UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2022.

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 January 27, 2023, there were 270,463,119 outstanding Common Shares of the registrant.

OPEN TEXT CORPORATION

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Part I - Financial Information

Item 1. Financial Statements

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

	December 31, 2022	June 30, 2022
ASSETS	(unaudited)	
Cash and cash equivalents	$ 2,820,927	$ 1,693,741
Accounts receivable trade, net of allowance for credit losses of $17,089 as of December 31, 2022 and $16,473 as of June 30, 2022 (Note 4)	470,794	426,652
Contract assets (Note 3)	25,613	26,167
Income taxes recoverable (Note 15)	10,300	18,255
Prepaid expenses and other current assets (Note 9)	131,172	120,552
Total current assets	3,458,806	2,285,367
Property and equipment (Note 5)	250,706	244,709
Operating lease right of use assets (Note 6)	194,415	198,132
Long-term contract assets (Note 3)	18,603	19,719
Goodwill (Note 7)	5,250,136	5,244,653
Acquired intangible assets (Note 8)	883,748	1,075,208
Deferred tax assets (Note 15)	811,142	810,154
Other assets (Note 9)	303,559	256,987
Long-term income taxes recoverable (Note 15)	47,091	44,044
Total assets	$ 11,218,206	$ 10,178,973
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (Note 10)	$ 459,360	$ 448,607
Current portion of long-term debt (Note 11)	10,000	10,000
Operating lease liabilities (Note 6)	58,299	56,380
Deferred revenues (Note 3)	879,226	902,202
Income taxes payable (Note 15)	87,549	51,069
Total current liabilities	1,494,434	1,468,258
Long-term liabilities:		
Accrued liabilities (Note 10)	18,705	18,208
Pension liability (Note 12)	57,349	60,951
Long-term debt (Note 11)	5,193,158	4,209,567
Long-term operating lease liabilities (Note 6)	188,809	198,695
Long-term deferred revenues (Note 3)	84,681	91,144
Long-term income taxes payable (Note 15)	40,878	34,003
Deferred tax liabilities (Note 15)	18,808	65,887
Total long-term liabilities	5,602,388	4,678,455
Shareholders' equity:		
Share capital and additional paid-in capital (Note 13)		
270,235,234 and 269,522,639 Common Shares issued and outstanding at December 31, 2022 and June 30, 2022, respectively; authorized Common Shares: unlimited	2,092,079	2,038,674
Accumulated other comprehensive income (loss) (Note 20)	(1,028)	(7,659)
Retained earnings	2,171,236	2,160,069
Treasury stock, at cost (3,295,043 and 3,706,420 shares at December 31, 2022 and June 30, 2022, respectively)	(142,126)	(159,966)
Total OpenText shareholders' equity	4,120,161	4,031,118
Non-controlling interests	1,223	1,142
Total shareholders' equity	4,121,384	4,032,260
Total liabilities and shareholders' equity	$ 11,218,206	$ 10,178,973

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 December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Revenues (Note 3):				
Cloud services and subscriptions	$ 408,674	$ 364,886	$ 813,325	$ 721,475
Customer support	316,508	334,875	633,859	670,112
License	107,960	109,493	170,508	183,022
Professional service and other	64,298	67,545	131,784	134,498
Total revenues	897,440	876,799	1,749,476	1,709,107
Cost of revenues:				
Cloud services and subscriptions	134,314	122,129	266,113	241,908
Customer support	28,589	29,668	55,943	59,151
License	3,863	3,741	6,621	7,710
Professional service and other	54,064	53,041	107,864	104,766
Amortization of acquired technology-based intangible assets (Note 8)	40,863	52,602	83,500	105,769
Total cost of revenues	261,693	261,181	520,041	519,304
Gross profit	635,747	615,618	1,229,435	1,189,803
Operating expenses:				
Research and development	109,700	103,622	219,898	203,787
Sales and marketing	177,171	163,938	344,341	310,178
General and administrative	77,603	71,513	155,677	142,990
Depreciation	22,858	21,779	46,032	43,165
Amortization of acquired customer-based intangible assets (Note 8)	53,446	52,665	107,884	104,549
Special charges (recoveries) (Note 18)	10,306	9,217	24,587	9,561
Total operating expenses	451,084	422,734	898,419	814,230
Income from operations	184,663	192,884	331,016	375,573
Other income (expense), net (Note 22)	163,349	(25,037)	(25,882)	4,745
Interest and other related expense, net	(38,715)	(40,245)	(79,097)	(77,300)
Income before income taxes	309,297	127,602	226,037	303,018
Provision for income taxes (Note 15)	50,774	39,266	84,399	82,716
Net income for the period	$ 258,523	$ 88,336	$ 141,638	$ 220,302
Net (income) loss attributable to non-controlling interests	(37)	(38)	(81)	(89)
Net income attributable to OpenText	$ 258,486	$ 88,298	$ 141,557	$ 220,213
Earnings per share—basic attributable to OpenText (Note 23)	$ 0.96	$ 0.32	$ 0.52	$ 0.81
Earnings per share—diluted attributable to OpenText (Note 23)	$ 0.96	$ 0.32	$ 0.52	$ 0.81
Weighted average number of Common Shares outstanding—basic (in '000's)	270,189	272,112	269,997	272,078
Weighted average number of Common Shares outstanding—diluted (in '000's)	270,189	272,931	270,009	273,074

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 December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Net income for the period	$ 258,523	$ 88,336	$ 141,638	$ 220,302
Other comprehensive income (loss)—net of tax:				
Net foreign currency translation adjustments	39,419	(21,347)	3,053	(31,439)
Unrealized gain (loss) on cash flow hedges:				
Unrealized gain (loss) - net of tax expense (recovery) effect of $ 347 and $37 for the three months ended December 31, 2022 and 2021, respectively; ($859) and $(354) for the six months ended December 31, 2022 and 2021, respectively	959	104	(2,381)	(982)
(Gain) loss reclassified into net income - net of tax (expense) recovery effect of $397 and $(7) for the three months ended December 31, 2022 and 2021, respectively; $609 and $(110) for the six months ended December 31, 2022 and 2021, respectively	1,101	(18)	1,689	(305)
Actuarial gain (loss) relating to defined benefit pension plans:				
Actuarial gain (loss) - net of tax expense (recovery) effect of $ 106 and $(104) for the three months ended December 31, 2022 and 2021, respectively; $1,210 and $(336) for the six months ended December 31, 2022 and 2021, respectively	32	(1,435)	4,196	(2,484)
Amortization of actuarial (gain) loss into net income - net of tax (expense) recovery effect of $25 and $67 for the three months ended December 31, 2022 and 2021, respectively; $51 and $135 for the six months ended December 31, 2022 and 2021, respectively	37	159	74	321
Total other comprehensive income (loss) net, for the period	41,548	(22,537)	6,631	(34,889)
Total comprehensive income	300,071	65,799	148,269	185,413
Comprehensive (income) loss attributable to non -controlling interests	(37)	(38)	(81)	(89)
Total comprehensive income attributable to OpenText	$ 300,034	$ 65,761	$ 148,188	$ 185,324

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 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 September 30, 2022	**269,881**	**$ 2,067,881**	**(3,586)**	**$ (154,792)**	**$ 1,978,442**	**$ (42,576)**	**$ 1,186**	**$ 3,850,141**
Issuance of Common Shares								
Under employee stock purchase plans	354	8,042	—	—	—	—	—	8,042
Share-based compensation	—	28,822	—	—	—	—	—	28,822
Issuance of treasury stock	—	(12,666)	291	12,666	—	—	—	—
Dividends declared ($0.24299 per Common Share)	—	—	—	—	(65,692)	—	—	(65,692)
Other comprehensive income (loss) - net	—	—	—	—	—	41,548	—	41,548
Net income for the period	—	—	—	—	258,486	—	37	258,523
Balance as of December 31, 2022	**270,235**	**$ 2,092,079**	**(3,295)**	**$ (142,126)**	**$ 2,171,236**	**$ (1,028)**	**$ 1,223**	**$ 4,121,384**

	Three Months Ended December 31, 2021							
	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 September 30, 2021	**272,534**	**$ 1,991,719**	**(1,426)**	**$ (63,477)**	**$ 2,225,363**	**$ 53,886**	**$ 1,024**	**$ 4,208,515**
Issuance of Common Shares								
Under employee stock option plans	56	1,966	—	—	—	—	—	1,966
Under employee stock purchase plans	226	9,421	—	—	—	—	—	9,421
Share-based compensation	—	14,409	—	—	—	—	—	14,409
Purchase of treasury stock	—	—	(400)	(19,593)	—	—	—	(19,593)
Issuance of treasury stock	—	(15,104)	350	15,104	—	—	—	—
Repurchase of Common Shares	(1,810)	(11,498)	—	—	(79,536)	—	—	(91,034)
Dividends declared ($0.2209 per Common Share)	—	—	—	—	(59,658)	—	—	(59,658)
Other comprehensive income (loss) - net	—	—	—	—	—	(22,537)	—	(22,537)
Net income for the period	—	—	—	—	88,298	—	38	88,336
Balance as of December 31, 2021	**271,006**	**$ 1,990,913**	**(1,476)**	**$ (67,966)**	**$ 2,174,467**	**$ 31,349**	**$ 1,062**	**$ 4,129,825**

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

	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 ($0.4860 per Common Share)	—	—	—	—	(130,390)	—	—	(130,390)
Other comprehensive income (loss) - net	—	—	—	—	—	6,631	—	6,631
Net income for the period	—	—	—	—	141,557	—	81	141,638
Balance as of December 31, 2022	**270,235**	**$ 2,092,079**	**(3,295)**	**$ (142,126)**	**$ 2,171,236**	**$ (1,028)**	**$ 1,223**	**$ 4,121,384**

	Six Months Ended December 31, 2021							
	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, 2021	**271,541**	**$ 1,947,764**	**(1,568)**	**$ (69,386)**	**$ 2,153,326**	**$ 66,238**	**$ 1,511**	**$ 4,099,453**
Issuance of Common Shares								
Under employee stock option plans	852	29,265	—	—	—	—	—	29,265
Under employee stock purchase plans	423	17,910	—	—	—	—	—	17,910
Share-based compensation	—	28,343	—	—	—	—	—	28,343
Purchase of treasury stock	—	—	(400)	(19,593)	—	—	—	(19,593)
Issuance of treasury stock	—	(21,013)	492	21,013	—	—	—	—
Repurchase of Common Shares	(1,810)	(11,498)	—	—	(79,536)	—	—	(91,034)
Dividends declared $0.4418 per Common Share)	—	—	—	—	(119,536)	—	—	(119,536)
Other comprehensive income (loss) - net	—	—	—	—	—	(34,889)	—	(34,889)
Distribution to non-controlling interest	—	142	—	—	—	—	(538)	(396)
Net income for the period	—	—	—	—	220,213	—	89	220,302
Balance as of December 31, 2021	**271,006**	**$ 1,990,913**	**(1,476)**	**$ (67,966)**	**$ 2,174,467**	**$ 31,349**	**$ 1,062**	**$ 4,129,825**

See accompanying Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net income for the period	$ 141,638	$ 220,302
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangible assets	237,416	253,483
Share-based compensation expense	52,030	28,343
Pension expense	3,444	3,015
Amortization of debt issuance costs	3,166	2,454
Write-off of right of use assets	3,775	—
Loss on extinguishment of debt	8,131	27,413
Loss on sale and write down of property and equipment	121	38
Deferred taxes	(46,802)	20,892
Share in net (income) loss of equity investees	6,823	(31,357)
Unrealized loss on financial instruments	9,854	—
Changes in operating assets and liabilities:		
Accounts receivable	(26,597)	51,187
Contract assets	(18,454)	(18,745)
Prepaid expenses and other current assets	(3,065)	(11,221)
Income taxes	44,240	2,776
Accounts payable and accrued liabilities	8,964	(108,629)
Deferred revenue	(29,133)	(50,693)
Other assets	(60,706)	16,913
Operating lease assets and liabilities, net	(7,716)	142
Net cash provided by operating activities	327,129	406,313
Cash flows from investing activities:		
Additions of property and equipment	(68,539)	(37,347)
Purchase of Zix Corporation, net of cash acquired	—	(837,573)
Purchase of Bricata Inc.	—	(17,927)
Other investing activities	(873)	(3,271)
Net cash used in investing activities	(69,412)	(896,118)
Cash flows from financing activities:		
Proceeds from issuance of Common Shares from exercise of stock options and ESPP	15,773	45,688
Proceeds from long-term debt and Revolver	1,000,000	1,500,000
Repayment of long-term debt and Revolver	(5,000)	(855,000)
Debt extinguishment costs	—	(24,969)
Debt issuance costs	(11,650)	(15,347)
Repurchase of Common Shares	—	(91,034)
Purchase of treasury stock	—	(19,593)
Distribution to non-controlling interest	—	(396)
Payments of dividends to shareholders	(129,562)	(119,536)
Net cash provided by financing activities	869,561	419,813
Foreign exchange gain (loss) on cash held in foreign currencies	(271)	(25,713)
Increase (decrease) in cash, cash equivalents and restricted cash during the period	1,127,007	(95,705)
Cash, cash equivalents and restricted cash at beginning of the period	1,695,911	1,609,800
Cash, cash equivalents and restricted cash at end of the period	$ 2,822,918	$ 1,514,095

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

Reconciliation of cash, cash equivalents and restricted cash:	**December 31, 2022**	**December 31, 2021**
Cash and cash equivalents	$ 2,820,927	$ 1,511,792
Restricted cash [(1)]	1,991	2,303
Total cash, cash equivalents and restricted cash	$ 2,822,918	$ 1,514,095

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(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 December 31, 2022
(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 December 31, 2022, was 70% owned by OpenText. All intercompany balances and transactions have been eliminated.

Previously, our ownership in EC1 Pte. Ltd. (GXS Singapore) was 81%. During the first quarter of Fiscal 2022 (as defined below), we made a final cash distribution of $0.4 million to the non-controlling interest holder in GXS Singapore as part of the process to liquidate the subsidiary. During Fiscal 2022, the liquidation of GXS Singapore was completed.

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

Fiscal Year	Beginning Date	Ending Date
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.

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 (xi) the valuation of derivative instruments.

Acquisition of Micro Focus

On August 25, 2022, we announced an agreement on the terms of an all-cash offer (through our wholly-owned subsidiary), to acquire the entire issued and to be issued share capital of Micro Focus International PLC (Micro Focus), for a total purchase price of approximately $5.8 billion, inclusive of Micro Focus' cash and debt, subject to final adjustments.

Concurrent with the announcement of the acquisition of Micro Focus (Micro Focus Acquisition), the Company entered into the Acquisition Term Loan and Bridge Loan (each as defined below) as well as certain derivative transactions. These derivative transactions were marked-to-market during the three and six months ended December 31, 2022, with the resulting unrealized gains (losses) on these derivatives recognized in Other Income (Expense) within our Condensed Consolidated Statements of Income. On December 1, 2022, the Company issued and sold $1.0 billion in aggregate principal amount of 6.90% Senior Secured Notes due 2027 (Senior Secured Notes 2027) and amended the Acquisition Term Loan to increase commitments to an aggregate principal amount of $3.585 billion. In connection with the issuance of the Senior Secured Notes 2027 and increase in the Acquisition Term Loan, all remaining commitments under the Bridge Loan were reduced to zero and the Bridge Loan was terminated.

On January 31, 2023, we completed the Micro Focus Acquisition and repaid Micro Focus' outstanding indebtedness. In connection with the financing of the Micro Focus Acquisition, we drew down the entire amount of the Acquisition Term Loan, less original issuance discount and other fees, and drew down $450.0 million under the Revolver (as defined below). We used proceeds from the issuance of the Senior Secured Notes 2027 and cash on hand to fund the remaining purchase price consideration. The deal-contingent forward contracts and non-contingent forward contract, as described in Note 17 "Derivative Instruments and Hedging Activities," entered into to hedge certain foreign currency obligations in relation to the Micro Focus Acquisition, are expected to be settled on February 9, 2023.

The following Notes include details related to the Micro Focus Acquisition: Note 9 "Prepaid Expenses and Other Assets," Note 10 "Accounts Payable and Accrued Liabilities," Note 11 "Long-Term Debt," Note 16 "Fair Value Measurement," Note 17 "Derivative Instruments and Hedging Activities," Note 19 "Acquisitions", Note 22 "Other Income (Expense), Net," and Note 25 "Subsequent Events."

NOTE 2—RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Adopted in Fiscal 2023

During the three and six months ended December 31, 2022, there have been no new Accounting Standards Updates (ASU) or changes in accounting pronouncements that have had a material impact to our reported financial position, results of operations or cash flows.

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 December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Total Revenues by Geography:				
Americas [1]	$ 583,602	$ 535,306	$ 1,141,390	$ 1,054,998
EMEA [2]	235,305	267,222	463,658	511,819
Asia Pacific [3]	78,533	74,271	144,428	142,290
Total revenues	$ 897,440	$ 876,799	$ 1,749,476	$ 1,709,107
Total Revenues by Type of Performance Obligation:				
Recurring revenues [4]				
Cloud services and subscriptions revenue	$ 408,674	$ 364,886	$ 813,325	$ 721,475
Customer support revenue	316,508	334,875	633,859	670,112
Total recurring revenues	$ 725,182	$ 699,761	$ 1,447,184	$ 1,391,587
License revenue (perpetual, term and subscriptions)	107,960	109,493	170,508	183,022
Professional service and other revenue	64,298	67,545	131,784	134,498
Total revenues	$ 897,440	$ 876,799	$ 1,749,476	$ 1,709,107
Total Revenues by Timing of Revenue Recognition:				
Point in time	$ 107,960	$ 109,493	$ 170,508	$ 183,022
Over time (including professional service and other revenue)	789,480	767,306	1,578,968	1,526,085
Total revenues	$ 897,440	$ 876,799	$ 1,749,476	$ 1,709,107

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

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

(3) Asia Pacific primarily consists of 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 December 31, 2022	As of June 30, 2022
Short-term contract assets	$ 25,613	$ 26,167
Long-term contract assets	$ 18,603	$ 19,719
Short-term deferred revenues	$ 879,226	$ 902,202
Long-term deferred revenues	$ 84,681	$ 91,144

The difference in the opening and closing balances of our contract assets and deferred revenues primarily results from the timing difference between our performance and the customer's payments. We fulfill our obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. During the six months ended

December 31, 2022, we reclassified $20.2 million (six months ended December 31, 2021 — $ 18.3 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 December 31, 2022 and 2021, 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 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 six months ended December 31, 2022 that was included in the deferred revenue balances at June 30, 2022 was $658 million (six months ended December 31, 2021—$ 630 million).

Incremental Costs of Obtaining a Contract with a Customer

Incremental costs of obtaining a contract include only those costs that we incur to obtain a contract that we would not have incurred if the contract had not been obtained, such as sales commissions. The following table summarizes the changes in total capitalized costs to obtain a contract, since June 30, 2022:

Capitalized costs to obtain a contract as of June 30, 2022	$	82,562
New capitalized costs incurred		16,425
Amortization of capitalized costs		(15,571)
Impact of foreign exchange rate changes		123
Capitalized costs to obtain a contract as of December 31, 2022	$	83,539

During the three and six months ended December 31, 2022 and 2021, 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 December 31, 2022, approximately $1.6 billion of revenue is expected to be recognized from remaining performance obligations on existing contracts. We expect to recognize approximately 46% of this amount over the next 12 months and the remaining balance substantially over the next three years thereafter. 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, 2022:

Balance as of June 30, 2022	$	16,473
Credit loss expense (recovery)		940
Write-off / adjustments		(324)
Balance as of December 31, 2022	$	17,089

Included in accounts receivable are unbilled receivables in the amount of $ 61.4 million as of December 31, 2022 (June 30, 2022—$ 47.9 million).

As of December 31, 2022, we have an allowance for credit losses of $ 0.5 million for contract assets (June 30, 2022—$0.7 million). For additional information on contract assets please see Note 3 “Revenues.”

NOTE 5—PROPERTY AND EQUIPMENT

	As of December 31, 2022		
	Cost	Accumulated Depreciation	Net
Computer hardware	$ 359,023	$ (245,561)	$ 113,462
Computer software	151,632	(124,639)	26,993
Capitalized software development costs	159,449	(109,366)	50,083
Leasehold improvements	104,256	(88,624)	15,632
Land and buildings	48,993	(17,222)	31,771
Furniture, equipment and other	52,482	(39,717)	12,765
Total	$ 875,835	$ (625,129)	$ 250,706

	As of June 30, 2022		
	Cost	Accumulated Depreciation	Net
Computer hardware	$ 332,462	$ (226,341)	$ 106,121
Computer software	142,094	(117,026)	25,068
Capitalized software development costs	149,053	(101,874)	47,179
Leasehold improvements	107,739	(86,514)	21,225
Land and buildings	49,011	(16,633)	32,378
Furniture, equipment and other	52,381	$ (39,643)	12,738
Total	$ 832,740	$ (588,031)	$ 244,709

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. Leases with an initial term of 12 months or less are not recorded on our Condensed Consolidated Balance Sheets and we do not have any material finance leases.

Lease Costs and Other Information

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Operating lease cost	$ 13,991	$ 15,572	$ 28,302	$ 30,963
Short-term lease cost	170	190	557	309
Variable lease cost	621	577	1,200	1,165
Sublease income	(2,904)	(1,969)	(5,816)	(3,858)
Total lease cost	$ 11,878	$ 14,370	$ 24,243	$ 28,579

The weighted average remaining lease term and discount rate for the periods indicated below were as follows:

	As of December 31, 2022	As of June 30, 2022
Weighted-average remaining lease term	5.73 years	6.13 years
Weighted-average discount rate	3.43 %	2.95 %

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 operating lease liabilities, and, as such, are excluded from the amounts below:

	Six Months Ended December 31,	
	2022	2021
Cash paid for amounts included in the measurement of operating lease liabilities	$ 35,230	$ 35,046
Right of use assets obtained in exchange for new operating lease liabilities (1)	$ 25,061	$ 20,416

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(1) The six months ended December 31, 2021 excludes the impact of $ 9.7 million of right of use assets obtained through the acquisition of Zix Corporation. See Note 19 "Acquisitions" for further details including the finalization of the purchase price allocation for the acquisition of Zix Corporation.

Maturity of Lease Liabilities

The following table presents the future minimum lease payments under our operating leases liabilities as of December 31, 2022:

Fiscal years ending June 30,	
2023 (six months ended)	$ 33,886
2024	59,744
2025	47,063
2026	33,634
2027	30,697
Thereafter	66,621
Total lease payments	$ 271,645
Less: Imputed interest	(24,537)
Total	$ 247,108
Reported as:	
Current operating lease liabilities	$ 58,299
Non-current operating lease liabilities	188,809
Total	$ 247,108

Operating lease maturity amounts included in the table above 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 $6.3 million over the remainder of Fiscal 2023 and $43.5 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, 2022:

Balance as of June 30, 2022	$ 5,244,653
Acquisition of Zix Corporation (Note 19)	4,878
Impact of foreign exchange rate changes	605
Balance as of December 31, 2022	$ 5,250,136

NOTE 8—ACQUIRED INTANGIBLE ASSETS

	As of December 31, 2022		
	Cost	Accumulated Amortization	Net
Technology assets	$ 880,630	$ (703,937)	$ 176,693
Customer assets	1,531,895	(824,840)	707,055
Total	$ 2,412,525	$ (1,528,777)	$ 883,748

	As of June 30, 2022		
	Cost	Accumulated Amortization	Net
Technology assets	$ 999,032	$ (738,710)	$ 260,322
Customer assets	1,595,219	(780,333)	814,886
Total	$ 2,594,251	$ (1,519,043)	$ 1,075,208

Where applicable, the above balances as of December 31, 2022 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, 2022. The impact of this resulted in a reduction of $119 million to technology assets and $64 million to customer assets.

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

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

Fiscal years ending June 30,	
2023 (six months ended)	$ 155,670
2024	267,169
2025	154,394
2026	111,004
2027	41,284
2028 and Thereafter	154,227
Total	$ 883,748

NOTE 9—PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other current assets:

	As of December 31, 2022	As of June 30, 2022
Deposits and restricted cash	$ 2,607	$ 6,300
Capitalized costs to obtain a contract	29,421	27,077
Derivative asset	6,848	—
Short-term prepaid expenses and other current assets	92,296	87,175
Total	$ 131,172	$ 120,552

Other assets:

	As of December 31, 2022	As of June 30, 2022
Deposits and restricted cash	$ 9,894	$ 6,462
Capitalized costs to obtain a contract	54,118	55,484
Deferred debt issuance costs	54,917	—
Investments	164,227	173,205
Long-term prepaid expenses and other long-term assets	20,403	21,836
Total	$ 303,559	$ 256,987

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”).

Derivative asset represents the assets related to the unrealized gains on our derivatives not designated as hedges related to the Micro Focus Acquisition (see Note 17 “Derivative Instruments and Hedging Activities”).

Deferred debt issuance costs represents fees incurred related to the Acquisition Term Loan. See Note 11 “Long-Term Debt.”

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 December 31, 2022, our share of income (loss) from these investments was $(0.3) million and $(6.8) million, respectively (three and six months ended December 31, 2021—$2.0 million and $31.4 million, respectively).

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 December 31, 2022	As of June 30, 2022
Accounts payable—trade	$ 96,007	$ 113,978
Accrued salaries, incentives and commissions	120,533	193,421
Accrued liabilities	103,245	81,564
Accrued sales and other tax liabilities	24,825	20,423
Derivative liability (1)	16,702	—
Deferred debt issuance costs (2)	53,497	—
Accrued interest on Senior Notes	37,563	31,813
Amounts payable in respect of restructuring and other special charges	3,969	3,589
Asset retirement obligations	3,019	3,819
Total	$ 459,360	$ 448,607

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(1) Represents the liability related to the unrealized 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").

(2) Represents deferred debt issuance costs related to the Acquisition Term Loan in connection with the financing of the Micro Focus Acquisition (see Note 11 "Long-Term Debt").

Long-term accrued liabilities:

	As of December 31, 2022	As of June 30, 2022
Amounts payable in respect of restructuring and other special charges	$ 4,454	$ 5,702
Other accrued liabilities	1,216	563
Asset retirement obligations	13,035	11,943
Total	$ 18,705	$ 18,208

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 December 31, 2022, the present value of this obligation was $16.1 million (June 30, 2022—$15.8 million), with an undiscounted value of $ 16.7 million (June 30, 2022—$16.4 million).

NOTE 11—LONG-TERM DEBT

	As of December 31, 2022	As of June 30, 2022
Total debt		
Senior Notes 2031	$ 650,000	$ 650,000
Senior Notes 2030	900,000	900,000
Senior Notes 2029	850,000	850,000
Senior Notes 2028	900,000	900,000
Senior Secured Notes 2027	1,000,000	—
Term Loan B	952,500	957,500
Revolver	—	—
Acquisition Term Loan	—	—
Total principal payments due	5,252,500	4,257,500
Debt issuance costs (1)	(49,342)	(37,933)
Total amount outstanding	5,203,158	4,219,567
Less:		
Current portion of long-term debt		
Term Loan B	10,000	10,000
Total current portion of long-term debt	10,000	10,000
Non-current portion of long-term debt	$ 5,193,158	$ 4,209,567

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(1) As of December 31, 2022, there was an additional $54.9 million of deferred debt issuance costs related to the Acquisition Term Loan included in "Other assets" not included above.

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 December 31, 2022, we recorded interest expense of $ 6.7 million and $13.4 million, respectively, relating to Senior Notes 2031 (three and six months ended December 31, 2021 $2.7 million, respectively).

Senior Notes 2030

On February 18, 2020, OpenText Holdings, Inc. 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 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 December 31, 2022, we recorded interest expense of $ 9.3 million and $18.6 million, respectively, relating to Senior Notes 2030 (three and six months ended December 31, 2021 $9.3 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 December 31, 2022, we recorded interest expense of $ 8.2 million and $16.4 million, respectively, relating to Senior Notes 2029 (three and six months ended December 31, 2021 $3.3 million, respectively).

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.

For the three and six months ended December 31, 2022, we recorded interest expense of $ 8.7 million and $17.4 million, respectively, relating to Senior Notes 2028 (three and six months ended December 31, 2021—$8.7 million and $17.4 million, respectively).

Senior Notes 2026

On May 31, 2016, we issued $600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 had interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 would have matured on June 1, 2026.

On December 20, 2016, we issued an additional $ 250 million in aggregate principal amount by reopening our Senior Notes 2026 at an issue price of 102.75%. The additional notes had identical terms, were fungible with and were part of a single series with the previously issued $ 600 million aggregate principal amount of Senior Notes 2026. The outstanding aggregate principal amount of Senior Notes 2026, after taking into consideration the additional issuance, was $850 million as of December 9, 2021.

On December 9, 2021, we redeemed Senior Notes 2026 in full at a price equal to 102.9375% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date. A portion of the net proceeds from the offerings of Senior Notes 2029 and Senior Notes 2031 was used to redeem Senior Notes 2026. Upon redemption, Senior Notes 2026 were cancelled and any obligation thereunder was extinguished. The resulting loss of $27.4 million, consisting of $25.0 million relating to the early termination call premium, $ 6.2 million relating to unamortized debt issuance costs and $(3.8) million relating to unamortized premium, has been recorded as a component of Other income (expense), net in our Condensed Consolidated Statements of Income. See Note 22 “Other Income (Expense), Net.”

For the three and six months ended December 31, 2022, we did not record any interest expense relating to Senior Notes 2026 (three and six months ended December 31, 2021—$9.4 million and $21.9 million, respectively).

Senior Secured Fixed Rate Notes

Senior Secured Notes 2027

On December 1, 2022, we issued $1 billion in aggregate principal amount of 6.90% Senior Secured Notes due 2027 (Senior Secured Notes 2027 and, together with the Senior Notes 2031, Senior Notes 2030, Senior Notes 2029 and Senior Notes 2028, the Senior Notes) 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 (which would have occurred in accordance with the terms of the indenture, had we not completed the Micro Focus Acquisition (see Note 25 “Subsequent Events”)), 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 (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.

For the three and six months ended December 31, 2022, we recorded interest expense of $ 5.8 million, relating to Senior Secured Notes 2027 (three and six months ended December 31, 2021—nil).

Term Loan B

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

Term Loan B has a seven-year term, maturing in May 2025, and repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. Borrowings under Term Loan B currently bear a floating rate of interest equal to 1.75% plus LIBOR. As of December 31, 2022, the outstanding balance on the Term Loan B bears an interest rate of 5.82%. For more information regarding the impact and discontinuance of LIBOR, see "Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against" included within Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2022.

Under Term Loan B, we must maintain a "consolidated net leverage" ratio of no more than 4:1 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of December 31, 2022, our consolidated net leverage ratio was 2.0:1.

For the three and six months ended December 31, 2022, we recorded interest expense of $ 13.2 million and $22.9 million, respectively, relating to Term Loan B (three and six months ended December 31, 2021—$4.5 million and $9.1 million, respectively).

Revolver

On October 31, 2019, 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 extend the maturity from May 5, 2022 to October 31, 2024. 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. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%. For more information regarding the impact and discontinuance of LIBOR, see "Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against" included within Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2022.

As of December 31, 2022, we had no outstanding balance under the Revolver (June 30, 2022—nil). For the three and six months ended December 31, 2022, we did not record any interest expense relating to the Revolver (three and six months ended December 31, 2021— nil). On January 27, 2023, the Company drew down $450.0 million from the Revolver to finance the Micro Focus Acquisition.

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. On January 31, 2023, the Company drew down the entire amount of the Acquisition Term Loan, less original issuance discount and other fees, of which the net proceeds were used to finance the Micro Focus Acquisition (see Note 19 **—** "Acquisitions" for more details).

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 will bear interest at rates as specified in the Acquisition Term Loan.

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 4.5:1.00 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 December 31, 2022, our consolidated net leverage ratio was 2.0:1.

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.

As of December 31, 2022, we had no borrowings under the Acquisition Term Loan. For the three and six months ended December 31, 2022, we did not record any interest expense relating to the Acquisition Term Loan (three and six months ended December 31, 2021— nil, respectively).

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 $8.1 million relating to unamortized debt issuance costs (see Note 22 "Other Income (Expense), Net" for more details).

For the three and six months ended December 31, 2022, we did not have any borrowings or record any interest expense relating to the Bridge Loan (three and six months ended December 31, 2021—nil, respectively).

Debt Issuance Costs

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining our credit facilities and issuing our Senior Notes and are being amortized through interest expense over the respective terms of the Senior Notes, Term Loan B, and Acquisition Term Loan using the effective interest method and straight line method for the Revolver. Additionally, as of December 31, 2022, we had $54.9 million in deferred debt issuance costs included in "Other Assets" (see Note 9 "Prepaid Expenses and Other Assets" for more details).

NOTE 12—PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

Defined Benefit Plans

CDT Plan

CDT sponsors an unfunded defined benefit pension plan covering substantially all CDT employees (CDT plan) which provides for old age, disability and survivors' benefits. Benefits under the CDT plan are generally based on age at retirement, years of service and the employee's annual earnings. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan.

GXS GER Plan

As part of our acquisition of GXS Group, Inc. (GXS) in Fiscal 2014, we assumed an unfunded defined benefit pension plan covering certain German employees which provides for old age, disability and survivors' benefits. The GXS GER plan has been closed to new participants since 2006. Benefits under the GXS GER plan are generally based on a participant's remuneration, date of hire, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan.

GXS PHP Plan

As part of our acquisition of GXS in Fiscal 2014, we assumed a primarily unfunded defined benefit pension plan covering substantially all of the GXS Philippines employees which provides for retirement, disability and survivors' benefits. Benefits under the GXS PHP plan are generally based on a participant's remuneration, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. Aside from an initial contribution which has a fair value of $(0.03) million as of December 31, 2022, no additional contributions have been made since the inception of the plan.

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

	Three Months Ended December 31,							
	2022				2021			
Pension expense:	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Service cost	$ 57	$ 27	$ 315	$ 399	$ 91	$ 42	$ 472	$ 605
Interest cost	210	129	161	500	109	77	160	346
Amortization of actuarial (gains) losses	—	(17)	(140)	(157)	121	6	(23)	104
Net pension expense	$ 267	$ 139	$ 336	$ 742	$ 321	$ 125	$ 609	$ 1,055

	Six Months Ended December 31,							
	2022				2021			
Pension expense:	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Service cost	$ 109	$ 52	$ 666	$ 827	$ 185	$ 85	$ 900	$ 1,170
Interest cost	405	248	310	963	221	157	293	671
Amortization of actuarial (gains) losses	—	(32)	(94)	(126)	246	12	(46)	212
Net pension expense	$ 514	$ 268	$ 882	$ 1,664	$ 652	$ 254	$ 1,147	$ 2,053

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.

Other Plans

Other plans include defined benefit pension plans that are offered or statutorily required by certain of our foreign subsidiaries. Many of these plans were assumed through our acquisitions or are required by local regulatory requirements. These other plans are primarily unfunded, with the aggregate projected benefit obligation included in our pension liability. The net periodic costs of these plans are determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs.

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

Cash Dividends

For the three and six months ended December 31, 2022, pursuant to the Company's dividend policy, we declared total non-cumulative dividends of $0.24299 and $0.48598 per Common Share, respectively, in the aggregate amount of $ 64.9 million and $129.6 million, respectively, which we paid during the same period (three and six months ended December 31, 2021—$0.2209 and $0.4418 per Common Share, respectively, in the aggregate amount of $59.7 million and $119.5 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 December 31, 2022, we did not repurchase any Common Shares on the open market for potential settlement of awards under our LTIP or other plans as described below (three and six months ended December 31, 2021—400,000 Common Shares, respectively, at a cost of $19.6 million, respectively).

During the three and six months ended December 31, 2022, we delivered to eligible participants 290,970 and 411,376 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 December 31, 2021—349,792 and 491,244 Common 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 December 31, 2022, we did not repurchase and cancel any Common Shares (three and six months ended December 31, 2021—1,809,559 Common Shares, respectively, for $ 91.0 million, respectively).

Share-Based Payments

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Stock Options (issued under Stock Option Plans)	$ 5,724	$ 4,748	$ 9,309	$ 9,015
Performance Share Units (issued under LTIP)	5,025	3,726	9,260	7,171
Restricted Share Units (issued under LTIP)	2,644	1,930	4,819	4,096
Restricted Share Units (other)	12,720	1,019	23,357	2,747
Deferred Share Units (directors)	1,288	1,324	2,249	2,154
Employee Stock Purchase Plan	1,421	1,662	3,036	3,160
Total share-based compensation expense	$ 28,822	$ 14,409	$ 52,030	$ 28,343

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

	As of December 31, 2022	
	Unrecognized Compensation Cost	Weighted Average Recognition Period (years)
Stock Options (issued under Stock Option Plans)	56,107.3	2.7
Performance Share Units (issued under LTIP)	39,747.4	2.2
Restricted Share Units (issued under LTIP)	20,520.4	2.2
Restricted Share Units (other)	102,643.0	1.9
Total unrecognized share-based compensation cost	$ 219,018.1	

Stock Option Plans

Stock Options

A summary of activity under our stock option plans for the six months ended December 31, 2022 is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
Outstanding at June 30, 2022	8,820,662	$ 42.74	4.68	$ 7,111
Granted	4,289,650	30.49		
Exercised	(72,080)	27.66		
Forfeited or expired	(734,555)	43.54		
Outstanding at December 31, 2022	12,303,677	$ 38.51	5.07	$ 6,857
Exercisable at December 31, 2022	3,645,950	$ 39.19	3.08	$ 16

As of December 31, 2022, 6,039,749 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 December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Weighted–average fair value of options granted	$ 5.77	$ 9.73	$ 6.40	$ 9.74
Weighted-average assumptions used:				
Expected volatility	28.87 %	26.66 %	28.50 %	26.63 %
Risk–free interest rate	4.46 %	0.90 %	4.03 %	0.64 %
Expected dividend yield	3.46 %	1.63 %	3.16 %	1.58 %
Expected life (in years)	4.20	4.13	4.19	4.15
Forfeiture rate (based on historical rates)	7 %	7 %	7 %	7 %
Average exercise share price	$ 26.81	$ 51.61	$ 30.07	$ 52.35

Performance Options

During the three and six months ended December 31, 2022, we granted zero and 1,000,000 performance options, respectively (during the three and six months ended December 31, 2021—nil, 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:

	Six Months Ended December 31, 2022
Weighted–average fair value of options granted	$ 8.09
Derived service period (in years)	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. RSUs become vested when an eligible employee remains employed throughout the vesting period.

PSUs and RSUs granted under the LTIP have been measured at fair value as of the effective date, consistent with Topic 718, and will be charged to share-based compensation expense over the remaining life of the plan. We estimate the fair value of PSUs using the Monte Carlo pricing model and RSUs have been valued based upon their grant date fair value. Stock options granted under the LTIP have been measured using the Black-Scholes option-pricing model, consistent with Topic 718.

LTIP 2025

Grants made in Fiscal 2023 under the LTIP (collectively referred to as LTIP 2025), consisting of PSUs and RSUs, took effect in Fiscal 2023 starting on August 8, 2022. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the LTIP 2025. We expect to settle the LTIP 2025 awards in Common Shares. The LTIP 2025 PSU and RSU awards are 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 six months ended December 31, 2022 is as follows:

	Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
Outstanding at June 30, 2022	812,937	$ 61.29	1.89	$ 30,762
Granted [(1)]	533,694	54.56		
Vested [(1)]	(224,593)	41.75		
Forfeited or expired	(70,006)	66.30		
Outstanding at December 31, 2022	1,052,032	$ 61.64	2.27	$ 31,182

(1) PSUs are earned based on market 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 PSUs issued under LTIP, and weighted-average assumptions estimated under the Monte Carlo pricing model were as follows:

	Six Months Ended December 31,	
	2022	2021
Weighted–average fair value of performance share units granted	$43.10 - $55.06	$69.78 - $75.15
Weighted-average assumptions used:		
Expected volatility	29% - 31%	28.00 %
Risk–free interest rate	3.13% - 3.39%	0.45% - 0.71%
Expected dividend yield	— %	1.70% - 1.80%
Expected life (in years)	3.11	3.10

Restricted Share Units (Issued Under LTIP)

A summary of activity under our RSUs issued under the LTIP for the six months ended December 31, 2022 is as follows:

	Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
Outstanding at June 30, 2022	611,743	$ 44.14	1.62	$ 23,148
Granted	400,299	38.82		
Vested	(147,223)	36.83		
Forfeited or expired	(56,686)	45.30		
Outstanding at December 31, 2022	808,133	$ 42.22	2.20	$ 23,953

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 six months ended December 31, 2022 is as follows:

	Units	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
Outstanding at June 30, 2022	2,593,707	$ 44.90	2.86	$ 98,146
Granted	1,479,192	28.27		
Vested	(120,406)	45.73		
Forfeited or expired	(156,133)	43.74		
Outstanding at December 31, 2022	3,796,360	$ 38.60	2.65	$ 112,524

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 deferred share units issued for the six months ended December 31, 2022 is as follows:

	Units	Weighted-Average Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000's)
Outstanding at June 30, 2022 (1)	885,701	$ 31.49	0.36	$ 33,515
Granted	125,918	28.76		
Outstanding at December 31, 2022 (2)	1,011,619	$ 29.82	0.85	$ 29,984

(1) Includes 55,520 unvested DSUs.

(2) Includes 90,906 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 December 31, 2022, 227,885 and 582,350 Common Shares, respectively, were eligible for issuance to employees enrolled in the ESPP (three and six months ended December 31, 2021—172,782 and 398,513 Common Shares, respectively). During the three and six months ended December 31, 2022, cash in the amount of $5.8 million and $13.8 million, respectively was received from employees relating to the ESPP (three and six months ended December 31, 2021—$7.0 million and $16.4 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				
	Total	January 1, 2023 - June 30, 2023	July 1, 2023 - June 30, 2025	July 1, 2025 - June 30, 2027	July 1, 2027 and beyond
Long-term debt obligations [1]	$ 6,673,929	$ 133,371	$ 1,455,308	$ 401,500	$ 4,683,750
Purchase obligations for contracts not accounted for as lease obligations [2]	86,305	28,619	45,007	12,679	—
	$ 6,760,234	$ 161,990	$ 1,500,315	$ 414,179	$ 4,683,750

(1) Includes interest up to maturity and principal payments. Please see Note 11 “Long-Term Debt” for more details. The table above does not reflect amounts drawn on the Revolver or the Acquisition Term Loan related to the financing of the Micro Focus Acquisition subsequent to December 31, 2022.

(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 December 31, 2022, 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 $72 million. As of December 31, 2022, we have provisionally paid approximately $32 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 December 31, 2022.

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 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 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 conflict with the expert valuation prepared by the independent leading accounting and advisory firm that was used to support our original filing position. On January 27, 2022, the CRA issued a notice of reassessment in respect of Fiscal 2017 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. 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 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 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 currently in preliminary stages of auditing Fiscal 2018 and Fiscal 2019.

Carbonite Class Action Complaint

On August 1, 2019, prior to our acquisition of 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 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. The motion was fully briefed in June 2020 and a hearing on the motion to dismiss the Securities Actions was held on October 15, 2020. Following the hearing, 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 Court of Appeals for the First Circuit. On December 21, 2021, the First Circuit issued a decision reversing and remanding the Securities Actions to the district court for further proceedings. The defendants remain confident in their position, believe the Securities Actions are without merit, and will continue to vigorously defend the matter.

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 "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. We continue to vigorously defend the matter, and the U.S. District Court for the District of Massachusetts has issued a claim construction order. We have not accrued a loss contingency related to this matter because litigation related to a non-practicing entity is inherently unpredictable. Although a loss is reasonably possible, an unfavorable outcome is not considered by management to be probable at this time and we remain unable to reasonably estimate a possible loss or range of loss associated with this litigation.

Please also see Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2022.

NOTE 15—INCOME TAXES

The Company's effective tax rate for the three months ended December 31, 2022, was 16.4%, compared to a provision of 30.8% for the three months ended December 31, 2021. The Company's effective tax rate for the six months ended December 31, 2022, was 37.3%, compared to a provision of 27.3% for the six months ended December 31, 2021.

The Company's effective tax rate for the three months ended December 31, 2022, differs from the Canadian statutory rate of 26.5% primarily due to the pre-tax gain created by the mark-to-market valuation on the derivatives not designated as hedges that the Company entered into in connection with the financing of the Micro Focus Acquisition (see Note 17 "Derivative Instruments and Hedging Activities"). The mark-to-market gains in the quarter are considered capital income for tax purposes and enabled us to recognize the capital losses in the prior quarter that were previously unrecognized. Other items impacting the rate include provision to return adjustments, a net increase in uncertain tax positions, and permanent items such as disallowed stock-based compensation and foreign passive income inclusion, partially offset by research and development credits and amending a prior year return to reduce the prior year US Base Erosion and Anti-Abuse Tax (BEAT). The Company's effective tax rate for the three months ended December 31, 2021, differs from the Canadian statutory rate primarily due to US BEAT, partially offset by research and development credits.

The Company's effective tax rate for the six months ended December 31, 2022, differs from the Canadian statutory rate of 26.5% primarily due to a net increase in uncertain tax positions and permanent items such as disallowed stock-based compensation and foreign passive income inclusion, partially offset by research and development credits. The Company's effective tax rate for the six months ended December 31, 2021, differs from the Canadian statutory rate primarily due to US BEAT, partially offset by research and development credits.

As of December 31, 2022, the gross amount of unrecognized tax benefits accrued is $ 66.6 million, which is inclusive of interest and penalties accrued of $9.1 million (June 30, 2022 — $54.1 million and $8.4 million, respectively). We believe that it is reasonably possible that the gross unrecognized tax benefit could decrease by $6.5 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, and 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, Germany and other immaterial jurisdictions. The earliest fiscal years open for examination for our major jurisdictions are 2012 for Canada, 2016 for the United States 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 December 31, 2022, we have recognized a provision of $ 21.8 million (June 30, 2022—$19.9 million) in respect of both additional foreign taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries and planned periodic repatriations from certain German subsidiaries, that will be subject to withholding taxes upon distribution. 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.

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 on a Recurring Basis:

Our financial assets and liabilities that are measured at fair value on a recurring basis consisted of the following types of instruments as of December 31, 2022 and June 30, 2022:

		Fair Value	
	Fair Value Hierarchy	**December 31, 2022**	**June 30, 2022**
Financial Assets (Liabilities):			
Designated as Hedging Instruments			
Cash flow hedge (Note 17)	Level 2	$ (1,834)	$ (892)
Not Designated as Hedging Instruments			
Deal-contingent forward contracts (Note 17)	Level 3	$ 285	$ —
Non-contingent forward contract (Note 17)	Level 2	$ 6,563	$ —
Cross currency swap contract (Note 17)	Level 2	$ (16,702)	$ —

Changes in Level 3 Fair Value Measurements

The following tables provides a reconciliation of changes in the fair value of our Level 3 deal-contingent foreign currency forward contract between June 30, 2022 and December 31, 2022.

	Deal-contingent foreign currency forward contract
Balance as of June 30, 2022	$ —
Gain (loss) recognized in income	285
Balance as of December 31, 2022	$ 285

Our valuation techniques used to measure the fair value of our Level 2 and Level 3 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. The valuation technique for our Level 3 derivative instrument utilizes management estimates related to the probability and timing of our Micro Focus Acquisition that are unobservable, and are not deemed to be significant inputs for the overall valuation.

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 fair value of our Senior Notes is determined based on observable market prices and categorized as a Level 2 measurement. As of December 31, 2022, the fair value was $3.7 billion (June 30, 2022—$2.8 billion). The carrying value of our other long-term debt facilities approximates the fair value since the interest rate is at market. Please see Note 11 “Long-Term Debt” 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 December 31, 2022 and 2021, 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 December 31, 2022 and 2021, respectively, no indications of impairments were identified and therefore no fair value measurements were required.

NOTE 17—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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 ASC Topic 815 “Derivatives and Hedging” (Topic 815). As the critical terms of the hedging instrument and of the entire hedged forecasted transaction are the same, in accordance with Topic 815, we have been able to conclude that changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. Accordingly, quarterly unrealized gains or losses on the effective portion of these forward contracts have been included within “Other Comprehensive Income (Loss) - net.” As of December 31, 2022, the fair value of the contracts is recorded within “Accounts payable and accrued liabilities” and represents the net loss before tax effect that is expected to be reclassified from accumulated other comprehensive income (loss) into earnings with the next twelve months.

As of December 31, 2022, the notional amount of forward contracts we held to sell U.S. dollars in exchange for Canadian dollars was $ 87.6 million (June 30, 2022—$66.5 million).

Non-designated Hedges

In connection with the Micro Focus Acquisition, in August 2022, the Company 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. The Company 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 have an aggregate notional amount of £1.475 billion. The non-contingent forward contract has a notional amount of £350 million. The cross currency swaps are comprised of a 5 year EUR/USD cross currency swap with a notional amount of €690 million and a 7 year EUR/USD cross currency swap with a notional amount of €690 million. The deal-contingent forward contracts and non-contingent forward contract, as described in Note 17 “Derivative Instruments and Hedging Activities,” entered into to hedge certain foreign currency obligations in relation to the Micro Focus Acquisition, are expected to be settled on February 9, 2023.

These instruments were entered into as economic hedges to mitigate foreign currency risks associated with the Micro Focus Acquisition. The instruments do not qualify for hedge accounting at inception. Derivative financial instruments that do not apply hedge accounting are recognized on the Condensed Consolidated Balance Sheets as either assets or liabilities. As of December 31, 2022, the forward contracts are in a net asset position and are classified within “Prepaid expenses and other current assets” and the cross currency swaps are in a net liability position and are classified within “Accounts payable and accrued liabilities.” The forward contracts and cross currency swaps are measured at fair value with changes to fair value being recognized in the Condensed Consolidated Statements of Income within “Other income (expense), net.”

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

The fair values of outstanding derivative instruments are as follows:

Instrument	Balance Sheet Location	As of December 31, 2022 Asset	As of December 31, 2022 Liability	As of June 30, 2022 Asset	As of June 30, 2022 Liability
Derivatives designated as hedges:					
Cash flow hedge	Accounts payable and accrued liabilities	$ —	$ (1,834)	$ —	$ (892)
Total derivatives designated as hedges:		$ —	$ (1,834)	$ —	$ (892)
Derivatives not designated as hedges:					
Deal-contingent forward contracts	Prepaid expenses and other current assets	285	—	—	—
Non-contingent forward contract	Prepaid expenses and other current assets	6,563	—	—	—
Cross currency swap contracts	Accounts payable and accrued liabilities	—	(16,702)	—	—
Total derivatives not designated as hedges:		$ 6,848	$ (16,702)	$ —	$ —
Total derivatives		$ 6,848	$ (18,536)	$ —	$ (892)

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

Instrument	Income Statement Location	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
Derivatives designated as hedges:					
Cash flow hedges	Operating expenses	$ (1,498)	$ 25	$ (2,298)	$ 415
Derivatives not designated as hedges:					
Deal-contingent forward contract	Other income (expense), net	125,616	—	285	—
Non-contingent forward contract	Other income (expense), net	32,766	—	6,563	—
Cross currency swap contracts	Other income (expense), net	13,225	—	(16,702)	—
Total		$ 170,109	$ 25	$ (12,152)	$ 415

The effects of the cash flow 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 December 31, 2022	Three Months Ended December 31, 2021	Six Months Ended December 31, 2022	Six Months Ended December 31, 2021
Gain (loss) recognized in OCI (loss) on derivatives (effective portion)	Unrealized gain (loss) on cash flow hedges	$ 1,306	$ 141	$ (3,240)	$ (1,336)
Gain (loss) reclassified from AOCI into income (effective portion)	Operating expenses	$ (1,498)	$ 25	$ (2,298)	$ 415

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 December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Fiscal 2022 Restructuring Plan	$ 1,991	$ —	$ 8,101	$ —
Other historical restructuring plans	(622)	(440)	(1,090)	(1,042)
Acquisition-related costs	6,003	3,937	10,588	4,665
Other charges (recoveries)	2,934	5,720	6,988	5,938
Total	$ 10,306	$ 9,217	$ 24,587	$ 9,561

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 ROU assets, the write-off of fixed assets 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 December 31, 2022, we recognized costs of $ 0.5 million and $4.3 million respectively related to abandoned office space that have been early terminated or assigned to a third party, of which $1 million and $3.9 million were related to the write-off of right of use assets.

As of December 31, 2022, we expect total costs to be incurred in connection with the Fiscal 2022 Restructuring Plan to be approximately $35.0 million to $40.0 million, of which $33.9 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 six months ended December 31, 2022 is shown below.

Fiscal 2022 Restructuring Plan	Workforce reduction	Facility charges	Total
Balance payable as of June 30, 2022	$ 989	$ 5,410	$ 6,399
Accruals and adjustments	3,628	441	4,069
Cash payments	(3,158)	(987)	(4,145)
Foreign exchange and other non-cash adjustments	(30)	(99)	(129)
Balance payable as of December 31, 2022	$ 1,429	$ 4,765	$ 6,194

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 December 31, 2022 were $6.0 million and $10.6 million, respectively (three and six months ended December 31, 2021—$3.9 million and $4.7 million, respectively).

Other charges (recoveries)

For the three and six months ended December 31, 2022, “Other charges (recoveries)” includes $ 3.6 million and $7.2 million, respectively, 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 $(0.7) million and $(0.2) million, respectively, related to other miscellaneous charges (recoveries).

For the three and six months ended December 31, 2021, “Other charges” includes $ 2.0 million, respectively, related to Zix pre-acquisition equity incentives, which upon acquisition were replaced by equivalent value cash settlements (see Note 19 “Acquisitions”) and $3.7 million and $3.9 million, respectively, related to other miscellaneous charges.

NOTE 19—ACQUISITIONS

Fiscal 2023 Acquisitions

Acquisition of Micro Focus

On August 25, 2022, we announced an agreement on the terms of an all-cash offer (through our wholly-owned subsidiary), to acquire the entire issued and to be issued share capital of Micro Focus International PLC (Micro Focus), for a total purchase price of approximately $5.8 billion, inclusive of Micro Focus' cash and debt, subject to final adjustments.

Concurrent with the announcement of the Micro Focus Acquisition, the Company entered into the Acquisition Term Loan and Bridge Loan (see Note 11 "Long-Term Debt") as well as certain derivative transactions (see Note 17 "Derivative Instruments and Hedging Activities"). These derivative transactions were marked-to-market during the three and six months ended December 31, 2022, with the resulting unrealized gains (losses) on these derivatives recognized in Other Income (Expense) within our Condensed Consolidated Statements of Income (see Note 22 "Other Income (Expense), Net"). On October 18, 2022, the shareholders of Micro Focus approved the all-cash offer. On December 1, 2022, the Company issued and sold $1 billion in aggregate principal amount of 6.90% Senior Secured Notes 2027 and amended the Acquisition Term Loan to increase commitments to an aggregate principal amount of $3.585 billion. In connection with the issuance of the Senior Secured Notes 2027 and increase in the Acquisition Term Loan, all remaining commitments under the Bridge Loan were reduced to zero and the Bridge Loan was terminated.

On January 31, 2023, we completed the Micro Focus Acquisition and repaid Micro Focus' outstanding indebtedness. In connection with the financing of the Micro Focus Acquisition, we drew down the entire amount of the Acquisition Term Loan, less original issuance discount and other fees, and drew down $450.0 million under the Revolver. We used proceeds from the issuance of the Senior Secured Notes 2027 and cash on hand to fund the remaining purchase price consideration. The deal-contingent forward contracts and non-contingent forward contract, as described in Note 17 "Derivative Instruments and Hedging Activities," entered into to hedge certain foreign currency obligations in relation to the Micro Focus Acquisition, are expected to be settled on February 9, 2023.

Acquisition-related costs for Micro Focus included in "Special Charges (Recoveries)" in the Condensed Consolidated Financial Statements for the three and six months ended December 31, 2022 were $5.9 million and $10.3 million.

Fiscal 2022 Acquisitions

Acquisition of Zix Corporation

On December 23, 2021, we acquired all of the equity interest in Zix, a leader in software as a service (SaaS) based email encryption, threat protection and compliance cloud solutions for small and medium-sized businesses (SMB). Total consideration for Zix was $894.5 million paid in cash, inclusive of cash acquired and $18.6 million relating to the cash settlement of pre-acquisition vested share-based compensation that was previously accrued but since paid as of March 31, 2022. In accordance with Accounting Standards Codification (ASC) Topic 805 "Business Combinations" (Topic 805), this acquisition was accounted for as a business combination. We believe the acquisition increases our position in the data protection, threat management, email security and compliance solutions spaces.

The results of operations of Zix have been consolidated with those of OpenText beginning December 23, 2021.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based on their fair values as of December 23, 2021, are set forth below:

Current assets (inclusive of cash acquired of $ 38.3 million)	$	71,527
Non-current tangible assets		13,450
Intangible customer assets		212,400
Intangible technology assets		92,650
Liabilities assumed		(81,476)
Total identifiable net assets		308,551
Goodwill		585,910
Net assets acquired	$	894,461

The goodwill of $585.9 million is primarily attributable to the synergies expected to arise after the acquisition. There is $ 103.7 million of goodwill that is deductible for tax purposes.

The fair value of current assets acquired includes accounts receivable with a fair value of $ 26.0 million. The gross amount receivable was $32.6 million, of which $6.6 million is expected to be uncollectible.

Acquisition-related costs for Zix included in “Special Charges (Recoveries)” in the Condensed Consolidated Financial Statements for the three and six months ended December 31, 2022 were nil and $0.2 million, respectively.

Pre-acquisition equity incentives of $ 26.4 million were replaced upon acquisition by equivalent value cash settlements to be settled in accordance with the original vesting dates, primarily over the two years after the date of the acquisition. Of these equity incentives, $ 3.6 million and $ 7.2 million, respectively, for the three and six months ended December 31, 2022 were included in “Special Charges (Recoveries).”

The finalization of the purchase price allocation during the three months ended December 31, 2022 did not result in any significant changes to the preliminary amounts previously disclosed.

Acquisition of Bricata Inc.

On November 24, 2021, we acquired all of the equity interest in Bricata Inc. (Bricata) for $ 17.8 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe the acquisition strengthens our OpenText Security and Protection Cloud with Network Detection and Response technologies.

The results of operations of Bricata have been consolidated with those of OpenText beginning November 24, 2021.

NOTE 20—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	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)

	Three Months Ended December 31, 2021			
	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance as of September 30, 2021	$ 65,316	$ (543)	$ (10,887)	$ 53,886
Other comprehensive income (loss) before reclassifications, net of tax	(21,347)	104	(1,435)	(22,678)
Amounts reclassified into net income, net of tax	—	(18)	159	141
Total other comprehensive income (loss) net, for the period	(21,347)	86	(1,276)	(22,537)
Balance as of December 31, 2021	$ 43,969	$ (457)	$ (12,163)	$ 31,349

	Six Months Ended December 31, 2021			
	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance as of June 30, 2021	$ 75,408	$ 830	$ (10,000)	$ 66,238
Other comprehensive income (loss) before reclassifications, net of tax	(31,439)	(982)	(2,484)	(34,905)
Amounts reclassified into net income, net of tax	—	(305)	321	16
Total other comprehensive income (loss) net, for the period	(31,439)	(1,287)	(2,163)	(34,889)
Balance as of December 31, 2021	$ 43,969	$ (457)	$ (12,163)	$ 31,349

NOTE 21—SUPPLEMENTAL CASH FLOW DISCLOSURES

	Six Months Ended December 31,	
	2022	2021
Cash paid during the period for interest	$ 92,016	$ 73,389
Cash received during the period for interest	$ 21,525	$ 1,531
Cash paid during the period for income taxes	$ 91,444	$ 60,293

NOTE 22—OTHER INCOME (EXPENSE), NET

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Foreign exchange gains (losses)	$ 60	$ 192	$ (1,301)	$ 543
Unrealized gains (losses) on derivatives not designated as hedges (1)	171,607	—	(9,854)	—
OpenText share in net income of equity investees (2)	(289)	2,042	(6,823)	31,357
Loss on debt extinguishment (3) (4)	(8,131)	(27,413)	(8,131)	(27,413)
Other miscellaneous income (expense)	102	142	227	258
Total other income (expense), net	$ 163,349	$ (25,037)	$ (25,882)	$ 4,745

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(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" 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 of $8.1 million related to unamortized debt issuance costs (see Note 11 "Long-Term Debt" for more details).

(4) On December 9, 2021, we redeemed Senior Notes 2026 in full, which resulted in a loss on debt extinguishment of $27.4 million. Of this, $25.0 million related to the early termination call premium, $6.2 million related to unamortized debt issuance costs and $(3.8) million related to unamortized premium (see Note 11 "Long-Term Debt" for more details).

NOTE 23—EARNINGS PER SHARE

Basic earnings per share are computed by dividing net income attributable to OpenText, by the weighted average number of Common Shares outstanding during the period. Diluted earnings per share are computed by dividing net income attributable to OpenText, by the shares used in the calculation of basic earnings per share plus the dilutive effect of Common Share equivalents, such as stock options, using the treasury stock method. Common Share equivalents are excluded from the computation of diluted earnings per share if their effect is anti-dilutive.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2022	2021	2022	2021
Basic earnings per share				
Net income attributable to OpenText	$ 258,486	$ 88,298	$ 141,557	$ 220,213
Basic earnings per share attributable to OpenText	$ 0.96	$ 0.32	$ 0.52	$ 0.81
Diluted earnings per share				
Net income attributable to OpenText	$ 258,486	$ 88,298	$ 141,557	$ 220,213
Diluted earnings per share attributable to OpenText	$ 0.96	$ 0.32	$ 0.52	$ 0.81
Weighted-average number of shares outstanding (in '000's)				
Basic	270,189	272,112	269,997	272,078
Effect of dilutive securities	—	819	12	996
Diluted	270,189	272,931	270,009	273,074
Excluded as anti-dilutive (1)	11,462	3,108	10,331	2,845

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(1) Represents options to purchase Common Shares excluded from the calculation of diluted earnings per share because the exercise price of the stock options was greater than or equal to the average price of the Common Shares during the period.

NOTE 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 six months ended December 31, 2022, Mr. Stephen Sadler, a member of the Board of Directors, earned $7 thousand (six months ended December 31, 2021—$0.4 million) in consulting fees from OpenText for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

NOTE 25—SUBSEQUENT EVENTS

Cash Dividends

As part of our quarterly, non-cumulative cash dividend program, we declared, on February 1, 2023, a dividend of $ 0.24299 per Common Share. The record date for this dividend is March 3, 2023 and the payment date is March 23, 2023. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of our Board.

Acquisition of Micro Focus

On August 25, 2022, we announced an agreement on the terms of an all-cash offer (through our wholly-owned subsidiary), to acquire the entire issued and to be issued share capital of Micro Focus International PLC (Micro Focus), for a total purchase price of approximately $5.8 billion, inclusive of Micro Focus' cash and debt, subject to final adjustments. On January 31, 2023, we completed the Micro Focus Acquisition and repaid Micro Focus' outstanding indebtedness. In connection with the financing of the Micro Focus Acquisition, we drew down the entire amount of the Acquisition Term Loan, less original issuance discount and other fees, and drew down $450.0 million under the Revolver. We used proceeds from the issuance of the Senior Secured Notes 2027 and cash on hand to fund the remaining purchase price consideration. The deal-contingent forward contracts and non-contingent forward contract, as described in Note 17 "Derivative Instruments and Hedging Activities," entered into to hedge certain foreign currency obligations in relation to the Micro Focus Acquisition, are expected to be settled on February 9, 2023.

In accordance with Topic 805, the Micro Focus Acquisition will be accounted for as a business combination. The major classes of assets acquired through the Micro Focus Acquisition include, current assets, non-current tangible assets, intangible technology assets and intangible customer assets, as well as certain liabilities assumed. Due to the limited time since the acquisition date and the size and complexity of the transaction, the accounting for the business combination is not yet complete. The Company is not able to provide the allocation of consideration paid to the assets acquired or liabilities assumed. As such, it is impractical for the Company to present pro forma and comparative statements as of the date of this filing and such statements will be included in a subsequent Form 8-K. The results of operations of Micro Focus will be consolidated with those of OpenText beginning in the third quarter of Fiscal 2023.

Refer to the Notes which include details related to the Micro Focus Acquisition: Note 9 "Prepaid Expenses and Other Assets," Note 10 "Accounts Payable and Accrued Liabilities," Note 11 "Long-Term Debt," Note 16 "Fair Value Measurement," Note 17 "Derivative Instruments and Hedging Activities," Note 19 "Acquisitions" and Note 22 "Other Income (Expense), Net" along with Part II, Item 1A, "Risk Factors" included within this Quarterly Report on Form 10-Q.

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 year beginning July 1, 2022 and ending June 30, 2023 (Fiscal 2023) and July 1, 2023 and ending June 30, 2024 (Fiscal 2024) 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) our expectation to grow MSPs; (viii) product and solution developments, enhancements and releases, the timing thereof and the customers targeted; (ix) the Company’s financial condition, results of operations and earnings; (x) the basis for any future growth and for our financial performance; (xi) declaration of quarterly dividends; (xii) future tax rates; (xiii) the changing regulatory environment; (xiv) annual recurring revenues; (xv) research and development and related expenditures; (xvi) our building, development and consolidation of our network infrastructure; (xvii) competition and changes in the competitive landscape; (xviii) our management and protection of intellectual property and other proprietary rights; (xix) existing and foreign sales and exchange rate fluctuations; (xx) cyclical or seasonal aspects of our business; (xxi) capital expenditures; (xxii) potential legal and/or regulatory proceedings; (xxiii) acquisitions and their expected impact, including expectations regarding the financing of pending acquisitions, our ability to close on pending acquisitions and 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 Zix Corporation and Micro Focus International PLC (Micro Focus) (see Note 19 “Acquisitions” to our Condensed Consolidated Financial Statements for more details); (xxiv) tax audits; (xxv) the expected impact of our decision to cease all direct business in Russia and Belarus and with known Russian-owned companies;(xxvi) expected costs of the restructuring plans; (xxvii) targets regarding greenhouse gas emissions, waste diversion, energy consumption and Equity, Diversity and Inclusion (ED&I) initiatives; (xviii) integration of Micro Focus and the results and timing thereof; 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, including any potential recession; (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; and (ix) 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) the inability of us 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, in connection with financing of the Micro Focus Acquisition; (iii) the change in scope and size of our operations as a result of the Micro Focus Acquisition; (iv) the uncertainty around expectations related to Micro Focus’s business prospects; (v) actual and potential risks and uncertainties relating to the ultimate geographic spread of COVID-19, the severity of the disease and the duration of the COVID-19 pandemic and issues relating to the resurgence of COVID-19 and/or new strains of COVID-19, including potential material adverse effects on our business, operations and financial performance; (vi) actions that have been and may be taken by governmental authorities to *contain the COVID-19 pandemic or to treat its impact on our business (or failure to implement additional stimulus programs) and the availability, effectiveness and use of treatments and vaccines (including the effectiveness of boosters); (vii) the actual and potential negative impacts of COVID-19 on the global economy and financial markets; (viii) integration of acquisitions and related restructuring efforts, including the quantum of restructuring charges and the timing thereof; (ix) 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 Zix Corporation and Micro Focus, (x) 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; (xi) 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; (xii) the risks associated with bringing new products and services to market; (xiii) 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; (xiv) delays in the purchasing decisions of the Company's customers; (xv) competition the Company faces in its industry and/or marketplace; (xvi) the final determination of litigation, tax audits (including tax examinations in Canada, the United States or elsewhere) and other legal proceedings; (xvii) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, United States or international tax regimes; (xviii) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (xix) the continuous commitment of the Company's customers; (xx) demand for the Company's products and services; (xxi) increase in exposure to international business risks (including the impact of geopolitical instability, political unrest, war and other global conflicts, as we continue to increase our international operations; (xxii) adverse macroeconomic conditions, including inflation, disruptions in global supply chains and increased labour costs; (xxiii) inability to raise capital at all or on not unfavorable terms in the future; (xxiv) downward pressure on our share price and dilutive effect of future sales or issuances of equity securities (including in connection with future acquisitions); and (xxv) potential changes in ratings or outlooks of rating agencies on our outstanding debt securities. Other factors that may affect forward-looking statements include, but are not limited to: (i) the future performance, financial and otherwise, of the Company; (ii) the ability of the Company to bring new products and services to market and to increase sales; (iii) the strength of the Company's product development pipeline; (iv) failure to secure and protect patents, trademarks and other proprietary rights; (v) infringement of third-party proprietary rights triggering indemnification obligations and resulting in significant expenses or restrictions on our ability to provide our products or services; (vi) failure to comply with privacy laws and regulations that are extensive, open to various interpretations and complex to implement including General Data Protection Regulation (GDPR), California Consumer Privacy Act, California Privacy Rights Act, Virginia Consumer Data Protection Act, Colorado Privacy Act, Connecticut Data Privacy Act, Utah Consumer Privacy Act, and Country by Country Reporting (including with respect to transferring personal data outside of the European Economic Area and the United Kingdom, as a result of the ruling of the Court of Justice of the European Union that the EU-US Privacy Shield is an invalid data transfer mechanism and that Standard Contractual Clauses (SCCs) are a valid transfer mechanism unless the country to which personal data is exported restricts the ability to comply with such Clauses (Schrems II), and with respect to the new SCCs published by the European Commission and the International Data Transfer Agreement and Addendum published by the United Kingdom's Information Commissioner's Office to meet the requirements of GDPR and Schrems II); (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 (including COVID-19) 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; and (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 Report 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 December 31, 2022 compared with the three and six months ended December 31, 2021, 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 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, power modern experiences and optimize their digital supply chains. To do this, we bring together our Content Cloud, Business Network Cloud, Experience Cloud, Security Cloud and Developer 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 capture and analytics, protecting and securing it throughout its entire lifecycle, and leveraging it to create engaging digital experiences. Our solutions also connect large digital supply chains 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 December 31, 2022, we employed a total of approximately 14,400 individuals, of which 6,850 or 48% are in the Americas, 2,650 or 18% are in EMEA and 4,900 or 34% are in Asia Pacific. Currently, we have employees in 35 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 second quarter of Fiscal 2023 we saw the following activity:

- Total revenue was $897.4 million, up 2.4% compared to the same period in the prior fiscal year; up 7.8% after factoring in the unfavorable impact of $47.5 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 $725.2 million, up 3.6% compared to the same period in the prior fiscal year; up 8.7% after factoring in the unfavorable impact of $35.8 million of foreign exchange rate changes.
- Cloud services and subscriptions revenue was $408.7 million, up 12.0% compared to the same period in the prior fiscal year; up 16.0% after factoring in the unfavorable impact of $14.5 million of foreign exchange rate changes.
- GAAP-based gross margin was 70.8% compared to 70.2% in the same period in the prior fiscal year.
- Non-GAAP-based gross margin was 76.0% compared to 76.4% in the same period in the prior fiscal year.

- GAAP-based net income attributable to OpenText was $258.5 million compared to $88.3 million in the same period in the prior fiscal year, primarily due to $171.6 million unrealized gains on derivatives not designated as hedges.
- Non-GAAP-based net income attributable to OpenText was $240.2 million compared to $242.1 million in the same period in the prior fiscal year.
- GAAP-based earnings per share (EPS), diluted, was $0.96 compared to $0.32 in the same period in the prior fiscal year.
- Non-GAAP-based EPS, diluted, remained flat at $0.89 compared to the same period in the prior fiscal year.
- Adjusted EBITDA was $340.9 million compared to $343.5 million in the same period in the prior fiscal year.
- Operating cash flow was $327.1 million for the six months ended December 31, 2022 compared to $406.3 million in the same period in the prior fiscal year, down 19.5%.
- Cash and cash equivalents were $2,820.9 million as of December 31, 2022, compared to $1,693.7 million as of June 30, 2022.
- Issued $1 billion in aggregate principal amount of Senior Secured Notes 2027 and successfully fully syndicated the Acquisition Term Loan in the amount of $3.585 billion.
- Enterprise cloud bookings were $144.7 million, an increase of approximately 12% over 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, excluding the impact of Carbonite and Zix.

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 August 25, 2022, we announced an agreement on the terms of an all-cash offer (through our wholly-owned subsidiary), to acquire the entire issued and to be issued share capital of Micro Focus International PLC (Micro Focus), for a total purchase price of approximately $5.8 billion, inclusive of Micro Focus’ cash and debt, subject to final adjustments.

Concurrent with the announcement of the acquisition of Micro Focus (Micro Focus Acquisition), the Company entered into the Acquisition Term Loan and Bridge Loan (see Note 11 “Long-Term Debt”) as well as certain derivative transactions (see Note 17 “Derivative Instruments and Hedging Activities”). These derivative transactions were marked-to-market during the three and six months ended December 31, 2022, with the resulting unrealized gains (losses) on these derivatives recognized in Other Income (Expense) within our Condensed Consolidated Statements of Income. On December 1, 2022, the Company issued and sold $1 billion in aggregate principal amount of 6.90% Senior Secured Notes due 2027 and amended the Acquisition Term Loan to increase commitments to an aggregate principal amount of $3.585 billion. In connection with the issuance of the Senior Secured Notes 2027 and increase in the Acquisition Term Loan, all remaining commitments under the Bridge Loan were reduced to zero and the Bridge Loan was terminated.

On January 31, 2023, we completed the Micro Focus Acquisition and repaid Micro Focus’ outstanding indebtedness. In connection with the financing of the Micro Focus Acquisition, we drew down the entire amount of the Acquisition Term Loan, less original issuance discount and other fees, and drew down $450.0 million under the Revolver. We used proceeds from the issuance of the Senior Secured Notes 2027 and cash on hand to fund the remaining purchase price consideration. The deal-contingent forward contracts and non-contingent forward contract, as described in Note 17 “Derivative Instruments and Hedging Activities,” entered into to hedge certain foreign currency obligations in relation to the Micro Focus Acquisition, are expected to be settled on February 9, 2023.

Acquisition of Zix Corporation

On December 23, 2021, we acquired all of the equity interest in Zix Corporation (Zix), a leader in software as a service (SaaS) based email encryption, threat protection and compliance cloud solutions for SMBs. Total consideration for Zix was $894.5 million paid in cash, inclusive of $38.3 million of cash acquired and $18.6 million relating to the cash settlement of pre-acquisition vested share-based compensation. We believe the acquisition increases our position in the data protection, threat management, email security and compliance solutions spaces. The results of operations of Zix have been consolidated with those of OpenText beginning December 23, 2021. See Note 19 “Acquisitions” to our Condensed Consolidated Financial Statements for more details.

Impacts of COVID-19

We continue to closely monitor the potential effects and impact of the spread of COVID-19 on our operations, businesses and financial performance, including liquidity and capital usage. We have conducted business with modifications to employee travel and work locations and also virtualization of certain events, along with modified interactions with customers and suppliers, among other modifications. In addition, we have implemented a Flex-Office program in which a majority of our employees work a portion of their time in the office and a portion remotely. We will continue to actively monitor the impact of the COVID-19 pandemic on all aspects of our business and geographies, and may take further actions that alter our business operations as may be required by governments, or that we determine are in the best interest of our employees, customers, partners, suppliers and shareholders.

The ultimate impact of the COVID-19 pandemic on our operations and financial performance depends on many factors that are not within our control. For more information, please see Part II, Item 1A “Risk Factors” included elsewhere within this Quarterly Report on Form 10-Q and Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for Fiscal 2022.

Impacts of Russia-Ukraine Conflict

We have ceased all direct business in Russia and Belarus and with known Russian-owned companies. To support certain of our cloud customers headquartered in the United States or allied countries that rely on our network to manage their global business (including their business in Russia), we have nonetheless allowed these customers to continue to use our services to the extent that it can be done in strict compliance with all applicable sanctions and export controls. However, we may adjust our business practices as required by applicable rules and regulations. While we do not expect our decision to cease all direct business in Russia and Belarus and with known Russian-owned companies 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 this conflict, 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” included in our Annual Report on Form 10-K for Fiscal 2022.

Outlook for Remainder of Fiscal 2023

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 our margins, we believe our Total Growth strategy will ultimately drive overall cash flow generation, thus helping to fuel our disciplined capital allocation approach and further our ability to deepen our account coverage and identify and execute strategic acquisitions. With strategic acquisitions, we are well positioned to expand our product portfolio and improve our ability to innovate and grow organically, which will help us to meet our long-term growth targets. We believe our Total Growth strategy is a durable model that 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 installed customer base and new customers, which includes Global 10,000 companies (G10K), SMB and consumers. The G10K are the world's largest companies, ranked by estimated total revenues, as well as the world's largest governments and organizations. More valuable products, coupled with our established global partner program, lead to greater distribution and cross-selling opportunities which further help us to achieve organic growth. On a fiscal year-to-date basis, we have invested $219.9 million or 12.6% of revenue in R&D expense, which is in line with our target spend for R&D expense this fiscal year. As a result of the Micro Focus Acquisition, we will target to spend 13% to 15% of revenues for R&D expense for the remainder of this fiscal year.

Looking ahead, the destination for innovation is hybrid-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.

On January 31, 2023, we completed the Micro Focus Acquisition. The Micro Focus Acquisition will substantially expand our scope and size by adding substantial assets and operations to our existing business. We have incurred significant transaction costs in connection with the Micro Focus Acquisition. We have incurred and will continue to incur additional integration costs following the close of the Micro Focus Acquisition. On January 31, 2023, the Company announced a restructuring plan that will impact its global workforce following the Micro Focus Acquisition in an effort to further streamline our operations, consistent with previously announced cost synergies of $400 million (Fiscal 2023 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 $70 to $80 million. The Fiscal 2023 Restructuring Plan is proposed to be completed by the end of Fiscal 2023. See also Part II, Item 1A, “Risk Factors” included within this Quarterly Report on Form 10-Q.

We will continue to closely monitor the potential impacts of COVID-19, inflation with respect to wages, services and goods, concerns regarding any potential recession, rising interest rates, financial market volatility, and the Russia-Ukraine conflict on our business. We do not expect our decision to cease all direct business in Russia and Belarus and with known Russian-owned companies to have a material adverse effect on our overall business, results of operations or financial condition. See Part II, Item 1A, “Risk Factors” included within this Quarterly Report on Form 10-Q and Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for Fiscal 2022.

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 2022.

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.

Summary of Results of Operations

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2022	Change increase (decrease)	2021	2022	Change increase (decrease)	2021
Total Revenues by Product Type:						
Cloud services and subscriptions	$ 408,674	$ 43,788	$ 364,886	$ 813,325	$ 91,850	$ 721,475
Customer support	316,508	(18,367)	334,875	633,859	(36,253)	670,112
License	107,960	(1,533)	109,493	170,508	(12,514)	183,022
Professional service and other	64,298	(3,247)	67,545	131,784	(2,714)	134,498
Total revenues	897,440	20,641	876,799	1,749,476	40,369	1,709,107
Total Cost of Revenues	261,693	512	261,181	520,041	737	519,304
Total GAAP-based Gross Profit	635,747	20,129	615,618	1,229,435	39,632	1,189,803
Total GAAP-based Gross Margin %	70.8 %		70.2 %	70.3 %		69.6 %
Total GAAP-based Operating Expenses	451,084	28,350	422,734	898,419	84,189	814,230
Total GAAP-based Income from Operations	$ 184,663	$ (8,221)	$ 192,884	$ 331,016	$ (44,557)	$ 375,573
% Revenues by Product Type:						
Cloud services and subscriptions	45.5 %		41.6 %	46.5 %		42.2 %
Customer support	35.3 %		38.2 %	36.2 %		39.2 %
License	12.0 %		12.5 %	9.7 %		10.7 %
Professional service and other	7.2 %		7.7 %	7.6 %		7.9 %
Total Cost of Revenues by Product Type:						
Cloud services and subscriptions	$ 134,314	$ 12,185	$ 122,129	$ 266,113	$ 24,205	$ 241,908
Customer support	28,589	(1,079)	29,668	55,943	(3,208)	59,151
License	3,863	122	3,741	6,621	(1,089)	7,710
Professional service and other	54,064	1,023	53,041	107,864	3,098	104,766
Amortization of acquired technology-based intangible assets	40,863	(11,739)	52,602	83,500	(22,269)	105,769
Total cost of revenues	$ 261,693	$ 512	$ 261,181	$ 520,041	$ 737	$ 519,304
% GAAP-based Gross Margin by Product Type:						
Cloud services and subscriptions	67.1 %		66.5 %	67.3 %		66.5 %
Customer support	91.0 %		91.1 %	91.2 %		91.2 %
License	96.4 %		96.6 %	96.1 %		95.8 %
Professional service and other	15.9 %		21.5 %	18.2 %		22.1 %
Total Revenues by Geography: [(1)]						
Americas [(2)]	$ 583,602	$ 48,296	$ 535,306	$ 1,141,390	$ 86,392	$ 1,054,998
EMEA [(3)]	235,305	(31,917)	267,222	463,658	(48,161)	511,819
Asia Pacific [(4)]	78,533	4,262	74,271	144,428	2,138	142,290
Total revenues	$ 897,440	$ 20,641	$ 876,799	$ 1,749,476	$ 40,369	$ 1,709,107
% Revenues by Geography:						
Americas [(2)]	65.0 %		61.1 %	65.2 %		61.7 %
EMEA [(3)]	26.2 %		30.5 %	26.5 %		29.9 %
Asia Pacific [(4)]	8.8 %		8.4 %	8.3 %		8.4 %
Other Metrics:						
GAAP-based gross margin	70.8 %		70.2 %	70.3 %		69.6 %
Non-GAAP-based gross margin [(5)]	76.0 %		76.4 %	75.6 %		76.1 %
Net income (loss), attributable to OpenText	$ 258,486		$ 88,298	$ 141,557		$ 220,213
GAAP-based EPS (loss), diluted	$ 0.96		$ 0.32	$ 0.52		$ 0.81
Non-GAAP-based EPS, diluted [(5)]	$ 0.89		$ 0.89	$ 1.66		$ 1.72
Adjusted EBITDA [(5)]	$ 340,921		$ 343,518	$ 644,968		$ 666,871

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(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 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 December 31, 2022, our cloud renewal rate, excluding the impact of Carbonite Inc. (Carbonite) and Zix, increased to 94% from 93% over the quarter ended December 31, 2021.

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

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	**2022**	**Change increase (decrease)**	**2021**	**2022**	**Change increase (decrease)**	**2021**
Cloud Services and Subscriptions:						
Americas	$ 316,606	$ 43,121	$ 273,485	$ 624,953	$ 83,375	$ 541,578
EMEA	67,358	2,931	64,427	138,860	11,747	127,113
Asia Pacific	24,710	(2,264)	26,974	49,512	(3,272)	52,784
Total Cloud Services and Subscriptions Revenues	408,674	43,788	364,886	813,325	91,850	721,475
Cost of Cloud Services and Subscriptions Revenues	134,314	12,185	122,129	266,113	24,205	241,908
GAAP-based Cloud Services and Subscriptions Gross Profit	$ 274,360	$ 31,603	$ 242,757	$ 547,212	$ 67,645	$ 479,567
GAAP-based Cloud Services and Subscriptions Gross Margin %	67.1 %		66.5 %	67.3 %		66.5 %
% Cloud Services and Subscriptions Revenues by Geography:						
Americas	77.5 %		75.0 %	76.8 %		75.1 %
EMEA	16.5 %		17.7 %	17.1 %		17.6 %
Asia Pacific	6.0 %		7.3 %	6.1 %		7.3 %

Three Months Ended December 31, 2022 Compared to Three Months Ended December 31, 2021

Cloud services and subscriptions revenues increased by $43.8 million or 12.0% during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year; up 16.0% after factoring in the unfavorable impact of $14.5 million of foreign exchange rate changes. The increase was primarily driven by incremental Cloud services and subscriptions revenues from acquisitions over the comparative period. Geographically, the overall change was attributable to an increase in Americas of $43.1 million and an increase in EMEA of $2.9 million, partially offset by a decrease in Asia Pacific of $2.3 million.

There were 23 cloud services contracts greater than $1.0 million that closed during the second quarter of Fiscal 2023, compared to 27 contracts during the second quarter of Fiscal 2022.

Cost of Cloud services and subscriptions revenues increased by $12.2 million during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year. This was due to an increase in third-party network usage fees of $7.9 million and an increase in labour-related costs of $3.9 million primarily driven by incremental Cloud services and subscriptions cost of revenues from acquisitions over the comparative period. Overall, the gross margin percentage on Cloud services and subscriptions revenues remained stable at 67%.

Six Months Ended December 31, 2022 Compared to Six Months Ended December 31, 2021

Cloud services and subscriptions revenues increased by $91.9 million or 12.7% during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year; up 16.4% after factoring in the unfavorable impact of $26.6 million of foreign exchange rate changes. The increase was primarily driven by incremental Cloud services and subscriptions revenues from acquisitions over the comparative period. Geographically, the overall change was attributable to an increase in Americas of $83.4 million, an increase in EMEA of $11.7 million and a decrease in Asia Pacific of $3.3 million.

There were 41 cloud services contracts greater than $1.0 million that closed during the first six months of Fiscal 2023, compared to 43 contracts during the first six months of Fiscal 2022.

Cost of Cloud services and subscriptions revenues increased by $24.2 million during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year. This was due to an increase in third-party network usage fees of $15.9 million, an increase in labour-related costs of $7.0 million and an increase in other miscellaneous costs of $1.2 million primarily driven by incremental Cloud services and subscriptions cost of revenues from acquisitions over the comparative period. Overall, the gross margin percentage on Cloud services and subscriptions revenues remained stable at 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 December 31, 2022, our Customer support renewal rate increased to 95% compared to 94% for the quarter ended December 31, 2021.

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 December 31,			Six Months Ended December 31,		
(In thousands)	**2022**	**Change increase (decrease)**	**2021**	**2022**	**Change increase (decrease)**	**2021**
Customer Support Revenues:						
Americas	$ 186,115	$ 481	$ 185,634	$ 369,587	$ (511)	$ 370,098
EMEA	104,744	(16,345)	121,089	212,633	(30,279)	242,912
Asia Pacific	25,649	(2,503)	28,152	51,639	(5,463)	57,102
Total Customer Support Revenues	316,508	(18,367)	334,875	633,859	(36,253)	670,112
Cost of Customer Support Revenues	28,589	(1,079)	29,668	55,943	(3,208)	59,151
GAAP-based Customer Support Gross Profit	$ 287,919	$ (17,288)	$ 305,207	$ 577,916	$ (33,045)	$ 610,961
GAAP-based Customer Support Gross Margin %	91.0 %		91.1 %	91.2 %		91.2 %
% Customer Support Revenues by Geography:						
Americas	58.8 %		55.4 %	58.3 %		55.2 %
EMEA	33.1 %		36.2 %	33.5 %		36.2 %
Asia Pacific	8.1 %		8.4 %	8.2 %		8.6 %

Three Months Ended December 31, 2022 Compared to Three Months Ended December 31, 2021

Customer support revenues decreased by $18.4 million or 5.5% during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year; up 0.9% after factoring in the unfavorable impact of $21.2 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in EMEA of $16.3 million, an increase in Americas of $0.5 million and a decrease in Asia Pacific of $2.5 million.

Cost of Customer support revenues decreased by $1.1 million during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year. This was primarily due to a decrease in labour-related costs of $1.0 million. Overall, the gross margin percentage on Customer support revenues remained stable at 91%.

Six Months Ended December 31, 2022 Compared to Six Months Ended December 31, 2021

Customer support revenues decreased by $36.3 million or 5.4% during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year; up 0.7% after factoring in the unfavorable impact of $40.7 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in EMEA of $30.3 million, a decrease in Asia Pacific of $5.5 million, and a decrease in Americas of $0.5 million.

Cost of Customer support revenues decreased by $3.2 million during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year. This was primarily due to a decrease in labour-related costs of $3.3 million. Overall, the gross margin percentage on Customer support revenues remained stable at 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 December 31,			Six Months Ended December 31,		
(In thousands)	**2022**	**Change increase (decrease)**	**2021**	**2022**	**Change increase (decrease)**	**2021**
License Revenues:						
Americas	$ 49,918	$ 3,132	$ 46,786	$ 81,514	$ (2,065)	$ 83,579
EMEA	38,091	(13,535)	51,626	62,185	(20,288)	82,473
Asia Pacific	19,951	8,870	11,081	26,809	9,839	16,970
Total License Revenues	107,960	(1,533)	109,493	170,508	(12,514)	183,022
Cost of License Revenues	3,863	122	3,741	6,621	(1,089)	7,710
GAAP-based License Gross Profit	$ 104,097	$ (1,655)	$ 105,752	$ 163,887	$ (11,425)	$ 175,312
GAAP-based License Gross Margin %	96.4 %		96.6 %	96.1 %		95.8 %
% License Revenues by Geography:						
Americas	46.2 %		42.7 %	47.8 %		45.7 %
EMEA	35.3 %		47.2 %	36.5 %		45.1 %
Asia Pacific	18.5 %		10.1 %	15.7 %		9.2 %

Three Months Ended December 31, 2022 Compared to Three Months Ended December 31, 2021

License revenues decreased by $1.5 million or 1.4% during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year; up 4.8% after factoring in the unfavorable impact of $6.8 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in EMEA of $13.5 million, partially offset by an increase in Americas of $3.1 million and an increase in Asia Pacific of $8.9 million.

During the second quarter of Fiscal 2023, we closed 38 license contracts greater than $0.5 million, of which 15 contracts were greater than $1.0 million, contributing $43.0 million of License revenues. This was compared to 32 license contracts greater than $0.5 million during the second quarter of Fiscal 2022, of which 15 contracts were greater than $1.0 million, contributing $41.4 million of License revenues.

Cost of License revenues increased by $0.1 million during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year as a result of higher third-party technology costs. Overall, the gross margin percentage on License revenues decreased to 96% from 97%.

Six Months Ended December 31, 2022 Compared to Six Months Ended December 31, 2021

License revenues decreased by $12.5 million or 6.8% during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year; down 1.0% after factoring in the unfavorable impact of $10.7 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in Americas of $2.1 million and a decrease in EMEA of $20.3 million, partially offset by an increase in Asia Pacific of $9.8 million.

During the first six months of Fiscal 2023, we closed 60 license contracts greater than $0.5 million, of which 24 contracts were greater than $1.0 million, contributing $65.6 million of License revenues. This was compared to 49 license contracts greater than $0.5 million during the first six months of Fiscal 2022, of which 24 contracts were greater than $1.0 million, contributing $62.3 million of License revenues.

Cost of License revenues decreased by $1.1 million during the six months ended December 31, 2022 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 remained stable at 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 December 31,			Six Months Ended December 31,		
(In thousands)	**2022**	**Change increase (decrease)**	**2021**	**2022**	**Change increase (decrease)**	**2021**
Professional Service and Other Revenues:						
Americas	$ 30,963	$ 1,562	$ 29,401	$ 65,336	$ 5,593	$ 59,743
EMEA	25,112	(4,968)	30,080	49,980	(9,341)	59,321
Asia Pacific	8,223	159	8,064	16,468	1,034	15,434
Total Professional Service and Other Revenues	64,298	(3,247)	67,545	131,784	(2,714)	134,498
Cost of Professional Service and Other Revenues	54,064	1,023	53,041	107,864	3,098	104,766
GAAP-based Professional Service and Other Gross Profit	$ 10,234	$ (4,270)	$ 14,504	$ 23,920	$ (5,812)	$ 29,732
GAAP-based Professional Service and Other Gross Margin %	15.9 %		21.5 %	18.2 %		22.1 %
% Professional Service and Other Revenues by Geography:						
Americas	48.2 %		43.5 %	49.6 %		44.4 %
EMEA	39.1 %		44.5 %	37.9 %		44.1 %
Asia Pacific	12.7 %		12.0 %	12.5 %		11.5 %

Three Months Ended December 31, 2022 Compared to Three Months Ended December 31, 2021

Professional service and other revenues decreased by $3.2 million or 4.8% during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year; up 2.5% after factoring in the unfavorable impact of $4.9 million of foreign exchange rate changes. Geographically, the overall change was attributable to an increase in Americas of $1.6 million and increase in Asia Pacific of $0.2 million, offset by a decrease in EMEA of $5.0 million.

Cost of Professional service and other revenues increased by $1.0 million during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year. This was primarily due to an increase in labour-related costs of $0.4 million and an increase in other miscellaneous costs of $0.7 million. Overall, the gross margin percentage on Professional service and other revenues decreased to 16% from 22%.

Six Months Ended December 31, 2022 Compared to Six Months Ended December 31, 2021

Professional service and other revenues decreased by $2.7 million or 2.0% during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year; up 4.8% after factoring in the unfavorable impact of $9.2 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in EMEA of $9.3 million and offset by an increase in Americas of $5.6 million and an increase in Asia Pacific of $1.0 million.

Cost of Professional service and other revenues increased by $3.1 million during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year. This was primarily due to an increase in labour-related costs of $1.7 million and an increase in other miscellaneous costs of $1.4 million. Overall, the gross margin percentage on Professional service and other revenues decreased to 18% from 22%.

Amortization of Acquired Technology-based Intangible Assets

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2022	Change increase (decrease)	2021	2022	Change increase (decrease)	2021
Amortization of acquired technology-based intangible assets	$ 40,863	$ (11,739)	$ 52,602	$ 83,500	$ (22,269)	$ 105,769

Amortization of acquired technology-based intangible assets decreased during the three months ended December 31, 2022 by $11.7 million as compared to the same period in the prior fiscal year. This was primarily due to certain intangible assets from previous acquisitions becoming fully amortized.

Amortization of acquired technology-based intangible assets decreased during the six months ended December 31, 2022 by $22.3 million as compared to the same period in the prior fiscal year. This was primarily due to certain intangible assets from previous acquisitions becoming fully amortized.

Operating Expenses

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2022	Change increase (decrease)	2021	2022	Change increase (decrease)	2021
Research and development	$ 109,700	$ 6,078	$ 103,622	$ 219,898	$ 16,111	$ 203,787
Sales and marketing	177,171	13,233	163,938	344,341	34,163	310,178
General and administrative	77,603	6,090	71,513	155,677	12,687	142,990
Depreciation	22,858	1,079	21,779	46,032	2,867	43,165
Amortization of acquired customer-based intangible assets	53,446	781	52,665	107,884	3,335	104,549
Special charges (recoveries)	10,306	1,089	9,217	24,587	15,026	9,561
Total operating expenses	$ 451,084	$ 28,350	$ 422,734	$ 898,419	$ 84,189	$ 814,230
% of Total Revenues:						
Research and development	12.2 %		11.8 %	12.6 %		11.9 %
Sales and marketing	19.7 %		18.7 %	19.7 %		18.1 %
General and administrative	8.6 %		8.2 %	8.9 %		8.4 %
Depreciation	2.5 %		2.5 %	2.6 %		2.5 %
Amortization of acquired customer-based intangible assets	6.0 %		6.0 %	6.2 %		6.1 %
Special charges (recoveries)	1.1 %		1.1 %	1.4 %		0.6 %

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.

(In thousands)	Change between Three Months Ended December 31, 2022 and 2021 increase (decrease)	Change between Six Months Ended December 31, 2022 and 2021 increase (decrease)
Payroll and payroll-related benefits	$ (1,124)	$ 1,574
Contract labour and consulting	1,161	2,089
Share-based compensation	5,174	9,094
Travel and communication	264	538
Facilities	594	2,197
Other miscellaneous	9	619
Total change in research and development expenses	$ 6,078	$ 16,111

Research and development expenses increased by $6.1 million during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year, primarily as a result of recent acquisitions. Share-based compensation expense increased by $5.2 million, contract labour and consulting increased by $1.2 million and facility-related expenses increased by $0.6 million, these increases were partially offset by decreased payroll and payroll-related benefits of $1.1 million,

which is comprised of salaries, benefits and variable short-term incentives. Overall, our research and development expenses, as a percentage of total revenues, remained stable compared to the same period in the prior fiscal year at 12%.

Research and development expenses increased by $16.1 million during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year, partially as a result of recent acquisitions. Payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, increased by $1.6 million, share-based compensation expense increased by $9.1 million, contract labour and consulting increased by $2.1 million and facility-related expenses increased by $2.2 million. Overall, our research and development expenses, as a percentage of total revenues, increased to 13% compared to the same period in the prior fiscal year at 12%.

Our research and development labour resources decreased by 89 employees, from 4,364 employees at December 31, 2021 to 4,275 employees at December 31, 2022.

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

	Change between Three Months Ended December 31, 2022 and 2021	Change between Six Months Ended December 31, 2022 and 2021
(In thousands)	**increase (decrease)**	**increase (decrease)**
Payroll and payroll-related benefits	$ (793)	$ 4,432
Commissions	(283)	4,162
Contract labour and consulting	459	499
Share-based compensation	4,431	6,680
Travel and communication	2,119	3,777
Marketing expenses	4,862	7,459
Facilities	771	1,771
Credit loss expense (recovery)	1,355	3,138
Other miscellaneous	312	2,245
Total change in sales and marketing expenses	$ 13,233	$ 34,163

Sales and marketing expenses increased by $13.2 million during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year, partially as a result of recent acquisitions. Marketing expenses increased by $4.9 million, share-based compensation expense increased by $4.4 million, travel and communication expenses increased by $2.1 million, credit loss expense increased by $1.4 million, facility-related expenses increased by $0.8 million and other miscellaneous costs increased by $0.3 million. These increases were partially offset by decreases in payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, by $0.8 million and commissions by $0.3 million. Overall, our sales and marketing expenses, as a percentage of total revenues, increased to 20% compared to the same period in the prior fiscal year at 19%.

Sales and marketing expenses increased by $34.2 million during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year, partially as a result of recent acquisitions. Marketing expenses increased by $7.5 million, share-based compensation expense increased by $6.7 million, payroll and payroll-related benefits increased by $4.4 million, commissions increased by $4.2 million, travel and communication expenses increased by $3.8 million, credit loss expense increased by $3.1 million, other miscellaneous costs increased by $2.2 million, and facility-related expenses increased by $1.8 million. Overall, our sales and marketing expenses, as a percentage of total revenues, increased to 20% from 18% in the same period in the prior fiscal year.

Our sales and marketing labour resources decreased by 64 employees, from 2,717 employees at December 31, 2021 to 2,653 employees at December 31, 2022.

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, 2022 and 2021 increase (decrease)	Change between Six Months Ended December 31, 2022 and 2021 increase (decrease)
Payroll and payroll-related benefits	$ (2,112)	$ (64)
Contract labour and consulting	(993)	(853)
Share-based compensation	1,496	2,825
Travel and communication	(38)	916
Facilities	(339)	459
Other miscellaneous	8,076	9,404
Total change in general and administrative expenses	$ 6,090	$ 12,687

General and administrative expenses increased by $6.1 million during the three months ended December 31, 2022 as compared to the same period in the prior fiscal year, partially as a result of recent acquisitions. Other miscellaneous costs, which include professional fees such as legal, audit and tax related expenses, increased by $8.1 million and share-based compensation expense increased by $1.5 million. These increases were partially offset by reductions in payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives, which decreased by $2.1 million and contract labour and consulting decreased by $1.0 million. Overall, general and administrative expenses, as a percentage of total revenues, increased to 9% from 8% in the same period in the prior fiscal year.

General and administrative expenses increased by $12.7 million during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year, partially as a result of recent acquisitions. Other miscellaneous costs, which include professional fees such as legal, audit and tax related expenses, increased by $9.4 million and share-based compensation expense increased by $2.8 million. These increases were partially offset by reductions in contract labour and consulting expenses which decreased by $0.9 million and payroll and payroll-related benefits, which is comprised of salaries, benefits and variable short-term incentives which decreased by $0.1 million. Overall, general and administrative expenses, as a percentage of total revenues, increased to 9% from 8% in the same period in the prior fiscal year.

Our general and administrative labour resources decreased by 126 employees, from 1,992 employees at December 31, 2021 to 1,866 employees at December 31, 2022.

Depreciation expenses:

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2022	Change increase (decrease)	2021	2022	Change increase (decrease)	2021
Depreciation	$ 22,858	$ 1,079	$ 21,779	$ 46,032	$ 2,867	$ 43,165

Depreciation expenses increased during the three and six months ended December 31, 2022 by $1.1 million and $2.9 million, respectively, compared to the same periods in the prior fiscal year.

Depreciation expenses, as a percentage of total revenue remained stable for the three and six months ended December 31, 2022 at 3%, respectively, compared to the same periods in the prior fiscal year.

Amortization of acquired customer-based intangible assets:

	Three Months Ended December 31,			Six Months Ended December 31,		
(In thousands)	2022	Change increase (decrease)	2021	2022	Change increase (decrease)	2021
Amortization of acquired customer-based intangible assets	$ 53,446	$ 781	$ 52,665	$ 107,884	$ 3,335	$ 104,549

Amortization of acquired customer-based intangible assets increased during the three months ended December 31, 2022 by $0.8 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 recent acquisitions over the prior fiscal year.

Amortization of acquired customer-based intangible assets increased during the six months ended December 31, 2022 by $3.3 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 recent acquisitions 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 December 31,			Six Months Ended December 31,		
(In thousands)	**2022**	**Change increase (decrease)**	**2021**	**2022**	**Change increase (decrease)**	**2021**
Special charges (recoveries)	$ 10,306	$ 1,089	$ 9,217	$ 24,587	$ 15,026	$ 9,561

Special charges (recoveries) increased by $1.1 million during the three months ended December 31, 2022 over the comparative period. Restructuring activities increased by $2.0 million during the three months ended December 31, 2022 primarily related to the Fiscal 2022 Restructuring Plan. Additionally, acquisition related costs increased by $2.1 million, primarily due to the Micro Focus Acquisition, and other miscellaneous charges decreased by $2.8 million, primarily driven by lower pre-acquisition equity incentives of Zix, which upon acquisition were replaced by equivalent value cash settlements (see Note 19 “Acquisitions” to our Condensed Consolidated Financial Statements) compared to the same period in the prior fiscal year.

Special charges (recoveries) increased by $15.0 million during the six months ended December 31, 2022 as compared to the same period in the prior fiscal year. Restructuring activities increased by $8.1 million during the six months ended December 31, 2022 primarily related to the Fiscal 2022 Restructuring Plan. Additionally, acquisition related costs increased by $5.9 million, primarily due to the Micro Focus Acquisition, and other miscellaneous charges increased by $1.1 million, primarily driven by pre-acquisition equity incentives of Zix, which upon acquisition were replaced by equivalent value cash settlements (see Note 19 “Acquisitions” to our Condensed Consolidated Financial Statements) 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 December 31,			Six Months Ended December 31,		
(In thousands)	**2022**	**Change increase (decrease)**	**2021**	**2022**	**Change increase (decrease)**	**2021**
Foreign exchange gains (losses)	$ 60	$ (132)	$ 192	$ (1,301)	$ (1,844)	$ 543
Unrealized gains (losses) on derivatives not designated as hedges (1)	171,607	171,607	—	(9,854)	(9,854)	—
OpenText share in net income (loss) of equity investees (2)	(289)	(2,331)	2,042	(6,823)	(38,180)	31,357
Loss on debt extinguishment (3) (4)	(8,131)	19,282	(27,413)	(8,131)	19,282	(27,413)
Other miscellaneous income (expense)	102	(40)	142	227	(31)	258
Total other income (expense), net	$ 163,349	$ 188,386	$ (25,037)	$ (25,882)	$ (30,627)	$ 4,745

(1) Represents the unrealized gains (losses) on our derivatives not designated as hedges related to the financing of 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 of $8.1 million related to unamortized debt issuance costs (see Note 11 “Long-Term Debt” for more details).

(4) On December 9, 2021, we redeemed Senior Notes 2026 in full, which resulted in a loss on debt extinguishment of $27.4 million. Of this, $25.0 million related to the early termination call premium, $6.2 million related to unamortized debt issuance costs and $(3.8) million related to unamortized premium (see Note 11 “Long-Term Debt” 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 December 31,			Six Months Ended December 31,		
(In thousands)	**2022**	**Change increase (decrease)**	**2021**	**2022**	**Change increase (decrease)**	**2021**
Interest expense related to total outstanding debt (1)	$ 52,417	$ 14,003	$ 38,414	$ 95,585	$ 21,607	$ 73,978
Interest income	(16,094)	(15,401)	(693)	(21,525)	(19,994)	(1,531)
Other miscellaneous expense	2,392	(132)	2,524	5,037	184	4,853
Total interest and other related expense, net	$ 38,715	$ (1,530)	$ 40,245	$ 79,097	$ 1,797	$ 77,300

(1) 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 December 31,			Year Ended June 30,		
(In thousands)	**2022**	**Change increase (decrease)**	**2021**	**2022**	**Change increase (decrease)**	**2021**
Provision for income taxes	$ 50,774	$ 11,508	$ 39,266	$ 84,399	$ 1,683	$ 82,716

The effective tax rate for the three months ended December 31, 2022 was 16.4% compared to a provision of 30.8% for the three months ended December 31, 2021. The Company’s tax rate for the three months ended December 31, 2022, differs from the Canadian statutory rate of 26.5% primarily due to the pre-tax gain created by the mark-to-market valuation on the derivatives not designated as hedges that the Company entered into in connection with the financing of the Micro Focus Acquisition (see Note 17 “Derivative Instruments and Hedging Activities”). The mark-to-market gains in the quarter are considered capital income for tax purposes and enabled us to recognize the capital losses in the prior quarter that were previously unrecognized. Other items impacting the rate include provision to return adjustments, a net increase in uncertain tax positions, and permanent items such as disallowed stock-based compensation and foreign passive income inclusion, partially offset by research and development credits and amending a prior year return to reduce the prior year US Base Erosion and Anti-

Abuse Tax (BEAT). The Company's effective tax rate for the three months ended December 31, 2021, differs from the Canadian statutory rate primarily due to US BEAT, partially offset by research and development credits.

The effective tax rate for the six months ended December 31, 2022 was 37.3% compared to a provision of 27.3% for the six months ended December 31, 2021. The Company's tax rate for the six months ended December 31, 2022 differs from the Canadian statutory rate of 26.5% primarily due to a net increase in uncertain tax positions and permanent items such as disallowed stock-based compensation and foreign passive income inclusion, partially offset by research and development credits. The Company's effective tax rate for the six months ended December 31, 2021, differs from the Canadian statutory rate primarily due to US BEAT, partially offset by research and development credits.

Additionally, the provision from the Tax Cuts and Jobs Act of 2017 that requires capitalization and amortization of research and development costs is effective starting Fiscal 2023. If not deferred, modified or repealed, this provision may materially increase future cash taxes.

The Inflation Reduction Act and CHIPS and Science Act 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 of the new law to our financial results.

For information on certain potential tax contingencies, including the CRA 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 2022.

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 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.

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the three months ended December 31, 2022
(In thousands, except for per share data)

	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
Cost of revenues						
Cloud services and subscriptions	$ 134,314		$ (2,812)	(1)	$ 131,502	
Customer support	28,589		(690)	(1)	27,899	
Professional service and other	54,064		(1,763)	(1)	52,301	
Amortization of acquired technology-based intangible assets	40,863		(40,863)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	635,747	70.8%	46,128	(3)	681,875	76.0%
Operating expenses						
Research and development	109,700		(7,826)	(1)	101,874	
Sales and marketing	177,171		(9,437)	(1)	167,734	
General and administrative	77,603		(6,294)	(1)	71,309	
Amortization of acquired customer-based intangible assets	53,446		(53,446)	(2)	—	
Special charges (recoveries)	10,306		(10,306)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	184,663		133,437	(5)	318,100	
Other income (expense), net	163,349		(163,349)	(6)	—	
Provision for income taxes	50,774		(11,660)	(7)	39,114	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	258,486		(18,252)	(8)	240,234	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.96		$ (0.07)	(8)	$ 0.89	

(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 gains (losses) on our derivatives which are not designated as hedges, that are related to the financing of the Micro Focus Acquisition. 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 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 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 (loss) to Non-GAAP-based net income:

	Three Months Ended December 31, 2022	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 258,486	$ 0.96
Add:		
Amortization	94,309	0.35
Share-based compensation	28,822	0.10
Special charges (recoveries)	10,306	0.04
Other (income) expense, net	(163,349)	(0.60)
GAAP-based provision for income taxes	50,774	0.19
Non-GAAP-based provision for income taxes	(39,114)	(0.15)
Non-GAAP-based net income, attributable to OpenText	$ 240,234	$ 0.89

Reconciliation of Adjusted EBITDA

	Three Months Ended December 31, 2022
GAAP-based net income, attributable to OpenText	$ 258,486
Add:	
Provision for income taxes	50,774
Interest and other related expense, net	38,715
Amortization of acquired technology-based intangible assets	40,863
Amortization of acquired customer-based intangible assets	53,446
Depreciation	22,858
Share-based compensation	28,822
Special charges (recoveries)	10,306
Other (income) expense, net	(163,349)
Adjusted EBITDA	$ 340,921

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the three months ended December 31, 2021
(In thousands, except for per share data)

	Three Months Ended December 31, 2021					
	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	$ 122,129		$ (897)	(1)	$ 121,232	
Customer support	29,668		(409)	(1)	29,259	
Professional service and other	53,041		(647)	(1)	52,394	
Amortization of acquired technology-based intangible assets	52,602		(52,602)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	615,618	70.2%	54,555	(3)	670,173	76.4%
Operating expenses						
Research and development	103,622		(2,652)	(1)	100,970	
Sales and marketing	163,938		(5,006)	(1)	158,932	
General and administrative	71,513		(4,798)	(1)	66,715	
Amortization of acquired customer-based intangible assets	52,665		(52,665)	(2)	—	
Special charges (recoveries)	9,217		(9,217)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	192,884		128,893	(5)	321,777	
Other income (expense), net	(25,037)		25,037	(6)	—	
Provision for income taxes	39,266		148	(7)	39,414	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	88,298		153,782	(8)	242,080	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.32		$ 0.57	(8)	$ 0.89	

(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 31% 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:

	Three Months Ended December 31, 2021	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 88,298	$ 0.32
Add:		
Amortization	105,267	0.39
Share-based compensation	14,409	0.05
Special charges (recoveries)	9,217	0.03
Other (income) expense, net	25,037	0.09
GAAP-based provision for income taxes	39,266	0.15
Non-GAAP-based provision for income taxes	(39,414)	(0.14)
Non-GAAP-based net income, attributable to OpenText	$ 242,080	$ 0.89

Reconciliation of Adjusted EBITDA

	Three Months Ended December 31, 2021
GAAP-based net income, attributable to OpenText	$ 88,298
Add:	
Provision for income taxes	39,266
Interest and other related expense, net	40,245
Amortization of acquired technology-based intangible assets	52,602
Amortization of acquired customer-based intangible assets	52,665
Depreciation	21,779
Share-based compensation	14,409
Special charges (recoveries)	9,217
Other (income) expense, net	25,037
Adjusted EBITDA	$ 343,518

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. Other income (expense) also includes unrealized gains (losses) on our derivatives which are not designated as hedges, that are related to the financing of the Micro Focus Acquisition. 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 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 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 (loss) 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

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the six months ended December 31, 2021
(In thousands, except for per share data)

	Six Months Ended December 31, 2021					
	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	$ 241,908		$ (1,804)	(1)	$ 240,104	
Customer support	59,151		(1,130)	(1)	58,021	
Professional service and other	104,766		(1,368)	(1)	103,398	
Amortization of acquired technology-based intangible assets	105,769		(105,769)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,189,803	69.6%	110,071	(3)	1,299,874	76.1%
Operating expenses						
Research and development	203,787		(5,586)	(1)	198,201	
Sales and marketing	310,178		(9,616)	(1)	300,562	
General and administrative	142,990		(8,839)	(1)	134,151	
Amortization of acquired customer-based intangible assets	104,549		(104,549)	(2)	—	
Special charges (recoveries)	9,561		(9,561)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	375,573		248,222	(5)	623,795	
Other income (expense), net	4,745		(4,745)	(6)	—	
Provision for income taxes	82,716		(6,207)	(7)	76,509	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	220,213		249,684	(8)	469,897	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.81		$ 0.91	(8)	$ 1.72	

(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 27% 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, 2021	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 220,213	$ 0.81
Add:		
Amortization	210,318	0.77
Share-based compensation	28,343	0.10
Special charges (recoveries)	9,561	0.04
Other (income) expense, net	(4,745)	(0.02)
GAAP-based provision for income taxes	82,716	0.30
Non-GAAP-based provision for income taxes	(76,509)	(0.28)
Non-GAAP-based net income, attributable to OpenText	$ 469,897	$ 1.72

Reconciliation of Adjusted EBITDA

	Six Months Ended December 31, 2021
GAAP-based net income, attributable to OpenText	$ 220,213
Add:	
Provision for income taxes	82,716
Interest and other related expense, net	77,300
Amortization of acquired technology-based intangible assets	105,769
Amortization of acquired customer-based intangible assets	104,549
Depreciation	43,165
Share-based compensation	28,343
Special charges (recoveries)	9,561
Other (income) expense, net	(4,745)
Adjusted EBITDA	$ 666,871

LIQUIDITY AND CAPITAL RESOURCES

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

(In thousands)	As of December 31, 2022	Change increase (decrease)	As of June 30, 2022
Cash and cash equivalents	$ 2,820,927	$ 1,127,186	$ 1,693,741
Restricted cash [(1)]	1,991	(179)	2,170
Total cash, cash equivalents and restricted cash	$ 2,822,918	$ 1,127,007	$ 1,695,911

(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).

	Six Months Ended December 31,		
(In thousands)	2022	Change	2021
Cash provided by operating activities	$ 327,129	$ (79,184)	$ 406,313
Cash used in investing activities	$ (69,412)	$ 826,706	$ (896,118)
Cash provided by financing activities	$ 869,561	$ 449,748	$ 419,813

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 December 31, 2022, we have recognized a provision of $21.8 million (June 30, 2022—$19.9 million) in respect of both additional foreign taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries and planned periodic repatriations from certain German subsidiaries, that will be subject to withholding taxes upon distribution.

Cash flows provided by operating activities

Cash flows from operating activities decreased by $79.2 million, due to a decrease in net income after the impact of non-cash items of $105 million, partially offset by an increase in changes from working capital of $25.7 million.

During the second quarter of Fiscal 2023 our days sales outstanding (DSO) of 47 days, compared to our DSO of 44 days during the second quarter of Fiscal 2022. The per day impact of our DSO in the second quarter of Fiscal 2023 and Fiscal 2022 on our cash flows was $10.0 million and $9.7 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 decreased by $826.7 million, primarily due to the purchase of Zix Corporation for $837.6 million and purchase of Bricata Inc. for $17.9 million during the second quarter of Fiscal 2022.

Cash flows provided by 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 provided by financing activities increased by $449.7 million. This is primarily due to a net increase of $378.7 million in cash proceeds from the issuance and redemption of long-term debt, inclusive of debt issuance costs and debt extinguishment costs, during the second quarter of Fiscal 2023 as compared to the second quarter of Fiscal 2022, and a decrease of $110.7 million related to the repurchase of common shares and treasury stock, partially offset by reduced proceeds of $29.9 million related to the issuance of common shares and increased dividend payments of $10.0 million.

During the three and six months ended December 31, 2022, we declared and paid cash dividends of $0.24299 and $0.48598 per Common Share, respectively, in the aggregate amount of $64.9 million and $129.6 million, respectively (three and six months ended December 31, 2021—$0.2209 and $0.4418 per Common Share, respectively, in the aggregate amount of $59.7 million and $119.5 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 2022 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.

Senior Notes 2030

On February 18, 2020 Open Text Holdings, Inc. (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.

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.

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.

Senior Notes 2026

On May 31, 2016 we issued $600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 had interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 would have matured on June 1, 2026.

On December 20, 2016, we issued an additional $250 million in aggregate principal amount by reopening our Senior Notes 2026 at an issue price of 102.75%. The additional notes had identical terms, were fungible with and were a part of a single series with the previously issued $600 million aggregate principal amount of Senior Notes 2026. The outstanding aggregate principal amount of Senior Notes 2026, after taking into consideration the additional issuance, was $850 million as of December 9, 2021.

On December 9, 2021, we redeemed Senior Notes 2026 in full at a price equal to 102.9375% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date. A portion of the net proceeds from the offerings of Senior Notes 2029 and Senior Notes 2031 was used to redeem Senior Notes 2026. Upon redemption, Senior Notes 2026 were cancelled, and any obligation thereunder was extinguished. The resulting loss of $27.4 million, consisting of $25.0 million relating to the early termination call premium, $6.2 million relating to unamortized debt issuance costs and $(3.8) million relating to unamortized premium, has been recorded as a component of Other income (expense), net in our Condensed Consolidated Statements of Income. See Note 22 "Other Income (Expense), Net" 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 6.90% 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 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, 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 will be effectively senior to all of the Company's and the guarantors' senior unsecured debt to the extent of the value of the 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.

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, the Acquisition Term Loan and Bridge Loan. Term Loan B has a seven-year term, maturing in May 2025.

Borrowings under Term Loan B bear interest at a rate per annum equal to an applicable margin plus, at the borrower's option, either (1) the Eurodollar rate for the interest period relevant to such borrowing or (2) an ABR rate. The applicable margin for borrowings under Term Loan B is 1.75%, with respect to LIBOR advances and 0.75%, with respect to ABR advances. The interest on the current outstanding balance for Term Loan B is equal to 1.75% plus LIBOR (subject to a 0.00% floor). As of December 31, 2022, the outstanding balance on the Term Loan B bears an interest rate of 5.82%. For more information regarding the impact and discontinuance of LIBOR, see "Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against" included within Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2022.

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

Under Term Loan B, we must maintain a "consolidated net leverage" ratio of no more than 4:1 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of December 31, 2022, our consolidated net leverage ratio was 2.0:1.

Revolver

On October 31, 2019, 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 extend the maturity from May 5, 2022 to October 31, 2024. 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 Bridge Loan. The Revolver has no fixed repayment date prior to the end of the term. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%. For more information regarding the impact and discontinuance of LIBOR, see "Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against" included within Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2022.

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

As of December 31, 2022, we had no outstanding balance under the Revolver (June 30, 2022—nil). On January 27, 2023, the Company drew down $450 million from the Revolver to finance the Micro Focus Acquisition.

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. On January 31, 2023, the Company drew down the entire amount of the Acquisition Term Loan, less original issuance discount and other fees, of which the net proceeds were used to finance the Micro Focus Acquisition (see Note 19 **—** “Acquisitions” for more details).

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 will bear interest at rates as specified in the Acquisition Term Loan.

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 4.5:1.00 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 December 31, 2022, our consolidated net leverage ratio was 2.0:1.

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.

As of December 31, 2022, we had no borrowings under the Acquisition Term Loan. For the three and six months ended December 31, 2022, we did not record any interest expense relating to the Acquisition Term Loan.

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.

Bridge Loan

On August 25, 2022, we entered into a bridge loan agreement (Bridge Loan) which provided for commitments of up to $2 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 $8.1 million relating to unamortized debt issuance costs (see Note 22 “Other Income (Expense), Net” for more details).

As of December 31, 2022, we had no borrowings under the Bridge Loan. For the three and six months ended December 31, 2022, 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, 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 short-form base shelf prospectus qualifying the distribution of such securities was concurrently filed with Canadian securities regulators on December 6, 2021. 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 5, 2020, the Board authorized a share repurchase plan (the Fiscal 2021 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, 2020, up to an aggregate of $350 million of our Common Shares on the NASDAQ Global Select Market, the TSX 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 were authorized to pay 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 2021 Repurchase Plan was effected in accordance with Rule 10b-18 under the Exchange Act (Rule 10b-18). Purchases made under the Fiscal 2021 Repurchase Plan were subject to a limit of 13,618,774 shares (representing 5% of the Company’s issued and outstanding Common Shares as of November 4, 2020). All Common Shares purchased by us pursuant to the Fiscal 2021 Repurchase Plan were cancelled.

On November 4, 2021, the Board authorized a share repurchase plan (the 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 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 December 31, 2022, we did not repurchase and cancel any Common Shares (three and six months ended December 31, 2021—1,809,559 Common Shares, respectively, for $91.0 million, respectively).

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 Fiscal 2022 NCIB 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 could 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.

Commitments and Contractual Obligations

As of December 31, 2022, we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

		Payments due between			
(In thousands)	Total	January 1, 2023 - June 30, 2023	July 1, 2023 - June 30, 2025	July 1, 2025 - June 30, 2027	July 1, 2027 and beyond
Long-term debt obligations (1)	$ 6,673,929	$ 133,371	$ 1,455,308	$ 401,500	$ 4,683,750
Operating lease obligations (2)	271,645	33,886	106,807	64,331	66,621
Purchase obligations for contracts not accounted for as lease obligations	86,305	28,619	45,007	12,679	—
	$ 7,031,879	$ 195,876	$ 1,607,122	$ 478,510	$ 4,750,371

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(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. The table above does not reflect the amounts drawn on the Revolver or the Acquisition Term Loan related to the financing of the Micro Focus Acquisition subsequent to December 31, 2022.

(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.

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 December 31, 2022, 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 $72 million. As of December 31, 2022, we have provisionally paid approximately $32 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 December 31, 2022.

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 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 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 conflict with the expert valuation prepared by the independent leading accounting and advisory firm that was used to support our original filing position. On January 27, 2022, the CRA issued a notice of reassessment in respect of Fiscal 2017 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. 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 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 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 currently in preliminary stages of auditing Fiscal 2018 and Fiscal 2019.

Carbonite Class Action Complaint

On August 1, 2019, prior to our acquisition of 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 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. The motion was fully briefed in June 2020 and a hearing on the motion to dismiss the Securities Actions was held on October 15, 2020. Following the hearing, 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 Court of Appeals for the First Circuit. On December 21, 2021, the First Circuit issued a decision reversing and remanding the Securities Actions to the district court for further proceedings. The defendants remain confident in their position, believe the Securities Actions are without merit, and will continue to vigorously defend the matter.

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 "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. We continue to vigorously defend the matter, and the U.S. District Court for the District of Massachusetts has issued a claim construction order. We have not accrued a loss contingency related to this matter because litigation related to a non-practicing entity is inherently unpredictable. Although a loss is reasonably possible, an unfavorable outcome is not considered by management to be probable at this time and we remain unable to reasonably estimate a possible loss or range of loss associated with this litigation.

Please also see Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2022.

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 December 31, 2022, we had an outstanding balance of $952.5 million on Term Loan B. Term Loan B bears a floating interest rate of 1.75% plus LIBOR. As of December 31, 2022, an adverse change of one percent on the interest rate would have the effect of increasing our annual interest payment on Term Loan B by approximately $9.5 million, assuming that the loan balance as of December 31, 2022 is outstanding for the entire period (June 30, 2022—$9.6 million).

As of December 31, 2022, we had no outstanding balance under the Revolver. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed rate that is dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%. As of December 31, 2022, with no outstanding balance on the Revolver, an adverse change of one percent on the interest rate would have no effect on our annual interest payment (June 30, 2022—nil).

As of December 31, 2022, we had no borrowings under the Acquisition Term Loan. As of December 31, 2022, with no outstanding balance on the Acquisition Term Loan, an adverse change of one percent on the interest rate would have no effect on our annual interest payment (June 30, 2022—nil).

For more information regarding the impact of LIBOR and SOFR rates, see "Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against" included within Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2022.

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 December 31, 2022, 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, 2022—$0.5 million).

Additionally, in connection with the Micro Focus Acquisition, in August 2022, the Company 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. The Company 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. The instruments do not qualify for hedge accounting at inception.

Based on the deal contingent and non-contingent forward contracts outstanding as of December 31, 2022, a one cent change in the British Pound to U.S. dollar forward exchange rate would have caused a change of $18.0 million in the mark-to-market valuation on our existing deal-contingent forward and non-contingent forward contracts (June 30, 2022—nil).

Based on the cross currency swaps outstanding as of December 31, 2022, a one cent change in the Euro to U.S. dollar forward exchange rate would have caused a change of $1.3 million in the mark-to-market valuation on our existing cross currency swaps (June 30, 2022—nil).

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 December 31, 2022 (equivalent in U.S. dollar):

(In thousands)	U.S. Dollar Equivalent at December 31, 2022	U.S. Dollar Equivalent at June 30, 2022
Euro	$ 230,238	$ 254,546
British Pound	50,246	44,020
Canadian Dollar	22,594	14,640
Swiss Franc	47,714	48,674
Other foreign currencies	157,781	127,060
Total cash and cash equivalents denominated in foreign currencies	508,573	488,940
U.S. Dollar	2,312,354	1,204,801
Total cash and cash equivalents	$ 2,820,927	$ 1,693,741

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 $50.9 million (June 30, 2022—$48.9 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 December 31, 2022, 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 December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1A. Risk Factors

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, 2022 and our Quarterly Report on Form 10-Q for the three months ended September 30, 2022. 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 Micro Focus Acquisition

We may fail to realize the benefits expected from the Micro Focus Acquisition, which could adversely affect our business and results of operations

The anticipated benefits we expect from the Micro Focus Acquisition are, necessarily, based on projections and assumptions about our combined business with Micro Focus, which may not materialize as expected or which may prove to be inaccurate. Our business and results of operations could be adversely affected if we are unable to realize the anticipated benefits from the Micro Focus Acquisition on a timely basis or at all, including realizing the anticipated synergies from the Micro Focus Acquisition in the anticipated amounts or within the anticipated timeframes or cost expectations or at all. Achieving the benefits of the Micro Focus Acquisition will depend, in part, on our ability to integrate the business and operations of Micro Focus successfully and efficiently with our business. The challenges involved in this integration, which may be complex and time-consuming, include the following:

- successfully managing relationships with our strategic partners, combined supplier and customer base;
- coordinating and integrating independent research and development and engineering teams across technologies and product platforms to enhance product development while reducing costs;
- coordinating sales and marketing efforts to effectively position the combined company's capabilities and the direction of product development;
- limitations or restrictions required by regulatory authorities on the ability of Micro Focus' and our management to conduct planning regarding the integration of the two companies;
- difficulties in integrating the systems and process of two companies with complex operations including multiple sites;
- the increased scale resulting from the Micro Focus Acquisition;
- retaining key employees;
- implementing expected cost synergies of $400 million;
- obligations that we will have to counterparties of Micro Focus that arise as a result of the change in control of Micro Focus; and
- the diversion of management attention from other important business objectives.

If we do not successfully manage these issues and the other challenges inherent in integrating an acquired business of the size and complexity of Micro Focus, then we may not achieve the anticipated benefits of the Micro Focus Acquisition and our revenue, expenses, operating results and financial condition could be adversely affected.

The use of cash and incurrence of substantial indebtedness in connection with the financing of the Micro Focus Acquisition may have an adverse impact on our liquidity, limit our flexibility in responding to other business opportunities and increase our vulnerability to adverse economic and industry conditions

We have a significant amount of indebtedness outstanding following closing the Micro Focus Acquisition. As of December 31, 2022 we had $5.3 billion of total indebtedness. In connection with the financing of the Micro Focus Acquisition, on January 27, 2023, we drew down on our Revolver for $450 million, and on January 31, 2023 we drew down the entire amount of our Acquisition Term Loan, less original issuance discount and other fees. The Acquisition Term Loan and Senior Secured Notes 2027 are secured by a first charge on substantially all of the assets of the Company and certain subsidiary guarantors on a pari passu basis with the Revolver and Term Loan B. This level of indebtedness could have important consequences to our business, including, but not limited to:

- increasing our debt service obligations, making it more difficult for us to satisfy our obligations;
- limiting our ability to borrow additional funds for working capital, capital expenditures, acquisitions and other general purposes and increasing the cost of any such borrowing;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;

- expose us to fluctuations in the interest rate environment because the interest rates under Term Loan B and the Revolver are variable;
- require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions, dividends and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, which may place us at a competitive disadvantage compared to our competitors that have less debt;
- placing us at a competitive disadvantage as compared to certain of our competitors that are not as highly leveraged;
- increasing the risk of a future credit ratings downgrade of our debt, which could increase future debt costs and limit the future availability of debt financing; and
- restricting us from pursuing certain business opportunities, including other acquisitions.

In addition, a breach of the restrictive covenants could result in an event of default with respect to the indebtedness, which, if not cured or waived, could result in the indebtedness becoming immediately due and payable and could have a material adverse effect on our business, financial condition or operating results. For more information on our indebtedness, see Note 11 “Long-Term Debt” to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

As a result of the Micro Focus Acquisition, the scope and size of our operations and business has substantially changed and will result in certain incremental risks to us. We cannot provide assurance that our expansion in scope and size will be successful

The Micro Focus Acquisition substantially expands the scope and size of our business by adding substantial assets and operations to our existing business. The anticipated future growth of our business will impose significant added responsibilities on management, including the need to identify, recruit, train and integrate additional employees. Our senior management’s attention may be diverted from the management of daily operations to the integration of the assets acquired in the Micro Focus Acquisition. Our ability to manage our business and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. We may also encounter risks, costs and expenses associated with any undisclosed or other unanticipated liabilities and use more cash and other financial resources on integration and implementation activities than we expect. We may not be able to integrate the Micro Focus business into our existing operations on our anticipated timelines or realize the full expected economic benefits of the Micro Focus Acquisition, which may have a material adverse effect on our business, financial condition and results of operations.

We may also encounter risk, costs and expenses associated with preparing periodic reporting and consolidated financial statements following the closing of the Micro Focus Acquisition. The expansion of effective internal controls over financial reporting and adequate disclosure controls and procedures over the Micro Focus business will be necessary to provide reliable financial reports and reporting. Micro Focus identified a material weakness in its internal controls over financial reporting for the fiscal year ended October 31, 2021, which was subsequently remediated. In the course of applying our internal controls framework to the Micro Focus business we may identify other material weaknesses, significant deficiencies or other deficiencies, which could result in our determining we have a material weakness in internal controls over financial reporting which could result in an adverse reaction in the financial markets and could have a material adverse effect on our business, financial condition, results of operation and prospects. Also, Micro Focus’ historical financial statements were prepared in accordance with IFRS and have not been prepared in accordance with U.S. GAAP. Micro Focus provides public financial statements semi-annually, with a fiscal year end of October 31. Given such differences, it may be difficult for us to integrate systems in a timely fashion to produce financial statements following the closing of the Micro Focus Acquisition.

In addition, the consummation of the Micro Focus Acquisition may heighten the potential adverse effects on our business, operating results or financial condition described in the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended June 30, 2022.

We have incurred significant transaction costs in connection with the Micro Focus Acquisition that could adversely affect our results of operations

We have incurred significant transaction costs in connection with the Micro Focus Acquisition, including payment of certain fees and expenses incurred in connection with the Micro Focus Acquisition and related transactions to obtain financing for the Micro Focus Acquisition, including entering into certain derivative transactions in connection with the Micro Focus Acquisition as further described herein. We anticipate mark-to-market valuation adjustments for certain derivative transactions, based on foreign currency fluctuations. For more information on our mark-to-market derivatives, see Note 17 “Derivative Instruments and Hedging Activities” and Note 22 “Other Income (Expense), Net” to our Condensed Consolidated Financial Statements and Item 2. Management's Discussion and Analysis of Financial condition and Results of Operations. Additional unanticipated costs may be incurred in the integration process. These could adversely affect our results of operations in the period in which such expenses are recorded or our cash flow in the period in which any related costs are actually paid.

Furthermore, we have incurred and may continue to incur severance expenses and restructuring charges in connection with the Micro Focus Acquisition, which may adversely affect our operating results following the closing of the Micro Focus Acquisition in which such expenses are recorded or our cash flow in the period in which any related costs are actually paid.

Micro Focus' provision for income taxes and any ultimate tax liability may differ from the amounts initially recorded and such differences could have an adverse effect on the combined company's financial condition and results of operations.

As disclosed in Micro Focus' Current Report on Form 6-K for the six months ended April 30, 2022 and Annual Report on Form 20-F for the year ended October 31, 2021, U.K. tax authorities have challenged certain historic tax filing positions of Micro Focus. Based on Micro Focus' assessment of the value of the underlying tax benefit under dispute, and as supported by external professional advice, it believes that it has no liability in respect of these matters and therefore no tax charge was recorded in current or previous periods. Although Micro Focus believes its assessment is reasonable, no assurance can be made regarding the ultimate outcome of these matters.

Micro Focus is also subject to income taxes in numerous jurisdictions and significant judgment has been applied in determining its worldwide provision for income taxes. The provision for income taxes may be impacted by various internal and external factors that could have favorable or unfavorable effects, including changes in tax laws, regulations and/or rates, results of audits, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, the impact of transactions completed, the structuring of activities undertaken, the application of complex transfer pricing rules, changes in the valuation of deferred tax assets and liabilities, and changes in overall mix and levels of income before taxes. Further, due to Micro Focus' complex acquisitive history, it could become subject to additional tax audits in jurisdictions in which it has not historically been subject to examination. As a result, Micro Focus' worldwide provision for income taxes and any ultimate tax liability may differ from the amounts initially recorded and such differences could have an adverse effect on the combined company's financial condition and results of operations.

For more information on certain Micro Focus tax matters, see Note 10 (Taxation) to the condensed consolidated interim financial statements of Micro Focus for the six months ended April 30, 2022, included in its Current Report on Form 6-K furnished to the SEC on June 22, 2022, and Item 3.D (Risk Factors) and Note 7 (Taxation) to the consolidated financial statements of Micro Focus as of October 31, 2021, each included in the Annual Report on Form 20-F of Micro Focus for the year ended October 31, 2021.

Following completion of the Acquisition, we may inherit litigation that could materially adversely affect us.

From time to time and in the ordinary course of our business, Micro Focus has and may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time consuming and expensive, could divert Micro Focus' and our management's attention away from their regular business and, if such legal proceedings are adversely resolved against Micro Focus, such result could have a material adverse effect on our combined business, operating results or financial condition following completion of the Acquisition. See Micro Focus' Current Report on Form 6-K for the six months ended April 30, 2022 and Annual Report on Form 20-F for the year ended October 31, 2021 for further information on certain Micro Focus litigation matters.

Item 6. Exhibits

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

Exhibit Number	Description	Report or Registration Statement	Exhibit Reference
2.1	Rule 2.7 Announcement, dated August 25, 2022.	Company's Form 8-K/A, filed August 29, 2022	Exhibit 2.1
4.1	Form of Common Share Certificate	Company's Form 10-Q, filed November 3, 2022	
4.2	Amended and Restated Shareholder Rights Plan Agreement between Open Text Corporation and Computershare Investor Services, Inc. dated September 15, 2022.	Company's Form 8-K, filed September 15, 2022	Exhibit 4.1
4.3	Indenture governing the Company's 6.90% senior secured notes due 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 Notes collateral agent, and BNY Trust Company of Canada, as Canadian trustee.	Company's Form 8-K, filed December 1, 2022	Exhibit 4.1
4.4	Form of the Company's 6.90% senior secured notes due 2027 (included in Exhibit 4.1).	Company's Form 8-K, filed December 1, 2022	Exhibit 4.2
10.1	Co-operation Agreement, dated August 25, 2022, by and between the Company, Bidco and Micro Focus International plc.	Company's Form 8-K/A, filed August 29, 2022	Exhibit 10.1
10.2	Term Loan Credit Agreement, dated August 25, 2022, by and between the Company, the guarantors party thereto, Barclays Bank PLC, as administrative agent, and certain financial institution parties thereto.	Company's Form 8-K/A, filed August 29, 2022	Exhibit 10.2
10.3	First Amendment to Credit Agreement, dated December 1, 2022, by and among the Company, the guarantors party thereto, Barclays Bank PLC, as administrative agent and collateral agent, and certain financial institution parties thereto.	Company's Form 8-K, filed December 1, 2022	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: February 2, 2023

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: February 2, 2023

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: February 2, 2023

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 December 31, 2022 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: February 2, 2023

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 December 31, 2022 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: February 2, 2023