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DELTA REPORT

10-Q

OPEN TEXT CORP

10-Q - DECEMBER 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1581
CHANGES	445
DELETIONS	418
ADDITIONS	718

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 September 30, 2023 December 31, 2023

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	**98-0154400**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
275 Frank Tompa Drive,	
Waterloo, Ontario Canada	**N2L 0A1**
(Address of principal executive offices)	**(Zip code)**

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

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

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

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

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

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

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

At October 27, 2023 January 26, 2024, there were 271,514,728 272,044,545 outstanding Common Shares of the registrant.

OPEN TEXT CORPORATION

TABLE OF CONTENTS

Part I - Financial Information

Item 1. Financial Statements

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

		September 30, 2023	**June 30, 2023**		
	December 31, 2023			**December 31, 2023**	**June 30, 2023**
ASSETS	**ASSETS**	**(unaudited)**			
Cash and cash equivalents	Cash and cash equivalents	$ 919,850	$ 1,231,625		
Accounts receivable trade, net of allowance for credit losses of $11,501 as of September 30, 2023 and $13,828 as of June 30, 2023 (Note 4)		676,594	682,517		
Cash and cash equivalents					
Cash and cash equivalents					
Accounts receivable trade, net of allowance for credit losses of $10,642 as of December 31, 2023 and $13,828 as of June 30, 2023 (Note 4)					
Contract assets (Note 3)	Contract assets (Note 3)	78,562	71,196		

Income taxes recoverable (Note 15)	Income taxes recoverable (Note 15)	70,179	68,161
Prepaid expenses and other current assets (Note 9)	Prepaid expenses and other current assets (Note 9)	199,917	221,732
Assets held for sale (Note 19)			
Total current assets	Total current assets	1,945,102	2,275,231
Property and equipment (Note 5)	Property and equipment (Note 5)	361,612	356,904
Operating lease right of use assets (Note 6)	Operating lease right of use assets (Note 6)	266,053	285,723
Long-term contract assets (Note 3)	Long-term contract assets (Note 3)	54,448	64,553
Goodwill (Note 7)	Goodwill (Note 7)	8,618,765	8,662,603
Acquired intangible assets (Note 8)	Acquired intangible assets (Note 8)	3,888,217	4,080,879
Deferred tax assets (Note 15)	Deferred tax assets (Note 15)	996,514	926,719
Other assets (Note 9)	Other assets (Note 9)	328,972	342,318
Long-term income taxes recoverable (Note 15)	Long-term income taxes recoverable (Note 15)	94,193	94,270
Total assets			
Total assets			
Total assets	**Total assets**	$ 16,553,876	$ 17,089,200
LIABILITIES AND SHAREHOLDERS' EQUITY	**LIABILITIES AND SHAREHOLDERS' EQUITY**		
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities (Note 10)			
Accounts payable and accrued liabilities (Note 10)			
Accounts payable and accrued liabilities (Note 10)	Accounts payable and accrued liabilities (Note 10)	$ 836,042	$ 996,261
Current portion of long-term debt (Note 11)	Current portion of long-term debt (Note 11)	145,850	320,850
Operating lease liabilities (Note 6)	Operating lease liabilities (Note 6)	90,418	91,425
Deferred revenues (Note 3)	Deferred revenues (Note 3)	1,596,321	1,721,781
Income taxes payable (Note 15)	Income taxes payable (Note 15)	153,396	89,297
Liabilities held for sale (Note 19)			
Total current liabilities	Total current liabilities	2,822,027	3,219,614
Long-term liabilities:	Long-term liabilities:		

Accrued liabilities (Note 10)	Accrued liabilities (Note 10)	49,333	51,961
Pension liability (Note 12)		125,616	126,312
Accrued liabilities (Note 10)			
Accrued liabilities (Note 10)			
Pension liability, net (Note 12)			
Long-term debt (Note 11)	Long-term debt (Note 11)	8,554,569	8,562,096
Long-term operating lease liabilities (Note 6)	Long-term operating lease liabilities (Note 6)	252,629	271,579
Long-term deferred revenues (Note 3)	Long-term deferred revenues (Note 3)	197,112	217,771
Long-term income taxes payable (Note 15)	Long-term income taxes payable (Note 15)	148,822	193,808
Deferred tax liabilities (Note 15)	Deferred tax liabilities (Note 15)	389,510	423,955
Total long-term liabilities			
Total long-term liabilities			
Total long-term liabilities	Total long-term liabilities	9,717,591	9,847,482
Shareholders' equity:	Shareholders' equity:		
Share capital and additional paid-in capital (Note 13)	Share capital and additional paid-in capital (Note 13)		
271,227,929 and 270,902,571 Common Shares issued and outstanding at September 30, 2023 and June 30, 2023, respectively; authorized Common Shares: unlimited		2,216,921	2,176,947
Share capital and additional paid-in capital (Note 13)			
Share capital and additional paid-in capital (Note 13)			
271,854,655 and 270,902,571 Common Shares issued and outstanding at December 31, 2023 and June 30, 2023, respectively; authorized Common Shares: unlimited			
271,854,655 and 270,902,571 Common Shares issued and outstanding at December 31, 2023 and June 30, 2023, respectively; authorized Common Shares: unlimited			
271,854,655 and 270,902,571 Common Shares issued and outstanding at December 31, 2023 and June 30, 2023, respectively; authorized Common Shares: unlimited			
Accumulated other comprehensive income (loss) (Note 20)	Accumulated other comprehensive income (loss) (Note 20)	(70,025)	(53,559)
Retained earnings	Retained earnings	2,062,107	2,048,984
Treasury stock, at cost (4,753,281 and 3,536,375 shares at September 30, 2023 and June 30, 2023, respectively)		(196,119)	(151,597)

Treasury stock, at cost (4,400,034 and 3,536,375 shares at December 31, 2023 and June 30, 2023, respectively)			
Total OpenText shareholders' equity	Total OpenText shareholders' equity	4,012,884	4,020,775
Non-controlling interests	Non-controlling interests	1,374	1,329
Total shareholders' equity	Total shareholders' equity	4,014,258	4,022,104
Total liabilities and shareholders' equity	**Total liabilities and shareholders' equity**	$16,553,876	$17,089,200

Guarantees and contingencies (Note 14)
Related party transactions (Note 24)
Subsequent events (Note 25)

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 September 30, 2023	Three Months Ended September 30, 2022				
	Three Months Ended December 31, 2023			**Three Months Ended December 31, 2023**	**Three Months Ended December 31, 2022**	**Six Months Ended December 31, 2023**	**Six Months Ended December 31, 2022**
Revenues (Note 3):	Revenues (Note 3):						
Cloud services and subscriptions							
Cloud services and subscriptions							
Cloud services and subscriptions	Cloud services and subscriptions	$ 451,014	$ 404,651				
Customer support	Customer support	697,713	317,351				
License	License	173,026	62,548				
Professional service and other	Professional service and other	103,676	67,486				

Total revenues	Total revenues	1,425,429	852,036
Cost of revenues:	Cost of revenues:		
Cloud services and subscriptions			
Cloud services and subscriptions			
Cloud services and subscriptions	Cloud services and subscriptions	171,412	131,799
Customer support	Customer support	75,014	27,354
License	License	3,839	2,758
Professional service and other	Professional service and other	79,922	53,800
Amortization of acquired technology-based intangible assets (Note 8)	Amortization of acquired technology-based intangible assets (Note 8)	76,824	42,637
Total cost of revenues	Total cost of revenues	407,011	258,348
Gross profit	Gross profit	1,018,418	593,688
Operating expenses:	Operating expenses:		
Research and development			
Research and development			
Research and development	Research and development	234,437	110,198
Sales and marketing	Sales and marketing	271,801	167,170
General and administrative	General and administrative	131,211	78,074
Depreciation	Depreciation	34,091	23,174
Amortization of acquired customer-based intangible assets (Note 8)	Amortization of acquired customer-based intangible assets (Note 8)	120,192	54,438
Special charges (recoveries) (Note 18)	Special charges (recoveries) (Note 18)	13,794	14,281
Total operating expenses	Total operating expenses	805,526	447,335

Income from operations	Income from operations	212,892	146,353
Other income (expense), net (Note 22)	Other income (expense), net (Note 22)	20,170	(189,231)
Interest and other related expense, net	Interest and other related expense, net	(141,764)	(40,382)
Income (loss) before income taxes		91,298	(83,260)
Income before income taxes			
Provision for income taxes (Note 15)	Provision for income taxes (Note 15)	10,352	33,625
Net income (loss) for the period		$ 80,946	$(116,885)
Net income for the period			
Net (income) attributable to non-controlling interests	Net (income) attributable to non-controlling interests	(45)	(44)
Net income (loss) attributable to OpenText		$ 80,901	$(116,929)
Earnings (loss) per share—basic attributable to OpenText (Note 23)		$ 0.30	$ (0.43)
Earnings (loss) per share—diluted attributable to OpenText (Note 23)		$ 0.30	$ (0.43)
Net income attributable to OpenText			
Earnings per share—basic attributable to OpenText (Note 23)			
Earnings per share—diluted attributable to OpenText (Note 23)			
Weighted average number of Common Shares outstanding—basic (in '000's)	Weighted average number of Common Shares outstanding—basic (in '000's)	271,178	269,804
Weighted average number of Common Shares outstanding—diluted (in '000's)	Weighted average number of Common Shares outstanding—diluted (in '000's)	271,902	269,804

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 September 30,		Three Months Ended December 31,		Six Months Ended December 31,	
		2023	2022	2023	2022	2023	2022
Net income (loss) for the period		$80,946	$(116,885)				
Net income for the period							
Other comprehensive income (loss)—net of tax:	Other comprehensive income (loss)—net of tax:						
Net foreign currency translation adjustments	Net foreign currency translation adjustments	(14,583)	(36,366)				
Net foreign currency translation adjustments							
Net foreign currency translation adjustments							
Unrealized gain (loss) on cash flow hedges:	Unrealized gain (loss) on cash flow hedges:						
Unrealized gain (loss) - net of tax (1)							
Unrealized gain (loss) - net of tax (1)							
Unrealized gain (loss) - net of tax (1)	Unrealized gain (loss) - net of tax (1)	(1,841)	(3,340)				
(Gain) loss reclassified into net income - net of tax (2)	(Gain) loss reclassified into net income - net of tax (2)	9	588				
Unrealized gain (loss) on available-for-sale financial assets:	Unrealized gain (loss) on available-for-sale financial assets:						

Unrealized gain (loss) - net of tax (3)	Unrealized gain (loss) - net of tax (3)	(221)	—
Unrealized gain (loss) - net of tax (3) Unrealized gain (loss) - net of tax (3)			
Actuarial gain (loss) relating to defined benefit pension plans: Actuarial gain (loss) relating to defined benefit pension plans:			
Actuarial gain (loss) relating to defined benefit pension plans:	Actuarial gain (loss) relating to defined benefit pension plans:		
Actuarial gain (loss) - net of tax (4)	Actuarial gain (loss) - net of tax (4)	(19)	4,164
Actuarial gain (loss) - net of tax (4) Actuarial gain (loss) - net of tax (4)			
Amortization of actuarial (gain) loss into net income - net of tax (5)	Amortization of actuarial (gain) loss into net income - net of tax (5)	189	37
Total other comprehensive loss net, for the period		(16,466)	(34,917)
Total comprehensive income (loss)		64,480	(151,802)
Total other comprehensive income (loss) net, for the period Total comprehensive income			
Comprehensive income attributable to non-controlling interests	Comprehensive income attributable to non-controlling interests	(45)	(44)
Total comprehensive income (loss) attributable to OpenText		$64,435	$(151,846)
Total comprehensive income attributable to OpenText			

(1) Net of tax expense (recovery) of ($664) $549 and $(1,206) $347 for the three months ended September 30, 2023 December 31, 2023 and 2022, respectively; $(115) and $(859) for the six months ended December 31, 2023 and 2022, respectively.

(2) Net of tax expense (recovery) of $3 $118 and $212 $397 for the three months ended September 30, 2023 December 31, 2023 and 2022, respectively; $121 and $609 for the six months ended December 31, 2023 and 2022, respectively.

(3) Net of tax expense (recovery) of $59 ($119) and $— for the three months ended September 30, 2023 December 31, 2023 and 2022, respectively; ($60) and $— for the six months ended December 31, 2023 and 2022, respectively.

(4) Net of tax expense (recovery) of $19 $91 and $1,104 $106 for the three months ended September 30, 2023 December 31, 2023 and 2022, respectively; $110 and $1,210 for the six months ended December 31, 2023 and 2022, respectively.

(5) Net of tax expense (recovery) of $75 $50 and $26 $25 for the three months ended September 30, 2023 December 31, 2023 and 2022, respectively. respectively; $125 and $51 for the six months ended December 31, 2023 and 2022, respectively.

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars and shares)
(unaudited)

	Three Months Ended September 30, 2023							
	Common Shares and Additional Paid in Capital		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2023	**270,903**	**$ 2,176,947**	**(3,536)**	**$ (151,597)**	**$ 2,048,984**	**$ (53,559)**	**$ 1,329**	**$ 4,022,104**

	Three Months Ended December 31, 2023						
	Common Shares and Additional Paid in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
	Shares						
Balance as of September 30, 2023							
Balance as of September 30, 2023							
Balance as of September 30, 2023							
Issuance of Common Shares							
Issuance of Common Shares							
Under employee stock option plans							
Under employee stock option plans							

Under employee stock option plans	Under employee stock option plans	85	2,892	—	—	—	—	—	2,892
Under employee stock purchase plans	Under employee stock purchase plans	240	8,641	—	—	—	—	—	8,641
Share-based compensation	Share-based compensation	—	37,004	—	—	—	—	—	37,004
Purchase of treasury stock		—	—	(1,400)	(53,085)	—	—	—	(53,085)
Issuance of treasury stock									
Issuance of treasury stock									
Issuance of treasury stock	Issuance of treasury stock	—	(8,563)	183	8,563	—	—	—	—
Dividends declared ($0.25 per Common Share)	Dividends declared ($0.25 per Common Share)	—	—	—	—	(67,778)	—	—	(67,778)
Dividends declared ($0.25 per Common Share)									
Dividends declared ($0.25 per Common Share)									
Other comprehensive income (loss) - net	Other comprehensive income (loss) - net	—	—	—	—	—	(16,466)	—	(16,466)
Net income (loss) for the period		—	—	—	—	80,901	—	45	80,946
Balance as of September 30, 2023		**271,228**	**$ 2,216,921**	**(4,753)**	**$ (196,119)**	**$ 2,062,107**	**$ (70,025)**	**$ 1,374**	**$ 4,014,258**
Net income for the period									
Net income for the period									
Net income for the period									
Balance as of December 31, 2023									

	Three Months Ended December 31, 2022		Three Months Ended December 31, 2022					
	Common Shares and Additional Paid in Capital		Common Shares and Additional Paid in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
	Shares							
Balance as of September 30, 2022								
Balance as of September 30, 2022								

Balance as of September 30, 2022

Issuance of Common Shares

Under employee stock purchase plans

Under employee stock purchase plans

Three Months Ended September 30, 2022

	Common Shares and Additional Paid in Capital		**Treasury Stock**					
	Shares	**Amount**	**Shares**	**Amount**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total**
Balance as of June 30, 2022	**269,523**	**$ 2,038,674**	**(3,706)**	**$ (159,966)**				
Issuance of Common Shares								
Under employee stock option plans	72	1,994	—	—	—	—	—	1,994
Under employee stock purchase plans	286	9,179	—	—	—	—	—	9,179
Share-based compensation	—	23,208	—	—	—	—	—	23,208
Issuance of treasury stock	—	(5,174)	120	5,174	—	—	—	—
Dividends declared ($0.24299 per Common Share)	—	—	—	—	(64,698)	—	—	(64,698)
Other comprehensive income (loss) - net	—	—	—	—	—	(34,917)	—	(34,917)
Net income (loss) for the period	—	—	—	—	(116,929)	—	44	(116,885)
Balance as of September 30, 2022	**269,881**	**$ 2,067,881**	**(3,586)**	**$ (154,792)**	**$ 1,978,442**	**$ (42,576)**	**$ 1,186**	**$ 3,850,141**

Issuance of treasury stock

Issuance of treasury stock

Dividends declared ($0.24299 per Common Share)

Dividends declared ($0.24299 per Common Share)

Net income for the period

Balance as of December 31, 2022

OPEN TEXT CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars and shares)
(unaudited)

	Six Months Ended December 31, 2023							
	Common Shares and Additional Paid in Capital		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2023	**270,903**	**$ 2,176,947**	**(3,536)**	**$ (151,597)**	**$ 2,048,984**	**$ (53,559)**	**$ 1,329**	**$ 4,022,104**
Issuance of Common Shares								
Under employee stock option plans	425	14,003	—	—	—	—	—	14,003
Under employee stock purchase plans	527	17,011	—	—	—	—	—	17,011
Share-based compensation	—	76,997	—	—	—	—	—	76,997
Purchase of treasury stock	—	—	(1,400)	(53,085)	—	—	—	(53,085)
Issuance of treasury stock	—	(23,102)	536	25,593	(2,491)	—	—	—
Dividends declared ($0.50 per Common Share)	—	—	—	—	(135,426)	—	—	(135,426)
Other comprehensive income (loss) - net	—	—	—	—	—	(29,940)	—	(29,940)
Net income for the period	—	—	—	—	118,576	—	107	118,683
Balance as of December 31, 2023	**271,855**	**$ 2,261,856**	**(4,400)**	**$ (179,089)**	**$ 2,029,643**	**$ (83,499)**	**$ 1,436**	**$ 4,030,347**

	Six Months Ended December 31, 2022							
	Common Shares and Additional Paid in Capital		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2022	**269,523**	**$ 2,038,674**	**(3,706)**	**$ (159,966)**	**$ 2,160,069**	**$ (7,659)**	**$ 1,142**	**$ 4,032,260**
Issuance of Common Shares								
Under employee stock option plans	72	1,994	—	—	—	—	—	1,994
Under employee stock purchase plans	640	17,221	—	—	—	—	—	17,221
Share-based compensation	—	52,030	—	—	—	—	—	52,030
Issuance of treasury stock	—	(17,840)	411	17,840	—	—	—	—
Dividends declared ($0.48598 per Common Share)	—	—	—	—	(130,390)	—	—	(130,390)
Other comprehensive income (loss) - net	—	—	—	—	—	6,631	—	6,631
Net income for the period	—	—	—	—	141,557	—	81	141,638
Balance as of December 31, 2022	**270,235**	**$ 2,092,079**	**(3,295)**	**$ (142,126)**	**$ 2,171,236**	**$ (1,028)**	**$ 1,223**	**$ 4,121,384**

See accompanying Notes to Condensed Consolidated Financial Statements

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

		Three Months Ended September 30,			
Six Months Ended December 31,				Six Months Ended December 31,	
		2023	2022	2023	2022
Cash flows from operating activities:	Cash flows from operating activities:				
Net income (loss) for the period		$ 80,946	$ (116,885)		
Net income for the period					
Net income for the period					
Net income for the period					
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of intangible assets					
Depreciation and amortization of intangible assets					
Depreciation and amortization of intangible assets	Depreciation and amortization of intangible assets	231,107	120,249		
Share-based compensation expense	Share-based compensation expense	37,095	23,208		
Pension expense	Pension expense	3,171	1,387		
Amortization of debt discount and issuance costs	Amortization of debt discount and issuance costs	5,496	1,480		
Write-off of right of use assets	Write-off of right of use assets	4,715	2,827		
Loss on extinguishment of debt					

Loss on sale and write down of property and equipment	Loss on sale and write down of property and equipment	458	—
Deferred taxes	Deferred taxes	(88,630)	(20,667)
Share in net loss of equity investees	Share in net loss of equity investees	9,696	6,534
Changes in financial instruments	Changes in financial instruments	(17,895)	181,461
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:		
Accounts receivable Accounts receivable			
Accounts receivable	Accounts receivable	31,304	59,494
Contract assets	Contract assets	(22,566)	(9,054)
Prepaid expenses and other current assets	Prepaid expenses and other current assets	19,326	(2,934)
Income taxes	Income taxes	29,597	15,834
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	(124,214)	(27,179)
Deferred revenue	Deferred revenue	(150,476)	(53,779)
Other assets	Other assets	4,104	(47,749)
Operating lease assets and liabilities, net	Operating lease assets and liabilities, net	(6,113)	(2,268)
Net cash provided by operating activities	Net cash provided by operating activities	47,121	131,959
Cash flows from investing activities:	Cash flows from investing activities:		
Additions of property and equipment	Additions of property and equipment	(37,539)	(36,324)
Additions of property and equipment			

Additions of property and equipment			
Micro Focus acquisition	Micro Focus acquisition	(9,272)	—
Proceeds from net investment hedge derivative contracts			
Proceeds from net investment hedge derivative contracts			
Proceeds from net investment hedge derivative contracts	Proceeds from net investment hedge derivative contracts	1,966	—
Other investing activities	Other investing activities	(5,554)	—
Net cash used in investing activities	Net cash used in investing activities	(50,399)	(36,324)
Cash flows from financing activities:	Cash flows from financing activities:		
Proceeds from issuance of Common Shares from exercise of stock options and ESPP	Proceeds from issuance of Common Shares from exercise of stock options and ESPP	11,453	10,037
Proceeds from issuance of Common Shares from exercise of stock options and ESPP			
Proceeds from issuance of Common Shares from exercise of stock options and ESPP			
Proceeds from long-term debt and Revolver			
Repayment of long-term debt and Revolver	Repayment of long-term debt and Revolver	(186,463)	(2,500)
Debt issuance costs	Debt issuance costs	(1,961)	—
Debt issuance costs			

Debt issuance costs			
Purchase of treasury stock			
Purchase of treasury stock			
Purchase of treasury stock	Purchase of treasury stock	(53,085)	—
Payments of dividends to shareholders	Payments of dividends to shareholders	(66,965)	(64,698)
Payments of dividends to shareholders			
Payments of dividends to shareholders			
Net cash used in financing activities		(297,021)	(57,161)
Foreign exchange loss on cash held in foreign currencies		(11,503)	(28,102)
Net cash provided by (used in) financing activities			
Net cash provided by (used in) financing activities			
Net cash provided by (used in) financing activities			
Foreign exchange gain (loss) on cash held in foreign currencies			
Increase (decrease) in cash, cash equivalents and restricted cash during the period	Increase (decrease) in cash, cash equivalents and restricted cash during the period	(311,802)	10,372
Cash, cash equivalents and restricted cash at beginning of the period	Cash, cash equivalents and restricted cash at beginning of the period	1,233,952	1,695,911
Cash, cash equivalents and restricted cash at end of the period	Cash, cash equivalents and restricted cash at end of the period	$ 922,150	$1,706,283

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

Reconciliation of cash, cash equivalents and restricted cash:	Reconciliation of cash, cash equivalents and restricted cash:	September 30, 2023	September 30, 2022	Reconciliation of cash, cash equivalents and restricted cash:	December 31, 2023	December 31, 2022
Cash and cash equivalents	Cash and cash equivalents	$919,850	$1,704,385			
Restricted cash (1)	Restricted cash (1)	2,300	1,898			
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$922,150	$1,706,283			

(1) Restricted cash is classified under the Prepaid expenses and other current assets and Other assets line items on the Condensed Consolidated Balance Sheets (Note 9).

Supplemental cash flow disclosures (Note 6 and Note 21)

See accompanying Notes to Condensed Consolidated Financial Statements

OPEN TEXT CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended September 30, 2023 December 31, 2023
(Tabular amounts in thousands of U.S. dollars, except share and per share data)
(unaudited)

NOTE 1—BASIS OF PRESENTATION

The accompanying Condensed Consolidated Financial Statements include the accounts of Open Text Corporation and our subsidiaries, collectively referred to as “OpenText” or the “Company.” We wholly own all of our subsidiaries with the exception of Open Text South Africa Proprietary Ltd. (OT South Africa), which as of September 30, 2023 December 31, 2023, was 70%70% owned by OpenText. All intercompany balances and transactions have been eliminated.

The following Fiscal Year terms are used throughout this Quarterly Report on Form 10-Q:

Fiscal Year	Beginning Date	Ending Date
Fiscal 2025	July 1, 2024	June 30, 2025
Fiscal 2024	July 1, 2023	June 30, 2024
Fiscal 2023	July 1, 2022	June 30, 2023
Fiscal 2022	July 1, 2021	June 30, 2022
Fiscal 2021	July 1, 2020	June 30, 2021
Fiscal 2020	July 1, 2019	June 30, 2020
Fiscal 2019	July 1, 2018	June 30, 2019
Fiscal 2018	July 1, 2017	June 30, 2018
Fiscal 2017	July 1, 2016	June 30, 2017
Fiscal 2016	July 1, 2015	June 30, 2016
Fiscal 2015	July 1, 2014	June 30, 2015
Fiscal 2014	July 1, 2013	June 30, 2014
Fiscal 2013	July 1, 2012	June 30, 2013
Fiscal 2012	July 1, 2011	June 30, 2012

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 consolidated financial results of Micro Focus International Limited, formerly Micro Focus International plc, and its subsidiaries (Micro Focus), with effect from February 1, 2023 (see below and Note 19 "Acquisitions" "Acquisitions and Divestitures").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make certain estimates, judgments and assumptions that affect the amounts reported in the 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, key estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) accounting for income taxes, (iii) testing of goodwill for impairment, (iv) the valuation of acquired intangible assets, (v) the valuation of long-lived assets, (vi) the recognition of contingencies, (vii) restructuring accruals, (viii) acquisition accruals and pre-acquisition contingencies, (ix) the valuation of stock options granted and obligations related to share-based payments, including the valuation of our long-term incentive plans, (x) the valuation of pension obligations and pension assets, (xi) the valuation of available-for-sale investments, and (xii) the valuation of derivative instruments. instruments and (xiii) the accounting for assets held for sale and proposed divestitures.

Acquisition of Micro Focus

On January 31, 2023, we acquired all of the issued and to be issued share capital of Micro Focus (the Micro Focus Acquisition) for a total purchase price of $6.2 billion, inclusive of Micro Focus' cash and repayment of Micro Focus' outstanding indebtedness, subject to final adjustments. The results of operations of Micro Focus have been consolidated with those of OpenText with effect from February 1, 2023. See Note 19 "Acquisitions" "Acquisitions and Divestitures" to our Condensed Consolidated Financial Statements for more details.

Proposed Divestiture of AMC Business

On November 28, 2023, the Company entered into an agreement to sell its Application Modernization and Connectivity (AMC) business to Rocket Software, Inc. (Rocket Software), for $2.275 billion in cash before taxes, fees and other adjustments. The transaction remains subject to certain regulatory approvals and other customary closing conditions and is expected to close in the fourth quarter of Fiscal 2024.

The Company determined that the assets and liabilities of the AMC business met the criteria for held for sale classification and the respective assets and liabilities have been reclassified to assets held for sale and liabilities held for sale reported in our Condensed Consolidated Balance Sheets as of December 31, 2023. The Company has determined that the AMC business does not constitute a component, as its operations and cash flows can not be clearly distinguished from the rest of the Company's operations and cash flows due to significant shared costs, therefore, the transaction does not meet the discontinued operations criteria, and the results of operations from the AMC business are presented within income from operations in our Condensed Consolidated Statements of Income. The Company expects that the sale proceeds less costs to sell will exceed the preliminary estimate of the carrying value of the net assets for the AMC business. The carrying value is subject to change based on developments leading up to the closing date. See Note 19 "Acquisitions and Divestitures" to our Condensed Consolidated Financial Statements for more details.

NOTE 2—ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Policies

Held for Sale Classification

Assessments for held for sale accounting classification are performed by the Company when events or changes in business circumstances indicate that a change in classification may be necessary. The Company classifies assets and liabilities to be disposed of as held for sale in the period in which they are available for immediate sale in their present condition and when the sale is probable and expected to be completed within one year. Assets and liabilities classified as held for sale are presented separately within current assets and liabilities in our Condensed Consolidated Balance Sheets and are measured at the lower of their carrying amount or fair value less costs to sell. Further, the Company ceases to record depreciation and amortization expense on assets that are classified as held for sale. The Company has classified assets and liabilities held for sale as of December 31, 2023 related to the proposed divestiture of our AMC business and the proposed sale of a company owned facility (which is unrelated to the divestiture of our AMC business).

Accounting Pronouncements Adopted in Fiscal 2024

During the three months ended September 30, 2023, Fiscal 2024, we have adopted the following Accounting Standards Updates (ASU):

Supplier Financing Program Obligations

In September 2022, the Financial Accounting Standards Board (FASB) issued ASU 2022-04 "Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations." This standard requires companies that participate in supplier finance programs in connection with the procurement of goods or services to disclose quantitative and qualitative information about the programs. We adopted this ASU as of July 1, 2023 which did not have a material impact on our Condensed Consolidated Financial Statements and related disclosures, as we had no material supplier finance program obligations as of September 30, 2023 December 31, 2023.

Accounting Pronouncements Not Yet Adopted in Fiscal 2024

Segment Reporting

In November 2023, the FASB issued ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which provides guidance to improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. Public entities must adopt the new guidance for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The amendments in this ASU must be applied on a retrospective basis to all prior periods presented in the financial statements and early adoption is permitted. We are currently evaluating the potential impact of the adoption of ASU 2023-07 on the Company's financial disclosures.

Income Taxes

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," that addresses requests for improved income tax disclosures from investors that use the financial statements to make capital allocation decisions. Public entities must adopt the new guidance for fiscal years beginning after December 15, 2024. The amendments in this ASU must be applied on a retrospective basis to all prior periods presented in the financial statements and early adoption is permitted. We are currently evaluating the potential impact of the adoption of ASU 2023-09 on the Company's financial disclosures.

NOTE 3—REVENUES

Disaggregation of Revenue

We have four revenue streams: cloud services and subscriptions, customer support, license, and professional service and other. The following tables disaggregate our revenue by significant geographic area, based on the location of our direct end customer, by type of performance obligation and timing of revenue recognition for the periods indicated:

	Three Months Ended September 30,	
	2023	2022

	Three Months Ended December 31,			Three Months Ended December 31,		Six Months Ended December 31,	
	2023			2023	2022	2023	2022
Total Revenues by Geography:	***Total Revenues by Geography:***						
Americas (1)							
Americas (1)							
Americas (1)	Americas (1)	$ 845,227	$557,788				
EMEA (2)	EMEA (2)	445,440	228,353				
Asia Pacific (3)	Asia Pacific (3)	134,762	65,895				
Total revenues	**Total revenues**	$1,425,429	$852,036				
Total Revenues by Type of Performance Obligation:	***Total Revenues by Type of Performance Obligation:***						
Total Revenues by Type of Performance Obligation:							
Total Revenues by Type of Performance Obligation:							
Recurring revenues (4)	**Recurring revenues (4)**						
Recurring revenues (4)							
Recurring revenues (4)							
Cloud services and subscriptions revenue							
Cloud services and subscriptions revenue							
Cloud services and subscriptions revenue	Cloud services and subscriptions revenue	$ 451,014	$404,651				
Customer support revenue	Customer support revenue	697,713	317,351				
Total recurring revenues	**Total recurring revenues**	$1,148,727	$722,002				
License revenue (perpetual, term and subscriptions)	License revenue (perpetual, term and subscriptions)	173,026	62,548				
Professional service and other revenue	Professional service and other revenue	103,676	67,486				
Total revenues	**Total revenues**	$1,425,429	$852,036				

Total Revenues by Timing of Revenue Recognition:	***Total Revenues by Timing of Revenue Recognition:***		
Total Revenues by Timing of Revenue Recognition:			
Total Revenues by Timing of Revenue Recognition:			
Point in time			
Point in time			
Point in time	Point in time	$ 173,026	$ 62,548
Over time (including professional service and other revenue)	Over time (including professional service and other revenue)	1,252,403	789,488
Total revenues	**Total revenues**	$1,425,429	$852,036

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

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

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

(4) Recurring revenue is defined as the sum of Cloud services and subscriptions revenue and Customer support revenue.

Contract Balances

A contract asset, net of allowance for credit losses, will be recorded if we have recognized revenue but do not have an unconditional right to the related consideration from the customer. For example, this will be the case if implementation services offered in a cloud arrangement are identified as a separate performance obligation and are provided to a customer prior to us being able to bill the customer. In addition, a contract asset may arise in relation to subscription licenses if the license revenue that is recognized upfront exceeds the amount that we are able to invoice the customer at that time. Contract assets are reclassified to accounts receivable when the rights become unconditional.

The balance for our contract assets and contract liabilities (i.e. deferred revenues) for the periods indicated below were as follows:

	As of September 30, 2023	As of June 30, 2023
Short-term contract assets	$ 78,562	$ 71,196
Long-term contract assets	$ 54,448	$ 64,553
Short-term deferred revenues	$ 1,596,321	$ 1,721,781
Long-term deferred revenues	$ 197,112	$ 217,771

	As of December 31, 2023	As of June 30, 2023
Short-term contract assets (1)	$ 70,656	$ 71,196
Long-term contract assets (1)	$ 45,427	$ 64,553
Short-term deferred revenues (1)	$ 1,535,322	$ 1,721,781
Long-term deferred revenues (1)	$ 170,273	$ 217,771

(1) Excludes $4.9 million of short-term contract assets and $2.7 million of long-term contract assets that have been reclassified to Assets held for sale, as well as $172.8 million of short-term deferred revenues and $23.1 million of long-term deferred revenues that have been reclassified to Liabilities held for sale as of December 31, 2023, related to the proposed divestiture of the AMC business. See Note 19 “Acquisitions and Divestitures.”

The difference in the opening and closing balances of our contract assets and deferred revenues, excluding the impact of assets held for sale, primarily results from the timing difference between our performance and the customer's payments. We fulfill our obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. During the three six months ended September 30, 2023 December 31, 2023, we reclassified $25.1 million (three $58.5 million (six months ended September 30, 2022—$8.9 million) December 31, 2022 — $20.2 million) of contract assets to receivables as a result of the right to the transaction consideration becoming unconditional. During the three and six months ended September 30, 2023 December 31, 2023 and 2022, respectively, there was no significant impairment loss recognized related to contract assets.

We recognize deferred revenue when we have received consideration or an amount of consideration is due from the customer for future obligations to transfer products or services. Our deferred revenues, excluding the impact of liabilities held for sale, primarily relate to cloud services and customer support agreements which have been paid for by customers prior to the performance of those services. The amount of revenue that was recognized during the three six months ended September 30, 2023 December 31, 2023 that was included in the deferred revenue balances at June 30, 2023 was $739 million (three $1,268 million (six months ended September 30, 2022 December 31, 2022—$373 658 million).

Incremental Costs of Obtaining a Contract with a CustomerCustomer

Incremental costs of obtaining a contract include only those costs that we incur to obtain a contract that we would not have incurred if the contract had not been obtained, such as sales commissions. The following table summarizes the changes in total capitalized costs to obtain a contract, since June 30, 2023:

Capitalized costs to obtain a contract as of June 30, 2023	$	97,207
New capitalized costs incurred		11,719 26,522
Amortization of capitalized costs		(9,955) (19,507)
Impact of foreign exchange rate changes		(742) 400
Reclassification to Assets held for sale (1)		(2,588)
Capitalized costs to obtain a contract as of September 30, 2023 December 31, 2023	$	98,229 102,034

(1) Capitalized costs to obtain a contract of $2.6 million have been reclassified to Assets held for sale related to the proposed divestiture of our AMC business. See Note 19 "Acquisitions and Divestitures."

During the three and six months ended September 30, 2023 December 31, 2023 and 2022, respectively, there was no significant impairment loss recognized related to capitalized costs to obtain a contract. Refer to Note 9 "Prepaid Expenses and Other Assets" for additional information on incremental costs of obtaining a contract.

Transaction Price Allocated to the Remaining Performance Obligations

As of September 30, 2023 December 31, 2023, approximately $2.5 billion $2.5 billion of revenue is expected to be recognized from remaining performance obligations on existing contracts. contracts, excluding performance obligations related to the proposed divestiture of our AMC business which are reported within Liabilities held for sale. We expect to recognize approximately 47% 46% of this amount over the next 12 months and the remaining balance substantially over the next three years thereafter. As of December 31, 2023, approximately $128.9 million of revenue is expected to be recognized from remaining performance obligations on existing contracts relates to the proposed divestiture of our AMC business and we expect to recognize approximately 49% of this amount over the next 12 months. We apply the practical expedient and do not disclose performance obligations that have original expected durations of one year or less.

NOTE 4—ALLOWANCE FOR CREDIT LOSSES

The following illustrates the activity in our allowance for credit losses on accounts receivable, since June 30, 2023:

Balance as of June 30, 2023	$	13,828
Credit loss expense (recovery)		1,782 3,871
Write-off / adjustments		(4,109) (5,980)
Reclassification to Assets held for sale (1)		(1,077)
Balance as of September 30, 2023 December 31, 2023	$	11,501 10,642

(1) Allowance for credit losses of $1.1 million have been reclassified to Assets held for sale related to the proposed divestiture of our AMC business. See Note 19 “Acquisitions and Divestitures.”

Included in accounts receivable are unbilled receivables in the amount of $63.9 million $108.2 million as of September 30, 2023 December 31, 2023 (June 30, 2023—$66.5 million).

As of September 30, 2023 December 31, 2023, we have an allowance for credit losses of $0.2 million for contract assets (June 30, 2023—$0.3 million). For additional information on contract assets please see Note 3 “Revenues.”

NOTE 5—PROPERTY AND EQUIPMENT

		As of September 30, 2023			As of December 31, 2023		
		Cost	Accumulated Depreciation	Net	Cost (1)	Accumulated Depreciation (1)	Net (1)
Computer hardware	Computer hardware	$ 398,358	$(260,277)	$138,081			
Computer software	Computer software	188,038	(142,234)	45,804			
Capitalized software development costs	Capitalized software development costs	224,334	(129,896)	94,438			
Leasehold improvements	Leasehold improvements	118,370	(92,065)	26,305			
Land and buildings	Land and buildings	61,877	(18,403)	43,474			
Furniture, equipment and other	Furniture, equipment and other	54,738	(41,228)	13,510			
Total	Total	$1,045,715	$(684,103)	$361,612			

(1) Excludes Property and equipment with cost of $6.3 million, accumulated depreciation of $1.0 million and a net book value of $5.3 million that have been reclassified to Assets held for sale related to the proposed divestiture of our AMC business and proposed divestiture of certain facilities owned by the Company. See Note 19 “Acquisitions and Divestitures.”

	As of June 30, 2023		
	Cost	Accumulated Depreciation	Net
Computer hardware	$ 386,400	$ (254,131)	$ 132,269
Computer software	178,899	(135,123)	43,776
Capitalized software development costs	216,762	(122,730)	94,032
Leasehold improvements	123,607	(94,721)	28,886
Land and buildings	62,041	(18,020)	44,021
Furniture, equipment and other	55,741	$ (41,821)	13,920
Total	$ 1,023,450	$ (666,546)	$ 356,904

Proposed Sale of Company Owned Facility

During the three months ended December 31, 2023, the Company entered into a Purchase and Sale Agreement to dispose of a Company owned facility which has a carrying value of $4.4 million and has been classified as held for sale as of December 31, 2023.

NOTE 6—LEASES

We enter into operating leases, both domestically and internationally, for certain facilities, automobiles, data centers and equipment for use in the ordinary course of business. The duration of the majority of these leases generally ranges from 1 to 10 years, some of which include options to extend for an additional 3 to 5 years after the initial term. Additionally, the land upon which our headquarters in Waterloo, Ontario, Canada is located is leased from the University of Waterloo for a period of 49 years beginning in December 2005, with an option to renew for an additional term of 49 years. We also have finance lease liabilities comprised of equipment lease arrangements with an average duration of 4 to 5 years, all of which are currently being sublet. Leases with an initial term of 12 months or less are not recorded on our Condensed Consolidated Balance Sheets.

The following illustrates the Condensed Consolidated Balance Sheets information related to leases:

	As of December 31, 2023	As of December 31, 2023	As of June 30, 2023
Operating Leases			
Operating lease right of use assets (1)			
Operating lease right of use assets (1)			
Operating lease right of use assets (1)			

Operating Leases	**Balance Sheet Location**		**As of September 30, 2023**	**As of June 30, 2023**
Operating lease right of use assets	Operating lease right of use assets	$	266,053	$285,723
Operating lease liabilities (current)	Operating lease liabilities	$	90,418	$ 91,425
Operating lease liabilities (noncurrent)	Long-term operating lease liabilities		252,629	271,579
Operating lease liabilities (current) (1)				
Operating lease liabilities (current) (1)				

Operating lease liabilities (current) (1)				
Operating lease liabilities (noncurrent) (1)				
Total operating lease liabilities	Total operating lease liabilities		$ 343,047	$363,004
Finance Leases	**Finance Leases**			
Finance Leases				
Finance Leases				
Finance lease receivables (current)				
Finance lease receivables (current)				
Finance lease receivables (current)	Finance lease receivables (current)	Prepaid expenses and other current assets	$ 5,492	$ 6,362
Finance lease receivables (noncurrent)	Finance lease receivables (noncurrent)	Other assets	4,443	5,515
Total finance lease receivables	Total finance lease receivables		$ 9,935	$ 11,877
Finance lease liabilities (current)	Finance lease liabilities (current)	Accounts payable and accrued liabilities	$ 4,992	$ 5,281
Finance lease liabilities (current)				
Finance lease liabilities (current)				
Finance lease liabilities (noncurrent)	Finance lease liabilities (noncurrent)	Accrued liabilities	4,437	5,500
Total finance lease liabilities	Total finance lease liabilities		$ 9,429	$ 10,781

(1) Excludes Operating lease right of use assets of $0.7 million that have been reclassified to Assets held for sale, as well as $0.3 million of Operating lease liabilities and $0.4 million of Long-term operating lease liabilities that have been reclassified to Liabilities held for sale related to the proposed divestiture of our AMC

business. See Note 19 “Acquisitions and Divestitures.”

The weighted average remaining lease term and discount rate, inclusive of assets held, for sale for the periods indicated below were as follows:

		As of September 30, 2023	As of June 30, 2023			
	As of December 31, 2023				As of December 31, 2023	As of June 30, 2023
Weighted-average remaining lease term	Weighted-average remaining lease term					
Operating leases						
Operating leases						
Operating leases	Operating leases	5.49 years	5.62 years		5.33 years	5.62 years
Finance leases	Finance leases	2.22 years	2.40 years	Finance leases	2.07 years	2.40 years
Weighted-average discount rate	Weighted-average discount rate					
Operating leases	Operating leases	4.7 %	4.66 %			
Operating leases						
Operating leases					4.77 %	4.66 %
Finance leases	Finance leases	5.58 %	5.60 %	Finance leases	5.55 %	5.60 %

Lease Costs and Other Information

The following illustrates the various components of lease costs for the period indicated:

		Three Months Ended September 30,					
		2023	2022				
	Three Months Ended December 31,			Three Months Ended December 31,		Six Months Ended December 31,	
	2023			2023	2022	2023	2022
Operating lease cost	Operating lease cost	$23,740	$14,311				
Short-term lease cost	Short-term lease cost	1,155	387				

Variable lease cost	Variable lease cost	1,135	579
Sublease income	Sublease income	(3,338)	(2,912)
Total lease cost	Total lease cost	$22,692	$12,365

Supplemental Cash Flow Information

The following table presents supplemental information relating to cash flows arising from lease transactions. Cash payments made for variable lease costs and short-term leases are not included in the measurement of lease liabilities, and, as such, are excluded from the amounts below:

		Three Months Ended September 30,			
		2023	2022		
	Six Months Ended December 31,			Six Months Ended December 31,	
	2023			2023	2022
Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:				
Operating leases					
Operating leases					
Operating leases	Operating leases	$27,699	$17,740		
Finance leases	Finance leases	$ 1,486	$ —		
Right of use assets obtained in exchange for new lease liabilities:	Right of use assets obtained in exchange for new lease liabilities:				
Operating leases	Operating leases	$ 7,045	$22,467		
Operating leases					
Operating leases					

Maturity of Lease Liabilities

The following table presents the future minimum lease payments under our leases lease liabilities as of September 30, 2023 December 31, 2023:

Fiscal years ending June 30,	Fiscal years ending June 30,	Operating Leases	Finance Leases	Fiscal years ending June 30,	Operating Leases	Finance Leases
2024 (nine months ended)		$ 79,726	$4,232			

2024 (six months ended)			
2025	2025	84,518	3,363
2026	2026	62,278	1,937
2027	2027	50,684	459
2028	2028	39,505	—
Thereafter	Thereafter	70,926	—
Total lease payments	Total lease payments	$387,637	$9,991
Less: Imputed interest	Less: Imputed interest	(44,590)	(562)
Total	Total	$343,047	$9,429

Operating lease maturity amounts included in the table above are inclusive of liabilities classified as held for sale and do not include sublease income expected to be received under our various sublease agreements with third parties. Under the agreements initiated with third parties, we expect to receive sublease income of $9.4 million $6.3 million over the remainder of Fiscal 2024 and $34.0 million $34.1 million thereafter.

NOTE 7—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, 2023:

Balance as of June 30, 2023	$ 8,662,603
Other acquisition (Note 19)	1,250
Acquisition of Micro Focus (Note 19) (1)	(33,889) (23,809)
Impact of foreign exchange rate changes	(11,199) 2,344
Other acquisition (Note 19)	1,250
Reclassification to Assets held for sale (2)	(1,037,979)
Balance as of September 30, 2023 December 31, 2023	$ 8,618,765 7,604,409

(1) Adjustments relating relate to open measurement period.

(2) Adjustment to reclassify goodwill to Assets held for sale related to the proposed divestiture of our AMC business. See Note 19 "Acquisitions and Divestitures."

NOTE 8—ACQUIRED INTANGIBLE ASSETS

		As of September 30, 2023	
	Cost	Accumulated Amortization	Net
	As of December 31, 2023		
	Cost (1)	Accumulated Amortization (1)	Net (1)
Technology assets			
Technology assets	$1,815,285	$ (461,716)	$1,353,569

Customer assets	Customer assets	3,694,061	(1,159,413)	2,534,648
Total	Total	$5,509,346	$(1,621,129)	$3,888,217
		As of June 30, 2023		
		Cost	Accumulated Amortization	Net
		As of June 30, 2023		
		As of June 30, 2023		
		As of June 30, 2023		
	Cost	Cost	Accumulated Amortization	Net
Technology assets	Technology assets	$1,815,260	$ (385,868)	$1,429,392
Customer assets	Customer assets	3,691,252	(1,039,765)	2,651,487
Total	Total	$5,506,512	$(1,425,633)	$4,080,879

(1) Excludes technology and customer intangible net assets with cost of $432.1 million and $610.2 million respectively, accumulated amortization of $48.7 million and $62.9 million respectively, and net book value of $383.4 million and $547.3 million, respectively, that have been reclassified to Assets held for sale related to the proposed divestiture of our AMC business. See Note 19 "Acquisitions and Divestitures."

Where applicable, the above balances as of December 31, 2023 have been reduced to reflect the impact of intangible assets where the gross cost has become fully amortized during the six months ended December 31, 2023. The impact of this resulted in a reduction of $228 million to technology assets and accumulated amortization. The weighted average amortization periods for acquired technology and customer intangible assets are approximately six years and eight years, respectively.

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

Fiscal years ending June 30,	Fiscal years ending June 30,		
2024 (nine months ended)		$	557,173
2024 (six months ended)			
2024 (six months ended)			
2024 (six months ended)			
2025	2025		643,188
2026	2026		599,851
2027	2027		529,474
2028	2028		505,749
2029 and Thereafter	2029 and Thereafter		1,052,782
Total	Total	$	3,888,217

NOTE 9—PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other current assets:

	As of September 30, 2023	As of June 30, 2023

	As of December 31, 2023	As of December 31, 2023	As of June 30, 2023
Deposits and restricted cash	Deposits and restricted cash	$ 4,400	$ 2,621
Capitalized costs to obtain a contract		36,020	39,685
Short-term prepaid expenses and other current assets		158,566	175,879
Capitalized costs to obtain a contract (2)			
Short-term prepaid expenses and other current assets (2)			
Derivative asset (1)	Derivative asset (1)	931	3,547
Total	Total	$199,917	$221,732

(1) Represents the asset related to our derivative instrument activity (see activity. See Note 17 “Derivative Instruments and Hedging Activities”). Activities.”

(2) Excludes Capitalized costs to obtain a contract of $1.2 million and Short-term prepaid expenses and other current assets of $0.1 million that have been reclassified to Assets held for sale as of December 31, 2023 related to the proposed divestiture of our AMC business. See Note 19 “Acquisitions and Divestitures.”

Other assets:

	As of December 31, 2023	As of December 31, 2023	As of June 30, 2023
Deposits and restricted cash			
Capitalized costs to obtain a contract (1)			
		As of September 30, 2023	As of June 30, 2023
Deposits and restricted cash		$ 18,364	$ 20,418
Capitalized costs to obtain a contract		62,209	57,522
Investments			

Investments			
Investments	Investments	137,229	147,974
Available-for-sale financial assets	Available-for-sale financial assets	39,048	39,858
Long-term prepaid expenses and other long-term assets	Long-term prepaid expenses and other long-term assets	72,122	76,546
Total	Total	$328,972	$342,318

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(1) Excludes Capitalized costs to obtain a contract of $1.4 million that has been reclassified to Assets held for sale as of December 31, 2023 related to the proposed divestiture of our AMC business. See Note 19 “Acquisitions and Divestitures.”

Deposits and restricted cash primarily relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of certain contractual-based agreements.

Capitalized costs to obtain a contract relate to incremental costs of obtaining a contract, such as sales commissions, which are eligible for capitalization on contracts to the extent that such costs are expected to be recovered (see Note 3 “Revenues”).

Investments relate to certain investment funds in which we are a limited partner. Our interests in each of these investees range from 4% to below 20%. These investments are accounted for using the equity method. Our share of net income or losses based on our interest in these investments, which approximates fair value and is subject to volatility based on market trends and business conditions, is recorded as a component of Other income (expense), net in our Condensed Consolidated Statements of Income (see Note 22 “Other Income (Expense), Net”). During the three and six months ended September 30, 2023 December 31, 2023, our share of income (loss) from these investments was $(9.7) $(8.5) million and $(18.2) million, respectively (three and six months ended September 30, 2022 December 31, 2022—$(6.5) million) (0.3) million and $(6.8) million, respectively).

Available-for-sale As part of the Micro Focus Acquisition, we acquired the rights to certain available-for-sale financial assets. A portion of the available-for-sale financial assets relate to contractual arrangements under insurance policies held by the Company with guaranteed interest rates that are utilized to meet certain pension and post-retirement obligations but do not meet the definition of a plan asset. The remaining portion of available-for-sale financial assets are primarily comprised of various debt and equity funds, which are valued utilizing market quotes provided by our third-party custodian. These arrangements are treated as available-for-sale financial assets measured at fair value quarterly (see Note 16 “Fair Value Measurement”) with unrealized gains and losses recorded within “Other Comprehensive Income (Loss) Net” (see Note 20 “Accumulated Other Comprehensive Income (Loss)”).

Prepaid expenses and other assets, both short-term and long-term, include advance payments on licenses that are being amortized over the applicable terms of the licenses and other miscellaneous assets.

NOTE 10—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities:

		As of September 30, 2023	As of June 30, 2023		
	As of December 31, 2023			As of December 31, 2023	As of June 30, 2023
Accounts payable—trade	Accounts payable—trade	$138,460	$162,720		

Accrued salaries, incentives and commissions	Accrued salaries, incentives and commissions	252,975	333,543
Accrued liabilities	Accrued liabilities	222,748	239,817
Accrued sales and other tax liabilities	Accrued sales and other tax liabilities	14,194	25,439
Derivative liability (1)	Derivative liability (1)	127,152	161,191
Accrued interest on long-term debt	Accrued interest on long-term debt	52,766	37,563
Amounts payable in respect of restructuring and other special charges	Amounts payable in respect of restructuring and other special charges	21,818	30,073
Asset retirement obligations	Asset retirement obligations	5,929	5,915
Total		$836,042	$996,261
Total (2)			

(1) Represents the liability related to our derivative instrument activity (see Note 17 "Derivative Instruments and Hedging Activities").

(2) Excludes $24.8 million of Accounts payable and accrued liabilities that have been reclassified to Liabilities held for sale related to the proposed divestiture of our AMC business. See Note 19 "Acquisitions and Divestitures."

Long-term accrued liabilities:

		As of September 30, 2023	**As of June 30, 2023**		
	As of December 31, 2023			**As of December 31, 2023**	**As of June 30, 2023**
Amounts payable in respect of restructuring and other special charges	Amounts payable in respect of restructuring and other special charges	$ 8,534	$ 8,875		
Other accrued liabilities	Other accrued liabilities	16,829	17,749		

Asset retirement obligations	Asset retirement obligations	23,970	25,337
Total		$ 49,333	$51,961
Total (1)			

(1) Excludes $0.1 million of Long-term accrued liabilities that have been reclassified to Liabilities held for sale related to the proposed divestiture of our AMC business. See Note 19 “Acquisitions and Divestitures.”

Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. As of September 30, 2023 December 31, 2023, the present value of this obligation was $29.9 million $30.4 million (June 30, 2023—$31.3 million), with an undiscounted value of $33.5 million $33.9 million (June 30, 2023—$35.0 million).

NOTE 11—LONG-TERM DEBT

		As of September 30, 2023	As of June 30, 2023	As of December 31, 2023	As of June 30, 2023
	As of December 31, 2023				
Total debt	**Total debt**				
Senior Notes 2031					
Senior Notes 2031					
Senior Notes 2031	Senior Notes 2031	$ 650,000	$ 650,000		
Senior Notes 2030	Senior Notes 2030	900,000	900,000		
Senior Notes 2029	Senior Notes 2029	850,000	850,000		
Senior Notes 2028	Senior Notes 2028	900,000	900,000		
Senior Secured Notes 2027	Senior Secured Notes 2027	1,000,000	1,000,000		
Term Loan B	Term Loan B	945,000	947,500		
Term Loan B					
Term Loan B					
Acquisition Term Loan	Acquisition Term Loan	3,558,113	3,567,075		

Revolver	Revolver	100,000	275,000
Total principal payments due	Total principal payments due	8,903,113	9,089,575
Unamortized debt discount and issuance costs (1)			
Unamortized debt discount and issuance costs (1)			
Unamortized debt discount and issuance costs (1)	Unamortized debt discount and issuance costs (1)	(202,694)	(206,629)
Total amount outstanding	**Total amount outstanding**	8,700,419	8,882,946
Less:	Less:		
Current portion of long-term debt	**Current portion of long-term debt**		
Current portion of long-term debt			
Current portion of long-term debt			
Term Loan B			
Term Loan B			
Term Loan B	Term Loan B	10,000	10,000
Acquisition Term Loan	Acquisition Term Loan	35,850	35,850
Revolver	Revolver	100,000	275,000
Total current portion of long-term debt	**Total current portion of long-term debt**	145,850	320,850
Non-current portion of long-term debt	**Non-current portion of long-term debt**	$8,554,569	$8,562,096
Non-current portion of long-term debt			
Non-current portion of long-term debt			

(1) During the three and six months ended September 30, 2023 December 31, 2023, we recorded $1.6 million $0.8 million and $2.4 million of debt issuance costs, respectively, related to the amendment of the Revolver (as defined below) and the modification of the Acquisition Term Loan (as defined below).

Senior Unsecured Fixed Rate Notes

Senior Notes 2031

On November 24, 2021, OpenText Holdings, Inc. a wholly-owned indirect subsidiary of the Company, issued $650 million in aggregate principal amount of 4.125% Senior Notes due 2031 guaranteed by the Company (Senior Notes 2031) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act), and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2031 bear interest at a rate of 4.125% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2022. Senior Notes 2031 will mature on December 1, 2031, unless earlier redeemed, in accordance with their terms, or repurchased.

For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $6.7 million and $13.4 million, respectively, relating to Senior Notes 2031 (three and six months ended September 30, 2022— $6.7 million). December 31, 2022—$6.7 million and $13.4 million, respectively).

Senior Notes 2030

On February 18, 2020, OpenText Holdings, Inc. a wholly-owned indirect subsidiary of the Company, issued $900 million $900 million in aggregate principal amount of 4.125% Senior Notes due 2030 guaranteed by the Company (Senior Notes 2030) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2030 bear interest at a rate of 4.125% per annum, payable semi-annually in arrears on February 15 and August 15, commencing on August 15, 2020. Senior Notes 2030 will mature on February 15, 2030, unless earlier redeemed, in accordance with their terms, or repurchased.

For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $9.3 million and $18.6 million, respectively, relating to Senior Notes 2030 (three and six months ended September 30, 2022 December 31, 2022—$9.3 million) million and $18.6 million, respectively).

Senior Notes 2029

On November 24, 2021, we issued $850 million in aggregate principal amount of 3.875% Senior Notes due 2029 (Senior Notes 2029) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2029 bear interest at a rate of 3.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2022. Senior Notes 2029 will mature on December 1, 2029, unless earlier redeemed, in accordance with their terms, or repurchased.

For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $8.2 million and $16.4 million, respectively, relating to Senior Notes 2029 (three and six months ended September 30, 2022 December 31, 2022—$8.2 million) million and $16.4 million, respectively).

Senior Notes 2028

On February 18, 2020, we issued $900 million $900 million in aggregate principal amount of 3.875% Senior Notes due 2028 (Senior Notes 2028, and together with the Senior Notes 2031, Senior Notes 2030, Senior Notes 2029 and Senior Notes 2027, the Senior Notes) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2028 bear interest at a rate of 3.875% per annum, payable semi-annually in arrears on February 15 and August 15, commencing on August 15, 2020. Senior Notes 2028 will mature on February 15, 2028, unless earlier redeemed, in accordance with their terms, or repurchased.

For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $8.7 million and $17.4 million, respectively, relating to Senior Notes 2028 (three and six months ended September 30, 2022 December 31, 2022—$8.7 million) million and $17.4 million, respectively).

Senior Secured Fixed Rate Notes

Senior Secured Notes 2027

On December 1, 2022, we issued $1 billion in aggregate principal amount of Senior Secured Notes due 2027 (Senior Secured Notes 2027) in connection with the financing of the Micro Focus Acquisition in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Secured Notes 2027 bear interest at a rate of 6.90% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2023. Senior Secured Notes 2027 will mature on December 1, 2027, unless earlier redeemed, in accordance with their terms, or repurchased.

The Senior Secured Notes 2027 are guaranteed on a senior secured basis by certain of the Company's subsidiaries, and are secured with the same priority as the Company's senior credit facilities. The Senior Secured Notes 2027 and the related guarantees are effectively senior to all of the Company's and the guarantors' senior unsecured debt to the extent of the value of the collateral Collateral (as defined in the indenture to the Senior Secured Notes 2027) and are structurally subordinated to all existing and future liabilities of each of the Company's existing and future subsidiaries that do not guarantee the Senior Secured Notes 2027. As of September 30, 2023 December 31, 2023, the Senior Secured Notes 2027 bear an effective interest rate of 7.39%. The effective interest rate includes interest expense of $17.3 million $34.6 million and amortization of debt discount and issuance costs of $0.6 million $0.7 million.

For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $17.3 million and $34.6 million, respectively, relating to Senior Secured Notes 2027 (three and six months ended September 30, 2022—nil) December 31, 2022—$5.8 million).

Term Loan B

On May 30, 2018, we refinanced our existing term loan facility, by entering into a new $1 billion term loan facility (Term Loan B), whereby we borrowed $1 billion on that day and repaid in full the loans under our prior $800 million $800 million term loan facility originally entered into on January 16, 2014. Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with the Revolver (as defined below), Acquisition Term Loan (as defined below) and Senior Secured Notes 2027. On June 6, 2023, we amended the Term Loan B to replace the LIBOR benchmark rate applicable to borrowings under Term Loan B with a Secured Overnight Financing Rate (SOFR) benchmark rate.

Term Loan B has a seven-year term, maturing in May 2025, and repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. Borrowings under Term Loan B currently bear a floating rate of interest equal to Adjusted Term SOFR (as defined in the Term Loan B) and the applicable margin of 1.75%. As of September 30, 2023 December 31, 2023, the outstanding balance on the Term Loan B bears an interest rate of 7.18% 7.20%. As of September 30, 2023 December 31, 2023, the Term Loan B bears an effective interest rate of 7.48% 7.49%. The effective interest rate includes interest expense of $17.2 million $34.5 million and amortization of debt discount and issuance costs of $0.4 million $0.8 million.

Under Term Loan B, we must maintain a “consolidated net leverage” ratio of no more than 4.00:1.00 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes,

depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of September 30, 2023 December 31, 2023, our consolidated net leverage ratio, as calculated in accordance with the applicable agreement, was 3.64: 3.70:1.00.

For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $17.2 million $17.3 million and $34.5 million, respectively, relating to Term Loan B (three and six months ended September 30, 2022 December 31, 2022—$9.7 million) 13.2 million and $22.9 million, respectively).

Revolver

On October 31, 2019 December 19, 2023, we amended our committed revolving credit facility (the Revolver) to, increase the total commitments under the Revolver from $450 million to $750 million as well as to among other things, extend the maturity from May 5, 2022 October 31, 2024 to October 31, 2024. December 19, 2028, and to remove the 10-basis point credit spread adjustment for loans bearing interest based on the SOFR rate. Borrowings under the Revolver are secured by a first charge over substantially all of our assets, on a pari passu basis with Term Loan B, the Acquisition Term Loan (as defined below) and Senior Secured Notes 2027. On June 6, 2023, we entered into an amendment to replace the LIBOR benchmark rate applicable to borrowings under the Revolver with a SOFR benchmark rate.

The Revolver has no fixed repayment date prior to the end of the term. Borrowings under the Revolver bear interest per annum at a floating rate of interest equal to Adjusted Term SOFR (as defined in the Revolver) and a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%. As of September 30, 2023, the outstanding balance on the Revolver bears an interest rate of 7.18%.

As of September 30, 2023 December 31, 2023, we had a $100 million no outstanding balance under the Revolver (June 30, 2023—$275 million). For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $2.0 million $0.2 million and $2.2 million, respectively, relating to the Revolver (three and six months ended September 30, 2022 December 31, 2022—nil). In October 2023, the Company repaid the $100 million outstanding balance drawn under the Revolver.

Acquisition Term Loan

On December 1, 2022, we amended our first lien term loan facility (the Acquisition Term Loan), dated as of August 25, 2022, to increase the aggregate commitments under the senior secured delayed-draw term loan facility from an aggregate principal amount of $2.585 billion to an aggregate principal amount of $3.585 billion. During the third quarter of Fiscal 2023, the Company drew down $3.585 billion from the Acquisition Term Loan, net of original issuance discount of 3% and other fees (see Note 19 “Acquisitions” “Acquisitions and Divestitures” for more details). On August 14, 2023, we amended the Acquisition Term Loan, to reduce the applicable interest rate margin by 0.75% over the remaining term of the Acquisition Term Loan. The reduction in interest rate margin on the Acquisition Term Loan resulting from the amendment was accounted for by the Company as a debt modification.

The Acquisition Term Loan has a seven-yearseven-year term from the date of funding, and repayments under the Acquisition Term Loan are equal to 0.25% of the principal amount in equal quarterly installments for the life of the Acquisition Term Loan, with the remainder due at maturity. Borrowings under the Acquisition Term Loan currently bear a floating rate of interest equal to 2.75% plus Adjusted Term SOFR (as defined in the Acquisition Term Loan). As of September 30, 2023 December 31, 2023, the outstanding balance on the Acquisition Term Loan bears an interest rate of 8.18% 8.20%. As of September 30, 2023 December 31, 2023, the Acquisition Term Loan bears an effective interest rate of 9.27% 9.31%. The effective interest rate includes interest expense of $77.2 million $150.3 million and amortization of debt discount and issuance costs of $3.3 million $9.9 million.

The Acquisition Term Loan 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 the Company’s total debt reduced by unrestricted cash, including guarantees and letters of credit, that is secured by the Company’s or any of the Company’s subsidiaries’ assets, over the Company’s trailing four financial quarter net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. Under the Acquisition Term Loan, we must maintain a “consolidated net leverage” ratio of no more than 4.50:1.00 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of the Company’s total debt reduced by unrestricted cash, including guarantees and letters of credit, over the Company’s trailing four financial quarter net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges as defined in the Acquisition Term Loan. As of September 30, 2023 December 31, 2023, our consolidated net leverage ratio, as calculated in accordance with the applicable agreement, was 3.64: 3.70:1:00.

The Acquisition Term Loan is unconditionally guaranteed by certain subsidiary guarantors, as defined in the Acquisition Term Loan, and is secured by a first charge on substantially all of the assets of the Company and the subsidiary guarantors on a pari passu basis with the Revolver, Term Loan B and the Senior Secured Notes 2027.

For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $77.2 million $73.1 million and $150.3 million, respectively, relating to the Acquisition Term Loan (three and six months ended September 30, 2022—nil) December 31, 2022—nil, respectively). In October 2023,

Following the end of the quarter, on January 22, 2024, the Company repaid $75 million an additional $175 million drawn under the Acquisition Term Loan.

Loan (see Note 25 “Subsequent Events” to our Condensed Consolidated Financial Statements for more details).

Bridge Loan

On August 25, 2022, we entered into a bridge loan agreement (Bridge Loan) which provided for commitments of up to $2.0 billion to finance a portion of the repayment of Micro Focus’ existing debt. On December 1, 2022, we entered into an amendment to the Bridge Loan that reallocated commitments under the Bridge Loan to the Acquisition Term Loan. In connection with the amendment to the Bridge Loan and the receipt of proceeds from the issuance of the Senior Secured Notes 2027, all remaining commitments under the Bridge Loan were reduced to zero and the Bridge Loan was terminated, which resulted in a loss on debt extinguishment of $8.2 million $8.1 million relating to unamortized debt issuance costs in the second quarter of Fiscal 2023.

For the three and six months ended September 30, 2023 December 31, 2023, we did not have any borrowings or record any interest expense relating to the Bridge Loan (three and six months ended September 30, 2022 December 31, 2022—nil).

Debt Issuance Costs

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining or amending our credit facilities and issuing our Senior Notes and are being amortized through interest expense over the respective terms of the Senior Notes, Senior Secured Notes, Term Loan B, and Acquisition Term Loan using the effective interest method and straight-line method for the Revolver.

NOTE 12—PENSION PLANS AND OTHER POST-RETIREMENT BENEFITS

Defined Benefit and Other Post-Retirement Benefit Plans

The Company has 52 pension and other post-retirement plans in multiple countries. All of our pension and other post-retirement plans are located outside of Canada and the United States. The plans are primarily located in Germany, which as of September 30, 2023 December 31, 2023, make up approximately 63% of the Company’s total net benefit pension obligations.

Our defined benefit pension plans include a mix of final salary type plans which provide for retirement, old age, disability and survivor’s benefits. Final salary pension plans provide benefits to members either in the form of a lump sum payment or a guaranteed level of pension payable for life in the case of retirement, disability and death. Benefits under our final salary type plans are generally based on the participant’s age, compensation and years of service as well as the social security ceiling and other factors. Many of these plans are closed to new members. The net periodic costs of these plans are determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs.

Other post-retirement plans include statutory plans that offer termination, indemnity or other end of service benefits. Many of these plans were assumed through our acquisitions or are required by local regulatory and statutory requirements. All of our defined benefit and other post-retirement plans are included in the aggregate projected benefit obligation within “Pension liability” on our Condensed Consolidated Balance Sheets.

The following are details of net pension expense relating to the defined benefit pension plans:

		Three Months Ended September 30,		Three Months Ended December 31,		Six Months Ended December 31,	
		2023	2022	2023	2022	2023	2022
Pension expense:	**Pension expense:**						
Service cost	Service cost	$2,725	$1,059				
Service cost							
Service cost							
Interest cost	Interest cost	3,089	970				
Expected return of plan assets	Expected return of plan assets	(2,808)	(403)				
Amortization of actuarial (gains) losses	Amortization of actuarial (gains) losses	165	63				
Net pension expense	Net pension expense	$3,171	$1,689				

Service-related net periodic pension costs are recorded within operating expense and all other non-service related net periodic pension costs are classified under “Interest and other related expense, net” on our Condensed Consolidated Statements of Income.

NOTE 13—SHARE CAPITAL, OPTION PLANS AND SHARE-BASED PAYMENTS

Cash Dividends

For the three and six months ended September 30, 2023 December 31, 2023, pursuant to the Company’s dividend policy, we declared total non-cumulative dividends of $0.25 and $0.50 per Common Share, respectively, in the aggregate amount of $67.0 million $66.4 million and $133.4 million, respectively, which we paid during the same period periods (three and six months ended September 30, 2022 December 31, 2022—$0.24299 and $0.48598 per Common Share, respectively, in the aggregate amount of $64.7 million). $64.9 million and $129.6 million, respectively).

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

From time to time we may provide funds to an independent agent to facilitate repurchases of our Common Shares in connection with the settlement of awards under the Long-Term Incentive Plans (LTIP) or other plans.

During the three and six months ended September 30, 2023 December 31, 2023, nil and 1,400,000 Common Shares were purchased on the open market at a cost of nil and $53.1 million, respectively, and held under trust for potential settlement of awards under our LTIP or other plans as described below (three and six months ended September 30, 2022 December 31, 2022—no Common Shares were purchased) purchased, respectively).

During the three and six months ended September 30, 2023 December 31, 2023, we delivered to eligible participants 183,313 353,247 and 536,560 Common Shares, respectively, that were purchased in the open market in connection with the settlement of awards and other plans (three and six months ended September 30, 2022—120,406 December 31, 2022—290,970 and 411,376 Common Shares) Shares, respectively).

Share Repurchase Plan

On November 4, 2021, the Board authorized a share repurchase plan (Fiscal 2022 Repurchase Plan), pursuant to which we may purchase in open market transactions, from time to time over the 12-month period commencing November 12, 2021, up to an aggregate of $350 million of our Common Shares.

During the three and six months ended September 30, 2023 December 31, 2023 and 2022, we did not repurchase and cancel any Common Shares.

Share-Based Payments

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

		Three Months Ended September 30,		Three Months Ended December 31,		Six Months Ended December 31,	
		2023	2022	2023	2022	2023	2022
Stock Options (issued under Stock Option Plans)	Stock Options (issued under Stock Option Plans)	$ 4,544	$ 3,585				
Performance Share Units (issued under LTIP)	Performance Share Units (issued under LTIP)	5,889	4,235				
Restricted Share Units (issued under LTIP)	Restricted Share Units (issued under LTIP)	2,881	2,175				
Restricted Share Units (other)	Restricted Share Units (other)	21,372	10,637				
Deferred Share Units (directors)	Deferred Share Units (directors)	914	961				
Employee Stock Purchase Plan	Employee Stock Purchase Plan	1,495	1,615				
Total share-based compensation expense	Total share-based compensation expense	$37,095	$23,208				

A summary of unrecognized compensation cost for unvested shared-based share-based payment awards is as follows:

		As of September 30, 2023			As of December 31, 2023		
		Unrecognized Compensation Cost	Weighted Average Recognition Period (years)		Unrecognized Compensation Cost		Weighted Average Recognition Period (years)
Stock Options (issued under Stock Option Plans)	Stock Options (issued under Stock Option Plans)	$ 48,754	2.6	Stock Options (issued under Stock Option Plans)	46,865	2.6	2.6
Performance Share Units (issued under LTIP)	Performance Share Units (issued under LTIP)	56,484	2.5	Performance Share Units (issued under LTIP)	60,693	2.1	2.1
Restricted Share Units (issued under LTIP)	Restricted Share Units (issued under LTIP)	27,139	2.4	Restricted Share Units (issued under LTIP)	24,495	2.2	2.2
Restricted Share Units (other)	Restricted Share Units (other)	83,793	1.3	Restricted Share Units (other)	112,782	1.8	1.8
Total unrecognized share-based compensation cost	Total unrecognized share-based compensation cost	$ 216,170					

Stock Option Plans

Stock Options

A summary of activity under our stock option plans for the three six months ended September 30, 2023 December 31, 2023 is as follows:

		Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
		Options							
Outstanding at June 30, 2023	Outstanding at June 30, 2023	12,219,439	$ 38.44	4.68	$ 62,473				
Granted	Granted	840,610	36.79						
Exercised	Exercised	(84,885)	34.08						
Exercised									
Exercised									
Forfeited or expired	Forfeited or expired	(221,571)	42.39						

Outstanding at September 30, 2023	12,753,593	$ 38.29	4.60	$ 23,473
Exercisable at September 30, 2023	4,940,080	$ 40.16	3.10	$ 2,691
Forfeited or expired				
Forfeited or expired				
Outstanding at December 31, 2023				
Outstanding at December 31, 2023				
Outstanding at December 31, 2023				
Exercisable at December 31, 2023				

As of September 30, 2023 December 31, 2023, 5,331,793 4,909,525 options to purchase Common Shares were available for issuance under our stock option plans.

We estimate the fair value of stock options using the Black-Scholes option-pricing model or, where appropriate, the Monte Carlo pricing model, consistent with the provisions of ASC Topic 718, “Compensation—Stock Compensation” (Topic 718) and SEC Staff Accounting Bulletin No. 107. The option-pricing models require input of subjective assumptions, including the estimated life of the option and the expected volatility of the underlying stock over the estimated life of the option. We use historical volatility as a basis for projecting the expected volatility of the underlying stock and estimate the expected life of our stock options based upon historical data.

We believe that the valuation techniques and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair value of our stock option grants. Estimates of fair value are not intended, however, to predict actual future events or the value ultimately realized by employees who receive equity awards.

For the periods indicated, the weighted-average fair value of options and weighted-average assumptions estimated under the Black-Scholes option-pricing model were as follows:

		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022		Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Six Months Ended December 31, 2023	Six Months Ended December 31, 2022
Weighted–average fair value of options granted	Weighted–average fair value of options granted	$ 9.16	$ 8.16					
Weighted-average assumptions used:	**Weighted-average assumptions used:**							
Expected volatility	Expected volatility	30.93 %	27.46 %					
Expected volatility								
Expected volatility					31.33 %	28.87 %	31.07 %	28.50 %
Risk–free interest rate	Risk–free interest rate	4.44 %	2.86 %	Risk–free interest rate	4.40 %	4.46 %	4.42 %	4.03 %
Expected dividend yield	Expected dividend yield	2.66 %	2.32 %	Expected dividend yield	2.44 %	3.46 %	2.58 %	3.16 %

Expected life (in years)	Expected life (in years)	4.24	4.18	Expected life (in years)	4.27	4.20	4.25	4.19
Forfeiture rate (based on historical rates)	Forfeiture rate (based on historical rates)	7 %	7 %	Forfeiture rate (based on historical rates)	7 %	7 %	7 %	7 %
Average exercise share price	Average exercise share price	$36.79	$39.09					

Performance Options

During the three and six months ended September 30, 2023 December 31, 2023, we did not grant performance options (during the three and six months ended September 30, 2022—1,000,000) December 31, 2022—nil and 1,000,000, respectively).

For the period in which performance options were granted, the weighted-average fair value of performance options and weighted-average assumptions estimated under the Monte Carlo pricing model were as follows:

		Three Six Months Ended September 30, December 31, 2022
Weighted–average fair value of options granted	$	8.09
Derived service period (in years)		1.70 1.7
Weighted-average assumptions used:		
Expected volatility		26.00 %
Risk–free interest rate		3.21 %
Expected dividend yield		2.00 %
Average exercise share price	$	31.89

Long-Term Incentive Plans

We incentivize certain eligible employees, in part, with long-term compensation pursuant to our LTIP. The LTIP is a rolling three-year program that grants eligible employees a certain number of target Performance Share Units (PSUs) and/or Restricted Share Units (RSUs). Target PSUs become vested upon the achievement of certain financial and/or operational performance criteria (the Performance Conditions) that are determined at the time of the grant. The Performance Conditions for vesting of the outstanding PSUs are based solely upon on market conditions or performance-based revenue conditions. The RSUs are employee service-based awards and vest subject to become vested when an eligible employee's continued employment employee remains employed throughout the applicable vesting period.

PSUs and RSUs granted under the LTIP 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. We estimate the fair value of PSUs with market-based conditions using the Monte Carlo pricing model and RSUs have been valued based upon their grant date fair value. The fair value of PSUs with performance-based conditions have been valued based upon their grant date fair value. Beginning in Fiscal 2023, certain PSU and RSU grants were eligible to receive dividend equivalent units that vest under the same conditions as the underlying grants.

Performance Share Units (Issued Under LTIP)

A summary of activity under our performance share units issued under the LTIP for the three six months ended September 30, 2023 December 31, 2023 is as follows:

	Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
	Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
Outstanding at June 30, 2023	1,013,385	$ 61.64	1.75	$ 42,106
Granted (1)	612,432	59.22		
Vested	—	—		
Vested (1)				
Vested (1)				
Vested (1)				
Forfeited or expired	(24,049)	61.69		
Outstanding at September 30, 2023	1,601,768	$ 60.76	2.16	$ 56,222
Forfeited or expired				
Forfeited or expired				
Outstanding at December 31, 2023				
Outstanding at December 31, 2023				
Outstanding at December 31, 2023				

(1) PSUs are earned based on market or performance conditions and the actual number of PSUs earned, if any, is dependent upon performance and may range from 0 to 200 percent.

For the periods indicated, the weighted-average fair value of market-based PSUs issued under LTIP, and weighted-average assumptions estimated under the Monte Carlo pricing model were as follows:

	Three Months Ended September 30,		Six Months Ended December 31,	
	2023	2022	2023	2022
Weighted–average fair value of performance share units granted	$59.48	$55.06	$59.48	$43.10 - $55.06

Weighted-average assumptions used:	Weighted-average assumptions used:					
Expected volatility	Expected volatility	28.05 %	29.00 %			
Expected volatility						
Expected volatility					28%	29% - 31%
Risk–free interest rate	Risk–free interest rate	4.38 %	3.13 %	Risk–free interest rate	4.38%	3.13% - 3.39%
Expected dividend yield	Expected dividend yield	— %	— %	Expected dividend yield	— %	— %
Expected life (in years)	Expected life (in years)	3.11	3.11	Expected life (in years)	3.10	3.11

The weighted-average fair value of the performance-based PSUs granted was $40.14 for the six months ended December 31, 2023.

Restricted Share Units (Issued Under LTIP)

A summary of activity under our RSUs issued under the LTIP for the three six months ended September 30, 2023 December 31, 2023 is as follows:

		Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
	Units	Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
Outstanding at June 30, 2023	Outstanding at June 30, 2023	774,360	$ 42.83	1.68	$ 32,175
Granted	Granted	466,454	36.80		
Vested	Vested	—	—		
Vested					
Vested					
Forfeited or expired	Forfeited or expired	(24,049)	41.83		
Outstanding at September 30, 2023		1,216,765	$ 40.55	2.11	$ 42,708
Forfeited or expired					
Forfeited or expired					
Outstanding at December 31, 2023					
Outstanding at December 31, 2023					

Outstanding at December 31, 2023

Restricted Share Units (Other)

In addition to the grants made in connection with the LTIP discussed above, from time to time, we may grant RSUs to certain employees in accordance with employment and other non-LTIP related agreements. RSUs (other) vest over a specified contract date, typically two or three years from the respective date of grants.

A summary of activity under our RSUs (other) issued for the three six months ended September 30, 2023 December 31, 2023 is as follows:

		Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
	Units				
		Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
Outstanding at June 30, 2023	Outstanding at June 30, 2023	5,310,595	$ 36.43	1.97	$ 220,655
Granted	Granted	10,192	37.51		
Vested	Vested	(183,094)	39.83		
Vested					
Vested					
Forfeited or expired	Forfeited or expired	(106,055)	36.87		
Outstanding at September 30, 2023		5,031,638	$ 36.12	1.75	$ 176,610
Forfeited or expired					
Forfeited or expired					
Outstanding at December 31, 2023					
Outstanding at December 31, 2023					
Outstanding at December 31, 2023					

Deferred Share Units (DSUs)

The DSUs are granted to certain non-employee directors. DSUs are issued under our Deferred Share Unit Plan. DSUs granted as compensation for director fees vest immediately, whereas all other DSUs granted vest at our next annual general meeting following the granting of the DSUs. No DSUs are payable by us until the director ceases to be a member of the Board.

A summary of activity under our DSUs issued for the three six months ended September 30, 2023 December 31, 2023 is as follows:

		Units	Weighted-Average Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)				
	Units					Units	Weighted-Average Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
Outstanding at June 30, 2023 (1)	Outstanding at June 30, 2023 (1)	994,568	$ 29.98	0.36	$ 41,324				
Granted	Granted	7,050	37.70						
Outstanding at September 30, 2023 (1)		1,001,618	$ 30.04	0.10	$ 35,157				
Outstanding at December 31, 2023 (2)									
Outstanding at December 31, 2023 (2)									
Outstanding at December 31, 2023 (2)									

(1) Includes 90,906 unvested DSUs.
(2) Includes 47,871 unvested DSUs.

Employee Stock Purchase Plan (ESPP)

Our ESPP offers employees the opportunity to purchase our Common Shares at a purchase price discount of 15%. During the three and six months ended September 30, 2023 December 31, 2023, 286,772 186,974 and 473,746 Common Shares, respectively, were eligible for issuance to employees enrolled in the ESPP (three and six months ended September 30, 2022—354,465 December 31, 2022—227,885 and 582,350 Common Shares) Shares, respectively). During the three and six months ended September 30, 2023 December 31, 2023, cash in the amount of $8.6 million $6.7 million and $15.3 million, respectively, was received from employees relating to the ESPP (three and six months ended September 30, 2022 December 31, 2022—$8.0 million) 5.8 million and $13.8 million, respectively).

NOTE 14—GUARANTEES AND CONTINGENCIES

We have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

		Payments due between					Payments due between				
		Total	October 1, 2023 - June 30, 2024	July 1, 2024 - June 30, 2026	July 1, 2026 - June 30, 2028	July 1, 2028 and beyond	Total	January 1, 2024 - June 30, 2024	July 1, 2024 - June 30, 2026	July 1, 2026 - June 30, 2028	July 1, 2028 and beyond
Long-term debt obligations (1)	Long-term debt obligations (1)	$11,967,329	$478,079	$2,155,858	$2,908,194	$6,425,198					

Purchase obligations for contracts not accounted for as lease obligations (2)	Purchase obligations for contracts not accounted for as lease obligations (2)	400,328	118,628	270,777	10,923	—
		$12,367,657	$596,707	$2,426,635	$2,919,117	$6,425,198
	$					

(1) Includes interest up to maturity and principal payments. Please see Note 11 “Long-Term Debt” for more details.

(2) For contractual obligations relating to leases and purchase obligations accounted for under ASC Topic 842, please see Note 6 “Leases.”

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.

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

Litigation

We are currently involved in various claims and legal proceedings.

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

If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this Quarterly Report on Form 10-Q, the aggregate of such accrued liabilities was not material to our consolidated financial position or results of operations and we do not believe as of the date of this filing that it is reasonably possible that a loss exceeding the amounts already recognized will be incurred that would be material to our consolidated financial position or results of operations. As described more fully below, we are unable at this time to estimate a possible loss or range of losses in respect of certain disclosed matters.

Contingencies

CRA Matter

As part of its ongoing audit of our Canadian tax returns, the Canada Revenue Agency (CRA) has disputed our transfer pricing methodology used for certain intercompany transactions with our international subsidiaries and has issued notices of reassessment for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of September 30, 2023 December 31, 2023, in connection with the CRA's reassessments for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016, to be limited to penalties, interest and provincial taxes that may be due of approximately $76 million $79 million. As of September 30, 2023 December 31, 2023, we have provisionally paid approximately $33 million in order to fully preserve our rights to object to the CRA's audit positions, being the minimum payment required under Canadian legislation while the matter is in dispute. This amount is recorded within “Long-term income taxes recoverable” on the Condensed Consolidated Balance Sheets as of September 30, 2023 December 31, 2023.

The notices of reassessment for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016 would, as drafted, increase our taxable income by approximately $90 million to $100 million for each of those years, as well as impose a 10% penalty on the proposed adjustment to income. Audits by the CRA of our tax returns for fiscal years prior to Fiscal 2012 have been completed with no reassessment of our income tax liability.

We strongly disagree with the CRA's positions and believe the reassessments of Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016 (including any penalties) are without merit, and we are continuing to contest these reassessments. On June 30, 2022, we filed a notice of appeal with the Tax Court of Canada seeking to reverse all such reassessments (including penalties) in full and the customary court process is ongoing.

Even if we are unsuccessful in challenging the CRA's reassessments to increase our taxable income for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016, we have elective deductions available for those years (including carry-backs from later years) that would offset such increased amounts so that no additional cash tax would be payable, exclusive of any assessed penalties and interest, as described above.

The CRA has audited Fiscal 2017, Fiscal 2018 and Fiscal 2019 on a basis that we strongly disagree with and are contesting. The focus of the CRA audit has been the valuation of certain intellectual property and goodwill when one of our subsidiaries continued into Canada from Luxembourg in July 2016. In accordance with applicable rules, these assets were recognized for tax purposes at fair market value as of that time, which value was supported by an expert valuation prepared by an independent leading accounting and advisory firm. CRA's position for Fiscal 2017 through Fiscal 2019 relies in significant part on the application of its positions regarding our transfer pricing methodology that are the basis for its reassessment of our fiscal years 2012 to 2016 described above, and that we believe are without merit. Other aspects of CRA's position for Fiscal 2017 through Fiscal 2019 conflict with the expert valuation prepared by the independent leading accounting and advisory firm that was used to support our original filing position. The CRA issued notices of reassessment in respect of Fiscal 2017, Fiscal 2018 and Fiscal 2019 on a basis consistent with its proposal to reduce the available depreciable basis of assets in Canada. On April 19, 2022, we filed our notice of objection regarding the reassessment in respect of Fiscal 2017 and on March 15, 2023, we filed our notice of objection regarding the reassessment in respect of Fiscal 2018. We intend to file On December 11, 2023 we filed a notice of objection regarding Fiscal 2019. If we are ultimately unsuccessful in defending our position, the estimated impact of the proposed adjustment could result in us recording an income tax expense, with no immediate cash payment, to reduce the stated value of our deferred tax assets of up to approximately $470 million. Any such income tax expense could also have a corresponding cash tax impact that would primarily occur over a period of several future years based upon annual income realization in Canada. We strongly disagree with the CRA's position for Fiscal 2017 through Fiscal 2019 and intend to vigorously defend our original filing position. We are not required to provisionally pay any cash amounts to the CRA as a result of the reassessment in respect of Fiscal 2017 through Fiscal 2019 due to the utilization of available tax attributes; however, to the extent the CRA reassesses subsequent fiscal years on a similar basis, we expect to make certain minimum payments required under Canadian legislation, which may need to be provisionally made starting in Fiscal 2024 while the matter is in dispute.

We will continue to vigorously contest the adjustments to our taxable income and any penalty and interest assessments, as well as any reduction to the basis of our depreciable property. We are confident that our original tax filing positions were appropriate. Accordingly, as of the date of this Quarterly Report on Form 10-Q, we have not recorded any accruals in respect of these reassessments or proposed reassessment in our Condensed Consolidated Financial Statements. The CRA is also in preliminary stages of auditing Fiscal 2020.

Carbonite Class Action Complaint

On August 1, 2019, prior to our acquisition of Carbonite Inc. (Carbonite), a purported stockholder of Carbonite filed a putative class action complaint against Carbonite, its former Chief Executive Officer, Mohamad S. Ali, and its former Chief Financial Officer, Anthony Folger, in the United States District Court for the District of Massachusetts captioned Ruben A. Luna, Individually and on Behalf of All Others Similarly Situated v. Carbonite, Inc., Mohamad S. Ali, and Anthony Folger (No. 1:19-cv-11662-LTS) (the Luna Complaint). The complaint alleges violations of the federal securities laws under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The complaint generally alleges that the defendants made materially false and misleading statements in connection with Carbonite's Server Backup VM Edition, and seeks, among other things, the designation of the action as a class action, an award of unspecified compensatory damages, costs and expenses, including counsel fees and expert fees, and other relief as the court deems appropriate. On August 23, 2019, a nearly identical complaint was filed in the same court captioned William Feng, Individually and on Behalf of All Others Similarly Situated v. Carbonite, Inc., Mohamad S. Ali, and Anthony Folger (No. 1:19- cv-11808-LTS) (together with the Luna Complaint, the Securities Actions). On November 21, 2019, the district court consolidated the Securities Actions, appointed a lead plaintiff, and designated a lead counsel. On January 15, 2020, the lead plaintiff filed a consolidated amended complaint generally making the same allegations and seeking the same relief as the complaint filed on August 1, 2019. The defendants moved to dismiss the Securities Actions on March 10, 2020. On October 22, 2020, the district court granted with prejudice the defendants' motion to dismiss the Securities Actions. On November 20, 2020, the lead plaintiff filed a notice of appeal to the United States Court of Appeals for the First Circuit. On December 21, 2021, the United States Court of Appeals for the First Circuit issued a decision reversing and remanding the Securities Actions to the district court for further proceedings. The parties have completed discovery. On July 14, 2023, the district court certified the lead plaintiff's proposed class. The class, following which the defendants have filed a motion for class decertification and decertification. On January 31, 2024 the parties filed a motion for summary judgment, both preliminary approval of which are pending. a settlement to fully resolve the litigation. The proposed settlement is subject to the court's approvals and, if approved, will be substantially paid from insurance coverage, with any remaining amount not covered by insurance expected to be immaterial to the Company. All defendants remain confident in their position, believe the Securities Actions are without merit, have denied, and will continue to vigorously defend deny, the matter. merit of the claims alleged in the case and the settlement does not reflect any admission of fault, wrongdoing, or liability as to any defendant.

Carbonite vs Realtime Data

On February 27, 2017, before our acquisition of Carbonite, a non-practicing entity named Realtime Data LLC (Realtime Data) filed a lawsuit against Carbonite in the U.S. District Court for the Eastern District of Texas captioned Realtime Data LLC v. Carbonite, Inc. et al (No 6:17-cv-00121-RWS-JDL). Therein, it alleged that certain of Carbonite's cloud storage services infringe upon certain patents held by Realtime Data. Realtime Data's complaint against Carbonite sought damages in an unspecified amount and injunctive relief. On December 19, 2017, the U.S. District Court for the Eastern District of Texas transferred the case to the U.S. District Court for the District of Massachusetts (No. 1:17-cv-12499). Realtime Data has also filed numerous other patent suits on the same asserted patents against other companies. After a stay pending appeal in one of those suits, on January 21, 2021, the district court held a hearing to construe the claims of the asserted patents. As to the fourth patent asserted against Carbonite, on September 24, 2019, the U.S. Patent & Trademark Office Patent Trial and Appeal Board invalidated certain claims of that patent, including certain claims that had been asserted against Carbonite. The parties then jointly stipulated to dismiss that patent from this action. On August 23, 2021, in one of the suits against other companies, the District of Delaware (No. 1:17-cv-800), held all of the patents asserted against Carbonite to be invalid. Realtime Data has appealed that decision to the U.S. Court of Appeals for the Federal Circuit. Based upon the order in the Delaware case, the U.S. District Court for the District of Massachusetts granted summary judgment in Carbonite's favor. Realtime Data appealed the order, but stipulated to stay the appeal pending the outcome of their appeal in the District of Delaware case and agreed that if the U.S. Court of Appeals for the Federal Circuit affirmed the District of Delaware's judgment of invalidity, Realtime Data would subsequently dismiss their appeal against Carbonite. On August 2, 2023, the U.S. Court of Appeals for the Federal Circuit affirmed the invalidity of the patents asserted against Carbonite. Pursuant to the parties' stipulation, Realtime Data dismissed its appeal against Carbonite to fully resolve this matter.

NOTE 15—INCOME TAXES

The Company's effective tax rate for the three months ended September 30, 2023 December 31, 2023, was 11.3% increased to a provision of 17.6%, compared to a provision of (40.4)% 16.4% for the three months ended September 30, 2022 December 31, 2022. The Company's effective tax rate for the six months ended December 31, 2023, decreased to a provision of 13.4%, compared to a provision of 37.3% for the six months ended December 31, 2022.

The Company's effective tax rate for the three months ended September 30, 2023 December 31, 2023, differs from the Canadian statutory rate of 26.5% primarily due to tax benefits related to foreign tax rate differences, foreign tax credits, and research and development credits, partially offset by US Base Erosion and Anti-Abuse Tax (BEAT).

The Company's effective tax rate for the three months ended September 30, 2022 December 31, 2022 differs from the Canadian statutory rate primarily due to pre-tax losses created tax benefits related to benefits of internal reorganizations partially offset by permanent items and uncertain tax positions.

The Company's effective tax rate for the mark-to-market valuation on six months ended December 31, 2023, differs from the derivatives not designated as hedges that Canadian statutory rate of 26.5% primarily due to tax benefits related to foreign tax credits and research and development credits, partially offset by US BEAT.

The Company's effective tax rate for the Company entered into in connection with six months ended December 31, 2022, differs from the Micro Focus Acquisition, Canadian statutory rate primarily due to permanent items and the inability to recognize the uncertain tax benefit of mark-to-market losses. The tax benefit of mark-to-market losses are considered capital losses for tax purposes positions, partially offset by research and require capital income to be recognized. Therefore we recorded a valuation allowance on the portion of the losses that are not supportable by capital gains. development credits.

As of September 30, 2023 December 31, 2023, the gross amount of unrecognized tax benefits accrued is $183.1 million was $182.7 million (June 30, 2023 — $178.7 million), which is inclusive of interest and penalties accrued of $17.6 million $19.3 million (June 30, 2023 — $13.5 million). We believe that it is reasonably possible that the gross unrecognized tax benefit could decrease by $14.5 million $31.3 million in the next 12 months, 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.

We are subject to income tax audits in all major taxing jurisdictions in which we operate. Our four most significant jurisdictions are Canada, the United States, United Kingdom and Germany. Our tax filings remain subject to income tax audits by applicable tax authorities for a certain length of time following the tax year to which those tax filings relate. We currently have income tax audits open in Canada, the United States, United Kingdom, Germany and other immaterial jurisdictions. The earliest fiscal years open for examination for our major jurisdictions are 2012 for Canada, 2019 2020 for the United States, 2015 for the United Kingdom and 2016 for Germany. On a quarterly basis we assess the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. Statements regarding the Canada audits are included in Note 14 "Guarantees and Contingencies."

The timing of the resolution of income tax audits is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next 12 months we will receive additional assessments by various tax authorities or possibly reach resolution of income tax audits in one or more jurisdictions. These assessments or settlements may or may not result in changes to our contingencies related to positions on tax filings. The actual amount of any change could vary significantly depending on the ultimate timing and nature of any settlements. We cannot currently provide an estimate of the range of possible outcomes. For more information relating to certain income tax audits, please refer to Note 14 “Guarantees and Contingencies.”

As of September 30, 2023 December 31, 2023, we have recognized a deferred income tax liability of $29.2 million $29.5 million (June 30, 2023—$28.3 million) on taxable temporary differences related to the undistributed earnings of certain non-United States subsidiaries and planned periodic repatriations from certain German subsidiaries, that will be subject to withholding taxes upon distribution. We have not provided for additional foreign withholding taxes or deferred income tax liabilities related to undistributed earnings of all other non-Canadian subsidiaries, since such earnings are considered permanently invested in those subsidiaries or are not subject to withholding taxes. It is not practicable to reasonably estimate the amount of additional deferred income tax liabilities or foreign withholding taxes that may be payable should these earnings be distributed in the future.

State Aid Matter

In April 2019, the European Commission published its final decision on its State Aid investigation into the UK’s “Financing Company Partial Exemption” legislation and concluded that part of the legislation was in breach of EU State Aid rules. The UK government and certain UK-based international companies, supported by Micro Focus, appealed to the General Court of the Court of Justice of the European Union (General Court of the CJEU) against the decision.

In February 2021, Micro Focus received and settled GBP denominated State Aid charging notices issued by HM Revenue and Customs, following the requirement for the UK government to start collection proceedings. As a result, Micro Focus recorded a long-term income tax receivable of $42.9 million $44.6 million. This reflects the payment that was made following the final decision published by the European Commission on its State Aid investigation into the UK’s “Financing ‘Financing Company Partial Exemption” Exemption’ legislation. Based on management’s assessment of the value of the underlying tax benefit under dispute, and as supported by external professional advice, Micro Focus believed they had no liability in respect of these matters and therefore no tax charge was recorded.

On June 8, 2022, the General Court of the CJEU found in favor of the European Commission’s decision that the UK’s “Financing ‘Financing Company Partial Exemption” Exemption’ legislation is in breach of EU State Aid rules. The UK government and UK-based international companies, supported by Micro Focus, lodged an appeal against the judgement with the CJEU. Micro Focus previously received and settled State Aid charging notices from HM Revenue and Customs (including historic interest) and given that an appeal would be expected to take more than a year, a long-term income tax recoverable continues to be recognized as part of non-current tangible assets as of September 30, 2023 December 31, 2023, in the preliminary purchase price allocation relating to the Micro Focus Acquisition, as described in Note 19 “Acquisitions. “Acquisitions and Divestitures.”

NOTE 16—FAIR VALUE MEASUREMENT

ASC Topic 820 “Fair Value Measurement” (Topic 820) defines fair value, establishes a framework for measuring fair value, and addresses disclosure requirements for fair value measurements. Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value, in this context, should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk, including our own credit risk.

In addition to defining fair value and addressing disclosure requirements, Topic 820 establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

Financial Assets and Liabilities Measured at Fair Value: Value

Our cash and cash equivalents, along with our accounts receivable and accounts payable and accrued liabilities balances, are measured and recognized in our Condensed Consolidated Financial Statements at an amount that approximates the fair value (a Level 2 measurement) due to their short maturities. The carrying value of our other long-term debt facilities approximates the fair value since the interest rate is at market. See Note 11 “Long-Term Debt” for further details.

The following table summarizes the fair value of our financial instruments as of September 30, 2023 December 31, 2023 and June 30, 2023:

		Fair Value Hierarchy	Fair Value September 30, 2023	Fair Value June 30, 2023
		Fair Value Hierarchy	Fair Value December 31, 2023	Fair Value June 30, 2023
Assets:	Assets:			
Available-for-sale financial assets (Note 9)				
Available-for-sale financial assets (Note 9)				
Available-for-sale financial assets (Note 9)	Available-for-sale financial assets (Note 9)	Level 2	$ 14,958	$ 15,231
Available-for-sale financial assets (Note 9)	Available-for-sale financial assets (Note 9)	Level 3	$ 24,090	$ 24,627
Derivative asset (Note 17)	Derivative asset (Note 17)	Level 2	$ 931	$ 3,547
Liabilities:	Liabilities:			
Liabilities:				
Liabilities:				
Derivative liability (Note 17)				
Derivative liability (Note 17)				
Derivative liability (Note 17)	Derivative liability (Note 17)	Level 2	$ (127,152)	$ (161,191)
Senior Notes (Note 11) (1)	Senior Notes (Note 11) (1)	Level 2	$(3,763,513)	$(3,827,888)
Senior Notes (Note 11) (1)				
Senior Notes (Note 11) (1)				

(1) Senior Notes are presented within the Condensed Consolidated Balance Sheets at amortized cost. See Note 11 “Long-Term Debt” for further details.

Changes in Level 3 Fair Value Measurements

The following table provides a reconciliation of changes in the fair value of our Level 3 available-for-sale financial assets between June 30, 2023 and September 30, 2023 December 31, 2023.

		Available-for-sale financial assets
Balance as of June 30, 2023	$	24,627
Gain (loss) recognized in income		(537) 361
Balance as of September 30, 2023 December 31, 2023	$	24,090 24,988

Our derivative liabilities and our derivative assets are classified as Level 2 and are comprised of foreign currency forward and swap contracts. Our valuation techniques used to measure the fair value of the derivative instruments, the counterparties to which have high credit ratings, were derived from pricing models including discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data, as no quoted market prices exist for these instruments. Our discounted cash flow techniques use observable market inputs, such as, where applicable, foreign currency spot and forward rates.

Our available-for-sale financial assets are classified as either Level 2 or Level 3. Our Level 2 available-for-sale financial assets are comprised primarily of various debt and equity funds, which are valued utilizing market quotes provided by our third-party custodian. Our Level 3 available-for-sale financial assets are comprised of insurance contracts which are valued by an external insurance expert by applying a discount rate to the future cash flows and taking into account the fixed interest rate, mortality rates and term of the insurance contracts. See Note 9 “Prepaid Expenses and Other Assets” for further details.

If applicable, we will recognize transfers between levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. During the three and six months ended September 30, 2023 December 31, 2023 and 2022, respectively, we did not have any transfers between Level 1, Level 2 or Level 3.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets and liabilities at fair value on a nonrecurring basis. These assets and liabilities are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the three and six months ended September 30, 2023 December 31, 2023 and 2022, respectively, no indications of impairments were identified and therefore no fair value measurements were required.

NOTE 17—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Non-designated Hedges

In connection with the Micro Focus Acquisition, in August 2022, we entered into certain derivative transactions to meet certain foreign currency obligations under UK cash confirmation requirements related to the purchase price of the Micro Focus Acquisition, mitigate the risk of foreign currency appreciation in the GBP denominated purchase price and mitigate the risk of foreign currency appreciation in the EUR denominated existing debt held by Micro Focus. We entered into the following derivatives: (i) three deal-contingent forward contracts, (ii) a non-contingent forward contract, and (iii) EUR/USD cross currency swaps.

The deal-contingent forward contracts had an aggregate notional amount of £1.475 billion. The non-contingent forward contract had a notional amount of £350 million. The cross currency swaps are comprised of 5-year EUR/USD cross currency swaps with a notional amount of €690 million and 7-year EUR/USD cross currency swaps with a notional amount of €690 million.

These instruments were entered into as economic hedges to mitigate foreign currency risks associated with the Micro Focus Acquisition. The instruments did not initially qualify for hedge accounting at the time they were entered into. In connection with the closing of the Micro Focus Acquisition, the deal-contingent forward and non-deal contingent forward contracts were settled and we designated the 7-year EUR/USD cross currency swaps as net investment hedges (see further details below). The 5-year EUR/USD cross currency swaps are non-designated and are measured at fair value with changes to fair value being recognized in the Condensed Consolidated Statements of Income within “Other income (expense), net.”

Net Investment Hedge

During the third quarter of Fiscal 2023, the Company designated the €690 million of 7-year EUR/USD cross currency swaps as net investment hedges in accordance with “Derivatives and Hedging” (Topic 815). The Company utilizes the designated cross currency swaps to protect our EUR-denominated operations against exchange rate fluctuations.

The Company assesses the hedge effectiveness of its net investment hedges on a quarterly basis utilizing a method based on the changes in spot price. As such, for derivative instruments designated as net investment hedges, changes in fair value of the designated hedging instruments attributable to fluctuations in the foreign currency spot exchange rates are initially recorded as a component of currency translation adjustments included within Condensed Consolidated Statements of Comprehensive Income until the hedged foreign operations are either sold or substantially liquidated.

In accordance with Topic 815 certain components of the designated cross currency swaps relating to counterparty credit risk and forward exchange rates were excluded from the above effectiveness assessment. The fair value of these excluded components will be amortized over the life of the hedging instruments within “Interest and other related expense, net” within the Condensed Consolidated Statements of Income. Additionally, we will record the cash flows related to the periodic interest settlements on the 5-year EUR/USD cross currency swaps within the investing activities section of the Condensed Consolidated Statements of Cash Flows. Any gains or losses recognized upon settlement of the cross currency swaps will be recorded within the investing activities section of the Condensed Consolidated Statements of Cash Flows.

Cash Flow Hedge

We are engaged in hedging programs with various banks to limit the potential foreign exchange fluctuations incurred on future cash flows relating to a portion of our Canadian dollar payroll expenses. We operate internationally and are therefore exposed to foreign currency exchange rate fluctuations in the normal course of our business, in particular to changes in the Canadian dollar on account of large costs that are incurred from our centralized Canadian operations, which are denominated in Canadian dollars. As part of our risk management strategy, we use foreign currency forward contracts to hedge portions of our payroll exposure with typical maturities of between one and twelve months. We do not use foreign currency forward contracts for speculative purposes.

We have designated these transactions as cash flow hedges of forecasted transactions under Topic 815. As the critical terms of the hedging instrument and of the entire hedged forecasted transaction are the same, in accordance with Topic 815, we have been able to conclude that changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. Accordingly, quarterly unrealized gains or losses on the effective portion of these forward contracts have been included within “Other Comprehensive Income (Loss) - net.” The As of December 31, 2023, the fair value of the contracts as of September 30, 2023, is recorded within “Accounts payable “Prepaid expenses and accrued liabilities” other current assets” and represents the net loss gain before tax effect that is expected to be reclassified from accumulated other comprehensive income (loss) into earnings with the next twelve months.

As of September 30, 2023 December 31, 2023, the notional amount of forward contracts we held to sell U.S. dollars in exchange for Canadian dollars was $96.5 million $96.3 million (June 30, 2023—$96.3 million).

Fair Value of Derivative Instruments and Effect of Derivative Instruments on Financial Performance

The fair values of outstanding derivative instruments are as follows:

			As of September 30, 2023		As of June 30, 2023							
			As of December 31, 2023								As of December 31, 2023	As of June 30, 2023
Instrument	Instrument	Balance Sheet Location	Asset	Liability	Asset	Liability	Instrument	Balance Sheet Location	Asset	Liability	Asset	Liability
Derivatives designated as hedges:	Derivatives designated as hedges:											
Cash flow hedge	Cash flow hedge	Prepaid expenses and other current assets (Accounts payable and accrued liabilities)	$ —	$ (963)	$1,530	$ —						

Cash flow hedge						
Cash flow hedge						
Net investment hedge	Net investment hedge	Prepaid expenses and other current assets (Accounts payable and accrued liabilities)	304	(70,748)	596	(87,855)
Total derivatives designated as hedges			304	(71,711)	2,126	(87,855)
Total derivatives designated as hedges:						
Derivatives not designated as hedges:	Derivatives not designated as hedges:					
Derivatives not designated as hedges:						
Derivatives not designated as hedges:						
Cross currency swap contracts	Cross currency swap contracts	Prepaid expenses and other current assets (Accounts payable and accrued liabilities)	627	(55,441)	1,421	(73,336)
Total derivatives not designated as hedges			627	(55,441)	1,421	(73,336)
Cross currency swap contracts						
Cross currency swap contracts						
Total derivatives not designated as hedges:						
Total derivatives	Total derivatives		$931	$(127,152)	$3,547	$(161,191)

The effects of gains (losses) from derivative instruments on our Condensed Consolidated Statements of Income is as follows:

			Three Months Ended September 30,							
			Three Months Ended December 31,						Three Months Ended December 31,	Six Months Ended December 31,
Instrument	Instrument	Income Statement Location	2023	2022	Instrument	Income Statement Location	2023	2022	2023	2022
Derivatives designated as hedges:	Derivatives designated as hedges:									
Cash flow hedge										
Cash flow hedge										
Cash flow hedge	Cash flow hedge	Operating expenses	$ (12)	$ (800)						
Net investment hedge	Net investment hedge	Interest and other related expense, net	922	—						
Derivatives not designated as hedges:	Derivatives not designated as hedges:									
Derivatives not designated as hedges:										
Derivatives not designated as hedges:										
Deal-contingent forward contract										
Deal-contingent forward contract										
Deal-contingent forward contract	Deal-contingent forward contract	Other income (expense), net	—	(125,331)						
Non-contingent forward contract	Non-contingent forward contract	Other income (expense), net	—	(26,203)						
Cross currency swap contracts	Cross currency swap contracts	Other income (expense), net	17,895	(29,927)						

Cross currency swap contracts	Cross currency swap contracts	Interest and other related expense, net	856	—
Total	Total		$19,661	$(182,261)

The effects of the cash flow and net investment hedges on our Condensed Consolidated Statements of Comprehensive Income:

		Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Comprehensive Income Location	Three Months Ended September 30, 2023	2022

	Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Comprehensive Income Location	Three Months Ended December 31,		Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Comprehensive Income Location	2023	2022	Three Months Ended December 31, 2023	Six Months Ended December 31, 2022

			2023	2022
Gain (loss) recognized in OCI (loss) on cash flow hedge (effective portion)	Gain (loss) recognized in OCI (loss) on cash flow hedge (effective portion)	Unrealized gain (loss) on cash flow hedge	$ (2,505)	$(4,546)
Gain (loss) recognized in OCI (loss) on net investment hedge (effective portion)	Gain (loss) recognized in OCI (loss) on net investment hedge (effective portion)	Net foreign currency translation adjustment	$17,107	$ —
Gain (loss) reclassified from AOCI into income (effective portion) - cash flow hedge	Gain (loss) reclassified from AOCI into income (effective portion) - cash flow hedge	Operating expenses	$ (12)	$ (800)

Gain (loss) reclassified from AOCI into income (excluded from effectiveness testing) - net investment hedge	Gain (loss) reclassified from AOCI into income (excluded from effectiveness testing) - net investment hedge	Interest and other related expense, net	$ 561	$ —

NOTE 18—SPECIAL CHARGES (RECOVERIES)

Special charges (recoveries) include costs and recoveries that relate to certain restructuring initiatives that we have undertaken from time to time under our various restructuring plans, as well as acquisition-related costs and other charges.

		Three Months Ended September 30,		Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2023	2022	2023	2022	2023	2022
Micro Focus Acquisition Restructuring Plan	Micro Focus Acquisition Restructuring Plan	$ 6,864	$ —				
Fiscal 2022 Restructuring Plan	Fiscal 2022 Restructuring Plan	173	6,110				
Other historical restructuring plans	Other historical restructuring plans	(290)	(468)				
Divestiture-related costs							
Acquisition-related costs	Acquisition-related costs	1,070	4,585				
Other charges (recoveries)	Other charges (recoveries)	5,977	4,054				
Total	Total	$13,794	$14,281				

Micro Focus Acquisition Restructuring Plan

During the third quarter of Fiscal 2023, as part of the Micro Focus Acquisition, we made a strategic decision to implement restructuring activities to reduce our overall workforce and further reduce our real estate footprint around the world (Micro Focus Acquisition Restructuring Plan). The Micro Focus Acquisition Restructuring Plan charges relate to facility costs and workforce reductions. Facility costs will include the accelerated amortization associated with the abandonment of right of use assets, the write-off of fixed assets property and equipment and other related variable lease and exit costs. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

During the three and six months ended September 30, 2023 December 31, 2023, we recognized costs of $5.5 million $12.3 million and $17.7 million, respectively, related to abandoned office spaces that have been early terminated or assigned to a third party, of which $4.1 million was $6.1 million and $10.2 million, respectively, were related to the write-off of right of use assets, and $0.4 $1.0 million and $1.5 million, respectively, in charges associated with the write off write-off of fixed assets property and equipment as part of the Micro Focus Acquisition Restructuring Plan.

As of September 30, 2023 December 31, 2023, we expect total costs to be incurred in connection with the Micro Focus Acquisition Restructuring Plan to be approximately $135.0 $160.0 million to $150.0 $175.0 million, of which $79.1 $123.9 million has been recorded within “Special charges (recoveries)” to date.

A reconciliation of the beginning and ending restructuring liability, which is included within “Accounts payable and accrued liabilities” in our Condensed Consolidated Balance Sheets, for the three six months ended September 30, 2023 December 31, 2023 is shown below.

Micro Focus Acquisition Restructuring Plan	**Micro Focus Acquisition Restructuring Plan**	**Workforce reduction**	**Facility charges**	**Total**	**Micro Focus Acquisition Restructuring Plan**	**Workforce reduction**	**Facility charges**	**Total**
Balance payable as of June 30, 2023	Balance payable as of June 30, 2023	$25,816	$ 7,276	$33,092				
Accruals and adjustments	Accruals and adjustments	1,407	1,367	2,774				
Cash payments	Cash payments	(9,414)	(1,050)	(10,464)				
Foreign exchange and other non-cash adjustments	Foreign exchange and other non-cash adjustments	(334)	(31)	(365)				
Balance payable as of September 30, 2023		$17,475	$ 7,562	$25,037				
Balance payable as of December 31, 2023								

Fiscal 2022 Restructuring Plan

During the third quarter of Fiscal 2022, as part of our return to office planning, we made a strategic decision to implement restructuring activities to streamline our operations and further reduce our real estate footprint around the world (Fiscal 2022 Restructuring Plan). The Fiscal 2022 Restructuring Plan charges will relate to facility costs and workforce reductions. Facility costs will include the accelerated amortization associated with the abandonment of right of use assets, the write-off of fixed assets property and equipment and other related variable lease and exit costs. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

During the three and six months ended September 30, 2023 December 31, 2023, we recognized costs of $0.2 $0.1 million and $0.2 million, respectively, related to abandoned office space that have been early terminated or assigned to a third party.

party, of which nil related to the write-off of right of use assets.

Since the inception of the Fiscal 2022 Restructuring Plan, $32.7 $32.6 million has been recorded within “Special charges (recoveries)” to date. We do not expect to incur any further significant charges relating to the Fiscal 2022 Restructuring Plan.

A reconciliation of the beginning and ending restructuring liability, which is included within “Accounts payable and accrued liabilities” in our Condensed Consolidated Balance Sheets, for the three six months ended September 30, 2023 December 31, 2023 is shown below.

Fiscal 2022 Restructuring Plan	**Fiscal 2022 Restructuring Plan**	**Workforce reduction**	**Facility charges**	**Total**	**Fiscal 2022 Restructuring Plan**	**Workforce reduction**	**Facility charges**	**Total**
Balance payable as of June 30, 2023	Balance payable as of June 30, 2023	$ 497	$ 3,308	$3,805				
Accruals and adjustments	Accruals and adjustments	—	127	127				
Cash payments	Cash payments	(118)	(274)	(392)				
Foreign exchange and other non-cash adjustments	Foreign exchange and other non-cash adjustments	(8)	(88)	(96)				
Balance payable as of September 30, 2023		$ 371	$ 3,073	$3,444				
Balance payable as of December 31, 2023								

Divestiture-related costs

Divestiture-related costs recorded within “Special charges (recoveries)” include the direct costs related to the proposed divestiture of our AMC business. For the three and six months ended December 31, 2023, divestiture-related costs were $5.4 million and $7.0 million, respectively (three and six months ended December 31, 2022—nil).

Acquisition-related costs

Acquisition-related costs, recorded within “Special charges (recoveries)” include direct costs of potential and completed acquisitions. Acquisition-related costs for the three and six months ended September 30, 2023 December 31, 2023 were $0.1 million and $1.1 million, respectively (three and six months ended September 30, 2022 December 31, 2022—$4.6 million) 6.0 million and $10.6 million, respectively).

Other charges (recoveries)

For the three months ended September 30, 2023 December 31, 2023, “Other charges (recoveries)” includes $2.9 million $2.5 million of Micro Focus compensation related charges $1.6 million of miscellaneous professional advisory charges, $1.1 million and $1.3 million of other miscellaneous charges, both associated with the Micro Focus Acquisition, and $0.4 million $0.5 million related to pre-acquisition equity incentives of Zix Corporation (Zix), which upon acquisition were replaced by equivalent value cash settlements (see Note 19 “Acquisitions and Divestitures”).

For the six months ended December 31, 2023, “Other charges (recoveries)” includes $5.4 million of compensation related charges and $2.4 million of other miscellaneous charges, both associated with the Micro Focus Acquisition, and $0.9 million related to pre-acquisition equity incentives of Zix, which upon acquisition were replaced by equivalent value cash settlements.

For the three and six months ended September 30, 2022 December 31, 2022, “Other charges” includes $3.6 million and $7.2 million, respectively, related to Zix pre-acquisition equity incentives, which upon acquisition were replaced by equivalent value cash settlements, and $0.5 million $(0.7) million and $(0.2) million, respectively, related to other miscellaneous charges. charges (recoveries).

NOTE 19—ACQUISITIONS AND DIVESTITURES

Fiscal 2024 Acquisitions

Other Acquisition

On August 23, 2023, we acquired all of the equity interest in KineMatik Ltd. (KineMatik), a provider of automated business process and project management solutions built on OpenText's Content Server. In accordance with ASC Topic 805, "Business Combinations", this acquisition was accounted for as a business combination. The results of operations of KineMatik have been consolidated with those of OpenText beginning August 24, 2023. The results of KineMatik are not considered to be material to our business.

Fiscal 2023 Acquisitions

Acquisition of Micro Focus

On January 31, 2023, we acquired all of the issued and to be issued share capital of Micro Focus for a total purchase price of $6.2 billion, inclusive of Micro Focus' cash and repayment of Micro Focus' outstanding indebtedness, subject to final adjustments.

In connection with the financing of the Micro Focus Acquisition, concurrent with the announcement of the acquisition on August 25, 2022, the Company entered into the Acquisition Term Loan and Bridge Loan as well as certain derivative transactions. On December 1, 2022, the Company issued and sold $1 billion in aggregate principal amount of 6.90% Senior Secured Notes due 2027, amended the Acquisition Term Loan and terminated the Bridge Loan. On January 31, 2023, we drew down the entire aggregate principal amount of $3.585 billion of the Acquisition Term Loan, net of original issuance discount and other fees, and drew down $450 million under the Revolver. We used these proceeds and cash on hand to fund the purchase price consideration and repayment of Micro Focus' outstanding indebtedness. In conjunction with the closing of the Micro Focus Acquisition, the deal-contingent forward contracts and non-contingent forward contract, as described in Note 17 "Derivative Instruments and Hedging Activities," were settled.

The results of operations of Micro Focus have been consolidated with those of OpenText beginning February 1, 2023.

Preliminary Purchase Price Allocation

As of September 30, 2023 December 31, 2023, the recognized amounts of identifiable assets acquired and liabilities assumed, based on their fair values as of January 31, 2023, are set forth below:

Cash and cash equivalents	$	541,584
Accounts receivable, net of allowances for credit losses (1)		408,921
Other current assets(3)		291,221 299,042
Non-current tangible assets		447,764 448,506
Goodwill (2) (3)		3,383,746 3,393,825
Intangible customer assets		2,162,400
Intangible technology assets		1,392,300
Accounts payable and accrued liabilities		(504,587) (505,234)
Deferred revenues		(1,107,627)
Other liabilities (3)		(769,285) (787,280)
Net assets acquired	$	6,246,437

(1) The gross amount receivable was $418.2 million of which $9.3 million of this receivable was expected to be uncollectible.

(2) The goodwill of $3.4 billion is primarily attributable to the synergies expected to arise after the acquisition. There is $67.3 million of goodwill that is deductible for tax purposes.

(3) Current period purchase price allocation adjustments of $33.9 million $23.8 million for the six months ended December 31, 2023, were primarily driven by changes in other current assets and other liabilities related to adjustments of pre-acquisition short term other current assets and deferred tax liabilities.

A settlement related to Micro Focus' securities litigation that was agreed to prior to the Micro Focus Acquisition has been accrued as part of the liabilities assumed. This settlement, which received final court approval and is now resolved, was fully paid from insurance coverage, and therefore a receivable was recognized as part of the assets acquired. During the third quarter of Fiscal 2023, payment was made into escrow by insurers, and therefore both the associated receivable and liability are no longer included on the Condensed Consolidated Balance Sheets as of September 30, 2023 June 30, 2023.

The finalization of the above purchase price allocation is pending the finalization of the valuation of fair value for the assets acquired and liabilities assumed, including intangible assets and taxation-related balances as well as for potential unrecorded liabilities. We expect to finalize this determination on or before our quarter ending March 31, 2024 as of January 31, 2024.

The unaudited pro forma revenues and net income (loss) of the combined entity for the three and six months ended September 30, 2022 December 31, 2022, had the Micro Focus Acquisition been consummated on July 1, 2021, are set forth below:

Three Months Ended September 30,

Supplemental Unaudited Pro Forma Information	**Three Months Ended December 31, 2022**	**Six Months Ended December 31, 2022**
Revenues	$1,522,771	$2,985,383
Net income (loss) (1)	(373,733)	(452,537)
Net income (loss) attributable to OpenText (1)	(373,770)	(452,618)

(1) Included in the pro forma net loss for the three and six months ended December 31, 2022, is a $448.2 million goodwill impairment by Micro Focus in its pre-acquisition historical results as a result of the Company's offer to acquire Micro Focus at a price of 532 pence per share.

Supplemental Unaudited Pro Forma Information	**2022**
Revenues	$ 1,462,612
Net income (loss)	(78,804)
Net income (loss) attributable to OpenText	(78,848)

The unaudited pro forma financial information in the table above is presented for information informational purposes only and is not indicative of the results of operations that would have been achieved if the Micro Focus Acquisition had taken place at the beginning of the periods presented or the results that may be realized in the future.

Fiscal 2024 Divestiture

Proposed Divestiture of AMC Business

On November 28, 2023, the Company entered into an agreement to sell its AMC business to Rocket Software, for $2.275 billion in cash before taxes, fees and other adjustments. The transaction remains subject to certain regulatory approvals and other customary closing conditions and is expected to close in the fourth quarter of Fiscal 2024.

The Company determined that the assets and liabilities of the AMC business met the criteria for held for sale classification and the respective assets and liabilities have been reclassified to assets held for sale and liabilities held for sale reported in our Condensed Consolidated Balance Sheets as of December 31, 2023. The Company has determined that the AMC business does not constitute a component, as its operations and cash flows can not be clearly distinguished from the rest of the Company's operations and cash flows due to significant shared costs, therefore, the transaction does not meet the discontinued operations criteria, and the results of operations from the AMC business are presented within income from operations in our Condensed Consolidated Statements of Income. The Company expects that the sale proceeds less costs to sell will exceed the preliminary estimate of the carrying value of the net assets for the AMC business. The carrying value is subject to change based on developments leading up to the closing date.

The following are classified as held for sale in the Condensed Consolidated Balance Sheets, which are related to the proposed divestiture of our AMC business. The following balances incorporate the use of management estimates and are subject to change based on developments leading up to the closing date of the transaction. Refer to Note 1 “Basis of Presentation”.

	As of December 31, 2023
Assets held for sale	
Accounts receivable trade, net of allowance for credit losses	$ 66,192
Contract assets	4,907
Prepaid expenses and other current assets	1,289
Property and equipment	960
Operating lease right of use assets	685
Long-term contract assets	2,664
Goodwill	1,037,979
Acquired intangible assets	930,712
Other assets	1,375
Total assets held for sale	$ 2,046,763
Liabilities held for sale	
Accounts payable and accrued liabilities	$ 24,849
Operating lease liabilities	259
Deferred revenues	172,842
Long-term Accrued liabilities	50
Pension liability, net	1,322
Long-term operating lease liabilities	398
Long-term deferred revenues	23,094
Total liabilities held for sale	$ 222,814

NOTE 20—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-Sale Financial Assets	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance as of June 30, 2023	$ (44,114)	$1,124	$ (602)	$(9,967)	$ (53,559)

	Three Months Ended December 31, 2023
	Foreign Currency Translation Adjustments (1)
Balance as of September 30, 2023	

Three Months Ended December 31, 2023				
Foreign Currency Translation Adjustments (1)	Cash Flow Hedges	Available-for-Sale Financial Assets	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss) before reclassifications, net of tax	Other comprehensive income (loss) before reclassifications, net of tax	(14,583)	(1,841)	(221)	(19)	(16,664)
Amounts reclassified into net income, net of tax	Amounts reclassified into net income, net of tax	—	9	—	189	198
Total other comprehensive income (loss) net, for the period	Total other comprehensive income (loss) net, for the period	(14,583)	(1,832)	(221)	170	(16,466)
Balance as of September 30, 2023		$ (58,697)	$ (708)	$ (823)	$(9,797)	$ (70,025)

Balance as of December 31, 2023

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-Sale Financial Assets	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance as of June 30, 2022	$ (3,316)	$ (656)	—	$ (3,687)	$ (7,659)
Other comprehensive income (loss) before reclassifications, net of tax	(36,366)	(3,340)	—	4,164	(35,542)
Amounts reclassified into net income, net of tax	—	588	—	37	625
Total other comprehensive income (loss) net, for the period	(36,366)	(2,752)	—	4,201	(34,917)
Balance as of September 30, 2022	$ (39,682)	$ (3,408)	$ —	$ 514	$ (42,576)

	Six Months Ended December 31, 2023				
	Foreign Currency Translation Adjustments (1)	Cash Flow Hedges	Available-for-Sale Investments	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance as of June 30, 2023	$ (44,114)	$ 1,124	$ (602)	$ (9,967)	$ (53,559)
Other comprehensive income (loss) before reclassifications, net of tax	(30,379)	(319)	229	(110)	(30,579)
Amounts reclassified into net income, net of tax	—	337	—	302	639
Total other comprehensive income (loss) net, for the period	(30,379)	18	229	192	(29,940)
Balance as of December 31, 2023	$ (74,493)	$ 1,142	$ (373)	$ (9,775)	$ (83,499)

(1) The amount of foreign currency translation recognized in other comprehensive income during the three and six months ended December 31, 2023 included net gains (losses) relating to our net investment hedges of $(43.1) million and $(26.0) million, respectively, as further discussed in Note 17 “Derivative Instruments and Hedging Activities.”

	Three Months Ended December 31, 2022			
	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance as of September 30, 2022	$ (39,682)	$ (3,408)	$ 514	$ (42,576)
Other comprehensive income (loss) before reclassifications, net of tax	39,419	959	32	40,410
Amounts reclassified into net income, net of tax	—	1,101	37	1,138
Total other comprehensive income (loss) net, for the period	39,419	2,060	69	41,548
Balance as of December 31, 2022	$ (263)	$ (1,348)	$ 583	$ (1,028)

	Six Months Ended December 31, 2022			
	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance as of June 30, 2022	$ (3,316)	$ (656)	$ (3,687)	$ (7,659)
Other comprehensive income (loss) before reclassifications, net of tax	3,053	(2,381)	4,196	4,868
Amounts reclassified into net income, net of tax	—	1,689	74	1,763
Total other comprehensive income (loss) net, for the period	3,053	(692)	4,270	6,631
Balance as of December 31, 2022	$ (263)	$ (1,348)	$ 583	$ (1,028)

NOTE 21—SUPPLEMENTAL CASH FLOW DISCLOSURES

		Three Months Ended September 30,		Six Months Ended December 31,	
		2023	2022		
	2023			2023	2022
Cash paid during the period for interest	Cash paid during the period for interest	$131,867	$46,423		
Cash received during the period for interest	Cash received during the period for interest	$ 11,453	$ 5,431		

Cash paid during the period for income taxes	Cash paid during the period for income taxes	$ 79,237	$38,459

NOTE 22—OTHER INCOME (EXPENSE), NET

		Three Months Ended September 30,		Three Months Ended December 31,		Six Months Ended December 31,	
	Three Months Ended December 31, 2023	2023	2022	2023	2022	2023	2022
Foreign exchange gains (losses)	Foreign exchange gains (losses)	$11,434	$ (1,361)				
Unrealized gains (losses) on derivatives not designated as hedges (1)	Unrealized gains (losses) on derivatives not designated as hedges (1)	17,895	(181,461)				
OpenText share in net income (loss) of equity investees (2)	OpenText share in net income (loss) of equity investees (2)	(9,696)	(6,534)				
OpenText share in net income (loss) of equity investees (2)							
OpenText share in net income (loss) of equity investees (2)							
Loss on debt extinguishment (3)							
Other miscellaneous income (expense)	Other miscellaneous income (expense)	537	125				
Total other income (expense), net	Total other income (expense), net	$20,170	$(189,231)				

(1) Represents the unrealized gains (losses) on our derivatives not designated as hedges related to the Micro Focus Acquisition (see Note 17 "Derivative Instruments and Hedging Activities" for more details).

(2) Represents our share in net income (losses) of equity investees, which approximates fair value and subject to volatility based on market trends and business conditions, based on our interest in certain investment funds in which we are a limited partner. Our interests in each of these investees range from 4% to below 20% and these investments are accounted for using the equity method (see Note 9 "Prepaid Expenses and Other Assets" for more details).

(3) On December 1, 2022, we amended the Acquisition Term Loan and Bridge Loan to reallocate commitments under the Bridge Loan to the Acquisition Term Loan and terminated all remaining commitments under the Bridge Loan which resulted in a loss on debt extinguishment related to unamortized debt issuance costs (see Note 11 "Long-Term Debt" for more details).

NOTE 23—EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are is computed by dividing net income (loss) attributable to OpenText, by the weighted average number of Common Shares outstanding during the period. Diluted earnings (loss) per share are is computed by dividing net income (loss) attributable to OpenText, by the shares used in the calculation of basic earnings (loss) 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 (loss) per share if their effect is anti-dilutive. For periods in which we incur a net loss, our outstanding Common Share equivalents are not included in the calculation of diluted loss per share as their effect is anti-dilutive.

	Three Months Ended September 30,	
	2023	2022
Basic earnings (loss) per share		
Net income (loss) attributable to OpenText	$ 80,901	$ (116,929)
Basic earnings (loss) per share attributable to OpenText	$ 0.30	$ (0.43)
Diluted earnings (loss) per share		
Net income (loss) attributable to OpenText	$ 80,901	$ (116,929)
Diluted earnings (loss) per share attributable to OpenText	$ 0.30	$ (0.43)
Weighted-average number of shares outstanding (in '000's)		
Basic	271,178	269,804
Effect of dilutive securities	724	—
Diluted	271,902	269,804
Excluded as anti-dilutive (1)	7,304	9,452

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Basic earnings per share				
Net income attributable to OpenText	$ 37,675	$ 258,486	$ 118,576	$ 141,557
Basic earnings per share attributable to OpenText	$ 0.14	$ 0.96	$ 0.44	$ 0.52
Diluted earnings per share				
Net income attributable to OpenText	$ 37,675	$ 258,486	$ 118,576	$ 141,557
Diluted earnings per share attributable to OpenText	$ 0.14	$ 0.96	$ 0.44	$ 0.52
Weighted-average number of shares outstanding (in '000's)				
Basic	271,568	270,189	271,373	269,997
Effect of dilutive securities	573	—	646	12
Diluted	272,141	270,189	272,019	270,009
Excluded as anti-dilutive (1)	8,353	11,462	8,151	10,331

(1) Represents options to purchase Common Shares excluded from the calculation of diluted earnings (loss) 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 or the inclusion of the potential dilutive options to purchase Common Shares results in anti-dilution due to the net loss for the period.

NOTE 24—RELATED PARTY TRANSACTIONS

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

During the three six months ended September 30, 2023 December 31, 2023, Mr. Stephen Sadler, a member of the Board of Directors, earned $3 $4 thousand (three (six months ended September 30, 2022 December 31, 2022—$7 thousand) 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 25—SUBSEQUENT EVENTS

Cash Dividends

As part of our quarterly, non-cumulative cash dividend program, we declared, on November 1, 2023 January 31, 2024, a dividend of $0.25 per Common Share. The record date for this dividend is December 1, 2023 March 1, 2024 and the payment date is December 20, 2023 March 20, 2024. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of our Board.

Debt Repayment

Following the end of the quarter, on October 10, 2023 January 22, 2024 we repaid the outstanding balance on the Revolver of $100 million and on October 20, 2023 we repaid $75 million of the outstanding balance an additional $175 million on the Acquisition Term Loan using cash on hand. As of October 31, 2023 January 31, 2024, we had a balance of nil and $3.5 billion $3.3 billion outstanding on our Revolver and Acquisition Term Loan, respectively. Loan.

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 within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act), and is subject to the safe harbors created by those sections. All statements other than statements of historical facts are statements that could be deemed forward-looking statements.

When used in this report, the words "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "could", "would", "might", "will" and other similar language, as they relate to Open Text Corporation (OpenText or the Company), are intended to identify forward-looking statements under applicable securities laws. Specific forward-looking statements in this report include, but are not limited to, statements regarding: (i) our focus in the fiscal years beginning July 1, 2023 and ending June 30, 2024 (Fiscal 2024) and July 1, 2024 and ending June 30, 2025 (Fiscal 2025) on growth in earnings and cash flows; (ii) creating value through investments in broader Information Management capabilities; (iii) our future business plans and operations, and business planning process; (iv) business trends; (v) distribution; (vi) the Company's presence in the cloud and in growth markets; (vii) product and solution *developments, enhancements and releases, the timing thereof and the customers targeted; (viii) the Company's financial condition, results of operations and earnings; (ix) the basis for any future growth and for our financial performance; (x) declaration of quarterly dividends; (xi) future tax rates; (xii) the changing regulatory environment; (xiii) annual recurring revenues; (xiv) research and development and related expenditures; (xv) our building, development and consolidation of our network infrastructure; (xvi) competition and changes in the competitive landscape; (xvii) our management and protection of intellectual property and other proprietary rights; (xviii) existing and foreign sales and exchange rate fluctuations; (xix) cyclical or seasonal aspects of our business; (xx) capital expenditures; (xxi) potential legal and/or regulatory proceedings; (xxii) acquisitions and their expected impact, including our ability to realize the benefits expected from the acquisitions and to successfully integrate the assets we acquire or utilize such assets to their full capacity, including in connection with the acquisition of Micro Focus International Limited, formerly Micro Focus International plc, and its subsidiaries (Micro Focus) (see Note 19 "Acquisitions" "Acquisitions and Divestitures" to our Condensed Consolidated Financial Statements for more details); (xxiii) tax audits; (xxiv) the expected impact of our decision to cease all direct business in Russia and Belarus and with known Russian-owned companies;(xxv) expected costs of the restructuring plans; (xxvi) targets regarding greenhouse gas emissions, waste diversion, energy consumption and Equity, Diversity and Inclusion (ED&I) initiatives; (xvii) integration of Micro Focus, resulting synergies and timing thereof; (xxviii) divestitures and (xxviii) their expected impact, including in connection with the proposed divestiture of the AMC business (see Note 19 "Acquisitions and Divestitures" to our Condensed Consolidated Financial Statements for more details); and (xxix) other matters.*

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

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. The risks and uncertainties that may affect forward-looking statements include, but are not limited to: (i) our inability to realize successfully any anticipated synergy benefits from the acquisition of Micro Focus (Micro Focus Acquisition); (ii) the actual and potential impacts of the use of cash and incurrence of indebtedness, including the granting of security interests related to such debt; (iii) the change in scope and size of our operations as a result of the Micro Focus Acquisition; Acquisition and the proposed divestiture of the AMC business; (iv) the uncertainty around expectations related to Micro Focus' business prospects; (v) integration of acquisitions and related restructuring efforts, including the quantum of restructuring charges and the timing thereof; (vi) the possibility that we may be unable to successfully integrate the assets we acquire or fail to utilize such assets to their full capacity and not realize the benefits we expect from our acquired portfolios and businesses, including the acquisition of Micro Focus, (vii) the potential for the incurrence of or assumption of debt in connection with acquisitions, its impact on future operations and on the ratings or outlooks of rating agencies on our outstanding debt securities, and the possibility of not being able to generate sufficient cash to service all indebtedness; (viii) the possibility that the Company may be unable to meet its future reporting requirements under the Exchange Act, and the rules promulgated thereunder, or applicable Canadian securities regulation; (ix) the risks associated with bringing new products and services to market; (x) fluctuations in currency exchange rates (including as a result of the impact of any policy changes resulting from trade and tariff disputes) and the impact of mark-to-market valuation relating to associated derivatives; (xi) delays in the purchasing decisions of the Company's customers; (xii) competition the Company faces in its industry and/or marketplace; (xiii) the final determination of litigation, tax audits (including tax examinations in Canada, the United States or elsewhere) and other legal proceedings; (xiv) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, United States or international tax regimes; (xv) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (xvi) the continuous commitment of the Company's customers; (xvii) demand for the Company's products and services; (xviii) increase in exposure to international business risks including the impact of geopolitical instability, political unrest, war and other global conflicts, and other geopolitical tensions, including the Russia-Ukraine and the Israel-Hamas wars, as we continue to increase our international operations; (xix) adverse macroeconomic conditions, including inflation, disruptions in global supply chains and increased labour costs; (xx) inability to raise capital at all or on not unfavorable terms in the future; (xxi) downward pressure on our share price and dilutive effect of future sales or issuances of equity securities (including in connection with future acquisitions); and (xxii) potential changes in ratings or outlooks of rating agencies on our outstanding debt securities. securities; and (xxiii) risks related to the proposed divestiture of the AMC business and the impact of the divestiture on our remaining business. Other factors that may affect forward-looking statements include, but are not limited to: (i) the future performance, financial and otherwise, of the Company; (ii) the ability of the Company to bring new products and services to market and to increase sales; (iii) the strength of the Company's product development pipeline; (iv) failure to secure and protect patents, trademarks and other proprietary rights; (v) infringement of third-party proprietary rights triggering indemnification obligations and resulting in significant expenses or restrictions on our ability to provide our products or services; (vi) failure to comply with privacy laws and regulations that are extensive, open to various interpretations and complex to implement; (vii) the Company's growth and other profitability prospects; (viii) the estimated size and growth prospects of the Information

Management market; (ix) the Company's competitive position in the Information Management market and its ability to take advantage of future opportunities in this market; (x) the benefits of the Company's products and services to be realized by customers; (xi) the demand for the Company's products and services and the extent of deployment of the Company's products and services in the Information Management marketplace; (xii) the Company's financial condition and capital requirements; (xiii) system or network failures or information security, cybersecurity or other data breaches in connection with the Company's offerings or the information technology systems used by the Company generally, the risk of which may be increased during times of natural disaster or pandemic due to remote working arrangements; (xiv) failure to achieve our environmental goals on energy consumption, waste diversion and greenhouse gas emissions or our targets relating to ED&I initiatives; (xv) failure to attract and retain key personnel to develop and effectively manage the Company's business; and (xvi) the ability of the Company's subsidiaries to make distributions to the Company.

Readers should carefully review Part II, Item 1A "Risk Factors" herein and the Company's Annual Report on Form 10-K, including Part I, Item 1A "Risk Factors" therein, Quarterly Reports on Form 10-Q, including Item 1A therein and other documents we file from time to time with the Securities and Exchange Commission (SEC) and other securities regulators. A number of factors may materially affect our business, financial condition, operating results and prospects. These factors include but are not limited to those set forth in Part II, Item 1A "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K. Any one of these factors, and other factors that we are unaware of, or currently deem immaterial, may cause our actual results to differ materially from recent results or from our anticipated future results. 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 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 refer to the three and six months ended September 30, 2023 December 31, 2023 compared with the three and six months ended September 30, 2022 December 31, 2022, 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

At OpenText, we believe information and knowledge make business and people better. We are an Information Management company that provides software and services that empower digital businesses of all sizes to become more intelligent, connected, secure and responsible. Our innovations maximize the strategic benefits of data and content for our customers, strengthening their productivity, growth and competitive advantage.

Our comprehensive Information Management platform and services provide secure and scalable solutions for global companies, small and medium-sized businesses (SMBs), governments and consumers around the world. We have a complete and integrated portfolio of Information Management solutions delivered at scale in the OpenText Cloud, helping organizations master modern work, automate application delivery and modernization, and optimize their digital supply chains. To do this, we bring together our Content Cloud, Cybersecurity Cloud, Business Network Cloud, IT Operations Management Cloud, Application Automation Cloud and Analytics & AI Cloud. We also accelerate information modernization with intelligent tools and services for moving off paper, automating classification and building clean data lakes for Artificial Intelligence (AI), analytics and automation.

We are fundamentally integrated into the parts of our customers' businesses that matter, so they can securely manage the complexity of information flow end to end. Through automation and AI, we connect, synthesize and deliver information where it is needed to drive new efficiencies, experiences and insights. We make information more valuable by connecting it to digital business processes, enriching it with analytics, protecting and securing it throughout its entire lifecycle, and leveraging it to create engaging experiences for employees, suppliers, developers, partners, and customers. Our solutions range from connecting large digital supply chains to managing HR processes to driving better IT service management in manufacturing, retail and financial services.

Our solutions also enable organizations and consumers to secure their information so that they can collaborate with confidence, stay ahead of the regulatory technology curve, identify threats on any endpoint or across their networks, enable privacy, leverage eDiscovery and digital forensics to defensibly investigate and collect evidence, and ensure business continuity in the event of a security incident.

Our initial public offering was on the NASDAQ in 1996 and we were subsequently listed on the Toronto Stock Exchange (TSX) in 1998. Our ticker symbol on both the NASDAQ and the TSX is "OTEX."

As of September 30, 2023 December 31, 2023, we employed a total of approximately 24,050 23,600 individuals. Of the total 24,050 23,600 individuals we employed as of September 30, 2023 December 31, 2023, 9,000 8,700 or 37% are in the Americas, 5,600 5,400 or 23% are in EMEA and 9,450 9,500 or 39% 40% are in Asia Pacific. Currently, we have employees in 45 44 countries enabling strong access to multiple talent pools while ensuring reach and proximity to our customers. Please see "Results of Operations" below for our definitions of geographic regions.

Quarterly Summary:

During the first second quarter of Fiscal 2024 (which includes the results of Micro Focus, which has a significant impact on period-over-period comparisons) we saw the following activity:

- Total revenue was $1.4 billion $1,534.9 million, up 67.3% 71.0% compared to the same period in the prior fiscal year; up 65.4% 68.2% after factoring in the favorable impact of $15.9 million $25.6 million of foreign exchange rate changes.
- Total annual recurring revenue, which we define as the sum of cloud services and subscriptions revenue and customer support revenue, was $1.1 billion $1,145.9 million, up 59.1% 58.0% compared to the same period in the prior fiscal year; up 57.5% 55.6% after factoring in the favorable impact of $11.7 million $17.5 million of foreign exchange rate changes.
- Cloud services and subscriptions revenue was $451.0 million $450.1 million, up 11.5% 10.1% compared to the same period in the prior fiscal year; up 10.9% 9.2% after factoring in the favorable impact of $2.4 million $4.0 million of foreign exchange rate changes.
- GAAP-based gross margin was 71.4% 73.6% compared to 69.7% 70.8% in the same period in the prior fiscal year.
- Non-GAAP-based gross margin was 77.3% 78.6% compared to 75.2% 76.0% in the same period in the prior fiscal year.
- GAAP-based net income (loss) attributable to OpenText was $80.9 million $37.7 million compared to $(116.9) million $258.5 million in the same period in the prior fiscal year.
- Non-GAAP-based net income attributable to OpenText was $274.3 million $338.5 million compared to $206.8 million $240.2 million in the same period in the prior fiscal year.
- GAAP-based earnings (loss) per share (EPS), diluted, was $0.30 $0.14 compared to $(0.43) $0.96 in the same period in the prior fiscal year.
- Non-GAAP-based EPS, diluted, was $1.01 $1.24 compared to $0.77 $0.89 the same period in the prior fiscal year.
- Adjusted EBITDA, a non-GAAP measure, was $494.8 million $566.3 million compared to $304.0 million $340.9 million in the same period in the prior fiscal year.

- Operating cash flow was $47.1 million $397.8 million for the three six months ended September 30, 2023 December 31, 2023 compared to $132.0 million $327.1 million in the same period in the prior fiscal year, down 64.3% up 21.6%.
- Cash and cash equivalents were $919.9 million $1,003.1 million as of September 30, 2023 December 31, 2023, compared to $1.2 billion $1,231.6 million as of June 30, 2023.

- We entered into a definitive agreement to divest the AMC business to Rocket Software for consideration of $2.275 billion in cash, before taxes, fees and other adjustments, and subject to certain regulatory approvals and other customary closing conditions.

- We repaid $175 million of the outstanding balance on the Revolver. Revolver of $100 million and repaid $75 million drawn under on the Acquisition Term Loan. Subsequent to the first end of the second quarter, in October 2023, on January 22, 2024, we repaid the $100 million outstanding balance drawn under the Revolver and $75 million drawn under an additional $175 million of the Acquisition Term Loan.
- Enterprise cloud bookings were $121.0 million $235.5 million, compared to $111.8 million $144.7 million in the same period in the prior fiscal year. We define Enterprise cloud bookings as the total value from cloud services and subscription contracts entered into in the period that is new, committed and incremental to our existing contracts, entered into with our enterprise-based customers.

See “Use of Non-GAAP Financial Measures” below for definitions and reconciliations of GAAP-based measures to Non-GAAP-based measures. See “Acquisitions” below for the impact of acquisitions on the period-to-period comparability of results.

Acquisitions

As a result of the continually changing marketplace in which we operate, we regularly evaluate acquisition opportunities within our market and at any time may be in various stages of discussions with respect to such opportunities.

Acquisition of Micro Focus

On January 31, 2023, we acquired all of the issued and to be issued share capital of Micro Focus for a total purchase price of $6.2 billion, inclusive of Micro Focus’ cash and repayment of Micro Focus’ outstanding indebtedness, subject to final adjustments. The results of operations of Micro Focus have been consolidated with those of OpenText beginning February 1, 2023. The Micro Focus Acquisition has contributed to the growth in our revenues and significantly impacts period-over-period comparability. See Note 19 “Acquisitions” to our Condensed Consolidated Financial Statements for more details.

Proposed Divestiture of AMC Business

On November 28, 2023, the Company entered into an agreement to sell its AMC business to Rocket Software, for $2.275 billion in cash before taxes, fees and other adjustments. The transaction remains subject to certain regulatory approvals and other customary closing conditions and is expected to close in the fourth quarter of Fiscal 2024.

The Company determined that the assets and liabilities of the AMC business met the criteria for held for sale classification and the respective assets and liabilities have been reclassified to assets held for sale and liabilities held for sale reported in our Condensed Consolidated Balance Sheets as of December 31, 2023. The Company has determined that the AMC business does not constitute a component, as its operations and cash flows can not be clearly distinguished from the rest of the Company's operations and cash flows due to significant shared costs, therefore, the transaction does not meet the discontinued operations criteria, and the results of operations from the AMC business are presented within income from operations in our Condensed Consolidated Statements of Income. The Company expects that the sale proceeds less costs to sell will exceed the preliminary estimate of the carrying value of the net assets for the AMC business. The carrying value is subject to change based on developments leading up to the closing date. See Note 19 "Acquisitions and Divestitures" to our Condensed Consolidated Financial Statements for more details.

Impacts of Geopolitical Conflicts and Diplomatic Tensions

We continue to monitor the geopolitical conflicts and diplomatic tensions around the world, including the Russia-Ukraine and Israel-Hamas wars. We have ceased all direct business in Russia and Belarus and with known Russian-owned companies. We continue to operate our Israeli-based business and support our employees in the region. While our operations within these locations are not material and we do not expect these geopolitical conflicts to have a material adverse effect on our overall business, results of operations or financial condition, it is not possible to predict the broader consequences of these conflicts, including adverse effects on the global economy, on our business and operations as well as those of our customers, partners and third party service providers. For more information, please see Part I, Item 1A "Risk Factors" and Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for Fiscal 2023.

Outlook for Remainder of Fiscal 2024

As an organization, we are committed to "Total Growth," meaning we strive towards delivering value through organic initiatives, innovations and acquisitions, as well as financial performance. With an emphasis on increasing recurring revenues and expanding profitability, we believe our Total Growth strategy will ultimately drive cash flow growth, thus helping to fuel our innovation, broaden our go-to-market distribution and identify and execute strategic acquisitions. We are well positioned to expand our product portfolio and improve our ability to innovate and grow organically, which helps us to meet our long-term growth targets. Our Total Growth strategy is a durable model that we believe will create both near and long-term shareholder value through organic and acquired growth, capital efficiency and profitability.

We are committed to continuous innovation. Our investments in research and development (R&D) push product innovation, increasing the value of our offerings to our existing customer base and new customers, which includes Global 10,000 companies (G10K), SMBs and consumers. The G10K are the world's largest companies, ranked by estimated total revenues, as well as the world's largest governments and global organizations. More valuable products, coupled with our established global partner program, lead to greater distribution and cross-selling opportunities which further help us to achieve organic growth. On a fiscal year-to-date basis, we have invested $234.4 million $454.7 million or 16.4% 15.4% of revenue in R&D expense, which is in line with our target spend for R&D expense this fiscal year.

Looking ahead, the destination for innovation is cloud. Businesses of all sizes rely on a combination of public and private clouds, managed services and off-cloud solutions. As a result, we are committed to continue to modernize our technology infrastructure and leverage our existing investments in the OpenText Cloud and programs to help customers off-cloud. The combination of OpenText cloud-native applications and managed services, together with the scalability and performance of our partner public cloud providers, offer more secure, reliable and compliant solutions to customers wanting to deploy cloud-based Information Management applications. The OpenText Cloud is designed to build additional flexibility and scalability for our customers: becoming cloud-native, connecting anything, and extending capabilities quickly with multi-tenant SaaS applications and services.

The completion of the Micro Focus Acquisition during Fiscal 2023 has substantially expanded our scope and size by adding assets and operations to our existing business. We have incurred and will continue to incur additional integration costs. As part of the Micro Focus Acquisition, we made a strategic decision to implement a restructuring plan that impacted its global workforce and further reduced our real estate footprint around the world in an effort to further streamline our operations, consistent with previously announced cost synergies of $400 million (Micro Focus Acquisition Restructuring Plan). The total size of the plan is expected to result in a reduction in the combined workforce of approximately 8%, or 2,000 employees, with an estimated cost of $135 $160 million to $150 $175 million, of which we have incurred $79.1 million. $123.9 million as of December 31, 2023. We expect the Micro Focus Acquisition Restructuring Plan to be completed by the end of Fiscal 2024. See Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2023. The Micro Focus Acquisition has a significant impact on period-over-period comparability as more fully discussed below.

On November 28, 2023, the Company entered into an agreement to sell its AMC business to Rocket Software, for $2.275 billion in cash before taxes, fees and other adjustments. The transaction remains subject to certain regulatory approvals and other customary closing conditions and is expected to close in the fourth quarter of Fiscal 2024. We do not expect the divestiture to have a material impact to our Fiscal 2024 results. See Part II, Item 1A "Risk Factors" herein and Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2023.

We will continue to closely monitor the potential impacts of inflation with respect to wages, services and goods, concerns regarding any potential recession, rising interest rates, financial market volatility, the Russia-Ukraine and Israel-Hamas conflicts and other geopolitical disputes on our business. See Part II, Item 1A "Risk Factors" herein and Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2023.

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. Actual results may differ materially from those estimates. The policies listed below are areas that may contain key components of our results of operations and are based on complex rules requiring us to make judgments and estimates and consequently, we consider these to be our critical accounting policies. Some of these accounting policies involve complex situations and require a higher degree of judgment, either in the application and interpretation of existing accounting literature or in the development of estimates that affect our financial statements. The critical accounting policies which we believe are the most important to aid in fully understanding and evaluating our reported financial results include the following:

(i) Revenue recognition,

(ii) Goodwill,

(iii) Acquired intangibles, and

(iv) Income taxes.

For a full discussion of all our accounting policies, please see Note 2 "Accounting Policies and Recent Accounting Pronouncements" to the Consolidated Financial Statements included in our Annual Report on Form 10-K for Fiscal 2023.

RESULTS OF OPERATIONS

The following tables provide a detailed analysis of our results of operations and financial condition. For each of the periods indicated below, we present our revenues by product type, revenues by major geography, cost of revenues by product type, total gross margin, total operating margin, gross margin by product type, and their corresponding percentage of total revenue.

In addition, we provide Non-GAAP measures for the periods discussed to provide additional information to investors that we believe will be useful as this presentation aligns with how our management assesses our Company's performance. See "Use of Non-GAAP Financial Measures" below for a reconciliation of GAAP-based measures to Non-GAAP-based measures.

The comparability of our operating results for the three months ended September 30, 2023 December 31, 2023 as compared to the three months ended September 30, 2022 December 31, 2022 was impacted by the recent Micro Focus Acquisition, including with regard to the split of our revenues by geography. Acquisition. Our total revenues increased by $573.4 million $637.4 million across all of our product types in for the three months ended September 30, 2023 December 31, 2023, relative to the three months ended September 30, 2022 December 31, 2022, primarily due to revenue contributions from the Micro Focus Acquisition in addition to and a favorable impact of $15.9 million $25.6 million of foreign exchange rate changes. The Micro Focus Acquisition contributed $562.9 million $601.4 million to our total revenues during for the three months ended September 30, 2023 December 31, 2023, of which $369.9 million $369.5 million related to customer support revenues and $115.5 million $153.3 million related to license revenues.

Total cost of revenues increased by $148.7 million in $144.1 million for the three months ended September 30, 2023 December 31, 2023, relative to the three months ended September 30, 2022 December 31, 2022, primarily from additional cost of revenues of $158.2 million as a result of the Micro Focus Acquisition.

Micro Focus incurred $155.4 million of cost of revenues during the three months ended December 31, 2023.

Total operating expenses increased by $358.2 million in $424.2 million for the three months ended September 30, 2023 December 31, 2023, relative to the three months ended September 30, 2022 December 31, 2022, primarily from additional operating expenses of $350.9 million as a result of the Micro Focus Acquisition, Acquisition. Micro Focus incurred $357.6 million of operating expenses during the three months ended December 31, 2023, of which $267.9 million $254.1 million was related to research and development, sales and marketing, and general and administrative expenses.

The comparability of our operating results for the six months ended December 31, 2023 as compared to the six months ended December 31, 2022 was impacted by the recent Micro Focus Acquisition. Our total revenues increased by $1,210.8 million across all of our product types for the six months ended December 31, 2023 relative to the six months ended December 31, 2022, primarily due to revenue contributions from the Micro Focus Acquisition, and the favorable impact of $41.5 million of foreign exchange rate changes. Micro Focus contributed $1,164.3 million to our total revenues for the six months ended December 31, 2023, of which $739.4 million related to customer support revenues and $268.8 million related to license revenues.

Total cost of revenues increased by $292.7 million for the six months ended December 31, 2023 relative to the six months ended December 31, 2022, primarily from additional cost of revenues as a result of the Micro Focus Acquisition. Micro Focus incurred $313.5 million of cost of revenues for the six months ended December 31, 2023.

Total operating expenses increased by $782.4 million for the six months ended December 31, 2023, relative to the six months ended December 31, 2022, primarily from additional operating expenses as a result of the Micro Focus Acquisition. Micro Focus incurred $708.5 million of operating expenses for the six months ended December 31, 2023, of which $522.1 million was related to research and development, sales and marketing, and general and administrative expenses.

Summary of Results of Operations

		Three Months Ended September 30,				Three Months Ended December 31,			Six Months Ended December 31,		
	Three Months Ended December 31,										
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
Total Revenues by Product Type:	***Total Revenues by Product Type:***										
Cloud services and subscriptions											
Cloud services and subscriptions											
Cloud services and subscriptions	Cloud services and subscriptions	$ 451,014	$ 46,363	$ 404,651							
Customer support	Customer support	697,713	380,362	317,351							
License	License	173,026	110,478	62,548							
Professional service and other	Professional service and other	103,676	36,190	67,486							
Total revenues	Total revenues	1,425,429	573,393	852,036							
Total Cost of Revenues	***Total Cost of Revenues***	407,011	148,663	258,348							
Total GAAP-based Gross Profit	***Total GAAP-based Gross Profit***	1,018,418	424,730	593,688							
Total GAAP-based Gross Margin %	***Total GAAP-based Gross Margin %***	71.4 %		69.7 %	***Total GAAP-based Gross Margin %***	73.6 %		70.8 %	72.5 %		70.3 %

Total GAAP-based Operating Expenses	***Total GAAP-based Operating Expenses***	805,526	358,191	447,335
Total GAAP-based Income from Operations	***Total GAAP-based Income from Operations***	$ 212,892	$ 66,539	$ 146,353
% Revenues by Product Type:	***% Revenues by Product Type:***			

% Revenues by Product Type:

% Revenues by Product Type:

Cloud services and subscriptions

Cloud services and subscriptions

Cloud services and subscriptions	Cloud services and subscriptions	31.6 %	47.5 %		29.3 %	45.5 %	30.4 %	46.5 %
Customer support	Customer support	48.9 %	37.2 %	Customer support	45.3 %	35.3 %	47.1 %	36.2 %
License	License	12.1 %	7.3 %	License	18.8 %	12.0 %	15.6 %	9.7 %
Professional service and other	Professional service and other	7.4 %	8.0 %	Professional service and other	6.6 %	7.2 %	6.9 %	7.6 %
Total Cost of Revenues by Product Type:	***Total Cost of Revenues by Product Type:***							

Total Cost of Revenues by Product Type:

Total Cost of Revenues by Product Type:

Cloud services and subscriptions

Cloud services and subscriptions

Cloud services and subscriptions	Cloud services and subscriptions	$ 171,412	$ 39,613	$ 131,799
Customer support	Customer support	75,014	47,660	27,354
License	License	3,839	1,081	2,758
Professional service and other	Professional service and other	79,922	26,122	53,800

Amortization of acquired technology-based intangible assets	Amortization of acquired technology-based intangible assets	76,824	34,187	42,637					
Total cost of revenues	Total cost of revenues	$ 407,011	$ 148,663	$ 258,348					
% GAAP-based Gross Margin by Product Type:	***% GAAP-based Gross Margin by Product Type:***								
% GAAP-based Gross Margin by Product Type:									
% GAAP-based Gross Margin by Product Type:									
Cloud services and subscriptions									
Cloud services and subscriptions									
Cloud services and subscriptions	Cloud services and subscriptions	62.0 %		67.4 %		60.0 %	67.1 %	61.0 %	67.3 %
Customer support	Customer support	89.2 %		91.4 %	Customer support	89.5 %	91.0 %	89.4 %	91.2 %
License	License	97.8 %		95.6 %	License	97.9 %	96.4 %	97.9 %	96.1 %
Professional service and other	Professional service and other	22.9 %		20.3 %	Professional service and other	24.4 %	15.9 %	23.6 %	18.2 %
Total Revenues by Geography: (1)	***Total Revenues by Geography:*** (1)								
Total Revenues by Geography: (1)									
Total Revenues by Geography: (1)									
Americas (2)									
Americas (2)									
Americas (2)	Americas (2)	$ 845,227	$ 287,439	$ 557,788					
EMEA (3)	EMEA (3)	445,440	217,087	228,353					
Asia Pacific (4)	Asia Pacific (4)	134,762	68,867	65,895					
Total revenues	Total revenues	$1,425,429	$ 573,393	$ 852,036					
% Revenues by Geography:	***% Revenues by Geography:***								
Americas (2)	Americas (2)	59.3 %		65.5 %					
Americas (2)									
Americas (2)						57.6 %	65.0 %	58.4 %	65.2 %

EMEA (3)	EMEA (3)	31.2 %	26.8 %	EMEA (3)	32.9 %	26.2 %	32.1 %	26.5 %
Asia Pacific (4)	Asia Pacific (4)	9.5 %	7.7 %	Asia Pacific (4)	9.5 %	8.8 %	9.5 %	8.3 %
Other Metrics:	***Other Metrics:***							
Other Metrics:								
Other Metrics:								
GAAP-based gross margin								
GAAP-based gross margin								
GAAP-based gross margin	GAAP-based gross margin	71.4 %	69.7 %		73.6 %	70.8 %	72.5 %	70.3 %
Non-GAAP-based gross margin (5)	Non-GAAP-based gross margin (5)	77.3 %	75.2 %	Non-GAAP-based gross margin (5)	78.6 %	76.0 %	78.0 %	75.6 %
Net income (loss), attributable to OpenText	Net income (loss), attributable to OpenText	$ 80,901	$(116,929)					
GAAP-based EPS (loss), diluted	GAAP-based EPS (loss), diluted	$ 0.30	$ (0.43)					
Non-GAAP-based EPS, diluted (5)	Non-GAAP-based EPS, diluted (5)	$ 1.01	$ 0.77					
Adjusted EBITDA (5)	Adjusted EBITDA (5)	$ 494,843	$ 304,047					

(1) Total revenues by geography are determined based on the location of our direct end customer.

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

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

(4) Asia Pacific primarily consists of Japan, Australia, China, Korea, Philippines, Singapore, India and New Zealand.

(5) See “Use of Non-GAAP Financial Measures” (discussed later in this MD&A) for definitions and reconciliations of GAAP-based measures to Non-GAAP-based measures.

Revenues, Cost of Revenues and Gross Margin by Product Type

1) Cloud Services and Subscriptions:

Cloud services and subscriptions revenues are from hosting arrangements where in connection with the licensing of software, the end user does not take possession of the software, as well as from end-to-end fully outsourced B2B business-to-business integration solutions to our customers (collectively referred to as cloud arrangements). The software application resides on our hardware or that of a third party, and the customer accesses and uses the software on an as-needed basis via an identified line. Our cloud arrangements can be broadly categorized as platform as a service (PaaS), SaaS, cloud subscriptions and managed services. For the quarter ended September 30, 2023 December 31, 2023, our cloud renewal rate, excluding the impact of Carbonite, Zix and Micro Focus, remained stable at decreased to 93% from 94% over the quarter ended September 30, 2022 December 31, 2022.

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

	Three Months Ended September 30,										
	Three Months Ended December 31,					Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
Cloud Services and Subscriptions:	***Cloud Services and Subscriptions:***										
Americas											
Americas											
Americas	Americas	$335,045	$ 26,698	$308,347							
EMEA	EMEA	86,383	14,881	71,502							
Asia Pacific	Asia Pacific	29,586	4,784	24,802							
Total Cloud Services and Subscriptions Revenues	***Total Cloud Services and Subscriptions Revenues***	451,014	46,363	404,651							
Cost of Cloud Services and Subscriptions Revenues	***Cost of Cloud Services and Subscriptions Revenues***	171,412	39,613	131,799							
GAAP-based Cloud Services and Subscriptions Gross Profit	***GAAP-based Cloud Services and Subscriptions Gross Profit***	$279,602	$ 6,750	$272,852							
GAAP-based Cloud Services and Subscriptions Gross Margin %	***GAAP-based Cloud Services and Subscriptions Gross Margin %***	62.0 %		67.4 %	***GAAP-based Cloud Services and Subscriptions Gross Margin %***	60.0 %		67.1 %	61.0 %		67.3 %
% Cloud Services and Subscriptions Revenues by Geography:	***% Cloud Services and Subscriptions Revenues by Geography:***										
% Cloud Services and Subscriptions Revenues by Geography:											
% Cloud Services and Subscriptions Revenues by Geography:											
Americas											
Americas											
Americas	Americas	74.3 %		76.2 %		74.3 %		77.5 %	74.3 %		76.8 %
EMEA	EMEA	19.2 %		17.7 %	EMEA	19.4 %		16.5 %	19.3 %		17.1 %
Asia Pacific	Asia Pacific	6.5 %		6.1 %	Asia Pacific	6.3 %		6.0 %	6.4 %		6.1 %

Three Months Ended September 30, 2023 December 31, 2023 Compared to Three Months Ended September 30, 2022 December 31, 2022

Cloud services and subscriptions revenues increased by $46.4 million $41.4 million or 11.5% 10.1% during the three months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year; up 10.9% 9.2% after factoring in the favorable impact of $2.4 million $4.0 million of foreign exchange rate changes. The increase was primarily driven by incremental Cloud services and subscriptions revenues from the Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in EMEA of $20.2 million, an increase in Americas of $17.7 million and an increase in Asia Pacific of $3.5 million.

There were 48 cloud services contracts greater than $1.0 million that closed during the second quarter of Fiscal 2024, compared to 23 contracts during the second quarter of Fiscal 2023.

Cost of Cloud services and subscriptions revenues increased by $45.8 million during the three months ended December 31, 2023 as well as compared to the same period in the prior fiscal year. This was due to an increase in third-party network usage fees of $32.3 million and an increase in labour-related costs of $13.3 million both partially driven by organic revenue growth incremental Cloud services and subscriptions cost of revenues from the Micro Focus Acquisition. Overall, the gross margin percentage on Cloud services and subscriptions revenues decreased to 60% from 67%.

Six Months Ended December 31, 2023 Compared to Six Months Ended December 31, 2022

Cloud services and subscriptions revenues increased by $87.8 million or 10.8% during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year; up 10.0% after factoring in the favorable impact of $6.4 million of foreign exchange rate changes. The increase was primarily driven by incremental Cloud services and subscriptions revenues from the Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in Americas of $26.7 million $44.4 million, an increase in EMEA of $14.9 million, $35.1 million and an increase in Asia Pacific of $4.8 million $8.3 million.

There were 21 69 cloud services contracts greater than $1.0 million that closed during the first quarter six months of Fiscal 2024, compared to 18 41 contracts during the first quarter six months of Fiscal 2023.

Cost of Cloud services and subscriptions revenues increased by $39.6 million $85.4 million during the three six months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year. This was primarily due to an increase in labour-related costs of $27.1 million and an increase in third-party network usage fees of $12.6 million $44.9 million and an increase in labour-related costs of $40.4 million both partially driven by incremental Cloud service services and subscriptions cost costs of revenues revenue from the Micro Focus Acquisition over the comparative period. Acquisition. Overall, the gross margin percentage on Cloud services and subscriptions revenues decreased to 62% 61% from 67%.

2) Customer Support:

Customer support revenues consist of revenues from our customer support and maintenance agreements. These agreements allow our customers to receive technical support, enhancements and upgrades to new versions of our software products when available. Customer support revenues are generated from support and maintenance relating to current year sales of software products and from the renewal of existing maintenance agreements for software licenses sold in prior periods.

Therefore, changes in Customer support revenues do not always correlate directly to the changes in license revenues from period to period. The terms of support and maintenance agreements are typically twelve months, and are renewable, generally on an annual basis, at the option of the customer. Our management reviews our Customer support renewal rates on a quarterly basis, and we use these rates as a method of monitoring our customer service performance. For the quarter ended September 30, 2023 December 31, 2023, our Customer support renewal rate decreased to 94%, remained stable at 95% compared to 95% for the quarter ended September 30, 2022. December 31, 2022, excluding the impact of Carbonite, Zix and Micro Focus.

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

		Three Months Ended September 30,									
	Three Months Ended December 31,					Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022

Customer Support Revenues:	***Customer Support Revenues:***								
Americas									
Americas									
Americas	Americas	$385,860	$ 202,388	$183,472					
EMEA	EMEA	247,375	139,486	107,889					
Asia Pacific	Asia Pacific	64,478	38,488	25,990					
Total Customer Support Revenues	***Total Customer Support Revenues***	697,713	380,362	317,351					
Cost of Customer Support Revenues	***Cost of Customer Support Revenues***	75,014	47,660	27,354					
GAAP-based Customer Support Gross Profit	***GAAP-based Customer Support Gross Profit***	$622,699	$ 332,702	$289,997					
GAAP-based Customer Support Gross Margin %	***GAAP-based Customer Support Gross Margin %***	89.2 %		91.4 %	***GAAP-based Customer Support Gross Margin %***	89.5 %	91.0 %	89.4 %	91.2 %
% Customer Support Revenues by Geography:	***% Customer Support Revenues by Geography:***								
% Customer Support Revenues by Geography:									
% Customer Support Revenues by Geography:									
Americas									
Americas									
Americas	Americas	55.3 %		57.8 %		54.0 %	58.8 %	54.7 %	58.3 %
EMEA	EMEA	35.5 %		34.0 %	EMEA	36.2 %	33.1 %	35.8 %	33.5 %
Asia Pacific	Asia Pacific	9.2 %		8.2 %	Asia Pacific	9.8 %	8.1 %	9.5 %	8.2 %

Three Months Ended September 30, 2023 December 31, 2023 Compared to Three Months Ended September 30, 2022 December 31, 2022

Customer support revenues increased by $380.4 million $379.3 million or 119.9% 119.8% during the three months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year; up 116.9% 115.6% after factoring in the favorable impact of $9.2 million $13.5 million of foreign exchange rate changes. The increase was primarily driven by incremental Customer support revenue revenues from the

Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in Americas of $202.4 million $189.6 million, an increase in EMEA of $139.5 million, $147.1 million and an increase in Asia Pacific of $38.5 million $42.5 million.

Cost of Customer support revenues increased by $47.7 million $44.8 million during the three months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year. This was primarily due to an increase in labour-related costs of $45.9 million $42.6 million driven by incremental Customer support cost of revenues from the Micro Focus Acquisition over the comparative period. Overall, the gross margin percentage on Customer support revenues decreased to 89% from 91%.

Six Months Ended December 31, 2023 Compared to Six Months Ended December 31, 2022

Customer support revenues increased by $759.6 million or 119.8% during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year; up 116.3% after factoring in the favorable impact of $22.7 million of foreign exchange rate changes. The increase was primarily driven by incremental Customer support revenues from the Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in Americas of $392.0 million, an increase in EMEA of $286.6 million and an increase in Asia Pacific of $81.0 million.

Cost of Customer support revenues increased by $92.4 million during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year. This was primarily due to an increase in labour-related costs of $88.5 million driven by incremental Customer support cost of revenues from the Micro Focus Acquisition over the comparative period. Overall, the gross margin percentage on Customer support revenues decreased to 89% from 91%.

3) License:

Our License revenue can be broadly categorized as perpetual licenses, term licenses and subscription licenses. 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.

		Three Months Ended September 30,									
		Three Months Ended December 31,				Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
License Revenues:	***License Revenues:***										
Americas											
Americas											
Americas	Americas	$ 82,556	$ 50,960	$ 31,596							
EMEA	EMEA	62,641	38,547	24,094							
Asia Pacific	Asia Pacific	27,829	20,971	6,858							
Total License Revenues	***Total License Revenues***	173,026	110,478	62,548							
Cost of License Revenues	***Cost of License Revenues***	3,839	1,081	2,758							
GAAP-based License Gross Profit	***GAAP-based License Gross Profit***	$169,187	$ 109,397	$59,790							

GAAP-based License Gross Margin %	***GAAP-based License Gross Margin %***	97.8 %	95.6 %	***GAAP-based License Gross Margin %***	97.9 %	96.4 %	97.9 %	96.1 %
% License Revenues by Geography:	***% License Revenues by Geography:***							
% License Revenues by Geography:								
% License Revenues by Geography:								
Americas								
Americas								
Americas	Americas	47.7 %	50.5 %		46.6 %	46.2 %	47.0 %	47.8 %
EMEA	EMEA	36.2 %	38.5 %	EMEA	40.6 %	35.3 %	38.9 %	36.5 %
Asia Pacific	Asia Pacific	16.1 %	11.0 %	Asia Pacific	12.8 %	18.5 %	14.1 %	15.7 %

Three Months Ended September 30, 2023 December 31, 2023 Compared to Three Months Ended September 30, 2022 December 31, 2022

License revenues increased by $110.5 million $181.3 million or 176.6% 167.9% during the three months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year; up 172.8% 162.7% after factoring in the favorable impact of $2.4 million $5.7 million of foreign exchange rate changes. The increase was primarily driven by incremental License revenues from the Micro Focus Acquisition over the comparative period. period and license revenue relating to the grant of certain IP rights. Geographically, the overall change was attributable to an increase in Americas of $51.0 million $84.9 million, an increase in EMEA of $38.5 million, $79.3 million and an increase in Asia Pacific of $21.0 million $17.1 million.

During the first second quarter of Fiscal 2024, we closed 51 83 license contracts greater than $0.5 million, of which 21 35 contracts were greater than $1.0 million, contributing $63.9 million $147.7 million of License revenues. This was compared to 22 38 license contracts greater than $0.5 million during the first second quarter of Fiscal 2023, of which 9 15 contracts were greater than $1.0 million, contributing $22.6 million $43.0 million of License revenues.

Cost of License revenues increased by $1.1 million $2.1 million during the three months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year as a result of higher third-party technology costs primarily driven by incremental cost of License revenue revenues from the Micro Focus Acquisition over the comparative period. Overall, the gross margin percentage on License revenues increased to 98% from 96%.

Six Months Ended December 31, 2023 Compared to Six Months Ended December 31, 2022

License revenues increased by $291.8 million or 171.1% during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year; up 166.4% after factoring in the favorable impact of $8.0 million of foreign exchange rate changes. The increase was primarily driven by incremental License revenues from the Micro Focus Acquisition over the comparative period and license revenue relating to the grant of certain IP rights. Geographically, the overall change was attributable to an increase in Americas of $135.8 million, an increase in EMEA of $117.8 million and an increase in Asia Pacific of $38.1 million.

During the first six months of Fiscal 2024, we closed 134 license contracts greater than $0.5 million, of which 56 contracts were greater than $1.0 million, contributing $211.6 million of License revenues. This was compared to 60 license contracts greater than $0.5 million during the first six months of Fiscal 2023, of which 24 contracts were greater than $1.0 million, contributing $65.6 million of License revenues.

Cost of License revenues increased by $3.2 million during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year as a result of lower third-party technology costs. Overall, the gross margin percentage on License revenues increased to 98% from 96%.

4) Professional Service and Other:

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

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

		Three Months Ended September 30,									
	Three Months Ended December 31,					Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
Professional Service and Other Revenues:	***Professional Service and Other Revenues:***										
Americas											
Americas											
Americas	Americas	$41,766	$ 7,393	$34,373							
EMEA	EMEA	49,041	24,173	24,868							
Asia Pacific	Asia Pacific	12,869	4,624	8,245							
Total Professional Service and Other Revenues	***Total Professional Service and Other Revenues***	103,676	36,190	67,486							
Cost of Professional Service and Other Revenues	***Cost of Professional Service and Other Revenues***	79,922	26,122	53,800							
GAAP-based Professional Service and Other Gross Profit	***GAAP-based Professional Service and Other Gross Profit***	$23,754	$ 10,068	$13,686							
GAAP-based Professional Service and Other Gross Margin %	***GAAP-based Professional Service and Other Gross Margin %***	22.9 %		20.3 %	***GAAP-based Professional Service and Other Gross Margin %***	24.4 %		15.9 %	23.6 %		18.2 %
% Professional Service and Other Revenues by Geography:	***% Professional Service and Other Revenues by Geography:***										
% Professional Service and Other Revenues by Geography:											

% Professional Service and Other Revenues by Geography:								
Americas								
Americas								
Americas	Americas	40.3 %	50.9 %		39.5 %	48.2 %	39.9 %	49.6 %
EMEA	EMEA	47.3 %	36.8 %	EMEA	48.2 %	39.1 %	47.7 %	37.9 %
Asia Pacific	Asia Pacific	12.4 %	12.3 %	Asia Pacific	12.3 %	12.7 %	12.4 %	12.5 %

Three Months Ended September 30, 2023 December 31, 2023 Compared to Three Months Ended September 30, 2022 December 31, 2022

Professional service and other revenues increased by $36.2 million $35.5 million or 53.6% 55.2% during the three months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year; up 50.9% 51.3% after factoring in the favorable impact of $1.9 million $2.5 million of foreign exchange rate changes. The increase was primarily driven by incremental Professional service and other revenues from the Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in EMEA of $24.2 million $23.0 million, an increase in Americas of $7.4 million $8.4 million and an increase in Asia Pacific of $4.6 million $4.1 million.

Cost of Professional service and other revenues increased by $26.1 million $21.4 million during the three months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year. This was primarily due to an increase in labour-related costs of $27.0 million $22.1 million, primarily driven by the incremental Professional service and other cost of revenues from the Micro Focus Acquisition over the comparative period. period, offset by a decrease in other miscellaneous costs of $0.7 million. Overall, the gross margin percentage on Professional service and other revenues increased to 23% 24% from 20% 16% in the same period in the prior fiscal year.

Six Months Ended December 31, 2023 Compared to Six Months Ended December 31, 2022

Professional service and other revenues increased by $71.7 million or 54.4% during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year; up 51.1% after factoring in the favorable impact of $4.4 million of foreign exchange rate changes. The increase was primarily driven by incremental Professional service and other revenues from the Micro Focus Acquisition over the comparative period. Geographically, the overall change was attributable to an increase in Americas of $15.8 million, an increase in Asia Pacific of $8.7 million and an increase in EMEA of $47.2 million.

Cost of Professional service and other revenues increased by $47.5 million during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year. This was due to an increase in labour-related costs of $49.1 million primarily driven by incremental Professional service and other cost of revenues from the Micro Focus Acquisition over the comparative period, offset by a decrease in other miscellaneous costs of $1.6 million. Overall, the gross margin percentage on Professional service and other revenues increased to 24% from 18% in the same period in the prior fiscal year.

Amortization of Acquired Technology-based Intangible Assets

		Three Months Ended September 30,									
	Three Months Ended December 31,					Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	**(In thousands)**	**2023**	**Change increase (decrease)**	**2022**	**(In thousands)**	**2023**	**Change increase (decrease)**	**2022**	**2023**	**Change increase (decrease)**	**2022**
Amortization of acquired technology-based intangible assets	Amortization of acquired technology-based intangible assets	$76,824	$ 34,187	$42,637							

Amortization of acquired technology-based intangible assets increased during the three months ended September 30, 2023 December 31, 2023 by $34.2 million $29.9 million as compared to the same period in the prior fiscal year. This was primarily due to amortization of newly acquired technology-based intangible assets from the Micro Focus Acquisition, partially offset by a reduction intangible assets from previous acquisitions becoming fully amortized.

Amortization of acquired technology-based intangible assets increased during the six months ended December 31, 2023 by $64.1 million as compared to the same period in the prior fiscal year. This was primarily due to amortization related to technology-based of newly acquired customer-based intangible assets from the Micro Focus Acquisition, partially offset by intangible assets from previous acquisitions becoming fully amortized.

Operating Expenses

		Three Months Ended September 30,									
	Three Months Ended December 31,					Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
Research and development	Research and development	$234,437	$ 124,239	$110,198							
Sales and marketing	Sales and marketing	271,801	104,631	167,170							
General and administrative	General and administrative	131,211	53,137	78,074							
Depreciation	Depreciation	34,091	10,917	23,174							
Amortization of acquired customer-based intangible assets	Amortization of acquired customer-based intangible assets	120,192	65,754	54,438							
Special charges (recoveries)	Special charges (recoveries)	13,794	(487)	14,281							
Total operating expenses	Total operating expenses	$805,526	$ 358,191	$447,335							
% of Total Revenues:	***% of Total Revenues:***										
% of Total Revenues:											
% of Total Revenues:											
Research and development											
Research and development											
Research and development	Research and development	16.4 %		12.9 %		14.3 %		12.2 %	15.4 %		12.6 %
Sales and marketing	Sales and marketing	19.1 %		19.6 %	Sales and marketing	18.3 %		19.7 %	18.6 %		19.7 %
General and administrative	General and administrative	9.2 %		9.2 %	General and administrative	11.3 %		8.6 %	10.3 %		8.9 %
Depreciation	Depreciation	2.4 %		2.7 %	Depreciation	2.2 %		2.5 %	2.3 %		2.6 %

Amortization of acquired customer-based intangible assets	Amortization of acquired customer-based intangible assets	8.4 %	6.4 %	Amortization of acquired customer-based intangible assets	7.4 %	6.0 %	7.9 %	6.2 %
Special charges (recoveries)	Special charges (recoveries)	1.0 %	1.7 %	Special charges (recoveries)	3.5 %	1.1 %	2.3 %	1.4 %

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

		Change between Three Months Ended September 30, 2023 and 2022
(In thousands)		**increase (decrease)**
Payroll and payroll-related benefits	$	85,421
Contract labour and consulting		5,752
Share-based compensation		4,881
Travel and communication		221
Facilities		25,229
Other miscellaneous		2,735
Total change in research and development expenses	$	124,239

		Change between Three Months Ended December 31, 2023 and 2022		Change between Six Months Ended December 31, 2023 and 2022
(In thousands)		**increase (decrease)**		**increase (decrease)**
Payroll and payroll-related benefits	$	74,057	$	159,478
Contract labour and consulting		5,096		10,848
Share-based compensation		4,941		9,822
Travel and communication		1,487		1,708
Facilities		22,210		47,439
Other miscellaneous		2,729		5,464
Total change in research and development expenses	$	110,520	$	234,759

Research and development expenses increased by $124.2 million $110.5 million during the three months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year, primarily as a result of the Micro Focus Acquisition. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by $85.4 million $74.1 million, facility-related facility-related expenses increased by $25.2 million $22.2 million, contract labour and consulting expense increased by $5.8 million $5.1 million, and share-based compensation expense increased by $4.9 million. Overall, our research and development expenses, as a percentage of total revenues, increased to 16% 14% compared to the same period in the prior fiscal year at 12%.

Research and development expenses increased by $234.8 million during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year, partially as a result of the Micro Focus Acquisition. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by $159.5 million, facility-related expenses increased by $47.4 million, contract labour and consulting increased by $10.8 million, and share-based compensation expense increased by $9.8 million. Overall, our research and development expenses, as a percentage of total revenues, increased to 15% compared to the same period in the prior fiscal year at 13%.

Our research and development labour resources increased by 3,942 3,787 employees, from 4,293 4,275 employees at September 30, 2022 December 31, 2022 to 8,235 8,062 employees at September 30, 2023, primarily as a result of the Micro Focus Acquisition.

December 31, 2023.

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

(In thousands)		Change between Three Months Ended September 30, 2023 and 2022 increase (decrease)
Payroll and payroll-related benefits	$	71,550
Commissions		6,116
Contract labour and consulting		4,398
Share-based compensation		4,948
Travel and communication		3,376
Marketing expenses		5,189
Facilities		9,610
Credit loss expense (recovery)		(1,865)
Other miscellaneous		1,309
Total change in sales and marketing expenses	$	104,631

(In thousands)		Change between Three Months Ended December 31, 2023 and 2022 increase (decrease)		Change between Six Months Ended December 31, 2023 and 2022 increase (decrease)
Payroll and payroll-related benefits	$	71,837	$	143,387
Commissions		9,997		16,113
Contract labour and consulting		4,211		8,609
Share-based compensation		3,790		8,738
Travel and communication		3,729		7,105
Marketing expenses		1,715		6,904
Facilities		6,998		16,608
Credit loss expense (recovery)		1,984		119
Other miscellaneous		(1,169)		140
Total change in sales and marketing expenses	$	103,092	$	207,723

Sales and marketing expenses increased by $104.6 million $103.1 million during the three months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year, primarily as a result of the Micro Focus Acquisition. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by $71.6 million $71.8 million, commissions increased by $10.0 million, facility-related expenses increased by $9.6 million $7.0 million, commissions increased by $6.1 million, marketing contract labour and consulting expenses increased by $5.2 million $4.2 million, share-based compensation expense increased by $4.9 million $3.8 million, and travel and communication expenses increased by $3.4 million $3.7 million. Overall, our sales and marketing expenses, as a percentage of total revenues, decreased to 19% 18% compared to 20% in the same period in the prior fiscal year at 20%. year.

Our sales Sales and marketing labour resources increased by 1,998 employees, from 2,656 employees at September 30, 2022 to 4,654 employees at September 30, 2023, primarily as a result of the Micro Focus Acquisition.

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

(In thousands)	Change between Three Months Ended September 30, 2023 and 2022 increase (decrease)	
Payroll and payroll-related benefits	$	31,181
Contract labour and consulting		7,623
Share-based compensation		2,253
Travel and communication		4,371
Facilities		2,030
Other miscellaneous		5,679
Total change in general and administrative expenses	$	53,137

General and administrative expenses increased by $53.1 million $207.7 million during the three six months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year, primarily as a result of the Micro Focus Acquisition. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by $143.4 million, facility-related expenses increased by $16.6 million, commissions increased by $16.1 million, share-based compensation expense increased by $8.7 million, contract labour and consulting expenses increased by $8.6 million, travel and communication expenses increased by $7.1 million and marketing expenses increased by $6.9 million. Overall, our sales and marketing expenses, as a percentage of total revenues, decreased to 19% from 20% in the same period in the prior fiscal year.

Our sales and marketing labour resources increased by 1,858 employees, from 2,653 employees at December 31, 2022 to 4,511 employees at December 31, 2023.

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

(In thousands)	Change between Three Months Ended December 31, 2023 and 2022 increase (decrease)		Change between Six Months Ended December 31, 2023 and 2022 increase (decrease)	
Payroll and payroll-related benefits	$	31,152	$	62,333
Contract labour and consulting		7,236		14,859
Share-based compensation		1,394		3,647
Travel and communication		2,484		6,855
Facilities		2,312		4,342
Other miscellaneous		51,083		56,762
Total change in general and administrative expenses	$	95,661	$	148,798

General and administrative expenses increased by $95.7 million during the three months ended December 31, 2023 as compared to the same period in the prior fiscal year, primarily as a result of the Micro Focus Acquisition and other miscellaneous costs. Other miscellaneous costs, which include professional fees such as legal, audit and tax related expenses, increased by $51.1 million primarily driven by costs related to IP, including the grant of certain IP rights and the resolution of certain historical IP related matters. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by $31.2 million, contract labour and consulting expenses increased by $7.6 million $7.2 million, travel and communication expenses increased by $2.5 million and facility-related expenses increased by $2.3 million. Overall, general and administrative expenses, as a percentage of total revenues, increased to 11% from 9% in the same period in the prior fiscal year.

General and administrative expenses increased by $148.8 million during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year, primarily as a result of the Micro Focus Acquisition and other miscellaneous costs. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by $62.3 million, other miscellaneous costs, which include professional fees such as legal, audit and tax related expenses, increased by $5.7 million $56.8 million primarily driven by costs related to IP, including the grant of certain IP rights and the resolution of certain historical IP related matters, contract labour and consulting expenses increased by $14.9 million, travel and communication communications expenses increased by $4.4 million $6.9 million, share-based compensation expense increased by $2.3 million, and facility-related expenses increased by $2.0 million $4.3 million and share-based compensation expenses increased by $3.6 million. Overall, general and administrative expenses, as a percentage of total revenues, remained stable at increased to 10% from 9% compared to in the same period in the prior fiscal year.

Our general and administrative labour resources increased by 1,599 1,562 employees, from 1,864 1,866 employees at September 30, 2022 December 31, 2022 to 3,463 3,428 employees at September 30, 2023 December 31, 2023, primarily as a result of the Micro Focus Acquisition.

Depreciation expenses:

		Three Months Ended September 30,									
		Three Months Ended December 31,				Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
Depreciation	Depreciation	$34,091	$ 10,917	$23,174							

Depreciation expenses increased during the three and six months ended September 30, 2023 December 31, 2023 by $10.9 million $10.6 million and $21.5 million, respectively, compared to the same periods in the prior fiscal year, primarily as a result of the Micro Focus Acquisition.

Depreciation expenses, as a percentage of total revenue decreased for the three and six months ended September 30, 2023 December 31, 2023 at 2% compared to 3% for the same period periods in the prior fiscal year at 3%. year.

Amortization of acquired customer-based intangible assets:

		Three Months Ended September 30,									
		Three Months Ended December 31,				Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
Amortization of acquired customer-based intangible assets	Amortization of acquired customer-based intangible assets	$120,192	$ 65,754	$54,438							

Amortization of acquired customer-based intangible assets increased during the three months ended September 30, 2023 December 31, 2023 by $65.8 million $60.5 million as compared to the same period in the prior fiscal year. This was primarily related to amortization of newly acquired customer-based intangible assets from the Micro Focus Acquisition. Acquisition over the prior fiscal year.

Amortization of acquired customer-based intangible assets increased during the six months ended December 31, 2023 by $126.2 million as compared to the same period in the prior fiscal year. This was primarily related to amortization of newly acquired customer-based intangible assets from the Micro Focus Acquisition over the prior fiscal year.

Special charges (recoveries):

Special charges (recoveries) typically relate to amounts that we expect to pay in connection with restructuring plans, acquisition-related costs and other similar charges and recoveries. Generally, we implement such plans in the context of integrating acquired entities with existing OpenText operations and most recently in response to our return to office planning. 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 (recoveries).

		Three Months Ended September 30,									
	Three Months Ended December 31,					Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
Special charges (recoveries)	Special charges (recoveries)	$13,794	$ (487)	$14,281							

Special charges (recoveries) decreased increased by $(0.5) million $43.9 million during the three months ended September 30, 2023 over December 31, 2023 as compared to the comparative period. This was primarily due same period in the prior fiscal year. Restructuring costs related to a decrease in the Micro Focus Acquisition increased by $44.8 million and divestiture costs related to the proposed divestiture of the AMC business increased by $5.4 million, offset by acquisition related costs which decreased by $6.0 million, as compared to the same period in the prior fiscal year.

Special charges (recoveries) increased by $43.4 million during the six months ended December 31, 2023 as compared to the same period in the prior fiscal year. Restructuring costs related to the Micro Focus Acquisition increased by $51.6 million, divestiture costs related to the proposed divestiture of $3.5 million the AMC business increased by $7.0 million and other miscellaneous charges increased by $1.6 million, offset by an increase of other charges (recoveries) of $1.9 million and an increase in restructuring acquisition related costs of $1.1 million, which decreased by $9.5 million as compared to the same period in the prior fiscal year.

For more details on Special charges (recoveries), see Note 18 "Special Charges (Recoveries)" to our Condensed Consolidated Financial Statements.

Other Income (Expense), Net

The components of other income (expense), net were as follows:

		Three Months Ended September 30,									
	Three Months Ended December 31,					Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
Foreign exchange gains (losses)	Foreign exchange gains (losses)	$11,434	$ 12,795	$ (1,361)							
Unrealized gains (losses) on derivatives not designated as hedges (1)	Unrealized gains (losses) on derivatives not designated as hedges (1)	17,895	199,356	(181,461)							

OpenText share in net income (loss) of equity investees (2)	OpenText share in net income (loss) of equity investees (2)	(9,696)	(3,162)	(6,534)
OpenText share in net income (loss) of equity investees (2)				
OpenText share in net income (loss) of equity investees (2)				
Loss on debt extinguishment (3)				
Other miscellaneous income (expense)	Other miscellaneous income (expense)	537	412	125
Total other income (expense), net	Total other income (expense), net	$ 20,170	$ 209,401	$ (189,231)

(1) Represents the unrealized gains (losses) on our derivatives not designated as hedges related to the financing of the Micro Focus Acquisition (see Note 17 "Derivative Instruments and Hedging Activities" to our Condensed Consolidated Financial Statements for more details).

(2) Represents our share in net income (loss) (losses) of equity investees, which approximates fair value and subject to volatility based on market trends and business conditions, based on our interest in certain investment funds in which we are a limited partner. Our interests in each of these investees range from 4% to below 20% and these investments are accounted for using the equity method (see Note 9 "Prepaid Expenses and Other Assets" to our Condensed Consolidated Financial Statements for more details).

(3) On December 1, 2022, we amended the Acquisition Term Loan and Bridge Loan to reallocate commitments under the Bridge Loan to the Acquisition Term Loan and terminated all remaining commitments under the Bridge Loan which resulted in a loss on debt extinguishment of $8.1 million related to unamortized debt issuance costs (see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements for more details).

Interest and Other Related Expense, Net

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

		Three Months Ended September 30,									
		Three Months Ended December 31,				Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change increase (decrease)	2022	(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022
Interest expense related to total outstanding debt (1)	Interest expense related to total outstanding debt (1)	$ 147,007	$ 103,839	$ 43,168							
Interest income	Interest income	(11,705)	(6,274)	(5,431)							

Other miscellaneous expense (2)	6,462	3,817	2,645
Other miscellaneous expense			
Total interest and other related expense, net Total interest and other related expense, net	$141,764	$ 101,382	$40,382

(1) For more details see Note 11 “Long-Term Debt” to our Condensed Consolidated Financial Statements.

(2) Other miscellaneous expense primarily consists of the amortization of debt discount and the debt issuance costs. For more details see Note 11 “Long-Term Debt” to our Condensed Consolidated Financial Statements.

Provision for Income Taxes

We operate in several tax jurisdictions and are exposed to various foreign tax rates.

	Three Months Ended September 30,		
	Three Months Ended December 31,		
(In thousands) (In thousands)	2023	Change increase (decrease)	2022
Provision for income taxes	$10,352	$ (23,273)	$33,625
Provision for (recovery of) income taxes			

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2023	Change increase (decrease)	2022	2023	Change increase (decrease)	2022

The Company’s effective tax rate for the three months ended September 30, 2023 was 11.3%, December 31, 2023 increased to a provision of 17.6% compared to a provision of (40.4)% 16.4% for the three months ended September 30, 2022 December 31, 2022. The Company’s effective tax rate for the three months ended September 30, 2023 December 31, 2023, differs from the Canadian statutory rate of 26.5% primarily due to tax benefits related to foreign tax rate differences, foreign tax credits, and research and development credits, partially offset by US Base Erosion and Anti-Abuse Tax (BEAT). The Company’s effective tax rate for the three months ended September 30, 2022 December 31, 2022, differs from the Canadian statutory rate primarily due to pre-tax losses created tax benefits related to benefits of internal reorganizations partially offset by permanent items and uncertain tax positions.

The Company’s effective tax rate for the mark-to-market valuation on six months ended December 31, 2023 decreased to a provision of 13.4% compared to a provision of 37.3% for the derivatives not designated as hedges that six months ended December 31, 2022. The Company’s effective tax rate for the Company entered into in connection with six months ended December 31, 2023 differs from the Micro Focus Acquisition, Canadian statutory rate of 26.5% primarily due to tax benefits related to foreign tax credits and research and development credits, partially offset by US BEAT. The Company’s effective tax rate for the six months ended December 31, 2022, differs from the inability Canadian statutory rate primarily due to recognize the permanent items and uncertain tax benefit of mark-to-market losses. The tax benefit of mark-to-market losses are considered capital losses for tax purposes positions, partially offset by research and require capital income to be recognized. Therefore we recorded a valuation allowance on the portion of the losses that are not supportable by capital gains. development credits..

The Inflation Reduction Act of 2022 (Inflation Reduction Act) and Creating Helpful Incentives to Produce Semiconductors (CHIPS) were signed into law in August 2022. The Inflation Reduction Act introduced new provisions, including a 15% corporate alternative minimum tax for certain large corporations that have at least an average of $1 billion adjusted financial statement income over a consecutive three-tax-year period. The corporate minimum tax will be effective for Fiscal 2024. We are currently evaluating the applicability and the effect potential effects of the new laws to law on our financial results. results for future periods.

For information on certain potential tax contingencies, including the CRA Canada Revenue Agency matter, see Note 14 “Guarantees and Contingencies” and Note 15 “Income Taxes” to our Condensed Consolidated Financial Statements. Please also see Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for Fiscal 2023.

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

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

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

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

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

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

The following charts provide unaudited reconciliations of U.S. GAAP-based financial measures to Non-GAAP-based financial measures for the following periods presented. The Micro Focus Acquisition significantly impacts period-over-period comparability.

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the three months ended September 30, 2023 December 31, 2023

(In thousands, except for per share data)

		Three Months Ended September 30, 2023					
		GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue

	Three Months Ended December 31, 2023						Three Months Ended December 31, 2023
	GAAP-based Measures	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue

Cost of revenues	**Cost of revenues**						
Cloud services and subscriptions	Cloud services and subscriptions	$ 171,412		$ (2,991)	(1)	$ 168,421	
Cloud services and subscriptions							
Cloud services and subscriptions							
Customer support							
Customer support							
Customer support	Customer support	75,014		(1,058)	(1)	73,956	
Professional service and other	Professional service and other	79,922		(1,882)	(1)	78,040	
Professional service and other							
Professional service and other							
Amortization of acquired technology-based intangible assets	Amortization of acquired technology-based intangible assets	76,824		(76,824)	(2)	—	
Amortization of acquired technology-based intangible assets							
Amortization of acquired technology-based intangible assets							

GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)

GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)

GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	**GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)**	1,018,418	71.4%	82,755	(3)	1,101,173	77.3%	1,129,120	73.6%	73.6%	77,277	(3)	(3)	1,206,397	78.6%	78.6%
Operating expenses	**Operating expenses**															
Research and development	Research and development	234,437		(11,734)	(1)	222,703										
Research and development																
Research and development																
Sales and marketing																
Sales and marketing																
Sales and marketing	Sales and marketing	271,801		(11,807)	(1)	259,994										
General and administrative	General and administrative	131,211		(7,623)	(1)	123,588										
General and administrative																
General and administrative																
Amortization of acquired customer-based intangible assets																
Amortization of acquired customer-based intangible assets																
Amortization of acquired customer-based intangible assets	Amortization of acquired customer-based intangible assets	120,192		(120,192)	(2)	—										

Special charges (recoveries)	Special charges (recoveries)	13,794	(13,794)	(4)	—
Special charges (recoveries)					
Special charges (recoveries)					
GAAP-based income from operations / Non-GAAP-based income from operations					
GAAP-based income from operations / Non-GAAP-based income from operations					
GAAP-based income from operations / Non-GAAP-based income from operations	**GAAP-based income from operations / Non-GAAP-based income from operations**	212,892	247,905	(5)	460,797
Other income (expense), net	Other income (expense), net	20,170	(20,170)	(6)	—
Other income (expense), net					
Other income (expense), net					
Provision for income taxes					
Provision for income taxes					
Provision for income taxes	Provision for income taxes	10,352	34,313	(7)	44,665
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	**GAAP-based net income / Non-GAAP-based net income, attributable to OpenText**	80,901	193,422	(8)	274,323
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText					
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText					
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	**GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText**	$ 0.30	$ 0.71	(8)	$ 1.01

GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText

(1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.

(4) Adjustment relates to the exclusion of special charges (recoveries) from our Non-GAAP-based operating expenses as special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results. See Note 18 “Special Charges (Recoveries)” to our Condensed Consolidated Financial Statements for more details.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars.

(6) Adjustment relates to the exclusion of other income (expense) from our Non-GAAP-based operating expenses as other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results. Other income (expense) also includes unrealized and realized gains (losses) on our derivatives which are not designated as hedges. We exclude gains and losses on these derivatives as we do not believe they are reflective of our ongoing business and operating results.

(7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 11% 18% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based net income. Such excluded items include amortization, share-based compensation, special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves and “book to return” adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

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

	Three Months Ended September 30, 2023
	Per share diluted

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2023
	Per share diluted	Per share diluted

GAAP-based net income, attributable to OpenText	GAAP-based net income, attributable to OpenText	$ 80,901	$ 0.30
Add:	Add:		
Amortization			
Amortization			
Amortization	Amortization	197,016	0.72
Share-based compensation	Share-based compensation	37,095	0.14
Special charges (recoveries)	Special charges (recoveries)	13,794	0.05
Other (income) expense, net	Other (income) expense, net	(20,170)	(0.08)
GAAP-based provision for income taxes	GAAP-based provision for income taxes	10,352	0.04
Non-GAAP-based provision for income taxes	Non-GAAP-based provision for income taxes	(44,665)	(0.16)
Non-GAAP-based net income, attributable to OpenText	Non-GAAP-based net income, attributable to OpenText	$ 274,323	$ 1.01

Reconciliation of Adjusted EBITDA

	Three Months Ended September 30, 2023 December 31, 2023
GAAP-based net income, attributable to OpenText	$ 80,901 37,675
Add:	
Provision for income taxes	10,352 8,054
Interest and other related expense, net	141,764 139,292
Amortization of acquired technology-based intangible assets	76,824 70,784
Amortization of acquired customer-based intangible assets	120,192 113,925
Depreciation	34,091 33,415
Share-based compensation	37,095 40,175
Special charges (recoveries)	13,794 54,166
Other (income) expense, net	(20,170) 68,784
Adjusted EBITDA	$ 494,843 566,270

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the three months ended September 30, 2022 December 31, 2022

(In thousands, except for per share data)

Three Months Ended September 30, 2022

		GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
	Three Months Ended December 31, 2022						
	GAAP-based Measures						
Cost of revenues	Cost of revenues						
Cloud services and subscriptions	Cloud services and subscriptions	$131,799		$ (2,033)	(1)	$129,766	
Cloud services and subscriptions							
Cloud services and subscriptions							
Customer support							
Customer support							
Customer support	Customer support	27,354		(567)	(1)	26,787	
Professional service and other	Professional service and other	53,800		(1,525)	(1)	52,275	
Professional service and other							
Professional service and other							
Amortization of acquired technology-based intangible assets	Amortization of acquired technology-based intangible assets	42,637		(42,637)	(2)	—	
Amortization of acquired technology-based intangible assets							
Amortization of acquired technology-based intangible assets							

	Three Months Ended December 31, 2022				
GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue

GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)

GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)

GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	**GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)**	593,688	69.7%	46,762	(3)	640,450	75.2%	635,747	70.8%	70.8%	46,128	(3)	(3)	681,875	76.0%	76.0%
Operating expenses	**Operating expenses**															
Research and development	Research and development	110,198		(6,854)	(1)	103,344										

Research and development

Research and development

Sales and marketing

Sales and marketing

Sales and marketing	Sales and marketing	167,170		(6,859)	(1)	160,311
General and administrative	General and administrative	78,074		(5,370)	(1)	72,704

General and administrative

General and administrative

Amortization of acquired customer-based intangible assets

Amortization of acquired customer-based intangible assets

Amortization of acquired customer-based intangible assets	Amortization of acquired customer-based intangible assets	54,438		(54,438)	(2)	—

Special charges (recoveries)	Special charges (recoveries)	14,281	(14,281)	(4)	—
Special charges (recoveries)					
Special charges (recoveries)					
GAAP-based income from operations / Non-GAAP-based income from operations					
GAAP-based income from operations / Non-GAAP-based income from operations					
GAAP-based income from operations / Non-GAAP-based income from operations	**GAAP-based income from operations / Non-GAAP-based income from operations**	146,353	134,564	(5)	280,917
Other income (expense), net	Other income (expense), net	(189,231)	189,231	(6)	—
Other income (expense), net					
Other income (expense), net					
Provision for income taxes	Provision for income taxes	33,625	50	(7)	33,675
GAAP-based net loss / Non-GAAP-based net income, attributable to OpenText		(116,929)	323,745	(8)	206,816
Provision for income taxes					
Provision for income taxes					
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText					
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText					
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText					
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	**GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText**	$ (0.43)	$ 1.20	(8)	$ 0.77

GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText

(1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.

(4) Adjustment relates to the exclusion of special charges (recoveries) from our Non-GAAP-based operating expenses as special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results. See Note 18 “Special Charges (Recoveries)” to our Condensed Consolidated Financial Statements for more details.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars.

(6) Adjustment relates to the exclusion of other income (expense) from our Non-GAAP-based operating expenses as other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.

(7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately (40)% 16% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and “book to return” adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

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

	Three Months Ended September 30, 2022	
		Per share diluted
GAAP-based net loss, attributable to OpenText	$(116,929)	$(0.43)

	Three Months Ended December 31, 2022		**Three Months Ended December 31, 2022**
	Per share diluted		**Per share diluted**

GAAP-based net income, attributable to OpenText			
Add:	Add:		
Amortization			
Amortization			
Amortization	Amortization	97,075	0.36
Share-based compensation	Share-based compensation	23,208	0.09
Special charges (recoveries)	Special charges (recoveries)	14,281	0.05
Other (income) expense, net	Other (income) expense, net	189,231	0.70
GAAP-based provision for income taxes	GAAP-based provision for income taxes	33,625	0.12
Non-GAAP-based provision for income taxes	Non-GAAP-based provision for income taxes	(33,675)	(0.12)
Non-GAAP-based net income, attributable to OpenText	Non-GAAP-based net income, attributable to OpenText	$ 206,816	$ 0.77

Reconciliation of Adjusted EBITDA

	Three Months Ended September 30, 2022 December 31, 2022
GAAP-based net loss, income, attributable to OpenText	$ (116,929) 258,486
Add:	
Provision for income taxes	33,625 50,774
Interest and other related expense, net	40,382 38,715
Amortization of acquired technology-based intangible assets	42,637 40,863
Amortization of acquired customer-based intangible assets	54,438 53,446
Depreciation	23,174 22,858
Share-based compensation	23,208 28,822
Special charges (recoveries)	14,281 10,306
Other (income) expense, net	189,231 (163,349)
Adjusted EBITDA	$ 304,047 340,921

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the six months ended December 31, 2023
(In thousands, except for per share data)

	Six Months Ended December 31, 2023

	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	$ 351,560		$ (6,600)	(1)	$ 344,960	
Customer support	148,388		(2,186)	(1)	146,202	
Professional service and other	155,381		(3,638)	(1)	151,743	
Amortization of acquired technology-based intangible assets	147,608		(147,608)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	2,147,538	72.5%	160,032	(3)	2,307,570	78.0%
Operating expenses						
Research and development	454,657		(24,501)	(1)	430,156	
Sales and marketing	552,064		(25,034)	(1)	527,030	
General and administrative	304,475		(15,311)	(1)	289,164	
Amortization of acquired customer-based intangible assets	234,117		(234,117)	(2)	—	
Special charges (recoveries)	67,960		(67,960)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	466,759		526,955	(5)	993,714	
Other income (expense), net	(48,614)		48,614	(6)	—	
Provision for income taxes	18,406		81,367	(7)	99,773	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	118,576		494,202	(8)	612,778	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.44		$ 1.81	(8)	$ 2.25	

(1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.

(4) Adjustment relates to the exclusion of special charges (recoveries) from our Non-GAAP-based operating expenses as special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results. See Note 18 “Special Charges (Recoveries)” to our Condensed Consolidated Financial Statements for more details.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars.

(6) Adjustment relates to the exclusion of other income (expense) from our Non-GAAP-based operating expenses as other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results. Other income (expense) also includes unrealized and realized gains (losses) on our derivatives which are not designated as hedges. We exclude gains and losses on these derivatives as we do not believe they are reflective on our ongoing business and operating results.

(7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 13% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based net income. Such excluded items include amortization, share-based compensation, special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves and “book to return” adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

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

	Six Months Ended December 31, 2023	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 118,576	$ 0.44
Add:		
Amortization	381,725	1.40
Share-based compensation	77,270	0.29
Special charges (recoveries)	67,960	0.25
Other (income) expense, net	48,614	0.16
GAAP-based provision for income taxes	18,406	0.07
Non-GAAP-based provision for income taxes	(99,773)	(0.36)
Non-GAAP-based net income, attributable to OpenText	$ 612,778	$ 2.25

Reconciliation of Adjusted EBITDA

	Six Months Ended December 31, 2023
GAAP-based net income, attributable to OpenText	$ 118,576
Add:	
Provision for income taxes	18,406
Interest and other related expense, net	281,056
Amortization of acquired technology-based intangible assets	147,608
Amortization of acquired customer-based intangible assets	234,117
Depreciation	67,506
Share-based compensation	77,270
Special charges (recoveries)	67,960
Other (income) expense, net	48,614
Adjusted EBITDA	$ 1,061,113

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the six months ended December 31, 2022

(In thousands, except for per share data)

	Six Months Ended December 31, 2022					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	$ 266,113		$ (4,845)	(1)	$ 261,268	
Customer support	55,943		(1,257)	(1)	54,686	
Professional service and other	107,864		(3,288)	(1)	104,576	
Amortization of acquired technology-based intangible assets	83,500		(83,500)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,229,435	70.3%	92,890	(3)	1,322,325	75.6%

Operating expenses							
Research and development		219,898		(14,680)	(1)		205,218
Sales and marketing		344,341		(16,296)	(1)		328,045
General and administrative		155,677		(11,664)	(1)		144,013
Amortization of acquired customer-based intangible assets		107,884		(107,884)	(2)		—
Special charges (recoveries)		24,587		(24,587)	(4)		—
GAAP-based income from operations / Non-GAAP-based income from operations		331,016		268,001	(5)		599,017
Other income (expense), net		(25,882)		25,882	(6)		—
Provision for income taxes		84,399		(11,610)	(7)		72,789
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText		141,557		305,493	(8)		447,050
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$	0.52	$	1.14	(8)	$	1.66

(1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.

(2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.

(3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.

(4) Adjustment relates to the exclusion of special charges (recoveries) from our Non-GAAP-based operating expenses as special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations and are therefore excluded from our internal analysis of operating results. See Note 18 “Special Charges (Recoveries)” to our Condensed Consolidated Financial Statements for more details.

(5) GAAP-based and Non-GAAP-based income from operations stated in dollars.

(6) Adjustment relates to the exclusion of other income (expense) from our Non-GAAP-based operating expenses as other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.

(7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 37% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and “book to return” adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

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

	Six Months Ended December 31, 2022			
				Per share diluted
GAAP-based net income, attributable to OpenText	$	141,557	$	0.52
Add:				
Amortization		191,384		0.71
Share-based compensation		52,030		0.19
Special charges (recoveries)		24,587		0.09
Other (income) expense, net		25,882		0.10
GAAP-based provision for income taxes		84,399		0.31

Non-GAAP-based provision for income taxes	(72,789)	(0.26)
Non-GAAP-based net income, attributable to OpenText	$ 447,050	$ 1.66

Reconciliation of Adjusted EBITDA

	Six Months Ended December 31, 2022
GAAP-based net income, attributable to OpenText	$ 141,557
Add:	
Provision for income taxes	84,399
Interest and other related expense, net	79,097
Amortization of acquired technology-based intangible assets	83,500
Amortization of acquired customer-based intangible assets	107,884
Depreciation	46,032
Share-based compensation	52,030
Special charges (recoveries)	24,587
Other (income) expense, net	25,882
Adjusted EBITDA	$ 644,968

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)	(In thousands)	As of September 30, 2023	Change increase (decrease)	As of June 30, 2023	(In thousands)	As of December 31, 2023	Change increase (decrease)	As of June 30, 2023
Cash and cash equivalents	Cash and cash equivalents	$919,850	$(311,775)	$1,231,625				
Restricted cash (1)	Restricted cash (1)	2,300	(27)	2,327				
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$922,150	$(311,802)	$1,233,952				

(1) Restricted cash is classified under the Prepaid expenses and other current assets and Other assets line items on the Condensed Consolidated Balance Sheets (see Note 9 “Prepaid Expenses and Other Assets” to our Condensed Consolidated Financial Statements for more details).

		Three Months Ended September 30,						
		Six Months Ended December 31,				Six Months Ended December 31,		
(In thousands)	(In thousands)	2023	Change	2022	(In thousands)	2023	Change	2022

Cash provided by operating activities	Cash provided by operating activities	$ 47,121	$ (84,838)	$131,959
Cash used in investing activities	Cash used in investing activities	$ (50,399)	$ (14,075)	$ (36,324)
Cash used in financing activities		$(297,021)	$(239,860)	$ (57,161)
Cash provided by (used in) financing activities				

Cash and cash equivalents

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

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

As of September 30, 2023 December 31, 2023, we have recognized a deferred income tax liability of $29.2 million $29.5 million (June 30, 2023—$28.3 million) on taxable temporary differences related to the undistributed earnings of certain non-United States subsidiaries and planned periodic repatriations from certain German subsidiaries, that will be subject to withholding taxes upon distribution.

Cash flows provided by operating activities activities

Cash flows from operating activities decreased increased by $84.8 million $70.6 million during the three six months ended September 30, 2023 December 31, 2023, as compared to the same period in the prior fiscal year primarily due to a decrease in changes from working capital of $151.4 million offset by an increase in net income after the impact of non-cash items of $66.6 million $119.0 million partially offset by a decrease in changes from working capital of $48.4 million.

During the first second quarter of Fiscal 2024 we had a days sales outstanding (DSO) of 43 47 days, compared to our DSO of 40 47 days during the first second quarter of Fiscal 2023. The per day impact of our DSO in the first second quarter of Fiscal 2024 and Fiscal 2023 on our cash flows was $15.8 million $17.1 million and $9.5 million $10.0 million, respectively. In arriving at DSO, we exclude contract assets as these assets do not provide an unconditional right to the related consideration from the customer.

Cash flows used in investing activities

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

Cash flows used in investing activities increased by $14.1 million $27.5 million during the three six months ended September 30, 2023 December 31, 2023, as compared to the same period in the prior fiscal year primarily due to an higher additions to property and equipment and the increase in consideration paid during the first six months of Fiscal 2024 for acquisitions, which includes cash paid for the Micro Focus Acquisition of $9.3 million and other investing activities of $5.6 million $5.9 million.

Cash flows used in provided by (used in) financing activities

Our cash flows from financing activities generally consist of long-term debt financing and amounts received from stock options exercised by our employees and Employee Stock Purchase Plan (ESPP) purchases 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 repurchases of our Common Shares.

Cash flows used in provided by financing activities increased decreased by $239.9 million $1.4 billion during the three six months ended September 30, 2023 December 31, 2023 as compared to the same period in the prior fiscal year. This is primarily due to the net impact of the following activities:

(i) $184.0 1.0 billion decrease in proceeds due to lower issuance of long-term debt and decreased draw down on the Revolver;

(ii) $367.9 million increase due to in repayments of long-term debt and the Revolver;

(ii) (iii) $53.1 million related to more the increase in cash used in the repurchases of treasury stock; and

(iii) (iv) $2.3 3.8 million related to higher cash dividends paid to shareholders; and

(iv) $2.0 million increase in debt issuance costs. shareholders.

The increases decrease in cash flows used in provided by financing activities above were partially offset by $1.4 the following increases:

(i) $13.5 million due related to increased higher proceeds from the issuance of Common Shares for the exercise of options and the OpenText ESPP. ESPP; and

(ii) $8.9 million reduction in debt issuance costs.

Cash Dividends

During the three and six months ended September 30, 2023 December 31, 2023, we declared and paid cash dividends of $0.25 and $0.50 per Common Share, respectively, in the aggregate amount of $67.0 million $66.4 million and $133.4 million, respectively (three and six months ended September 30, 2022 December 31, 2022—$0.24299 and $0.48598 per Common Share, respectively, in the aggregate amount of $64.7 million). $64.9 million and $129.6 million, respectively).

Future declarations of dividends and the establishment of future record and payment dates are subject to final determination and discretion of the Board. See Item 5 “Dividend Policy” included within our Annual Report on Form 10-K for Fiscal 2023 for more information.

Long-term Debt and Credit Facilities

Senior Unsecured Fixed Rate Notes

Senior Notes 2031

On November 24, 2021, OpenText Holdings, Inc. (OTHI), a wholly-owned indirect subsidiary of the Company, issued $650 million in aggregate principal amount of 4.125% Senior Notes due 2031 guaranteed by the Company (Senior Notes 2031) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act), and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2031 bear interest at a rate of 4.125% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2022. Senior Notes 2031 will mature on December 1, 2031, unless earlier redeemed, in accordance with their terms, or repurchased.

OTHI may redeem all or a portion of the Senior Notes 2031 at any time prior to December 1, 2026 at a redemption price equal to 100% of the principal amount of the Senior Notes 2031 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. OTHI may also redeem up to 40% of the aggregate principal amount of the Senior Notes 2031, on one or more occasions, prior to December 1, 2024, using the net proceeds from certain qualified equity offerings at a redemption price of 104.125% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. OTHI may, on one or more occasions, redeem the Senior Notes 2031, in whole or in part, at any time on and after December 1, 2026 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2031, dated as of November 24, 2021, among OTHI, the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2031 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of change of control triggering events specified in the 2031 Indenture, OTHI will be required to make an offer to repurchase the Senior Notes 2031 at a price equal to 101% of the principal amount of the Senior Notes 2031, plus accrued and unpaid interest, if any, to the date of purchase.

The 2031 Indenture contains covenants that limit OTHI, the Company and certain of the Company’s subsidiaries’ ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) in the case of our non-guarantor subsidiaries, create, assume, incur or guarantee additional indebtedness of OTHI, the Company or the guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2031; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2031 Indenture. The 2031 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding Senior Notes 2031 to be due and payable immediately.

Senior Notes 2031 are guaranteed on a senior unsecured basis by the Company and the Company’s existing and future wholly-owned subsidiaries (other than OTHI) that borrow or guarantee the obligations under our senior credit facilities. Senior

Notes 2031 and the guarantees rank equally in right of payment with all of the Company's, OTHI's and the guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of the Company's, OTHI's and the guarantors' future subordinated debt. Senior Notes 2031 and the guarantees will be effectively subordinated to all of the Company's, OTHI's and the guarantors' existing and future secured debt, including the obligations under the senior credit facilities, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2031 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2031 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on November 24, 2021.

For further details relating to our debt, please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Senior Notes 2030

On February 18, 2020 OTHI, a wholly-owned indirect subsidiary of the Company, issued $900 million in aggregate principal amount of 4.125% Senior Notes due 2030 guaranteed by the Company (Senior Notes 2030) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act), and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2030 bear interest at a rate of 4.125% per annum, payable semi-annually in arrears on February 15 and August 15, commencing on August 15, 2020. Senior Notes 2030 will mature on February 15, 2030, unless earlier redeemed, in accordance with their terms, or repurchased.

OTHI may redeem all or a portion of the Senior Notes 2030 at any time prior to February 15, 2025 at a redemption price equal to 100% of the principal amount of the Senior Notes 2030 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. OTHI may also redeem up to 40% of the aggregate principal amount of the Senior Notes 2030, on one or more occasions, prior to February 15, 2025, using the net proceeds from certain qualified equity offerings at a redemption price of 104.125% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. OTHI may, on one or more occasions, redeem the Senior Notes 2030, in whole or in part, at any time on and after February 15, 2025 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2030, dated as of February 18, 2020, among OTHI, the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2030 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of change of control triggering events specified in the 2030 Indenture, OTHI will be required to make an offer to repurchase the Senior Notes 2030 at a price equal to 101% of the principal amount of the Senior Notes 2030, plus accrued and unpaid interest, if any, to the date of purchase.

The 2030 Indenture contains covenants that limit the Company, OTHI and certain of the Company's subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) in the case of our non-guarantor subsidiaries, create, assume, incur or guarantee additional indebtedness of the Company, OTHI or the guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2030; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2030 Indenture. The 2030 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding Senior Notes 2030 to be due and payable immediately.

Senior Notes 2030 are guaranteed on a senior unsecured basis by the Company and the Company's existing and future wholly-owned subsidiaries (other than OTHI) that borrow or guarantee the obligations under our senior credit facilities. Senior Notes 2030 and the guarantees rank equally in right of payment with all of the Company, OTHI and the guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of the Company, OTHI and the guarantors' future subordinated debt. Senior Notes 2030 and the guarantees will be effectively subordinated to all of the Company, OTHI and the guarantors' existing and future secured debt, including the obligations under the senior credit facilities, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2030 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2030 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on February 18, 2020.

For further details relating to our debt, please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Senior Notes 2029

On November 24, 2021, we issued $850 million in aggregate principal amount of 3.875% Senior Notes due 2029 (Senior Notes 2029) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2029 bear interest at a rate of 3.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2022. Senior Notes 2029 will mature on December 1, 2029, unless earlier redeemed, in accordance with their terms, or repurchased.

We may redeem all or a portion of the Senior Notes 2029 at any time prior to December 1, 2024 at a redemption price equal to 100% of the principal amount of the Senior Notes 2029 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. We may also redeem up to 40% of the aggregate principal amount of the Senior Notes 2029, on one or more occasions, prior to December 1, 2024, using the net proceeds from certain qualified equity offerings at a redemption price of 103.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. We may, on one or more occasions, redeem the Senior Notes 2029, in whole or in part, at any time on and after December 1, 2024 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2029, dated as of November 24, 2021, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2029 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of change of control triggering events specified in the 2029 Indenture, we will be required to make an offer to repurchase the Senior Notes 2029 at a price equal to 101% of the principal amount of the Senior Notes 2029, plus accrued and unpaid interest, if any, to the date of purchase.

The 2029 Indenture contains covenants that limit our and certain of our subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) in the case of our non-guarantor subsidiaries, create, assume, incur or guarantee additional indebtedness of the Company or the guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2029; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2029 Indenture. The 2029 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding Senior Notes 2029 to be due and payable immediately.

Senior Notes 2029 are guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our senior credit facilities. Senior Notes 2029 and the guarantees rank equally in right of payment with all of our and our guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of our and our guarantors' future subordinated debt. Senior Notes 2029 and the guarantees will be effectively subordinated to all of our and our guarantors' existing and future secured debt, including the obligations under the senior credit facilities, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2029 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2029 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on November 24, 2021.

For further details relating to our debt, please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Senior Notes 2028

On February 18, 2020 we issued $900 million in aggregate principal amount of 3.875% Senior Notes due 2028 (Senior Notes 2028) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2028 bear interest at a rate of 3.875% per annum, payable semi-annually in arrears on February 15 and August 15, commencing on August 15, 2020. Senior Notes 2028 will mature on February 15, 2028, unless earlier redeemed, in accordance with their terms, or repurchased.

We may redeem all or a portion of the Senior Notes 2028 at any time prior to February 15, 2023 at a redemption price equal to 100% of the principal amount of the Senior Notes 2028 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. We may also redeem up to 40% of the aggregate principal amount of the Senior Notes 2028, on one or more occasions, prior to February 15, 2023, using the net proceeds from certain qualified equity offerings at a redemption price of 103.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. We may, on one or more occasions, redeem the Senior Notes 2028, in whole or in part, at any time on and after February 15, 2023 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2028, dated as of February 18, 2020, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2028 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of change of control triggering events specified in the 2028 Indenture, we will be required to make an offer to repurchase the Senior Notes 2028 at a price equal to 101% of the principal amount of the Senior Notes 2028, plus accrued and unpaid interest, if any, to the date of purchase.

The 2028 Indenture contains covenants that limit our and certain of our subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) in the case of our non-guarantor subsidiaries, create, assume, incur or guarantee additional indebtedness of the Company or the guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2028; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2028 Indenture. The 2028 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding Senior Notes 2028 to be due and payable immediately.

Senior Notes 2028 are guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our senior credit facilities. Senior Notes 2028 and the guarantees rank equally in right of payment with all of our and our guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of our and our guarantors' future subordinated debt. Senior Notes 2028 and the guarantees will be effectively subordinated to all of our and our guarantors' existing and future secured debt, including the obligations under the senior credit facilities, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2028 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2028 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on February 18, 2020.

For further details relating to our debt, please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Senior Secured Fixed Rate Notes

Senior Secured Notes 2027

On December 1, 2022, we issued $1 billion in aggregate principal amount of Senior Secured Notes due 2027 (Senior Secured Notes 2027) in connection with the financing of the Micro Focus Acquisition in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Secured Notes 2027 bear interest at a rate of 6.90% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on June 1, 2023. Senior Secured Notes 2027 will mature on December 1, 2027, unless earlier redeemed, in accordance with their terms, or repurchased.

We may redeem all or a portion of the Senior Secured Notes 2027 at any time prior to November 1, 2027 at a redemption price equal to the greater of (a) 100% of the principal amount of the Senior Secured Notes 2027 to be redeemed and (b) the net present value of the remaining scheduled payments of principal and interest thereon discounted to the Par Call Date less interest accrued to the date of redemption, plus accrued and unpaid interest to, but excluding, the redemption date. On or after the Par Call Date (as defined in the 2027 Indenture), the Company may redeem the Senior Secured Notes 2027, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the Senior Secured Notes 2027 being redeemed plus accrued and unpaid interest thereon to the redemption date.

If we experience one of the kinds of change of control triggering events specified in the indenture governing the Senior Secured Notes 2027 dated as of December 1, 2022, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2027 Indenture), we will be required to make an offer to repurchase the Senior Secured Notes 2027 at a price equal to 101% of the principal amount of the Senior Secured Notes 2027, plus accrued and unpaid interest, if any, to the date of purchase.

The 2027 Indenture contains covenants that limit our and certain of the Company's subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee additional indebtedness of the Company or certain of the Company's subsidiaries without such subsidiary becoming a subsidiary guarantor of the Senior Secured Notes 2027; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of the Company's property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2027 Indenture. The 2027 Indenture also provides for certain events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding Senior Secured Notes 2027 to be due and payable immediately.

The Senior Secured Notes 2027 are guaranteed on a senior secured basis by certain of the Company's subsidiaries and are secured with the same priority as the Company's senior credit facilities. The Senior Secured Notes 2027 and the related guarantees are effectively senior to all of the Company's and the guarantors' senior unsecured debt to the extent of the value of the collateral Collateral (as defined in the 2027 Indenture) and are structurally subordinated to all existing and future liabilities of each of the Company's existing and future subsidiaries that do not guarantee the Senior Secured Notes 2027.

The foregoing description of the 2027 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2027 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on December 1, 2022.

For further details relating to our debt, please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Term Loan B

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

Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with the Revolver (as defined below), the Acquisition Term Loan (as defined below) and Senior Secured Notes 2027. Term Loan B has a seven-year term, maturing in May 2025. On June 6, 2023, we amended the Term Loan B to replace the LIBOR benchmark rate applicable to borrowings under Term Loan B with a SOFR benchmark rate.

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 SOFR benchmark rate for the interest period relevant to such borrowing or (2) an alternate base rate (ABR). The applicable margin for borrowings under Term Loan B is 1.75%, with respect to SOFR advances and 0.75%, with respect to ABR advances. The interest on the current outstanding balance for Term Loan B is equal to 1.75% plus Adjusted Term SOFR (as defined in the Term Loan B). As of September 30, 2023 December 31, 2023, the outstanding balance on the Term Loan B bears an interest rate of 7.18% 7.20%.

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

Under Term Loan B, we must maintain a "consolidated net leverage" ratio of no more than 4.00:1.00 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of September 30, 2023 December 31, 2023, our consolidated net leverage ratio, as calculated in accordance with the applicable agreement, was 3.64: 3.70:1.00.

For further details relating to our debt, please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Revolver

On October 31, 2019 December 19, 2023, we amended our committed revolving credit facility (the Revolver) to, increase among other things, extend the total commitments under the Revolver maturity from $450 million October 31, 2024 to $750 million December 19, 2028, as well as to extend remove the maturity from May 5, 2022 to October 31, 2024. 10-basis point credit spread adjustment for loans bearing interest based on the SOFR rate. Borrowings under the Revolver are secured by a first charge over substantially all of our assets, on a pari passu basis with Term Loan B, the Acquisition Term Loan and Senior Secured Notes 2027. The Revolver has no fixed repayment date prior to the end of the term. On June 6, 2023, we amended the Revolver to replace the LIBOR benchmark rate applicable to borrowings with a SOFR benchmark rate. Borrowings under the Revolver currently bear interest per annum at a floating rate of interest equal to Adjusted Term SOFR (as defined in the Revolver) and a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%.

Under the Revolver, we must maintain a "consolidated net leverage" ratio of no more than 4:1 4.50:1.00 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges.

As of September 30, 2023 December 31, 2023, we had $100 million no outstanding balance under the Revolver (June 30, 2023—$275 million). For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $2.0 million $0.2 million and $2.2 million, respectively, relating to the Revolver (three and six months ended September 30, 2022 December 31, 2022—nil). In October 2023, the Company repaid the $100 million outstanding balance drawn under the Revolver.

For further details relating to our debt, please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Acquisition Term Loan

On December 1, 2022, we amended our first lien term loan facility (the Acquisition Term Loan), dated as of August 25, 2022, to increase the aggregate commitments under the senior secured delayed-draw term loan facility from an aggregate principal amount of $2.585 billion to an aggregate principal amount of $3.585 billion. During the third quarter of Fiscal 2023, the Company drew down $3.585 billion, net of original issuance discount of 3% and other fees, of which the net proceeds were used to fund the Micro Focus Acquisition (see Note 19 "Acquisitions" "Acquisitions and Divestitures" to our Condensed Consolidated Financial Statements for more details). On August 14, 2023, we amended the Acquisition Term Loan, to reduce the applicable interest rate margin by 0.75% over the remaining term of the Acquisition Term Loan. The reduction in interest rate margin on the Acquisition Term Loan resulting from the amendment was accounted for by the Company as a debt modification.

The Acquisition Term Loan has a seven-year term from the date of funding, and repayments under the Acquisition Term Loan are equal to 0.25% of the principal amount in equal quarterly installments for the life of the Acquisition Term Loan, with the remainder due at maturity. Borrowings under the Acquisition Term Loan currently bear a floating rate of interest equal to 2.75% plus Adjusted Term SOFR (as defined in the Acquisition Term Loan). As of September 30, 2023 December 31, 2023, the outstanding balance on the Acquisition Term Loan bears an interest rate of 8.18% 8.20%. As of September 30, 2023 December 31, 2023, the Acquisition Term Loan bears an effective interest rate of 9.27% 9.31%. The effective interest rate includes interest expense of $77.2 million $150.3 million and amortization of debt discount and issuance costs of $3.3 million $9.9 million.

The Acquisition Term Loan 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 the Company's total debt reduced by unrestricted cash, including guarantees and letters of credit, that is secured by the Company's or any of the Company's subsidiaries' assets, over the Company's trailing four financial quarter net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. Under the Acquisition Term Loan, we must maintain a "consolidated net leverage" ratio of no more than 4.50:1.00 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of the Company's total debt reduced by unrestricted cash, including guarantees and letters of credit, over the Company's trailing four financial quarter net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges as defined in the Acquisition Term Loan. As of September 30, 2023 December 31, 2023, our consolidated net leverage ratio, as calculated in accordance with the applicable agreement, was 3.64: 3.70:1:00.

The Acquisition Term Loan is unconditionally guaranteed by certain subsidiary guarantors, as defined in the Acquisition Term Loan, and is secured by a first charge on substantially all of the assets of the Company and the subsidiary guarantors on a pari passu basis with the Revolver, Term Loan B and the Senior Secured Notes 2027.

For the three and six months ended September 30, 2023 December 31, 2023, we recorded interest expense of $77.2 million $73.1 million and $150.3 million, respectively, relating to the Acquisition Term Loan (three and six months ended September 30, 2022 December 31, 2022— nil). In October 2023, Following the end of the quarter, on January 22, 2024, the Company repaid $75 million an additional $175 million drawn under the Acquisition Term Loan. Loan (see Note 25 "Subsequent Events" to our Condensed Consolidated Financial Statements for more details).

The foregoing description of the Acquisition Term Loan does not purport to be complete and is qualified in its entirety by reference to the full text of the Acquisition Term Loan, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on August 25, 2022.

For further details relating to our debt, please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Bridge Loan

On August 25, 2022, we entered into a bridge loan agreement (Bridge Loan) which provided for commitments of up to $2.0 billion to finance a portion of the repayment of Micro Focus' existing debt. On December 1, 2022, we entered into an amendment to the Bridge Loan that reallocated commitments under the Bridge Loan to the Acquisition Term Loan. In

connection with the amendment to the Bridge Loan and the receipt of proceeds from the issuance of the Senior Secured Notes 2027, all remaining commitments under the Bridge Loan were reduced to zero and the Bridge Loan was terminated, which resulted in a loss on debt extinguishment of $8.2 million $8.1 million relating to unamortized debt issuance costs in the second quarter of Fiscal 2023.

As of September 30, 2023 December 31, 2023, we had no borrowings under the Bridge Loan. For the three and six months ended September 30, 2023 December 31, 2023, we did not record any interest expense relating to the Bridge Loan.

The foregoing description of the Bridge Loan does not purport to be complete and is qualified in its entirety by reference to the full text of the Bridge Loan, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on August 25, 2022.

For further details relating to our debt, please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Shelf Registration Statement

On December 6, 2021 December 15, 2023, we filed a universal shelf registration statement on Form S-3 with the SEC, which became effective automatically (the Shelf Registration Statement). The Shelf Registration Statement allows for primary and secondary offerings from time to time of equity, debt and other securities, including Common Shares, Preference Shares, debt securities, depositary shares, warrants, purchase contracts, units and subscription receipts. A As the Company qualifies as a "well-known seasoned issuer" in Canada, a short-form base shelf prospectus qualifying the distribution of such securities was concurrently filed with Canadian securities regulators on December 6, 2021 December 15, 2023. The type of securities and the specific terms thereof will be determined at the time of any offering and will be described in the applicable prospectus supplement to be filed separately with the SEC and Canadian securities regulators.

Share Repurchase Plan / Normal Course Issuer Bid

On November 4, 2021, the Board authorized a share repurchase plan (the Fiscal 2022 Repurchase Plan), pursuant to which we were authorized to purchase in open market transactions, from time to time over the 12 month period commencing November 12, 2021, up to an aggregate of $350 million of our Common Shares on the NASDAQ Global Select Market, the TSX (as part of a Fiscal 2022 Normal Course Issuer Bid (NCIB)) and/or other exchanges and alternative trading systems in Canada and/or the United States, if eligible, subject to applicable law and stock exchange rules. The price that we paid for Common Shares in open market transactions was the market price at the time of purchase or such other price as was permitted by applicable law or stock exchange rules.

The Fiscal 2022 Repurchase Plan was effected in accordance with Rule 10b-18. All Common Shares purchased by us pursuant to the Fiscal 2022 Repurchase Plan were cancelled.

During the three and six months ended September 30, 2023 December 31, 2023 and 2022, we did not repurchase and cancel any Common Shares.

Normal Course Issuer Bid

The Company established the Fiscal 2021 NCIB in order to provide it with a means to execute purchases over the TSX as part of the overall Fiscal 2021 Repurchase Plan.

The TSX approved the Company’s notice of intention to commence the Fiscal 2021 NCIB, pursuant to which the Company was authorized to purchase Common Shares over the TSX for the period commencing November 12, 2020 until November 11, 2021 in accordance with the TSX's normal course issuer bid rules, including that such purchases were to be made at prevailing market prices or as otherwise permitted. Under the rules of the TSX, the maximum number of Common Shares that could be purchased in this period was 13,618,774 (representing 5% of the Company’s issued and outstanding Common Shares as of November 4, 2020), and the maximum number of Common Shares that could be purchased on a single day was 143,424 Common Shares, which was 25% of 573,699 (the average daily trading volume for the Common Shares on the TSX for the six months ended October 31, 2020), subject to certain exceptions for block purchases, subject in any case to the volume and other limitations under Rule 10b-18.

The Company renewed the NCIB in Fiscal 2022 in order to provide it with a means to execute purchases over the TSX as part of the overall Fiscal 2022 Repurchase Plan.

The TSX approved the Company’s notice of intention to commence the Fiscal 2022 NCIB pursuant to which the Company was authorized to purchase Common Shares over the TSX for the period commencing November 12, 2021 until November 11, 2022 in accordance with the TSX's normal course issuer bid rules, including that such purchases were to be made at prevailing market prices or as otherwise permitted. Under the rules of the TSX, the maximum number of Common Shares

that could be purchased in this period was 13,638,008 (representing 5% of the Company’s issued and outstanding Common

Shares as of October 31, 2021), and the maximum number of Common Shares that could be purchased on a single day was 112,590 Common Shares, which is 25% of 450,361 (the average daily trading volume for the Common Shares on the TSX for the six months ended October 31, 2021), subject to certain exceptions for block purchases, subject in any case to the volume and other limitations under Rule 10b-18. Following the expiration of the Fiscal 2022 NCIB, the Company does not currently have any NCIB in place.

Commitments and Contractual Obligations

As of September 30, 2023 December 31, 2023, we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

		Payments due between						Payments due between				
(In thousands)	**(In thousands)**	**Total**	**October 1, 2023 - June 30, 2024**	**July 1, 2024 - June 30, 2026**	**July 1, 2026 - June 30, 2028**	**July 1, 2028 and beyond**	**(In thousands)**	**Total**	**January 1, 2024 - June 30, 2024**	**July 1, 2024 - June 30, 2026**	**July 1, 2026 - June 30, 2028**	**July 1, 2028 and beyond**
Long-term debt obligations (1)	Long-term debt obligations (1)	$11,967,329	$478,079	$2,155,858	$2,908,194	$6,425,198						

Operating lease obligations (2)	387,637	79,726	146,796	90,189	70,926
Finance lease obligations (3)	9,991	4,232	5,300	459	—
Purchase obligations for contracts not accounted for as lease obligations	400,328	118,628	270,777	10,923	—
	$12,765,285	$680,665	$2,578,731	$3,009,765	$6,496,124
$					

(1) Includes interest up to maturity and principal payments. Please see Note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements for more details.

(2) Represents the undiscounted future minimum lease payments under our operating leases liabilities and excludes sublease income expected to be received under our various sublease agreements with third parties. Please see Note 6 "Leases" to our Condensed Consolidated Financial Statements for more details.

(3) Represents the undiscounted future minimum lease payments under our finance leases liabilities and excludes sublease income expected to be received under our various sublease agreements with third parties. Please see Note 6 "Leases" to our Condensed Consolidated Financial Statements for more details.

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.

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

Litigation

We are currently involved in various claims and legal proceedings.

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

If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this Quarterly Report on Form 10-Q, the aggregate of such accrued liabilities was not material to our consolidated financial position or results of operations and we do not believe as of the date of this filing that it is reasonably possible that a loss exceeding the amounts already recognized will be incurred that would be material to our consolidated financial position or results of operations. As described more fully below, we are unable at this time to estimate a possible loss or range of losses in respect of certain disclosed matters.

Contingencies

CRA Matter

As part of its ongoing audit of our Canadian tax returns, the Canada Revenue Agency (CRA) has disputed our transfer pricing methodology used for certain intercompany transactions with our international subsidiaries and has issued notices of reassessment for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of September 30, 2023 December 31, 2023, in connection with the CRA's reassessments for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016, to be limited to penalties, interest and provincial taxes that may be due of approximately $76 million $79 million. As of September 30, 2023 December 31, 2023, we have provisionally paid approximately $33 million in order to fully preserve our rights to object to the CRA's audit positions, being the minimum payment required under Canadian legislation while the matter is in dispute. This amount is recorded within “Long-term income taxes recoverable” on the Condensed Consolidated Balance Sheets as of September 30, 2023 December 31, 2023.

The notices of reassessment for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016 would, as drafted, increase our taxable income by approximately $90 million to $100 million for each of those years, as well as impose a 10% penalty on the proposed adjustment to income. Audits by the CRA of our tax returns for fiscal years prior to Fiscal 2012 have been completed with no reassessment of our income tax liability.

We strongly disagree with the CRA's positions and believe the reassessments of Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016 (including any penalties) are without merit, and we are continuing to contest these reassessments. On June 30, 2022, we filed a notice of appeal with the Tax Court of Canada seeking to reverse all such reassessments (including penalties) in full and the customary court process is ongoing.

Even if we are unsuccessful in challenging the CRA's reassessments to increase our taxable income for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016, we have elective deductions available for those years (including carry-backs from later years) that would offset such increased amounts so that no additional cash tax would be payable, exclusive of any assessed penalties and interest, as described above.

The CRA has audited Fiscal 2017, Fiscal 2018 and Fiscal 2019 on a basis that we strongly disagree with and are contesting. The focus of the CRA audit has been the valuation of certain intellectual property and goodwill when one of our subsidiaries continued into Canada from Luxembourg in July 2016. In accordance with applicable rules, these assets were recognized for tax purposes at fair market value as of that time, which value was supported by an expert valuation prepared by an independent leading accounting and advisory firm. CRA’s position for Fiscal 2017 through Fiscal 2019 relies in significant part on the application of its positions regarding our transfer pricing methodology that are the basis for its reassessment of our fiscal years 2012 to 2016 described above, and that we believe are without merit. Other aspects of CRA’s position for Fiscal 2017 through Fiscal 2019 conflict with the expert valuation prepared by the independent leading accounting and advisory firm that was used to support our original filing position. The CRA issued notices of reassessment in respect of Fiscal 2017, Fiscal 2018 and Fiscal 2019 on a basis consistent with its proposal to reduce the available depreciable basis of assets in Canada. On April 19, 2022, we filed our notice of objection regarding the reassessment in respect of Fiscal 2017 and on March 15, 2023, we filed our notice of objection regarding the reassessment in respect of Fiscal 2018. We intend to file On December 11, 2023 we filed a notice of objection regarding Fiscal 2019. If we are ultimately unsuccessful in defending our position, the estimated impact of the proposed adjustment could result in us recording an income tax expense, with no immediate cash payment, to reduce the stated value of our deferred tax assets of up to approximately $470 million. Any such income tax expense could also have a corresponding cash tax impact that would primarily occur over a period of several future years based upon annual income realization in Canada. We strongly disagree with the CRA’s position for Fiscal 2017 through Fiscal 2019 and intend to vigorously defend our original filing position. We are not required to provisionally pay any cash amounts to the CRA as a result of the reassessment in respect of Fiscal 2017 through Fiscal 2019 due to the utilization of available tax attributes; however, to the extent the CRA reassesses subsequent fiscal years on a similar basis, we expect to make certain minimum payments required under Canadian legislation, which may need to be provisionally made starting in Fiscal 2024 while the matter is in dispute.

We will continue to vigorously contest the adjustments to our taxable income and any penalty and interest assessments, as well as any reduction to the basis of our depreciable property. We are confident that our original tax filing positions were appropriate. Accordingly, as of the date of this Quarterly Report on Form 10-Q, we have not recorded any accruals in respect of these reassessments or proposed reassessment in our Condensed Consolidated Financial Statements. The CRA is also currently in preliminary stages of auditing Fiscal 2020. 2019.

Carbonite Class Action Complaint

On August 1, 2019, prior to our acquisition of Carbonite Inc. (Carbonite), a purported stockholder of Carbonite filed a putative class action complaint against Carbonite, its former Chief Executive Officer, Mohamad S. Ali, and its former Chief Financial Officer, Anthony Folger, in the United States District Court for the District of Massachusetts captioned Ruben A.

Luna, Individually and on Behalf of All Others Similarly Situated v. Carbonite, Inc., Mohamad S. Ali, and Anthony Folger (No. 1:19-cv-11662-LTS) (the Luna Complaint). The complaint alleges violations of the federal securities laws under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The complaint generally alleges that the defendants made materially false and misleading statements in connection with Carbonite’s Server Backup VM Edition, and seeks, among other things, the designation of the action as a class action, an award of unspecified compensatory damages, costs and expenses, including counsel fees and expert fees, and other relief as the court deems appropriate. On

August 23, 2019, a nearly identical complaint was filed in the same court captioned William Feng, Individually and on Behalf of All Others Similarly Situated v. Carbonite, Inc., Mohamad S. Ali, and Anthony Folger (No. 1:19- cv-11808-LTS) (together with the Luna Complaint, the Securities Actions). On November 21, 2019, the district court consolidated the Securities Actions, appointed a lead plaintiff, and designated a lead counsel. On January 15, 2020, the lead plaintiff filed a consolidated amended complaint generally making the same allegations and seeking the same relief as the complaint filed on August 1, 2019. The defendants moved to dismiss the Securities Actions on March 10, 2020. On October 22, 2020, the district court granted with prejudice the defendants' motion to dismiss the Securities Actions. On November 20, 2020, the lead plaintiff filed a notice of appeal to the United States Court of Appeals for the First Circuit. On December 21, 2021, the United States Court of Appeals for the First Circuit issued a decision reversing and remanding the Securities Actions to the district court for further proceedings. The parties have completed discovery. On July 14, 2023, the district court certified the lead plaintiff's proposed class. The class, following which the defendants have filed a motion for class decertification and decertification. On January 31, 2024 the parties filed a motion for summary judgment, both preliminary approval of which are pending. a settlement to fully resolve the litigation. The proposed settlement is subject to the court's approvals and, if approved, will be substantially paid from insurance coverage, with any remaining amount not covered by insurance expected to be immaterial to the Company. All defendants remain confident in their position, believe the Securities Actions are without merit, have denied, and will continue to vigorously defend deny, the matter. merit of the claims alleged in the case and the settlement does not reflect any admission of fault, wrongdoing, or liability as to any defendant.

Carbonite vs Realtime Data

On February 27, 2017, before our acquisition of Carbonite, a non-practicing entity named Realtime Data LLC (Realtime Data) filed a lawsuit against Carbonite in the U.S. District Court for the Eastern District of Texas captioned Realtime Data LLC v. Carbonite, Inc. et al (No 6:17-cv-00121-RWS-JDL). Therein, it alleged that certain of Carbonite's cloud storage services infringe upon certain patents held by Realtime Data. Realtime Data's complaint against Carbonite sought damages in an unspecified amount and injunctive relief. On December 19, 2017, the U.S. District Court for the Eastern District of Texas transferred the case to the U.S. District Court for the District of Massachusetts (No. 1:17-cv-12499). Realtime Data has also filed numerous other patent suits on the same asserted patents against other companies. After a stay pending appeal in one of those suits, on January 21, 2021, the district court held a hearing to construe the claims of the asserted patents. As to the fourth patent asserted against Carbonite, on September 24, 2019, the U.S. Patent & Trademark Office Patent Trial and Appeal Board invalidated certain claims of that patent, including certain claims that had been asserted against Carbonite. The parties then jointly stipulated to dismiss that patent from this action. On August 23, 2021, in one of the suits against other companies, the District of Delaware (No. 1:17-cv-800), held all of the patents asserted against Carbonite to be invalid. Realtime Data has appealed that decision to the U.S. Court of Appeals for the Federal Circuit. Based upon the order in the Delaware case, the U.S. District Court for the District of Massachusetts granted summary judgment in Carbonite's favor. Realtime Data appealed the order, but stipulated to stay the appeal pending the outcome of their appeal in the District of Delaware case and agreed that if the U.S. Court of Appeals for the Federal Circuit affirmed the District of Delaware's judgment of invalidity, Realtime Data would subsequently dismiss their appeal against Carbonite. On August 2, 2023, the U.S. Court of Appeals for the Federal Circuit affirmed the invalidity of the patents asserted against Carbonite. Pursuant to the parties' stipulation, Realtime Data dismissed its appeal against Carbonite to fully resolve this matter.

Other Matters

Please see Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2023.

Off-Balance Sheet Arrangements

We do not enter into off-balance sheet financing as a matter of practice, except for guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business.

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 loans, revolving loans and foreign currency exchange rates.

Interest rate risk

Our exposure to interest rate fluctuations relates primarily to our Term Loan B, Revolver and Acquisition Term Loan.

As of September 30, 2023 December 31, 2023, we had an outstanding balance of $945.0 million $942.5 million on Term Loan B. Borrowings under the Term Loan B currently bear a floating rate of interest equal to Adjusted Term SOFR (as defined in the Term Loan B) and applicable margin of 1.75%. As of September 30, 2023 December 31, 2023, an adverse change of 100 basis points on the interest rate would have the effect of increasing our annual interest payment on Term Loan B by approximately $9.5 million $9.4 million, assuming that the loan balance as of September 30, 2023 December 31, 2023 is outstanding for the entire period (June 30, 2023—$9.5 million).

As of September 30, 2023 December 31, 2023, we had an outstanding balance of $100.0 million under the Revolver. Borrowings under the Revolver currently bear interest per annum at a floating rate of interest equal to Adjusted Term SOFR (as defined in the Revolver) and a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%. As of September 30, 2023, an adverse change of 100 basis points on the interest rate would have the effect of increasing our annual interest payment on the Revolver by approximately $1.0 million, assuming that the loan balance as of September 30, 2023 is outstanding for the entire period (June 30, 2023—$2.8 million).

As of September 30, 2023, we had an outstanding balance of $3.6 billion $3.5 billion under the Acquisition Term Loan. Borrowings under the Acquisition Term Loan bears a floating interest rate of 2.75% plus Adjusted Term SOFR. As of September 30, 2023 December 31, 2023, an adverse change of 100 basis points on the interest rate would have the effect of increasing our annual interest payment on the Acquisition Term Loan by approximately $35.6 million $34.7 million, assuming that the loan balance as of September 30, 2023 December 31, 2023 is outstanding for the entire period (June 30, 2023—$35.7 million).

For more information regarding the impact of SOFR rates, see “Stress in the global financial system may adversely affect our finances and operations” included within Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for Fiscal 2023.

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 and are transacted in non-functional currency. 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.

We have hedged certain of our Canadian dollar foreign currency exposures relating to our payroll expenses in Canada. Based on the CAD foreign exchange forward contracts outstanding as of September 30, 2023 December 31, 2023, a one cent change in the Canadian dollar to U.S. dollar exchange rate would have caused a change of $0.7 million in the mark-to-market valuation on our existing foreign exchange forward contracts (June 30, 2023—$0.7 million).

Additionally, in connection with the Micro Focus Acquisition, in August 2022, we entered into certain derivative transactions to meet certain foreign currency obligations related to the purchase price of the Micro Focus Acquisition, mitigate the risk of foreign currency appreciation in the GBP denominated purchase price and mitigate the risk of foreign currency appreciation in the EUR denominated existing debt held by Micro Focus. We entered into the following derivatives: (i) three deal-contingent forward contracts, (ii) a non-contingent forward contract, and (iii) EUR/USD cross currency swaps. These instruments were entered into as economic hedges to mitigate foreign currency risks associated with the Micro Focus Acquisition. In connection with the closing of the Micro Focus Acquisition the deal-contingent forward and non-deal contingent forward contracts were settled and we designated the 7-year EUR/USD cross currency swaps as net investment hedges.

Based on the 5-year EUR/USD cross currency swaps outstanding as of September 30, 2023 December 31, 2023, a one cent change in the Euro to U.S. dollar forward exchange rate would have caused a change of $7.1 million $7.4 million in the mark-to-market valuation on our existing cross currency swap (June 30, 2023—$7.3 million).

Based on the 7-year EUR/USD cross currency swaps outstanding as of September 30, 2023 December 31, 2023, a one cent change in the Euro to U.S. dollar forward exchange rate would have caused a change of $7.5 million $7.9 million in the mark-to-market valuation on our existing cross currency swaps (June 30, 2023—$7.8 million).

Foreign currency translation risk

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

The following table shows our cash and cash equivalents denominated in certain major foreign currencies as of September 30, 2023 December 31, 2023 (equivalent in U.S. dollar):

(In thousands)	(In thousands)	U.S. Dollar Equivalent at September 30, 2023	U.S. Dollar Equivalent at June 30, 2023	(In thousands)	U.S. Dollar Equivalent at December 31, 2023	U.S. Dollar Equivalent at June 30, 2023

Euro	Euro	$ 164,124	$ 200,282
British Pound	British Pound	48,337	69,108
Indian Rupee	Indian Rupee	42,082	57,199
Swiss Franc	Swiss Franc	50,067	53,122
Other foreign currencies	Other foreign currencies	210,116	218,663
Total cash and cash equivalents denominated in foreign currencies	Total cash and cash equivalents denominated in foreign currencies	514,726	598,374
U.S. Dollar	U.S. Dollar	405,124	633,251
Total cash and cash equivalents	Total cash and cash equivalents	$ 919,850	$1,231,625

If overall foreign currency exchange rates in comparison to the U.S. dollar uniformly weakened by 10%, the amount of cash and cash equivalents we would report in equivalent U.S. dollars would decrease by $51.5 million $39.0 million (June 30, 2023—$59.8 million), assuming we have not entered into any derivatives discussed above under "Foreign Currency Transaction Risk."

Item 4. Controls and Procedures

(A) 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 Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2023 December 31, 2023, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that information required to be disclosed by us in the reports we file under the Exchange Act (according to Rule 13(a)-15(e)) is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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

Based on the evaluation completed by our management, in which our Chief Executive Officer and Chief Financial Officer participated, our management has concluded that there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2023 December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Investors should note that we may announce information using our website, press releases, securities law filings, public conference calls, webcasts and the social media channels identified on the Investors section of our website (https://investors.opentext.com). Such social media channels may include the Company's or our CEO's blog, X, formerly known as Twitter, account or LinkedIn account. The information posted through such channels may be material. Accordingly, investors should monitor such channels in addition to our other forms of communication. Unless otherwise specified, such information is not incorporated into, or deemed to be a part of, this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K or in any other report or document we file with the SEC under the Securities Act, the Exchange Act or under applicable Canadian securities laws.

Item 1A. Risk Factors

You should carefully consider the risk factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for our fiscal year ended June 30, 2023. These 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.

Risks related to the proposed divestiture of the AMC Business

The proposed divestiture of the AMC Business is subject to the satisfaction of a number of conditions, and the transaction may not be consummated on the terms or timeline currently contemplated, or at all.

The divestiture of the AMC Business remains subject to the satisfaction or waiver of certain customary closing conditions and regulatory approvals.Unanticipated developments could delay, prevent or otherwise adversely affect the divestiture, including delays in obtaining outstanding necessary regulatory approvals or clearances or completing other conditions necessary for closing.

We cannot predict whether and when such conditions will be satisfied. If one or more of these conditions is not satisfied, and as a result, we do not complete the proposed divestiture on the terms or timeline currently contemplated, or at all, we will have incurred significant transaction costs, and management's time and attention from the operation of our remaining business and the execution of our other strategic initiatives would have been diverted, in each case without realizing any benefits of the proposed divestiture. Certain costs associated with the proposed divestiture have already been incurred and are payable even if the proposed divestiture is not consummated.

Our stock price may also fluctuate significantly based on market perceptions of the likelihood of the divestiture being completed and/or the timing thereof. If we do not consummate the divestiture, the price of our common shares may decline from the current market price. Further, in the event that the divestiture of the AMC Business is not completed, we will not be able to use the after-tax proceeds to repay outstanding indebtedness as contemplated, which could have an adverse effect on our financial condition, results of operations and/or cash flows.

The proposed divestiture of the AMC Business may result in disruptions in our remaining business and to relationships with customers and other business partners.

The process of divesting the AMC Business could cause disruptions in our remaining business. Specifically, the constraints on our business imposed by the terms of the divestiture, including the resources required to focus on completing the divestiture, the limitations created by the sale of certain assets we have historically used in our business, and our obligation to provide certain transition services to the buyer following completion of the divestiture for up to 24 months, could have a continuing impact on the execution of our business strategy and our overall operating results. The divestiture could cause customers to delay or to defer decisions with respect to the AMC Business or to end their relationships with us altogether, or otherwise limit our ability to compete for or perform certain contracts or services. Further, the divestiture could be disruptive to our employees, making the execution of business strategies more difficult, and could result in the turnover of key leaders or other personnel. Any of the foregoing could adversely affect our remaining businesses, the financial condition of such businesses and their results of operations and prospects.

We may not achieve the intended benefits of the divestiture of the AMC Business.

We may not realize some or all of the anticipated benefits from the divestiture with respect to the anticipated performance of our remaining business, or the anticipated benefits from the repayment of certain outstanding indebtedness with the after-tax proceeds therefrom, and the divestiture may in fact adversely affect our business. Our ability to realize the anticipated benefits of the divestiture will depend, to a large extent, on our ability to continue to focus on Cloud and AI opportunities within

Information Management and to achieve more predictable growth in the absence of the divested business. Even if ultimately achieved, some of the anticipated benefits may not occur for a significant time period following the completion of the divestiture. In addition, we may retain certain liabilities or obligations related to the AMC Business that may arise under contract or law, or may have difficulties enforcing our rights, contractual or otherwise, against the buyer. Even if we are successful at separating and divesting the AMC Business, the divestiture and the proposed use of after-tax proceeds to repay outstanding indebtedness may not enhance long-term stockholder value as anticipated and the efforts required to complete the divestiture process may be more costly or time-consuming than expected, which could adversely impact our financial condition, results of operations and/or cash flows in the near-term.

Item 5. Other Information

During the three months ended September 30, 2023 December 31, 2023, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

Item 6. Exhibits

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

Exhibit Number	Description	Report or Registration Statement	Exhibit Reference
10.1 10.1	Purchase Agreement, dated November 28, 2023, by and among the Companyas seller, Rocket Software, Inc., as buyer, and Rocket Software UK Limited.	Company’s Form 8-K/A, filed December 1, 2023	Exhibit 10.1
10.2	Second Amendment to Fourth Amended and Restated Credit Agreement, dated August 14, 2023 December 19, 2023, by and among Open Text ULC, Open Text Inc. and the Company, as borrowers, the guarantors p guaarty rantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as a administratdministrative ive agent, collateral agent and collater swing line lal agent, ender and certa Royal Bank of Canada as documentary credit lenin financial institution parties thereto. der.	Company’s Form 8-K, filed August 14, 2023 December 21, 2023	Exhibit 10.1
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
101.INS	XBRL instance document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.		
101.SCH	Inline XBRL taxonomy extension schema.		
101.CAL	Inline XBRL taxonomy extension calculation linkbase.		
101.DEF	Inline XBRL taxonomy extension definition linkbase.		
101.LAB	Inline XBRL taxonomy extension label linkbase.		
101.PRE	Inline XBRL taxonomy extension presentation.		

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: November 2, 2023 February 1, 2024

By: /s/ MARK J. BARRENECHEA

Mark J. Barrenechea
Vice Chair, Chief Executive Officer and Chief Technology Officer
(Principal Executive Officer)

/s/ MADHU RANGANATHAN

Madhu Ranganathan
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ COSMIN BALOTA

Cosmin Balota
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Mark J. Barrenechea, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Open Text Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ MARK J. BARRENECHEA

Mark J. Barrenechea
Vice Chair, Chief Executive Officer and Chief Technology Officer

Date: November 2, 2023 February 1, 2024

Exhibit 31.2

CERTIFICATIONS

I, Madhu Ranganathan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Open Text Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Securities Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ MADHU RANGANATHAN

Madhu Ranganathan
Executive Vice President and Chief Financial Officer

Date: November 2, 2023 February 1, 2024

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the "Company") for the quarter ended September 30, 2023 December 31, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, Mark J. Barrenechea, Vice Chair, Chief Executive Officer and Chief Technology Officer of the Company, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ MARK J. BARRENECHEA

Mark J. Barrenechea
Vice Chair, Chief Executive Officer and Chief Technology Officer

Date: November 2, 2023 February 1, 2024

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Open Text Corporation (the "Company") for the quarter ended September 30, 2023 December 31, 2023 as filed with the Securities and Exchange Commission (the "Report"), I, Madhu Ranganathan, Executive Vice President and Chief Financial Officer of the Company, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ MADHU RANGANATHAN

Madhu Ranganathan
Executive Vice President and Chief Financial Officer

Date: November 2, 2023 February 1, 2024

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