

OPEN TEXT CORP
Form 10-Q
January 23, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2013.

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 N2L 0A1

(Address of principal executive offices)

(519) 888-7111

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if smaller reporting company) Smaller reporting company

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

At January 22, 2014, there were 60,473,680 outstanding Common Shares of the registrant.

OPEN TEXT CORPORATION
TABLE OF CONTENTS

	Page No
PART I Financial Information:	
Item 1. Financial Statements	
<u>Condensed Consolidated Balance Sheets</u> as of December 31, 2013 (unaudited) and June 30, 2013	<u>3</u>
<u>Condensed Consolidated Statements of Income</u> - Three and Six Months Ended December 31, 2013 and 2012 (unaudited)	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u> - Three and Six Months Ended December 31, 2013 and 2012 (unaudited)	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows</u> - Six Months Ended December 31, 2013 and 2012 (unaudited)	<u>6</u>
<u>Unaudited Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>26</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>48</u>
<u>Item 4. Controls and Procedures</u>	<u>49</u>
PART II Other Information:	
<u>Item 1A. Risk Factors</u>	<u>50</u>
Item 5. Other Information	<u>52</u>
<u>Item 6. Exhibits</u>	<u>52</u>
<u>Signatures</u>	<u>54</u>

OPEN TEXT CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands of U.S. dollars, except share data)

	December 31, 2013 (unaudited)	June 30, 2013
ASSETS		
Cash and cash equivalents	\$515,354	\$470,445
Accounts receivable trade, net of allowance for doubtful accounts of \$3,937 as of December 31, 2013 and \$4,871 as of June 30, 2013 (note 3)	173,347	174,927
Income taxes recoverable (note 14)	14,048	17,173
Prepaid expenses and other current assets	48,348	43,464
Deferred tax assets (note 14)	10,671	11,082
Total current assets	761,768	717,091
Property and equipment (note 4)	96,737	88,364
Goodwill (note 5)	1,267,317	1,246,872
Acquired intangible assets (note 6)	324,185	363,615
Deferred tax assets (note 14)	133,502	135,695
Other assets (note 7)	26,648	25,082
Deferred charges (note 8)	60,005	67,633
Long-term income taxes recoverable (note 14)	10,560	10,465
Total assets	\$2,680,722	\$2,654,817
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	\$188,896	\$188,443
Current portion of long-term debt (note 10)	54,994	51,742
Deferred revenues	246,738	282,387
Income taxes payable (note 14)	6,494	4,184
Deferred tax liabilities (note 14)	1,150	1,127
Total current liabilities	498,272	527,883
Long-term liabilities:		
Accrued liabilities (note 9)	19,344	17,849
Deferred credits (note 8)	18,401	11,608
Pension liability (note 11)	25,062	24,509
Long-term debt (note 10)	491,250	513,750
Deferred revenues	13,014	11,830
Long-term income taxes payable (note 14)	146,848	140,508
Deferred tax liabilities (note 14)	62,245	69,672
Total long-term liabilities	776,164	789,726
Shareholders' equity:		
Share capital (note 12)		
59,159,544 and 59,028,886 Common Shares issued and outstanding at December 31, 2013 and June 30, 2013, respectively; Authorized Common Shares: unlimited	656,901	651,642
Additional paid-in capital	105,281	101,865
Accumulated other comprehensive income	42,677	39,890
Retained earnings	621,547	572,885
Treasury stock, at cost (416,707 shares at December 31, 2013 and 610,878 at June 30, 2013, respectively)	(20,120	) (29,074

Edgar Filing: OPEN TEXT CORP - Form 10-Q

Total shareholders' equity	1,406,286	1,337,208
Total liabilities and shareholders' equity	\$2,680,722	\$2,654,817
Guarantees and contingencies (note 13)		
Related party transactions (note 21)		
Subsequent events (note 22)		

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands of U.S. dollars, except share and per share data)
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Revenues:				
License	\$81,164	\$76,125	\$136,470	\$131,781
Cloud services	42,131	44,842	83,778	88,715
Customer support	174,425	164,658	342,865	326,754
Professional service and other	65,787	66,555	124,854	131,124
Total revenues	363,507	352,180	687,967	678,374
Cost of revenues:				
License	3,304	5,331	6,340	9,499
Cloud services	15,963	17,946	30,228	35,928
Customer support	24,409	28,277	46,579	54,100
Professional service and other	51,245	49,242	96,680	99,294
Amortization of acquired technology-based intangible assets (note 6)	13,035	23,191	34,565	46,973
Total cost of revenues	107,956	123,987	214,392	245,794
Gross profit	255,551	228,193	473,575	432,580
Operating expenses:				
Research and development	41,917	38,718	82,133	78,624
Sales and marketing	81,290	67,977	150,703	132,492
General and administrative	32,815	28,742	61,701	55,706
Depreciation	6,898	6,105	13,356	12,214
Amortization of acquired customer-based intangible assets (note 6)	12,432	17,147	29,709	34,399
Special charges (note 17)	6,268	2,269	9,999	11,823
Total operating expenses	181,620	160,958	347,601	325,258
Income from operations	73,931	67,235	125,974	107,322
Other income (expense), net	(740	) 1,541	1,186	1,470
Interest and other related expense, net	(3,040	) (4,515	) (7,425	) (8,883
Income before income taxes	70,151	64,261	119,735	99,909
Provision for income taxes (note 14)	16,651	3,153	35,605	19,372
Net income for the period	\$53,500	\$61,108	\$84,130	\$80,537
Earnings per share—basic (note 20)	\$0.90	\$1.04	\$1.42	\$1.38
Earnings per share—diluted (note 20)	\$0.90	\$1.04	\$1.41	\$1.37
Weighted average number of Common Shares outstanding—basic	59,136	58,503	59,100	58,473
Weighted average number of Common Shares outstanding—diluted	59,593	58,983	59,475	58,961
Dividends declared per Common Share	\$0.30	\$—	\$0.60	\$—

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In thousands of U.S. dollars)
 (unaudited)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Net income for the period	\$53,500	\$61,108	\$84,130	\$80,537
Other comprehensive income—net of tax:				
Net foreign currency translation adjustments	113	(989	) 354	(1,465
Unrealized gain (loss) on cash flow hedges				
Unrealized gain (loss)	(1,433	) (495	) 87	2,005
(Gain) loss reclassified into net income	589	(958	) 1,173	(1,514
Actuarial gain (loss) relating to defined benefit pension plans				
Actuarial gain (loss)	944	(695	) 1,027	(876
Amortization of actuarial loss into net income	73	75	146	147
Total other comprehensive income (loss), net, for the period	286	(3,062	) 2,787	(1,703
Total comprehensive income	\$53,786	\$58,046	\$86,917	\$78,834

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)
(unaudited)

	Six Months Ended December 31,	
	2013	2012
Cash flows from operating activities:		
Net income for the period	\$84,130	\$80,537
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	77,630	93,586
Share-based compensation expense	11,289	6,276
Excess tax benefits on share-based compensation expense	(1,081)	(611)
Pension expense	539	470
Amortization of debt issuance costs	1,044	1,072
Amortization of deferred charges and credits	5,934	5,858
Loss on sale and write down of property and equipment	15	24
Deferred taxes	(3,198)	(1,152)
Impairment and other non cash charges	—	—
Changes in operating assets and liabilities:		
Accounts receivable	9,176	20,406
Prepaid expenses and other current assets	(4,161)	1,384
Income taxes	2,409	(13,888)
Deferred charges and credits	8,488	(436)
Accounts payable and accrued liabilities	(10,595)	(20,620)
Deferred revenue	(40,134)	(36,738)
Other assets	(686)	289
Net cash provided by operating activities	140,799	136,457
Cash flows from investing activities:		
Additions of property and equipment	(20,228)	(9,917)
Purchase of patents	(192)	—
Purchase of EasyLink Services International Corporation, net of cash acquired	—	(315,331)
Purchase of System Solutions Australia Pty Limited (MessageManager), net of cash acquired	—	(516)
Purchase of Cordys Holding B.V., net of cash acquired	(30,588)	—
Purchase consideration for prior period acquisitions	(443)	(431)
Other investing activities	(974)	—
Net cash used in investing activities	(52,425)	(326,195)
Cash flows from financing activities:		
Excess tax benefits on share-based compensation expense	1,081	611
Proceeds from issuance of Common Shares	5,429	6,402
Repayment of long-term debt	(19,087)	(15,338)
Debt issuance costs	(273)	—
Payments of dividends to shareholders	(35,468)	—
Net cash used in financing activities	(48,318)	(8,325)
Foreign exchange gain on cash held in foreign currencies	4,853	5,574
Increase (decrease) in cash and cash equivalents during the period	44,909	(192,489)
Cash and cash equivalents at beginning of the period	470,445	559,747
Cash and cash equivalents at end of the period	\$515,354	\$367,258

Supplementary cash flow disclosures (note 19)

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION

UNAUDITED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended December 31, 2013

(Tabular amounts in thousands, except share and per share data)

NOTE 1—BASIS OF PRESENTATION

The accompanying Condensed Consolidated Financial Statements include the accounts of Open Text Corporation and our wholly-owned subsidiaries, collectively referred to as “OpenText” or the “Company”. All inter-company balances and transactions have been eliminated.

Throughout this Quarterly Report on Form 10-Q: (i) the term “Fiscal 2014” means our fiscal year beginning on July 1, 2013 and ending June 30, 2014; (ii) the term “Fiscal 2013” means our fiscal year beginning on July 1, 2012 and ending June 30, 2013; (iii) the term “Fiscal 2012” means our fiscal year beginning on July 1, 2011 and ending June 30, 2012; and (iv) the term “Fiscal 2011” means our fiscal year beginning on July 1, 2010 and ending June 30, 2011.

These Condensed 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 Cordys Holding B.V. (Cordys), with effect from August 15, 2013 (see note 18).

Use of 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 Condensed 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, significant estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) allowance for doubtful accounts, (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) asset retirement obligations, (x) the realization of investment tax credits, (xi) the valuation of stock options granted and liabilities related to share-based payments, including the valuation of our long-term incentive plan, (xii) the valuation of financial instruments, (xiii) the valuation of pension assets and obligations, and (xiv) accounting for income taxes.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year's presentation. Such reclassifications were not considered material and did not affect our consolidated total revenues, consolidated operating income or consolidated net income.

NOTE 2—RECENT ACCOUNTING PRONOUNCEMENTS

Presentation of Unrecognized Tax Benefits

On July 18, 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11). ASU 2013-11 requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward except as follows: to the extent a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable tax jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with a deferred tax asset. We adopted ASU 2013-11 in the second quarter of Fiscal 2014 and the adoption thereof did not have a material impact on our Condensed Consolidated Financial Statements.

NOTE 3—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance as of June 30, 2013		\$4,871	
Bad debt expense		833	
Write-off /adjustments		(1,767)
Balance as of December 31, 2013		\$3,937	

NOTE 4—PROPERTY AND EQUIPMENT

	As of December 31, 2013		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$ 14,087	\$(7,053	) \$ 7,034
Office equipment	1,290	(779	) 511
Computer hardware	67,424	(45,894	) 21,530
Computer software	20,736	(12,243	) 8,493
Leasehold improvements	39,312	(19,983	) 19,329
Buildings	45,068	(5,228	) 39,840
Total	\$ 187,917	\$(91,180	) \$ 96,737

	As of June 30, 2013		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$ 11,524	\$(5,645	) \$ 5,879
Office equipment	1,128	(692	) 436
Computer hardware	60,666	(40,826	) 19,840
Computer software	18,169	(10,583	) 7,586
Leasehold improvements	31,951	(17,656	) 14,295
Buildings	44,993	(4,665	) 40,328
Total	\$ 168,431	\$(80,067	) \$ 88,364

NOTE 5—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, 2013:

Balance as of June 30, 2013	\$ 1,246,872
Acquisition of Cordys Holding B.V. (note 18)	18,589
Adjustments relating to prior acquisitions	1,856
Balance as of December 31, 2013	\$ 1,267,317

NOTE 6—ACQUIRED INTANGIBLE ASSETS

	As of December 31, 2013		
	Cost	Accumulated Amortization	Net
Technology Assets	\$ 576,006	\$ (437,690)	) \$ 138,316
Customer Assets	509,657	(323,788)	) 185,869
Total	\$ 1,085,663	\$ (761,478)	) \$ 324,185
	As of June 30, 2013		
	Cost	Accumulated Amortization	Net
Technology Assets	\$ 557,039	\$ (403,126)	) \$ 153,913
Customer Assets	503,781	(294,079)	) 209,702
Total	\$ 1,060,820	\$ (697,205)	) \$ 363,615

The weighted average amortization periods for acquired technology and customer intangible assets are approximately six years and seven years, respectively.

The following table shows the estimated future amortization expense for the fiscal years indicated below. This calculation assumes no future adjustments to acquired intangible assets:

	Fiscal years ending June 30,
2014 (six months ended June 30)	\$47,644
2015	88,941
2016	64,013
2017	46,815
2018 and beyond	76,772
Total	\$324,185

NOTE 7—OTHER ASSETS

	As of December 31, 2013	As of June 30, 2013
Debt issuance costs	\$5,569	\$6,340
Deposits and restricted cash	12,091	10,205
Long-term prepaid expenses and other long-term assets	8,988	8,537
Total	\$26,648	\$25,082

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining our term loans and are being amortized over the term of the loans (see note 10 and note 22). Deposits and restricted cash relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of contractual-based agreements. Long-term prepaid expenses and other long-term assets primarily relate to advance payments on long-term licenses that are being amortized over the applicable terms of the licenses, and a “technology incubator” venture capital fund investment for which the Company holds less than a 20% interest, is a limited partner and does not exert significant influence over management or investment decisions.

NOTE 8—DEFERRED CHARGES AND CREDITS

Deferred charges and credits relate to cash taxes payable and the elimination of deferred tax balances relating to legal entity consolidations completed as part of internal reorganizations of our international subsidiaries. Deferred charges and credits are amortized to income tax expense over a period of 6 to 15 years.

NOTE 9—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities

Accounts payable and accrued liabilities are comprised of the following:

	As of December 31, 2013	As of June 30, 2013
Accounts payable—trade	\$11,435	\$8,776
Accrued salaries and commissions	46,053	50,568
Accrued liabilities	124,468	120,981
Amounts payable in respect of restructuring and other Special charges (note 17)	6,202	7,130
Asset retirement obligations	738	988
Total	\$188,896	\$188,443
Long-term accrued liabilities		
	As of December 31, 2013	As of June 30, 2013
Amounts payable in respect of restructuring and other Special charges (note 17)	\$2,027	\$2,919
Other accrued liabilities*	10,835	10,172
Asset retirement obligations	6,482	4,758
Total	\$19,344	\$17,849

* 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. We have accounted for such obligations in accordance with ASC Topic 410 “Asset Retirement and Environmental Obligations” (ASC Topic 410). As of December 31, 2013, the present value of this obligation was \$7.2 million (June 30, 2013—\$5.7 million), with an undiscounted value of \$7.7 million (June 30, 2013—\$6.1 million).

NOTE 10—LONG-TERM DEBT

Long-term debt

Long-term debt is comprised of the following:

	As of December 31, 2013	As of June 30, 2013
Total debt		
Term Loan A	\$536,250	\$555,000
Mortgage	9,994	10,492
	546,244	565,492
Less:		
Current portion of long-term debt		
Term Loan A	45,000	41,250
Mortgage	9,994	10,492
	54,994	51,742
Non current portion of long-term debt	\$491,250	\$513,750
Term Loan A and Revolver		

As of December 31, 2013, our credit facility consists of a \$600 million term loan facility (Term Loan A) and a \$100 million committed revolving credit facility (the Revolver). Borrowings under the credit facility are secured by a first charge over substantially all of our assets. We entered into this credit facility and borrowed the full amount under Term Loan A on November 9, 2011.

Term Loan A has a five year term and repayments made under Term Loan A are equal to 1.25% of the original principal amount at each quarter for the first 2 years, approximately 1.88% for years 3 and 4 and 2.5% for year 5. For the three and six months ended December 31, 2013, interest on Term Loan A was at a floating rate of LIBOR plus 2.25%. For the three and six months ended December 31, 2012, interest was at a floating rate of LIBOR plus 2.5%. For the three and six months ended December 31, 2013, we recorded interest expense of \$3.4 million and \$6.9 million, respectively, relating to Term Loan A (three and six months ended December 31, 2012—\$4.1 million and \$8.2 million, respectively).

The Revolver has a five year term with no fixed repayment date prior to the end of the term. As of December 31, 2013, we have not drawn any amounts on the Revolver.

Mortgage

We currently have an "open" mortgage with a bank where we can pay all or a portion of the mortgage on or before August 1, 2014. The original principal amount of the mortgage was Canadian \$15.0 million and interest accrues monthly at a variable rate of Canadian prime plus 0.50%. Principal and interest are payable in monthly installments of Canadian \$0.1 million with a final lump sum principal payment due on maturity. The mortgage is secured by a lien on our headquarters in Waterloo, Ontario, Canada. We first entered into this mortgage in December 2005.

As of December 31, 2013, the carrying value of the mortgage was approximately \$10.0 million (June 30, 2013—\$10.5 million).

As of December 31, 2013, the carrying value of the Waterloo building that secures the mortgage was \$15.9 million (June 30, 2013—\$16.1 million).

For the three and six months ended December 31, 2013, we recorded interest expense of \$0.1 million and \$0.2 million, respectively, relating to the mortgage (three and six months ended December 31, 2012—\$0.1 million and \$0.2 million).

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) and Open Text Software GmbH (IXOS) as of December 31, 2013 and June 30, 2013:

	As of December 31, 2013		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	\$24,498	\$601	\$ 23,897
CDT anniversary plan	418	85	333
IXOS defined benefit plans	832	—	832
Total	\$25,748	\$686	\$ 25,062

	As of June 30, 2013		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	\$23,871	\$535	\$ 23,336
CDT anniversary plan	425	49	376
IXOS defined benefit plans	797	—	797
Total	\$25,093	\$584	\$ 24,509

* The current portion of the benefit obligation has been included within "Accounts payable and accrued liabilities" in the Condensed Consolidated Balance Sheets.

CDT Defined Benefit Plan

CDT sponsors an unfunded defined benefit pension plan covering substantially all CDT employees (CDT pension plan) which provides for old age, disability and survivors' benefits. Benefits under the CDT pension 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.

The following are the details of the change in the benefit obligation for the CDT pension plan for the periods indicated:

	As of December 31, 2013	As of June 30, 2013
Benefit obligation—beginning of period	\$23,871	\$21,461
Service cost	228	457
Interest cost	436	888
Benefits paid	(251)	(466)
Actuarial (gain) loss	(1,027)	) 278
Foreign exchange (gain) loss	1,241	1,253
Benefit obligation—end of period	24,498	23,871
Less: Current portion	(601)	) (535)
Non current portion of benefit obligation	\$23,897	\$23,336

The following are the details of net pension expense for the CDT pension plan for the periods indicated:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Pension expense:				
Service cost	\$115	\$117	\$228	\$230
Interest cost	219	226	436	446
Amortization of actuarial gains and losses	69	71	138	139
Net pension expense	\$403	\$414	\$802	\$815

The CDT pension plan is an unfunded plan and therefore no contributions have been made since the inception of the plan. Actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or the market-related value of plan obligations 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 December 31, 2013 there is approximately \$0.1 million in accumulated other comprehensive income related to the CDT pension plan that is expected to be recognized as a component of net periodic benefit costs over the remaining fiscal year.

In determining the fair value of the CDT pension plan benefit obligations as of December 31, 2013 and June 30, 2013, respectively, we used the following weighted-average key assumptions:

	As of December 31, 2013		As of June 30, 2013	
Assumptions:				
Salary increases	2.50	%	2.50	%
Pension increases	2.00	%	2.00	%
Discount rate	3.70	%	3.50	%
Employee fluctuation rate:				
to age 30	1.00	%	1.00	%
to age 35	0.50	%	0.50	%
to age 40	—	%	—	%
to age 45	0.50	%	0.50	%
to age 50	0.50	%	0.50	%
from age 51	1.00	%	1.00	%

The Company's discount rate is based on AA-rated bonds, denominated in Euros, from German corporations.

Anticipated pension payments under the CDT pension plan for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,
2014 (six months ended June 30)	\$301
2015	622
2016	690
2017	760
2018	815
2019 to 2023	5,976
Total	\$9,164

CDT Anniversary Plan

CDT's long-term employee benefit obligations arise under CDT's "anniversary plan". The obligation is unfunded and is carried at its fair value.

IXOS Defined Benefit Plans

Included in our pension liability, as of December 31, 2013, is a net amount of \$0.8 million (June 30, 2013—\$0.8 million) that relates to two IXOS defined benefit pensions plans (IXOS pension plans) in connection with certain former members of the

IXOS Board of Directors and certain IXOS employees, respectively. The net periodic pension cost with respect to the IXOS pension plans is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and the expected return on plan assets.

NOTE 12—SHARE CAPITAL, OPTION PLANS AND SHARE-BASED PAYMENTS

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

During the three and six months ended December 31, 2013 and 2012, we did not repurchase any of our Common Shares for potential future reissuance under our Long Term Incentive Plans (LTIP) or otherwise.

During the three and six months ended December 31, 2013, we issued 194,171 Common Shares from treasury stock in connection with the settlement of awards granted under our Fiscal 2013 LTIP and fully vested Restricted Share Units (RSUs) granted under our Fiscal 2016 LTIP.

During the three and six months ended December 31, 2012, we issued 182,616 Common Shares from treasury stock in connection with the settlement of awards granted under our Fiscal 2012 LTIP.

Dividend

During the three months ended December 31, 2013, pursuant to the Company's dividend policy, we declared a non-cumulative quarterly dividend of \$0.30 per Common Share, paid on December 20, 2013 to shareholders of record as of the close of business on November 29, 2013.

During the six months ended December 31, 2013, pursuant to the Company's dividend policy, we declared total dividends of \$0.60 per Common Share, which we paid during the same period.

Share-Based Payments

Total share-based compensation expense for the periods indicated below is detailed as follows:

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Stock options	\$1,653	\$1,228	\$3,010	\$2,567
Performance Share Units (issued under LTIP)	876	1,246	3,044	2,660
Restricted Share Units (issued under LTIP)	515	377	1,119	377
Restricted Share Units (fully vested)	3,300	—	3,300	—
Restricted Share Units (other)	126	151	342	302
Deferred Share Units (directors)	207	172	474	360
Restricted Stock Awards (legacy Vignette employees)	—	—	—	10
Total share-based compensation expense	\$6,677	\$3,174	\$11,289	\$6,276

Summary of Outstanding Stock Options

As of December 31, 2013, options to purchase an aggregate of 1,866,674 Common Shares were outstanding and 2,476,998 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. The exercise price of the 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 six months ended December 31, 2013 is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$'000s)
Outstanding at June 30, 2013	1,805,391	\$49.44		
Granted	324,471	76.18		
Exercised	(113,969)	) 36.59		
Forfeited or expired	(149,219)	) 50.94		
Outstanding at December 31, 2013	1,866,674	\$54.75	4.85	\$ 69,452
Exercisable at December 31, 2013	645,294	\$41.82	3.22	\$ 32,358

We estimate the fair value of stock options using the Black-Scholes option-pricing model, consistent with the provisions of ASC Topic 718, "Compensation—Stock Compensation" (ASC 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 technique 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:

	Three Months Ended December 31,		Six Months Ended December 31,		
	2013	2012	2013	2012	
Weighted-average fair value of options granted	\$20.06	\$16.28	\$18.16	\$16.78	
Weighted-average assumptions used:					
Expected volatility	32	% 37	% 32	% 38	%
Risk-free interest rate	1.15	% 0.64	% 1.17	% 0.64	%
Expected dividend yield	1.4	% —	% 1.6	% —	%
Expected life (in years)	4.36	4.35	4.36	4.35	
Forfeiture rate (based on historical rates)	5	% 5	% 5	% 5	%
Average exercise share price	\$83.21	\$52.74	\$76.18	\$53.20	

As of December 31, 2013, the total compensation cost related to the unvested stock option awards not yet recognized was approximately \$19.0 million, which will be recognized over a weighted-average period of approximately 3 years. No cash was used by us to settle equity instruments granted under share-based compensation arrangements.

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 three and six months ended December 31, 2013, cash in the amount of \$3.0 million and \$4.2 million, respectively, was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the three and six months ended December 31, 2013 from the exercise of options eligible for a tax deduction was \$0.5 million and \$0.6 million, respectively.

For the three and six months ended December 31, 2012, cash in the amount of \$2.0 million and \$5.4 million, respectively, was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the three and six months ended December 31, 2012 from the exercise of options eligible for a tax deduction was nil and \$0.8 million, respectively.

Long-Term Incentive Plans

We currently employ a Long-Term Incentive Plan (LTIP). The LTIP is a rolling three year program that grants eligible employees a certain number of target Performance Share Units (PSUs) and/or RSUs. Target PSUs become vested upon the satisfaction 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.

LTIP grants that have recently vested, or have yet to vest, are described below. LTIP grants will be referred to in this Quarterly Report on Form 10-Q based upon the year in which the grants are expected to vest and be settled.

Grants made in Fiscal 2011 under the LTIP (collectively referred to as Fiscal 2013 LTIP) took effect in Fiscal 2011 starting on October 29, 2010. Grants made under the Fiscal 2013 LTIP consisted of PSUs and the Performance Conditions for vesting relating to these grants were based on a combination of market and performance based conditions. We met some of the market and performance conditions and settled the Fiscal 2013 LTIP by issuing 155,021 Common Shares from our treasury stock, with a cost of approximately \$7.1 million.

Grants made in Fiscal 2012 under the LTIP (collectively referred to as Fiscal 2014 LTIP) took effect in Fiscal 2012 starting on February 3, 2012. Grants made under the Fiscal 2014 LTIP consisted of PSUs and the Performance Conditions for vesting relating to these grants are based solely on market conditions. We expect to settle the Fiscal 2014 LTIP awards in stock.

Grants made in Fiscal 2013 under the LTIP (collectively referred to as Fiscal 2015 LTIP) took effect in Fiscal 2013 starting on November 2, 2012 for the RSUs and December 3, 2012 for the PSUs. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. RSUs granted are employee service-based awards and vest over the life of the LTIP. We expect to settle the Fiscal 2015 LTIP awards in stock.

Grants made in Fiscal 2014 under the LTIP (collectively referred to as Fiscal 2016 LTIP) took effect in Fiscal 2014 starting on November 1, 2013. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. RSUs granted on November 1, 2013 are employee service-based awards and vest over the life of this LTIP. We expect to settle the Fiscal 2016 LTIP awards in stock. Separately on November 18, 2013, 39,150 fully vested RSUs were granted to certain employees under the Fiscal 2016 LTIP. We settled these RSUs by issuing 39,150 Common Shares from our treasury stock, with a cost of approximately \$1.8 million.

PSUs and RSUs granted under the LTIPs have been measured at fair value as of the effective date, consistent with ASC 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 ASC 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.

Expected and actual stock compensation expense for each of the above mentioned LTIP plans is as follows:

Grants Made Under LTIP	Equity Instrument	Grant Date	End Date	Expected Total LTIP Expense	Three Months Ended December 31,		Six Months Ended December 31,	
					2013	2012	2013	2012
Fiscal 2012 LTIP PSU		3/31/2010	9/15/2012	\$ 17,314	\$—	\$—	\$—	579
Fiscal 2013 LTIP PSU		10/29/2010	9/15/2013	6,489	—	298	215	598
Fiscal 2014 LTIP PSU		2/3/2012	9/15/2014	8,071	591	862	1,961	1,397
Fiscal 2015 LTIP PSU		12/3/2012	9/15/2015	2,927	169	86	752	86
Fiscal 2015 LTIP RSU		11/2/2012	9/15/2015	5,016	245	377	849	377
Fiscal 2016 LTIP PSU		11/1/2013	9/15/2016	2,098	116	—	116	—
Fiscal 2016 LTIP RSU		11/1/2013	9/15/2016	4,771	270	—	270	—
Fiscal 2016 LTIP RSU (fully vested)		11/18/2013	11/18/2013	3,300	3,300	—	3,300	—
				\$ 49,986	\$ 4,691	\$ 1,623	\$ 7,463	\$ 3,037

Of the total compensation cost of \$50.0 million noted in the table above, \$37.4 million has been recognized to date and the remaining expected total compensation cost of \$12.6 million is expected to be recognized over a weighted average period of 2.2 years.

Deferred Stock Units (DSUs)

During the three and six months ended December 31, 2013, we granted 14,238 and 14,481, respectively, deferred stock units (DSUs) to certain non-employee directors (three and six months ended December 31, 2012—16,862 and

17,161, respectively). The DSUs were issued under the Company's Deferred Share Unit Plan that came into effect on February 2, 2010 and will vest at the Company's next annual general meeting following the granting of the DSUs.

Employee Share Purchase Plan (ESPP)

During the three and six months ended December 31, 2013, cash in the amount of approximately \$0.6 million and \$1.3 million, respectively, was received from employees that will be used to purchase Common Shares in future periods (three and six months ended December 31, 2012—\$0.4 million and \$1.0 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	January 1, 2014— June 30, 2014	July 1, 2014— June 30, 2016	July 1, 2016— June 30, 2018	July 1, 2018 and beyond
Long-term debt obligations	\$578,625	\$29,416	\$133,817	\$415,392	\$—
Operating lease obligations*	155,664	19,273	62,483	40,116	33,792
Purchase obligations	8,457	2,902	4,784	771	—
	\$742,746	\$51,591	\$201,084	\$456,279	\$33,792

*Net of \$1.6 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 Condensed Consolidated Financial Statements.

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" (ASC 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 ASC Topic 450-20. As of the date of this filing on Form 10-Q for the quarter ended December 31, 2013, such aggregated losses were not material to our consolidated financial position or result 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

EasyLink Services International Corporation (EasyLink) and its United States subsidiaries are currently being assessed by the New York State Department of Taxation and Finance (the Department) for the potential applicability of telecommunications excise and franchise taxes to its New York State revenues for certain pre-acquisition EasyLink revenue. The potential exposure under this assessment, based upon the notice issued by the Department, is approximately \$10.5 million. OpenText intends to vigorously defend against this assessment.

In addition, Easylink is under audit for New York State sales tax for the periods from June 2004 through to February 2011. We intend to vigorously contest any assessments for this period based on facts and circumstances relating to business operations during this timeframe. However, the results of these audits, and the potential sales tax exposure for EasyLink, could be significantly influenced by the fact that our judicial appeal of the assessment against EasyLink for \$0.5 million in tax, interest and penalties for New York State sales tax for the period March 2001 to May 2004 was

denied. We believe we have established sufficient reserves for this matter.

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.

We recognize interest expense and penalties related to income tax matters in income tax expense.

For the three and six months ended December 31, 2013 and 2012, we recognized the following amounts as income tax-related interest expense and penalties:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Interest expense (recovery)	\$ 1,904	\$ (2,041	) 4,232	(187
Penalties expense (recovery)	(78	) (3	) 160	36
Total	\$ 1,826	\$ (2,044	) \$ 4,392	\$(151

As of December 31, 2013 and June 30, 2013, the following amounts have been accrued on account of income tax-related interest expense and penalties:

	As of December 31, 2013	As of June 30, 2013
Interest expense accrued *	\$21,601	\$18,210
Penalties accrued *	\$6,264	\$6,045

* These balances have been included within "Long-term income taxes payable" within the Condensed Consolidated Balance Sheets.

We believe that it is reasonably possible that the gross unrecognized tax benefits, as of December 31, 2013, could decrease tax expense in the next 12 months by \$3.9 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 examination by applicable tax authorities for a certain length of time following the tax year to which those filings relate. Tax years that remain open to examinations by local taxing authorities vary by jurisdiction up to ten years.

We are subject to tax examinations in all major taxing jurisdictions in which we operate and currently have examinations open in Canada, the United States, France, Spain, Germany, India and the Netherlands. 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.

We believe that we have adequately provided for any reasonably foreseeable outcomes related to our tax examinations and that any settlement will not have a material adverse effect on our consolidated financial position or results of operations. However, we cannot predict with any level of certainty the exact nature of any future possible settlements. As at December 31, 2013, we have not provided for additional foreign withholding taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of our non-Canadian subsidiaries other than certain United States and Luxembourg 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. We do plan to make periodic repatriations that will be subject to withholding taxes from certain United States and Luxembourg subsidiaries and have accrued additional tax cost attributable to these distributions in the amount of \$1.4 million (June 30, 2013—\$0.4 million).

The effective GAAP tax rate increased to 23.7% for the three months ended December 31, 2013 from 4.9% for the three months ended December 31, 2012 primarily due to an increase in the net expense of unrecognized tax benefits in the amount of \$11.6 million and an increase of \$2.1 million related to the impact of adjustments in the United States, Germany and Australia upon filing of tax returns in Fiscal 2014 as compared to Fiscal 2013. The remainder of the differences are due to normal course movements and non-material items.

The effective GAAP tax rate increased to 29.7% for the six months ended December 31, 2013, from 19.4% for the six months ended December 31, 2012, primarily due to an increase in the net expense of unrecognized tax benefits in the

amount of \$13.2 million, offset by a decrease of \$1.6 million related to the impact of adjustments in the United States, Germany and

Australia upon filing of tax returns in Fiscal 2014 compared to Fiscal 2013. The remainder of the differences are due to normal course movements and non-material items.

NOTE 15—FAIR VALUE MEASUREMENTS

ASC Topic 820 “Fair Value Measurements and Disclosures” (ASC 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, ASC 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 December 31, 2013 and June 30, 2013:

	December 31, 2013			June 30, 2013		
	Fair Market Measurements using:			Fair Market Measurements using:		
	Quoted prices in active markets for identical assets/ (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active markets for identical assets/ (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets (Liabilities):						
Derivative financial instrument liability (note 16)	\$ (1,457) n/a	\$ (1,457) n/a		\$ (3,170) n/a	\$ (3,170) n/a	
	\$ (1,457) n/a	\$ (1,457) n/a		\$ (3,170) n/a	\$ (3,170) n/a	

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 the derivative instruments. Our discounted cash flow techniques use observable market inputs, such as 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 3 measurement) due to their short maturities.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets at fair value on a nonrecurring basis. These assets are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the three and six months ended December 31, 2013 and 2012, no indications of impairment were identified and therefore no fair value measurements were required.

If applicable, we will recognize transfers into and out of 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 three and six months ended December 31, 2013 and 2012, we did not have any significant transfers in or out of Level 2 or Level 3.

NOTE 16—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Foreign Currency Forward Contracts

We are engaged in a hedging program with a Canadian chartered bank 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 derivative instruments to hedge portions of our payroll exposure. We do not use these forward contracts for trading or speculative purposes. These forward contracts typically mature between one and twelve months.

We have designated these transactions as cash flow hedges of forecasted transactions under ASC Topic 815 “Derivatives and Hedging” (ASC Topic 815). As the critical terms of the hedging instrument, and of the entire hedged forecasted transaction, are the same, in accordance with ASC 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 December 31, 2013, is recorded within “Accounts payable and accrued liabilities”.

As of December 31, 2013, the notional amount of forward contracts we held to sell U.S. dollars in exchange for Canadian dollars was \$49.8 million (June 30, 2013—\$99.6 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)

Derivatives	Balance Sheet Location	As of December 31,	As of June 30, 2013
		2013	2013
		Fair Value	Fair Value
		Asset (Liability)	Asset (Liability)
Foreign currency forward contracts designated as cash flow hedges	Accounts payable and accrued liabilities	\$(1,457	) \$(3,170

Effects of Derivative Instruments on Income and Other Comprehensive Income (OCI)

Three and Six Months Ended December 31, 2013

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)	
	Three Months Ended December 31, 2013	Six Months Ended December 31, 2013		Three Months Ended December 31, 2013	Six Months Ended December 31, 2013		Three Months Ended December 31, 2013	Six Months Ended December 31, 2013
Foreign currency forward contracts	\$(1,950)	\$ 118	Operating expenses	\$ (801)	\$ (1,595)	N/A	—	—

Three and Six Months Ended December 31, 2012

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)	
	Three Months Ended December 30, 2012	Six Months Ended December 31, 2012		Three Months Ended December 30, 2012	Six Months Ended December 31, 2012		Three Months Ended December 30, 2012	Six Months Ended December 31, 2012
Foreign currency forward contracts	\$(673)	\$ 2,725	Operating expenses	\$ 1,304	\$ 2,060	N/A	—	—

NOTE 17—SPECIAL CHARGES

Special charges include costs 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 similar charges.

	Three Months Ended		Six Months Ended		
	December 31,		December 31,		
	2013	2012	2013	2012	
Fiscal 2014 Restructuring Plan	\$1,759	\$—	\$6,551	\$—	
Fiscal 2013 Restructuring Plan	67	684	332	8,262	
Fiscal 2012 Restructuring Plan	(5	) 403	(266	) 987
Restructuring Plans prior to Fiscal 2012	—	(369) —	(386)
Acquisition-related costs	4,434	808	5,738	1,612	
Other charges	13	743	(2,356	) 1,348
Total	\$6,268	\$2,269	\$9,999	\$11,823	

Reconciliations of the liability relating to each of our materially outstanding restructuring plans are provided below:

Fiscal 2014 Restructuring Plan

In the first quarter of Fiscal 2014, we began to implement restructuring activities to streamline our operations (Fiscal 2014 Restructuring Plan). These charges relate to workforce reductions and facility consolidations. We expect to incur more charges under the Fiscal 2014 Restructuring Plan as we execute the remaining restructuring actions. As of December 31, 2013, we expect total costs to be incurred in conjunction with the Fiscal 2014 Restructuring Plan to be approximately \$8.7 million, of which \$6.6 million has already been recorded within Special charges to date.

The recognition of these charges requires 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.

A reconciliation of the beginning and ending liability for the six months ended December 31, 2013 is shown below.

Fiscal 2014 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance as of June 30, 2013	\$—	\$—	\$—
Accruals and adjustments	5,993	558	6,551
Cash payments	(3,499	) (270	) (3,769
Foreign exchange	96	(11	) 85
Balance as of December 31, 2013	\$2,590	\$277	\$2,867

Fiscal 2013 Restructuring Plan

In the first quarter of Fiscal 2013, we began to implement restructuring activities to streamline our operations (Fiscal 2013 Restructuring Plan). These charges relate to workforce reductions and facility consolidations.

Since the inception of the Fiscal 2013 Restructuring Plan, \$16.1 million of costs have been recorded within Special charges. We do not expect to incur any further significant charges related to the Fiscal 2013 Restructuring Plan.

The recognition of these charges requires 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.

A reconciliation of the beginning and ending liability for the six months ended December 31, 2013 is shown below.

Fiscal 2013 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance as of June 30, 2013	\$3,205	\$4,396	\$7,601
Accruals and adjustments	964	(632	) 332
Cash payments	(3,189	) (1,013	) (4,202
Foreign exchange	(41	) 70	29
Balance as of December 31, 2013	\$939	\$2,821	\$3,760

Fiscal 2012 Restructuring Plan

In the first quarter of Fiscal 2012, we began to implement restructuring activities to streamline our operations (Fiscal 2012 Restructuring Plan). These charges relate to workforce reductions and facility consolidations.

Since the inception of the Fiscal 2012 restructuring plan, \$17.6 million of costs have been recorded within Special charges. We do not expect to incur any further significant charges related to the Fiscal 2012 Restructuring Plan.

The recognition of these charges requires management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

A reconciliation of the beginning and ending liability for the six months ended December 31, 2013 is shown below.

Fiscal 2012 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance as of June 30, 2013	\$309	\$1,986	\$2,295
Accruals and adjustments	(266	) —	(266
Cash payments	—	(475	) (475
Foreign exchange	—	43	43
Balance as of December 31, 2013	\$43	\$1,554	\$1,597

Acquisition-related costs

Included within Special charges for the three and six months ended December 31, 2013 are costs incurred directly in relation to acquisitions in the amount of \$4.1 million and \$5.0 million, respectively (three and six months ended December 31, 2012—\$0.5 million and \$1.2 million, respectively). Additionally, we incurred costs relating to financial advisory, legal, valuation and audit services and other miscellaneous costs necessary to integrate acquired companies into our organization for the three and six months ended December 31, 2013 in the amount of \$0.3 million and \$0.7 million, respectively (three and six months ended December 31, 2012—\$0.3 million and \$0.4 million, respectively).

Other charges

For the six months ended December 31, 2013 "other charges" includes a charge of \$1.4 million relating to a settlement agreement reached in connection with the acquisition of IXOS Software AG in February 2004, a charge of \$0.8 million relating to interest accrued on certain EasyLink pre-acquisition sales tax liabilities and a recovery of \$4.6 million relating to a reduction of certain EasyLink pre-acquisition sales tax liabilities.

Included within Special charges for the three months ended December 31, 2012 is a charge of approximately \$1.0 million relating to interest accrued on certain EasyLink pre-acquisition sales tax liabilities, offset by a recovery of \$0.3 million relating to revised sublease assumptions on a restructured facility in a prior period. In addition to the charges incurred during the three months ended December 31, 2012, included within Special charges for the six months ended December 31, 2012 is a charge of \$0.6 million relating to revised sublease assumptions on a restructured facility acquired in a prior period.

NOTE 18—ACQUISITIONS

Cordys Holding B.V.

On August 15, 2013, we acquired Cordys Holding B.V. (Cordys), based in Putten, the Netherlands. Cordys is a leading provider of Business Process Management (BPM) and case management solutions, offered on one platform with cloud, mobile, and social capabilities. Total consideration for Cordys was \$33.2 million paid in cash (\$30.6 million - net of cash acquired). In accordance with ASC Topic 805 "Business Combinations" (ASC Topic 805), this acquisition was accounted for as a business combination.

Acquisition-related costs for Cordys included in Special charges in the Condensed Consolidated Statements of Income for the three and six months ended December 31, 2013 were \$0.2 million and \$0.9 million, respectively.

The results of operations of Cordys have been consolidated with those of OpenText beginning August 15, 2013.

The acquisition had no significant impact on revenues and net earnings for the three and six months ended December 31, 2013. There was also no significant impact on the Company's revenues and net earnings on a pro forma basis for all periods presented.

NOTE 19—SUPPLEMENTAL CASH FLOW DISCLOSURES

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Cash paid during the period for interest	\$3,764	\$4,302	\$7,500	\$8,542
Cash received during the period for interest	\$1,260	\$322	\$1,782	\$731
Cash paid during the period for income taxes	\$11,162	\$21,280	\$15,715	\$37,561

Cash paid for taxes for the three and six months ended December 31, 2013 include payments of \$0.3 million and \$0.6 million, respectively, relating to taxes exigible on internal reorganizations of our international subsidiaries (three and six months ended December 31, 2012—\$8.8 million and \$24.2 million, respectively).

NOTE 20—EARNINGS PER SHARE

Basic earnings per share are computed by dividing net income by the weighted average number of Common Shares outstanding during the period. Diluted earnings per share are computed by dividing net income 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.

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
Basic earnings per share				
Net income	\$53,500	\$61,108	\$84,130	\$80,537
Basic earnings per share	\$0.90	\$1.04	\$1.42	\$1.38
Diluted earnings per share				
Net income	\$53,500	\$61,108	\$84,130	\$80,537
Diluted earnings per share	\$0.90	\$1.04	\$1.41	\$1.37
Weighted-average number of shares outstanding				
Basic	59,136	58,503	59,100	58,473
Effect of dilutive securities	457	480	375	488
Diluted	59,593	58,983	59,475	58,961
Excluded as anti-dilutive*	113	1,076	235	1,065

* 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 21—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 our Board and the transaction be approved by a majority of the independent members of the Board. The Board 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 determining whether to approve a related party transaction, the Board 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 six months ended December 31, 2013, Mr. Stephen Sadler, a director, earned approximately \$0.2 million (six months ended December 31, 2012—\$0.5 million) 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 22—SUBSEQUENT EVENTS

Dividends

Stock Dividends

On January 23, 2014, we announced that our Board of Directors approved a two-for-one stock split of our outstanding Common Shares. The two-for-one stock split will be implemented by way of a stock dividend whereby shareholders will receive one Common Share for each Common Share held. The record date for the stock dividend will be February 7, 2014 and the payment date will be February 18, 2014. We are undertaking the stock split to make our Common Shares more readily

accessible to individual shareholders, increase and broaden our shareholder base, and improve the liquidity of the market for our Common Shares.

As of January 22, 2014 there were 60,473,680 OpenText Common Shares outstanding. Adjusting for the stock split, there will be 120,947,360 OpenText Common Shares outstanding.

Cash Dividends

As part of our quarterly, non cumulative cash dividend program, we declared, on January 23, 2014, a dividend of \$0.15 per Common Share (or \$0.30 per Common Share on a pre stock split basis). The record date for this dividend is February 25, 2014 and the payment date is March 14, 2014. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of our Board of Directors.

Acquisition of GXS Group, Inc.

On January 16, 2014, OpenText acquired 100% of GXS Group, Inc., a Delaware corporation (GXS) and leader in cloud-based, business to business integration (B2B), pursuant to the Agreement and Plan of Merger, dated as of November 4, 2013 (the Merger Agreement), which has been filed as an exhibit to the Company's Form 8-K/A, filed with the Securities and Exchange Commission (SEC) on November 6, 2013 (the Acquisition).

As of the effective time of the Acquisition, each share of GXS common stock and GXS preferred stock outstanding immediately prior to the effective time (subject to certain exceptions) was converted into the right to receive a certain amount of cash. Also, in the case of GXS preferred stock, for preferred stockholders whose status as "accredited investors" was verified under the U.S. Securities Act of 1933, as amended, such stockholders received an aggregate of 1,297,521 OpenText Common Shares. The total purchase price comprised of approximately \$1.1 billion in cash and the issuance of 1,297,521 OpenText Common Shares.

The acquisition is expected to reinforce OpenText's leadership in EIM by combining OpenText's Information Exchange portfolio with GXS' portfolio of B2B integration services and managed services. Currently, as of the date of filing of this Quarterly Report on Form 10-Q, we are still evaluating the impact of this acquisition on our consolidated financial statements and the results of this evaluation will be included in our financial statements for the third quarter of Fiscal 2014.

Term Loan B

In connection with the Acquisition of GXS, on January 16, 2014, OpenText entered into a new credit facility, which is in addition to the Company's Term Loan A that already exists as of December 31, 2013, which provides for a \$800 million term loan facility with certain lenders named therein, Barclays Bank PLC (Barclays), as sole administrative agent and collateral agent, and with Barclays and RBC Capital Markets as lead arrangers and joint bookrunners (Term Loan B).

Borrowings under Term Loan B are secured by a first charge over substantially all of our assets. We entered into Term Loan B and borrowed the full amount of \$800 million on January 16, 2014. Term Loan B has a seven year term.

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.

Borrowings under Term Loan B currently bear a floating rate of interest at a rate per annum equal to 2.5% plus the higher of LIBOR or 0.75%.

For further details relating to Term Loan B, please see the credit agreement filed as an exhibit to the Company's Form 8-K, as filed with the SEC on January 16, 2014.

Restructuring Plan

In connection with the acquisition of GXS, on January 16, 2014, we began to implement restructuring activities to streamline our operations. These charges relate to workforce reductions, facility consolidations and other costs. With respect to each of these categories we expect to incur charges during the remainder of Fiscal 2014, in the following approximate ranges:

- Workforce reductions: \$11.0 million to \$13.0 million,
- Facility consolidations: \$9.0 million to \$11.0 million, and
- Other Costs: \$2.0 million to \$3.0 million.

In addition, we expect to incur additional restructuring costs in the range of \$7.0 million to \$10.0 million, in connection with this restructuring plan, in Fiscal 2015. Total costs to be incurred in conjunction with this restructuring

plan are expected to be approximately \$29.0 million to \$37.0 million and we expect all actions to be substantially completed by the end of Fiscal 2015.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q, including this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), contains forward-looking statements regarding future events and our future results that are subject to the safe harbors within the meaning of the Private Securities Litigation Reform Act of 1995, and created under the Securities Act of 1933, as amended (Securities Act), and the Securities Exchange Act of 1934, as amended (Exchange Act). All statements other than statements of historical facts are statements that could be deemed forward-looking statements.

Certain statements in this report, including statements about the focus of Open Text Corporation ("OpenText" or "the Company") in our fiscal year beginning on July 1, 2013 and ending June 30, 2014 (Fiscal 2014) on growth in earnings and cash flows, creating value through investments in broader Enterprise Information Management (EIM) capabilities, distribution, the Company's presence in the cloud and in growth markets, its financial conditions, results of operations and earnings, declaration of quarterly dividends, and other matters, may contain words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "could", "would", and other similar language and 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. 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 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; (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 to be realized by customers; (viii) the demand for the Company's product and the extent of deployment of the Company's products in the EIM marketplace; and (ix) the Company's financial condition and capital requirements. 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 possibility that the Company may be unable to meet its future reporting requirements under the Exchange Act, and the rules promulgated thereunder; (iii) the risks associated with bringing new products to market; (iv) fluctuations in currency exchange rates; (v) delays in the purchasing decisions of the Company's customers; (vi) the competition the Company faces in its industry and/or marketplace; (vii) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (viii) the continuous commitment of the Company's customers; and (ix) demand for the Company's products. 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 including Part I, Item 1A "Risk Factors" therein and in this Quarterly Report 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.

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 Condensed Consolidated Financial Statements and the accompanying unaudited Notes to our Condensed Consolidated Financial Statements under Part I, Item 1 of this Quarterly Report on Form 10-Q.

All dollar and percentage comparisons made herein generally refer to the three and six months ended December 31, 2013 compared with the three and six months ended December 31, 2012, unless otherwise noted.

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 are an independent company providing a comprehensive suite of software products that assist organizations in finding, utilizing, and sharing business information from any device in ways which are intuitive, efficient and productive. Our technologies and business solutions address one of the biggest problems encountered by enterprises today, which is the explosive growth of information in terms of volume and formats. Our software allows organizations to manage the information that flows into, out of, and throughout the enterprise as part of daily operations. Our product offerings provide solutions which help to increase customer satisfaction, improve collaboration with partners, address the legal and business requirements associated with information governance, and ensure the security and privacy of information demanded in today's highly regulated climate. In addition, our products provide the benefit of organizing and managing business content, while leveraging

it to operate more efficiently and effectively. OpenText products incorporate social and mobile technologies and are delivered for on-premises deployment as well as through cloud and managed hosted services models to provide the flexibility and cost efficiencies demanded by the market.

Our initial public offering was on the NASDAQ in 1996 and we were subsequently listed on the Toronto Stock Exchange in 1998. We are a multinational company and currently employ approximately 5,300 people worldwide. On January 16, 2014, we acquired GXS Group, Inc. (GXS), which is discussed in more detail below under Acquisitions. With the acquisition of GXS, we acquired approximately 3,000 employees. The financial results of GXS will be consolidated in our financial statements for the third quarter of Fiscal 2014 from the date of closing.

Quarterly Summary:

During the quarter we saw the following activity:

Total revenue was \$363.5 million, up 3.2% over the same period in the prior fiscal year.

License revenue was \$81.2 million, up 6.6% over the same period in the prior fiscal year.

GAAP-based EPS, diluted, was \$0.90 compared to \$1.04 in the same period of the prior fiscal year.

Non-GAAP-based EPS, diluted, was \$1.58 compared to \$1.58 in the same period of the prior fiscal year.

GAAP-based operating margin was 20.3% compared to 19.1% in the same period of the prior fiscal year.

Non-GAAP-based operating margin was 30.9% compared to 32.1% in the same period of the prior fiscal year.

Operating cash flow was \$60.9 million, down 18.5% from the same period in the prior fiscal year.

Cash and cash equivalents was \$515.4 million as of December 31, 2013, compared to \$470.4 million as of June 30, 2013.

See "Use of Non-GAAP Financial Measures" below for a reconciliation of non-GAAP-based measures to GAAP-based measures.

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, we regularly evaluate various acquisition opportunities within the EIM market. During Fiscal 2014, the following acquisitions were made:

On August 15, 2013, we acquired Cordys Holding B.V. (Cordys), based in Putten, the Netherlands, for \$33.2 million.

Cordys is a leading provider of Business Process Management (BPM) and case management solutions, offered on one platform with cloud, mobile, and social capabilities.

Acquisition of GXS Group, Inc.

On January 16, 2014, we acquired GXS (the Acquisition), a leader in cloud-based business-to-business (B2B) integration services, pursuant to the Agreement and Plan of Merger, dated as of November 4, 2013 (the Merger Agreement), which was filed as an exhibit to the Company's Form 8-K/A, filed with the SEC on November 6, 2013. As of the effective time of the Acquisition, each share of GXS common stock and GXS preferred stock outstanding immediately prior to the effective time (subject to certain exceptions) was converted into the right to receive a certain amount of cash. Also, in the case of GXS preferred stock, for preferred stockholders whose status as "accredited investors" was verified under the Securities Act, such stockholders received an aggregate of 1,297,521 OpenText Common Shares. The total purchase price comprised of approximately \$1.1 billion in cash and the issuance of 1,297,521 OpenText Common Shares.

The sources of the funds used in connection with the cash consideration of the Acquisition include \$265 million of cash on hand and \$800 million borrowed under a new term loan credit facility (Term Loan B) entered into on January 16, 2014. Term Loan B and a portion of the cash consideration was used to repay or redeem outstanding indebtedness of GXS including GXS Worldwide, Inc.'s senior secured notes and GXS Holdings Inc.'s subordinated notes, all in the aggregate amount of approximately \$887.9 million.

We believe the Acquisition will reinforce our leadership in EIM by combining OpenText's Information Exchange portfolio with GXS' portfolio of B2B integration services and managed services.

Currently, we are still evaluating the impact of this acquisition on our consolidated financial statements and the financial results of GXS will be included in our financial statements for the third quarter of Fiscal 2014.

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 increase shareholder value. We expect to

27

continue to strategically acquire companies, products, services and technologies to augment our existing business. See note 18 "Acquisitions" and note 22 "Subsequent Events" to our Condensed Consolidated Financial Statements for more details.

Outlook for Remainder of Fiscal 2014

We believe we have a strong position in the EIM market. Our goal is to strengthen our position in EIM by building on our leadership in Enterprise Content Management (ECM), BPM, Customer Experience Management (CEM), and Information Exchange (iX) and expanding our position in Discovery. Historically, we have had approximately 50% of our revenues from customer support revenues, which are generally a recurring source of income. Beginning in Fiscal 2013 we recognized cloud services revenue and we expect this service to be an important growth driver in the future. We also believe that our diversified geographic profile helps strengthen our position and helps to reduce the impact of a downturn in the economy that may occur in any one specific region.

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 Condensed 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 materially from those estimates. The accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- (i) Revenue recognition,
- (ii) Goodwill,
- (iii) Acquired intangibles,
- (iv) Restructuring charges,
- (v) Business combinations,
- (vi) Foreign currency, and
- (vii) Income taxes.

During the first six months of Fiscal 2014, there were no significant changes to our critical accounting policies and estimates. For a detailed discussion of our critical accounting policies and estimates, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended June 30, 2013.

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, revenues by major geography, cost of revenues by product, total gross margin, total operating margin, gross margin by product, 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 Non-GAAP-based measures to GAAP-based measures.

Summary of Results of Operations

(In thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012
Total Revenues by Product Type:						
License	\$81,164	\$ 5,039	\$76,125	\$136,470	\$4,689	\$131,781
Cloud services	42,131	(2,711)	44,842	83,778	(4,937)	88,715
Customer support	174,425	9,767	164,658	342,865	16,111	326,754
Professional service and other	65,787	(768)	66,555	124,854	(6,270)	131,124
Total revenues	363,507	11,327	352,180	687,967	9,593	678,374
Total Cost of Revenues	107,956	(16,031)	123,987	214,392	(31,402)	245,794
Total GAAP-based Gross Profit	255,551	27,358	228,193	473,575	40,995	432,580
Total GAAP-based Gross Margin %	70.3 %		64.8 %	68.8 %		63.8 %
Total GAAP-based Operating Expenses	181,620	20,662	160,958	347,601	22,343	325,258
Total GAAP-based Income from Operations	\$73,931	\$ 6,696	\$67,235	\$125,974	\$18,652	\$107,322

% Revenues by Product Type:

License	22.3 %		21.6 %	19.8 %		19.4 %
Cloud services	11.6 %		12.7 %	12.2 %		13.1 %
Customer support	48.0 %		46.8 %	49.8 %		48.2 %
Professional service and other	18.1 %		18.9 %	18.2 %		19.3 %

Total Cost of Revenues by Product Type:

License	\$3,304	\$(2,027)	\$5,331	6,340	\$(3,159)	9,499
Cloud services	15,963	(1,983)	17,946	30,228	(5,700)	35,928
Customer support	24,409	(3,868)	28,277	46,579	(7,521)	54,100
Professional service and other	51,245	2,003	49,242	96,680	(2,614)	99,294
Amortization of acquired technology-based intangible assets	13,035	(10,156)	23,191	34,565	(12,408)	46,973
Total cost of revenues	\$107,956	\$(16,031)	\$123,987	\$214,392	\$(31,402)	\$245,794

% GAAP-based Gross Margin by Product Type:

License	95.9 %		93.0 %	95.4 %		92.8 %
Cloud services	62.1 %		60.0 %	63.9 %		59.5 %
Customer support	86.0 %		82.8 %	86.4 %		83.4 %
Professional service and other	22.1 %		26.0 %	22.6 %		24.3 %

Total Revenues by Geography:

Americas (1)	\$185,023	\$(2,357)	\$187,380	\$360,400	\$(5,907)	\$366,307
EMEA (2)	141,996	14,336	127,660	261,607	19,475	242,132
Asia Pacific (3)	36,488	(652)	37,140	65,960	(3,975)	69,935
Total revenues	\$363,507	\$11,327	\$352,180	\$687,967	\$9,593	\$678,374

% Revenues by Geography:

Edgar Filing: OPEN TEXT CORP - Form 10-Q

Americas (1)	50.9	%	53.2	%	52.4	%	54.0	%
EMEA (2)	39.1	%	36.2	%	38.0	%	35.7	%
Asia Pacific (3)	10.0	%	10.6	%	9.6	%	10.3	%

(In thousands)	Three Months Ended		Six Months Ended					
	December 31,		December 31,					
	2013	2012	2013	2012				
GAAP-based gross margin	70.3	%	64.8	%	68.8	%	63.8	%
GAAP-based operating margin	20.3	%	19.1	%	18.3	%	15.8	%
GAAP-based EPS, diluted	\$0.90		\$1.04		\$1.41		\$1.37	
Non-GAAP-based gross margin (4)	74.0	%	71.5	%	74.0	%	70.8	%
Non-GAAP-based operating margin (4)	30.9	%	32.1	%	30.7	%	30.5	%
Non-GAAP-based EPS, diluted (4)	\$1.58		\$1.58		\$2.95		\$2.89	

- (1) Americas primarily consists of countries in North, Central and South America.
(2) EMEA primarily consists of countries in Europe, Africa and the United Arab Emirates.
(3) Asia Pacific primarily consists of the countries Japan, Australia, Hong Kong, Singapore and New Zealand.
(4) See "Use of Non-GAAP Financial Measures" (discussed later in the MD&A) for a reconciliation of Non-GAAP-based measures to GAAP-based measures.

Revenues, Cost of Revenues and Gross Margin by Product Type

1) License Revenues:

License revenues consist of fees earned from the licensing of software products to 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. Cost of license revenues consists primarily of royalties payable to third parties.

(In thousands)	Three Months Ended		Six Months Ended					
	December 31,		December 31,					
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012		
License Revenues:								
Americas	\$34,499	\$(63)	\$34,562	\$63,414	\$625	\$62,789		
EMEA	36,421	4,603	31,818	58,428	3,999	54,429		
Asia Pacific	10,244	499	9,745	14,628	65	14,563		
Total License Revenues	81,164	5,039	76,125	136,470	4,689	131,781		
Cost of License Revenues	3,304	(2,027)	5,331	6,340	(3,159)	9,499		
GAAP-based License Gross Profit	\$77,860	\$7,066	\$70,794	\$130,130	\$7,848	\$122,282		
GAAP-based License Gross Margin %	95.9	%	93.0	%	95.4	%	92.8	%

% License Revenues by Geography:

Americas	42.5	%	45.4	%	46.5	%	47.6	%
EMEA	44.9	%	41.8	%	42.8	%	41.3	%
Asia Pacific	12.6	%	12.8	%	10.7	%	11.1	%

License revenues increased by \$5.0 million during the three months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was geographically attributable to an increase in EMEA of \$4.6 million, and an increase in Asia Pacific of \$0.5 million, offset by a decrease in Americas of \$0.1 million. Additionally, the increase in license revenues was attributable to a higher number of deals greater than \$0.5 million that closed in the second quarter compared to the same period in the prior fiscal year (21 deals compared to 16).

License revenues increased by \$4.7 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was geographically attributable to an increase in EMEA of \$4.0 million, an increase in Americas of \$0.6 million, and an increase in Asia Pacific of \$0.1 million. Additionally, the increase in license revenues was attributable to a higher number of deals greater than \$0.5 million that closed in the first six months of Fiscal 2014 compared to the same period in the prior fiscal year (34 deals compared to 27).

Cost of license revenues decreased during the three and six months ended December 31, 2013 by \$2.0 million and \$3.2 million, respectively, primarily due to lower third party technology costs. As a result, the gross margin percentage on license revenues increased approximately 3% for the three and six months ended December 31, 2013, respectively.

2) Cloud Services:

Cloud services revenues consist of services arrangements primarily attributable to our acquisition of EasyLink Services International Corporation (EasyLink). These arrangements allow our customers to make use of legacy EasyLink and OpenText software, services and content over Internet enabled networks supported by OpenText data centers. These web applications 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. Revenues are generated on several transactional usage-based models, are typically billed monthly in arrears, and can therefore fluctuate from period to period. Certain service fees are occasionally charged to customize hosted software for some customers and are either amortized over the expected economic life of the contract, in the case of setup fees, or recognized in the period they are provided. Cost of cloud services 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)	Three Months Ended December 31,			Six Months Ended December 31,				
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012		
Cloud Services:								
Americas	\$27,899	\$(805)	\$28,704	\$55,728	\$(978)	\$56,706		
EMEA	6,283	(450)	6,733	12,403	(982)	13,385		
Asia Pacific	7,949	(1,456)	9,405	15,647	(2,977)	18,624		
Total Cloud Services Revenues	42,131	(2,711)	44,842	83,778	(4,937)	88,715		
Cost of Cloud Services Revenues	15,963	(1,983)	17,946	30,228	(5,700)	35,928		
GAAP-based Cloud Services Gross Profit	\$26,168	\$(728)	\$26,896	\$53,550	\$763	\$52,787		
GAAP-based Cloud Services Gross Margin %	62.1	%	60.0	% 63.9	%	59.5	%	

% Cloud Services Revenues by Geography:

Americas	66.2	%	64.0	% 66.5	%	63.9	%
EMEA	14.9	%	15.0	% 14.8	%	15.1	%
Asia Pacific	18.9	%	21.0	% 18.7	%	21.0	%

Cloud services revenues decreased by \$2.7 million during the three months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was geographically attributable to a decrease in Asia Pacific of \$1.5 million, a decrease in Americas of \$0.8 million, and a decrease in EMEA of \$0.5 million.

Cloud services revenues decreased by \$4.9 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year, which is geographically attributable to a decrease in Asia Pacific of \$3.0 million, a decrease in EMEA of \$1.0 million, and a decrease in Americas of \$1.0 million.

Cost of cloud services revenues decreased by \$2.0 million during the three months ended December 31, 2013 as compared to the same period in the prior fiscal year due to lower revenue attainment as well as a reduction in third party technology costs. As a result, gross margin percentage on cloud services revenue increased to approximately 62%.

Cost of cloud services revenues decreased by \$5.7 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was primarily due to lower revenues and certain one-time adjustments related to sales tax liabilities. As a result, the gross margin percentage on cloud services revenues

increased to approximately 64%.

3) Customer Support Revenues:

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, with customer renewal

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

(In thousands)	Three Months Ended December 31,			Six Months Ended December 31,			
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012	
Customer Support Revenues:							
Americas	\$91,442	\$2,731	\$88,711	\$181,000	\$4,299	\$176,701	
EMEA	69,793	6,692	63,101	136,189	11,654	124,535	
Asia Pacific	13,190	344	12,846	25,676	158	25,518	
Total Customer Support Revenues	174,425	9,767	164,658	342,865	16,111	326,754	
Cost of Customer Support Revenues	24,409	(3,868)	28,277	46,579	(7,521)	54,100	
GAAP-based Customer Support Gross Profit	\$150,016	\$13,635	\$136,381	\$296,286	\$23,632	\$272,654	
GAAP-based Customer Support Gross Margin %	86.0	%	82.8	% 86.4	%	83.4	%
% Customer Support Revenues by Geography:							
Americas	52.4	%	53.9	% 52.8	%	54.1	%
EMEA	40.0	%	38.3	% 39.7	%	38.1	%
Asia Pacific	7.6	%	7.8	% 7.5	%	7.8	%

Customer support revenues increased by \$9.8 million during the three months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was geographically attributable to an increase in EMEA of \$6.7 million, an increase in Americas of \$2.7 million, and an increase in Asia Pacific of \$0.3 million.

Customer support revenues increased by \$16.1 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was geographically attributable to an increase in EMEA of \$11.7 million, an increase in Americas of \$4.3 million, and an increase in Asia Pacific of \$0.2 million.

Cost of customer support revenues decreased during the three and six months ended December 31, 2013 by \$3.9 million and \$7.5 million, respectively. This was primarily due to a reduction in the installed base of third party products. As a result, the gross margin percentage on customer support revenues increased to approximately 86% for the three and six months ended December 31, 2013, respectively.

4) Professional Service and Other Revenues:

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. These revenues 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. 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)	Three Months Ended December 31,			Six Months Ended December 31,			
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012	
Professional Service and Other Revenues:							
Americas	\$31,182	\$(4,220)	\$35,402	\$60,257	\$(9,853)	\$70,110	
EMEA	29,500	3,491	26,009	54,588	4,804	49,784	
Asia Pacific	5,105	(39)	5,144	10,009	(1,221)	11,230	
Total Professional Service and Other Revenues	65,787	(768)	66,555	124,854	(6,270)	131,124	
Cost of Professional Service and Other Revenues	51,245	2,003	49,242	96,680	(2,614)	99,294	
GAAP-based Professional Service and Other Gross Profit	\$14,542	\$(2,771)	\$17,313	\$28,174	\$(3,656)	\$31,830	
GAAP-based Professional Service and Other Gross Margin %	22.1	%	26.0	% 22.6	%	24.3	%

% Professional Service and Other Revenues by Geography:

Americas	47.4	%	53.2	% 48.3	%	53.5	%
EMEA	44.8	%	39.1	% 43.7	%	38.0	%
Asia Pacific	7.8	%	7.7	% 8.0	%	8.5	%

Professional service and other revenues decreased by \$0.8 million during the three months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was geographically attributable to a decrease in Americas of \$4.2 million, partially offset by an increase in EMEA of \$3.5 million.

Professional service and other revenues decreased by \$6.3 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was geographically attributable to a decrease in Americas of \$9.9 million, a decrease in Asia Pacific of \$1.2 million, partially offset by an increase in EMEA of \$4.8 million.

Cost of professional service and other revenues increased by \$2.0 million during the three months ended December 31, 2013 as compared to the same period in the prior fiscal year, primarily due to an increase in the use of subcontractors. As a result, the gross margin percentage on professional service and other revenues decreased to approximately 22%.

Cost of professional service and other revenues decreased by \$2.6 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was primarily due to a decrease in labour related expenses associated with lower professional service and other revenues attainment.

Amortization of Acquired Technology-based Intangible Assets

(In thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012
Amortization of acquired technology-based intangible assets	\$13,035	\$(10,156)	\$23,191	\$34,565	\$(12,408)	\$46,973

During the three and six months ended December 31, 2013, amortization of acquired technology-based intangible assets decreased by \$10.2 million and \$12.4 million, respectively, as compared to the same period in the prior fiscal year. This is due to the intangible assets pertaining to our acquisitions of Vignette Corporation and Hummingbird Corporation becoming fully amortized.

Operating Expenses

(In thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012
Research and development	\$41,917	\$3,199	\$38,718	\$82,133	\$3,509	\$78,624
Sales and marketing	81,290	13,313	67,977	150,703	18,211	132,492
General and administrative	32,815	4,073	28,742	61,701	5,995	55,706
Depreciation	6,898	793	6,105	13,356	1,142	12,214
Amortization of acquired customer-based intangible assets	12,432	(4,715)	17,147	29,709	(4,690)	34,399
Special charges	6,268	3,999	2,269	9,999	(1,824)	11,823
Total operating expenses	\$181,620	\$20,662	\$160,958	\$347,601	\$22,343	\$325,258

% of Total Revenues:

Research and development	11.5	%	11.0	%	11.9	%	11.6	%
Sales and marketing	22.4	%	19.3	%	21.9	%	19.5	%
General and administrative	9.0	%	8.2	%	9.0	%	8.2	%
Depreciation	1.9	%	1.7	%	1.9	%	1.8	%
Amortization of acquired customer-based intangible assets	3.4	%	4.9	%	4.3	%	5.1	%
Special charges	1.7	%	0.6	%	1.5	%	1.7	%

Research and development expenses consist primarily of personnel expenses, contracted research and development expenses, and facility costs. Research and development assists with organic growth, improves product stability and functionality, and as such we dedicate extensive efforts to update and upgrade our product offering. The primary driver is typically budgeted software upgrades and software development.

(In thousands)	Quarter-over-Quarter YTD-over-YTD Change between	
	Fiscal 2014 and 2013	Change between Fiscal 2014 and 2013
Payroll and payroll-related benefits	\$ 2,349	\$2,965
Contract labour and consulting	(1,369)	(3,142)
Share based compensation	564	953
Travel and communication	470	738
Facilities	961	1,512
Other miscellaneous	224	483
Total year-over-year change in research and development expenses	\$ 3,199	\$3,509

Research and development expenses increased by \$3.2 million during the three months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was primarily due to a \$2.3 million increase in payroll and payroll-related benefits, offset by a \$1.4 million decrease in contract labour and consulting, resulting from continued efforts to reduce the usage of external services and replace them with internal resources. Correspondingly, the change in labour resources resulted in a \$1.0 million increase in the use of facility and related resources, and a \$0.5 million increase in travel and communication costs. Overall, our research and development expenses, as a percentage of total revenues, have remained stable at approximately 11%.

Research and development expenses increased by \$3.5 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year. This was primarily due to a \$3.0 million increase in payroll and payroll-related benefits, offset by a \$3.1 million decrease in contract labour and consulting, resulting from continued efforts to reduce the usage of external services and replace them with internal resources. Correspondingly, the change

in labour resources, as well as the acquisition of Cordys in the first quarter of Fiscal 2014, resulted in a \$1.5 million increase in the use of facility and

related resources, and a \$0.7 million increase in travel and communication costs. Overall, our research and development expenses, as a percentage of total revenues, have remained stable at approximately 12%. Sales and marketing expenses consist primarily of personnel expenses and costs associated with advertising, marketing and trade shows.

	Quarter-over-Quarter Change between Fiscal 2014 and 2013	YTD-over-YTD Change between Fiscal 2014 and 2013
(In thousands)		
Payroll and payroll-related benefits	\$ 5,199	\$8,825
Commissions	2,859	5,014
Contract labour and consulting	(679)	(1,886)
Share based compensation	167	855
Travel and communication	812	1,577
Marketing expenses	2,682	698
Facilities	1,149	2,302
Other miscellaneous	1,124	826
Total year-over-year change in sales and marketing expenses	\$ 13,313	\$18,211

Sales and marketing expenses increased by \$13.3 million during the three months ended December 31, 2013, as compared to the same period in the prior fiscal year. This is primarily due to a \$5.2 million increase in payroll and payroll-related benefits, and a \$2.9 million increase in commission benefits, which were largely driven by an initiative to increase sales force capacity to further the potential for future sales growth, as well as by the acquisition of Cordys in the first quarter of Fiscal 2014. In addition, marketing expenses increased by \$2.7 million as a result of additional promotional activity for our annual user conference. Overall, our sales and marketing expenses, as a percentage of total revenues, have increased to approximately 22% from 19% in the same period in the prior fiscal year.

Sales and marketing expenses increased by \$18.2 million during the six months ended December 31, 2013, as compared to the same period in the prior fiscal year. This is primarily due to a \$8.8 million increase in payroll and payroll-related benefits, a \$5.0 million increase in commission benefits, which were largely driven by an initiative to increase sales force capacity to further the potential for future sales growth, as well as by the acquisition of Cordys in the first quarter of Fiscal 2014. Overall, our sales and marketing expenses, as a percentage of total revenues, have increased to approximately 22% from 20% in the same period in the prior fiscal year.

General and administrative expenses consist primarily of personnel expenses, related overhead, audit fees, other professional fees, consulting expenses and public company costs.

	Quarter-over-Quarter Change between Fiscal 2014 and 2013	YTD-over-YTD Change between Fiscal 2014 and 2013
(In thousands)		
Payroll and payroll-related benefits	\$ 1,473	\$1,192
Contract labour and consulting	80	(234)
Share based compensation	2,517	2,860
Travel and communication	65	63
Facilities	(140)	173
Other miscellaneous	78	1,941
Total year-over-year change in general and administrative expenses	\$ 4,073	\$5,995

General and administrative expenses increased by \$4.1 million during the three months ended December 31, 2013 as compared to the same period in the prior fiscal year. This is primarily due to a \$1.5 million increase in payroll and payroll-related benefits incurred as a result of additional labour resources, and a \$2.5 million increase in share based compensation due to the issuance of fully vested RSUs in the quarter ended December 31, 2013. As a result, general and administrative expenses, as a percentage of total revenue, have increased to 9% from 8% in the same period in the prior fiscal year.

General and administrative expenses increased by \$6.0 million during the six months ended December 31, 2103 as compared to the same period in the prior fiscal year. This is primarily due to a \$1.2 million increase in payroll and payroll-related benefits incurred as a result of additional labour resources, a \$2.9 million increase in share based compensation and a \$1.9 million increase in other miscellaneous expenses which was primarily due to higher professional fees, and business and sales tax. As a result, general and administrative expenses, as a percentage of total revenue, have increased to 9% from 8% in the same period in the prior fiscal year.

Depreciation expenses:

(In thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012
Depreciation	\$6,898	\$793	\$6,105	\$13,356	\$1,142	\$12,214

Depreciation expenses increased during the three and six months ended December 31, 2013 by \$0.8 million and \$1.1 million, respectively. This is primarily due to an increase in capital expenditures and the acquisition of Cordys during the first quarter of Fiscal 2014.

Amortization of acquired customer-based intangible assets:

(In thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012
Amortization of acquired customer-based intangible assets	\$12,432	\$(4,715)	\$17,147	\$29,709	\$(4,690)	\$34,399

Acquired customer-based intangible assets amortization expense decreased during the three and six months ended December 31, 2103 by \$4.7 million, respectively. This is due to the intangible assets pertaining to our acquisition of Hummingbird Corporation becoming fully amortized.

Special charges:

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. Generally, we implement such plans in the context of integrating existing OpenText operations with that of acquired entities. 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)	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012
Special charges	\$6,268	\$3,999	\$2,269	\$9,999	\$(1,824)	\$11,823

Special charges increased by \$4.0 million during the three months ended December 31, 2013, as compared to the same period in the prior fiscal year. This was primarily due to a \$3.6 million increase in acquisition related costs.

Special charges decreased by \$1.8 million during the six months ended December 31, 2013, as compared to the same period in the prior fiscal year. This was due to a \$2.2 million reduction in restructuring activities and a \$3.7 million reduction in other charges. This was partially offset by a \$4.1 million increase in acquisition related costs.

For more details on Special charges, see note 17 "Special Charges" to our Condensed Consolidated Financial Statements.

Net Other Income (Expense)

Net other income (expense) relates to certain non-operational charges consisting primarily of transactional foreign exchange gains (losses). This income (expense) is dependent upon the change in foreign currency exchange rates vis-à-vis the functional currency of the legal entity and we are unable to predict the impact of this income (expense) on our net income.

(In thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012
Other income (expense), net	\$(740	) \$(2,281	) \$1,541	\$1,186	\$(284	) \$1,470

Net Interest and other Related Expense

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

(In thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012
Interest and other related expense, net	\$3,040	\$(1,475	) \$4,515	\$7,425	\$(1,458	) \$8,883

Net interest and other related expense decreased by \$1.5 million during the three and six months ending December 31, 2013, respectively. During the three months ended December 31, 2013, we received income of approximately \$0.7 million as part of an income distribution made from one of our investments. We do not expect such income distributions to be made regularly. In addition, interest expense related to Term Loan A decreased by approximately \$0.7 million as a result of a reduction in the interest rate, as compared to the same period in the prior fiscal year. For more details see note 10 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Provision for Income Taxes

We initiated an internal reorganization of our international subsidiaries in our fiscal year beginning on July 1, 2009 and ending June 30, 2010 and we continue to integrate acquisitions into this new organizational structure for the following reasons: 1) to consolidate our intellectual property within certain jurisdictions, 2) to effect an operational reduction of our global subsidiaries with a view to, eventually, having a single operating legal entity in each jurisdiction, 3) to better safeguard our intellectual property in jurisdictions with well established legal regimes and protections and 4) to simplify the management of our intellectual property ownership.

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 Luxembourg.

(In thousands)	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	Change increase (decrease)	2012	2013	Change increase (decrease)	2012
Provision for income taxes	\$16,651	\$13,498	\$3,153	\$35,605	\$16,233	\$19,372

The effective GAAP tax rate (which is the provision for taxes expressed as a percentage of net income before taxes) increased to 23.7% for the three months ended December 31, 2013 from 4.9% for the three months ended December 31, 2012 primarily due to an increase in the net expense of unrecognized tax benefits in the amount of \$11.6 million and an increase of \$2.1 million related to the impact of adjustments in the United States, Germany and Australia upon filing of tax returns in Fiscal 2014 as compared to Fiscal 2013. The remainder of the differences are due to normal course movements and non-material items.

The effective GAAP tax rate increased to 29.7% for the six months ended December 31, 2013 from 19.4% for the six months ended December 31, 2012 primarily due to an increase in the net expense of unrecognized tax benefits in the amount of \$13.2 million offset by a decrease of \$1.6 million related to the impact of adjustments in the United States, Germany and

Australia upon filing tax returns in Fiscal 2014 as compared to Fiscal 2013. The remainder of the differences are due to normal course movement and non-material items.

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 are calculated as net income or earnings per share on a diluted basis, excluding the amortization of acquired intangible assets, other income (expense), share-based compensation, and special charges, all net of tax. Non-GAAP-based gross profit is the arithmetical sum of GAAP-based gross profit and the amortization of acquired technology-based intangible assets. Non-GAAP-based gross margin is calculated as Non-GAAP-based gross profit expressed as a percentage of revenue. Non-GAAP-based income from operations is calculated as income from operations, excluding the amortization of acquired intangible assets, special charges, and share-based compensation expense. Non-GAAP-based operating margin is calculated as Non-GAAP-based income from operations expressed as a percentage of revenue.

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 and is based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal reports. In the course of such evaluation and for the purpose of making operating decisions, the Company's management excludes certain items from its analysis, including amortization of acquired intangible assets, special charges, share-based compensation, other income (expense), and the taxation impact of these items. These items are excluded based upon the manner in which management evaluates the business of the Company and are not excluded in the sense that they may be used under U.S. GAAP.

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:

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the three months ended December 31, 2013

(in thousands except for per share data)

	Three Months Ended December 31, 2013						
	GAAP-based Measures	GAAP-based Measures % of Revenue	Adjustment	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Revenue	
Cost of revenues							
Cloud services	\$ 15,963		\$ 60	(1)	\$ 16,023		
Customer support	24,409		(312)	(1)	24,097		
Professional service and other	51,245		(328)	(1)	50,917		
Amortization of acquired technology-based intangible assets	13,035		(13,035)	(2)	—		
GAAP-based gross profit and gross margin (%) /	255,551	70.3%	13,615	(3)	269,166	74.0%	
Non-GAAP-based gross profit and gross margin (%)							
Operating expenses							
Research and development	41,917		(794)	(1)	41,123		
Sales and marketing	81,290		(1,921)	(1)	79,369		
General and administrative	32,815		(3,382)	(1)	29,433		
Amortization of acquired customer-based intangible assets	12,432		(12,432)	(2)	—		
Special charges	6,268		(6,268)	(4)	—		
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	73,931	20.3%	38,412	(5)	112,343	30.9%	
Other income (expense), net	(740)		740	(6)	—		
Provision for (recovery of) income taxes	16,651		(1,349)	(7)	15,302		
GAAP-based net income /	53,500		40,501	(8)	94,001		
Non-GAAP-based net income							
GAAP-based earnings per share /							
Non GAAP-based earnings per share-diluted	\$ 0.90		\$ 0.68	(8)	\$ 1.58		

(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 dollar and gross margin stated as a percentage of revenue.

(4) Adjustment relates to the exclusion of Special charges from our Non-GAAP-based operating expenses as Special charges are generally incurred in the periods following the relevant acquisitions and are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollar and operating margin stated as a percentage of revenue.

(6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) relates primarily 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.

(7) Adjustment relates to differences between the GAAP-based tax provision (recovery) and a Non-GAAP-based tax rate; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating Non-GAAP-based adjusted net income.

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

	Three Months Ended December 31, 2013	Per share diluted
Non-GAAP-based net income	\$94,001	\$1.58
Less:		
Amortization	25,467	0.43
Share-based compensation	6,677	0.11
Special charges	6,268	0.11
Other (income) expense, net	740	0.01
GAAP-based provision for (recovery of) income taxes	16,651	0.28
Non-GAAP based provision for income taxes	(15,302)	)(0.26)
GAAP-based net income	\$53,500	\$0.90

Edgar Filing: OPEN TEXT CORP - Form 10-Q

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the three months ended December 31, 2012

(in thousands except for per share data)

	Three Months Ended December 31, 2012					
	GAAP-based Measures	GAAP-based Measures % of Revenue	Adjustment	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Revenue
Cost of revenues						
Cloud services	\$17,946		\$ (30)	(1)	\$ 17,916	
Customer support	28,277		(107)	(1)	28,170	
Professional service and other	49,242		(188)	(1)	49,054	
Amortization of acquired technology-based intangible assets	23,191		(23,191)	(2)	—	
GAAP-based gross profit and gross margin (%) /	228,193	64.8%	23,516	(3)	251,709	71.5%
Non-GAAP-based gross profit and gross margin (%)						
Operating expenses						
Research and development	38,718		(331)	(1)	38,387	
Sales and marketing	67,977		(1,653)	(1)	66,324	
General and administrative	28,742		(865)	(1)	27,877	
Amortization of acquired customer-based intangible assets	17,147		(17,147)	(2)	—	
Special charges	2,269		(2,269)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	67,235	19.1%	45,781	(5)	113,016	32.1%
Other income (expense), net	1,541		(1,541)	(6)	—	
Provision for (recovery of) income taxes	3,153		12,037	(7)	15,190	
GAAP-based net income /	61,108		32,203	(8)	93,311	
Non-GAAP-based net income						
GAAP-based earnings per share /	\$1.04		\$ 0.54	(8)	\$ 1.58	
Non GAAP-based earnings per share-diluted						

(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 dollar and gross margin stated as a percentage of revenue.

(4) Adjustment relates to the exclusion of Special charges from our Non-GAAP-based operating expenses as Special charges are generally incurred in the periods following the relevant acquisitions and are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollar and operating margin stated as a percentage of revenue.

(6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) relates primarily 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.

- (7) Adjustment relates to differences between the GAAP-based tax provision (recovery) and a Non-GAAP-based tax rate; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating Non-GAAP-based adjusted net income.
- (8) Reconciliation of Non-GAAP-based adjusted net income to GAAP-based net income:

	Three Months Ended December 31, 2012	Per share diluted
Non-GAAP-based net income	\$93,311	\$1.58
Less:		
Amortization	40,338	0.68
Share-based compensation	3,174	0.05
Special charges	2,269	0.04
Other (income) expense, net	(1,541)	)(0.03)
GAAP-based provision for (recovery of) income taxes	3,153	0.05
Non-GAAP based provision for income taxes	(15,190)	)(0.25)
GAAP-based net income	\$61,108	\$1.04

Edgar Filing: OPEN TEXT CORP - Form 10-Q

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the six months ended December 31, 2013

(in thousands except for per share data)

	Six Months Ended December 31, 2013				Non-GAAP-based Measures	Non-GAAP-based Measures % of Revenue
	GAAP-based Measures	GAAP-based Measures % of Revenue	Adjustment	Note		
Cost of revenues						
Cloud services	\$ 30,228		\$ 22	(1)	\$ 30,250	
Customer support	46,579		(409)	(1)	46,170	
Professional service and other	96,680		(498)	(1)	96,182	
Amortization of acquired technology-based intangible assets	34,565		(34,565)	(2)	—	
GAAP-based gross profit and gross margin (%) /	473,575	68.8%	35,450	(3)	509,025	74.0%
Non-GAAP-based gross profit and gross margin (%)						
Operating expenses						
Research and development	82,133		(1,522)	(1)	80,611	
Sales and marketing	150,703		(4,274)	(1)	146,429	
General and administrative	61,701		(4,608)	(1)	57,093	
Amortization of acquired customer-based intangible assets	29,709		(29,709)	(2)	—	
Special charges	9,999		(9,999)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	125,974	18.3%	85,562	(5)	211,536	30.7%
Other income (expense), net	1,186		(1,186)	(6)	—	
Provision for (recovery of) income taxes	35,605		(7,029)	(7)	28,576	
GAAP-based net income /	84,130		91,405	(8)	175,535	
Non-GAAP-based net income						
GAAP-based earnings per share /	\$ 1.41		\$ 1.54	(8)	\$ 2.95	
Non GAAP-based earnings per share-diluted						

(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 dollar and gross margin stated as a percentage of revenue.

(4) Adjustment relates to the exclusion of Special charges from our Non-GAAP-based operating expenses as Special charges are generally incurred in the periods following the relevant acquisitions and are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollar and operating margin stated as a percentage of revenue.

(6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) relates primarily 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.

- (7) Adjustment relates to differences between the GAAP-based tax provision (recovery) and a Non-GAAP-based tax rate; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating Non-GAAP-based adjusted net income.
- (8) Reconciliation of Non-GAAP-based adjusted net income to GAAP-based net income:

	Six Months Ended December 31, 2013	Per share diluted
Non-GAAP-based net income	\$175,535	\$2.95
Less:		
Amortization	64,274	1.08
Share-based compensation	11,289	0.19
Special charges	9,999	0.17
Other (income) expense, net	(1,186	)(0.02)
GAAP-based provision for (recovery of) income taxes	35,605	0.60
Non-GAAP based provision for income taxes	(28,576	)(0.48)
GAAP-based net income	\$84,130	\$1.41

Edgar Filing: OPEN TEXT CORP - Form 10-Q

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the six months ended December 31, 2012

(in thousands except for per share data)

	Six Months Ended December 31, 2012					Non-GAAP-based	
	GAAP-based Measures	GAAP-based Measures % of Revenue	Adjustment	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Revenue	
Cost of revenues							
Cloud services	\$ 35,928		\$ (30)	(1)	\$ 35,898		
Customer support	54,100		(145)	(1)	53,955		
Professional service and other	99,294		(365)	(1)	98,929		
Amortization of acquired technology-based intangible assets	46,973		(46,973)	(2)	—		
GAAP-based gross profit and gross margin (%) /	432,580	63.8%	47,513	(3)	480,093	70.8%	
Non-GAAP-based gross profit and gross margin (%)							
Operating expenses							
Research and development	78,624		(669)	(1)	77,955		
Sales and marketing	132,492		(3,319)	(1)	129,173		
General and administrative	55,706		(1,748)	(1)	53,958		
Amortization of acquired customer-based intangible assets	34,399		(34,399)	(2)	—		
Special charges	11,823		(11,823)	(4)	—		
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	107,322	15.8%	99,471	(5)	206,793	30.5%	
Other income (expense), net	1,470		(1,470)	(6)	—		
Provision for (recovery of) income taxes	19,372		8,335	(7)	27,707		
GAAP-based net income /	80,537		89,666		170,203		
Non-GAAP-based net income							
GAAP-based earnings per share /	\$ 1.37		\$ 1.52	(8)	\$ 2.89		
Non GAAP-based earnings per share-diluted							

(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 dollar and gross margin stated as a percentage of revenue.

(4) Adjustment relates to the exclusion of Special charges from our Non-GAAP-based operating expenses as Special charges are generally incurred in the periods following the relevant acquisitions and are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollar and operating margin stated as a percentage of revenue.

(6) Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) relates primarily 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.

- (7) Adjustment relates to differences between the GAAP-based tax provision (recovery) and a Non-GAAP-based tax rate; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating Non-GAAP-based adjusted net income.
- (8) Reconciliation of Non-GAAP-based adjusted net income to GAAP-based net income:

	Six Months Ended December 31, 2012	Per share diluted
Non-GAAP-based net income	\$ 170,203	\$ 2.89
Less:		
Amortization	81,372	1.38
Share-based compensation	6,276	0.11
Special charges	11,823	0.20
Other (income) expense, net	(1,470)	(0.02)
GAAP-based provision for (recovery of) income taxes	19,372	0.33
Non-GAAP based provision for income taxes	(27,707)	(0.48)
GAAP-based net income	\$ 80,537	\$ 1.37

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 December 31, 2013	Change increase (decrease)	As of June 30, 2013
Cash and cash equivalents	\$515,354	\$44,909	\$470,445
	Six Months Ended		
	December 31,		
(In thousands)	2013	Change	2012
Cash provided by operating activities	140,799	\$4,342	136,457
Cash used in investing activities	(52,425	) \$273,770	(326,195)
Cash provided by (used in) financing activities	(48,318	) \$(39,993	) (8,325)
Cash and cash equivalents			

Cash and cash equivalents primarily consist of deposits held at major banks with original maturities of 90 days or less. In connection with our recent acquisition of GXS, we entered into a new credit agreement on January 16, 2014 which provides for an \$800 million term loan facility. For further details on this facility, see "Long-term Debt and Credit Facilities" below and note 22 "Subsequent Events" to our Condensed Consolidated Financial Statements as well as a copy of the agreement as filed as an exhibit to the Company's Form 8-K, as filed with the SEC on January 16, 2014. On the same day we entered into this facility, we borrowed \$800 million to fund, in part, our acquisition of GXS. We 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 12 months. However, any further material or acquisition-related activities may require additional sources of financing.

We do not have any restrictions on repatriation of cash from foreign subsidiaries nor do we expect taxes on repatriation of cash held in foreign subsidiaries to have a material effect on our overall liquidity, financial condition or results of operations.

Cash flows provided by operating activities

Cash flows from operating activities increased by \$4.3 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year due to an increase in changes from working capital of \$14.1 million, offset by a decrease in net income before the impact of non-cash items of \$9.8 million.

Cash used in investing activities

Our cash used in investing activities is primarily on account of acquisitions.

Cash flows used in investing activities decreased by \$273.8 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year. This is primarily due to the lower purchase consideration for Cordys than for our acquisition of EasyLink, purchased in the first quarter of Fiscal 2013. The decrease was offset by a \$10.3 million increase in additions of property and equipment and a \$1.0 million increase in other investing activities.

Cash flows from financing activities

Our cash flows from financing activities 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 \$40.0 million during the six months ended December 31, 2013 as compared to the same period in the prior fiscal year. This is primarily the result of \$35.5 million in dividend payments made to our shareholders during Fiscal 2014. The remaining difference was due to a \$3.7 million increase in principal repayments on Term Loan A, and less cash collected from the issuance of Common Shares.

Cash Dividends

During the three months and six months ended December 31, 2013, we declared and paid cash dividends of \$0.30 per Common Share that totaled \$17.7 million and \$35.5 million, respectively. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of our Board of Directors.

Long-term Debt and Credit Facilities

Term Loan A and Revolver

As of December 31, 2013, our credit facility consists of a \$600 million term loan facility (Term Loan A) and a \$100 million committed revolving credit facility (the Revolver). Borrowings under the credit facility are secured by a first charge over substantially all of our assets, and as of January 16, 2014, on a pari passu basis with Term Loan B (as defined below). We entered into this credit facility and borrowed the full amount under Term Loan A on November 9, 2011.

Term Loan A has a five year term and repayments made under Term Loan A are equal to 1.25% of the original principal amount at each quarter for the first 2 years, 1.88% for years 3 and 4 and 2.5% for year 5. Term Loan A bears interest at a floating rate of LIBOR plus 2.25%.

The Revolver has a five year term with no fixed repayment date prior to the end of the term. As of December 31, 2013, we have not drawn any amounts on the Revolver.

On December 16, 2013, we entered into a First Amendment to Term Loan A (the Amendment). The Amendment, among other things, (i) modifies the leverage ratio condition for incurring debt under a debt basket to a consolidated senior secured leverage ratio of less than 2.75:1.00 (formerly 2.50:1.00); and (ii) replaces the income-based basket in the restricted payments negative covenant (formerly 50% of consolidated net income) with a basket of up to 35% of consolidated earnings, before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. The Amendment did not impact our "consolidated leverage" or "consolidated interest coverage" covenants. For more details of this Amendment, see Exhibit 10.1 filed under the Company's Form 8-K, as filed with the SEC on December 20, 2013.

We must continue to maintain a "consolidated leverage" ratio of no more than 3:1 at the end of each financial quarter. Consolidated leverage ratio is defined for this purpose as the proportion of our total debt, 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 December 31, 2013, our consolidated leverage ratio was 1.32:1.

We must also continue to maintain a "consolidated interest coverage" ratio of 3:1 or more at the end of each financial quarter. Consolidated interest coverage ratio is defined for this purpose as our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges, over our consolidated interest expense. As of December 31, 2013, our consolidated interest coverage ratio was 23.2:1.

We utilize our long-term debt facilities primarily for acquisition activities. Our current position with respect to our loan covenants provides us with additional ability to borrow for potential future acquisition activities.

For more details relating to our Term Loan A, see note 10 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Term Loan B

In connection with the acquisition of GXs, on January 16, 2014, we entered into a new credit facility, which is in addition to our Term Loan A that already exists as of December 31, 2013, which provides for a \$800 million term loan facility with certain lenders named therein, Barclays Bank PLC (Barclays), as sole administrative agent and collateral agent, and with Barclays and RBC Capital Markets as lead arrangers and joint bookrunners (Term Loan B). 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.

Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with Term Loan A. We entered into Term Loan B and borrowed the full amount of \$800 million on January 16, 2014. Term Loan B has a seven year term.

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 determined by reference to the greatest of (i) the prime rate of Barclays, (ii) the federal funds rate plus 0.50% per annum and (iii) the one month eurodollar rate plus 1.00% per annum. The applicable margin for borrowings under Term Loan B will be 2.5% with respect to LIBOR borrowings and 1.5% with respect to ABR rate borrowings.

Currently we have chosen for our borrowings under Term Loan B to bear a floating rate of interest at a rate per annum equal to 2.5% plus the higher of LIBOR or 0.75%.

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, 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, 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.

For further details relating to Term Loan B, please see the credit agreement filed as an exhibit to the Company's Form 8-K, as filed with the SEC on January 16, 2014.

Mortgage

We currently have an "open" mortgage with a bank where we can pay all or a portion of the mortgage on or before August 1, 2014. The original principal amount of the mortgage was Canadian \$15.0 million and interest accrues monthly at a variable rate of Canadian prime plus 0.50%. Principal and interest are payable in monthly installments of Canadian \$0.1 million with a final lump sum principal payment due on maturity. The mortgage is secured by a lien on our headquarters in Waterloo, Ontario, Canada. We first entered into this mortgage in December 2005. As of December 31, 2013, the carrying value of the mortgage was \$10.0 million. As of December 31, 2013, the carrying value of the Waterloo building that secures the mortgage was \$15.9 million.

Pensions

As of December 31, 2013, our total unfunded pension plan obligation was \$25.7 million, of which \$0.7 million is payable within the next 12 months. We expect to be able to make the long-term and short-term payments related to this obligation in the normal course of operations.

Our anticipated payments under our most significant plan, the CDT pension plan, for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,
2014 (six months ended June 30)	\$ 301
2015	622
2016	690
2017	760
2018	815
2019 to 2023	5,976
Total	\$9,164

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

Commitments and Contractual Obligations

As of December 31, 2013, we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

(In thousands)	Total	Payments due between			
		January 1, 2014— June 30, 2014	July 1, 2014— June 30, 2016	July 1, 2016— June 30, 2018	July 1, 2018 and beyond
Long-term debt obligations	\$ 578,625	\$ 29,416	\$ 133,817	\$ 415,392	\$ —
Operating lease obligations*	155,664	19,273	62,483	40,116	33,792
Purchase obligations	8,457	2,902	4,784	771	—
	\$ 742,746	\$ 51,591	\$ 201,084	\$ 456,279	\$ 33,792

*Net of \$1.6 million of sublease income to be received from properties which we have subleased to third parties. The long-term debt obligations are comprised of interest and principal payments on our Term Loan A and a mortgage on our headquarters in Waterloo, Ontario, Canada. See note 10 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

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 Condensed Consolidated Financial Statements.

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" (ASC 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 ASC Topic 450-20. As of the date of this filing on Form 10-Q for the quarter ended December 31, 2013, such aggregated losses were not material to our consolidated financial position or result 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

EasyLink is currently being assessed by the New York State Department of Taxation and Finance (the Department) for the potential applicability of telecommunications excise and franchise taxes to its New York State revenues for certain pre-acquisition EasyLink revenue. The potential exposure under this assessment, based upon the notice issued by the Department, is approximately \$10.5 million. OpenText intends to vigorously defend against this assessment. In addition, Easylink is under audit for New York State sales tax for the periods from June 2004 through to February 2011. We intend to vigorously contest any assessments for this period based on facts and circumstances relating to business operations during this timeframe. However, the results of these audits, and the potential sales tax exposure for EasyLink, could be significantly influenced by the fact that our judicial appeal of the assessment against EasyLink for \$0.5 million in tax, interest and penalties for New York State sales tax for the period March 2001 to May 2004 was denied. We believe we have established sufficient reserves for this matter.

Off-Balance Sheet Arrangements

We do not enter into off-balance sheet financing as a matter of practice except for 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 3. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to market risks associated with fluctuations in interest rates on our Term Loan and foreign currency exchange rates.

Interest rate risk

Our exposure to interest rate fluctuations relate primarily to our Term Loan A. As of December 31, 2013, we had an outstanding balance of \$536.3 million on Term Loan A. Term Loan A bears a floating interest rate of LIBOR plus a fixed rate of 2.25%. As of December 31, 2013, an adverse change in LIBOR of 100 basis points (1.0%) would have the effect of increasing our annual interest payment on Term Loan A by approximately \$5.4 million, assuming that the loan balance as of December 31, 2013 is outstanding for the entire period.

At June 30, 2013, an adverse change in LIBOR of 100 basis points (1.0%) would have had the effect of increasing our annual interest payment on Term Loan A by approximately \$5.6 million, assuming that the loan balance was outstanding for the entire period.

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 at December 31, 2013, a one cent change in the Canadian dollar to U.S. dollar exchange rates would cause a change of approximately \$0.5 million in the mark to market on our existing foreign exchange forward contracts.

At June 30, 2013, a one cent change in the Canadian dollar to U.S. dollar exchange rates would have caused a change of approximately \$1.0 million in the mark to market on our existing foreign exchange forward contracts.

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 Condensed Consolidated Balance Sheets).

The following table shows our cash and cash equivalents denominated in certain major foreign currencies as of December 31, 2013 (equivalent in U.S. dollar):

(In thousands)	U.S. Dollar Equivalent at December 31, 2013	U.S. Dollar Equivalent at June 30, 2013
Canadian Dollar	\$ 12,083	\$ 7,942
Swiss Franc	8,082	6,303
Euro	58,246	102,104
British Pound	14,522	24,925
Other foreign currencies	32,634	59,959
Total cash and cash equivalents denominated in foreign currencies	125,567	201,233
U.S. dollar	389,787	269,212
Total cash and cash equivalents	\$ 515,354	\$ 470,445

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 U.S. dollars would decrease by approximately \$12.6 million, assuming constant foreign currency cash and cash equivalents (June 30, 2013—\$20.1 million).

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, 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 December 31, 2013, 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.

Changes in Internal Control over Financial Reporting

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 December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - Other Information

Item 1A. Risk Factors

Risk Factors

In addition to the information set forth below, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended June 30, 2013. The risks and uncertainties described below and in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended June 30, 2013 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 presented in order of importance or probability of occurrence.

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

Our ability to realize the anticipated benefits of the Acquisition of GXS will depend, in part, on our ability to successfully and efficiently integrate GXS' business and operations with our own. The integration of GXS' operations with our own 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 GXS 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 two companies;

- preserving important strategic and customer relationships;

- the possibility that we may have failed to discover liabilities of GXS during our due diligence investigation as part of the Acquisition for which we, as a successor owner, may be responsible; and

- provisions in our and GXS' contracts with third parties that may limit our flexibility to take certain actions.

As a result of these difficulties and risks, we may not accomplish the integration of GXS' business smoothly, successfully or within our budgetary expectations and anticipated timetable, which may result in a failure to realize some or all of the anticipated benefits of the Acquisition.

Our indebtedness following the Acquisition of GXS is significantly higher than our indebtedness prior to the Acquisition, which could limit our operations and opportunities.

As of December 31, 2013, we had approximately \$546.2 million in total indebtedness. We financed the cash portion of the consideration pursuant to the Acquisition with \$265 million of cash on hand and the \$800 million borrowed under a new term loan facility entered into on January 16, 2014. Term Loan B has a seven year term and is secured by a first priority lien on substantially all of the combined Company's assets and properties on a pari passu basis with Term Loan A, our existing credit facility.

Our debt service obligations with respect to this increased indebtedness 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.

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 Term Loan A, our existing credit facility, 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 A,

our existing credit facility, includes a financial covenant relating to a minimum consolidated interest coverage ratio and both Term Loan A and Term Loan B include 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 A and Term Loan B 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.

We may have made certain assumptions relating to GXS or the Acquisition that may prove to be materially inaccurate. Even if the integration is successful, we may have made certain assumptions relating to the Acquisition which may prove to be inaccurate, including with respect to general economic and business conditions that could have an adverse effect on the combined company following the Acquisition. These assumptions relate to numerous matters, including: our assessments of the asset quality and value of GXS and its assets; projections of the business and GXS' future financial performance; our ability to realize synergies related to commercialization and distribution of new and existing products and services, and back office and administrative consolidation; acquisition costs, including amounts payable in cash with respect to dissenting shares and potential restructuring charges, which could be reflected in subsequent quarters; our ability to maintain, develop and deepen relationships with GXS' customers; and our belief that the indemnification and escrow arrangements that we have negotiated in the Merger Agreement will prove adequate. The acquisition may not be immediately accretive and may cause dilution to our GAAP based earnings per share, which may negatively affect the Acquisition and cause a decrease in the market price of our Common Shares. If one or more of these assumptions are incorrect, it could have an adverse effect on our business and operating results, and the perceived benefits from the Acquisition may not be realized.

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

Prior to the consummation of the Acquisition, the Company and GXS operated independently. Our success as a combined business will depend, in part, upon our ability to retain key employees, especially during the integration phase of the two businesses. It is possible that the integration process could result in current and prospective employees of ours and GXS to experience uncertainty about their future roles with us, which could have an adverse effect on our ability to retain 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 could have an adverse effect on our future operating results and the successful ongoing operation of our businesses.

GXS' business relationships may be subject to disruption due to uncertainty associated with the Acquisition. Parties with which GXS conducted business prior to consummation of the Acquisition may experience uncertainty associated with the Acquisition, including with respect to current or future business relationships with us. As a result, business relationships with GXS' customers and others may be subject to disruptions if they attempt to negotiate changes in existing business relationships or consider entering into business relationships with parties other than us. These disruptions could have an adverse effect on our businesses, financial condition, results of operations or prospects.

The issuance of the new Common Shares in connection with the Acquisition could have the effect of depressing the price of our our Common Shares.

In connection with the completion of the Acquisition, we issued 1,297,521 Common Shares. The issuance of these new Common Shares could have the effect of depressing the market price of our Common Shares. The Common Shares we issued in connection with the Acquisition are subject to certain demand and piggyback registration rights granted to the holders of such Common Shares. Subject to certain conditions, the holders may make a demand for registration of such Common Shares, upon receipt of which we are required to file a shelf registration statement no later than 90 days after the closing date of the Acquisition and 30 days after receipt of such demand, subject to certain rights we have to delay such filing. Any sales or perceptions of future sales may have a negative effect on the market price of our Common Shares. In addition, we could also encounter additional transaction-related costs or other factors such as the failure to realize all of the benefits anticipated in the Acquisition. All of these factors could cause dilution to our earnings per share and cause a decrease in the market price of our Common Shares.

Item 5. Other Information

Restructuring Plan

In connection with the acquisition of GXS, on January 16, 2014, we began to implement restructuring activities to streamline our operations. These charges relate to workforce reductions, facility consolidations and other costs. With respect to each of these categories we expect to incur charges during the remainder of Fiscal 2014, in the following approximate ranges:

- Workforce reductions: \$11.0 million to \$13.0 million,
- Facility consolidations: \$9.0 million to \$11.0 million, and
- Other Costs: \$2.0 million to \$3.0 million.

In addition, we expect to incur additional restructuring costs in the range of \$7.0 million to \$10.0 million, in connection with this restructuring plan, in Fiscal 2015. Total costs to be incurred in conjunction with this restructuring plan are expected to be approximately \$29.0 million to \$37.0 million and we expect all actions to be substantially completed by the end of Fiscal 2015.

Item 6. Exhibits and Financial Statement Schedules

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

Edgar Filing: OPEN TEXT CORP - Form 10-Q

Exhibit Number	Description of Exhibit
2.1	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 (2)
2.2	Support Agreement, dated as of November 4, 2013, among GXS Group, Inc., Open Text Corporation, and Global Acquisition LLC (2)
2.3	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 (2)
2.4	Support Agreement, dated as of November 4, 2013 among GXS Group, Inc., Open Text Corporation, and Cerberus America Series One Holdings LLC and Cerberus Series Two Holdings LLC (2)
3.1	By-Law 1 of Open Text Corporation (1)
4.1	Amended and Restated Shareholder Rights Plan Agreement between Open Text Corporation and Computershare Investor Services, Inc. dated September 26, 2013 (1)
4.2	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) (2)
10.1	Commitment Letter, dated as of November 4, 2013, by and among Barclays Bank PLC, Royal Bank of Canada and Open Text Corporation (2)
10.2	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. (3)
10.3	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 (4)
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
101.SCH	XBRL taxonomy extension schema
101.CAL	XBRL taxonomy extension calculation linkbase
101.DEF	XBRL taxonomy extension definition linkbase
101.LAB	XBRL taxonomy extension label linkbase
101.PRE	XBRL taxonomy extension presentation

(1) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on September 26, 2013 and incorporated herein by reference.

(2) Filed as an Exhibit to the Company's Report on Form 8-K/A, as filed with the SEC on November 6, 2013 and incorporated herein by reference.

(3) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on December 20, 2013 and incorporated herein by reference.

(4) Filed as an Exhibit to the Company's Report on Form 8-K, as filed with the SEC on January 16, 2014 and incorporated herein by reference.

SIGNATURES

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

OPEN TEXT CORPORATION

Date: January 23, 2014

By: /s/ MARK BARRENECHEA

Mark Barrenechea

President and Chief Executive Officer

(Principal Executive Officer)

/s/ PAUL MCFEETERS

Paul McFeeters

Chief Financial Officer and Chief Administrative
Officer

(Principal Financial Officer)

/s/ SUJEET KINI

Sujeet Kini

Chief Accounting Officer

(Principal Accounting Officer)