end-to-end fully outsourced business-to-business (B2B) integration solutions to our customers (collectively referred to as cloud arrangements). The software application resides on our hardware or that of a third party, and the customer accesses and uses the software on an as-needed basis. Our cloud arrangements can be broadly categorized as "platform as a service" (PaaS), "software as a service" (SaaS), cloud subscriptions and managed services.

PaaS/ SaaS/ Cloud Subscriptions (collectively referred to here as cloud-based solutions): We offer cloud-based solutions that provide customers the right to access our software through the internet. Our cloud-based solutions represent a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. These services are made available to the customer continuously throughout the contractual period, however, the extent to which the customer uses the services may vary at the customer's discretion. The payment for cloud-based solutions may be received either at inception of the arrangement, or over the term of the arrangement.

These cloud-based solutions are considered to have a single performance obligation where the customer simultaneously receives and consumes the benefit, and as such we recognize revenue for these cloud-based solutions ratably over the term of the contractual agreement. For example, revenue related to cloud-based solutions that are provided on a usage basis, such as the number of users, is recognized based on a customer's utilization of the services in a given period.

Additionally, a software license is present in a cloud-based solutions arrangement if all of the following criteria are met:

- (i) The customer has the contractual right to take possession of the software at any time without significant penalty; and
- (ii) It is feasible for the customer to host the software independent of us.

In these cases where a software license is present in a cloud-based solutions arrangement it is assessed to determine if it is distinct from the cloud-based solutions arrangement. The revenue allocated to the distinct software license would be recognized at the point in time the software license is transferred to the customer, whereas the revenue allocated to the hosting performance obligation would be recognized ratably on a monthly basis over the contractual term unless evidence suggests that revenue is earned, or obligations are fulfilled in a different pattern over the contractual term of the arrangement.

Managed services: We provide comprehensive B2B process outsourcing services for all day-to-day operations of a customers' B2B integration program. Customers using these managed services are not permitted to take possession of our software and the contract is for a defined period, where customers pay a monthly or quarterly fee. Our performance obligation is satisfied as we provide services of operating and managing a customer's electronic data interchange (EDI) environment. Revenue relating to these services is recognized using an output method based on the expected level of service we will provide over the term of the contract.

In connection with cloud subscription and managed service contracts, we often agree to perform a variety of services before the customer goes live, such as for example, converting and migrating customer data, building interfaces and providing training. These services are considered an outsourced suite of professional services which can involve certain project-based activities. These services can be provided at the initiation of a contract, during the implementation or on an ongoing basis as part of the customer life cycle. These services can be charged separately on a fixed fee or time and materials basis, or the costs associated may be recovered as part of the ongoing cloud subscription or managed services fee. These outsourced professional services are considered to be distinct from the ongoing hosting services and represent a separate performance obligation within our cloud subscription or managed services arrangements. The obligation to provide outsourced professional services is satisfied over time, with the customer simultaneously receiving and consuming the benefits as we satisfy our performance obligations. For outsourced professional services, we recognize revenue by measuring progress toward the satisfaction of our performance obligation. Progress for services that are contracted for a fixed price is generally measured based on hours incurred as a portion of total estimated hours. As a practical expedient, when we invoice a customer at an amount that corresponds directly with the value to the customer of our performance to date, we recognize revenue at that amount.

Customer support revenue

Customer support revenue is associated with perpetual, term license and on-premise subscription arrangements. As customer support is not critical to the customer's ability to derive benefit from its right to use our software, customer support is considered as a distinct performance obligation when sold together in a bundled arrangement along with the software.

Customer support consists primarily of technical support and the provision of unspecified updates and upgrades on a when-and-if-available basis. Customer support for perpetual licenses is renewable, generally on an annual basis, at the option of the customer. Customer support for term and subscription licenses is renewable concurrently with such licenses for the same duration of time. Payments for customer support are generally made at the inception of the contract term or in installments over the term of the maintenance period. Our customer support team is ready to provide these maintenance services, as needed, to the customer during the contract term. As the elements of customer support are delivered concurrently and have the same pattern of transfer, customer support is accounted for as a single performance obligation. The customer benefits evenly throughout the contract period from the guarantee that the customer support resources and personnel will be available to them, and that any unspecified upgrades or unspecified future products developed by us will be made available. Revenue for customer support is recognized ratably over the contract period based on the start and end dates of the maintenance term, in line with how we believe services are provided.

Professional service and other revenue

Our professional services, when offered along with software licenses, consists primarily of technical services and training services. Technical services may include installation, customization, implementation or consulting services. Training services may include access to online modules or delivering a training package customized to the customer's needs. At the customer's discretion, we may offer one, all, or a mix of these services. Payment for professional services is generally a fixed fee or is a fee based on time and materials.

Professional services can be arranged in the same contract as the software license or in a separate contract.

As our professional services do not significantly change the functionality of the license and our customers can benefit from our professional services on their own or together with other readily available resources, we consider professional services as distinct within the context of the contract.

Professional service revenue is recognized over time so long as: (i) the customer simultaneously receives and consumes the benefits as we perform them, (ii) our performance creates or enhances an asset the customer controls as we perform, and (iii) our performance does not create an asset with alternative use and we have enforceable right to payment.

If all of the above criteria are met, we use an input-based measure of progress for recognizing professional service revenue. For example we may consider total labor hours incurred compared to total expected labor hours. As a practical expedient, when we invoice a customer at an amount that corresponds directly with the value to the customer of our performance to date, we will recognize revenue at that amount.

Material rights

To the extent that we grant our customer an option to acquire additional products or services in one of our arrangements, we will account for the option as a distinct performance obligation in the contract only if the option provides a material right to the customer that the customer would not receive without entering into the contract. For example if we give the customer an option to acquire additional goods or services in the future at a price that is significantly lower than the current price, this would be a material right as it allows the customer to, in effect, pay in advance for the option to purchase future products or services. If a material right exists in one of our contracts then revenue allocated to the option is deferred and we would recognize revenue only when those future products or services are transferred or when the option expires.

Based on history, our contracts do not typically contain material rights and when they do, the material right is not significant to our consolidated financial statements.

Arrangements with multiple performance obligations

Our contracts generally contain more than one of the products and services listed above. Determining whether goods and services are considered distinct performance obligations that should be accounted for separately or as a single performance obligation may require judgment, specifically when assessing whether both of the following two criteria are met:

- the customer can benefit from the product or service either on its own or together with other resources that are readily available to the customer; and
- our promise to transfer the product or service to the customer is separately identifiable from other promises in the contract.

If these criteria are not met, we determine an appropriate measure of progress based on the nature of our overall promise for the single performance obligation.

If these criteria are met, each product or service is separately accounted for as a distinct performance obligation and the total transaction price is allocated to each performance obligation on a relative standalone selling price (SSP) basis.

Standalone selling price

The SSP reflects the price we would charge for a specific product or service if it was sold separately in similar circumstances and to similar customers. In most cases we are able to establish the SSP based on observable data. We typically establish a narrow SSP range for our products and services and assess this range on a periodic basis or when material changes in facts and circumstances warrant a review.

If the SSP is not directly observable, then we estimate the amount using either the expected cost plus a margin or residual approach. Estimating SSP requires judgment that could impact the amount and timing of revenue recognized. SSP is a formal process whereby management considers multiple factors including, but not limited to, geographic or regional specific factors, competitive positioning, internal costs, profit objectives, and pricing practices.

Transaction Price Allocation

In bundled arrangements, where we have more than one distinct performance obligation, we must allocate the transaction price to each performance obligation based on its relative SSP. However, in certain bundled arrangements, the SSP may not always be directly observable. For instance, in bundled arrangements with license and customer support, we allocate the transaction price between the license and customer support performance obligations using the residual approach because we have determined that the SSP for licenses in these arrangements are highly variable. We use the residual approach only for our license arrangements. When the SSP is observable but contractual pricing does not fall within our established SSP range, then an adjustment is required and we will allocate the transaction price between license and customer support at a constant ratio reflecting the mid-point of the established SSP range.

When two or more contracts are entered into at or near the same time with the same customer, we evaluate the facts and circumstances associated with the negotiation of those contracts. Where the contracts are negotiated as a package, we will account for them as a single arrangement and allocate the consideration for the combined contracts among the performance obligations accordingly.

Sales to resellers

We execute certain sales contracts through resellers, distributors and channel partners (collectively referred to as resellers). For these type of agreements, we assess whether we are considered the principal or the agent in the arrangement. We consider factors such as, but not limited to, whether or not the reseller has the ability to set the price for which they sell our software products to end users and whether or not resellers distribution rights are limited such that any potential sales are subject to OpenText's review and approval before delivery of the software product can be made. If we determine that we are the

principal in the arrangement, then revenue is recognized based on the transaction price for the sale of the software product to the end user at the gross amount. If that is not known, then the net amount received from the reseller is the transaction price. If we determine that we are the agent in the agreement, then revenue is recognized based on the transaction price for the sale of the software product to the reseller, less any applicable commissions paid or discounts or rebates, if offered. Costs or commissions paid to the reseller would be recognized as a reduction of revenue unless we received a distinct good or service in return. Similarly, any discounts or rebates offered by the reseller would be recognized as a reduction of revenue.

Typically, we conclude that we are the principal in our reseller agreements, as we have control over the service and products prior to being transferred to the end customer.

We also assess the creditworthiness of each reseller and if they are newly formed, undercapitalized or in financial difficulty, we defer any revenues expected to emanate from such reseller and recognize revenue only when cash is received, and all other revenue recognition criteria under Topic 606 are met.

Rights of return and other incentives

We do not generally offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, do not provide for or make estimates of rights of return and similar incentives. In some contracts, however, discounts may be offered to the customer for future software purchases and other additional products or services. Such arrangements grant the customer an option to acquire additional goods or services in the future at a discount and therefore are evaluated under guidance related to “material rights” as discussed above.

Other policies

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days of the invoice date. In certain arrangements, we will receive payment from a customer either before or after the performance obligation to which the invoice relates has been satisfied. As a practical expedient, we do not account for significant financing components if the period between when we transfer the promised good or service to the customer and when the customer pays for the product or service will be one year or less. On that basis, our contracts for license and maintenance typically do not contain a significant financing component, however in determining the transaction price we consider whether we need to adjust the promised consideration for the effects of the time value of money if the timing of payments provides either the customer or OpenText with a significant benefit of financing. Our managed services contracts may not include an upfront charge for outsourced professional services performed as part of an implementation and are recovered through an ongoing fee. Therefore, these contracts may be expected to have a financing component associated with revenue being recognized in advance of billings.

We may modify contracts to offer customers additional products or services. The additional products and services will be considered distinct from those products or services transferred to the customer before the modification and will be accounted for as a separate contract. We evaluate whether the price for the additional products and services reflects the SSP adjusted as appropriate for facts and circumstances applicable to that contract. In determining whether an adjustment is appropriate, we evaluate whether the incremental consideration is consistent with the prices previously paid by the customer or similar customers.

Performance Obligations

A summary of our typical performance obligations and when the obligations are satisfied are as follows:

Performance Obligation	When Performance Obligation is Typically Satisfied
License revenue:	
Software licenses (Perpetual, Term, Subscription)	When software activation keys have been made available for download (point in time)
Cloud services and subscriptions revenue:	
Outsourced Professional Services	As the services are provided (over time)
Managed Services / Ongoing Hosting	Over the contract term, beginning on the date that service is made available (i.e. "Go live") to the customer (over time)
Customer support revenue:	
When and if available updates and upgrades and technical support	Ratable over the course of the service term (over time)
Professional service and other revenue:	
Professional services	As the services are provided (over time)

Disaggregation of Revenue

The following table disaggregates our revenue by significant geographic area, based on the location of our end customer, and by type of performance obligation and timing of revenue recognition for the periods indicated:

	Year Ended June 30, 2019	
<u>Total Revenues by Geography:</u>		
Americas ⁽¹⁾	\$	1,683,282
EMEA ⁽²⁾		920,422
Asia Pacific ⁽³⁾		265,051
Total Revenues	\$	2,868,755
<u>Total Revenues by Type of Performance Obligation:</u>		
Recurring revenue ⁽⁴⁾		
Cloud services and subscriptions revenue	\$	907,812
Customer support revenue		1,247,915
Total recurring revenues	\$	2,155,727
License revenue (perpetual, term and subscriptions)		428,092
Professional service and other revenue		284,936
Total revenues	\$	2,868,755
<u>Total Revenues by Timing of Revenue Recognition</u>		
Point in time		428,092
Over time (including professional service and other revenue)		2,440,663
Total revenues	\$	2,868,755

⁽¹⁾ Americas consists of countries in North, Central and South America.

⁽²⁾ EMEA primarily consists of countries in Europe, the Middle East and Africa.

⁽³⁾ Asia Pacific primarily consists of the countries Japan, Australia, China, Korea, Philippines, Singapore and New Zealand.

⁽⁴⁾ Recurring revenue is defined as the sum of cloud services and subscriptions revenue and customer support revenue.

Contract Balances

A contract asset will be recorded if we have recognized revenue but do not have an unconditional right to the related consideration from the customer. For example, this will be the case if implementation services offered in a cloud arrangement are identified as a separate performance obligation and are provided to a customer prior to us being able to bill the customer. In addition, a contract asset may arise in relation to subscription licenses if the license revenue that is recognized upfront exceeds the amount that we are able to invoice the customer at that time. Contract assets are reclassified to accounts receivable when the rights become unconditional.

The balance for our contract assets and contract liabilities (i.e. deferred revenues) for the periods indicated below were as follows:

	As of June 30, 2019		As of July 1, 2018	
Short-term contract assets	\$	20,956	\$	5,474
Long-term contract assets	\$	15,386	\$	12,382
Short-term deferred revenue	\$	641,656	\$	618,197
Long-term deferred revenue	\$	46,974	\$	64,743

The difference in the opening and closing balances of our contract assets and deferred revenues primarily results from the timing difference between our performance and the customer's payments. We fulfill our obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. During the year ended June 30, 2019, we reclassified \$19.2 million of contract assets to receivables as a result of the right to the transaction consideration becoming unconditional. During the year ended June 30, 2019, there was no significant impairment loss recognized related to contract assets.

We recognize deferred revenue when we have received consideration or an amount of consideration is due from the customer for future obligations to transfer products or services. Our deferred revenues primarily relate to customer support agreements which have been paid for by customers prior to the performance of those services. The amount of revenue that was recognized during the year ended June 30, 2019 that was included in the deferred revenue balances at July 1, 2018 was approximately \$617 million.

Incremental Costs of Obtaining a Contract with a Customer

Incremental costs of obtaining a contract include only those costs that we incur to obtain a contract that we would not have incurred if the contract had not been obtained, such as sales commissions. We have determined that certain of our commission programs meet the requirements to be capitalized. Some commission programs are not subject to capitalization as the commission expense is paid and recognized as the related revenue is recognized. In assessing costs to obtain a contract, we apply a practical expedient that allows us to assess our incremental costs on a portfolio of contracts with similar characteristics instead of assessing the incremental costs on each individual contract. We do not expect the financial statement effects of applying this practical expedient to the portfolio of contracts to be materially different than if we were to apply the new standard to each individual contract.

We pay commissions on the sale of new customer contracts as well as for renewals of existing contracts to the extent the renewals generate incremental revenue. Commissions paid on renewal contracts are limited to the incremental new revenue and therefore these payments are not commensurate with the commission paid on the original sale. We allocate commission costs to the performance obligations in an arrangement consistent with the allocation of the transaction price. Commissions allocated to the license performance obligation are expensed at the time the license revenue is recognized. Commissions allocated to professional service performance obligations are expensed as incurred, as these contracts are generally for one year or less and we apply a practical expedient to expense costs as incurred if the amortization period would have been one year or less. Commissions allocated to maintenance, managed services, on-going hosting arrangements or other recurring services, are capitalized and amortized consistent with the pattern of transfer to the customer of the services over the period expected to benefit from the commission payment. As commissions paid on renewals are not commensurate with the original sale, the period of benefit considers anticipated renewals. The benefit period is estimated to be approximately six years which is based on our customer contracts and the estimated life of our technology.

Expenses for incremental costs associated with obtaining a contract are recorded within sales and marketing expense in the Consolidated Statements of Income.

Our short term capitalized costs to obtain a contract are included in "Prepaid expenses and other assets", while our long-term capitalized costs to obtain a contract are included in "Other assets" on our Consolidated Balance Sheets.

The following table summarizes the changes since July 1, 2018:

Capitalized costs to obtain a contract as of July 1, 2018	\$	35,151
New capitalized costs incurred		24,347
Amortization of capitalized costs		(11,003)
Adjustments on account of foreign exchange		(211)
Capitalized costs to obtain a contract as of June 30, 2019	\$	<u>48,284</u>

During the year ended June 30, 2019 there was no significant impairment loss recognized in relation to costs capitalized.

Transaction Price Allocated to the Remaining Performance Obligations

As of June 30, 2019, approximately \$1.1 billion of revenue is expected to be recognized from remaining performance obligations on existing contracts. We expect to recognize approximately 40% over the next 12 months and the remaining balance thereafter. We apply the practical expedient and do not disclose performance obligations that have original expected durations of one year or less.

Impact on financial statements

The following tables summarize the impacts of adopting Topic 606 on our consolidated balance sheets, statements of income and cash flows, all as compared to proforma balances illustrating if ASC Topic 605 "Revenue Recognition" (Topic 605) had still been in effect. Financial statement line items that were not impacted by the adoption of Topic 606 have been excluded from the tables below.

Consolidated Balance Sheet

	As of June 30, 2019		
	As reported under Topic 606	Adjustments	Proforma as if Topic 605 was in effect
ASSETS			
Contract assets	\$ 20,956	\$ (20,956)	\$ —
Prepaid expenses and other current assets	97,238	4,428	101,666
Total current assets	1,561,328	(16,528)	1,544,800
Long-term contract assets	15,386	(15,386)	—
Deferred tax assets	1,004,450	16,631	1,021,081
Other assets	148,977	(5,614)	143,363
Total assets	\$ 7,933,975	\$ (20,897)	\$ 7,913,078
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 329,903	\$ (55)	\$ 329,848
Deferred revenues	641,656	24,635	666,291
Total current liabilities	1,014,717	24,580	1,039,297
Long-term liabilities:			
Deferred revenues	46,974	32,170	79,144
Deferred tax liabilities	55,872	(8,178)	47,694
Total long-term liabilities	3,034,588	23,992	3,058,580
Shareholders' equity:			
Accumulated other comprehensive income	24,124	1,260	25,384
Retained earnings	2,113,883	(70,729)	2,043,154
Total OpenText shareholders' equity	3,883,455	(69,469)	3,813,986
Non-controlling interests	1,215	—	1,215
Total shareholders' equity	3,884,670	(69,469)	3,815,201
Total liabilities and shareholders' equity	\$ 7,933,975	\$ (20,897)	\$ 7,913,078

Consolidated Statements of Income

	Year Ended June 30, 2019		
	As reported under Topic 606	Adjustments	Proforma as if Topic 605 was in effect
Revenues:			
License	\$ 428,092	\$ (37,709)	\$ 390,383
Cloud services and subscriptions	907,812	(6,361)	901,451
Customer support	1,247,915	(1,605)	1,246,310
Professional service and other	284,936	24	284,960
Total revenues	2,868,755	(45,651)	2,823,104
Cost of revenues:			
Cloud services and subscriptions	383,993	(338)	383,655
Professional service and other	224,635	5	224,640
Total cost of revenues	930,703	(333)	930,370
Gross profit	1,938,052	(45,318)	1,892,734
Operating expenses:			
Sales and marketing	518,035	8,945	526,980
Total operating expenses	1,371,042	8,945	1,379,987
Income from operations	567,010	(54,263)	512,747
Interest and other related expense, net	(136,592)	(801)	(137,393)
Income before income taxes	440,574	(55,064)	385,510
Provision for (recovery of) income taxes	154,937	(14,121)	140,816
Net income for the period	\$ 285,637	\$ (40,943)	\$ 244,694

The adjustment on license revenue for the year ended June 30, 2019 of \$37.7 million is primarily due to new contracts entered into during Fiscal 2019 for which a timing difference of revenue recognition exists between Topic 606 and Topic 605. See above for an explanation of how license revenues are recognized under Topic 606. The Fiscal 2019 contracts pertaining to the respective adjustments are recognized up front under Topic 606, whereas such revenues would have been recognized over time under Topic 605.

Consolidated Statement of Cash Flows

	Year Ended June 30, 2019		
	As reported under Topic 606	Adjustments	Proforma as if Topic 605 was in effect
Cash flows from operating activities:			
Net income for the period	\$ 285,637	\$ (40,943)	\$ 244,694
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred taxes	47,425	(14,165)	33,260
Changes in operating assets and liabilities:			
Accounts receivable	75,508	(18,883)	56,625
Contract assets	(37,623)	37,623	—
Prepaid expenses and other current assets	(819)	3,319	2,500
Income taxes and deferred charges and credits	27,291	101	27,392
Accounts payable and accrued liabilities	(21,732)	173	(21,559)
Deferred revenue	(1,827)	26,841	25,014
Other assets	(4)	5,934	5,930
Net cash provided by operating activities	\$ 876,278	\$ —	\$ 876,278

NOTE 4—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance as of June 30, 2016	\$ 6,740
Bad debt expense	5,929
Write-off /adjustments	(6,350)
Balance as of June 30, 2017	6,319
Bad debt expense	9,942
Write-off /adjustments	(6,520)
Balance as of June 30, 2018	9,741
Bad debt expense	13,461
Write-off /adjustments	(6,191)
Balance as of June 30, 2019	<u>\$ 17,011</u>

Included in accounts receivable are unbilled receivables in the amount of \$56.1 million as of June 30, 2019 (June 30, 2018—\$55.5 million).

NOTE 5—PROPERTY AND EQUIPMENT

	As of June 30, 2019		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$ 40,260	\$ (26,492)	\$ 13,768
Office equipment	1,993	(1,576)	417
Computer hardware	258,802	(177,402)	81,400
Computer software	119,018	(87,240)	31,778
Capitalized software development costs	95,729	(56,205)	39,524
Leasehold improvements	113,510	(66,520)	46,990
Land and buildings	49,557	(13,981)	35,576
Total	<u>\$ 678,869</u>	<u>\$ (429,416)</u>	<u>\$ 249,453</u>

	As of June 30, 2018		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$ 34,647	\$ (21,488)	\$ 13,159
Office equipment	1,467	(687)	780
Computer hardware	207,381	(134,906)	72,475
Computer software	97,653	(59,485)	38,168
Capitalized software development costs	81,073	(41,556)	39,517
Leasehold improvements	118,200	(55,172)	63,028
Land and buildings	47,880	(10,802)	37,078
Total	<u>\$ 588,301</u>	<u>\$ (324,096)</u>	<u>\$ 264,205</u>

NOTE 6—GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets. The following table summarizes the changes in goodwill since June 30, 2017:

Balance as at June 30, 2017	\$ 3,416,749
Acquisition of Hightail (note 18)	7,293
Acquisition of Guidance (note 18)	129,800
Acquisition of Covisint (note 18)	26,905
Adjustments relating to acquisitions prior to Fiscal 2018 that had open measurement periods (note 18)	(1,458)
Adjustments on account of foreign exchange	840
Balance as of June 30, 2018	<u>3,580,129</u>
Acquisition of Catalyst Repository Systems Inc. (note 18)	30,973
Acquisition of Liaison Technologies, Inc. (note 18)	163,592
Adjustments on account of foreign exchange	(4,786)
Balance as of June 30, 2019	<u><u>\$ 3,769,908</u></u>

NOTE 7—ACQUIRED INTANGIBLE ASSETS

	As of June 30, 2019		
	Cost	Accumulated Amortization	Net
Technology assets	\$ 835,498	\$ (349,259)	\$ 486,239
Customer assets	1,397,937	(737,672)	660,265
Total	<u>\$ 2,233,435</u>	<u>\$ (1,086,931)</u>	<u>\$ 1,146,504</u>

	As of June 30, 2018		
	Cost	Accumulated Amortization	Net
Technology assets	\$ 985,226	\$ (439,774)	\$ 545,452
Customer assets	1,348,510	(597,325)	751,185
Total	<u>\$ 2,333,736</u>	<u>\$ (1,037,099)</u>	<u>\$ 1,296,637</u>

Where applicable, the above balances as of June 30, 2019 have been reduced to reflect the impact of intangible assets where the gross cost has become fully amortized during the year ended June 30, 2019. The impact of this resulted in a reduction of \$49.5 million related to Customer assets and \$273.9 million related to Technology assets.

The weighted average amortization periods for acquired technology and customer intangible assets are approximately six years and eight years, respectively.

The following table shows the estimated future amortization expense for the fiscal years indicated. This calculation assumes no future adjustments to acquired intangible assets:

<u>Fiscal years ending June 30,</u>	
2020	\$ 322,009
2021	230,648
2022	211,093
2023	144,128
2024	95,876
2025 and beyond	142,750
Total	<u><u>\$ 1,146,504</u></u>

NOTE 8—OTHER ASSETS

	As of June 30, 2019	As of June 30, 2018
Deposits and restricted cash	\$ 13,671	\$ 9,479
Deferred implementation costs	—	13,740
Capitalized costs to obtain a contract	35,593	13,027
Investments	67,002	49,635
Long-term prepaid expenses and other long-term assets	32,711	25,386
Total	<u>\$ 148,977</u>	<u>\$ 111,267</u>

Deposits and restricted cash primarily relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of certain contractual-based agreements.

Deferred implementation costs relate to direct and relevant costs on implementation of long-term contracts, to the extent such costs can be recovered through guaranteed contract revenues. As a result of the adoption of Topic 606, deferred implementation costs are no longer capitalized, but rather expensed as incurred as these costs do not relate to future performance obligations. Accordingly, these costs were adjusted through opening retained earnings as of July 1, 2018 (see note 3 "Revenues").

Capitalized costs to obtain a contract relate to incremental costs of obtaining a contract, such as sales commissions, which are eligible for capitalization on contracts to the extent that such costs are expected to be recovered (see note 3 "Revenues").

Investments relate to certain non-marketable equity securities in which we are a limited partner. Our interests in each of these investees range from 4% to below 20%. These investments are accounted for using the equity method. Our share of net income or losses based on our interest in these investments is recorded as a component of other income (expense), net in our Consolidated Statements of Income. During the year ended June 30, 2019, our share of income (loss) from these investments was \$13.7 million (year ended June 30, 2018 and 2017 — \$6.0 million and \$6.0 million, respectively).

Long-term prepaid expenses and other long-term assets includes advance payments on long-term licenses that are being amortized over the applicable terms of the licenses and other miscellaneous assets.

NOTE 9—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities

Accounts payable and accrued liabilities are comprised of the following:

	As of June 30, 2019	As of June 30, 2018
Accounts payable—trade	\$ 46,323	\$ 41,722
Accrued salaries and commissions	131,430	118,024
Accrued liabilities	117,551	108,903
Accrued interest on Senior Notes	24,786	24,786
Amounts payable in respect of restructuring and other Special charges	8,153	5,622
Asset retirement obligations	1,660	3,097
Total	<u>\$ 329,903</u>	<u>\$ 302,154</u>

Long-term accrued liabilities

	As of June 30, 2019	As of June 30, 2018
Amounts payable in respect of restructuring and other Special charges	\$ 4,804	\$ 4,362
Other accrued liabilities*	30,338	35,874
Asset retirement obligations	14,299	12,591
Total	<u>\$ 49,441</u>	<u>\$ 52,827</u>

* Other accrued liabilities consist primarily of tenant allowances, deferred rent and lease fair value adjustments relating to certain facilities acquired through business acquisitions.

Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. As of June 30, 2019, the present value of this obligation was \$16.0 million (June 30, 2018—\$15.7 million), with an undiscounted value of \$17.6 million (June 30, 2018—\$17.7 million).

NOTE 10—LONG-TERM DEBT

Long-term debt

Long-term debt is comprised of the following:

	<u>As of June 30, 2019</u>	<u>As of June 30, 2018</u>
Total debt		
Senior Notes 2026	\$ 850,000	\$ 850,000
Senior Notes 2023	800,000	800,000
Term Loan B	987,500	997,500
Total principal payments due	<u>2,637,500</u>	<u>2,647,500</u>
Premium on Senior Notes 2026	5,405	6,018
Debt issuance costs	(28,027)	(32,995)
Total amount outstanding	<u><u>2,614,878</u></u>	<u><u>2,620,523</u></u>
Less:		
Current portion of long-term debt		
Term Loan B	10,000	10,000
Total current portion of long-term debt	<u>10,000</u>	<u>10,000</u>
Non-current portion of long-term debt	<u><u>\$ 2,604,878</u></u>	<u><u>\$ 2,610,523</u></u>

Senior Unsecured Fixed Rate Notes

Senior Notes 2026

On May 31, 2016, we issued \$600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act), and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 bear interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 will mature on June 1, 2026, unless earlier redeemed, in accordance with their terms, or repurchased.

On December 20, 2016, we issued an additional \$250 million in aggregate principal amount by reopening our Senior Notes 2026 at an issue price of 102.75%. The additional notes have identical terms, are fungible with and are a part of a single series with the previously issued \$600 million aggregate principal amount of Senior Notes 2026. The outstanding aggregate principal amount of Senior Notes 2026, after taking into consideration the additional issuance, is \$850 million.

For the year ended June 30, 2019, we recorded interest expense of \$49.9 million relating to Senior Notes 2026 (year ended June 30, 2018 and 2017—\$49.9 million and \$43.1 million, respectively).

Senior Notes 2023

On January 15, 2015, we issued \$800 million in aggregate principal amount of 5.625% Senior Notes due 2023 (Senior Notes 2023) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2023 bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2015. Senior Notes 2023 will mature on January 15, 2023, unless earlier redeemed, in accordance with their terms, or repurchased.

For the year ended June 30, 2019, we recorded interest expense of \$45.0 million relating to Senior Notes 2023 (year ended June 30, 2018 and 2017—\$45.0 million, respectively).

Term Loan B

On May 30, 2018, we refinanced our existing term loan facility, by entering into a new \$1 billion term loan facility (Term Loan B), whereby we borrowed \$1 billion on that day and repaid in full the loans under our prior \$800 million term loan facility originally entered into on January 16, 2014. Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with the Revolver (defined below).

Term Loan B has a seven year term, maturing in May 2025, and repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. Borrowings under Term Loan B currently bear a floating rate of interest equal to 1.75% plus LIBOR. As of June 30, 2019, the outstanding balance on the Term Loan B bears an interest rate of approximately 4.19%.

For the year ended June 30, 2019, we recorded interest expense of \$41.1 million, respectively, relating to Term Loan B (year ended June 30, 2018 and 2017—\$27.9 million and \$24.8 million, respectively).

Revolver

We currently have a \$450 million committed revolving credit facility (the Revolver) with a maturity date of May 5, 2022. Borrowings under the Revolver are secured by a first charge over substantially all of our assets, on a pari passu basis with Term Loan B. The Revolver has no fixed repayment date prior to the end of the term. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%.

As of June 30, 2019, we have no outstanding balance on the Revolver. There was no activity during the year ended June 30, 2019 and we recorded no interest expense.

During the year ended June 30, 2018, we drew down \$200 million from the Revolver, partially to finance acquisitions (year ended June 30, 2017—\$225 million). Additionally, during the year ended June 30, 2018, we repaid \$375 million and recorded interest expense of \$9.0 million relating to amounts drawn on the Revolver (year ended June 30, 2017—\$50 million and \$2.6 million, respectively).

Debt Issuance Costs and Premium on Senior Notes

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining our credit facilities and issuing our Senior Notes 2023 and Senior Notes 2026 (collectively referred to as the Senior Notes) and are being amortized over the respective terms of the Senior Notes and Term Loan B and the Revolver using the effective interest method.

The premium on Senior Notes 2026 represents the excess of the proceeds received over the face value of Senior Notes 2026. This premium is amortized as a reduction to interest expense over the term of Senior Notes 2026 using the effective interest method.

NOTE 11—PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The following table provides details of our defined benefit pension plans and long-term employee benefit obligations for Open Text Document Technologies GmbH (CDT), GXS GmbH (GXS GER), GXS Philippines, Inc. (GXS PHP) and other plans as of June 30, 2019 and June 30, 2018:

	As of June 30, 2019		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	\$ 35,836	\$ 675	\$ 35,161
GXS GER defined benefit plan	26,739	1,012	25,727
GXS PHP defined benefit plan	6,904	124	6,780
Other plans	8,052	481	7,571
Total	\$ 77,531	\$ 2,292	\$ 75,239

	As of June 30, 2018		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	\$ 32,651	\$ 655	\$ 31,996
GXS GER defined benefit plan	25,382	1,027	24,355
GXS PHP defined benefit plan	3,853	138	3,715
Other plans	6,095	442	5,653
Total	\$ 67,981	\$ 2,262	\$ 65,719

* The current portion of the benefit obligation has been included within "Accrued salaries and commissions", all within "Accounts payable and accrued liabilities" in the Consolidated Balance Sheets (see note 9 "Accounts Payable and Accrued Liabilities").

Defined Benefit Plans

CDT Plan

CDT sponsors an unfunded defined benefit pension plan covering substantially all CDT employees (CDT plan) which provides for old age, disability and survivors' benefits. Benefits under the CDT plan are generally based on age at retirement, years of service and the employee's annual earnings. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of June 30, 2019, there is approximately \$0.9 million in accumulated other comprehensive income related to the CDT plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

GXS GER Plan

As part of our acquisition of GXS Group, Inc. (GXS) in Fiscal 2014, we assumed an unfunded defined benefit pension plan covering certain German employees which provides for old age, disability and survivors' benefits. The GXS GER plan has been closed to new participants since 2006. Benefits under the GXS GER plan are generally based on a participant's remuneration, date of hire, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of June 30, 2019, there is approximately \$0.3 million in accumulated other comprehensive income related to the GXS GER plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

GXS PHP Plan

As part of our acquisition of GXS in Fiscal 2014, we assumed a primarily unfunded defined benefit pension plan covering substantially all of the GXS Philippines employees which provides for retirement, disability and survivors' benefits. Benefits under the GXS PHP plan are generally based on a participant's remuneration, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. Aside from an initial contribution which has a fair value of approximately \$0.03 million as of June 30, 2019, no additional contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of June 30, 2019, there is approximately \$0.3 million in accumulated other comprehensive income related to the GXS PHP plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

The following are the details of the change in the benefit obligation for each of the above mentioned pension plans for the periods indicated:

	As of June 30, 2019				As of June 30, 2018			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Benefit obligation—beginning of period	\$ 32,651	\$ 25,382	\$ 3,853	\$ 61,886	\$ 28,881	\$ 23,730	\$ 4,495	\$ 57,106
Service cost	550	566	771	1,887	501	472	832	1,805
Interest cost	642	489	300	1,431	607	489	241	1,337
Benefits paid	(626)	(996)	(140)	(1,762)	(580)	(974)	(141)	(1,695)
Actuarial (gain) loss	3,365	1,872	1,957	7,194	2,442	997	(1,313)	2,126
Foreign exchange (gain) loss	(746)	(574)	163	(1,157)	800	668	(261)	1,207
Benefit obligation—end of period	35,836	26,739	6,904	69,479	32,651	25,382	3,853	61,886
Less: Current portion	(675)	(1,012)	(124)	(1,811)	(655)	(1,027)	(138)	(1,820)
Non-current portion of benefit obligation	<u>\$ 35,161</u>	<u>\$ 25,727</u>	<u>\$ 6,780</u>	<u>\$ 67,668</u>	<u>\$ 31,996</u>	<u>\$ 24,355</u>	<u>\$ 3,715</u>	<u>\$ 60,066</u>

The following are details of net pension expense relating to the following pension plans:

	Year Ended June 30,							
	2019				2018			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Pension expense:								
Service cost	\$ 550	\$ 566	\$ 771	\$ 1,887	\$ 501	\$ 472	\$ 832	\$ 1,805
Interest cost	642	489	300	1,431	607	489	241	1,337
Amortization of actuarial (gains) and losses	696	130	(562)	264	541	72	(241)	372
Net pension expense	<u>\$ 1,888</u>	<u>\$ 1,185</u>	<u>\$ 509</u>	<u>\$ 3,582</u>	<u>\$ 1,649</u>	<u>\$ 1,033</u>	<u>\$ 832</u>	<u>\$ 3,514</u>

In determining the fair value of the pension plan benefit obligations as of June 30, 2019 and June 30, 2018, respectively, we used the following weighted-average key assumptions:

	As of June 30, 2019			As of June 30, 2018		
	CDT	GXS GER	GXS PHP	CDT	GXS GER	GXS PHP
Assumptions:						
Salary increases	2.50%	2.50%	6.50%	3.50%	3.50%	6.50%
Pension increases	2.00%	2.00%	N/A	2.00%	2.00%	N/A
Discount rate	1.32%	1.32%	5.00%	2.00%	2.00%	7.25%
Normal retirement age	65-67	65-67	60	65-67	65-67	60
Employee fluctuation rate:						
to age 20	—%	—%	12.19%	—%	—%	12.19%
to age 25	—%	—%	16.58%	—%	—%	16.58%
to age 30	1.00%	—%	13.97%	1.00%	—%	13.97%
to age 35	0.50%	—%	10.77%	0.50%	—%	10.77%
to age 40	—%	—%	7.39%	—%	—%	7.39%
to age 45	0.50%	—%	3.28%	0.50%	—%	3.28%
to age 50	0.50%	—%	—%	0.50%	—%	—%
from age 51	1.00%	—%	—%	1.00%	—%	—%

Anticipated pension payments under the pension plans for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,		
	CDT	GXS GER	GXS PHP
2020	\$ 675	\$ 1,012	\$ 161
2021	758	1,011	153
2022	832	1,044	352
2023	933	1,043	208
2024	1,041	1,050	272
2025 to 2028	6,009	5,308	2,389
Total	\$ 10,248	\$ 10,468	\$ 3,535

Other Plans

Other plans include defined benefit pension plans that are offered by certain of our foreign subsidiaries. Many of these plans were assumed through our acquisitions or are required by local regulatory requirements. These other plans are primarily unfunded, with the aggregate projected benefit obligation included in our pension liability. The net periodic costs of these plans are determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs.

NOTE 12—SHARE CAPITAL, OPTION PLANS AND SHARE-BASED PAYMENTS

Cash Dividends

For the year ended June 30, 2019, pursuant to the Company's dividend policy, we declared total non-cumulative dividends of \$0.6300 per Common Share in the aggregate amount of \$168.9 million, which we paid during the same period.

For the year ended June 30, 2018, pursuant to the Company's dividend policy, we paid total non-cumulative dividends of \$0.5478 per Common Share in the aggregate amount of \$145.6 million.

For the year ended June 30, 2017, pursuant to the Company's dividend policy, we paid total non-cumulative dividends of \$0.4770 per Common Share in the aggregate amount of \$120.6 million.

Share Capital

Our authorized share capital includes an unlimited number of Common Shares and an unlimited number of Preference Shares. No Preference Shares have been issued.

Treasury Stock

Repurchase

From time to time we may provide funds to an independent agent to facilitate repurchases of our Common Shares in connection with the settlement of awards under the Long-Term Incentive Plans (LTIP) or other plans.

During the year ended June 30, 2019, we repurchased 726,059 of our Common Shares in the open market, at a cost of approximately \$26.5 million for potential reissuance under our LTIP or other plans (year ended June 30, 2018 and 2017—nil and 244,240, respectively, at a cost of nil and \$8.2 million, respectively). See below for more details on our various plans.

Reissuance

During the year ended June 30, 2019, we reissued and 613,524 Common Shares from treasury stock (year ended June 30, 2018 and 2017—411,276 and 409,922 Common Shares, respectively), in connection with the settlement of awards.

Option Plans

A summary of stock options outstanding under our 2004 stock option plan is set forth below. All numbers shown in the chart below have been adjusted, where applicable, to account for the two-for-one stock splits that occurred on October 22, 2003, February 18, 2014 and January 24, 2017.

2004 Stock Option Plan	
Date of inception	Oct-04
Eligibility	Eligible employees, as determined by the Board of Directors
Options granted to date	32,398,418
Options exercised to date	(17,663,048)
Options cancelled to date	(7,632,617)
Options outstanding	7,102,753
Termination grace periods	Immediately “for cause”; 90 days for any other reason; 180 days due to death
Vesting schedule	25% per year, unless otherwise specified
Exercise price range	\$13.19 - \$40.20
Expiration dates	11/2/2019 to 5/7/2026

The following table summarizes information regarding stock options outstanding at June 30, 2019:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of options Outstanding as of June 30, 2019	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of options Exercisable as of June 30, 2019	Weighted Average Exercise Price
\$ 13.19 - \$ 24.78	516,429	2.72	\$ 21.81	354,551	\$ 21.33
24.79 - 26.53	562,200	1.76	25.18	562,200	25.18
26.54 - 27.46	1,230,000	1.39	27.09	330,000	27.09
27.47 - 30.06	768,566	3.52	28.96	466,254	28.61
30.07 - 32.75	680,000	3.73	32.36	27,500	30.37
32.76 - 34.48	760,620	5.11	33.79	224,875	33.66
34.49 - 35.61	849,118	5.51	34.61	204,372	34.61
35.62 - 38.26	380,000	6.54	37.19	6,250	36.50
38.27 - 39.51	730,820	6.10	39.27	—	—
39.52 - 40.20	625,000	6.85	40.10	—	—
\$ 13.19 - \$ 40.20	7,102,753	4.10	\$ 31.82	2,176,002	\$ 27.44

Share-Based Payments

Total share-based compensation expense for the periods indicated below is detailed as follows:

	Year Ended June 30,		
	2019	2018	2017
Stock options	\$ 10,232	\$ 9,828	\$ 12,196
Performance Share Units (issued under LTIP)	3,461	3,553	3,624
Restricted Share Units (issued under LTIP)	5,917	6,602	6,452
Restricted Share Units (other)	175	936	2,804
Deferred Share Units (directors)	3,133	2,921	2,849
Employee Share Purchase Plan	3,852	3,754	2,582
Total share-based compensation expense	\$ 26,770	\$ 27,594	\$ 30,507

Summary of Outstanding Stock Options

As of June 30, 2019, an aggregate of 7,102,753 options to purchase Common Shares were outstanding and an additional 9,397,479 options to purchase Common Shares were available for issuance under our stock option plans. Our stock options generally vest over four years and expire between seven and ten years from the date of the grant. Currently we also have options outstanding that vest over five years, as well as options outstanding that vest based on meeting certain market conditions. The exercise price of all our options is set at an amount that is not less than the closing price of our Common Shares on the NASDAQ on the trading day immediately preceding the applicable grant date.

A summary of activity under our stock option plans for the year ended June 30, 2019 is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$'000s)
Outstanding at June 30, 2018	7,078,435	\$ 28.41		
Granted	1,870,340	38.81		
Exercised	(1,472,031)	24.20		
Forfeited or expired	(373,991)	32.33		
Outstanding at June 30, 2019	7,102,753	\$ 31.82	4.10	\$ 66,656
Exercisable at June 30, 2019	2,176,002	\$ 27.44	3.03	\$ 29,950

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$'000s)
Outstanding at June 30, 2017	8,977,830	\$ 24.57		
Granted	1,322,340	34.60		
Exercised	(2,869,569)	18.94		
Forfeited or expired	(352,166)	30.81		
Outstanding at June 30, 2018	7,078,435	\$ 28.41	4.43	\$ 48,405
Exercisable at June 30, 2018	2,482,288	\$ 24.50	3.13	\$ 26,539

We estimate the fair value of stock options using the Black-Scholes option-pricing model or, where appropriate, the Monte Carlo Valuation Method, consistent with the provisions of ASC Topic 718, "Compensation—Stock Compensation" (Topic 718) and SEC Staff Accounting Bulletin No. 107. The option-pricing models require input of subjective assumptions, including the estimated life of the option and the expected volatility of the underlying stock over the estimated life of the option. We use historical volatility as a basis for projecting the expected volatility of the underlying stock and estimate the expected life of our stock options based upon historical data.

We believe that the valuation techniques and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair value of our stock option grants. Estimates of fair value are not intended, however, to predict actual future events or the value ultimately realized by employees who receive equity awards.

For the periods indicated, the weighted-average fair value of options and weighted-average assumptions were as follows:

	Year Ended June 30,		
	2019	2018	2017
Weighted-average fair value of options granted	\$ 8.39	\$ 7.58	\$ 7.06
Weighted-average assumptions used:			
Expected volatility	25.72%	26.95%	28.32%
Risk-free interest rate	2.57%	2.18%	1.46%
Expected dividend yield	1.54%	1.50%	1.43%
Expected life (in years)	4.44	4.38	4.51
Forfeiture rate (based on historical rates)	6%	6%	5%
Average exercise share price	\$ 38.81	\$ 34.60	\$ 31.75
Derived service period (in years)*	N/A	N/A	1.79

*Options valued using Monte Carlo Valuation Method

As of June 30, 2019, the total compensation cost related to the unvested stock option awards not yet recognized was approximately \$24.1 million, which will be recognized over a weighted-average period of approximately 3.0 years.

No cash was used by us to settle equity instruments granted under share-based compensation arrangements in any of the periods presented.

We have not capitalized any share-based compensation costs as part of the cost of an asset in any of the periods presented.

For the year ended June 30, 2019, cash in the amount of \$35.6 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the year ended June 30, 2019 from the exercise of options eligible for a tax deduction was \$2.9 million.

For the year ended June 30, 2018, cash in the amount of \$54.4 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the year ended June 30, 2018 from the exercise of options eligible for a tax deduction was \$1.5 million.

For the year ended June 30, 2017, cash in the amount of \$20.8 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the year ended June 30, 2017 from the exercise of options eligible for a tax deduction was \$2.2 million.

Long-Term Incentive Plans

We incentivize our executive officers, in part, with long-term compensation pursuant to our LTIP. The LTIP is a rolling three year program that grants eligible employees a certain number of target Performance Share Units (PSUs) and/or Restricted Share Units (RSUs). Target PSUs become vested upon the achievement of certain financial and/or operational performance criteria (the Performance Conditions) that are determined at the time of the grant. Target RSUs become vested when an eligible employee remains employed throughout the vesting period.

PSUs and RSUs granted under the LTIPs have been measured at fair value as of the effective date, consistent with Topic 718, and will be charged to share-based compensation expense over the remaining life of the plan. Stock options granted under the LTIPs have been measured using the Black-Scholes option-pricing model, consistent with Topic 718. We estimate the fair value of PSUs using the Monte Carlo pricing model and RSUs have been valued based upon their grant date fair value.

As of June 30, 2019, the total expected compensation cost related to the unvested LTIP awards not yet recognized was \$13.3 million, which is expected to be recognized over a weighted average period of 1.8 years.

LTIP grants that have recently vested, or have yet to vest, are described below. LTIP grants are referred to in this Annual Report on Form 10-K based upon the year in which the grants are expected to vest.

Fiscal 2018 LTIP

Grants made in Fiscal 2016 under the LTIP (collectively referred to as Fiscal 2018 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2016 starting on August 23, 2015. We settled the Fiscal 2018 LTIP by issuing 539,103 Common Shares from treasury stock during the three months ended December 31, 2018, with a cost of \$13.8 million.

Fiscal 2019 LTIP

Grants made in Fiscal 2017 under the LTIP (collectively referred to as Fiscal 2019 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2017 starting on August 14, 2016. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2019 LTIP. We expect to settle the Fiscal 2019 LTIP awards in stock.

Fiscal 2020 LTIP

Grants made in Fiscal 2018 under the LTIP (collectively referred to as Fiscal 2020 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2018 starting on August 7, 2017. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2020 LTIP. We expect to settle the Fiscal 2020 LTIP awards in stock.

Fiscal 2021 LTIP

Grants made in Fiscal 2019 under the LTIP (collectively referred to as Fiscal 2021 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2019 starting on August 6, 2018. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2021 LTIP. We expect to settle the Fiscal 2021 LTIP awards in stock.

Restricted Share Units (RSUs)

During the year ended June 30, 2019, we did not grant any RSUs to employees in accordance with employment and other agreements (year ended June 30, 2018 and 2017—4,464 and 19,300 RSUs, respectively). The RSUs vest over a specified contract date, typically three years from the respective date of grants. We expect to settle the awards in stock.

During the year ended June 30, 2019, we issued 22,627 Common Shares from treasury stock, with a cost of \$0.7 million in connection with the settlement of these vested RSUs (year ended June 30, 2018 and 2017—98,625 and 70,000 Common Shares, respectively, with a cost of \$2.1 million and \$1.5 million, respectively).

Deferred Stock Units (DSUs)

During the year ended June 30, 2019, we granted 100,271 DSUs to certain non-employee directors (year ended June 30, 2018 and 2017—87,501 and 91,680 DSUs, respectively). The DSUs were issued under our Deferred Share Unit Plan. DSUs granted as compensation for director fees vest immediately, whereas all other DSUs granted vest at our next annual general meeting following the granting of the DSUs. No DSUs are payable by us until the director ceases to be a member of the Board.

During the year ended June 30, 2019, we issued 51,794 Common Shares from treasury stock, with a cost of \$2.0 million in connection with the settlement of vested DSUs (year ended June 30, 2018 and 2017—nil DSUs, respectively).

Employee Share Purchase Plan (ESPP)

Our ESPP offers employees a purchase price discount of 15%.

During the year ended June 30, 2019, 696,091 Common Shares were eligible for issuance to employees enrolled in the ESPP (year ended June 30, 2018 and 2017—729,521 and 530,170 Common Shares, respectively).

During the year ended June 30, 2019, cash in the amount of approximately \$22.2 million was received from employees relating to the ESPP (year ended June 30, 2018 and 2017—\$21.5 million and \$14.8 million, respectively).

NOTE 13—GUARANTEES AND CONTINGENCIES

We have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

	Payments due between				
	Total	July 1, 2019— June 30, 2020	July 1, 2020— June 30, 2022	July 1, 2022— June 30, 2024	July 1, 2024 and beyond
Long-term debt obligations ⁽¹⁾	\$ 3,408,565	\$ 147,059	\$ 292,156	\$ 1,045,567	\$ 1,923,783
Operating lease obligations ⁽²⁾	318,851	72,853	106,394	59,441	80,163
Purchase obligations	11,280	8,364	2,747	169	—
	<u>\$ 3,738,696</u>	<u>\$ 228,276</u>	<u>\$ 401,297</u>	<u>\$ 1,105,177</u>	<u>\$ 2,003,946</u>

⁽¹⁾ Includes interest up to maturity and principal payments. Please see note 10 "Long-Term Debt" for more details.

⁽²⁾ Net of \$30.7 million of sublease income to be received from properties which we have subleased to third parties.

Guarantees and Indemnifications

We have entered into customer agreements which may include provisions to indemnify our customers against third party claims that our software products or services infringe certain third party intellectual property rights and for liabilities related to a breach of our confidentiality obligations. We have not made any material payments in relation to such indemnification provisions and have not accrued any liabilities related to these indemnification provisions in our Consolidated Financial Statements.

Occasionally, we enter into financial guarantees with third parties in the ordinary course of our business, including, among others, guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business. Such agreements have not had a material effect on our results of operations, financial position or cash flows.

Litigation

We are currently involved in various claims and legal proceedings.

Quarterly, we review the status of each significant legal matter and evaluate such matters to determine how they should be treated for accounting and disclosure purposes in accordance with the requirements of ASC Topic 450-20 "Loss Contingencies" (Topic 450-20). Specifically, this evaluation process includes the centralized tracking and itemization of the status of all our disputes and litigation items, discussing the nature of any litigation and claim, including any dispute or claim that is reasonably likely to result in litigation, with relevant internal and external counsel, and assessing the progress of each matter in light of its merits and our experience with similar proceedings under similar circumstances.

If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this Annual Report on Form 10-K, the aggregate of such estimated losses was not material to our consolidated financial position or results of operations and we do not believe as of the date of this filing that it is reasonably possible that a loss exceeding the amounts already recognized will be incurred that would be material to our consolidated financial position or results of operations.

Contingencies

IRS Matter

As we have previously disclosed, the United States Internal Revenue Service (IRS) is examining certain of our tax returns for our fiscal year ended June 30, 2010 (Fiscal 2010) through our fiscal year ended June 30, 2012 (Fiscal 2012), and in connection with those examinations is reviewing our internal reorganization in Fiscal 2010 to consolidate certain intellectual property ownership in Luxembourg and Canada and our integration of certain acquisitions into the resulting structure. We also previously disclosed that the examinations may lead to proposed adjustments to our taxes that may be material, individually or in the aggregate, and that we have not recorded any material accruals for any such potential adjustments in our Consolidated Financial Statements.

We previously disclosed that, as part of these examinations, on July 17, 2015 we received from the IRS an initial Notice of Proposed Adjustment (NOPA) in draft form, that, as revised by the IRS on July 11, 2018 proposes a one-time approximately \$335 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010 (the 2010 NOPA), plus penalties equal to 20% of the additional proposed taxes for Fiscal 2010, and interest at the applicable statutory rate published by the IRS.

On July 11, 2018, we also received, consistent with previously disclosed expectations, a draft NOPA proposing a one time approximately \$80 million increase to our U.S. federal taxes for Fiscal 2012 (the 2012 NOPA) arising from the integration of Global 360 Holding Corp. into the structure that resulted from the internal reorganization in Fiscal 2010, plus penalties equal to 40% of the additional proposed taxes for Fiscal 2012, and interest.

On January 7, 2019, we received from the IRS official notification of proposed adjustments to our taxable income for Fiscal 2010 and Fiscal 2012, together with the 2010 NOPA and 2012 NOPA in final form. In each case, such documentation was as expected and on substantially the same terms as provided for in the previously disclosed respective draft NOPAs, with the exception of an additional proposed penalty as part of the 2012 NOPA.

A NOPA is an IRS position and does not impose an obligation to pay tax. We continue to strongly disagree with the IRS' positions within the NOPAs and we are vigorously contesting the proposed adjustments to our taxable income, along with any proposed penalties and interest.

As of our receipt of the final 2010 NOPA and 2012 NOPA, our estimated potential aggregate liability, as proposed by the IRS, including additional state income taxes plus penalties and interest that may be due, was approximately \$770 million, comprised of approximately \$455 million in U.S. federal and state taxes, approximately \$130 million of penalties, and approximately \$185 million of interest. Interest will continue to accrue at the applicable statutory rates until the matter is resolved and may be substantial.

As previously disclosed and noted above, we strongly disagree with the IRS' positions and we are vigorously contesting the proposed adjustments to our taxable income, along with the proposed penalties and interest. We are examining various alternatives available to taxpayers to contest the proposed adjustments, including through IRS Appeals and U.S. Federal court. Any such alternatives could involve a lengthy process and result in the incurrence of significant expenses. As of the date of this Annual Report on Form 10-K, we have not recorded any material accruals in respect of these examinations in our Consolidated Financial Statements. An adverse outcome of these tax examinations could have a material adverse effect on our financial position and results of operations.

For additional information regarding the history of this IRS matter, please see Note 13 "Guarantees and Contingencies" in our Annual Report on Form 10-K for Fiscal 2018.

CRA Matter

As part of its ongoing audit of our Canadian tax returns, the Canada Revenue Agency (CRA) has disputed our transfer pricing methodology used for certain intercompany transactions with our international subsidiaries and has issued notices of reassessment for Fiscal 2012, Fiscal 2013 and Fiscal 2014. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of June 30, 2019, in connection with the CRA's reassessments for Fiscal 2012, Fiscal 2013 and Fiscal 2014 to be limited to penalties and interest that may be due of approximately \$25 million.

The notices of reassessment for Fiscal 2012, Fiscal 2013 and Fiscal 2014 would, as drafted, increase our taxable income by approximately \$90 million to \$100 million for each of those years, as well as impose a 10% penalty on the proposed adjustment to income.

We strongly disagree with the CRA's positions and believe the reassessments of Fiscal 2012, Fiscal 2013 and Fiscal 2014 (including any penalties) are without merit. We have filed notices of objection for Fiscal 2012 and Fiscal 2013, and we are currently seeking competent authority consideration under applicable international treaties in respect of these reassessments. We intend to file the notice of objection for Fiscal 2014 shortly.

Even if we are unsuccessful in challenging the CRA's reassessments to increase our taxable income for Fiscal 2012, Fiscal 2013 and Fiscal 2014, or potential reassessments that may be proposed for subsequent years currently under audit, we have elective deductions available for those years (including carry-backs from later years) that would offset such increased amounts so that no additional cash tax would be payable, exclusive of any assessed penalties and interest, as described above.

We will continue to vigorously contest the proposed adjustments to our taxable income and any penalty and interest assessments. As of the date of this Annual Report on Form 10-K, we have not recorded any accruals in respect of these reassessments in our Consolidated Financial Statements. Audits by the CRA of our tax returns for fiscal years prior to Fiscal 2012 have been completed with no reassessment of our income tax liability in respect of our international transactions, including the transfer pricing methodology applied to them. The CRA is currently auditing Fiscal 2015, Fiscal 2016 and Fiscal 2017 and have proposed to reassess Fiscal 2015 in a manner consistent with Fiscal 2012, Fiscal 2013 and Fiscal 2014. We are engaged in ongoing discussions with the CRA and continue to vigorously contest the CRA's audit positions.

GXS Brazil Matter

As previously disclosed and in connection with the intercompany charges between GXS Group, Inc. and its subsidiary, GXS Tecnologia da Informação (Brasil) Ltda., based on the historical transfer pricing studies, approximately \$1.5 million

accrued in relation to this matter became statute barred during the year ended June 30, 2019 and accordingly was released as a recovery under "Special charges".

GXS India Matter

Our Indian subsidiary, GXS India Technology Centre Private Limited (GXS India), is subject to potential assessments by Indian tax authorities in the city of Bangalore. GXS India has received assessment orders from the Indian tax authorities alleging that the transfer price applied to intercompany transactions was not appropriate. Based on advice from our tax advisors, we believe that the facts that the Indian tax authorities are using to support their assessment are incorrect. We have filed appeals and anticipate an eventual settlement with the Indian tax authorities. We have accrued \$1.3 million to cover our anticipated financial exposure in this matter.

Please also see Item 1A "Risk Factors" elsewhere in this Annual Report on Form 10-K.

NOTE 14—INCOME TAXES

Our effective tax rate represents the net effect of the mix of income earned in various tax jurisdictions that are subject to a wide range of income tax rates.

The following is a geographical breakdown of income before the provision for income taxes:

	Year Ended June 30,		
	2019	2018	2017
Domestic income (loss)	\$ 269,331	\$ 238,405	\$ 110,562
Foreign income	171,243	147,721	138,989
Income before income taxes	<u>\$ 440,574</u>	<u>\$ 386,126</u>	<u>\$ 249,551</u>

The provision for (recovery of) income taxes consisted of the following:

	Year Ended June 30,		
	2019	2018	2017
Current income taxes (recoveries):			
Domestic	\$ 7,862	\$ 5,313	\$ 12,238
Foreign	99,650	48,777	82,593
	<u>107,512</u>	<u>54,090</u>	<u>94,831</u>
Deferred income taxes (recoveries):			
Domestic	52,889	61,678	(851,683)
Foreign	(5,464)	28,058	(19,512)
	<u>47,425</u>	<u>89,736</u>	<u>(871,195)</u>
Provision for (recovery of) income taxes	<u>\$ 154,937</u>	<u>\$ 143,826</u>	<u>\$ (776,364)</u>

A reconciliation of the combined Canadian federal and provincial income tax rate with our effective income tax rate is as follows:

	Year Ended June 30,		
	2019	2018	2017
Expected statutory rate	26.5%	26.5%	26.5%
Expected provision for income taxes	\$ 116,752	\$ 102,323	\$ 66,131
Effect of foreign tax rate differences	(1,344)	2,352	8,647
Change in valuation allowance	(5,045)	1,779	520
Amortization of deferred charges	—	4,242	6,298
Effect of permanent differences	(577)	4,332	3,673
Effect of changes in unrecognized tax benefits	31,992	5,543	14,427
Effect of withholding taxes	2,097	7,927	3,845
Difference in tax filings from provision	(250)	1,321	(7,836)
Effect of U.S. tax reform	—	19,037	—
Effect of tax credits for research and development	(13,550)	(3,875)	(2,643)
Effect of accrual for undistributed earnings	(13,112)	(1,154)	5,613
Effect of Base Erosion and Anti-Abuse Tax (BEAT)	16,030	—	—
Other Items	5,473	(1)	1,075
Impact of internal reorganization of subsidiaries	16,471	—	(876,114)
	<u>\$ 154,937</u>	<u>\$ 143,826</u>	<u>\$ (776,364)</u>

In Fiscal 2019, 2018 and 2017, respectively, substantially all the tax rate differential for international jurisdictions was driven by earnings in the United States.

The effective tax rate decreased to a provision of 35.2% for the year ended June 30, 2019, compared to 37.2% for the year ended June 30, 2018. The increase in tax expense of \$11.1 million was primarily due to the increase in net income taxed at foreign rates of \$10.7 million, an increase of \$26.4 million in reserves for unrecognized tax benefits, an increase of \$16.1 million arising on the introduction of BEAT in Fiscal 2019, and an increase of \$16.3 million relating to the tax impact of internal reorganizations of subsidiaries, partially offset by a the reversal of accruals for undistributed United States earnings of \$14.8 million, the Fiscal 2018 impact of United States tax reform of \$19.0 million which did not recur in Fiscal 2019, an increase in tax credits for research and development of \$9.7 million, an increase of \$6.8 million in the release of valuation allowance, a decrease of \$5.8 million in the impact of withholding taxes in Fiscal 2019. The remainder of the difference was due to normal course movements and non-material items.

In July 2016, we implemented a reorganization of our subsidiaries worldwide with the view to continuing to enhance operational and administrative efficiencies through further consolidated ownership, management, and development of our intellectual property (IP) in Canada, continuing to reduce the number of entities in our group and working towards our objective of having a single operating legal entity in each jurisdiction. A significant tax benefit of \$876.1 million, associated primarily with the recognition of a net deferred tax asset arising from the entry of the IP into Canada, was recognized in the first quarter of Fiscal 2017. For more information relating to this, please refer to our Annual Report on Form 10-K for the year ended June 30, 2017.

As of June 30, 2019, we have approximately \$242.3 million of domestic non-capital loss carryforwards. In addition, we have \$387.6 million of foreign non-capital loss carryforwards of which \$53.8 million have no expiry date. The remainder of the domestic and foreign losses expires between 2020 and 2039. In addition, investment tax credits of \$58.6 million will expire between 2020 and 2039.

The primary components of the deferred tax assets and liabilities are as follows, for the periods indicated below:

	June 30,	
	2019	2018
Deferred tax assets		
Non-capital loss carryforwards	\$ 161,119	\$ 129,436
Capital loss carryforwards	155	417
Undeducted scientific research and development expenses	137,253	123,114
Depreciation and amortization	683,777	829,369
Restructuring costs and other reserves	17,845	17,202
Deferred revenue	53,254	62,726
Other	59,584	57,461
Total deferred tax asset	\$ 1,112,987	\$ 1,219,725
Valuation Allowance	\$ (77,328)	\$ (80,924)
Deferred tax liabilities		
Scientific research and development tax credits	\$ (14,482)	\$ (13,342)
Other	(72,599)	(82,668)
Deferred tax liabilities	\$ (87,081)	\$ (96,010)
Net deferred tax asset	\$ 948,578	\$ 1,042,791
Comprised of:		
Long-term assets	1,004,450	1,122,729
Long-term liabilities	(55,872)	(79,938)
	\$ 948,578	\$ 1,042,791

We believe that sufficient uncertainty exists regarding the realization of certain deferred tax assets that a valuation allowance is required. We continue to evaluate our taxable position quarterly and consider factors by taxing jurisdiction, including but not limited to factors such as estimated taxable income, any historical experience of losses for tax purposes and the future growth of OpenText.

The aggregate changes in the balance of our gross unrecognized tax benefits (including interest and penalties) were as follows:

Unrecognized tax benefits as of July 1, 2017	\$ 174,530
Increases on account of current year positions	6,483
Increases on account of prior year positions	17,794
Decreases due to settlements with tax authorities	—
Decreases due to lapses of statutes of limitations	(20,995)
Unrecognized tax benefits as of June 30, 2018	\$ 177,812
Increases on account of current year positions	25,642
Increases on account of prior year positions	15,024
Decreases due to settlements with tax authorities	—
Decreases due to lapses of statutes of limitations	(9,236)
Unrecognized tax benefits as of June 30, 2019	\$ 209,242

Included in the above tabular reconciliation are unrecognized tax benefits of \$11.2 million relating to deferred tax assets in jurisdictions in which these deferred tax assets are offset with valuation allowances. The net unrecognized tax benefit excluding these deferred tax assets is approximately \$198.1 million as of June 30, 2019 (June 30, 2018—\$167.2 million).

We recognize interest expense and penalties related to income tax matters in income tax expense. For the year ended June 30, 2019, 2018 and 2017, we recognized the following amounts as income tax-related interest expense and penalties:

	Year Ended June 30,		
	2019	2018	2017
Interest expense	\$ 10,512	\$ 6,233	\$ 13,028
Penalties expense (recoveries)	945	(191)	438
Total	\$ 11,457	\$ 6,042	\$ 13,466

The following amounts have been accrued on account of income tax-related interest expense and penalties:

	As of June 30, 2019	As of June 30, 2018
Interest expense accrued *	\$ 64,530	\$ 54,058
Penalties accrued *	\$ 2,525	\$ 2,438

* These balances have been included within "Long-term income taxes payable" within the Consolidated Balance Sheets.

We believe that it is reasonably possible that the gross unrecognized tax benefits, as of June 30, 2019, could decrease tax expense in the next 12 months by \$17.5 million, relating primarily to the expiration of competent authority relief and tax years becoming statute barred for purposes of future tax examinations by local taxing jurisdictions.

Our four most significant tax jurisdictions are Canada, the United States, Luxembourg and Germany. Our tax filings remain subject to audits by applicable tax authorities for a certain length of time following the tax year to which those filings relate. The earliest fiscal years open for examination are 2012 for Germany, 2010 for the United States, 2012 for Luxembourg, and 2012 for Canada.

We are subject to tax audits in all major taxing jurisdictions in which we operate and currently have tax audits open in Canada, the United States, France, Germany, India, the United Kingdom and Belgium. On a quarterly basis we assess the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. Statements regarding the United States and Canada audits are included in note 13 "Guarantees and Contingencies".

The timing of the resolution of income tax audits is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next 12 months we will receive additional assessments by various tax authorities or possibly reach resolution of income tax audits in one or more jurisdictions. These assessments or settlements may or may not result in changes to our contingencies related to positions on tax filings. The actual amount of any change could vary significantly depending on the ultimate timing and nature of any settlements. We cannot currently provide an estimate of the range of possible outcomes. For more information relating to certain tax audits, please refer to note 13 "Guarantees and Contingencies".

As at June 30, 2019, we have recognized a provision of \$17.4 million (June 30, 2018—\$28.5 million) in respect of both additional foreign taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries and planned periodic repatriations from certain German subsidiaries, that will be subject to withholding taxes upon distribution. During the year ended June 30, 2019, we reversed previous accruals related to the undistributed earnings of our United States subsidiaries in the amount of \$14.8 million. These earnings are now considered to be permanently reinvested in the United States, as there is no expectation of future distributions of earnings in the foreseeable future. We have not provided for additional foreign withholding taxes or deferred income tax liabilities related to undistributed earnings of all other non-Canadian subsidiaries, since such earnings are considered permanently invested in those subsidiaries or are not subject to withholding taxes. It is not practicable to reasonably estimate the amount of additional deferred income tax liabilities or foreign withholding taxes that may be payable should these earnings be distributed in the future.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changed the existing US tax laws, including a reduction in the federal corporate tax rate from 35% to 21%, and the transition of US international taxation from a worldwide tax system to a partially territorial tax system. As a result of the enactment of the legislation, the Company incurred a one-time tax expense of \$19.0 million in the year ended June 30, 2018, primarily related to the transition tax on accumulated foreign earnings and the re-measurement of certain deferred tax assets and liabilities. During the year ended June 30, 2019, there was a reduction of \$0.9 million to this amount, mainly attributable to evaluating the portion of our existing Alternative Minimum Tax (AMT) credit carryforwards expected to be refundable as a result of the repeal of corporate AMT. The portion of the tax expense attributable to the transition tax is payable over a period of up to eight years.

In accordance with Staff Accounting Bulletin 118 "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118), the Company completed its analysis of the impact of the Tax Cuts and Jobs Act by December 22, 2018. The Company's final determination of the total one-time tax expense as a result of the enactment of the Tax Cuts and Jobs Act is \$18.1 million.

NOTE 15—FAIR VALUE MEASUREMENT

ASC Topic 820 “Fair Value Measurement” (Topic 820) defines fair value, establishes a framework for measuring fair value, and addresses disclosure requirements for fair value measurements. Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value, in this context, should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk, including our own credit risk.

In addition to defining fair value and addressing disclosure requirements, Topic 820 establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis:

Our financial assets and liabilities measured at fair value on a recurring basis consisted of the following types of instruments as of June 30, 2019 and June 30, 2018:

	June 30, 2019				June 30, 2018			
	Fair Market Measurements using:				Fair Market Measurements using:			
	June 30, 2019	Quoted prices in active markets for identical assets/ (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	June 30, 2018	Quoted prices in active markets for identical assets/ (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:								
Derivative financial instrument asset (note 16)	\$ 736	N/A	\$ 736	N/A	\$ —	N/A	\$ —	N/A
	<u>\$ 736</u>	<u>N/A</u>	<u>\$ 736</u>	<u>N/A</u>	<u>\$ —</u>	<u>N/A</u>	<u>\$ —</u>	<u>N/A</u>
Financial Liabilities:								
Foreign currency forward contracts designated as cash flow hedges (note 16)	\$ —	N/A	\$ —	N/A	\$ (1,319)	N/A	\$ (1,319)	N/A
	<u>\$ —</u>	<u>N/A</u>	<u>\$ —</u>	<u>N/A</u>	<u>\$ (1,319)</u>	<u>N/A</u>	<u>\$ (1,319)</u>	<u>N/A</u>

Our valuation techniques used to measure the fair values of the derivative instruments, the counterparty to which has high credit ratings, were derived from pricing models including discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data, as no quoted market prices exist for these instruments. Our discounted cash flow techniques use observable market inputs, such as, where applicable, foreign currency spot and forward rates.

Our cash and cash equivalents, along with our accounts receivable and accounts payable and accrued liabilities balances, are measured and recognized in our Consolidated Financial Statements at an amount that approximates their fair value (a Level 2 measurement) due to their short maturities.

If applicable, we will recognize transfers between levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. During the year ended June 30, 2019 and 2018, we did not have any transfers between Level 1, Level 2 or Level 3.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets and liabilities at fair value on a nonrecurring basis. These assets and liabilities are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the year ended June 30, 2019 and 2018, no indications of impairment were identified and therefore no fair value measurements were required.

NOTE 16—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Foreign Currency Forward Contracts

We are engaged in hedging programs with various banks to limit the potential foreign exchange fluctuations incurred on future cash flows relating to a portion of our Canadian dollar payroll expenses. We operate internationally and are therefore exposed to foreign currency exchange rate fluctuations in the normal course of our business, in particular to changes in the Canadian dollar on account of large costs that are incurred from our centralized Canadian operations, which are denominated in Canadian dollars. As part of our risk management strategy, we use foreign currency forward contracts to hedge portions of our payroll exposure with typical maturities of between one and twelve months. We do not use foreign currency forward contracts for speculative purposes.

We have designated these transactions as cash flow hedges of forecasted transactions under ASC Topic 815 “Derivatives and Hedging” (Topic 815). As the critical terms of the hedging instrument and of the entire hedged forecasted transaction are the same, in accordance with Topic 815, we have been able to conclude that changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. Accordingly, quarterly unrealized gains or losses on the effective portion of these forward contracts have been included within other comprehensive income. The fair value of the contracts, as of June 30, 2019, is recorded within "Prepaid expenses and other current assets".

As of June 30, 2019, the notional amount of forward contracts we held to sell U.S. dollars in exchange for Canadian dollars was \$62.0 million (June 30, 2018—\$47.1 million).

Fair Value of Derivative Instruments and Effect of Derivative Instruments on Financial Performance

The effect of these derivative instruments on our Consolidated Financial Statements for the periods indicated below were as follows (amounts presented do not include any income tax effects).

Fair Value of Derivative Instruments in the Consolidated Balance Sheets (see note 15 "Fair Value Measurement")

Derivatives	Balance Sheet Location	As of June 30, 2019		As of June 30, 2018	
		Fair Value Asset (Liability)		Fair Value Asset (Liability)	
Foreign currency forward contracts designated as cash flow hedges	Prepaid expenses and other current assets (Accounts payable and accrued liabilities)	\$	736	\$	(1,319)

Effects of Derivative Instruments on Income and Other Comprehensive Income (OCI)

Year Ended June 30, 2019

Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency forward contracts	\$ 22	Operating expenses	\$ (2,033)	N/A	\$ —

Year Ended June 30, 2018

Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency forward contracts	\$ (647)	Operating expenses	\$ 1,846	N/A	\$ —

NOTE 17—SPECIAL CHARGES (RECOVERIES)

Special charges (recoveries) include costs and recoveries that relate to certain restructuring initiatives that we have undertaken from time to time under our various restructuring plans, as well as acquisition-related costs and other charges.

	Year Ended June 30,		
	2019	2018	2017
Fiscal 2019 Restructuring Plan	\$ 28,318	\$ —	\$ —
Fiscal 2018 Restructuring Plan	515	10,154	—
Fiscal 2017 Restructuring Plan	898	7,207	33,827
Restructuring Plans prior to Fiscal 2017 Restructuring Plan	(620)	279	(340)
Acquisition-related costs	5,625	4,805	15,938
Other charges (recoveries)	983	6,766	14,193
Total	\$ 35,719	\$ 29,211	\$ 63,618

Fiscal 2019 Restructuring Plan

During Fiscal 2019, we began to implement restructuring activities to streamline our operations (Fiscal 2019 Restructuring Plan), including in connection with our recent acquisitions of Catalyst and Liaison, to take further steps to improve our operational efficiency. The Fiscal 2019 Restructuring Plan charges relate to workforce reductions and facility consolidations. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

As of June 30, 2019, we expect total costs to be incurred in conjunction with the Fiscal 2019 Restructuring Plan to be approximately \$30.0 million, of which \$28.3 million has already been recorded within "Special charges (recoveries)" to date. We do not expect to incur any further significant charges relating to this plan.

A reconciliation of the beginning and ending liability for the year ended June 30, 2019 is shown below.

Fiscal 2019 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance payable as at June 30, 2018	\$ —	\$ —	\$ —
Accruals and adjustments	12,460	15,858	28,318
Cash payments	(10,420)	(4,739)	(15,159)
Non-cash adjustments	—	(3,393)	(3,393)
Foreign exchange	(221)	(2,438)	(2,659)
Balance payable as at June 30, 2019	<u>\$ 1,819</u>	<u>\$ 5,288</u>	<u>\$ 7,107</u>

*non-cash adjustments primarily relate to the write-off of fixed assets associated with a restructured facility.

Fiscal 2018 Restructuring Plan

During Fiscal 2018 and in the context of our acquisitions of Covisint, Guidance and Hightail (each defined below), we began to implement restructuring activities to streamline our operations (collectively referred to as the Fiscal 2018 Restructuring Plan). The Fiscal 2018 Restructuring Plan charges relate to workforce reductions and facility consolidations. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

Since the inception of the plan, approximately \$10.7 million has been recorded within "Special charges (recoveries)" to date. We do not expect to incur any further significant charges relating to this plan.

A reconciliation of the beginning and ending liability for the year ended June 30, 2019 and 2018 is shown below.

Fiscal 2018 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance payable as at June 30, 2017	\$ —	\$ —	\$ —
Accruals and adjustments	8,511	1,643	10,154
Cash payments	(8,845)	(489)	(9,334)
Foreign exchange and other non-cash adjustments	892	11	903
Balance payable as at June 30, 2018	<u>\$ 558</u>	<u>\$ 1,165</u>	<u>\$ 1,723</u>
Accruals and adjustments	(20)	535	515
Cash payments	(337)	(928)	(1,265)
Foreign exchange and other non-cash adjustments	(51)	(286)	(337)
Balance payable as at June 30, 2019	<u>\$ 150</u>	<u>\$ 486</u>	<u>\$ 636</u>

Fiscal 2017 Restructuring Plan

During Fiscal 2017 and in the context of acquisitions made in Fiscal 2017, we began to implement restructuring activities to streamline our operations (collectively referred to as the Fiscal 2017 Restructuring Plan). The Fiscal 2017 Restructuring Plan charges relate to workforce reductions and facility consolidations. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

Since the inception of the plan, \$41.9 million has been recorded within "Special charges (recoveries)". We do not expect to incur any further significant charges relating to this plan.

A reconciliation of the beginning and ending liability for the year ended June 30, 2019 and 2018 is shown below.

Fiscal 2017 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance payable as at June 30, 2017	\$ 10,045	\$ 1,369	\$ 11,414
Accruals and adjustments	3,432	3,775	7,207
Cash payments	(12,342)	(1,627)	(13,969)
Foreign exchange and other non-cash adjustments	455	(86)	369
Balance payable as at June 30, 2018	\$ 1,590	\$ 3,431	\$ 5,021
Accruals and adjustments	(254)	1,152	898
Cash payments	(213)	(1,290)	(1,503)
Foreign exchange and other non-cash adjustments	(77)	(344)	(421)
Balance payable as at June 30, 2019	\$ 1,046	\$ 2,949	\$ 3,995

Acquisition-related costs

Included within "Special charges (recoveries)" for the year ended June 30, 2019 are costs incurred directly in relation to acquisitions in the amount of \$5.6 million (year ended June 30, 2018 and 2017—\$4.8 million and \$15.9 million, respectively).

Other charges (recoveries)

For the year ended June 30, 2019, "Other charges" include (i) \$1.1 million relating to one-time system implementation costs and (ii) \$1.4 million relating to miscellaneous other charges. These charges were partially offset by a recovery of \$1.5 million relating to certain pre-acquisition sales and use tax liabilities becoming statute barred.

For the year ended June 30, 2018, "Other charges" primarily include (i) \$6.4 million relating to the set up of a broad ERP system and other system implementation costs and (ii) \$4.9 million relating to miscellaneous other charges. These charges were partially offset by (i) \$2.3 million relating to certain pre-acquisition sales and use tax liabilities that were recovered outside of the acquisition's one year measurement period and (ii) \$2.2 million relating to certain pre-acquisition sales and use tax liabilities becoming statute barred.

For the year ended June 30, 2017, "Other charges" primarily include (i) \$11.0 million relating to the set up of a broad ERP system, (ii) a net charge of \$6.5 million relating to commitment fees, (iii) \$1.4 million relating to post-acquisition integration costs necessary to streamline an acquired company into our operations and (iv) \$0.8 million relating to assets disposed in connection with a restructured facility. These charges were partially offset by (i) a recovery of \$4.5 million relating to certain pre-acquisition sales and use tax liabilities being released upon becoming statute barred and (ii) \$1.3 million relating to a recovery on certain interest on pre-acquisition liabilities becoming statute barred. The remaining amounts relate to miscellaneous other charges.

NOTE 18—ACQUISITIONS

Fiscal 2019 Acquisitions

Catalyst Repository Systems Inc.

On January 31, 2019, we acquired all of the equity interest in Catalyst for approximately \$70.8 million in an all cash transaction. Catalyst is a leading provider of eDiscovery that designs, develops and supports market-leading cloud eDiscovery software. In accordance with ASC Topic 805 "Business Combinations" (Topic 805), this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our Enterprise Information Management (EIM) portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning January 31, 2019.

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of January 31, 2019, are set forth below:

Current assets	\$	9,699
Non-current tangible assets		5,754
Intangible customer assets		30,607
Intangible technology assets		11,658
Liabilities assumed		(17,891)
Total identifiable net assets		<u>39,827</u>
Goodwill		30,973
Net assets acquired	\$	<u><u>70,800</u></u>

The goodwill of approximately \$31.0 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$3.1 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$0.8 million, which represents our estimate of the fair value of the contractual obligations assumed based on a preliminary valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by an insignificant amount.

The fair value of current assets acquired includes accounts receivable with a fair value of \$10.8 million. The gross amount receivable was \$11.8 million, of which \$1.0 million is expected to be uncollectible.

Acquisition-related costs for Catalyst included in "Special charges (recoveries)" in the Consolidated Financial Statements for the year ended June 30, 2019 were \$1 million.

The acquisition had no significant impact on revenues or net earnings for the year ended June 30, 2019 since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for the assets acquired and liabilities assumed, including tax balances. We expect to finalize this determination on or before our quarter ending December 31, 2019.

Liaison Technologies, Inc.

On December 17, 2018, we acquired all of the equity interest in Liaison, a leading provider of cloud-based business to business integration, for approximately \$310.6 million in an all cash transaction. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning December 17, 2018.

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of December 17, 2018, are set forth below:

Current assets	\$	23,006
Non-current tangible assets		5,168
Intangible customer assets		68,300
Intangible technology assets		107,000
Liabilities assumed		(56,423)
Total identifiable net assets		<u>147,051</u>
Goodwill		163,592
Net assets acquired	\$	<u><u>310,643</u></u>

The goodwill of approximately \$163.6 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$2.2 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$7.6 million, which represents our estimate of the fair value of the contractual obligations assumed based on a preliminary valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by an insignificant amount.

The fair value of current assets acquired includes accounts receivable with a fair value of \$20.5 million. The gross amount receivable was \$22.2 million, of which \$1.7 million is expected to be uncollectible.

Acquisition-related costs for Liaison included in "Special charges (recoveries)" in the Consolidated Financial Statements for the year ended June 30, 2019 were \$3.7 million.

The acquisition had no significant impact on revenues or net earnings for the year ended June 30, 2019 since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for the assets acquired and liabilities assumed, including tax balances. We expect to finalize this determination on or before our quarter ending December 31, 2019.

Fiscal 2018 Acquisitions

Acquisition of Hightail, Inc. (Hightail)

On February 14, 2018, we acquired all of the equity interest in Hightail, a leading cloud service provider for file sharing and creative collaboration, for approximately \$20.5 million in an all cash transaction. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning February 14, 2018.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of February 14, 2018, are set forth below:

Current assets	\$	1,290
Non-current tangible assets		1,270
Intangible customer assets		12,900
Intangible technology assets		4,200
Liabilities assumed		(6,418)
Total identifiable net assets		13,242
Goodwill		7,293
Net assets acquired	\$	20,535

The goodwill of approximately \$7.3 million is primarily attributable to the synergies expected to arise after the acquisition. No portion of this goodwill is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$5.2 million, which represents our estimate of the fair value of the contractual obligations assumed. In arriving at this fair value, we reduced the acquired company's original carrying value by \$2.0 million.

The fair value of current assets acquired includes accounts receivable with a fair value of \$0.7 million. The gross amount receivable was \$0.8 million of which \$0.1 million of this receivable is expected to be uncollectible.

The finalization of the purchase price allocation during the year ended June 30, 2019 did not result in any significant changes to the preliminary amounts previously disclosed.

Acquisition of Guidance Software, Inc. (Guidance)

On September 14, 2017, we acquired all of the equity interest in Guidance, a leading provider of forensic security solutions, for approximately \$240.5 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning September 14, 2017.

The following tables summarize the consideration paid for Guidance and the amount of the assets acquired and liabilities assumed, as well as the goodwill recorded as of the acquisition date:

Cash consideration*	\$	237,291
Guidance shares already owned by OpenText through open market purchases (at fair value)		3,247
Purchase consideration	\$	<u>240,538</u>

* Inclusive of \$2.3 million previously accrued, but since paid as of September 30, 2018. See "Appraisal Proceedings" below for more information.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of September 14, 2017, are set forth below:

Current assets (inclusive of cash acquired of \$5.7 million)	\$	24,744
Non-current tangible assets		11,583
Intangible customer assets		71,230
Intangible technology assets		51,851
Liabilities assumed		<u>(48,670)</u>
Total identifiable net assets		110,738
Goodwill		<u>129,800</u>
Net assets acquired	\$	<u>240,538</u>

The goodwill of approximately \$129.8 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$1.9 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$26.6 million, which represents our estimate of the fair value of the contractual obligations assumed. In arriving at this fair value, we reduced the acquired company's original carrying value by \$7.6 million.

The fair value of current assets acquired includes accounts receivable with a fair value of \$10.3 million. The gross amount receivable was \$11.8 million of which \$1.5 million of this receivable is expected to be uncollectible.

An amount of \$0.8 million, representing the mark to market gain on the shares we held in Guidance prior to the acquisition, was recorded to "Other income" in our Consolidated Statements of Income for the year ended June 30, 2018.

The finalization of the purchase price allocation during the year ended June 30, 2019 did not result in any significant changes to the preliminary amounts previously disclosed.

Appraisal Proceedings

Under Section 262 of the Delaware General Corporation Law, shareholders who did not tender their shares in connection with our tender offer were entitled to have their shares appraised by the Delaware Court of Chancery and receive payment of the "fair value" of such shares. On August 31, 2017 we received notice from the record holder of approximately 1,519,569 shares or 5% of the issued and outstanding Guidance shares as of the date of acquisition, demanding an appraisal of the fair value of Guidance shares as they believed the price we paid for Guidance shares was less than its fair value. We accrued \$10.8 million in connection with these claims, which is equivalent to paying \$7.10 per Guidance share, the amount these Guidance shareholders otherwise would have received had they tendered their shares in our offer. During the second quarter of Fiscal 2018, we paid \$8.5 million to the trust account of dissenting shareholders' attorney, leaving \$2.3 million previously accrued. During the three months ended September 30, 2018, these amounts were settled and released. On August 27, 2018, the appraisal petition was dismissed with prejudice.

Acquisition of Covisint Corporation (Covisint)

On July 26, 2017, we acquired all of the equity interest in Covisint, a leading cloud platform for building Identity, Automotive, and Internet of Things applications, for approximately \$102.8 million in an all cash transaction. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning July 26, 2017.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 26, 2017, are set forth below:

Current assets (inclusive of cash acquired of \$31.5 million)	\$	41,586
Non-current tangible assets		3,426
Intangible customer assets		36,600
Intangible technology assets		17,300
Liabilities assumed		(23,033)
Total identifiable net assets		75,879
Goodwill		26,905
Net assets acquired	\$	102,784

The goodwill of approximately \$26.9 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$26.8 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$12.2 million, which represents our estimate of the fair value of the contractual obligations assumed. In arriving at this fair value, we reduced the acquired company's original carrying value by \$4.6 million.

The fair value of current assets acquired includes accounts receivable with a fair value of \$7.8 million. The gross amount receivable was \$7.9 million of which \$0.1 million of this receivable was expected to be uncollectible.

The finalization of the purchase price allocation was completed during Fiscal 2018 and did not result in any significant changes to the preliminary amounts previously disclosed.

Fiscal 2017 Acquisitions

Purchase of an Asset Group Constituting a Business - ECD Business

On January 23, 2017, we acquired certain assets and assumed certain liabilities of the enterprise content division of EMC Corporation, a Massachusetts corporation, and certain of its subsidiaries, collectively referred to as Dell-EMC (ECD Business) for approximately \$1.62 billion. In accordance with Topic 805, this acquisition was accounted for as a business combination. ECD Business offers OpenText a suite of leading Enterprise Content Management solutions with deep industry focus, including the DocumentumTM, InfoArchiveTM, and LEAPTM product families. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition were consolidated with those of OpenText beginning January 23, 2017.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of January 23, 2017, are set forth below:

Current assets	\$	11,339
Non-current tangible assets		103,672
Intangible customer assets		407,000
Intangible technology assets		459,000
Liabilities assumed		(182,301)
Total identifiable net assets		798,710
Goodwill		823,684
Net assets acquired	\$	1,622,394

The goodwill of \$823.7 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$378.5 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$163.8 million, which represents our estimate of the fair value of the contractual obligations assumed. In arriving at this fair value, we reduced the acquired company's original carrying value by \$52.0 million.

Further, included within total identifiable net assets are also certain contract assets which represent revenue earned by the ECD Business on long-term projects for which billings had not yet occurred as of January 23, 2017. As these long-term projects have now been inherited by OpenText, we are responsible for billing and collecting cash on these projects at the appropriate time, yet we do not and will not recognize revenue for these billings. The fair value assigned to these contract assets as of January 23, 2017 was \$8.4 million.

Purchase of an Asset Group Constituting a Business - CCM Business

On July 31, 2016, we acquired certain customer communications management software and services assets and liabilities from HP Inc. (CCM Business) for approximately \$315.0 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our current software portfolio, and allows us to better serve our customers by offering a wider set of CCM capabilities.

The results of operations of this acquisition were consolidated with those of OpenText beginning July 31, 2016.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 31, 2016, are set forth below:

Current assets	\$	683
Non-current deferred tax asset		11,861
Non-current tangible assets		2,348
Intangible customer assets		64,000
Intangible technology assets		101,000
Liabilities assumed		(38,090)
Total identifiable net assets		<u>141,802</u>
Goodwill		173,198
Net assets acquired	<u>\$</u>	<u>315,000</u>

The goodwill of \$173.2 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately \$105.1 million is expected to be deductible for tax purposes.

Acquisition of Recommind, Inc.

On July 20, 2016, we acquired all of the equity interest in Recommind, Inc. (Recommind), a leading provider of eDiscovery and information analytics, for approximately \$170.1 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our EIM solutions, and through eDiscovery and analytics, provides increased visibility into structured and unstructured data.

The results of operations of Recommind, were consolidated with those of OpenText beginning July 20, 2016.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 20, 2016, are set forth below:

Current assets	\$	30,034
Non-current tangible assets		1,245
Intangible customer assets		51,900
Intangible technology assets		24,800
Long-term deferred tax liabilities		(1,780)
Other liabilities assumed		(27,497)
Total identifiable net assets		<u>78,702</u>
Goodwill		91,405
Net assets acquired	<u>\$</u>	<u>170,107</u>

The goodwill of \$91.4 million is primarily attributable to the synergies expected to arise after the acquisition. No portion of this goodwill is expected to be deductible for tax purposes.

The fair value of current assets acquired includes accounts receivable with a fair value of \$28.7 million. The gross amount receivable was \$29.6 million of which \$0.9 million of this receivable was expected to be uncollectible.

NOTE 19—SEGMENT INFORMATION

ASC Topic 280, “Segment Reporting” (Topic 280), establishes standards for reporting, by public business enterprises, information about operating segments, products and services, geographic areas, and major customers. The method of determining what information, under Topic 280, to report is based on the way that an entity organizes operating segments for making operational decisions and how the entity’s management and chief operating decision maker (CODM) assess an entity’s financial performance. Our operations are analyzed by management and our CODM as being part of a single industry segment: the design, development, marketing and sales of Enterprise Information Management software and solutions.

The following table sets forth the distribution of revenues, by significant geographic area, for the periods indicated:

	Year Ended June 30,		
	2019	2018	2017
Revenues:			
Canada	\$ 153,890	\$ 149,812	\$ 227,115
United States	1,490,863	1,425,244	1,090,049
United Kingdom	182,815	201,821	159,817
Germany	203,403	198,253	166,611
Rest of Europe	534,204	517,693	394,132
All other countries	303,580	322,418	253,333
Total revenues	<u>\$ 2,868,755</u>	<u>\$ 2,815,241</u>	<u>\$ 2,291,057</u>

The following table sets forth the distribution of long-lived assets, representing property and equipment and intangible assets, by significant geographic area, as of the periods indicated below.

	As of June 30, 2019	As of June 30, 2018
Long-lived assets:		
Canada	\$ 799,928	\$ 1,027,858
United States	502,844	441,940
United Kingdom	10,068	13,253
Germany	6,310	8,282
Rest of Europe	31,455	17,104
All other countries	45,352	52,405
Total	<u>\$ 1,395,957</u>	<u>\$ 1,560,842</u>

NOTE 20—SUPPLEMENTAL CASH FLOW DISCLOSURES

	Year Ended June 30,		
	2019	2018	2017
Cash paid during the period for interest	\$ 138,631	\$ 132,799	\$ 115,117
Cash received during the period for interest	\$ 8,014	\$ 1,672	\$ 3,115
Cash paid during the period for income taxes	\$ 80,583	\$ 73,437	\$ 83,086

NOTE 21—EARNINGS PER SHARE

Basic earnings per share are computed by dividing net income, attributable to OpenText, by the weighted average number of Common Shares outstanding during the period. Diluted earnings per share are computed by dividing net income, attributable to OpenText, by the shares used in the calculation of basic earnings per share plus the dilutive effect of Common Share equivalents, such as stock options, using the treasury stock method. Common Share equivalents are excluded from the computation of diluted earnings per share if their effect is anti-dilutive.

	Year Ended June 30,		
	2019	2018	2017
Basic earnings per share			
Net income attributable to OpenText	\$ 285,501	\$ 242,224	\$ 1,025,659 ⁽¹⁾
Basic earnings per share attributable to OpenText	\$ 1.06	\$ 0.91	\$ 4.04
Diluted earnings per share			
Net income attributable to OpenText	\$ 285,501	\$ 242,224	\$ 1,025,659 ⁽¹⁾
Diluted earnings per share attributable to OpenText	\$ 1.06	\$ 0.91	\$ 4.01
Weighted-average number of shares outstanding (in 000's)			
Basic	268,784	266,085	253,879
Effect of dilutive securities	1,124	1,407	1,926
Diluted	269,908	267,492	255,805
Excluded as anti-dilutive ⁽²⁾	2,759	2,770	1,371

⁽¹⁾ Please also see note 14 "Income Taxes" for details relating to a one-time tax benefit of \$876.1 million recorded during the three months ended September 30, 2016 in connection with an internal reorganization of our subsidiaries.

⁽²⁾ Represents options to purchase Common Shares excluded from the calculation of diluted earnings per share because the exercise price of the stock options was greater than or equal to the average price of the Common Shares during the period.

NOTE 22—RELATED PARTY TRANSACTIONS

Our procedure regarding the approval of any related party transaction requires that the material facts of such transaction be reviewed by the independent members of the Audit Committee and the transaction be approved by a majority of the independent members of the Audit Committee. The Audit Committee reviews all transactions in which we are, or will be, a participant and any related party has or will have a direct or indirect interest in the transaction. In determining whether to approve a related party transaction, the Audit Committee generally takes into account, among other facts it deems appropriate, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; the extent and nature of the related person's interest in the transaction; the benefits to the Company of the proposed transaction; if applicable, the effects on a director's independence; and if applicable, the availability of other sources of comparable services or products.

During the year ended June 30, 2019, Mr. Stephen Sadler, a director, earned approximately \$0.6 million (year ended June 30, 2018 and 2017—\$0.8 million, respectively) in consulting fees from OpenText for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

NOTE 23—SUBSEQUENT EVENT

Cash Dividends

As part of our quarterly, non-cumulative cash dividend program, we declared, on July 31, 2019, a dividend of \$0.1746 per Common Share. The record date for this dividend is August 30, 2019 and the payment date is September 20, 2019. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of our Board.

Item 16. Form 10-K Summary

None.

DIRECTORS

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MARK J. BARRENECHEA</u> Mark J. Barrenechea	Vice Chair, Chief Executive Officer and Chief Technology Officer (Principal Executive Officer)	August 1, 2019
<u>/S/ P. THOMAS JENKINS</u> P. Thomas Jenkins	Chairman of the Board	August 1, 2019
<u>/S/ RANDY FOWLIE</u> Randy Fowlic	Director	August 1, 2019
<u>/S/ DAVID FRASER</u> David Fraser	Director	August 1, 2019
<u>/S/ GAIL E. HAMILTON</u> Gail E. Hamilton	Director	August 1, 2019
<u>/S/ STEPHEN J. SADLER</u> Stephen J. Sadler	Director	August 1, 2019
<u>/S/ HARMIT SINGH</u> Harmit Singh	Director	August 1, 2019
<u>/S/ MICHAEL SLAUNWHITE</u> Michael Slaunwhite	Director	August 1, 2019
<u>/S/ KATHARINE B. STEVENSON</u> Katharine B. Stevenson	Director	August 1, 2019
<u>/S/ CARL JÜRGEN TINGGREN</u> Carl Jürgen Tinggren	Director	August 1, 2019
<u>/S/ DEBORAH WEINSTEIN</u> Deborah Weinstein	Director	August 1, 2019

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

As of June 30, 2019, Open Text Corporation (“OpenText”, the “Company”, “we”, “us” and “our”) had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): our common shares.

DESCRIPTION OF COMMON SHARES

The description below summarizes the general terms of our common shares. This section is a summary, and it does not describe every aspect of our common shares. This summary is subject to and qualified in its entirety by reference to our articles and our by-laws, each of which is incorporated by reference into an exhibit to our most recent Annual Report on Form 10-K. We encourage you to read our articles and by-laws for additional information.

Authorized Shares

The Company is authorized to issue an unlimited number of common shares without par value. As of July 30, 2019, there were 270,011,817 common shares outstanding. All outstanding common shares are fully paid and non-assessable.

Voting Rights

Holders of common shares are entitled to receive notice of and to attend all shareholder meetings and are entitled to cast one vote for each common share held of record on all matters acted upon at any shareholder meeting. Holders of the common shares are not entitled to cumulate votes in connection with the election of directors.

Dividends and Other Distributions

Holders of the common shares are entitled to dividends if, as and when declared by the board of directors of the Company, subject to the rights of shares having priority over the common shares, if any, including the preference shares. As of June 30, 2019, we had authorized an unlimited number of preference shares, with no preference shares issued as of such date.

Our board of directors have adopted a policy to pay non-cumulative quarterly dividends. However, future declarations of dividends are subject to the final determination of our board of directors, in its discretion based on a number of factors that it deems relevant, including our financial position, results of operations, available cash resources, cash requirements and alternative uses of cash that our board of directors may conclude would be in the best interest of the Company and our shareholders. Our dividend payments are subject to relevant contractual limitations, including those in our existing credit agreements, and to solvency conditions established by the Canada Business Corporations Act (“CBCA”), the statute under which we are incorporated.

Liquidation Rights

Upon our liquidation, dissolution or winding up, the holders of common shares are entitled to share ratably in all assets remaining after payment of debts and liabilities, subject to the rights of shares having priority over the common shares, if any, including the preference shares.

Other Provisions

Holders of common shares have no pre-emptive, subscription, redemption or conversion rights.

Amended Shareholder Rights Plan

On September 23, 2016, at our annual and special meeting of shareholders, our shareholders approved the continuation, amendment and restatement of the shareholder rights plan (the “Amended Rights Plan”) that the Company and Computershare Investor Services Inc. originally entered into as of November 1, 2004, and as previously amended and restated on December 6, 2007, December 2, 2010 and September 26, 2013. Upon such shareholder approval, the Amended Rights Plan was entered into as of September 23, 2016.

The Amended Rights Plan continues to provide a right (which may only be exercised if a person acquires control of 20% or more of our common shares) for each shareholder, other than the person that acquires 20% or more of our common shares, to acquire additional common shares at one-half of the market price at the time of exercise. The primary objectives of the Amended Rights Plan are to ensure that, in the context of a bid for control of the Company through an acquisition of our common shares, our board of directors has sufficient time to assess alternatives for maximizing shareholder value as it considers in its judgment to be in the best interests of the Company, including: continued implementation of our long-term strategic plans, as these may be modified by us from time to time; to provide adequate time for competing bids to emerge; to ensure that shareholders have an equal opportunity to participate in such a bid and to give them adequate time to properly assess the bid; and to lessen the pressure to tender typically encountered by a shareholder of an issuer that is subject to a bid.

The Amended Rights Plan will remain in force until the earlier of the Termination Time (the time at which the right to exercise rights shall terminate, as defined in the Amended Rights Plan) and the termination of the annual meeting of our shareholders in the year 2019, unless at or prior to such meeting, our shareholders ratify the continued existence of the Amended Rights Plan, in which case the Amended Rights Plan would expire at the earlier of the Termination Time and the termination of the annual meeting of our shareholders in the year that is three years after the year in which such approval occurs. This section is a summary, and it does not describe every aspect of the Amended Rights Plan. The Amended Rights Plan is incorporated by reference into an exhibit to our most recent Annual Report on Form 10-K. We encourage you to read the Amended Rights Plan for additional information.

A new amended shareholder rights plan will be presented to a vote of shareholders at our annual general meeting on September 4, 2019. The proposed new amended shareholder rights plan, if adopted, would expire at the earlier of the Termination Time (as defined in the proposed new plan) and the termination of the annual meeting of our shareholders in the year that is three years after the year in which such adoption occurs.

Subsidiaries of Open Text Corporation as of June 30, 2019

<u>Corporation Name</u>	<u>Jurisdiction</u>
GXS (ANZ) Pty Limited	Australia
Open Text Pty Limited	Australia
Xpedite Systems Pty Limited	Australia
Open Text Software Austria GmbH	Austria
GXS S.A.	Belgium
Open Text Tecnologia Da Informacao (Brasil) Ltda.	Brazil
8493642 Canada Inc.	Canada
GXS Canada Inc.	Canada
Open Text Canada Ltd.	Canada
Cordys (Beijing) Co., Ltd.	China
Covisint Software Services (Shanghai) Co., Ltd.	China
GXS (Shanghai) Software Development Limited	China
Open Text Software Technology (Shanghai) Co., Ltd	China
Open Text s.r.o.	Czech Republic
Catalyst Repository Systems, Inc.	Delaware, United States
GXS International, Inc.	Delaware, United States
GXS, Inc.	Delaware, United States
Liaison Technologies, Inc.	Delaware, United States
Open Text Inc.	Delaware, United States
Open Text Holdings Inc.	Delaware, United States
Vignette Partnership, LP	Delaware, United States
Open Text A/S	Denmark
Open Text Egypt LLC	Egypt
Acquisition U.K. Limited	England & Wales
Actuate UK Limited	England & Wales
EasyLink Services International Limited	England & Wales
GXS Limited	England & Wales
GXS UK Holding Limited	England & Wales
ICCM Professional Services Limited	England & Wales
Liaison Technologies UK	England & Wales
Metastorm Limited	England & Wales
Metastorm UK Limited	England & Wales
Open Text UK Limited	England & Wales
Resonate KT Limited	England & Wales
Sysgenics Limited	England & Wales
Xpedite Systems (UK) Limited	England & Wales
Liaison Technologies Oy	Finland
Open Text OY	Finland
Open Text SARL	France
Cordys Deutschland Service GmbH	Germany
Open Text Document Technologies GmbH	Germany
Open Text Software GmbH	Germany

Recommind GmbH	Germany
Global 360 China Limited	Hong Kong
Open Text (Hong Kong) Limited	Hong Kong
EasyLink Services Corporation India Private Limited	India
GXS India Technology Centre Private Limited	India
Open Text Corporation India Private Limited	India
Open Text Technologies India Private Limited	India
Vignette India Private Limited	India
Open Text Ireland Limited	Ireland
Open Text S.r.l.	Italy
Catalyst Japan LLC	Japan
Open Text K.K.	Japan
Open Text Software Technology (Malaysia) Sdn Bhd	Malaysia
Habinger de Mexico, S. de R.L. de C.V.	Mexico
Open Text, S. de R.L. de C.V.	Mexico
Liaison Technologies B.V.	Netherlands
Open Text Coöperatief U.A.	Netherlands
Open Text New Zealand Limited	New Zealand
3304709 Nova Scotia Limited	Nova Scotia, Canada
Open Text ULC	Nova Scotia, Canada
Open Text SA ULC (Nova Scotia)	Nova Scotia, Canada
Open Text Venture Capital Investment Limited Partnership	Ontario, Canada
Open Text (Philippines), Inc.	Philippines
Open Text Sp.z.o.o.	Poland
Nstein Technologies Inc.	Quebec, Canada
GXS Inc.	Republic of Korea
Open Text Korea Co., Ltd.	Republic of Korea
Open Text LLC	Russian Federation
Open Text Technology LLC	Russian Federation
Open Text Saudi Arabia LLC	Saudi Arabia
EC1 Pte Ltd	Singapore
Liaison Technologies Pte Ltd	Singapore
Open Text (Asia) Pte Limited	Singapore
Open Text South Africa (Pty) Limited	South Africa
Global 360 Spain S.L.	Spain
Open Text Software S.L.U.	Spain
Liaison Technologies AB	Sweden
Open Text AB	Sweden
Open Text AG	Switzerland
GXS Ltd	Thailand
Open Text Public Sector Solutions, Inc.	Virginia, United States
Hubspan, Inc.	Washington, United States
TotalDiscovery, LLC	Washington, United States

Consent of Independent Registered Public Accounting Firm

The Board of Directors of Open Text Corporation

We consent to the use of:

- our report dated July 31, 2019, on the consolidated financial statements of Open Text Corporation (the “Company”), which comprise the consolidated balance sheets as at June 30, 2019 and June 30, 2018, the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for each of the years in the three-year period ended June 30, 2019, and the related notes (collectively the “consolidated financial statements”), and
- our report dated July 31, 2019 on the effectiveness of the Company’s internal control over financial reporting as of June 30, 2019

each of which is included in this annual report on Form 10-K of the Company for the fiscal year ended June 30, 2019.

Our report on the consolidated financial statements refers to changes in accounting policies for revenue recognition and income taxes due to the adoption of new accounting standards for “Revenues from Contracts with Customers” and “Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory” .

We also consent to the incorporation by reference of such reports in Registration Statement Nos. 333-184670, 333-146351, 333-121377, 333-214427 and 333-87024 on Form S-8, and No. 333-220260 on Form S-3 of the Company,

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

August 1, 2019

Toronto, Canada

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Executive Leadership Team

Mark J. Barrenechea

Vice Chair, Chief Executive Officer & Chief Technology Officer

Madhu Ranganathan

Executive Vice President, Chief Financial Officer

Muhi Majzoub

Executive Vice President, Engineering

Gordon A. Davies

Executive Vice President,
Chief Legal Officer and Corporate Development

Simon "Ted" Harrison

Executive Vice President, Worldwide Sales

James McGourlay

Executive Vice President, Customer Operations

Savinay Berry

Senior Vice President, Cloud Service Delivery

Prentiss Donohue

Senior Vice President, Portfolio Group

Paul Duggan

Senior Vice President, Revenue Operations

David Jamieson

Senior Vice President, Chief Information Officer

Patricia E. Nagle

Senior Vice President, Chief Marketing Officer

Brian Sweeney

Senior Vice President, Chief Human Resources Officer

Board of Directors

P. Thomas Jenkins, Chair

Mark J. Barrenechea, Vice Chair

Randy Fowlie

Major General David Fraser

Gail E. Hamilton

Stephen J. Sadler

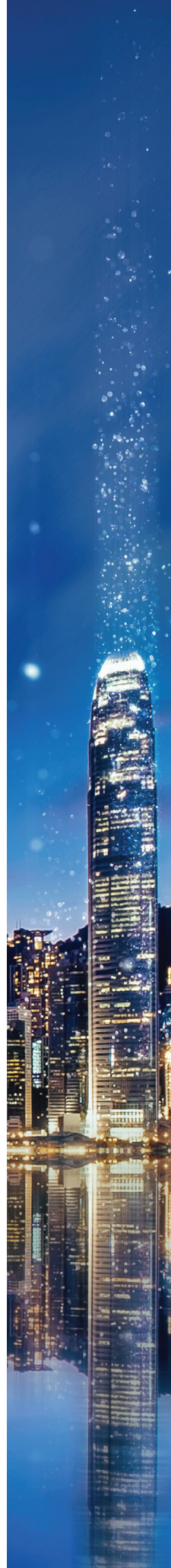
Harmit Singh

Michael Slaunwhite

Katharine B. Stevenson

C. Jürgen Tinggren

Deborah Weinstein





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