OPEN TEXT CORP
Form 10-K
August 02, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended June 30, 2018.
OR
o 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	Name of each exchange on which registered
Common stock without par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulations S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if smaller reporting company) 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 x
Aggregate market value of the Registrant's Common Shares held by non-affiliates, based on the closing price of the Common Shares as reported by the NASDAQ Global Select Market (“NASDAQ”) on December 31, 2017, the end of the registrant's most recently completed second fiscal quarter, was approximately $9.3 billion. The number of the Registrant's Common Shares outstanding as of July 31, 2018 was 267,846,320.
DOCUMENTS INCORPORATED BY REFERENCE
None.

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Part I

Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act), and is subject to the safe harbors created by those sections. Words such as “anticipates”, “expects”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “may”, “could”, “would”, “might”, “will” and variations of these words or expressions are intended to identify forward-looking statements. In addition, any statements that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements, and are based on our current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. Forward-looking statements reflect our current estimates, beliefs and assumptions, which are based on management’s perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. These forward-looking statements are based on certain assumptions including the following: (i) countries continuing to implement and enforce existing and additional customs and security regulations relating to the provision of electronic information for imports and exports; (ii) our continued operation of a secure and reliable business network; (iii) the stability of general political, economic and market conditions, currency exchange rates, and interest rates; (iv) equity and debt markets continuing to provide us with access to capital; (v) our continued ability to identify and source attractive and executable business combination opportunities, as well as our ability to continue to successfully integrate any such opportunities, including in accordance with the expected timeframe and/or cost budget for such integration; and (vi) our continued compliance with third party intellectual property rights. These forward-looking statements involve known and unknown risks as well as uncertainties, including those discussed herein and in the Notes to Consolidated Financial Statements for the year ended June 30, 2018, which are set forth in Part II, Item 8 of this Annual Report. The actual results that we achieve may differ materially from any forward-looking statements, which reflect management's current expectations and projections about future results only as of the date hereof. We undertake no obligation to revise or publicly release the results of any revisions to these forward-looking statements. A number of factors may materially affect our business, financial condition, operating results and prospects. These factors include, but are not limited to, those set forth in Part I, Item 1A “Risk Factors” and elsewhere in this Annual Report as well as other documents we file from time to time with the United States Securities and Exchange Commission (the SEC). Any one of these factors may cause our actual results to differ materially from recent results or from our anticipated future results. You should not rely too heavily on the forward-looking statements contained in this Annual Report on Form 10-K because these forward-looking statements are relevant only as of the date they were made.

Item 1. Business

Open Text Corporation was incorporated on June 26, 1991. References herein to the “Company”, “OpenText”, “we” or “us” refer to Open Text Corporation and, unless context requires otherwise, its subsidiaries. Our principal office is located at 275 Frank Tompa Drive, Waterloo, Ontario, Canada N2L 0A1, and our telephone number at that location is (519) 888-7111. Our internet address is www.opentext.com. Our website is included in this Annual Report on Form 10-K as an inactive textual reference only. Except for the documents specifically incorporated by reference into this Annual Report, information contained on our website is not incorporated by reference in this Annual Report on Form 10-K and should not be considered to be a part of this Annual Report. Throughout this Annual Report on Form 10-K: (i) the term "Fiscal 2019" means our fiscal year beginning on July 1, 2018 and ending June 30, 2019; (ii) the term “Fiscal 2018” means our fiscal year beginning on July 1, 2017 and ended June 30, 2018; (iii) the term “Fiscal 2017” means our fiscal year beginning on July 1, 2016 and ended June 30, 2017; (iv) the term “Fiscal 2016” means our fiscal year beginning on July 1, 2015 and ended June 30, 2016; and (v) the term “Fiscal 2015” means our fiscal year beginning on July 1, 2014 and ended June 30, 2015. Our Consolidated Financial Statements are presented in U.S. dollars and, unless otherwise indicated, all amounts included in this Annual Report on Form 10-K are expressed in U.S. dollars.

Business Overview and Strategy

What We Do: About OpenText

We operate in the Enterprise Information Management (EIM) market where we enable the intelligent and connected enterprise. We develop enterprise software to support businesses in becoming digital businesses and governments in becoming digital governments. The OpenText comprehensive EIM platform and suite of software products and services provide secure and scalable solutions for global companies and governments around the world. With our software, organizations manage a valuable asset - information. Information that is made more valuable by connecting it to digital business processes, information that is protected and secure throughout its entire lifecycle, information that captivates customers, and information that connects and fuels some of the world's largest digital supply chains in manufacturing, retail, and financial services. With Artificial Intelligence (AI) from OpenText, our customers leverage their information for automation, insights, predictions, and ultimately better decision making.

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

What We Offer: Our Products and Services Overview

At its core, the OpenText EIM suite is about enabling the Intelligent and Connected Enterprise with automation, AI, application programming interfaces (APIs), and data management designed into its intelligent information core. These capabilities bring together information from both humans and machines, where it can be securely managed, stored and accessed and mined with analytics for actionable and relevant insights.

Our comprehensive EIM product portfolio combines digital applications with an information platform, bringing together Content Services, Security, the Business Network, the Internet of Things (IoT), and the Developer for optimized customer experience, employee engagement, asset utilization, and supply chain efficiency.

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

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

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

With our cloud-based IoT platform, the enterprise can dynamically integrate multi-tiered supply chain communities and build IoT solutions for greater efficiency, agility, and new value-added services. Information from machines is supported, whether it's a smart machine, industrial machinery, or an automotive or medical device.

The developer is critical to the development of secure-from-day-1 applications. The OpenText EIM platform expands its low-code development capabilities with additional out-of-the-box integrations designed to support the developer with a unified application development environment.

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

To simplify consumption and offer our customers greater flexibility, our EIM suite is available on-premises, in the OpenText Cloud, or as a software as a service (SaaS) offering.

Designed to fulfill on our vision of the “Intelligent and Connected Enterprise”, OpenText EIM enables organizations to secure their most valuable asset - information so that they can collaborate with confidence, validate endpoints with all machines and the IoT, stay ahead of the regulatory technology curve, identify threats that cross their networks, leverage discovery with information forensics, and gain insight and action through AI and automation.

Our portfolio is comprised of capabilities in the following areas:

Content Services

Part of the OpenText EIM platform, OpenText™ Content Services help organizations connect content to their Digital Business to improve process productivity, personal productivity, and control. Additionally, OpenText Content Services adhere to the Content Management Interoperability Services (CMIS) standard and support a broad range of operating systems, databases, application servers, and enterprise applications. Our Content Services are available on-premises, as a subscription in our cloud or as a managed service.

Digital Process Automation (DPA)

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

Customer Experience Management (CEM)

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

Discovery

Our Discovery suite provides leading forensics and unstructured data analytics for searching, collecting, and investigating enterprise data to manage legal obligations and risk. Our Discovery suite has powerful machine learning capabilities to help legal and compliance teams quickly find critical information for litigation discovery, investigations, compliance, data breach response, business projects, and financial contract analysis. Users can conduct discreet, forensically-sound data collections from networks, endpoints, and mobile devices without disrupting day-to-day business.

Business Network (BN)

Our BN is a set of solutions within EIM that facilitate efficient, secure and compliant exchange of information inside and outside of organizations. Our BN delivers a comprehensive product set that accelerates time to transaction. It integrates messaging and business-to-business (B2B) integration services such as secure mail, large file transfer, fax and electronic data interchange (EDI) within a single platform, enabling "any-to-any" transactions. Our BN also enables businesses to accelerate and control how information is delivered which we believe increases the security and reliability of sensitive or complex communications.

Analytics

Our Analytics suite helps organizations improve decision-making, gain operational efficiency and increase visibility by enabling Information Technology (IT) to place interactive dashboards, reports and data visualizations quickly into the hands of business users. Our Analytics suite aims to help organizations leverage all their data, whether it be structured data or unstructured data, to help organizations increase their opportunities for growth.

Security

EnCase is a leading forensic security and automated cyber risk management software service that offers deep, 360-degree visibility across all endpoints, devices and networks, allowing proactive identification and remediation of threats.

Our Strategy

Growth

As an organization, our management believes in delivering “Total Growth”, which is to say we strive towards delivering value through acquisitions, innovations and organic initiatives, as well as financial performance. This growth is further enhanced through our direct and indirect sales distribution channels. With an emphasis on increasing recurring revenues and expanding our margins, we believe our “Total Growth” strategy will ultimately drive overall cash flow generation, thus helping to fuel our disciplined capital allocation approach and further drive our ability to continue identifying and executing strategic acquisitions (and subsequently successfully integrating such acquisitions into our business). We believe this “Total Growth” strategy will create shareholder value over both the near and long-term.

We remain a value oriented and disciplined acquirer and consolidator, having efficiently deployed $5.8 billion on acquisitions over the last 10 years. Mergers and acquisitions is one of our leading growth drivers and similar to high-performing conglomerates, we create value by focusing on acquiring and integrating businesses. We have developed a philosophy, which we refer to as “The OpenText Business System”, that is designed to create value by leveraging a clear set of operational mandates for integrating newly acquired companies and assets. We see our ability to successfully integrate acquired companies and assets into our business as a strength and pursuing strategic acquisitions is an important aspect to our Total Growth strategy. In Fiscal 2018, we further demonstrated the implementation of our strategy by acquiring Covisint Corporation (Covisint), Guidance Software, Inc. (Guidance) and Hightail, Inc. (Hightail). We regularly evaluate acquisition opportunities on an ongoing basis and at any time may be at various stages of discussion with respect to such opportunities. For additional details on our acquisitions, please see "Acquisitions During the Last Five Fiscal Years", elsewhere in Item 1 of this Annual Report on Form 10-K.

While acquiring companies is one of our leading growth drivers, our growth strategy also includes organic growth through continuous innovation. We believe we create sustained value through new innovation by expanding distribution and continually adding value to our installed base of customers. Over the last three fiscal years, we have invested a cumulative total of approximately $799.2 million in research and development (R&D) or approximately 11.5% of cumulative revenue for such three year period and we typically target to spend approximately 11% to 13% of revenues for R&D each fiscal year. We believe our ability to leverage our global presence is helpful to our ability to grow organically.

As we have continued to invest in R&D and acquisitions, we have internally developed an AI platform called “OpenText Magellan” (Magellan). Magellan incorporates Apache Spark, the powerful, open source computing foundation that lets customers take advantage of the flexibility, extensibility, and diversity of an open product stack while maintaining full ownership of their data and algorithms. As our enterprise software has historically been focused on managing data and content archives, we believe we are well positioned to turn these archives of data into active “data lakes” and we believe we can develop AI to transform this digital information into useful knowledge and insight for our customers.

We have also developed a platform called OpenText Release 16 (Release 16), which was released in April 2016. Release 16 helps organizations with their digital transformation by digitizing information, experiences, processes and supply chains, to create a better way to work within their enterprise. Release 16 also has a major focus on analysis and reporting across all product lines and use cases. It offers customers a coordinated platform for digital transformation that is intended to yield the benefits of scale and single-vendor interaction. We have made significant investments to our cloud infrastructure over the past couple of years, and now with Release 16, virtually all of our products are available in the "OpenText Cloud". Over the past year, OpenText has released Enhancement Packs (EP3 and EP4) to further address customer and market requirements.

We see a continued opportunity to help our customers become “digital businesses” and, with Magellan and Release 16 as well as our recent acquisitions and continued efforts in R&D, we believe we have a strong platform to integrate personalized analytics and insights into our OpenText EIM suites of products, which will further our vision to “Empower the Intelligent and Connected Enterprise” and strengthen our position as a leader in EIM.

Looking Towards the Future

In Fiscal 2019 we intend to continue to implement strategies that are designed to:

Broaden Our Reach into EIM, B2B Integration, Analytics, Discovery, and the Cloud. As technologies and customers become more sophisticated, we intend to be a leader in expanding the definition of traditional market sectors. We have been a leader in investing in adjacent markets through acquisitions that have provided us with the technology to accelerate our time to market and increase our scale. We have also invested in technologies to address the growing influence of analytics and social, mobile, and cloud platforms on corporate information.

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

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

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

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

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

OpenText Revenues

Our business consists of four revenue streams: license, cloud services and subscriptions, customer support, and professional service and other. For information regarding our revenues and assets by geography for Fiscal 2018, Fiscal 2017 and Fiscal 2016, see note 19 “Segment Information” in the Notes to Consolidated Financial Statements included in Item 8 to this Annual Report on Form 10-K.

License

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

Cloud Services and Subscriptions

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

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

Customer Support

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

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products and can help identify software issues, develop solutions, and document enhancement requests for consideration in future product releases.

Professional Service and Other

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

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

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

Marketing and Sales

Customers

Our customer base consists of a number of Global 10,000 organizations as well as mid-market companies and government agencies. Historically, including in Fiscal 2018, no single customer has accounted for 10% or more of our total revenues.

Global Distribution Channels

We operate on a global basis and in Fiscal 2018 we generated approximately 57% of our revenues from our “Americas” region, which consists of countries in North, Central, and South America, approximately 33% from our "EMEA" region, which primarily consists of countries in Europe, the Middle East, and Africa, and approximately 10% from our "Asia Pacific" region, which primarily consists of Japan, Australia, China, Korea, Philippines, Singapore and New Zealand. We make direct sales of products and services through our global network of subsidiaries.

Partners and Alliances

We also market our products and services worldwide through indirect channels. We partner with prominent organizations in the enterprise software and hardware industries in an effort to enhance the value of our solutions and the investments our customers have made in their existing systems. We strive to create mutually beneficial relationships with global systems integrators, consultants, and software and hardware developers that augment and extend our products and services. Through these relationships, we and our partners are better able to fulfill key market objectives, drive new business, establish a competitive advantage, and create demonstrable business value.

Our strategic partners include:

- SAP SE (SAP): Our solutions help SAP customers improve the way they manage content in SAP systems in order to assist them to improve efficiency in key processes, manage compliance, or gain new insights.
- Microsoft Corporation (Microsoft): Our partnership enables organizations to connect all aspects of their content infrastructure and take advantage of their most valuable asset - information. This helps organizations to better scale operations with confidence and improve IT and developer efficiency - all with the aim of obtaining a lower total cost of ownership over competitive solutions.
- Oracle Corporation (Oracle): We develop innovative solutions for Oracle applications that enhance the experience and productivity of users working with these tools.
- Salesforce.com Corporation (Salesforce): The company-to-company partnership between OpenText and Salesforce is focused on continuing to grow a full portfolio of EIM solutions to complement the Salesforce ecosystem by uniting the structured and unstructured information experience.

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

International Markets

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

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

Competition

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

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

Research and Development

The industry in which we compete is subject to rapid technological developments, evolving industry standards, changes in customer requirements and competitive new products and features. As a result, our success, in part, depends on our ability to continue to enhance our existing products in a timely and efficient manner and to develop and introduce new products that meet customer needs while reducing total cost of ownership. To achieve these objectives, we have made and expect to continue to make investments in research and development, through internal and third-party development activities, third-party licensing agreements and potentially through technology acquisitions. Our R&D expenses were $323.5 million for Fiscal 2018, $281.7 million for Fiscal 2017, and $194.1 million for Fiscal 2016. We believe our spending on research and development is an appropriate balance between managing our organic growth and results of operations. We expect to continue to invest in R&D to maintain and improve our products and services offerings.

Acquisitions During the Last Five Fiscal Years

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

Pursuing strategic acquisitions is an important aspect to our current and future growth strategy, which we expect to continue, in order to strengthen our service offerings in the EIM market. In Fiscal 2018 we acquired Covisint, Guidance and Hightail. Covisint was a leading cloud platform for building Identity, Automotive, and IoT applications. Guidance was a leading provider of forensic security solutions. Hightail was a leading cloud service provider for file sharing and creative collaboration.

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

In Fiscal 2018, we completed the following acquisitions:

- On February 14, 2018, we acquired Hightail for approximately $20.5 million.
- On September 14, 2017, we acquired Guidance for approximately $240.5 million.
- On July 26, 2017, we acquired Covisint for approximately $102.8 million.

Prior to Fiscal 2018, we completed the following acquisitions:

- On January 23, 2017, we acquired certain assets and assumed certain liabilities of the enterprise content division of EMC Corporation, a Massachusetts corporation, and certain of its subsidiaries (ECD Business) for approximately $1.62 billion.
- On July 31, 2016, we acquired certain customer communications management software services assets and liabilities from HP Inc. (CCM Business) for approximately $315.0 million.
- On July 20, 2016, we acquired Recommind, a leading provider of eDiscovery and information analytics, based in San Francisco, California, United States, for approximately $170.1 million.
- On May 1, 2016, we acquired ANXe Business Corporation (ANX), a leading provider of cloud-based information exchange services to the automotive and healthcare industries, based in Michigan, United States. Total consideration for ANX was approximately $104.6 million.
- On April 30, 2016, we acquired certain customer experience software and services assets and liabilities from HP Inc. (CEM Business) for approximately $160.0 million.
- On November 23, 2015, we acquired Daegis Inc. (Daegis), a global information governance, data migration solutions and development company, based in Texas, United States. Total consideration for Daegis was approximately $23.3 million.
- On January 16, 2015, we acquired Actuate Corporation (Actuate), based in San Francisco, California, United States, for $332.0 million, comprised of approximately $322.4 million in cash and shares we purchased of Actuate in the open market with a fair value of approximately $9.5 million as of the date of acquisition. Actuate was a leader in personalized analytics and insights.
- On January 2, 2015, we acquired Informative Graphics Corporation (IGC), based in Scottsdale, Arizona, United States, for approximately $40.0 million. IGC was a leading developer of viewing, annotation, redaction and publishing commercial software.
- On January 16, 2014, we acquired GXS Group Inc. (GXS), a Delaware corporation based in Gaithersburg, Maryland, United States, and leader in cloud-based B2B integration services for $1.2 billion, inclusive of the issuance of 5,190,084 OpenText Common Shares.
- On August 15, 2013, we acquired Cordys Holding B.V. (Cordys), a leading provider of BPM and case management solutions, offered on one platform with cloud, mobile, and social capabilities, based in Putten, the Netherlands for $33.2 million.

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

Intellectual Property Rights

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

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

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

Employees

As of June 30, 2018, we employed a total of approximately 12,200 individuals. The approximate composition of our employee base is as follows: (i) 2,000 employees in sales and marketing, (ii) 3,300 employees in product development, (iii) 2,800 employees in cloud services, (iv) 1,500 employees in professional services, (v) 1,100 employees in customer support, and

(vi) 1,500 employees in general and administrative roles. We believe that relations with our employees are strong. None of our employees are represented by a labour union, nor do we have collective bargaining arrangements with any of our employees. However, in certain international jurisdictions in which we operate, a “Workers' Council” represents our employees.

Available Information

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

Item 1A. Risk Factors

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

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

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

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

We rely on close cooperation with strategic partners for sales and software product development as well as for the optimization of opportunities that arise in our competitive environment. A portion of our license revenues is derived from the licensing of our software products through third parties. Also, a portion of our service revenues may be impacted by the level of service provided by third party service providers relating to Internet, telecommunications and power services. Our success will depend, in part, upon our ability to maintain access to existing channels of distribution and to gain access to new channels if and when they develop. We may not be able to retain a sufficient number of our existing distributors or develop a sufficient number of future distributors. Distributors may also give higher priority to the licensing or sale of software products and services other than ours (which could include competitors' products and services) or may not devote sufficient resources to marketing our software products and services. In addition, potential changes or renegotiations of the North American Free

Trade Agreement (NAFTA) as well as tariff changes between the U.S. and Canada could impact our relationships with distributors. The performance of third party distributors and third party service providers is largely outside of our control, and we are unable to predict the extent to which these distributors and service providers will be successful in either marketing and licensing or selling our software products and services or providing adequate Internet, telecommunication and power services so that disruptions and outages are not experienced by our customers. A reduction in strategic partner cooperation or sales efforts, a decline in the number of distributors, a decision by our distributors to discontinue the licensing of our software products or a decline or disruption in third party services could cause users and the general public to perceive our software products and services as inferior and could materially reduce revenues.

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

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

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

We intend to pursue our strategy of being a market leading consolidator for cloud-based EIM solutions, and growing the capabilities of our EIM software offerings through our proprietary research and the development of new software product and service offerings, as well as through acquisitions. In response to customer demand, it is important to our success that we continue to enhance our software products and services and to seek to set the standard for EIM capabilities. The primary market for our software products and services is rapidly evolving which means that the level of acceptance of products and services that have been released recently, including Release 16 and Magellan, or that are planned for future release to the marketplace is not certain. If the markets for our software products and services fail to develop, develop more slowly than expected or become subject to increased competition, our business may suffer. As a result, we may be unable to: (i) successfully market our current products and services, (ii) develop new software products and services and enhancements to current software products and services, (iii) complete customer implementations on a timely basis, or (iv) complete software products and services currently under development. In addition, increased competition could put significant pricing pressures on our products which could negatively impact our margins and profitability. If our software products and services are not accepted by our customers or by other businesses in the marketplace, our business, operating results and financial condition will be materially adversely affected.

Our existing customers might cancel contracts with us, fail to renew contracts on their renewal dates, and/or fail to purchase additional services and products, and we may be unable to attract new customers

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

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

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

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

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

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

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

We are highly dependent on our ability to protect our proprietary technology. We rely on a combination of copyright, patent, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We intend to protect our intellectual property rights vigorously; however, there can be no assurance that these measures will, in all cases, be successful. Enforcement of our intellectual property rights may be difficult, particularly in some countries outside of North America in which we seek to market our software products and services. While U.S. and Canadian copyright laws, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of Canada or the United States. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of our proprietary rights. Software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of our software products represents a loss of revenue to us. Where applicable, certain of our license arrangements have required us to make a limited confidential disclosure of portions of the source code for our software products, or to place such source code into escrow for the protection of another party. Despite the precautions we have taken, unauthorized third parties, including our competitors, may be able to copy certain portions of our software products or reverse engineer or obtain and use information that we regard as proprietary. Our competitive position may be adversely affected by our possible inability to effectively protect our intellectual property. In addition, certain of our products contain open source software. Licensees of open source software may be required to make public certain source code, to license proprietary software for free or to make certain derivative works available to others. While we monitor and control the use of open source software in our products and in any third party software that is incorporated into our products, and we try to ensure that no open source software is used in such a way as to require us to disclose the source code to the related product or service, there can be no guarantee that such use could not inadvertently occur. If this happened it could harm our intellectual property position and have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

The markets for our software products and services are intensely competitive and are subject to rapid technological change and other pressures created by changes in our industry. The convergence of many technologies has resulted in unforeseen competitors arising from companies that were traditionally not viewed as threats to our marketplace. We expect competition to increase and intensify in the future as the pace of technological change and adaptation quickens and as additional companies enter our markets, including those competitors who offer solutions similar to ours, but offer it through a different form of delivery. Numerous releases of competitive products have occurred in recent history and are expected to continue in the future. We may not be able to compete effectively with current competitors and potential entrants into our marketplace. We could lose market share if our current or prospective competitors: (i) develop technologies that are perceived to be substantially equivalent or superior to our technologies, (ii) introduce new competitive products or services, (iii) add new functionality to existing products and services, (iv) acquire competitive products and services, (v) reduce prices, or (vi) form strategic alliances or cooperative relationships with other companies. If other businesses were to engage in aggressive pricing policies with respect to competing products, or if the dynamics in our marketplace resulted in increasing bargaining power by the consumers of our software products and services, we would need to lower the prices we charge for the products and services we offer. This could result in lower revenues or reduced margins, either of which may materially adversely affect our business and operating results. Additionally, if prospective consumers choose other methods of EIM delivery different from that which we offer, our business and operating results could also be materially adversely affected.

Acquisitions, investments, joint ventures and other business initiatives may negatively affect our operating results
The growth of our Company through the successful acquisition and integration of complementary businesses is a critical component of our corporate strategy. In light of the continually evolving marketplace in which we operate, we regularly evaluate acquisition opportunities on an ongoing basis and at any time may be in various stages of discussions with respect to such opportunities. We plan to continue to pursue acquisitions that complement our existing business, represent a strong strategic fit and are consistent with our overall growth strategy and disciplined financial management. We may also target

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

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

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

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

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

- the increased scope and complexity of our operations;

- coordinating geographically separate organizations, operations, relationships and facilities;
- integrating (i) personnel with diverse business backgrounds, corporate cultures and management philosophies, and (ii) the standards, policies and compensation structures, as well as the complex systems, technology, networks and other assets, of the businesses;
- preserving important strategic and customer relationships;
- retention of key employees;

- the possibility that we may have failed to discover obligations of acquired businesses or risks associated with those businesses during our due diligence investigations as part of the acquisition for which we, as a successor owner, may be responsible or subject to; and
- provisions in contracts with third parties that may limit flexibility to take certain actions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our revenue and operating cash flows could be adversely affected in the short term as we continue to see more customers transition to our cloud offerings

Should we continue to see more of our customers selecting our subscription pricing and managed service offerings, with payments made over time rather than a perpetual license with upfront fees, this could, in some cases, result in instances where reported revenue and cash flow could be lower in the short term when compared to our historical perpetual license model, as well as varying between periods depending on our customers' preference to license our products or subscribe to our subscription-based or managed service offerings. While we expect that, over time, the transition to a cloud and subscription model will help our business to generate revenue growth by attracting new users and keeping our user base current as subscriptions allow users to receive the latest product updates and thereby increase recurring revenue per user, there is no guarantee that our short term revenue and operating cash will not be adversely affected during any ongoing transition period.

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

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

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

Our Consolidated Financial Statements are presented in U.S. dollars. In general, the functional currency of our subsidiaries is the local currency. For each subsidiary, assets and liabilities denominated in foreign currencies are translated into U.S dollars at the exchange rates in effect at the balance sheet dates and revenues and expenses are translated at the average exchange rates prevailing during the month of the transaction. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies affect our net operating revenues, operating income and the value of balance sheet items denominated in foreign currencies. In addition, unexpected and dramatic devaluations of currencies in developing, as well as developed, markets could negatively affect our revenues from, and the value of the assets located in, those markets. Transactional foreign currency gains (losses) included in the Consolidated Statements of Income under the line item “Other income (expense) net” for Fiscal 2018, Fiscal 2017 and Fiscal 2016 were $4.8 million, $3.1 million, and $(1.9) million, respectively. While we use derivative financial instruments to attempt to reduce our net exposure to currency exchange rate fluctuations, fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against major currencies or the currencies of large developing countries, could continue to materially affect our financial results. These risks and their potential impacts may be exacerbated by Brexit and any policy changes resulting from the new U.S. administration. See “-The vote by the United Kingdom to leave the European Union (EU) could adversely affect us.”

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

We intend to continue to make efforts to increase our international operations and anticipate that international sales will continue to account for a significant portion of our revenues. These international operations are subject to certain risks and costs, including the difficulty and expense of administering business and compliance abroad, differences in business practices, compliance with domestic and foreign laws (including without limitation domestic and international import and export laws and regulations), costs related to localizing products for foreign markets, costs related to translating and distributing software products in a timely manner, and economic or political instability and uncertainties. International operations also tend to be subject to a longer sales and collection cycle. In addition, regulatory limitations regarding the repatriation of earnings may adversely affect the transfer of cash earned from foreign operations. Significant international sales may also expose us to greater risk from political and economic instability, unexpected changes in Canadian, United States or other governmental policies concerning import and export of goods and technology, regulatory requirements, tariffs and other trade barriers including potential renegotiations of NAFTA. As of the date of filing of this Annual Report on Form 10-K, the results of the renegotiations, including the possibility of U.S. withdrawal from NAFTA, remain unclear. Our business, operating results and financial condition may be adversely impacted by any changes resulting from the NAFTA renegotiations. Additionally, international earnings may be subject to taxation by more than one jurisdiction, which may materially adversely affect our effective tax rate. Also, international expansion may be difficult, time consuming, and costly. These risks and their potential impacts may be exacerbated by Brexit and any policy changes resulting from the new U.S. administration. See "-The vote by the United Kingdom to leave the EU could adversely affect us." As a result, if revenues from international operations do not offset the expenses of establishing and maintaining foreign operations, our business, operating results and financial condition will suffer.

The vote by the United Kingdom to leave the EU could adversely affect us

The June 2016 United Kingdom referendum on its membership in the EU resulted in a majority of United Kingdom voters voting to exit the EU (Brexit). We have operations in the United Kingdom and the EU, and as a result, we face risks associated with the potential uncertainty and disruptions that may follow Brexit, including with respect to volatility in exchange rates and interest rates and potential material changes to the regulatory regime applicable to our operations in the United Kingdom. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets. For example, depending on the terms of Brexit, the United Kingdom could also lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members. Disruptions and uncertainty caused by Brexit may also cause our customers to closely monitor their costs and reduce their spending budget on our products and services. Any of these effects of Brexit, and others we cannot anticipate or that may evolve over time, could adversely affect our business, operating results and financial condition.

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

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

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

Our development of Internet and intranet applications depends on the stability, functionality and scalability of the infrastructure software of the underlying intranet, such as the infrastructure software produced by Hewlett-Packard, Oracle, Microsoft and others. If weaknesses in such infrastructure software exist, we may not be able to correct or compensate for such weaknesses. If we are unable to address weaknesses resulting from problems in the infrastructure software such that our software products do not meet customer needs or expectations, our reputation, and consequently, our business may be significantly harmed.

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

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

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

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

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

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

Most of the jurisdictions in which we operate have laws and regulations relating to data privacy, security and protection of information. We have certain measures to protect our information systems against unauthorized access and disclosure of personal information and of our confidential information and confidential information belonging to our customers. We have policies and procedures in place dealing with data security and records retention. However, there is no assurance that the security measures we have put in place will be effective in every case. Breaches in security could result in a negative impact for us and for our customers, adversely affecting our and our customers' businesses, assets, revenues, brands and reputations and resulting in penalties, fines, litigation, regulatory proceedings and other potential liabilities, in each case depending on the nature of the information disclosed. Security breaches could also affect our relations with our customers, injure our reputation and harm our ability to keep existing customers and to attract new customers. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data, and in some cases our agreements with certain customers require us to notify them in the event of a data security incident. Such mandatory disclosures could lead to negative publicity and may cause our current and prospective customers to lose confidence in the effectiveness of our data security measures. These risks to our business may increase as we expand the number of web-based and cloud-based products and services we offer and as we increase the number of countries in which we operate.

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

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

- Changes in the demand for our software products and services and for the products and services of our competitors;
- The introduction or enhancement of software products and services by us and by our competitors;
- Market acceptance of our software products, enhancements and/or services;
- Delays in the introduction of software products, enhancements and/or services by us or by our competitors;

- Customer order deferrals in anticipation of upgrades and new software products;
- Changes in the lengths of sales cycles;
- Changes in our pricing policies or those of our competitors;
- Delays in software product implementation with customers;
- Change in the mix of distribution channels through which our software products are licensed;
- Change in the mix of software products and services sold;
- Change in the mix of international and North American revenues;
- Changes in foreign currency exchange rates, LIBOR and other applicable interest rates;
- Acquisitions and the integration of acquired businesses;
- Restructuring charges taken in connection with any completed acquisition or otherwise;
- Outcome and impact of tax audits and other contingencies;
- Investor perception of our Company;
- Changes in earnings estimates by securities analysts and our ability to meet those estimates;
- Changes in laws and regulations affecting our business;
- Changes in general economic and business conditions; and
- Changes in general political developments, such as the impact of Brexit, any further policy changes resulting from the new U.S. administration, international trade policies and policies taken to stimulate or to preserve national economies including potential changes to NAFTA.

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

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

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

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

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

We may become involved in litigation that may materially adversely affect us
From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operating results or financial condition.
Our provision for income taxes and effective income tax rate may vary significantly and may adversely affect our results of operations and cash resources
Significant judgment is required in determining our provision for income taxes. Various internal and external factors may have favorable or unfavorable effects on our future provision for income taxes, income taxes receivable, and our effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, including the Tax Cuts and Jobs Act which was enacted in the United States on December 22, 2017, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, the impact of transactions we complete, future levels of research and development spending, changes in the valuation of our deferred tax assets and liabilities, transfer pricing adjustments, changes in the overall mix of income among the different jurisdictions in which we operate, and changes in overall levels of income before taxes. Changes in the tax laws of various jurisdictions in which we do business could result from the base erosion and profit shifting (BEPS) project being undertaken by the Organization for Economic Co-operation and Development (OECD). The OECD, a coalition of member countries, has been developing recommendations for international tax rules to address different types of BEPS, including situations in which profits are shifted (or payments are made) from higher tax jurisdictions to lower tax jurisdictions. Adoption of these recommendations (or other changes in law or policy) by the countries in which we do business could adversely affect our provision for income taxes and our effective tax rate. Furthermore, new accounting pronouncements or new interpretations of existing accounting pronouncements (such as those that may be described in note 2 “Recent Accounting Pronouncements” in our notes to the Consolidated Financial Statements included in this Annual Report on Form 10-K), and/or any internal restructuring initiatives we may implement from time to time to streamline our operations, can have a material impact on our effective income tax rate. In July 2016, we implemented a reorganization of our subsidiaries worldwide with the view to continuing to enhance operational and administrative efficiencies through further consolidated ownership, management, and development of our intellectual property (IP) in Canada, continuing to reduce the number of entities in our group and working towards our objective of having a single operational legal entity in each jurisdiction.
Tax examinations are often complex as tax authorities may disagree with the treatment of items reported by us and our transfer pricing methodology based upon our limited risk distributor model, the result of which could have a material adverse effect on our financial condition and results of operations. Although we believe our estimates are reasonable, the ultimate outcome with respect to the taxes we owe may differ from the amounts recorded in our financial statements, and this difference may materially affect our financial position and financial results in the period or periods for which such determination is made.
On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changed the existing US tax laws, including a reduction in the federal corporate tax rate from 35% to 21%, and the transition of US international taxation from a worldwide tax system to a partially territorial tax system. As a result of the enactment of the legislation, the Company incurred a provisional one-time tax expense of $19.0 million for the year ended June 30, 2018, primarily related to the transition tax on accumulated foreign earnings and the re-measurement of certain deferred tax assets and liabilities. The portion of this anticipated increase to tax expense attributable to the transition tax is payable over a period of up to eight years. The impact of the $19.0 million adjustment resulting from the US legislation on the effective tax rate is an increase of 4.9% for the year ended June 30, 2018. The $19.0 million is a provisional amount in respect of Alternative Minimum Tax (AMT), and transition tax on accumulated foreign earnings in accordance with Staff Accounting Bulletin 118 “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (SAB 118). The finalization of the provisional one-time amount is pending finalization of considerations related to undistributed foreign earnings and evaluating whether any portion of our existing AMT credit carryforwards are not expected to be refundable as a result of the repeal of

corporate AMT, which may result in changes to the provisional amount during the SAB 118 measurement period. The Company continues to assess the impact of the new law on its consolidated financial statements and anticipates finalizing the determination on or before December 22, 2018 in accordance with SAB 118.
For more details of tax audits to which we are subject and the impact of the recently enacted Tax Cuts and Jobs Act in the United States, see notes 13 "Guarantees and Contingencies" and 14 "Income Taxes", respectively, to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

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

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

We previously disclosed that, as part of these examinations, on July 17, 2015 we received from the IRS an initial Notice of Proposed Adjustment (NOPA) in draft form proposing a one-time approximately $280 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010, plus penalties and interest, and that we expected to receive an additional NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 arising from the integration of Global 360 Holding Corp. into the structure that resulted from the reorganization, accompanied by proposed penalties and interest. We also previously disclosed that the draft NOPA could be changed before the final NOPA is issued, including because the IRS reserved the right in the draft NOPA to increase the adjustment by assigning a higher value to our intellectual property.

On July 11, 2018, we received from the IRS a revised draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2010 (the 2010 NOPA) and a draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 (the 2012 NOPA), respectively. A NOPA is an IRS position and does not impose an obligation to pay tax. After evaluation of these NOPAs, we continue to strongly disagree with the IRS' positions and intend to vigorously contest the proposed adjustments to our taxable income.

We currently estimate our potential aggregate liability, as of June 30, 2018, in connection with these ongoing matters with the IRS, including additional state income taxes plus penalties and interest that may be due, to be approximately $725 million, comprised of approximately $455 million in U.S. federal and state taxes, approximately $105 million of penalties, and approximately $165 million of interest, as further described in Note 13 "Guarantees and Contingencies" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Based on our discussions with the IRS and the fact that the adjustments proposed in these NOPAs reflect the IRS' own asserted valuations of our intangible property, we do not expect the IRS to further revise the NOPAs to increase any of their proposed adjustments to our U.S. federal income taxes (subject to the continued accrual of interest, as noted above).

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

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

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

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

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

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

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

Our business depends on the processing of personal data, including data transfer between our affiliated entities, to and from our business partners and customers, and with third-party service providers. The laws and regulations relating to personal data constantly evolve, as federal, state and foreign governments continue to adopt new measures addressing data privacy and processing (including collection, storage, transfer, disposal and use) of personal data. Moreover, the interpretation and application of many existing or recently enacted privacy and data protection laws and regulations in the European Union, the U.S. and elsewhere are uncertain and fluid, and it is possible that such laws and regulations may be interpreted or applied in a manner that is inconsistent with our existing data management practices or the features of our products and services. Any such new laws or regulations, any changes to existing laws and regulations and any such interpretation or application may affect demand for our products and services, impact our ability to effectively transfer data across borders in support of our business operations, or increase the cost of providing our products and services. Additionally, any actual or perceived breach of such laws or regulations may subject us to claims and may lead to administrative, civil, or criminal liability, as well as reputational harm to our Company and its employees. We could also be required to fundamentally change our business activities and practices, or modify our products and services, which could have an adverse effect on our business.

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

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

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

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

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

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

Our indebtedness could limit our operations and opportunities.

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

As of June 30, 2018, our credit facilities consisted of a $1 billion term loan facility (Term Loan B) and a $450 million committed revolving credit facility (the Revolver). Borrowings under Term Loan B and the Revolver, if any, are or will be secured by a first charge over substantially all of our assets.

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

As of June 30, 2018, we also have $800 million in aggregate principal amount of our 5.625% senior unsecured notes due 2023 (Senior Notes 2023) and $850 million in aggregate principal amount of our 5.875% senior unsecured notes due 2026 (Senior Notes 2026, and with the Senior Notes 2023, the Senior Notes) outstanding, both respectively issued in private placements to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Our failure to comply with any of the covenants that are included in the indentures governing the Senior Notes could result in a default under the terms thereof, which could result in all or a portion of the Senior Notes to be immediately due and payable.

The risks discussed above would be increased to the extent that we engage in acquisitions that involve the incurrence of material additional debt, or the acquisition of businesses with material debt, and such incurrences or acquisitions could potentially negatively impact the ratings or outlook of the rating agencies on our outstanding debt securities. For more details see note 10 "Long-Term Debt" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

Changes in generally accepted accounting principles may materially adversely affect our reported results of operations or financial position.

From time to time, the Financial Accounting Standards Board (FASB) issues new accounting principles. For example, in May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, with amendments in 2015, 2016 and 2017, which creates new Accounting Standards Codification Topic 606 (Topic 606) that will replace most existing revenue recognition guidance in U.S. generally accepted accounting principles (GAAP) when it becomes effective for us in the first quarter of Fiscal 2019. Under Topic 606, more judgment and estimates will be required within the revenue recognition process than are required under existing GAAP. In connection with our adoption of Topic 606, we are developing new policies and processes based on the changes in revenue recognition guidance and implementing a new revenue recognition accounting system. Such changes and any difficulties implementing such changes could materially adversely affect our reported financial results and the effectiveness of our internal controls over financial reporting.

For more details see note 2 "Accounting Policies and Recent Accounting Pronouncements" to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our properties consist of owned and leased office facilities for sales, support, research and development, consulting and administrative personnel, totaling approximately 336,000 square feet of owned facilities and approximately 2,501,000 square feet of leased facilities.

Owned Facilities

Waterloo, Ontario, Canada

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

Brook Park, Ohio, United States

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

Leased Facilities

We lease approximately 2,501,000 square feet both domestically and internationally. Our significant facilities include the following:

- Hyderabad facility, located in India, totaling approximately 230,000 square feet;

- Makati City facility, located in Manila, Philippines, totaling approximately 135,000 square feet;
- Bangalore facility, located in India, totaling approximately 133,000 square feet;
- Grasbrunn facility, located in Germany, totaling approximately 123,000 square feet of office and storage;
- San Mateo facility, located in California, United States, totaling approximately 108,000 square feet;
- Richmond Hill facility, located in Ontario, Canada, totaling approximately 101,000 square feet;
- Pasadena facility, located in California, United States, totaling approximately 90,000 square feet;
- Gaithersburg facility, located in Maryland, United States, totaling approximately 84,000 square feet;
- Reading facility, located in Reading, UK, totaling approximately 53,000 square feet; and
- Tinton Falls facility, located in New Jersey, United States, totaling approximately 45,000 square feet;

Due to restructuring and merger integration initiatives, we have vacated approximately 354,000 square feet of our leased properties. The vacated space has either been sublet or is being actively marketed for sublease or disposition.
In addition, we also maintain a customer briefing centre and management office in Toronto, Ontario, Canada.

Item 3. Legal Proceedings

In the normal course of business, we are subject to various legal claims, as well as potential legal claims. While the results of litigation and claims cannot be predicted with certainty, we believe that the final outcome of these matters will not have a materially adverse effect on our consolidated results of operations or financial conditions.
For more information regarding litigation and the status of certain regulatory and tax proceedings, please refer to Part I, Item 1A "Risk Factors" and to note 13 “Guarantees and Contingencies” to our Consolidated Financial Statements, which are set forth in Part IV, under Item 15 of this Annual Report on Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

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

The following table sets forth the high and low sales prices for our Common Shares, as reported by the TSX and NASDAQ, respectively, for the periods indicated below.

	NASDAQ (in USD)		TSX (in CAD)	
	High	Low	High	Low
Fiscal Year Ended June 30, 2018:				
Fourth Quarter	$36.77	$33.26	$48.12	$42.55
Third Quarter	$40.31	$33.19	$49.49	$41.34
Second Quarter	$35.80	$32.05	$45.39	$40.22
First Quarter	$34.98	$30.92	$44.09	$38.65
Fiscal Year Ended June 30, 2017:				
Fourth Quarter	$35.21	$30.88	$48.28	$40.19
Third Quarter	$35.07	$30.58	$46.45	$41.05
Second Quarter	$32.79	$29.30	$43.56	$38.92
First Quarter	$33.42	$28.85	$43.75	$37.55

On June 30, 2018, the closing price of our Common Shares on the NASDAQ was $35.19 per share, and on the TSX was Canadian $46.27 per share.

As at June 30, 2018, we had 343 shareholders of record holding our Common Shares of which 294 were U.S. shareholders.

Unregistered Sales of Equity Securities

None.

Dividend Policy

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

In Fiscal 2018, our Board of Directors declared the following dividends:

Declaration Date	Dividend per Share	Record Date	Total amount (in thousands of U.S. dollars)	Payment Date
5/8/2018	$ 0.1518	6/8/2018	$ 40,617	6/29/2018
1/30/2018	$ 0.1320	3/2/2018	$ 35,168	3/23/2018
11/1/2017	$ 0.1320	12/1/2017	$ 34,811	12/20/2017
8/2/2017	$ 0.1320	9/1/2017	$ 35,017	9/22/2017

In Fiscal 2017, our Board of Directors declared the following dividends:

Declaration Date	Dividend per Share	Record Date	Total amount (in thousands of U.S. dollars)	Payment Date
5/5/2017	$ 0.1320	5/26/2017	$ 34,628	6/17/2017
2/1/2017	$ 0.1150	3/3/2017	$ 30,303	3/27/2017
11/3/2016	$ 0.1150	12/2/2016	$ 27,859	12/22/2016
7/26/2016	$ 0.1150	8/26/2016	$ 27,791	9/16/2016

Stock Purchases

No shares were repurchased during the three months ended June 30, 2018.

Stock Performance Graph and Cumulative Total Return

The following graph compares for each of the five fiscal years ended June 30, 2018, the yearly percentage change in the cumulative total shareholder return on our Common Shares with the cumulative total return on:

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

The graph illustrates the cumulative return on a $100 investment in our Common Shares made on June 30, 2013, as compared with the cumulative return on a $100 investment in the S&P North American Technology-Software Index, the NASDAQ Composite Index and the S&P/TSX Composite Index (the Indices) made on the same day. Dividends declared on securities comprising the respective Indices and declared on our Common Shares are assumed to be reinvested. The performance of our Common Shares as set out in the graph is based upon historical data and is not indicative of, nor intended to forecast, future performance of our Common Shares. The graph lines merely connect measurement dates and do not reflect fluctuations between those dates.

The chart below provides information with respect to the value of $100 invested on June 30, 2013 in our Common Shares as well as in the other Indices, assuming dividend reinvestment when applicable:

	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
Open Text Corporation	$100.00	$142.06	$121.76	$180.72	$195.57	$221.79
S&P North American Technology-Software Index	$100.00	$127.52	$148.34	$159.26	$208.21	$279.19
NASDAQ Composite	$100.00	$131.17	$150.10	$147.58	$189.34	$234.02
S&P/TSX Composite	$100.00	$126.97	$107.23	$102.92	$114.18	$124.57

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

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

Canadian Tax Matters

Dividends

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

Non-residents of Canada

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

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

United States Tax Matters

U.S. residents

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

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

Distributions on the Common Shares

Subject to the discussion below under “Passive Foreign Investment Company Rules,” U.S. holders generally will treat the gross amount of distributions paid by the Company equal to the U.S. dollar value of such dividends on the date the dividends are received or treated as received (based on the exchange rate on such date), without reduction for Canadian withholding tax (see “Canadian Tax Matters - Dividends - Non-residents of Canada”), as dividend income for U.S. federal income tax purposes to the extent of the Company’s current and accumulated earnings and profits. Because the Company does not expect to maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions paid to U.S. holders generally will be reported as dividends. Individual U.S. holders will generally be eligible to treat dividends as “qualified dividend income” taxable at preferential rates with certain exceptions for short-term and hedged positions, and provided that the Company is not during the taxable year in which the dividends are paid (and was not in the preceding taxable year) classified as a “passive foreign investment company” (PFIC) as described below under “Passive Foreign Investment Company Rules.” Dividends paid on the Common Shares generally will not be eligible for the “dividends received” deduction allowed to corporate U.S. holders in respect of dividends from U.S. corporations.

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

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

Sale, Exchange, Redemption or Other Disposition of Common Shares

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

Passive Foreign Investment Company Rules

Special U.S. federal income tax rules apply to U.S. persons owning shares of a PFIC. The Company will be classified as a PFIC in a particular taxable year if either: (i) 75 percent or more of the Company’s gross income for the taxable year is passive income, or (ii) the average percentage of the value of the Company’s assets that produce or are held for the production of passive income is at least 50 percent. If the Company is treated as a PFIC for any year, U.S. holders may be subject to adverse tax consequences upon a sale, exchange, or other disposition of the Common Shares, or upon the receipt of certain “excess distributions” in respect of the Common Shares. Dividends paid by a PFIC are not qualified dividends eligible for taxation at preferential rates. Based on audited consolidated financial statements, we believe that the Company was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2017 or 2018 taxable years. In addition, based on a review of the Company's audited consolidated financial statements and its current expectations regarding the value and nature of its assets and the sources and nature of its income, the Company does not anticipate being treated as a PFIC for the 2019 taxable year.

Information Reporting and Backup Withholding

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

Item 6. Selected Financial Data

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

	Fiscal Year Ended June 30,				
	2018	2017	2016	2015	2014
(In thousands, except per share data)					
Statement of Income Data:					
Revenues	$2,815,241	$2,291,057	$1,824,228	$1,851,917	$1,624,699
Net income, attributable to OpenText[(1)]	$242,224	$1,025,659	$284,477	$234,327	$218,125
Net income per share, basic, attributable to OpenText[(1)]	$0.91	$4.04	$1.17	$0.96	$0.91
Net income per share, diluted, attributable to OpenText[(1)]	$0.91	$4.01	$1.17	$0.95	$0.90
Weighted average number of Common Shares outstanding, basic	266,085	253,879	242,926	244,184	239,348
Weighted average number of Common Shares outstanding, diluted	267,492	255,805	244,076	245,914	241,152

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

	As of June 30,				
	2018	2017	2016	2015	2014
Balance Sheet Data:					
Total assets	$7,765,029	$7,480,562	$5,154,144	$4,353,330	$3,847,205
Total Long-term liabilities	$3,053,172	$2,820,200	$2,503,918	$1,899,086	$1,564,890
Cash dividends per Common Share	$0.5478	$0.4770	$0.4150	$0.3588	$0.3113

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations
This Annual Report on Form 10-K, including this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act), and is subject to the safe harbors created by those sections. All statements other than statements of historical facts are statements that could be deemed forward-looking statements.
When used in this report, the words “anticipates”, “expects”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “may”, “coul "might", "will" and other similar language, as they relate to Open Text Corporation (“OpenText” or the “Company”), are intended to identify forward-looking statements under applicable securities laws. Specific forward-looking statements in this report include, but are not limited to: (i) statements about our focus in the fiscal year beginning July 1, 2018 and ending June 30, 2019 (Fiscal 2019) on growth in earnings and cash flows; (ii) creating value through investments in broader Enterprise Information Management (EIM) capabilities; (iii) our future business plans and business planning process; (iv) statements relating to business trends; (v) statements relating to distribution; (vi) the Company’s presence in the cloud and in growth markets; (vii) product and solution developments, enhancements and releases and the timing thereof; (viii) the Company’s financial conditions, results of operations and earnings; (ix) the basis for any future growth and for our financial performance; (x) declaration of quarterly dividends; (xi) future tax rates; (xii) the changing regulatory environment including the new tax reform legislation enacted through the Tax Cuts and Jobs Act in the United States and its impact on our business; (xiii) annual recurring revenues; (xiv) research and development and related expenditures; (xv) our building, development and consolidation of our network infrastructure; (xvi) competition and changes in the competitive landscape; (xvii) our management and protection of intellectual property and other proprietary rights; (xviii) foreign sales and exchange rate fluctuations; (xix) cyclical or seasonal aspects of our business; (xx) capital expenditures; (xxi) potential legal and/or regulatory proceedings; (xxii) statements about the impact of Magellan and Release 16; and (xxiii) other matters.
In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking, and based on our current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. Forward-looking statements reflect our current estimates, beliefs and assumptions, which are based on management’s perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The forward-looking statements contained in this report are based on certain assumptions including the following: (i) countries continuing to implement and enforce existing and additional customs and security regulations relating to the provision of electronic information for imports and exports; (ii) our continued operation of a secure and reliable business network; (iii) the stability of general economic and market conditions, currency exchange rates, and interest rates; (iv) equity and debt markets continuing to provide us with access to capital; (v) our continued ability to identify, source and finance attractive and executable business combination opportunities; and (vi) our continued compliance with third party intellectual property rights. Management’s estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. We can give no assurance that such estimates, beliefs and assumptions will prove to be correct.
Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. The risks and uncertainties that may affect forward-looking statements include, but are not limited to: (i) integration of acquisitions and related restructuring efforts, including the quantum of restructuring charges and the timing thereof; (ii) the potential for the incurrence of or assumption of debt in connection with acquisitions and the impact on the ratings or outlooks of rating agencies on our outstanding debt securities; (iii) the possibility that the Company may be unable to meet its future reporting requirements under the Exchange Act, and the rules promulgated thereunder, or applicable Canadian securities regulation; (iv) the risks associated with bringing new products and services to market; (v) fluctuations in currency exchange rates (including as a result of the impact of Brexit and any policy changes resulting from the new U.S. administration); (vi) delays in the purchasing decisions of the Company’s customers; (vii) the competition the

Company faces in its industry and/or marketplace; (viii) the final determination of litigation, tax audits (including tax examinations in the United States, Canada or elsewhere) and other legal proceedings; (ix) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, U.S. or international tax regimes; (x) the possibility of technical, logistical or planning issues in connection with the deployment of the Company’s products or services; (xi) the continuous commitment of the Company’s customers; (xii) demand for the Company’s products and services; (xiii) increase in exposure to international business risks (including as a result of the impact of Brexit and any policy changes resulting from the new U.S. administration, including potential renegotiation of NAFTA) as we continue to increase our international operations; (xiv) inability to raise capital at all or on not unfavorable terms in the future; (xv) downward pressure on our share price and dilutive effect of future sales or issuances of equity securities (including in connection with future acquisitions); and (xvi) potential changes in ratings or outlooks of rating agencies on our outstanding debt securities. Other factors that may affect forward-looking statements include, but are not limited to: (i) the future performance, financial and otherwise, of the Company; (ii) the ability of the Company to bring new products and services to market and to increase sales; (iii) the strength of the Company’s product development pipeline; (iv) failure to secure and protect patents, trademarks and other proprietary rights; (v) infringement of third-party proprietary rights triggering indemnification obligations and resulting in significant expenses or restrictions on our ability to provide our products or services; (vi) failure to comply with privacy laws and regulations that are extensive, open to various interpretations and complex to implement including General Data Protection Regulation (GDPR) and Country by Country Reporting; (vii) the Company’s growth and other profitability prospects; (viii) the estimated size and growth prospects of the EIM market; (ix) the Company’s competitive position in the EIM market and its ability to take advantage of future opportunities in this market; (x) the benefits of the Company’s products and services to be realized by customers; (xi) the demand for the Company’s products and services and the extent of deployment of the Company’s products and services in the EIM marketplace; (xii) the Company’s financial condition and capital requirements; (xiii) system or network failures or information security breaches in connection with the Company's offerings and information technology systems generally; and (xiv) failure to attract and retain key personnel to develop and effectively manage the Company's business.

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

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

All dollar and percentage comparisons made herein under the sections titled "Fiscal 2018 compared to Fiscal 2017" refer to the twelve months ended June 30, 2018 (Fiscal 2018) compared with the twelve months ended June 30, 2017 (Fiscal 2017). All dollar and percentage comparisons made herein under the sections titled "Fiscal 2017 compared to Fiscal 2016" refer to Fiscal 2017 compared with the twelve months ended June 30, 2016 (Fiscal 2016).

Where we say “we”, “us”, “our”, “OpenText” or “the Company”, we mean Open Text Corporation or Open Text Corporation a its subsidiaries, as applicable.

EXECUTIVE OVERVIEW

We operate in the Enterprise Information Management (EIM) market where we enable the intelligent and connected enterprise. We develop enterprise software to support businesses in becoming digital businesses and governments in becoming digital governments. The OpenText comprehensive EIM platform and suite of software products and services provide secure and scalable solutions for global companies and governments around the world. With our software, organizations manage a valuable asset - information. Information that is made more valuable by connecting it to digital business processes, information that is protected and secure throughout its entire lifecycle, information that captivates customers, and information that connects and fuels some of the world's largest digital supply chains in manufacturing, retail, and financial services. With Artificial Intelligence (AI) from OpenText, our customers leverage their information for automation, insights, predictions, and ultimately better decision making.

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

Our initial public offering was on the NASDAQ in 1996 and we were subsequently listed on the Toronto Stock Exchange (TSX) in 1998. We are a multinational company and as of June 30, 2018, employed approximately 12,200 people worldwide.

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

Fiscal 2018 Summary:

During Fiscal 2018 we saw the following activity:

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- Total revenue was $2,815.2 million, up 22.9% compared to the prior fiscal year; up 19.7% after factoring the impact of $72.6 million of foreign exchange rate changes.
- Total annual recurring revenue, which we define as the sum of cloud services and subscriptions revenue and customer support revenue, was $2,061.5 million, up 22.2% compared to the prior fiscal year; up 19.4% after factoring the impact of $47.5 million of foreign exchange rate changes.

- Cloud services and subscriptions revenue was $829.0 million, up 17.5% compared to the prior fiscal year; up 16.0% after factoring the impact of $10.4 million of foreign exchange rate changes.
- License revenue was $437.5 million, up 18.5% compared to the prior fiscal year; up 14.8% after factoring the impact of $13.9 million of foreign exchange rate changes.
- GAAP-based EPS, diluted, was $0.91 compared to $4.01 in the prior fiscal year. Fiscal 2017 included a significant one-time tax benefit of $876.1 million recorded in the first quarter of Fiscal 2017.
- Non-GAAP-based EPS, diluted, was $2.56 compared to $2.02 in the prior fiscal year.
- GAAP-based gross margin was 66.2% compared to 66.7% in the prior fiscal year.
- Non-GAAP-based gross margin was 73.0% compared to 72.6% in the prior fiscal year.
- GAAP-based operating margin was 18.0% compared to 15.4% in the prior fiscal year.
- Non-GAAP-based operating margin was 33.1% compared to 31.8% in the prior fiscal year.
- GAAP-based net income attributable to OpenText was $242.2 million compared to $1,025.7 million in the prior fiscal year. Fiscal 2017 included a significant one-time tax benefit of $876.1 million recorded in the first quarter of Fiscal 2017.
- Non-GAAP-based net income attributable to OpenText was $683.6 million compared to $517.7 million in the prior fiscal year.
- Adjusted EBITDA was $1,019.1 million compared to $792.5 million in the prior fiscal year.
- Operating cash flow was $709.9 million, up 61.6% from the prior fiscal year.
- Cash and cash equivalents was $682.9 million as of June 30, 2018, compared to $443.4 million as of June 30, 2017.

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

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

Acquisitions

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

Acquisition of Hightail, Inc.

On February 14, 2018, we acquired all of the equity interest in Hightail, Inc. (Hightail), a leading cloud service provider for file sharing and creative collaboration, for approximately $20.5 million. This acquisition complements and extends our EIM portfolio. The results of operations of this acquisition have been consolidated with those of OpenText beginning February 14, 2018.

Acquisition of Guidance Software, Inc.

On September 14, 2017, we acquired all of the equity interest in Guidance Software Inc. (Guidance), a leading provider of forensic security solutions, for approximately $240.5 million. This acquisition complements and extends our EIM portfolio. The results of operations of this acquisition have been consolidated with those of OpenText beginning September 14, 2017.

Acquisition of Covisint Corporation

On July 26, 2017, we acquired all of the equity interest in Covisint Corporation (Covisint), a leading cloud platform for building Identity, Automotive, and Internet of Things applications, for approximately $102.8 million. This acquisition complements and extends our EIM portfolio. The results of operations of this acquisition have been consolidated with those of OpenText beginning July 26, 2017.

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

Outlook for Fiscal 2019

We expect to continue to pursue strategic acquisitions in the future to strengthen our service offerings in the EIM market, and at any time may be in various stages of discussions with respect to such opportunities. We believe we are a value oriented and disciplined acquirer, having efficiently deployed approximately $5.8 billion on acquisitions over the last 10 years. We see our ability to successfully integrate acquired companies and assets into our business as a strength and pursuing strategic acquisitions is an important aspect to our growth strategy. During Fiscal 2018, we further demonstrated the implementation of this strategy by acquiring Covisint, Guidance and Hightail, deploying an aggregate of $363.8 million.

While acquiring companies is one of our leading growth drivers, our growth strategy also includes organic growth through ongoing innovation. We believe we create sustained value through new innovation by expanding distribution and continually adding value to our installed base of customers. This fiscal year we invested approximately $323 million in research and development (R&D) or approximately 11% of revenue, in line with our target to spend approximately 11% to 13% of revenues for R&D this fiscal year. We believe our ability to leverage our global presence is helpful to our organic growth initiatives.

We have developed an AI platform called “OpenText Magellan” (Magellan). Magellan incorporates Apache Spark, the powerful, open source computing foundation that lets customers take advantage of the flexibility, extensibility, and diversity of an open product stack while maintaining full ownership of their data and algorithms. As our enterprise software has historically been focused on managing data and content archives, we believe we are well positioned to turn these archives of data into active “data lakes” and we believe we can develop AI to transform this digital information into useful knowledge and insight for our customers.

We have also developed a platform called OpenText Release 16 (Release 16), which was released in April 2016. Release 16 helps organizations with their digital transformation by digitizing information, experiences, processes and supply chains, to create a better way to work within their enterprise. Release 16 also has a major focus on analysis and reporting across all product lines and use cases. It offers customers a coordinated platform for digital transformation that is intended to yield the benefits of scale and single-vendor interaction. We have made significant investments to our cloud infrastructure over the past couple of years, and now with Release 16, virtually all of our products are available in the "OpenText Cloud". Over the past year, OpenText has released Enhancement Packs (EP3 and EP4) to further address customer and market requirements.

We see a continued opportunity to help our customers become “digital businesses” and, with Magellan and Release 16 as well as our recent acquisitions and continued efforts in R&D, we believe we have a strong platform to integrate personalized analytics and insights into our OpenText EIM suites of products, which will further our vision to “Empower the Intelligent and Connected Enterprise” and strengthen our position as a leader in EIM.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from those estimates. Significant Accounting Policies in the Notes to the Consolidated Financial Statements contains a summary of the significant accounting policies that we use. Many of these accounting policies involve complex situations and require a high 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 accounting policies that reflect our more significant estimates, judgments and assumptions and which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

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

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

Revenue recognition

We recognize revenues in accordance with Accounting Standard Codification (ASC) Topic 985-605, “Software Revenue Recognition” (Topic 985-605).

We record product revenues from software licenses and products when persuasive evidence of an arrangement exists, the software product has been shipped, there are no significant uncertainties surrounding product acceptance by the customer, the fees are fixed and determinable, and collection is considered probable. We use the residual method to recognize revenues on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenues related to the undelivered element is deferred based on vendor-specific objective evidence (VSOE) of the fair value of the undelivered element.

Our multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support (PCS) are sold together. We have established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple element sales arrangement, as substantiated by contractual terms and our significant PCS renewal experience, from our existing worldwide base. Our multiple element sales arrangements generally include irrevocable rights for the customer to renew PCS after the bundled term ends. The customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms. It is our experience that customers generally exercise their renewal PCS option. In the renewal transaction, PCS is sold on a stand-alone basis to the licensees one year or more after the original multiple element sales arrangement. The exercised renewal PCS price is consistent with the renewal price in the original multiple element sales arrangement, although an adjustment to reflect consumer price index changes is common.

If VSOE of fair value does not exist for all undelivered elements, all revenues are deferred until sufficient evidence exists or revenue is recognized over the term of the last undelivered element.

Cloud services and subscription revenues consist of (i) software as a service (SaaS) offerings (ii) managed service arrangements and (iii) subscription revenues relating to on premise offerings. The customer contracts for each of these three offerings are long term contracts (greater than twelve months) and are based on the customer’s usage over the contract period. The revenue associated with such contracts is recognized once usage has been measured, the fee is fixed and determinable and collection is probable.

In certain managed services arrangements, we sell transaction processing along with implementation and start-up services. Start-up services performed as part of the core implementation may include: infrastructure assessment and capacity planning, provisioning of infrastructure, customer connectivity and other initial setup activities. These sets of services do not have stand-alone value and, therefore, they do not qualify as separate units of accounting and are not separated. We believe these services do not have stand-alone value as the customer only receives value from these services in conjunction with the use of the related transaction processing service, we do not sell such services separately, and the output of such services cannot be re-sold by the customer. Revenues related to start-up services are recognized over the longer of the contract term or the estimated customer life. In some arrangements, we also sell distinct implementation and professional services that do have stand-alone value and can be separated from other elements in the arrangement. To the extent that they can be separately identified, the revenue related to these services is recognized as the service is performed; otherwise they are recognized in the same pattern as discussed above. In some arrangements, we also sell professional services as a separate single element arrangement. The revenue related to these services is recognized as the service is performed. We defer all direct and relevant start-up costs associated with non-distinct start-up and core implementation activities of long-term customer contracts to the extent such costs can be recovered through guaranteed contract revenues. All other costs related to distinct implementation and professional services arrangements are recognized as the services is performed and expensed as incurred.

Service revenues consist of revenues from consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, we determine VSOE of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These consulting and implementation services contracts are primarily time and materials based contracts that are, on average, less than six months in length. Revenues from these services are recognized at the time such services are performed. Revenues for contracts that are primarily fixed fee arrangements, wherein the services are not essential to the functionality of a software element, are recognized using the proportional performance method.

Revenues from training and integration services are recognized in the period in which these services are performed. Customer support revenues consist of revenues derived from contracts to provide PCS to license holders. These revenues are recognized ratably over the term of the contract. Advance billings of PCS are not recorded to the extent that the term of the PCS has not commenced and payment has not been received.

Deferred revenues primarily relate to cloud and customer support agreements which have been paid for by customers prior to the performance of those services. Generally, the services related to customer support agreements will be provided in the twelve months after the signing of the agreement. For cloud-related service agreements, deferred revenues are primarily recognized ratably over the performance or service period, which can vary from contract to contract. Deferred implementation revenue, specifically, is recognized over the longer of the estimated customer life or initial contract term.

We may enter into certain long-term sales contracts involving the sale of integrated solutions that include the modification and customization of software and the provision of services that are essential to the functionality of the other elements in this arrangement. As prescribed by ASC Topic 985-605, we recognize revenues from such arrangements in accordance with the contract accounting guidelines in ASC Topic 605-35, “Construction-Type and Production-Type Contracts” (Topic 605-35), after evaluating for separation of any non-Topic 605-35 elements in accordance with the provisions of ASC Topic 605-25, “Multiple-Element Arrangements” (Topic 605-25). When circumstances exist that allow us to make reasonably dependable estimates of contract revenues, contract costs and the progress of the contract to completion, we account for sales under such long-term contracts using the percentage-of-completion (POC) method of accounting. Under the POC method, we measure progress towards completion based upon an input measure and calculate this as the proportion of the actual hours incurred compared to the total estimated hours. For training and integration services rendered under such contracts, revenues are recognized as the services are rendered. We will review, on a quarterly basis, the total estimated remaining costs to completion for each of these contracts and apply the impact of any changes on the POC prospectively. If at any time we anticipate that the estimated remaining costs to completion will exceed the value of the contract, the resulting loss will be recognized immediately.

When circumstances exist that prevent us from making reasonably dependable estimates of contract revenues, we account for sales under such long-term contracts using the completed contract method.

We execute certain sales contracts through resellers and distributors (collectively, resellers) and also large, well-capitalized partners such as SAP SE and Accenture plc. (collectively, channel partners).

Revenues relating to sales through resellers and channel partners are recognized when all the recognition criteria have been met, in other words, persuasive evidence of an arrangement exists, delivery has occurred in the reporting period, the fee is fixed and determinable, and collectability is probable. In addition we assess the creditworthiness of each reseller and if the reseller is newly formed, undercapitalized or in financial difficulty any revenues expected to emanate from such resellers are deferred and recognized only when cash is received and all other revenue recognition criteria are met.

Please also refer to "Recent Accounting Pronouncements" within Note 2 "Accounting Policies and Recent Accounting Pronouncements" to our Consolidated Financial Statements included in this Annual Report on Form 10-K for a discussion of our upcoming adoption of Topic 606 "Revenue from Contracts with Customers".

As noted further in Note 2 "Accounting Policies and Recent Accounting Pronouncements" to our Consolidated Financial Statements included in this Annual Report on Form 10-K, Topic 606 supersedes the revenue recognition requirements in Topic 605 and nearly all other existing revenue recognition guidance under U.S. GAAP. We will be adopting Topic 606 using the cumulative effect approach when this guidance becomes effective for us, starting in the first quarter of Fiscal 2019.

Goodwill

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

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

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

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

Acquired intangibles

Acquired intangibles consist of acquired technology and customer relationships associated with various acquisitions. Acquired technology is initially recorded at fair value based on the present value of the estimated net future income-producing capabilities of software products acquired on acquisitions. We amortize acquired technology over its estimated useful life on a straight-line basis.

Customer relationships represent relationships that we have with customers of the acquired companies and are either based upon contractual or legal rights or are considered separable; that is, capable of being separated from the acquired entity and being sold, transferred, licensed, rented or exchanged. These customer relationships are initially recorded at their fair value based on the present value of expected future cash flows. We amortize customer relationships on a straight-line basis over their estimated useful lives.

We continually evaluate the remaining estimated useful life of our intangible assets being amortized to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Income taxes

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

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

RESULTS OF OPERATIONS

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

Summary of Results of Operations

	Year Ended June 30,				
(In thousands)	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Total Revenues by Product Type:					
License	$437,512	$68,368	$369,144	$85,434	$283,710
Cloud services and subscriptions	828,968	123,473	705,495	104,477	601,018
Customer support	1,232,504	251,402	981,102	234,693	746,409
Professional service and other	316,257	80,941	235,316	42,225	193,091
Total revenues	2,815,241	524,184	2,291,057	466,829	1,824,228
Total Cost of Revenues	951,411	189,020	762,391	188,391	574,000
Total GAAP-based Gross Profit	1,863,830	335,164	1,528,666	278,438	1,250,228
Total GAAP-based Gross Margin %	66.2 %		66.7 %		68.5 %
Total GAAP-based Operating Expenses	1,358,427	182,693	1,175,734	294,069	881,665
Total GAAP-based Income from Operations	$505,403	$152,471	$352,932	$(15,631)	$368,563
% Revenues by Product Type:					
License	15.6 %		16.1 %		15.6 %
Cloud services and subscriptions	29.4 %		30.8 %		32.9 %
Customer support	43.8 %		42.8 %		40.9 %
Professional service and other	11.2 %		10.3 %		10.6 %
Total Cost of Revenues by Product Type:					
License	$13,693	$61	$13,632	$3,336	$10,296
Cloud services and subscriptions	364,091	63,836	300,255	56,234	244,021
Customer support	134,089	11,336	122,753	32,892	89,861
Professional service and other	253,670	58,475	195,195	39,611	155,584
Amortization of acquired technology-based intangible assets	185,868	55,312	130,556	56,318	74,238
Total cost of revenues	$951,411	$189,020	$762,391	$188,391	$574,000
% GAAP-based Gross Margin by Product Type:					
License	96.9 %		96.3 %		96.4 %
Cloud services and subscriptions	56.1 %		57.4 %		59.4 %
Customer support	89.1 %		87.5 %		88.0 %
Professional service and other	19.8 %		17.0 %		19.4 %
Total Revenues by Geography:(1)					
Americas (2)	$1,619,634	$262,215	$1,357,419	$308,320	$1,049,099
EMEA (3)	917,767	197,207	720,560	109,613	610,947
Asia Pacific (4)	277,840	64,762	213,078	48,896	164,182
Total revenues	$2,815,241	$524,184	$2,291,057	$466,829	$1,824,228
% Revenues by Geography:					
Americas (2)	57.5 %		59.2 %		57.5 %
EMEA (3)	32.6 %		31.5 %		33.5 %
Asia Pacific (4)	9.9 %		9.3 %		9.0 %

	Year Ended June 30,		
	2018	2017	2016
GAAP-based gross margin	66.2 %	66.7 %	68.5 %
GAAP-based operating margin	18.0 %	15.4 %	20.2 %
GAAP-based EPS, diluted	$0.91	$4.01 (6)	$1.17
Net income, attributable to OpenText	$242,224	$1,025,659 (6)	$284,477
Non-GAAP-based gross margin (5)	73.0 %	72.6 %	72.8 %
Non-GAAP-based operating margin (5)	33.1 %	31.8 %	33.8 %
Non-GAAP-based EPS, diluted (5)	$2.56	$2.02	$1.77
Adjusted EBITDA (5)	$1,019,061	$792,517	$671,737

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

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

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

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

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

(6) We recorded a significant tax benefit in the first quarter of Fiscal 2017 of $876.1 million. This significant tax benefit is specifically tied to the Company's internal reorganization and applied to the first quarter of Fiscal 2017 only and as a result, has not and will not continue in future periods.

Revenues, Cost of Revenues and Gross Margin by Product Type

1) License:

License revenues consist of fees earned from the licensing of software products to customers. Our license revenues are impacted by the strength of general economic and industry conditions, the competitive strength of our software products, and our acquisitions. Cost of license revenues consists primarily of royalties payable to third parties.

	Year Ended June 30,				
(In thousands)	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
License Revenues:					
Americas	$207,655	$ 29,257	$178,398	$ 46,760	$131,638
EMEA	170,631	23,788	146,843	20,919	125,924
Asia Pacific	59,226	15,323	43,903	17,755	26,148
Total License Revenues	437,512	68,368	369,144	85,434	283,710
Cost of License Revenues	13,693	61	13,632	3,336	10,296
GAAP-based License Gross Profit	$423,819	$ 68,307	$355,512	$ 82,098	$273,414
GAAP-based License Gross Margin %	96.9 %		96.3 %		96.4 %
% License Revenues by Geography:					
Americas	47.5 %		48.3 %		46.4 %
EMEA	39.0 %		39.8 %		44.4 %
Asia Pacific	13.5 %		11.9 %		9.2 %

Fiscal 2018 Compared to Fiscal 2017

License revenues increased by $68.4 million during Fiscal 2018 as compared to the prior fiscal year, inclusive of the positive impact of foreign exchange of approximately $13.9 million. Geographically, the overall increase was attributable to an increase in Americas of $29.3 million, an increase in EMEA of $23.8 million and an increase in Asia Pacific of $15.3 million. During Fiscal 2018, we closed 140 license deals greater than $0.5 million, of which 58 deals were greater than $1.0 million. This is compared to 125 deals in Fiscal 2017, of which 50 deals were greater than $1.0 million. The increase in license deals has contributed to higher license revenues in the current fiscal year.

Cost of license revenues remained relatively stable during Fiscal 2018, as compared to the prior fiscal year. Overall, the gross margin percentage on license revenues increased slightly to approximately 97% from approximately 96%.

Fiscal 2017 Compared to Fiscal 2016

License revenues increased by $85.4 million during Fiscal 2017 as compared to the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $3.6 million. Geographically, the overall increase was attributable to an increase in Americas of $46.8 million, an increase in EMEA of $20.9 million and an increase in Asia Pacific of $17.8 million. The number of license deals greater than $0.5 million that closed during Fiscal 2017 was 125 deals, of which 50 deals were greater than $1.0 million, compared to 78 deals in Fiscal 2016, of which 34 deals were greater than $1.0 million.

Cost of license revenues increased by $3.3 million during Fiscal 2017 as compared to the prior fiscal year as a result of an increase in third party technology costs relating to a broad range of products that we have inherited from our recent acquisitions. Overall, the gross margin percentage on license revenues remained relatively stable at 96%.

2) Cloud Services and Subscriptions:

Cloud services and subscription revenues consist of (i) SaaS offerings, (ii) managed service arrangements and (iii) subscription revenues relating to on premise offerings. These offerings allow our customers to make use of OpenText software, services and content over Internet enabled networks supported by OpenText data centers. These web applications allow customers to transmit a variety of content between various mediums and to securely manage enterprise information without the commitment of investing in related hardware infrastructure. Revenues are generated on several transactional usage-based models, are typically billed monthly in arrears, and can therefore fluctuate from period to period. Certain service fees are occasionally charged to customize hosted software for some customers and are either amortized over the estimated customer life, in the case of setup fees, or recognized in the period they are provided.

In addition, we offer business-to-business (B2B) integration solutions, such as messaging services, and managed services. Messaging services allow for the automated and reliable exchange of electronic transaction information, such as purchase orders, invoices, shipment notices and other business documents, among businesses worldwide. Managed services provide an end-to-end fully outsourced B2B integration solution to our customers, including program implementation, operational management, and customer support. These services enable customers to effectively manage the flow of electronic transaction information with their trading partners and reduce the complexity of disparate standards and communication protocols. Revenues are primarily generated through transaction processing. Transaction processing fees are recurring in nature and are recognized on a per transaction basis in the period in which the related transactions are processed. Revenues from contracts with monthly, quarterly or annual minimum transaction levels are recognized based on the greater of the actual transactions or the specified contract minimum amounts during the relevant period. Customers who are not committed to multi-year contracts generally are under contracts for transaction processing solutions that automatically renew every month or year, depending on the terms of the specific contracts.

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, amortization of customer set up and implementation costs, and some third party royalty costs.

(In thousands)	Year Ended June 30, 2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Cloud Services and Subscriptions:					
Americas	$555,223	$ 70,216	$485,007	$ 86,294	$398,713
EMEA	191,520	40,673	150,847	13,059	137,788
Asia Pacific	82,225	12,584	69,641	5,124	64,517
Total Cloud Services and Subscriptions Revenues	828,968	123,473	705,495	104,477	601,018
Cost of Cloud Services and Subscriptions Revenues	364,091	63,836	300,255	56,234	244,021
GAAP-based Cloud Services and Subscriptions Gross Profit	$464,877	$ 59,637	$405,240	$ 48,243	$356,997
GAAP-based Cloud Services and Subscriptions Gross Margin %	56.1 %		57.4 %		59.4 %
% Cloud Services and Subscriptions Revenues by Geography:					
Americas	67.0 %		68.7 %		66.3 %
EMEA	23.1 %		21.4 %		22.9 %
Asia Pacific	9.9 %		9.9 %		10.8 %

Fiscal 2018 Compared to Fiscal 2017

Cloud services and subscriptions revenues increased by $123.5 million during Fiscal 2018 as compared to the prior fiscal year, inclusive of the positive impact of foreign exchange of approximately $10.4 million. Geographically, the overall change was attributable to an increase in Americas of $70.2 million, an increase in EMEA of $40.7 million and an increase in Asia Pacific of $12.6 million. The number of Cloud services deals greater than $1.0 million that closed during Fiscal 2018 was 46 deals, compared to 51 in Fiscal 2017.

Cost of Cloud services and subscriptions revenues increased by $63.8 million during Fiscal 2018 as compared to the prior fiscal year, primarily due to (i) an increase in labour-related costs of approximately $59.7 million, predominantly on account of recent acquisitions, (ii) an increase in third party network usage fees of $3.0 million and (iii) an increase in other miscellaneous costs of $1.1 million. Overall, the gross margin percentage on Cloud services and subscriptions revenues decreased slightly to approximately 56% from approximately 57%.

Fiscal 2017 Compared to Fiscal 2016

Cloud services and subscriptions revenues increased by $104.5 million during Fiscal 2017 as compared to the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $6.3 million. Geographically, the overall change was attributable to an increase in Americas of $86.3 million, an increase in EMEA of $13.1 million and an increase in Asia Pacific of $5.1 million. The number of Cloud services deals greater than $1.0 million that closed during Fiscal 2017 was 51 deals, compared to 31 deals in Fiscal 2016.

Cost of Cloud services and subscriptions revenues increased by $56.2 million during Fiscal 2017 as compared to the prior fiscal year, primarily due to an increase in labour-related costs of approximately $40.0 million resulting from increased headcount, predominantly on account of recent acquisitions, and an increase in third party network usage fees of approximately $16.7 million related to an expanded portfolio of cloud-based offerings. These increases were partially offset by a reduction in other miscellaneous costs of $0.5 million. Overall, the gross margin percentage on Cloud services and subscriptions revenues decreased to approximately 57% from approximately 59%.

3) Customer Support:

Customer support revenues consist of revenues from our customer support and maintenance agreements. These agreements allow our customers to receive technical support, enhancements and upgrades to new versions of our software products when and if available. Customer support revenues are generated from support and maintenance relating to current year sales of software products and from the renewal of existing maintenance agreements for software licenses sold in prior periods. Therefore, changes in Customer support revenues do not always correlate directly to the changes in license revenues from period to period. The terms of support and maintenance agreements are typically twelve months, with customer renewal options. Our management reviews our Customer support renewal rates on a quarterly basis and we use these rates as a method of monitoring our customer service performance. For the quarter ended June 30, 2018, our Customer support renewal rate was approximately 91%, stable compared with the Customer support renewal rate during the quarter ended June 30, 2017.

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

	Year Ended June 30,				
(In thousands)	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Customer Support Revenues:					
Americas	$705,285	$ 122,870	$582,415	$ 153,508	$428,907
EMEA	423,773	103,145	320,628	60,502	260,126
Asia Pacific	103,446	25,387	78,059	20,683	57,376
Total Customer Support Revenues	1,232,504	251,402	981,102	234,693	746,409
Cost of Customer Support Revenues	134,089	11,336	122,753	32,892	89,861
GAAP-based Customer Support Gross Profit	$1,098,415	$ 240,066	$858,349	$ 201,801	$656,548
GAAP-based Customer Support Gross Margin %	89.1 %		87.5 %		88.0 %
% Customer Support Revenues by Geography:					
Americas	57.2 %		59.4 %		57.5 %
EMEA	34.4 %		32.7 %		34.9 %
Asia Pacific	8.4 %		7.9 %		7.6 %

Fiscal 2018 Compared to Fiscal 2017

Customer support revenues increased by $251.4 million during Fiscal 2018 as compared to the prior fiscal year, inclusive of the positive impact of foreign exchange of approximately $37.1 million. Geographically, the overall increase was attributable to an increase in Americas of $122.9 million, an increase in EMEA of $103.1 million and an increase in Asia Pacific of $25.4 million.

Cost of Customer support revenues increased by $11.3 million during Fiscal 2018 as compared to the prior fiscal year, due to (i) an increase in labour-related costs of approximately $10.4 million, which was partially due to recent acquisitions, (ii) an increase in the installed base of third party products of approximately $0.6 million, and (iii) an increase in other miscellaneous costs of $0.3 million. Overall, the gross margin percentage on Customer support revenues increased to approximately 89% from approximately 88%.

Fiscal 2017 Compared to Fiscal 2016

Customer support revenues increased by $234.7 million during Fiscal 2017 as compared to the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $12.4 million. Geographically, the overall increase was attributable to an increase in Americas of $153.5 million, an increase in EMEA of $60.5 million and an increase in Asia Pacific of $20.7 million.

Cost of Customer support revenues increased by $32.9 million during Fiscal 2017 as compared to the prior fiscal year, due to (i) an increase in labour-related costs of approximately $27.1 million, which was predominantly due to recent acquisitions, (ii) an increase in the installed base of third party products of approximately $5.7 million, and (iii) an increase in other miscellaneous costs of $0.1 million. The increase in the installed base of third party products was primarily the result of products we have inherited from our recent acquisitions. Overall, the gross margin percentage on Customer support revenues remained stable at approximately 88%.

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. These revenues are grouped within the "Professional service and other" category because they are relatively immaterial to our service revenues. Professional services are typically performed after the purchase of new software licenses. Cost of professional service and other revenues consists primarily of the costs of providing integration, configuration and training with respect to our various software products. The most significant components of these costs are personnel-related expenses, travel costs and third party subcontracting.

(In thousands)	Year Ended June 30, 2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Professional Service and Other Revenues:					
Americas	$151,471	$ 39,872	$111,599	$ 21,758	$89,841
EMEA	131,843	29,601	102,242	15,133	87,109
Asia Pacific	32,943	11,468	21,475	5,334	16,141
Total Professional Service and Other Revenues	316,257	80,941	235,316	42,225	193,091
Cost of Professional Service and Other Revenues	253,670	58,475	195,195	39,611	155,584
GAAP-based Professional Service and Other Gross Profit	$62,587	$ 22,466	$40,121	$ 2,614	$37,507
GAAP-based Professional Service and Other Gross Margin %	19.8 %		17.0 %		19.4 %
% Professional Service and Other Revenues by Geography:					
Americas	47.9 %		47.4 %		46.5 %
EMEA	41.7 %		43.4 %		45.1 %
Asia Pacific	10.4 %		9.2 %		8.4 %

Fiscal 2018 Compared to Fiscal 2017

Professional service and other revenues increased by $80.9 million during Fiscal 2018 as compared to the prior fiscal year, inclusive of the positive impact of foreign exchange of approximately $11.2 million. Geographically, the overall increase was attributable to an increase in Americas of $39.9 million, an increase in EMEA of $29.6 million and an increase in Asia Pacific of $11.5 million.

Cost of Professional service and other revenues increased by $58.5 million during Fiscal 2018 as compared to the prior fiscal year, primarily as a result of an increase in labour-related costs of approximately $53.8 million, which was partially due to recent acquisitions, and an increase in other miscellaneous costs of $4.7 million. However, the gross margin percentage on Professional service and other revenues increased to approximately 20% from approximately 17%.

Fiscal 2017 Compared to Fiscal 2016

Professional service and other revenues increased by $42.2 million during Fiscal 2017 as compared to the prior fiscal year, inclusive of the negative impact of foreign exchange of approximately $4.1 million. Geographically, the overall increase was attributable to an increase in Americas of $21.8 million, an increase in EMEA of $15.1 million and an increase in Asia Pacific of $5.3 million.

Cost of Professional service and other revenues increased by $39.6 million during Fiscal 2017 as compared to the prior fiscal year, primarily as a result of an increase in labour-related costs of approximately $40.8 million, which was predominantly due to recent acquisitions. Approximately $1.1 million of the increase in labour-related costs was associated with one-time charges incurred earlier this fiscal year from reorganizing our professional services organization. These increases were partially offset by a reduction in other miscellaneous costs of $1.2 million. Overall, the gross margin percentage on Professional service and other revenues decreased to approximately 17% from approximately 19%.

Amortization of Acquired Technology-based Intangible Assets

(In thousands)	Year Ended June 30, 2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Amortization of acquired technology-based intangible assets	$185,868	$ 55,312	$130,556	$ 56,318	$74,238

Fiscal 2018 Compared to Fiscal 2017

Amortization of acquired technology-based intangible assets increased during Fiscal 2018 by $55.3 million as compared to the prior fiscal year. This was due to an increase in amortization of $62.0 million, relating to newly acquired technology-based intangible assets from our acquisitions of Hightail, Guidance and Covisint, as well as the full year impact of amortization from our acquisitions of certain assets and liabilities of the enterprise content division of EMC Corporation (ECD Business), certain customer communication management software assets and liabilities from HP Inc. (CCM Business), and Recommind

Inc. (Recommind) which were acquired in the prior fiscal year. The increase in amortization was partially offset by a reduction of $6.7 million, relating to intangible assets pertaining to certain previous acquisitions becoming fully amortized.

Fiscal 2017 Compared to Fiscal 2016

Amortization of acquired technology-based intangible assets increased during Fiscal 2017 by $56.3 million as compared to the prior fiscal year. This was due to an increase in amortization of $66.8 million relating to newly acquired technology-based intangible assets from our acquisitions of ECD Business, CCM Business, Recommind, certain customer experience software and services assets and liabilities from HP Inc. (CEM Business), ANXe Business Corporation (ANX) and Daegis Inc. (Daegis). The increase in amortization was partially offset by a reduction of $10.5 million relating to certain intangible assets pertaining to previous acquisitions becoming fully amortized.

Operating Expenses

	Year Ended June 30,				
(In thousands)	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Research and development	$323,461	$41,781	$281,680	$87,623	$194,057
Sales and marketing	529,381	84,543	444,838	100,603	344,235
General and administrative	205,313	34,875	170,438	30,041	140,397
Depreciation	86,943	22,625	64,318	9,389	54,929
Amortization of acquired customer-based intangible assets	184,118	33,276	150,842	37,641	113,201
Special charges (recoveries)	29,211	(34,407)	63,618	28,772	34,846
Total operating expenses	$1,358,427	$182,693	$1,175,734	$294,069	$881,665
% of Total Revenues:					
Research and development	11.5%		12.3%		10.6%
Sales and marketing	18.8%		19.4%		18.9%
General and administrative	7.3%		7.4%		7.7%
Depreciation	3.1%		2.8%		3.0%
Amortization of acquired customer-based intangible assets	6.5%		6.6%		6.2%
Special charges (recoveries)	1.0%		2.8%		1.9%

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

	Change between Fiscal	
(In thousands)	2018 and 2017	2017 and 2016
Payroll and payroll-related benefits	$39,206	$58,437
Contract labour and consulting	(3,899)	9,535
Share-based compensation	(1,490)	4,333
Travel and communication	(343)	549
Facilities	7,834	12,203
Other miscellaneous	473	2,566
Total year-over-year change in research and development expenses	$41,781	$87,623

Fiscal 2018 Compared to Fiscal 2017

Research and development expenses increased by $41.8 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $39.2 million and an increase in the use of facility and related resources of $7.8 million, which were partly the result of recent acquisitions. These were partially offset by a decrease in contract labour and consulting of $3.9 million and a decrease in share-based compensation expense of $1.5 million. Overall, our research and development expenses, as a percentage of total revenues, remained stable at approximately 12%.

Our research and development labour resources increased by 627 employees, from 2,704 employees at June 30, 2017 to 3,331 employees at June 30, 2018, primarily as a result of our recent acquisitions.

Fiscal 2017 Compared to Fiscal 2016

Research and development expenses increased by $87.6 million during Fiscal 2017 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $58.4 million and an increase in the use of facility and related resources of $12.2 million, which were predominantly the result of recent acquisitions. Additionally, contract labour and consulting increased by $9.5 million, and share-based compensation increased by $4.3 million. Overall, our research and development expenses, as a percentage of total revenues, increased to approximately 12% from approximately 11%.

Our research and development labour resources increased by 536 employees, from 2,168 employees at June 30, 2016 to 2,704 employees at June 30, 2017, primarily as a result of our recent acquisitions.

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

(In thousands)	Change between Fiscal 2018 and 2017	2017 and 2016
Payroll and payroll-related benefits	$48,573	$63,973
Commissions	16,993	22,762
Contract labour and consulting	609	1,623
Share-based compensation	(454)	(2,273)
Travel and communication	271	4,628
Marketing expenses	3,880	4,717
Facilities	8,373	5,988
Bad Debt expense	4,013	21
Other miscellaneous	2,285	(836)
Total year-over-year change in sales and marketing expenses	$84,543	$100,603

Fiscal 2018 Compared to Fiscal 2017

Sales and marketing expenses increased by $84.5 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $48.6 million and an increase in facility and related resources of $8.4 million, both of which were partly the result of recent acquisitions. Additionally, commissions expense increased by $17.0 million in conjunction with higher revenues. Overall, our sales and marketing expenses, as a percentage of total revenues, remained stable at approximately 19%.

Our sales and marketing labour resources increased by 142 employees, from 1,806 employees at June 30, 2017 to 1,948 employees at June 30, 2018, primarily as a result of our recent acquisitions.

Fiscal 2017 Compared to Fiscal 2016

Sales and marketing expenses increased by $100.6 million during Fiscal 2017 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $64.0 million and an increase in facility and related resources of $6.0 million, both of which were predominantly the result of recent acquisitions. Additionally, commissions expense increased by $22.8 million in conjunction with higher revenues. The remainder of the change was primarily attributable to normal growth in our business operations. Overall, our sales and marketing expenses, as a percentage of total revenues, remained stable at approximately 19%.

Our sales and marketing labour resources increased by 364 employees, from 1,442 employees at June 30, 2016 to 1,806 employees at June 30, 2017, primarily as a result of our recent acquisitions.

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

(In thousands)	Change between Fiscal 2018 and 2017	Change between Fiscal 2017 and 2016
Payroll and payroll-related benefits	$22,909	$17,923
Contract labour and consulting	(1,054)	4,879
Share-based compensation	(1,709)	2,188
Travel and communication	80	454
Facilities	5,777	1,333
Other miscellaneous	8,872	3,264
Total year-over-year change in general and administrative expenses	$34,875	$30,041

Fiscal 2018 Compared to Fiscal 2017

General and administrative expenses increased by $34.9 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $22.9 million and an increase in facility and related resources of $5.8 million, which were partly the result of recent acquisitions, and an increase in other miscellaneous expenses of $8.9 million, which includes professional fees such as legal, audit and tax related expenses. These increases were partially offset by a $1.7 million reduction in share-based compensation and a $1.1 million reduction in contract labour and consulting. Overall, general and administrative expenses, as a percentage of total revenue, remained stable at approximately 7%.

Our general and administrative labour resources increased by 116 employees, from 1,385 employees at June 30, 2017 to 1,501 employees at June 30, 2018, primarily as a result of our recent acquisitions.

Fiscal 2017 Compared to Fiscal 2016

General and administrative expenses increased by $30.0 million during Fiscal 2017 as compared to the prior fiscal year. This was primarily due to an increase in payroll and payroll-related benefits of $17.9 million, which was predominantly the result of recent acquisitions. The remainder of the change was attributable to normal growth in our business operations. Overall, general and administrative expenses as a percentage of total revenue decreased slightly to approximately 7% from approximately 8%.

Our general and administrative labour resources increased by 283 employees, from 1,102 employees at June 30, 2016 to 1,385 employees at June 30, 2017, primarily as a result of our recent acquisitions.

Depreciation expenses:

	Year Ended June 30,				
(In thousands)	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Depreciation	86,943	22,625	64,318	9,389	54,929

Fiscal 2018 Compared to Fiscal 2017

Depreciation expenses increased by $22.6 million during Fiscal 2018 as compared to the prior fiscal year, primarily in accordance with increased capital asset expenditures. Depreciation expense remained relatively stable as a percentage of total revenue, at approximately 3%.

Fiscal 2017 Compared to Fiscal 2016

Depreciation expenses increased by $9.4 million during Fiscal 2017 as compared to the prior fiscal year, but remained relatively stable as a percentage of total revenue, at approximately 3%.

Amortization of acquired customer-based intangible assets:

	Year Ended June 30,				
(In thousands)	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Amortization of acquired customer-based intangible assets	$184,118	$ 33,276	$150,842	$ 37,641	$113,201

Fiscal 2018 Compared to Fiscal 2017

Acquired customer-based intangible assets amortization expense increased by $33.3 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to an increase in amortization of $39.2 million relating to newly acquired customer-based intangible assets from our acquisitions of Hightail, Guidance and Covisint, as well as the full year impact of amortization from our acquisitions of ECD Business, CCM Business, and Recommind, which were acquired in the prior fiscal year. This increase in amortization was partially offset by a reduction of $5.9 million, relating to certain customer-based intangible assets pertaining to previous acquisitions becoming fully amortized.

Fiscal 2017 Compared to Fiscal 2016

Acquired customer-based intangible assets amortization expense increased by $37.6 million during Fiscal 2017 as compared to the prior fiscal year. This was primarily due to an increase in amortization of $44.3 million relating to newly acquired customer-based intangible assets from our acquisitions of ECD Business, CCM Business, Recommind, CEM Business, ANX and Daegis. This increase in amortization was partially offset by a reduction of $6.6 million relating to certain customer-based intangible assets pertaining to previous acquisitions becoming fully amortized.

Special charges (recoveries):

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

	Year Ended June 30,				
(In thousands)	2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Special charges (recoveries)	$29,211	$(34,407)	$63,618	$28,772	$34,846

Fiscal 2018 Compared to Fiscal 2017

Special charges decreased by $34.4 million during Fiscal 2018 as compared to the prior fiscal year. The decrease was primarily due to (i) a $15.8 million reduction in restructuring activities, (ii) a reduction in acquisition related costs of $11.1 million, (iii) a reduction in expense of $7.5 million relating to an ERP implementation project that was completed in early July 2017, and (iv) a reduction in expense of $6.5 million relating to commitment fees incurred during Fiscal 2017 that did not reoccur in Fiscal 2018. These decreases were partially offset by (i) an increase of $2.9 million relating to system implementation costs, (ii) $1.2 million relating to a lower net impact of reversals from certain pre-acquisition sales and use tax liabilities and interest being settled, or in certain instances, becoming statute barred, as compared to the prior fiscal year. The remainder of the change is due to miscellaneous items.

Fiscal 2017 Compared to Fiscal 2016

Special charges increased by $28.8 million during Fiscal 2017 as compared to the prior fiscal year. This was primarily due to (i) an increase in restructuring charges of $14.8 million, (ii) an increase in acquisition related costs of $8.2 million, (iii) a net increase of $6.5 million relating to commitments fees, (iv) an increase of $2.5 million relating to an ERP implementation project we were involved in, and (v) an increase of $0.4 million relating to a lower net impact of reversals from certain pre-acquisition sales and use tax liabilities and interest being settled, or in certain instances, becoming statute barred. These increases were partially offset by a decrease of $3.5 million relating to a reduction in post-acquisition integration costs necessary to streamline acquired companies into our operations. The remainder of the change is due to miscellaneous items.

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

Other Income (Expense), Net

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

(In thousands)	Year Ended June 30, 2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Foreign exchange gains (losses)	$4,805	$ 1,736	$3,069	$ 4,968	$(1,899)
OpenText share in net income (loss) of equity investees	6,005	45	5,960	5,960	—
Income from long-term other receivable	1,327	(5,099)	6,426	6,426	—
Gain on shares held in Guidance [1]	841	841	—	—	—
Gain from contractual settlement [2]	5,000	5,000	—	—	—
Other miscellaneous income (expense)	(5)	(293)	288	(188)	476
Total other income (expense), net	$17,973	$ 2,230	$15,743	$ 17,166	$(1,423)

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

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

Interest and Other Related Expense, Net

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

(In thousands)	Year Ended June 30, 2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Interest and other related expense, net	$137,250	$ 18,126	$119,124	$ 42,761	$76,363

Fiscal 2018 Compared to Fiscal 2017

Interest and other related expense, net increased by $18.1 million during Fiscal 2018 as compared to the prior fiscal year. This was primarily due to additional interest of $6.4 million incurred relating to a higher outstanding balance on the Revolver (as defined herein) and additional interest incurred of $3.1 million relating to Term Loan B (as defined herein). Also, during Fiscal 2018, we incurred additional interest expense of $6.8 million relating to the full year impact of interest owing on the reopening of Senior Notes 2026 (as defined herein), which were issued in December 2016.

Fiscal 2017 Compared to Fiscal 2016

Interest and other related expense, net increased during Fiscal 2017 by $42.8 million, as compared to the prior fiscal year. This was primarily due to additional interest expense incurred relating to Senior Notes 2026 (as defined herein), issued in May 2016 and December 2016 of approximately $40.2 million and additional interest incurred relating to outstanding balances on the Revolver (as defined herein) during Fiscal 2017 of $2.6 million.

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

Provision for (Recovery of) Income Taxes

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

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

(In thousands)	Year Ended June 30, 2018	Change increase (decrease)	2017	Change increase (decrease)	2016
Provision for (recovery of) income taxes	$143,826	$920,190	$(776,364)	$(782,646)	$6,282

Fiscal 2018 Compared to Fiscal 2017

In July 2016, we implemented a reorganization of our subsidiaries worldwide with the view to continuing to enhance operational and administrative efficiencies through further consolidated ownership, management, and development of our IP in Canada, continuing to reduce the number of entities in our group and working towards our objective of having a single operating legal entity in each jurisdiction. We believe our reorganization also reduces our exposure to global political and tax uncertainties, particularly in Europe. We believe that further consolidating our IP in Canada will continue to ensure appropriate legal protections for our consolidated IP, simplify legal, accounting and tax compliance, and improve our global cash management. A significant tax benefit of $876.1 million, associated primarily with the recognition of a net deferred tax asset arising from the entry of the IP into Canada, was recognized in the first quarter of Fiscal 2017. We believe it is more likely than not that the deferred tax asset will be realized and therefore no valuation allowance was required. We continue to evaluate our taxable position quarterly and consider factors by taxing jurisdiction, including but not limited to factors such as estimated taxable income, any historical experience of losses for tax purposes and the future growth of OpenText. This significant tax benefit is specifically tied to the reorganization and applied to the first quarter of Fiscal 2017 only and as a result, has not and will not continue in future periods.

The effective tax rate increased to a provision of 37.2% for the year ended June 30, 2018, compared to a recovery of 311.1% for the year ended June 30, 2017. The increase in tax expense of $920.2 million was primarily due to (i) a significant tax benefit of $876.1 million resulting from the Fiscal 2017 internal reorganization as described above which did not reoccur in Fiscal 2018, (ii) the impact of changes in US tax legislation in Fiscal 2018 resulting in a provisional charge of $19.0 million (see below), and (iii) an increase of $29.9 million on account of the Company having higher income before taxes, including the impact of foreign tax rates and (iv) an increase of $9.2 million relating to differences in tax filings from provisions, offset by (i) a decrease of $8.9 million resulting from the net impact of reversals and accruals of reserves, and (ii) a decrease of $2.1 million relating to a decrease in amortization of deferred charges. The remainder of the difference was due to normal course movements and non-material items.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changed the existing US tax laws, including a reduction in the federal corporate tax rate from 35% to 21%, and the transition of US international taxation from a worldwide tax system to a partially territorial tax system. As a result of the enactment of the legislation, the Company incurred a provisional one-time tax expense of $19.0 million for the year ended June 30, 2018, primarily related to the transition tax on accumulated foreign earnings and the re-measurement of certain deferred tax assets and liabilities. The portion of this anticipated increase to tax expense attributable to the transition tax is payable over a period of up to eight years. The impact of the $19.0 million adjustment resulting from the US legislation on the effective tax rate is an increase of 4.9% for the year ended June 30, 2018.

The $19.0 million is a provisional amount in respect of Alternative Minimum Tax (AMT), and transition tax on accumulated foreign earnings in accordance with Staff Accounting Bulletin 118 “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (SAB 118). The finalization of the provisional one-time amount is pending finalization of considerations related to undistributed foreign earnings and evaluating whether any portion of our existing AMT credit carryforwards are not expected to be refundable as a result of the repeal of corporate AMT, which may result in changes to the provisional amount during the SAB 118 measurement period.

The Company continues to assess the impact of the new law on its consolidated financial statements and anticipates finalizing the determination on or before December 22, 2018 in accordance with SAB 118.

Fiscal 2017 Compared to Fiscal 2016

The effective tax rate decreased to a recovery of 311.1% for Fiscal 2017, compared to a provision of 2.2% for Fiscal 2016. The decrease in tax expense of $782.6 million was primarily due to (i) a significant tax benefit of $876.1 million resulting from an internal reorganization as described above, (ii) a decrease of $16.8 million relating to differences in tax filings from provisions, (iii) a decrease of $10.9 million on account of the Company having lower income before taxes, (iv) a decrease of $7.0 million resulting from the effects of permanent differences and (v) a decrease of $5.0 million relating to a decrease in amortization of deferred charges. These decreases were partially offset by (i) an increase of $80.1 million resulting from the impact of foreign tax rates as it relates to changes in the proportion of income earned in domestic jurisdictions compared to foreign jurisdictions with different statutory rates, (ii) an increase of $35.5 million relating to the release of a valuation allowance that occurred in Fiscal 2016 but did not reoccur in Fiscal 2017, and (iii) an increase of $14.7 million primarily related to the reversal of reserves in Fiscal 2016 that did not reoccur in Fiscal 2017. The remainder of the difference was due to normal course movements and non-material items.

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

Use of Non-GAAP Financial Measures

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

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

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

Non-GAAP-based income from operations is calculated as GAAP-based income from operations, excluding the amortization of acquired intangible assets, Special charges (recoveries), and share-based compensation expense. Non-GAAP-based operating margin is calculated as Non-GAAP-based income from operations expressed as a percentage of total revenue.

Adjusted earnings (loss) before interest, taxes, depreciation and amortization (Adjusted EBITDA) is 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 that have resulted in costs associated with reductions in headcount, consolidation of leased facilities and related costs, all which are recorded under the Company’s “Special Charges (recoveries)” caption on the Consolidated Statements of Income. Each restructuring activity is a discrete event based on a unique set of business objectives or circumstances, and each differs in terms of its operational implementation, business impact and scope, and the size of each restructuring plan can vary significantly from period to period. Therefore, the Company believes that the exclusion of these special charges (recoveries) will also better aid readers of financial statements in the understanding and comparability of the Company's operating results and underlying operational trends.

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

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

	Year Ended June 30, 2018					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	$364,091		$ (1,429)	(1)	$ 362,662	
Customer support	134,089		(1,233)	(1)	132,856	
Professional service and other	253,670		(1,838)	(1)	251,832	
Amortization of acquired technology-based intangible assets	185,868		(185,868)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,863,830	66.2%	190,368	(3)	2,054,198	73.0%
Operating expenses						
Research and development	323,461		(5,659)	(1)	317,802	
Sales and marketing	529,381		(9,231)	(1)	520,150	
General and administrative	205,313		(8,204)	(1)	197,109	
Amortization of acquired customer-based intangible assets	184,118		(184,118)	(2)	—	
Special charges (recoveries)	29,211		(29,211)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	505,403	18.0%	426,791	(5)	932,194	33.1%
Other income (expense), net	17,973		(17,973)	(6)	—	
Provision for (recovery of) income taxes	143,826		(32,534)	(7)	111,292	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	242,224		441,352	(8)	683,576	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$0.91		$ 1.65	(8)	$ 2.56	

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

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

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

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements for more details.

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

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

(7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 37% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization (see note 14 "Income Taxes") assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense. We also took into consideration changes in US tax reform legislation that was enacted on December 22, 2017 through the Tax Cuts and Jobs Act.

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

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

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2018
GAAP-based net income, attributable to OpenText	$242,224
Add:	
Provision for (recovery of) income taxes	143,826
Interest and other related expense, net	137,250
Amortization of acquired technology-based intangible assets	185,868
Amortization of acquired customer-based intangible assets	184,118
Depreciation	86,943
Share-based compensation	27,594
Special charges (recoveries)	29,211
Other (income) expense, net	(17,973)
Adjusted EBITDA	$1,019,061

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

	Year Ended June 30, 2017					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP-based Measures	Non-GAAP-based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	$300,255		$ (1,229)	(1)	$ 299,026	
Customer support	122,753		(1,079)	(1)	121,674	
Professional service and other	195,195		(1,451)	(1)	193,744	
Amortization of acquired technology-based intangible assets	130,556		(130,556)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,528,666	66.7%	134,315	(3)	1,662,981	72.6%
Operating expenses						
Research and development	281,680		(7,149)	(1)	274,531	
Sales and marketing	444,838		(9,680)	(1)	435,158	
General and administrative	170,438		(9,919)	(1)	160,519	
Amortization of acquired customer-based intangible assets	150,842		(150,842)	(2)	—	
Special charges (recoveries)	63,618		(63,618)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	352,932	15.4%	375,523	(5)	728,455	31.8%
Other income (expense), net	15,743		(15,743)	(6)	—	
Provision for (recovery of) income taxes	(776,364)		867,764	(7)	91,400	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	1,025,659		(507,984)	(8)	517,675	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$4.01		$ (1.99)	(8)	$ 2.02	

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

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

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

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial

Statements for more details.

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

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

(7) Adjustment relates to differences between the GAAP-based tax recovery rate of approximately 311% and a Non-GAAP-based tax rate of approximately 15%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves and “book to return” adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization (see note 14 "Income Taxes") assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 15%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

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

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

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2017
GAAP-based net income, attributable to OpenText	$1,025,659
Add:	
Provision for (recovery of) income taxes	(776,364)
Interest and other related expense, net	119,124
Amortization of acquired technology-based intangible assets	130,556
Amortization of acquired customer-based intangible assets	150,842
Depreciation	64,318
Share-based compensation	30,507
Special charges (recoveries)	63,618
Other (income) expense, net	(15,743)
Adjusted EBITDA	$792,517

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures for the year ended June 30, 2016
(in thousands except for per share data)

	Year Ended June 30, 2016					
	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	$244,021		$ (953)	(1)	$ 243,068	
Customer support	89,861		(900)	(1)	88,961	
Professional service and other	155,584		(1,626)	(1)	153,958	
Amortization of acquired technology-based intangible assets	74,238		(74,238)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,250,228	68.5%	77,717	(3)	1,327,945	72.8%
Operating expenses						
Research and development	194,057		(2,824)	(1)	191,233	
Sales and marketing	344,235		(12,069)	(1)	332,166	
General and administrative	140,397		(7,606)	(1)	132,791	
Amortization of acquired customer-based intangible assets	113,201		(113,201)	(2)	—	
Special charges (recoveries)	34,846		(34,846)	(4)	—	
GAAP-based income from operations and operating margin (%) / Non-GAAP-based income from operations and operating margin (%)	368,563	20.2%	248,263	(5)	616,826	33.8%
Other income (expense), net	(1,423)		1,423	(6)	—	
Provision for (recovery of) income taxes	6,282		101,793	(7)	108,075	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	284,477		147,893	(8)	432,370	
GAAP-based earnings per share / Non-GAAP-based earnings per share-diluted, attributable to OpenText	$1.17		$ 0.60	(8)	$ 1.77	

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

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

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

(4) Adjustment relates to the exclusion of Special charges (recoveries) from our Non-GAAP-based operating expenses as Special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 17 "Special Charges (Recoveries)" to our Consolidated Financial Statements for more details.

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

(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.

(7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 2% and a Non-GAAP-based tax rate of 20%; 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 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. In arriving at our Non-GAAP-based tax rate of 20%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

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

	Year Ended June 30, 2016	Per share diluted
GAAP-based net income, attributable to OpenText	$284,477	$1.17
Add:		
Amortization	187,439	0.77
Share-based compensation	25,978	0.10
Special charges (recoveries)	34,846	0.14
Other (income) expense, net	1,423	0.01
GAAP-based provision for (recovery of) income taxes	6,282	0.03
Non-GAAP-based provision for income taxes	(108,075)	(0.45)
Non-GAAP-based net income, attributable to OpenText	$432,370	$1.77

Reconciliation of Adjusted EBITDA

	Year Ended June 30, 2016
GAAP-based net income, attributable to OpenText	$284,477
Add:	
Provision for (recovery of) income taxes	6,282
Interest and other related expense, net	76,363
Amortization of acquired technology-based intangible assets	74,238
Amortization of acquired customer-based intangible assets	113,201
Depreciation	54,929
Share-based compensation	25,978
Special charges (recoveries)	34,846
Other (income) expense, net	1,423
Adjusted EBITDA	$671,737

LIQUIDITY AND CAPITAL RESOURCES

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

(In thousands)	As of June 30, 2018	Change increase (decrease)	As of June 30, 2017	Change increase (decrease)	As of June 30, 2016
Cash and cash equivalents	$682,942	$239,585	$443,357	$(840,400)	$1,283,757
Short-term investments	$—	$—	$—	$(11,839)	$11,839

	Year Ended June 30,				
(In thousands)	2018	Change	2017	Change	2016
Cash provided by operating activities	$709,885	$270,632	$439,253	$(86,469)	$525,722
Cash used in investing activities	$(444,441)	$1,746,523	$(2,190,964)	$(1,829,788)	$(361,176)
Cash provided by (used in) financing activities	$(23,673)	$(933,217)	$909,544	$479,380	$430,164

Cash and cash equivalents

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

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

As of June 30, 2018, we have provided $28.5 million (June 30, 2017—$22.1 million) in respect of both additional foreign taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries, and planned periodic repatriations from certain United States and German subsidiaries, that will be subject to withholding taxes upon distribution.

Cash flows provided by operating activities

Fiscal 2018 Compared to Fiscal 2017

Cash flows from operating activities increased by $270.6 million due to an increase in net income before the impact of non-cash items of $283.4 million, partially offset by a decrease in changes from working capital of $12.8 million. The decrease in operating cash flow from changes in working capital was primarily due to the net impact of the following decreases: (i) $145.1 million relating to a lower accounts payable and accrued liabilities balance and (ii) $29.6 million relating to income taxes payable and deferred charges and credits. These decreases were partially offset by increases of (i) $104.2 million relating to accounts receivable, (ii) $32.1 million relating to deferred revenues, (iv) $25.1 million relating to other assets and (v) $0.5 million relating to prepaid and other current assets.

During the fourth quarter of Fiscal 2018 our days sales outstanding (DSO) was 58 days, compared to a DSO of 60 days during the fourth quarter of Fiscal 2017 and the per day impact of our DSO in the fourth quarters of Fiscal 2018 and Fiscal 2017 on our cash flows was $8.4 million and $7.4 million, respectively.

Fiscal 2017 Compared to Fiscal 2016

Cash flows from operating activities decreased by $86.5 million due to a decrease in changes from working capital of $109.4 million, partially offset by an increase in net income before the impact of non-cash items of $22.9 million. The decrease in operating cash flow from changes in working capital was primarily due to the net impact of the following decreases: (i) $135.8 million relating to a higher accounts receivable balance, which is primarily due to increased billings associated with more revenue recognized during Fiscal 2017 as compared to the prior fiscal year, (ii) $25.0 million relating to other assets, of which approximately $6.5 million is attributable to more security deposits made to landlords in accordance with facility lease agreements, approximately $6.3 million is attributable to more direct and relevant costs recorded on implementation of long-term contacts, $6.4 million is on account of the recognition of a long-term other receivable, and the remainder is due to an increase in investment and other miscellaneous activities, (iii) $8.1 million relating to prepaid and other current assets, and (iv) $8.0 million relating to income taxes payable and deferred charges and credits. These decreases were partially offset by an increase in operating cash flows of (i) $59.2 million relating to a higher accounts payable and accrued liabilities balance which

is primarily due to an increase in accrued salaries and commissions of $50.2 million, and (ii) $8.3 million relating to deferred revenues.

During the fourth quarter of Fiscal 2017 our DSO was 60 days compared to a DSO of 53 days during the fourth quarter of Fiscal 2016. The per day impact of our DSO in the fourth quarters of Fiscal 2017 and Fiscal 2016 on our cash flows was $7.4 million and $5.4 million, respectively. During Fiscal 2017, our operating cash flows were negatively impacted by the DSO of recent acquisitions, such as Recommind, which historically offered longer payment terms than OpenText.

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.

Fiscal 2018 Compared to Fiscal 2017

Cash flows used in investing activities decreased by $1.7 billion, primarily due to a decrease in consideration paid for acquisitions during Fiscal 2018 as compared to Fiscal 2017. During Fiscal 2017 we closed one material acquisition, namely ECD, for $1.6 billion.

Fiscal 2017 Compared to Fiscal 2016

Cash flows used in investing activities increased by $1.8 billion, primarily due to an increase in consideration paid for acquisitions during Fiscal 2017, which includes the acquisition of ECD Business for approximately $1.6 billion.

Cash flows provided by (used in) financing activities

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

Fiscal 2018 Compared to Fiscal 2017

Cash flows used in financing activities increased by $933.2 million. During Fiscal 2017 we received net proceeds from our public offering of Common Shares of approximately $584.6 million. During Fiscal 2018 we focused on repaying our long-term debt obligations and made additional payments of approximately $373.6 million, net of proceeds, as compared to Fiscal 2017. This increase in cash outflow used in financing activities was offset by an inflow of approximately $40.3 million relating to cash collected from the issuance of Common Shares for the exercise of options and the OpenText Employee Share Purchase Plan (ESPP). The remainder of the change was due to miscellaneous items.

Fiscal 2017 Compared to Fiscal 2016

Cash flows provided by financing activities increased by $479.4 million. This was primarily due to (i) net proceeds from our public offering of Common Shares during the second quarter of Fiscal 2017 which resulted in cash inflow of approximately $584.6 million, (ii) the issuance of an additional $250 million in aggregate principal amount of Senior Notes 2026 at an issue price of 102.75%, which resulted in a gross cash inflow of approximately $256.9 million, (iii) proceeds from drawings on the Revolver of $225.0 million, (iv) savings of $65.5 million relating to Common Shares repurchased under our Share Repurchase Plan (as defined herein) during Fiscal 2016, for which no similar purchases were made during Fiscal 2017, (v) an increase of $15.5 million relating to cash collected from the issuance of Common Shares for the exercise of options and the OpenText Employee Share Purchase Plan (ESPP), and (vi) an increase of $2.4 million relating to savings from fewer Common Shares repurchased for potential reissuance under our Long Term Incentive Plans (LTIP) or other plans during Fiscal 2017 as compared to Fiscal 2016. These cash inflows were partially offset by (i) repayments on the Revolver of $50.0 million and (ii) an increase in dividend payments made to our shareholders of $21.3 million. The remainder of the change was due to miscellaneous items.

Cash Dividends

During the year ended June 30, 2018, we declared and paid cash dividends of $0.5478 per Common Share, respectively, that totaled $145.6 million. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of the Board. See Item 5 "Dividend Policy" in this Annual Report on Form 10-K for more information.

In Fiscal 2017, we declared and paid cash dividends of $0.4770 per Common Share that totaled $120.6 million.

In Fiscal 2016, we declared and paid cash dividends of $0.4150 per Common Share that totaled $99.3 million.

Long-term Debt and Credit Facilities

Senior Unsecured Fixed Rate Notes

Senior Notes 2026

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

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

We may redeem all or a portion of the Senior Notes 2026 at any time prior to June 1, 2021 at a redemption price equal to 100% of the principal amount of Senior Notes 2026 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may also redeem up to 40% of the aggregate principal amount of Senior Notes 2026, on one or more occasions, prior to June 1, 2019, using the net proceeds from certain qualified equity offerings at a redemption price of 105.875% 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 Senior Notes 2026, in whole or in part, at any time on and after June 1, 2021 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2026, dated as of May 31, 2016, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2026 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

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

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

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

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

Senior Notes 2023

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

commencing on July 15, 2015. Senior Notes 2023 will mature on January 15, 2023, unless earlier redeemed in accordance with their terms, or repurchased.
We may, on one or more occasion, redeem Senior Notes 2023, in whole or in part, at any time on and after January 15, 2018 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2023, dated as of January 15, 2015, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon (as successor to Citibank

N.A.), as U.S. trustee, and BNY Trust Company of Canada (as successor to Citi Trust Company Canada), as Canadian trustee (the 2023 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

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

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

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

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

Term Loan B

On May 30, 2018, we entered into a credit facility, which provides for a $1 billion term loan facility with certain lenders named therein, Barclays Bank PLC (Barclays), as sole administrative agent and collateral agent, and with Barclays and RBC Capital Markets as lead arrangers and joint bookrunners (Term Loan B) and borrowed the full amount on May 30, 2018 to, among other things, repay in full the loans under our prior $800 million term loan credit facility originally entered into on January 16, 2014. Repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with the Revolver. Term Loan B has a seven year term.

Borrowings under Term Loan B bear interest at a rate per annum equal to an applicable margin plus, at the borrower's option, either (1) the eurodollar rate for the interest period relevant to such borrowing or (2) an ABR rate. The applicable margin for borrowings under Term Loan B is 1.75%, with respect to LIBOR advances and 0.75%, with respect to ABR advances. The interest on the current outstanding balance for Term Loan B is equal to 1.75% plus LIBOR (subject to a 0.00% floor). As of June 30, 2018, the outstanding balance on the Term Loan B bears an interest rate of approximately 3.73%.

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

Under Term Loan B, we must maintain a "consolidated net leverage" ratio of no more than 4:1 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of June 30, 2018, our consolidated net leverage ratio was 1.9:1.

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Revolver

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

During the year ended June 30, 2018, we drew down $200 million, from the Revolver partially to finance acquisitions (year ended June 30, 2017 and 2016—$225 million and nil, respectively).

During the year ended June 30, 2018, we repaid $375 million (year ended June 30, 2017 and 2016—$50 million and nil, respectively). As of June 30, 2018 we have no outstanding balance on the Revolver.

For the year ended June 30, 2018, we recorded interest expense of $9.0 million, relating to amounts drawn on the Revolver (year ended June 30, 2017 and 2016—$2.6 million and nil, respectively).

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

Shelf Registration Statement

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

Pensions

As of June 30, 2018, our total unfunded pension plan obligations were $68.0 million, of which $2.3 million is payable within the next twelve months. We expect to be able to make the long-term and short-term payments related to these obligations in the normal course of operations.

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

	Fiscal years ending June 30,		
	CDT	GXS GER	GXS PHP
2019	$655	$1,027	$138
2020	700	1,032	104
2021	800	1,061	144
2022	890	1,068	330
2023	999	1,071	198
2024 to 2028	6,008	5,506	1,913
Total	$10,052	$10,765	$2,827

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

Commitments and Contractual Obligations

As of June 30, 2018, we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

	Payments due between				
	Total	July 1, 2018— June 30, 2019	July 1, 2019— June 30, 2021	July 1, 2021— June 30, 2023	July 1, 2023 and beyond
Long-term debt obligations (1)	$3,524,567	$ 142,626	$ 284,013	$ 282,398	$2,815,530
Operating lease obligations (2)	394,907	72,224	127,878	85,943	108,862
Purchase obligations	16,108	9,577	6,354	177	—
	$3,935,582	$ 224,427	$ 418,245	$ 368,518	$2,924,392

(1) Includes interest up to maturity and principal payments. Please see note 10 "Long-Term Debt" for more details.
(2) Net of $7.6 million of sublease income to be received from properties which we have subleased to third parties.

Guarantees and Indemnifications

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

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

Litigation

We are currently involved in various claims and legal proceedings.

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

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

Contingencies

IRS Matter

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

We previously disclosed that, as part of these examinations, on July 17, 2015 we received from the IRS an initial Notice of Proposed Adjustment (NOPA) in draft form proposing a one-time approximately $280 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010, plus penalties and interest, and that we expected to receive an additional NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 arising from the integration of Global 360 Holding Corp. into the structure that resulted from the reorganization, accompanied by proposed penalties and interest. We also previously

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disclosed that the draft NOPA could be changed before the final NOPA is issued, including because the IRS reserved the right in the draft NOPA to increase the adjustment by assigning a higher value to our intellectual property.

On July 11, 2018, we received from the IRS a revised draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2010 (the 2010 NOPA) and a draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 (the 2012 NOPA), respectively. A NOPA is an IRS position and does not impose an obligation to pay tax. After evaluation of these NOPAs, we continue to strongly disagree with the IRS' positions and intend to vigorously contest the proposed adjustments to our taxable income.

We currently estimate our potential aggregate liability, as of June 30, 2018, in connection with these ongoing matters with the IRS, including additional state income taxes plus penalties and interest that may be due, to be approximately $725 million, comprised of approximately $455 million in U.S. federal and state taxes, approximately $105 million of penalties, and approximately $165 million of interest, further described below. Our previously disclosed estimated potential aggregate liability, as of March 31, 2018, was approximately $605 million.

The 2010 NOPA received from the IRS on July 11, 2018 increases the one-time proposed adjustment to our U.S. federal income taxes for Fiscal 2010 by approximately $55 million, from, as previously disclosed, approximately $280 million to approximately $335 million. Such increase is based on the IRS' assertion that certain of our intangible property involved in our internal reorganization had a greater value than was assigned to it in the original draft NOPA. As contemplated by the original draft NOPA, the 2010 NOPA asserts penalties equal to 20% of the additional proposed taxes for Fiscal 2010, plus interest at the applicable statutory rate (which will continue to accrue until the matter is resolved and may be substantial).

On July 11, 2018, we also received, consistent with previously disclosed expectations, the 2012 NOPA proposing an approximately $80 million adjustment to our U.S. federal taxes for Fiscal 2012, which was previously included in our estimated potential aggregate liability of approximately $605 million. The 2012 NOPA also asserts, however, that the penalty rate should be 40% of the additional proposed taxes for Fiscal 2012.

The $120 million increase from the previously estimated potential aggregate liability of approximately $605 million, as of March 31, 2018, is attributable to (i) approximately $95 million of increased proposed U.S. federal and state taxes and associated penalties and interest related to the IRS asserting a higher valuation of our intangible property in the 2010 NOPA, (ii) approximately $20 million related to the additional 20% penalties and associated interest asserted by the IRS in the 2012 NOPA, and (iii) approximately $5 million related to an estimate of additional interest that has continued to accrue since March 31, 2018.

Based on our discussions with the IRS and the fact that the adjustments proposed in these NOPAs reflect the IRS' own asserted valuations of our intangible property, we do not expect the IRS to further revise the NOPAs to increase any of their proposed adjustments to our U.S. federal income taxes (subject to the continued accrual of interest, as noted above).

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

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 and Fiscal 2013. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of June 30, 2018, in connection with the CRA's reassessments for Fiscal 2012 and Fiscal 2013 to be limited to penalties and interest that may be due of approximately $23 million.

The notices of reassessment for Fiscal 2012 and Fiscal 2013 would, as drafted, increase our taxable income by approximately $90 million for each of those years, as well as, in the case of Fiscal 2012, impose a 10% penalty on the proposed adjustment to income, with a similar penalty expected to be imposed for Fiscal 2013.

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

Even if we are unsuccessful in challenging the CRA's reassessments to increase our taxable income for Fiscal 2012 and Fiscal 2013, or potential reassessments that may be proposed for subsequent years currently under audit, we have elective deductions available for those years (including carry-backs from later years) that would offset such increased amounts so that no additional cash tax would be payable, exclusive of any assessed penalties and interest, as described above. We will continue to vigorously contest the proposed adjustments to our taxable income and any penalty and interest assessments. As of the date of this Annual Report on Form 10-K, we have not recorded any accruals in respect of these reassessments in our Consolidated Financial Statements. Audits by the CRA of our tax returns for fiscal years prior to Fiscal 2012 have been completed with no reassessment of our income tax liability in respect of our international transactions, including the transfer pricing methodology applied to them. The CRA is currently auditing Fiscal 2014 and Fiscal 2015. We are engaged in ongoing discussions with the CRA and continue to vigorously contest the CRA's audit positions.

GXS Brazil Matter

As part of our acquisition of GXS, we inherited a tax dispute in Brazil between the Company’s subsidiary, GXS Tecnologia da Informação (Brasil) Ltda. (GXS Brazil), and the municipality of São Paulo, in connection with GXS Brazil’s judicial appeal of a tax claim. During the first quarter of Fiscal 2018 the courts ruled in favour of the municipality of São Paulo. The Company decided not to pursue further appeal. On October 1, 2017, the Company reached a settlement with the municipality and paid $1.4 million.

Historically, prior to our acquisition of GXS, GXS would charge certain costs to its subsidiaries, including GXS Brazil, primarily based on historical transfer pricing studies that were intended to reflect the costs incurred by subsidiaries in relation to services provided by the parent company to the subject subsidiary. GXS recorded taxes on amounts billed, that were considered to be due based on the intercompany charges. GXS subsequently re-evaluated its intercompany charges to GXS Brazil and related taxes and, upon taking into consideration the current environment and judicial proceedings in Brazil, concluded that it was probable that certain indirect taxes would be assessable and payable based upon the accrual of such intercompany charges and has approximately $1.6 million accrued for the probable amount of a settlement related to the indirect taxes, interest and penalties.

GXS India Matter

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

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

Off-Balance Sheet Arrangements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest rate risk

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

As of June 30, 2018, we had an outstanding balance of $997.5 million on Term Loan B. Term Loan B bears a floating interest rate of 1.75% plus LIBOR. As of June 30, 2018, 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 $10.0 million, assuming that the loan balance as of June 30, 2018 is outstanding for the entire period (June 30, 2017—$7.7 million).

As of June 30, 2018, we had no outstanding balance on the Revolver. Borrowings under the Revolver would 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

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1.25% to 1.75%. As of June 30, 2018, an adverse change of one percent on the interest rate would have no effect on our annual interest payment on the Revolver, as there was no balance outstanding, and assuming that the loan balance of nil remained for the entire year (June 30, 2017—$1.8 million).

Foreign currency risk

Foreign currency transaction risk

We transact business in various foreign currencies. Our foreign currency exposures typically arise from intercompany fees, intercompany loans and other intercompany transactions that are expected to be cash settled in the near term. We expect that we will continue to realize gains or losses with respect to our foreign currency exposures. Our ultimate realized gain or loss with respect to foreign currency exposures will generally depend on the size and type of cross-currency transactions that we enter into, the currency exchange rates associated with these exposures and changes in those rates. Additionally, we have hedged certain of our Canadian dollar foreign currency exposures relating to our payroll expenses in Canada.

Based on the foreign exchange forward contracts outstanding as of June 30, 2018, a one cent change in the Canadian dollar to U.S. dollar exchange rate would have caused a change of approximately $0.5 million in the mark to market on our existing foreign exchange forward contracts (June 30, 2017—$0.4 million).

Foreign currency translation risk

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

The following table shows our cash and cash equivalents denominated in certain major foreign currencies as of June 30, 2018 (equivalent in U.S. dollar):

(In thousands)	U.S. Dollar Equivalent at June 30, 2018	U.S. Dollar Equivalent at June 30, 2017
Euro	$ 120,346	$ 121,621
British Pound	31,211	30,425
Canadian Dollar	24,590	29,131
Swiss Franc	52,652	41,925
Other foreign currencies	117,459	87,144
Total cash and cash equivalents denominated in foreign currencies	346,258	310,246
U.S. dollar	336,684	133,111
Total cash and cash equivalents	$ 682,942	$ 443,357

If overall foreign currency exchange rates in comparison to the U.S. dollar uniformly weakened by 10%, the amount of cash and cash equivalents we would report in equivalent U.S. dollars would decrease by approximately $34.6 million (June 30, 2017—$31.0 million), assuming we have not entered into any derivatives discussed above under "Foreign Currency Transaction Risk".

Item 8. Financial Statements and Supplementary Data

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

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

None.

Item 9A. Controls and Procedures

(A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, our management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2018, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that information required to be disclosed by us in the reports we file under the Exchange Act (according to Rule 13(a)-15(e)) is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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

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

Our management assessed our ICFR as of June 30, 2018, the end of our most recent fiscal year. In making our assessment, our management used the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the results of our evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our ICFR was effective as of June 30, 2018.

The results of our management’s assessment was reviewed with our Audit Committee and the conclusion that our ICFR was effective as of June 30, 2018 has been audited by KPMG LLP, our independent registered public accounting firm, as stated in their report which is included in Part IV, Item 15 of this Annual Report.

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

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

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

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

Based on the evaluation completed by our management, in which our Chief Executive Officer and Chief Financial Officer participated, our management has concluded that there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Other Matters

As of June 30, 2018, in anticipation of our adoption of Topic 606, Revenue from Contracts with Customers, we were in the process of finalizing certain changes to our policies, procedures, information systems and the related control activities, to monitor and maintain appropriate internal controls over financial reporting. These changes in policies and procedures, information systems and the related control activities were effective in July 2018.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following table sets forth certain information as to our directors and executive officers as of July 25, 2018.

Name	Age	Office and Position Currently Held With Company
Mark J. Barrenechea	53	Vice Chairman, Chief Executive Officer and Chief Technology Officer, Director
Madhu Ranganathan	54	Executive Vice President and Chief Financial Officer
Gordon A. Davies	56	Executive Vice President, Chief Legal Officer and Corporate Development
Prentiss Donohue	48	Senior Vice President, Professional Services
Paul Duggan	43	Senior Vice President, Worldwide Operations
Simon Harrison	48	Senior Vice President, Worldwide Sales
Kasey Holman	51	Senior Vice President, Communications & Brand
David Jamieson	53	Chief Information Officer
Aditya Maheshwari	44	Senior Vice President and Chief Accounting Officer
Muhi Majzoub	58	Executive Vice President, Engineering and Cloud Services
James McGourlay	49	Senior Vice President, Worldwide Support
Patricia Nagle	53	Senior Vice President, Chief Marketing Officer
Leslie Sarauer	56	Senior Vice President, Human Resources
P. Thomas Jenkins	58	Chairman of the Board
Randy Fowlie (2)(3)	58	Director
Gail E. Hamilton (2)	68	Director
Brian J. Jackman (1)	77	Director
Stephen J. Sadler	67	Director
Michael Slaunwhite (1)(3)	57	Director
Katharine B. Stevenson (2)	56	Director
Carl Jürgen Tinggren (2)	60	Director
Deborah Weinstein (1)(3)	58	Director

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

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

Mark J. Barrenechea

Mr. Barrenechea joined OpenText in January 2012 as the President and Chief Executive Officer. In January 2016, Mr. Barrenechea stepped down as President and assumed the role of Chief Technology Officer, while remaining the Company's Chief Executive Officer. In September 2017, Mr. Barrenechea was appointed Vice Chair, in addition to remaining the Chief Executive Officer and Chief Technology Officer. Before joining OpenText, Mr. Barrenechea was President and Chief Executive Officer of Silicon Graphics International Corporation (SGI), where he also served as a member of the Board. During Mr. Barrenechea's tenure at SGI, he led strategy and execution, which included transformative acquisition of assets, as well as penetrating diverse new markets and geographic regions. Mr. Barrenechea also served as a director of SGI from 2006 to 2012. Prior to SGI, Mr. Barrenechea served as Executive Vice President and CTO for CA, Inc. (CA) (formerly Computer Associates International, Inc.) from 2003 to 2006 and was a member of the executive management team. Before going to CA, Mr. Barrenechea was the Senior Vice President of Applications Development at Oracle Corporation from 1997 to 2003, managing a multi-thousand person global team while serving as a member of the executive management team. From 1994 to 1997, Mr.

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

Madhu Ranganathan

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

Gordon A. Davies

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

Prentiss Donohue

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

Paul Duggan

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

Simon Harrision

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

Kasey Holman

Ms. Holman has served as the Company's Senior Vice President, Communications & Brand since February 2018 and is responsible for global communications (corporate and employee), public relations, brand and creative, industry analyst relations, social media, corporate social responsibility, web and digital customer experience as well as customer marketing. Previously, Ms. Holman was the Company's Vice President of Corporate & Brand Marketing from 2013 to 2018. Prior to joining OpenText, Ms Holman served as the Vice President of Global Communications for BMC Software. Ms. Holman has also held senior corporate marketing and communications roles at Silicon Image and Sun Microsystems. Ms. Holman holds a BA in Mass Communications/Journalism from the California State University.

David Jamieson

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

Aditya Maheshwari

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

Muhi Majzoub

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

James McGourlay

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

Patricia Nagle

Ms. Nagle has served as Senior Vice President, Chief Marketing Officer since February 2018 and is responsible for all marketing and demand generation initiatives, including field marketing, programs, events, product marketing, industry marketing, demonstrations, partners and alliances as well as inside sales. Prior to this role, Ms. Nagle held various positions within the Company since joining OpenText in 2007, including Vice President of Global Partners and Strategic Alliances, from January 2007 to February 2018. Prior to joining OpenText, Ms. Nagle was SVP of World

Wide Sales, Services and Marketing at Percussion Software, where she was responsible for direct and indirect sales and all customer facing, external media communications, client satisfaction and demand generation activities globally. Ms. Nagle holds a BA in Business

Administration, a BA in Economics and a concentration in Marketing from the University of New Hampshire as well as an MBA in Business Administration & Management from Harvard University.

Leslie Sarauer

Ms. Sarauer joined OpenText as Senior Vice President of Human Resources in April 2016. She brings with her over 25 years of diverse experience as a Human Resource leader in both the corporate and professional services settings. Prior to joining OpenText, Ms. Sarauer held various senior leadership roles at Agrium Inc., including Senior Director, Corporate HR & Organizational Development from July 2012 to August 2014; Senior Director, Wholesales Human Resources from September 2006 to June 2012; and Senior Director, Total Compensation from January 2003 to August 2006. Ms. Sarauer also held various roles at Mercer Human Resources Consulting, including Principle Consultant, Executive Compensation from April 1997 to August 2002. Ms. Sarauer holds a Bachelor of Arts in Economics and a Bachelor of Laws from Queen’s University. She also attended the Advanced HR Executive Program at the Ross School of Business of the University of Michigan.

P. Thomas Jenkins

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

Randy Fowlie

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

Gail E. Hamilton

Ms. Hamilton has served as a director of OpenText since December 2006. For the five years prior thereto, Ms. Hamilton led a team of over 2,000 employees worldwide as Executive Vice President at Symantec Corp (Symantec), an infrastructure software company, and most recently had “P&L” responsibility for their global services and support business. During her five years at Symantec, Ms. Hamilton helped steer the company through an aggressive acquisition strategy. In 2003, Information Security magazine recognized Ms. Hamilton as one of the “20 Women Luminaries” shaping the security industry. Ms. Hamilton has over 20 years of experience growing leading technology and services businesses in the enterprise market. She has extensive management experience at Compaq and Hewlett Packard, as well as Microtec Research. Ms. Hamilton received both a BSEE from the University of Colorado and an

MSEE from Stanford University. Currently, Ms. Hamilton is also a director of the following public companies: Westmoreland Coal Company and Arrow Electronics, Inc. In the past five years Ms. Hamilton also served as a director of Ixia.

Brian J. Jackman
Mr. Jackman has served as a director of OpenText since December 2002. Mr. Jackman is the President of the Jackman Group Inc., a private consulting firm he founded in 2005. From 1982 until his retirement in September 2001, Mr. Jackman held various positions with Tellabs Inc., a U.S. based manufacturer of telecommunications equipment, most recently as Executive Vice President of the company, and President, Global Systems and Technologies division, and as a member of the board of directors of the company. Prior to joining Tellabs Inc., Mr. Jackman worked for IBM Corporation from 1965 to 1982, in a variety of systems, sales and marketing positions. Mr. Jackman also serves as a director of PC-TEL, Incorporated. Mr. Jackman received a B.A from Gannon University and an M.B.A from The Pennsylvania State University.

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

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

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

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

Deborah Weinstein

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

Involvement in Certain Legal Proceedings

Ms. Stevenson served as the Treasurer of Nortel Networks Corporation (Nortel) from 2000 to August 2007.

Mr. Davies served as the Chief Legal Officer and Corporate Secretary of Nortel during 2007 and from January to September 2009. In January 2009, Nortel filed petitions under applicable bankruptcy and insolvency laws of the United States, Canada and the United Kingdom.

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

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

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

Audit Committee

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

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

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

Code of Business Conduct and Ethics

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

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

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

Board Diversity and Term Limits

The Company, including the Corporate Governance and Nominating Committee, views diversity in a broad context and considers a variety of factors when assessing nominees for the Board. The Company has established a Board Diversity Policy recognizing that a Board made up of highly qualified directors from diverse backgrounds, including diversity of gender, age, race, sexual orientation, religion, ethnicity and geographic representation, is important. The Company has not established a specific target number or date by which to achieve a specific number of women on the Board, as we consider a multitude of factors, including skills, experience, expertise and character, in determining the best nominee at the time and consider the Company’s objectives and challenges at such time. There are currently three women on the Board which represents approximately 30% of the current Board and of the director nominees, and 38% of the current independent Board members.

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

Diversity in Executive Officer Positions

The Company is committed to a diverse and inclusive workplace, including advancing women to executive officer positions. The Company has not adopted specific objectives or targets regarding women at the executive officer level; however, the Company has adopted a formal written Global Diversity and Inclusion Policy which expresses its commitment to fostering a diverse and inclusive workplace for all employees. The Company currently has four women (33%) on the executive leadership team (ELT), while approximately 23% of existing positions on the senior leadership team (SLT), exclusive of our ELT, are held by women. A principal objective of our Global Diversity and Inclusion Policy is to support and monitor the identification, development and retention of diverse employees, including gender diversity at executive and leadership positions. We will continue to develop a sustainable culture of diversity and inclusion that provides all employees an opportunity to excel.

Item 11. Executive Compensation

COMPENSATION COMMITTEE REPORT

Our Compensation Committee has reviewed and discussed with our management the following Compensation Discussion and Analysis (CD&A). Based on this review and discussion, our Compensation Committee has recommended to the Board that the following CD&A be included in our Annual Report on Form 10-K for Fiscal 2018.

This report is provided by the following independent directors, who comprise our Compensation Committee: Michael Slaunwhite (Chair), Brian J. Jackman, Deborah Weinstein.

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

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis of compensation arrangements of the following individuals for the fiscal year which ended on June 30, 2018 (Fiscal 2018), should be read together with the compensation tables and related disclosures set forth below: (i) our principal executive officer, (ii) our principal financial officer, (iii) our three most highly compensated executive officers, other than our principal executive officer and principal financial officer, and (iv) one additional individual who previously served as our principal financial officer during part of Fiscal 2018 (collectively, the Named Executive Officers). This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and projections regarding future compensation programs. Actual compensation programs that we adopt in the future may differ materially from the various planned programs summarized in this discussion.

Payments in Canadian dollars and British pounds sterling included herein, unless otherwise specified, are converted to U.S. dollars using an average annual exchange rate of 0.786589 and 1.342283, respectively.

Overview of Compensation Program

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

- Mark J. Barrenechea - Vice Chair, Chief Executive Officer and Chief Technology Officer (CEO)
- Madhu Ranganathan - Executive Vice President and Chief Financial Officer (CFO)

- John M. Doolittle - Former Executive Vice President and Chief Financial Officer (Former CFO)
- Simon Harrison - Executive Vice President, Worldwide Sales
- Muhi Majzoub - Executive Vice President, Engineering
- Gordon A. Davies - Executive Vice President, Chief Legal Officer and Corporate Development

During Fiscal 2018, Mr. Doolittle served as our Executive Vice President and Chief Financial Officer until his departure from such office, effective April 2, 2018. Mr. Doolittle will remain with the Company until September 2018 for transition purposes.

Compensation Oversight Process

Role of Compensation Committee

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

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

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

During Fiscal 2018, the Committee’s work included the following:

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

In reaching its decisions, the Compensation Committee may consider input from management, analysis provided from the compensation consultant, as well as other factors that the Committee considers appropriate. Decisions made by the Compensation Committee are the responsibility of the Committee and may reflect factors and considerations other than the information and/or recommendations provided by management and the compensation consultants.

Compensation Consultant

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

In Fiscal 2018, the Compensation Committee retained Hugessen Consulting Inc. (Hugessen), an independent consulting firm specializing in executive compensation consulting. Hugessen did not attend any Compensation Committee meetings; however, representatives of Hugessen were made available from time to time to consult with members of the Compensation

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Committee. Hugessen did not provide any other services to the Company during Fiscal 2018, outside of its capacity as compensation consultants.

The Compensation Committee met four times during Fiscal 2018. Management assisted in the coordination and preparation of the meeting agenda and materials for each meeting. The agenda is reviewed and approved by the Chairman of the Compensation Committee. The meeting materials are generally posted and made available to the other Committee members and invitees, if any, for review approximately one week in advance of each meeting.

Compensation Philosophy

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

Our compensation philosophy is based on three fundamental principles:

- Strong link to business strategy - Our short and long-term goals are reflected in our overall compensation program.
- Pay for performance - We aim to reward sustained company performance and individual achievements by aligning a significant portion of total compensation to our financial results and strategic objectives. We believe compensation should fluctuate with financial performance and accordingly, we structure total compensation to be at or above our peer group median when our financial performance exceeds our target performance and likewise, we structure total compensation to be below our peer group median if our financial performance falls below our targets.
- Market relevant - Our compensation program provides market competitive pay in terms of value and structure in order to retain talent who are performing according to their objectives and to attract new talent of the highest caliber. We aim to position our executive officers' compensation targets at the median in relation to our peer group, however, actual pay depends on performance of the executive officers and the Company.

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

Compensation Objectives

The objectives of our compensation program are to:

- Attract and retain highly qualified executive officers who have a history of proven success;
- Align the interests of executive officers with our shareholders' interests and with the execution of our business strategy;
- Motivate and reward our high caliber executive team through competitive pay practices and an appropriate mix of short and long-term incentives;
- Evaluate executive performance on the basis of key financial metrics which we believe closely correlate to long-term shareholder value; and
- Tie compensation awards directly to key financial metrics with evaluations based on achieving and overachieving predetermined objectives.

Competitive Compensation

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

The Compensation Committee periodically reviews data related to compensation levels and programs of a peer group of comparable organizations. Our last peer group analysis was prepared for management by Radford, an AON Hewitt Company (Radford), in November 2016 using the criteria described in the table below, and was presented to and approved by the Compensation Committee at that time. Our peer group consists of 17 companies that include 16 US-based companies and one Israel-based company. No additional comparable companies were added to our peer group in Fiscal 2018.

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

Taking into account the benchmarking review performed in Fiscal 2017, further efforts were made to align our Named Executive Officers' compensation packages more closely with our stated compensation objectives. Accordingly, Messrs. Doolittle, Davies, Majzoub and Harrison received an adjustment to their respective total cash compensation effective at the commencement of Fiscal 2018. The results of the benchmarking review, in consultation with the Compensation Committee, were also taken into consideration when offering employment to Ms. Ranganathan, who joined the Company in April 2018 as Executive Vice President and CFO. Also see " Long-Term Incentives - Other Long-Term Equity Grants" below.

Aligning Officers' Interests with Shareholders' Interests

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

We use a combination of fixed and variable compensation to motivate our executive officers to achieve our corporate goals. For Fiscal 2018, the basic components of our executive officer compensation program were:

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

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

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

The chart below provides the approximate percentage of target total compensation provided to each Named Executive Officer that was either fixed pay or "at risk" for Fiscal 2018:

Named Executive Officer	Fixed Pay Percentage ("Not At Risk")	Short-Term Incentive Percentage (at 100% target) ("At Risk")	Long-Term Incentive Percentage (at 100% target) ("At Risk")
Mark J. Barrenechea	12%	18%	70%
Madhu Ranganathan(1)	32%	32%	36%
John M. Doolittle	23%	23%	54%
Simon Harrison	34%	34%	32%
Muhi Majzoub	21%	21%	58%
Gordon A. Davies	21%	21%	58%

(1) The "at risk" portion of Ms. Ranganathan's total compensation set forth in this table is lower than what the Compensation Committee would normally target for her respective position. This is the mathematical result of her long-term incentive grants being awarded at a prorated value based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

Fixed Pay

Fixed pay includes:

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

Base Salary

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

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

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

Perquisites

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

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

Other Benefits

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

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

Short-Term Incentives

In Fiscal 2018, all of our Named Executive Officers participated in our short-term incentive plan, which is designed to motivate achievement of our short-term corporate goals. These short-term corporate goals are typically derived from our annual business plan which is prepared by management and approved by the Board. Awards made under the short-term incentive plan are made by way of cash payments only.

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

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

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

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

For Fiscal 2018, the following table illustrates the total short-term target awards for each Named Executive Officer, along with the associated weighting of the related performance measures.

Named Executive Officer	Total Target Award	Worldwide Revenues	Worldwide Adjusted Operating Income	Worldwide License and Cloud Revenues
Mark J. Barrenechea	$ 1,425,000	50%	50%	N/A
Madhu Ranganathan(1)	$ 125,000	50%	50%	N/A
John M. Doolittle	$ 498,172	50%	50%	N/A
Simon Harrison(2)	$ 300,000	N/A	50%	50%
Muhi Majzoub	$ 400,000	50%	50%	N/A
Gordon A. Davies	$ 367,076	50%	50%	N/A

(1) The target amount was prorated based on the number of months Ms. Ranganathan was employed with us during Fiscal 2018.

(2) The target amount was prorated based on the number of months Mr. Harrison held the position of Executive Vice President, Worldwide Sales during Fiscal 2018 and does not include short-term target awards prior to his promotion.

For the short-term incentive award amounts that would be earned at each of threshold, target and maximum levels of performance, for applicable objectives, see “Grants of Plan-Based Awards for Fiscal 2018” below.

For each performance measure noted above, the Compensation Committee approves the total target award, and the Board applies a threshold and target level of performance. Where applicable, the Board also applies an objective formula for determining the percentage payout under awards for levels of performance above and below threshold and target. To the extent target performance is exceeded, the award will be proportionately greater. The threshold and target levels and payout formula are set forth below as well as actual performance and payout percentages achieved in Fiscal 2018. The Board has discretion to make positive or negative adjustments if it considers them to be reasonably appropriate. The Board did not make any discretionary adjustments for Fiscal 2018 awards.

Objectives (in millions)	Threshold	Target	Target Fiscal 2018 Actual (1)	% Target Actually Achieved	% of Payment per Fiscal 2018

					Payout Table
Worldwide Revenues	$ 2,472	$2,747	$ 2,713	98.8 %	85 %
Worldwide Adjusted Operating Income	$ 813	$903	$ 889	98.4 %	85 %
Worldwide License and Cloud Revenues	$ 1,140	$1,267	$ 1,230	97.1 %	70 %

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

The table below illustrates the percentage of the target awards that are paid to our Named Executives Officers, with the exception of Mr. Harrison, in accordance with our actual results achieved during Fiscal 2018.

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

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

Formula:
Actual / Budget = % of Attainment
Linear x25 for every 0.5% over100%

Example: an attainment of 101% results in a payment of 150%

In Fiscal 2018, rounded up, we achieved 99% of our worldwide revenue target and 98% of our worldwide adjusted operating income target. The "Worldwide Revenues and Worldwide Adjusted Operating Income Calculations" table above illustrates under the "% Attainment" column that an achievement of 99% of target for the worldwide revenue performance criteria results in an award payment of 85% of the target award amount and an achievement of 98% of target for the worldwide adjusted operating income performance criterion results in an award payment of 85% of the target award amount.

The table below illustrates the percentage of the target awards that are paid to Mr. Harrison, as a result of more direct responsibilities relating to sales, in accordance with our actual results achieved during Fiscal 2018.

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

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

Formula:
Actual / Budget = % of Attainment
Linear x25 for every 0.5% over100%

Example: an attainment of 101% results in a payment of 150%

In Fiscal 2018, Mr. Harrison achieved 97% of his worldwide license and cloud revenue target and 98% of his worldwide adjusted operating income target. The "Worldwide License and Cloud Revenue and Worldwide Adjusted Operating Income Calculation" table above illustrates under the "% Attainment" column that an achievement of 97% of target for the worldwide license and cloud revenue performance criteria results in an award payment of 70% of the target award amount and an achievement of 98% of target for the worldwide adjusted operating income performance criterion results in an award payment of 85% of the target award amount.

The actual short-term incentive award earned by each Named Executive Officer for Fiscal 2018 was determined in accordance with the formulas described above. We have set forth below for each Named Executive Officer the award amount actually paid for Fiscal 2018, and the percentage of target award amount represented by the actual award paid broken out by performance measure as follows:

Mark J. Barrenechea

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable ($)	Actual Payable (% of Target)
Worldwide Revenues	$712,500	$106,875	$605,625	85 %
Worldwide Adjusted Operating Income	$712,500	$106,875	$605,625	85 %
Total	$1,425,000	$213,750	$1,211,250	85 %

Madhu Ranganathan

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable ($)	Actual Payable (% of Target)
Worldwide Revenues	$62,500	$9,375	$53,125	85 %
Worldwide Adjusted Operating Income	$62,500	$9,375	$53,125	85 %
Total	$125,000	$18,750	$106,250	85 %

The target amount and resulting amount payable was prorated based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

John M. Doolittle

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable ($)	Actual Payable (% of Target)
Worldwide Revenues	$249,086	$37,363	$211,725	85 %
Worldwide Adjusted Operating Income	$249,086	$37,363	$211,725	85 %
Total	$498,172	$74,726	$423,450	85 %

Simon Harrison

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable ($)	Actual Payable (% of Target)
Worldwide License and Cloud Revenues	$150,000	$22,500	$105,000	70 %
Worldwide Adjusted Operating Income	$150,000	$22,500	$127,500	85 %
Total	$300,000	$45,000	$232,500	78 %

The target amount and resulting amount payable was prorated based on the number of months Mr. Harrison held the position of Executive Vice President, Worldwide Sales during Fiscal 2018 and does not include payments made to Mr. Harrison earned prior to his promotion.

Muhi Majzoub

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable ($)	Actual Payable (% of Target)
Worldwide Revenues	$200,000	$30,000	$170,000	85 %
Worldwide Adjusted Operating Income	$200,000	$30,000	$170,000	85 %
Total	$400,000	$60,000	$340,000	85 %

Gordon A. Davies

Performance Measure:	Payable at Target	Payable at Threshold	Actual Payable ($)	Actual Payable (% of Target)
Worldwide Revenues	$ 183,538	$ 27,531	$ 156,007	85 %
Worldwide Adjusted Operating Income	$ 183,538	$ 27,531	$ 156,008	85 %
Total	$ 367,076	$ 55,062	$ 312,015	85 %

Long-Term Incentives

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

Long-Term Incentive Plans (LTIP) - General

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

The target value of the LTIP is split into three components, with 50% represented by Performance Share Units (PSUs), 25% represented by Restricted Share Units (RSUs) and 25% represented by stock options. PSUs and RSUs are based on a rolling three-year program, which means that assessment of a Named Executive Officer's performance under each grant is made continuously over the period, but payments on that grant may only be made at the end of the applicable three year term in either cash or Common Shares, at the discretion of the Board. Options granted under the LTIP generally vest over four years. The LTIP payments may also be subject to certain payment limitations in the event of early termination of employment or change in control of the Company. As well, LTIP payments are subject to mandatory repayment or "claw-back" in the event of fraud, willful misconduct or gross negligence by any executive officer, including a Named Executive Officer, affecting the financial performance or financial statements of the Company or the price of our Common Shares. The performance targets and the weightings of performance targets under each LTIP are first recommended by the Compensation Committee and then approved by the Board. No dividends are paid or accrued on PSUs or RSUs.

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

Fiscal 2020 LTIP

Grants made in Fiscal 2018 under the Fiscal 2020 LTIP took effect starting on August 7, 2017 with the goal of measuring performance over the three year period starting July 1, 2017. For each Named Executive Officer, the compensation target under the Fiscal 2020 LTIP, was determined based on the Named Executive Officer's overall compensation and by their ability to influence our financial or operational performance.

The target compensation set for each Named Executive Officer under the Fiscal 2020 LTIP is comprised of three elements: PSUs, RSUs and stock options, which represent 50%, 25% and 25%, respectively, of each Named Executive Officer's total LTIP target award. The table below illustrates the target value of each element under the Fiscal 2020 LTIP for each Named Executive Officer.

Named Executive Officer	Performance Share Units	Restricted Share Units	Stock Options	Total
Mark J. Barrenechea	$2,815,000	$1,407,500	$1,407,500	$5,630,000
Madhu Ranganathan(1)	$287,337	$143,669	$143,669	$574,675
John M. Doolittle(2)	N/A	N/A	N/A	N/A
Simon Harrison(3)	$184,564	$92,282	$92,282	$369,128
Muhi Majzoub	$550,000	$275,000	$275,000	$1,100,000
Gordon A. Davies	$518,579	$259,289	$259,289	$1,037,157

(1) Grants made to Ms. Ranganathan under the LTIP 2020 plan were prorated based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

(2) As a result of his upcoming departure from the Company, the grants made to Mr. Doolittle under Fiscal 2020 LTIP are not eligible for vesting.

(3) Grants made to Mr. Harrison under the LTIP 2020 plan were made prior to his promotion to Executive Vice President, Worldwide Sales.

Awards granted in Fiscal 2018 under the Fiscal 2020 LTIP were in addition to the awards granted in Fiscal 2017, Fiscal 2016, and prior years. For details of our previous LTIPs, see Item 11 of our Annual Report on Form 10-K for the appropriate year.

Fiscal 2020 LTIP - PSUs

With respect to our PSUs, we use relative TSR to benchmark the Company's performance against the performance of the corporations comprising the constituents of the S&P Mid Cap 400 Software & Services Index (the Index). The Index is comprised of 400 U.S. public companies with unadjusted market capitalization of $1.8 billion to $13.6 billion and is a useful measure of the performance of mid-sized companies. Relative TSR is the sole measure for each Named Executive Officer's performance over the relevant three year period for the Fiscal 2020 LTIP with respect to PSUs. If over the three year period, the relative cumulative TSR of the Company compared to the cumulative TSR of the Index is greater than the 66th percentile, the relative TSR target will be achieved in full. If it is negative at the end of the three year period, no payout will be made. Otherwise, any target percentile achieved between 1% and 100% will be interpolated to determine a payout that can range from 1.5% to 150% of the target award based on the number of PSUs that were granted in connection with the Fiscal 2020 LTIP.

The amounts that may be realized for PSU awards under the Fiscal 2020 LTIP are as follows, calculated based on the market price of our Common Shares on the NASDAQ as of June 30, 2018, and applied to the number of PSUs to be issued to the Named Executive Officers based on target level achievement.

Fiscal 2020 LTIP PSUs

Named Executive Officer	1.5% Achievement at June 30, 2020	100% Achievement at June 30, 2020	150% Achievement at June 30, 2020
Mark J. Barrenechea	$ 44,060	$ 2,937,309	$ 4,405,964
Madhu Ranganathan(1)	$ 4,202	$ 280,112	$ 420,168
John M. Doolittle(2)	N/A	N/A	N/A
Simon Harrison(3)	$ 2,755	$ 183,692	$ 275,538
Muhi Majzoub	$ 8,609	$ 573,949	$ 860,924
Gordon A. Davies	$ 7,828	$ 521,868	$ 782,802

(1) Grants made to Ms. Ranganathan under the LTIP 2020 plan were prorated based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

(2) As a result of his upcoming departure from the Company, the grants made to Mr. Doolittle under Fiscal 2020 LTIP are not eligible for vesting.

(3) Grants made to Mr. Harrison under the LTIP 2020 plan were made prior to his promotion to Executive Vice President, Worldwide Sales.

Fiscal 2020 LTIP - RSUs

RSUs vest over three years and do not have any specific performance-based vesting criteria. Provided the eligible employee remains employed throughout the vesting period, all RSUs granted shall become vested RSUs at the end of the Fiscal 2020 LTIP period.

The amounts that may be realized for RSU awards under the Fiscal 2020 LTIP are as follows, calculated based on the market price of our Common Shares on the NASDAQ as of June 30, 2018, and applied to the number of equivalent RSUs to be issued to the Named Executive Officers.

Fiscal 2020 LTIP RSUs

Named Executive Officer	Value at June 30, 2018
Mark J. Barrenechea	$1,468,479
Madhu Ranganathan(1)	$140,056
John M. Doolittle(2)	N/A
Simon Harrison(3)	$91,846
Muhi Majzoub	$286,799
Gordon A. Davies	$260,758

(1)

Grants made to Ms. Ranganathan under the LTIP 2020 plan were prorated based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

(2) As a result of his upcoming departure from the Company, the grants made to Mr. Doolittle under Fiscal 2020 LTIP are not eligible for vesting.

(3) Grants made to Mr. Harrison under the LTIP 2020 plan were made prior to his promotion to Executive Vice President, Worldwide Sales.

Fiscal 2020 LTIP - Stock Options
The stock options granted in connection with the Fiscal 2020 LTIP vest over four years, do not have any specific performance-based vesting criteria and, if not exercised, expire after seven years.
Other Long-Term Equity Grants
In addition to grants made in connection with our LTIP program, from time to time, we may grant stock options and/or RSUs to new strategic hires and to our employees in recognition of their service, such as for promotions, retention, or other reasons. In Fiscal 2018, we granted stock options to two of our Named Executive Officers, namely, Ms. Ranganathan, in connection with the commencement of her employment with us, and Mr. Harrison, in connection with his promotion to Executive Vice President, Worldwide Sales. Details of these grants are contained in the table below under "Grants of Plan Based Awards" Our RSUs and stock options vest over a specified contract date, typically over three and four years, respectively, and do not have any specific performance criteria. With respect to stock option grants, the Board will determine the following, based upon the recommendation of the Compensation Committee: the executive officers entitled to participate in our stock option plan, the number of options to be granted, and any other material terms and conditions of the stock option grant.
All stock option grants, whether part of the LTIP or granted separately for new hires, promotions, retention or other reasons, are governed by our stock option plans. In addition, grants and exercises of stock options are subject to our Insider Trading Policy. For details of our Insider Trading Policy, see “Other Information With Respect to Our Compensation Program - Insider Trading Policy” below.
For details on the determination of targeted awards and our benchmarking process, see "Compensation Objective - Competitive Compensation" above.
Executive Change in Control and Severance Benefits
Our severance benefit agreements are designed to provide reasonable compensation to departing senior executive officers under certain circumstances. While we do not believe that the severance benefits would be a determinative factor in a senior executive's decision to join or remain with the Company, the absence of such benefits, we believe, would present a distinct competitive disadvantage in the market for talented executive officers. Furthermore, we believe that it is important to set forth the benefits payable in triggering circumstances in advance in an attempt to avoid future disputes or litigation.
The severance benefits we offer to our senior executive officers are competitive with similarly situated individuals and companies. We have structured our senior executive officers' change in control benefits as “double trigger” benefits, meaning that the benefits are only paid in the event of, first, a change in control transaction, and second, the loss of employment within one year after the transaction. These benefits attempt to provide an incentive to our senior executive officers to remain employed with the Company in the event of such a transaction.
Other Information With Respect to Our Compensation Program
Pension Plans
We do not provide pension benefits or any non-qualified deferred compensation to any of our Named Executive Officers.
Share Ownership Guidelines
We currently have equity ownership guidelines (Share Ownership Guidelines), the objective of which is to encourage our senior management, including our Named Executive Officers, and our directors to buy and hold Common Shares in the Company based upon an investment target. We believe that the Share Ownership Guidelines help align the financial interests of our senior management team and directors with the financial interests of our shareholders.
The equity ownership levels are as follows:

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

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

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

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

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

Named Executive Officers

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

As of the date of this Annual Report on Form 10-K, all Named Executive Officers comply with the Share Ownership Guidelines for Fiscal 2018, as they have either met the share ownership guidelines or, in the case of Ms. Ranganathan and Mr. Harrison, have five years from becoming subject to these guidelines to achieve the equity ownership guidelines required by their position.

Directors

With respect to non-management directors, both Common Shares and deferred stock units (DSUs) are counted towards the achievement of the Share Ownership Guidelines. The Company currently has a Directors' Deferred Share Unit Plan (DSU Plan), whereby any non-management director of the Company may elect to defer all or part of his or her retainer and/or fees in the form of common stock equivalents. As of the date of this Annual Report on Form 10-K, all non-management directors have exceeded the Share Ownership Guidelines applicable to them, which is three times their annual retainer, with the exception of Mr. Tinggren, who joined as a member of our Board in February 2017. For further details, see the table below titled "Director Compensation for Fiscal 2018".

Insider Trading Policy

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

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

Tax Deductibility of Compensation

Under Section 162(m) of the United States Internal Revenue Code (or Section 162(m)) publicly-held corporations cannot deduct compensation paid in excess of $1,000,000 to certain executive officers in any taxable year. Certain compensation paid under plans that are “performance-based” (which means compensation paid only if the individual's performance meets pre-established objective goals based upon performance criteria approved by shareowners) are not subject to the $1,000,000 annual limit. Although our compensation policy is designed to link compensation to performance, payments in excess of $1,000,000 made pursuant to any of our compensation plans to United States-based executives may not be deductible under Section 162(m). The Tax Cuts and Jobs Act amended Section 162(m) to delete the exception for performance-based compensation and to expand the corporations and executives to which it applies. Beginning with Fiscal 2019, we will be unable to deduct under Section 162(m) compensation paid in excess of $1,000,000 to any person who served as CEO or CFO during the taxable year and any other Named Executive Officer serving as an executive at the end of the taxable year (each, a “covered employee”) as well any person who was a covered employee in a preceding taxable year, subject to limited transition relief.

Summary Compensation Table

The following table sets forth summary information concerning the annual compensation of our Named Executive Officers. All numbers are rounded to the nearest dollar or whole share. Changes in exchange rates will impact payments illustrated below that are made in currencies other than the U.S. dollar. Any Canadian dollar payments included herein have been converted to U.S. dollars at an annual average rate of 0.786589, 0.754836, and 0.755310, for Fiscal 2018, Fiscal 2017, and Fiscal 2016, respectively. Any British pounds sterling payments included herein have been converted to U.S. dollars at an annual average rate of 1.342283 for Fiscal 2018.

	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($) (4)		Total ($)
Mark J. Barrenechea Vice Chair, Chief Executive Officer and Chief Technology Officer	2018	$950,000	—	$3,538,963	$1,407,556	$1,211,250	N/A	$37,161	(5)	$7,144,930
	2017	$945,000	—	$3,233,360	$5,821,023	$1,925,625	N/A	$13,926	(6)	$11,938,934
	2016	$945,000	—	$3,658,934	$1,283,437	$923,738	N/A	$22,082	(6)	$6,833,191
Madhu Ranganathan[12] EVP, Chief Financial Officer	2018	$125,000	—	$315,057	$2,275,143	$106,250	N/A	$—	(7)	$2,821,450
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(8)	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(8)	N/A
John M. Doolittle Former EVP, Chief Financial Officer	2018	$498,175	—	$699,341	$278,118	$423,450	N/A	$14,896	(9)	$1,913,980
	2017	$415,160	—	$480,818	$190,968	$725,744	N/A	$10,133	(6)	$1,822,823
	2016	$377,655	—	$560,347	$196,449	$295,326	N/A	$14,424	(6)	$1,444,201
Simon Harrison [13] EVP, Worldwide Sales	2018	$388,916	—	$221,328	$868,563	$288,972	N/A	$11,470	(10)	$1,779,249
	2017	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(8)	N/A
	2016	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(8)	N/A
Muhi Majzoub EVP, Engineering	2018	$400,000	—	$691,379	$274,993	$340,000	N/A	$—	(7)	$1,706,372
	2017	$356,000	—	$535,825	$212,651	$527,313	N/A	$—	(7)	$1,631,789
	2016	$356,000	—	$606,276	$212,632	$243,398	N/A	$—	(7)	$1,418,306
Gordon A. Davies EVP, Chief Legal Officer and Corporate Development	2018	$367,077	—	$628,627	$249,994	$312,015	N/A	$15,969	(11)	$1,573,682
	2017	$314,012	—	$630,050	$250,270	$464,681	N/A	$—	(7)	$1,659,013
	2016	$314,209	—	$713,431	$250,169	$214,850	N/A	$15,276	(6)	$1,507,935

(1)

PSUs and RSUs were granted pursuant to the Fiscal 2020 LTIP and other non- LTIP related grants. The amounts set forth in this column represent the aggregate grant date fair value, as computed in accordance with ASC Topic 718 “Compensation-Stock Compensation” (Topic 718). Grant date fair value may vary from the target value indicated in the table set forth above in the section “Fiscal 2020 LTIP”. For a discussion of the assumptions used in these valuations, see note 12 “Share Capital, Option Plans and Share-based Payments” to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K. For the maximum value that may be received under the PSU awards by each Named Executive Officer, see the “Maximum” column under “Estimated Future Payouts under Equity Incentive Plan Awards” under the “Grants of Plan-Based Awards in Fiscal 2018” table below.

(2) Amounts set forth in this column represent the amount recognized as the aggregate grant date fair value of stock option awards, as calculated in accordance with Topic 718 for the fiscal year in which the awards were granted. In all cases, these amounts do not reflect whether the recipient has actually realized a financial benefit from the exercise of the awards. For a discussion of the assumptions used in this valuation, see note 12 “Share Capital, Option Plans and Share-based Payments” to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.

(3) The amounts set forth in this column for Fiscal 2018 represent payments under the short-term incentive plan.

(4) Except as otherwise indicated the amounts in "All Other Compensation" primarily include (i) medical examinations; (ii) car allowances, (iii) club memberships reimbursed, and (iv) tax preparation and financial advisory fees paid. "All Other Compensation" does not include benefits received by the Named Executive Officers which are generally available to all our salaried employees.

(5) Represents amounts we paid or reimbursed for Tax, Financial, and Estate Planning.

(6) For details of the amounts of fees or expenses we paid or reimbursed please refer to Summary Compensation Table in Item 11 of our Annual Report on Form 10-K for the corresponding fiscal years ended June 30, 2017 and June 30, 2016.

(7) The total value of all perquisites and personal benefits for this Named Executive Officer was less than $10,000, and, therefore, excluded.

(8) The executive officer was not a Named Executive Officer during the fiscal year, and, therefore compensation details have been excluded.

(9) Represents amounts we paid or reimbursed for:

a. Taxable benefit on annual sales event ($12,547)

b. Other miscellaneous expenses or benefits that are less than 10% of the total amount of perquisites and personal benefits related to Mr. Doolittle.

(10) Represents amounts we paid or reimbursed for:

a. Taxable benefit on annual sales event ($5,327)

b. Car allowances ($4,698)

(11) Represents amounts we paid or reimbursed for:

a. Taxable benefit on annual sales event ($12,547)

b. Club membership fees ($3,422)

(12) The amounts set forth for Ms. Ranganathan's salary and non-equity incentive awards represents a prorated amount based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

(13) The amounts set forth for Mr. Harrison's total compensation includes all amounts earned during Fiscal 2018 as Executive Vice President, Worldwide Sales and those earned prior to his promotion.

Grants of Plan-Based Awards in Fiscal 2018

The following table sets forth certain information concerning grants of awards made to each Named Executive Officer during Fiscal 2018.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Option Awards: Number of Securities Underlying (2)	Exercise or Base Price of Option Awards	Grant Date Fair Value of Options (3)
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Options (#)	($/share)	Awards ($)
Mark J. Barrenechea	August 7, 2017	$213,750	$1,425,000	$2,850,000	189,180	$ 34.49	$1,407,556
Madhu Ranganathan(4)	May 11, 2018	$18,750	$125,000	$250,000	293,510	$ 34.71	$2,275,143
John M. Doolittle	August 7, 2017	$74,726	$498,172	$996,344	37,380	$ 34.49	$278,118
Simon Harrison(5)	August 7, 2017	$45,000	$300,000	$900,000	11,840	$ 34.49	$88,093
	November 6, 2017				100,000	$ 34.48	$780,470
Muhi Majzoub	August 7, 2017	$60,000	$400,000	$800,000	36,960	$ 34.49	$274,993
Gordon A. Davies	August 7, 2017	$55,062	$367,076	$734,152	33,600	$ 34.49	$249,994

		Estimated Future Payouts Under Equity Incentive Plan Awards (6)			All Other Stock Awards: Number of Securities Underlying (7)	Grant Date Fair Value of Stock (3)
Name	Grant Date	Threshold	Target	Maximum	Stock	Awards ($)

		(#)	(#)	(#)	(#)	
Mark J. Barrenechea	August 7, 2017	1,252	83,470	125,205	41,730	$3,538,963
Madhu Ranganathan	May 11, 2018	119	7,960	11,940	3,980	$315,057
John M. Doolittle[8]	August 7, 2017	N/A	N/A	N/A	N/A	N/A
Simon Harrison	August 7, 2017	78	5,220	7,830	2,610	$221,328
Muhi Majzoub	August 7, 2017	245	16,310	24,465	8,150	$691,379
Gordon A. Davies	August 7, 2017	222	14,830	22,245	7,410	$628,627

(1) Represents the threshold, target and maximum estimated payouts under our short-term incentive plan for Fiscal 2018. For further information, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Short-Term Incentives” above.

(2) For further information regarding our options granting procedures, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives” above.

(3) Amounts set forth in this column represent the amount recognized as the aggregate grant date fair value of equity-based compensation awards, as calculated in accordance with ASC Topic 718 for the fiscal year in which the awards were granted. In all cases, these amounts do not reflect whether the recipient has actually realized a financial benefit from the exercise of the awards. For a discussion of the assumptions used in this valuation, see note 12 “Share Capital, Option Plan and Share-based Payments” to our Notes to Consolidated Financial Statements under Item 8 of this Annual Report on Form 10-K.

(4) The amounts set forth for Ms. Ranganathan's equity incentive plan awards represents a prorated amount based on the number of months Ms. Ranganathan was employed with the Company during Fiscal 2018.

(5) The amounts set forth for Mr. Harrison's equity incentive plan awards represents a prorated amount based on the time Mr. Harrison held the position of Executive Vice President, Worldwide Sales during Fiscal 2018.

(6) Represents the threshold, target and maximum estimated payouts under our Fiscal 2020 LTIP PSUs. For further information, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives - Fiscal 2020 LTIP” above.

(7) Represents the estimated payouts under our Fiscal 2020 LTIP RSUs granted in Fiscal 2018. For further information, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives - Fiscal 2020 LTIP” above.

(8) As a result of his upcoming departure from the Company, the grants made to Mr. Doolittle under Fiscal 2020 LTIP are not eligible for vesting.

Outstanding Equity Awards at End of Fiscal 2018

The following table sets forth certain information regarding outstanding equity awards held by each Named Executive Officer as of June 30, 2018.

		Option Awards [1]				Stock Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Non-exercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[2]	Market Value of Shares or Units of Stock That Have Not Vested ($) [2]	Equity Incentive Plan Awards: Number of unearned shares, units or other rights that have not vested (#) [3]	Equity Incentive Plan Awards: Market or payout value of unearned shares, units or other rights that have not vested ($) [3]
Mark J. Barrenechea	August 2, 2013	135,208	—	$ 16.58	August 2, 2020				
	August 1, 2014	95,806	31,934	$ 27.83	August 1, 2021				
	January 29, 2015	200,000	200,000	$ 27.09	January 29, 2022				
	January 29, 2015	—	800,000	$ 27.09	January 29, 2022				

	July 31, 2015	114,200	114,200	$ 22.87	July 31, 2022				
	July 29, 2016	49,140	147,420	$ 29.75	July 29, 2023				
	June 1, 2017	—	600,000	$ 32.63	June 1, 2024				
	August 7, 2017	—	189,180	$ 34.49	August 7, 2024				
	August 23, 2015					65,820	$2,316,206		
	August 23, 2015							131,640	$4,632,412
	August 14, 2016					41,600	$1,463,904		
	August 14, 2016							83,200	$2,927,808
	August 7, 2017					41,730	$1,468,479		
	August 7, 2017							83,470	$2,937,309
Madhu Ranganathan	May 11, 2018	—	275,000	$ 34.71	May 11, 2025				
	May 11, 2018	—	18,510	$ 34.71	May 11, 2025				
	May 11, 2018					3,980	$140,056		
	May 11, 2018							7,960	$280,112
John M. Doolittle	September 8, 2014	3,226	75,000	$ 28.65	September 8, 2021				
	September 8, 2014	—	6,914	$ 28.65	September 8, 2021				
	July 31, 2015	—	17,480	$ 22.87	July 31, 2022				

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	July 29, 2016	7,310	21,930	$29.75	July 29, 2023				
	August 7, 2017	—	37,380	$34.49	August 7, 2024				
	August 23, 2015					10,080	$354,715		
	August 23, 2015							20,160	$709,430
	August 14, 2016					4,228	$148,783		
	August 14, 2016							8,471	$298,094
Simon Harrison	August 13, 2012	20,000	—	$13.63	August 13, 2019				
	November 2, 2012	6,504	—	$13.19	November 2, 2019				
	August 2, 2013	7,266	—	$16.58	August 2, 2020				
	August 7, 2017	—	11,840	$34.49	August 7, 2024				
	November 6, 2017	—	100,000	$34.48	November 6, 2024				
	August 23, 2015					8,980	$316,006		
	August 14, 2016					5,680	$199,879		
	August 7, 2017					2,610	$91,846		
	August 7, 2017							5,220	$183,692
Muhi Majzoub	June 11, 2012	100,000	—	$11.68	June 11, 2019				
	November 2, 2012	18,788	—	$13.19	November 2, 2019				
	August 2, 2013	20,996	—	$16.58	August 2, 2020				
	August 1, 2014	17,356	5,784	$27.83	August 1, 2021				
	July 31, 2015	18,920	18,920	$22.87	July 31, 2022				
	July 29, 2016	8,140	24,420	$29.75	July 29, 2023				
	August 7, 2017	—	36,960	$34.49	August 7, 2024				
	August 23, 2015					10,900	$385,571		
	August 23, 2015							21,820	$767,846
	August 14, 2016					6,900	$242,811		
	August 14, 2016							13,780	$484,918
	August 7, 2017					8,150	$286,799		
	August 7, 2017							16,310	$573,949
Gordon A. Davies	August 1, 2014	—	7,154	$27.83	August 1, 2021				
	July 31, 2015	—	22,260	$22.87	July 31, 2022				
	July 29, 2016	—	28,740	$29.75	July 29, 2023				
	August 7, 2017	—	33,600	$34.49	August 7, 2024				
	August 23, 2015					12,840	$451,840		
	August 23, 2015							25,660	$902,975
	August 14, 2016					8,100	$285,039		
	August 14, 2016							16,220	$570,782
	August 7, 2017					7,410	$260,758		
	August 7, 2017							14,830	$521,868

Options in the table above vest annually over a period of 4 years starting from the date of grant, with the exception of 1,200,000 options granted to the CEO in Fiscal 2015 and 600,000 options granted to the CEO in Fiscal 2017.

(1) For additional detail, see “Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long-Term Incentives - Long-Term Equity Grants to CEO” above and under Item 11 of our Annual Report on Form 10-K for Fiscal 2015 and Fiscal 2017.

(2) Represents each Named Executive Officer's target number of RSUs granted pursuant to the Fiscal 2018, Fiscal 2019, and Fiscal 2020 LTIPs and other RSU grants, which vest upon the schedules described above in "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long Term Incentives". These amounts illustrate the market value as of June 30, 2018 based upon the closing price for the

Company's Common Shares as traded on the NASDAQ on such date of $35.19.

(3) Represents each Named Executive Officer's target number of PSUs granted pursuant to the Fiscal 2018, Fiscal 2019, and Fiscal 2020 LTIPs, which vest upon the schedules described above in "Compensation Discussion and Analysis - Aligning Officers' Interests with Shareholders' Interests - Long Term Incentives", and the market value as of June 30, 2018 based upon the closing price for the Company's Common Shares as traded on the NASDAQ on such date of $35.19.

As of June 30, 2018, options to purchase an aggregate of 7,078,435 Common Shares had been previously granted and are outstanding under our stock option plans, of which 2,482,288 Common Shares were vested. Options to purchase an additional 10,893,828 Common Shares remain available for issuance pursuant to our stock option plans. Our outstanding options pool represents 2.6% of the Common Shares issued and outstanding as of June 30, 2018.

During Fiscal 2018, the Company granted options to purchase 1,322,340 Common Shares or 0.5% of the Common Shares issued and outstanding as of June 30, 2018.

Option Exercises and Stock Vested in Fiscal 2018

The following table sets forth certain details with respect to each of the Named Executive Officers concerning the exercise of stock options and vesting of stock in Fiscal 2018:

Name	Option Awards Number of Shares Acquired on Exercise (#)	Option Awards Value Realized on Exercise[1] ($)	Stock Awards [3] Number of Shares Acquired on Vesting (#)	Stock Awards [3] Value Realized on Vesting[2] ($)
Mark J. Barrenechea	1,620,984	$ 32,092,449	107,950	$ 3,518,908
Madhu Ranganathan	—	$ —	—	$ —
John M. Doolittle	260,000	$ 1,939,443	25,262	$ 813,030
Simon Harrison	10,000	$ 227,702	4,060	$ 130,894
Muhi Majzoub	—	$ —	15,936	$ 513,777
Gordon A. Davies	35,936	$ 428,032	19,714	$ 635,579

(1) "Value realized on exercise" is the excess of the market price, at date of exercise, of the shares underlying the options over the exercise price of the options.

(2) "Value realized on vesting" is the market price of the underlying Common Shares on the vesting date.

(3) Relates to (i) the vesting of PSUs and RSUs under our Fiscal 2017 LTIP, and (ii) the vesting of RSUs for Messrs. Barrenechea and Doolittle in accordance with the terms of their respective contractual agreements.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

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

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

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

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

Termination Without Cause

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

- The failure by the Named Executive Officer to attempt in good faith to perform his duties, other than as a result of a physical or mental illness or injury;
- The Named Executive Officer's willful misconduct or gross negligence of a material nature in connection with the performance of his duties which is or could reasonably be expected to be injurious to the Company;
- The breach by the Named Executive Officer of his fiduciary duty or duty of loyalty to the Company;
- The Named Executive Officer's intentional and unauthorized removal, use or disclosure of information relating to the Company, including customer information, which is injurious to the Company or its customers;

- The willful performance by the Named Executive Officer of any act of dishonesty or willful misappropriation of funds or property of the Company or its affiliates;

- The indictment of the Named Executive Officer or a plea of guilty or nolo contender to a felony or other serious crime involving moral turpitude;
- The material breach by the Named Executive Officer of any obligation material to his employment relationship with the Company; or
- The material breach by the Named Executive Officer of the Company's policies and procedures which breach causes or could reasonably be expected to cause harm to the Company;

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

Change in Control

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

A change in control includes the following events:

- The sale, lease, exchange or other transfer, in one transaction or a series of related transactions, of all or substantially all of the Company's assets;
- The approval by the holders of Common Shares of any plan or proposal for the liquidation or dissolution of the Company;
- Any transaction in which any person or group acquires ownership of more than 50% of outstanding Common Shares; or
- Any transaction in which a majority of the Board is replaced over a twelve-month period and such replacement of the Board was not approved by a majority of the Board still in office at the beginning of such period.

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

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

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

Amounts Payable Upon Termination or Change in Control

Generally, upon termination of employment without cause or following a change in the Named Executive Officer's relationship with the Company, in each case, either within twelve months of a change in control event or absent a change in control event, the Named Executive Officer is entitled to either twelve or twenty-four months of compensation, depending upon the Named Executive Officer's position, including short term incentives equal to 100% of the current year's target bonus and a pro-rated portion of the LTIP.

With respect to the LTIP, if the termination of employment occurs either without cause or due to a change in the nature of the relationship between the Named Executive Officer and the Company, in each case, within twelve months of a change in control event, the Named Executive Officer is entitled to 100% of his LTIP.

With respect to options, (a) upon termination of employment without cause or following a change in the Named Executive Officer's relationship with the Company, in each case, absent a change in control event, the Named Executive Officer is entitled to exercise those stock options which have vested as of the date of termination; and (b) upon termination of employment without cause or upon a change in the relationship between the Named Executive Officer and the Company, in each case, within twelve months of a change in control event, the Named Executive Officer is entitled to exercise 100% of all outstanding options, which are all deemed immediately vested. The Named Executive Officer shall have 90 days from the termination date to exercise vested options.

Further details of each Named Executive Officer’s entitlement upon termination of employment without cause or following a change in the Named Executive Officer’s relationship with the Company, both absent a change in control event and within twelve months of a change in control event, are set forth below.

No Change in Control

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

(1) Assuming 100% achievement of the expected targets for the fiscal year in which the triggering event occurred.

(2) LTIP amounts are prorated for the number of months of participation at termination date in the applicable 38 month performance period. If the termination date is before the commencement of the 19th month of the performance period, a prorated LTIP will not be paid.

(3) Already vested as of termination date with no acceleration of unvested options. For a period of 90 days following the termination date, the Named Executive Officer has the right to exercise all options which have vested as of the date of termination.

(4) Employee and medical benefits provided to each Named Executive Officer immediately prior to the occurrence of the trigger event.

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

Within 12 Months of a Change in Control

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

(1) Assuming 100% achievement of the expected targets for the fiscal year in which the triggering event occurred.

(2) For a period of 90 days following the termination date, the Named Executive Officer has the right to exercise all options which are deemed to have vested as of the date of termination.

(3) Employee and medical benefits provided to each Named Executive Officer immediately prior to the occurrence of the trigger event.

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

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

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

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

Quantitative Estimates of Payments upon Termination or Change in Control

Further information regarding payments to our Named Executive Officers in the event of a termination or a change in control may be found in the table below. This table sets forth the estimated amount of payments and other benefits each Named Executive Officer would be entitled to receive upon the occurrence of the indicated event, assuming that the event occurred on June 30, 2018. Amounts (i) potentially payable under plans which are generally available to all salaried employees, such as life and disability insurance, and (ii) earned but unpaid, in both cases, are excluded from the table. The values related to vesting of stock options and awards are based upon the fair market value of our Common Shares of $35.19 per share as reported on the

NASDAQ on June 30, 2018, the last trading day of our fiscal year. The other material assumptions made with respect to the numbers reported in the table below are:

- Payments in Canadian dollars included herein are converted to U.S. dollars using an exchange rate, as of June 30, 2018, of 0.786589;
- The salary and incentive payments are calculated based on the amounts of salary, incentive and benefit payments which were payable to each Named Executive Officer as of June 30, 2018; and
- Payments under the LTIPs are calculated as though 100% of Fiscal 2020 LTIP (granted in Fiscal 2018), Fiscal 2019 LTIP (granted in Fiscal 2017), and Fiscal 2018 LTIP (granted in Fiscal 2016) have vested with respect to a termination without cause or change in relationship following a change in control event, and as though a pro-rated amount have vested with respect to no change in control event.

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

Named Executive Officer		Salary ($)	Short-term Incentive Payment ($)	Gain on Vesting of LTIP and Non-LTIP RSUs ($)	Gain on Vesting of Stock Options ($)	Employee Benefits ($)	Total ($)
Mark J. Barrenechea	Termination Without Cause / Change in Relationship with no Change in Control	$1,900,000	$2,850,000	$9,356,614	$—	$74,322 (1)	$14,180,936
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	$1,900,000	$2,850,000	$15,746,117	$12,218,837	$74,322	$32,789,276
Madhu Ranganathan	Termination Without Cause / Change in Relationship with no Change in Control	$500,000	$500,000	$—	$—	$—	$1,000,000
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	$1,000,000	$1,000,000	$420,169	$140,885	$—	$2,561,054
John M. Doolittle	Termination Without Cause / Change in Relationship with no Change in Control	$498,173	$498,173	$1,290,377	$—	$21,610	$2,308,333
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	$996,346	$996,346	$1,511,023	$897,143	$43,219	$4,444,077
Simon Harrison	Termination Without Cause / Change in Relationship with no Change in Control	$400,000	$400,000	$425,614	$—	$8,730	$1,234,344
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	$800,000	$800,000	$791,423	$79,288	$17,460	$2,488,171
Muhi Majzoub	Termination Without Cause / Change in Relationship with no Change in Control	$400,000	$400,000	$1,550,434	$—	$12,201	$2,362,635
		$800,000	$800,000	$2,739,893	$434,627	$24,401	$4,798,921

	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control						
Gordon A. Davies	Termination Without Cause / Change in Relationship with no Change in Control	$367,075	$367,075	$1,824,027	$—	$24,739	$2,582,916
	Termination Without Cause / Change in Relationship, within 12 months following a Change in Control	$734,150	$734,150	$2,993,261	$507,053	$49,478	$5,018,092

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

Director Compensation for Fiscal 2018

The following table sets forth summary information concerning the annual compensation received by each of the non-management directors of OpenText for the fiscal year ended June 30, 2018.

	Fees Earned or Paid in Cash ($) [1]	Stock Awards ($) [2]	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
P. Thomas Jenkins [3]	$ —	$ 546,926	$ —	$ —	N/A	$ —	$ 546,926
Randy Fowlie [4]	$ 48,450	$ 325,407	$ —	$ —	N/A	$ —	$ 373,857
Gail E. Hamilton [5]	$ 84,750	$ 257,756	$ —	$ —	N/A	$ —	$ 342,506
Brian J. Jackman [6]	$ 79,500	$ 252,010	$ —	$ —	N/A	$ —	$ 331,510
Stephen J. Sadler [7]	$ 2,000	$ 326,163	$ —	$ —	N/A	$ 789,886 (12)	$ 1,118,049
Michael Slaunwhite [8]	$ 4,738	$ 365,436	$ —	$ —	N/A	$ —	$ 370,174
Katharine B. Stevenson [9]	$ —	$ 352,017	$ —	$ —	N/A	$ —	$ 352,017
Carl Jurgen Tinggren [10]	$ 126,250	$ 229,866	$ —	$ —	N/A	$ —	$ 356,116
Deborah Weinstein [11]	$ —	$ 363,697	$ —	$ —	N/A	$ —	$ 363,697

(1) Non-management directors may elect to defer all or a portion of their retainer and/or fees in the form of Common Share equivalent units under our Directors' Deferred Share Unit Plan (DSU Plan) based on the value of the Company's shares as of the date fees would otherwise be paid. The DSU Plan became effective February 2, 2010, is available to any non-management director of the Company and is designed to promote greater alignment of long-term interests between directors of the Company and its shareholders. DSUs granted as compensation for directors fees vest immediately whereas the annual DSU grant vests at the Company's next annual general meeting. No DSUs are payable by the Company until the director ceases to be a member of the Board.

(2) The amounts set forth in this column represents the amount recognized as the aggregate grant date fair value of equity-based compensation awards, inclusive of DSU dividend equivalents, as calculated in accordance with ASC Topic 718. These amounts do not reflect whether the recipient has actually realized a financial benefit from the awards. For a discussion of the assumptions used in this valuation, see note 12 "Share Capital, Option Plan and Share-based Payments" to our consolidated financial statements. In Fiscal 2018, Messrs. Jenkins, Fowlie, Jackman, Sadler, Tinggren and Slaunwhite and Mses. Hamilton, Stevenson and Weinstein received 15,848, 9,428, 7,306, 9,460, 6,651, 10,592, 7,476, 10,199, and 10,541 DSUs, respectively.

(3) As of June 30, 2018, Mr. Jenkins holds no options and 91,001 DSUs. Mr. Jenkins serves as Chairman of the Board.

(4) As of June 30, 2018, Mr. Fowlie holds no options and 78,297 DSUs.

(5) As of June 30, 2018, Ms. Hamilton holds no options and 61,917 DSUs.

(6) As of June 30, 2018, Mr. Jackman holds no options and 51,354 DSUs.

(7) As of June 30, 2018, Mr. Sadler holds no options and 73,213 DSUs.

(8) As of June 30, 2018, Mr. Slaunwhite holds no options and 90,114 DSUs.

(9) As of June 30, 2018, Ms. Stevenson holds no options and 71,471 DSUs.

(10) As of June 30, 2018, Mr. Tinggren holds no options and 10,492 DSUs.

(11) As of June 30, 2018, Ms. Weinstein holds no options and 85,506 DSUs.

(12) During Fiscal 2018, Mr. Sadler received $789,886 in consulting fees, paid or payable in cash, for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

Directors who are salaried officers or employees receive no compensation for serving as directors. Mr. Barrenechea was the only employee director in Fiscal 2018. The material terms of our director compensation arrangements are as follows:

Description	Amount and Frequency of Payment
Annual Chairman retainer fee payable to the Chairman of the Board	$200,000 per year payable following our Annual General Meeting
Annual retainer fee payable to each non-management director	$60,000 per director payable following our Annual General Meeting
Annual Audit Committee retainer fee payable to each member of the Audit Committee	$25,000 per year payable at $6,250 at the beginning of each quarterly period.
Annual Audit Committee Chair retainer fee payable to the Chair of the Audit Committee	$10,000 per year payable at $2,500 at the beginning of each quarterly period.
Annual Compensation Committee retainer fee payable to each member of the Compensation Committee	$15,000 per year payable at $3,750 at the beginning of each quarterly period.
Annual Compensation Committee Chair retainer fee payable to the Chair of the Compensation Committee	$10,000 per year payable at $2,500 at the beginning of each quarterly period.
Annual Corporate Governance Committee retainer fee payable to each member of the Corporate Governance Committee	$8,000 per year payable at $2,000 at the beginning of each quarterly period.
Annual Corporate Governance Committee Chair retainer fee payable to the Chair of the Corporate Governance Committee	$6,000 per year payable at $1,500 at the beginning of each quarterly period.

The Board has adopted a DSU Plan which is available to any non-management director of the Company. In Fiscal 2018, certain directors elected to receive DSUs instead of a cash payment for their directors' fees. In addition to the scheduled fee arrangements set forth in the table above, whether paid in cash or DSUs, non-management directors also receive an annual DSU grant representing the long term component of their compensation. The amount of the annual DSU grant is discretionary; however, historically, the amount of this grant has been determined and updated on a periodic basis with the assistance of the Compensation Committee and the compensation consultant and benchmarked against director compensation for comparable companies. For Fiscal 2018, the annual DSU grant was approximately $225,000 for each non-management director and approximately $295,000 for the Chairman of the Board. DSUs granted as compensation for directors fees vest immediately whereas the annual DSU grant vests at the Company's next annual general meeting. No DSUs are payable by the Company until the director ceases to be a member of the Board.

As with its employees, the Company believes that granting compensation to directors in the form of equity, such as DSUs, promotes a greater alignment of long-term interests between directors of the Company and the shareholders of the Company. During Fiscal 2018, no stock options were granted to non-management directors and the Company has taken the position that non-management directors will receive DSUs instead of stock options where granting of equity awards is appropriate. All non-management directors have exceeded the Share Ownership Guidelines applicable to them, which is three times their annual retainer, with the exception of Mr. Tinggren, who joined as a member of our Board in February 2017. For further details of our Share Ownership Guidelines as they relate to directors, see "Share Ownership Guidelines" above.

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

Compensation Committee Interlocks and Insider Participation

The members of our Compensation Committee consist of Messrs. Slaunwhite (Chair) and Jackman and Ms. Weinstein. None of the members of the Compensation Committee have been or are an officer or employee of the Company, or any of our subsidiaries, or had any relationship requiring disclosure herein. None of our executive officers served as a member of the compensation committee of another entity (or other committee of the board of directors performing equivalent functions, or in the absence of any such committee, the entire board of directors) one of whose executive officers served as a director of ours.

Board's Role in Risk Oversight

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

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

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

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

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

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

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

The following table sets forth certain information as of June 30, 2018 regarding Common Shares beneficially owned by the following persons or companies: (i) each person or company known by us to be the beneficial owner of approximately 5% or more of our outstanding Common Shares, (ii) each director of our Company, (iii) each Named Executive Officer, and (iv) all directors and executive officers as a group. Except as otherwise indicated, we believe that the beneficial owners of the Common Shares listed below have sole investment and voting power with respect to such Common Shares, subject to community property laws where applicable.

The number and percentage of shares beneficially owned as exhibited in Item 12 is based on filings made in accordance with the rules of the SEC, and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares as to which a person has sole or shared voting or investment power and also any shares of Common Shares underlying options or warrants that are exercisable by that person within 60 days of June 30, 2018. Unless otherwise indicated, the address of each person or entity named in the table is "care of" Open Text Corporation, 275 Frank Tompa Drive, Waterloo, Ontario, Canada, N2L 0A1.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Shares Outstanding
Caisse de Depot et Placement du Quebec (1) 1000 Place Jean-Paul Riopelle, Montreal H2Z 2B3	18,056,800	6.75%
Jarislowsky, Fraser Ltd. (1) 1010 Sherbrooke St. West, Montreal QC H3A 2R7	16,972,231	6.34%
P. Thomas Jenkins (2)	4,280,572	1.59%
Mark J. Barrenechea (3)	1,410,789	*
Michael Slaunwhite (4)	516,805	*
Randy Fowlie (5)	297,788	*
Muhi Majzoub (6)	269,476	*
Stephen J. Sadler (7)	216,704	*
Katharine B. Stevenson (8)	119,402	*
Brian Jackman (9)	117,245	*
Deborah Weinstein (10)	98,997	*
Gail E. Hamilton (11)	69,408	*
Gordon A. Davies (12)	65,596	*
John M. Doolittle (13)	55,792	*
Simon Harrison (14)	49,444	*
Carl Jürgen Tinggren (15)	3,983	*
Madhu Ranganathan	—	*
All executive officers and directors as a group (16)	8,007,452	2.97%

*Less than 1%

(1) Information regarding the shares outstanding is based on information filed in Schedule 13G, 13F, or Schedule 13G/A with the SEC. The percentage of Common Shares outstanding is calculated using the total shares outstanding as of June 30, 2018.

(2) Includes 4,198,104 Common Shares owned and 82,468 deferred stock units (DSUs) which are exercisable.

(3) Includes 630,966 Common Shares owned, 594,354 options which are exercisable and 185,469 options which will become exercisable within 60 days of June 30, 2018.

(4) Includes 433,200 Common Shares owned and 83,605 DSUs which are exercisable.

(5) Includes 226,000 Common Shares owned and 71,788 DSUs which are exercisable.

(6) Includes 52,652 Common Shares owned, 184,200 options which are exercisable and 32,624 options which will become exercisable within 60 days of June 30, 2018.

(7) Includes 150,000 Common Shares owned and 66,704 DSUs which are exercisable.

(8) Includes 54,440 Common Shares owned and 64,962 DSUs which are exercisable.

(9) Includes 72,400 Common Shares owned and 44,845 DSUs which are exercisable.

(10) Includes 20,000 Common Shares owned and 78,997 DSUs which are exercisable.

(11) Includes 14,000 Common Shares owned and 55,408 DSUs which are exercisable.

(12) Includes 29,332 Common Shares owned and 36,264 options which will become exercisable within 60 days of June 30, 2018.

(13)

Includes 19,861 Common Shares owned, 10,536 options which are exercisable and 25,395 options which will become exercisable within 60 days of June 30, 2018.

(14) Includes 12,714 Common Shares owned, 33,770 options which are exercisable and 2,960 options which will become exercisable within 60 days of June 30, 2018.

(15) Includes 3,983 DSUs which are exercisable.

(16) Includes 5,957,993 Common Shares owned, 1,155,403 options which are exercisable, 341,296 options which will become exercisable within 60 days of June 30, 2018, and 552,760 DSUs which are exercisable.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth summary information relating to our various stock compensation plans as of June 30, 2018:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders:	7,078,435	$28.41	10,893,828
Equity compensation plans not approved by security holders :			
Under deferred stock unit awards	613,365	N/A	—
Under performance stock unit awards	515,437	N/A	—
Under restricted stock unit awards	814,220	N/A	—
Total	9,021,457	N/A	10,893,828

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

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

Related Transactions Policy and Director Independence

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

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

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

Transactions With Related Persons

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

During Fiscal 2018, Mr. Sadler received approximately CAD $1.0 million in consulting fees from OpenText (equivalent to $0.8 million USD), inclusive of CAD $980 thousand bonus fees for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

Item 14. Principal Accountant Fees and Services

The aggregate fees for professional services rendered by our independent registered public accounting firm, KPMG LLP, for Fiscal 2018 and Fiscal 2017 were:

	Year ended June 30,	
(In thousands)	2018	2017
Audit fees (1)	$4,701	$4,269
Audit-related fees (2)	—	166
Tax fees (3)	116	98
All other fees (4)	101	9
Total	$4,918	$4,542

(1) Audit fees were primarily for professional services rendered for (a) the annual audits of our consolidated financial statements and the accompanying attestation report regarding our ICFR contained in our Annual Report on Form 10-K, (b) the review of quarterly financial information included in our Quarterly Reports on Form 10-Q, (c) audit services related to mergers and acquisitions and offering documents, and (d) annual statutory audits where applicable.

(2) Audit-related fees were primarily for assurance and related services, such as the review of non-periodic filings with the SEC.

(3) Tax fees were for services related to tax compliance, including the preparation of tax returns, tax planning and tax advice.

(4) All other fees consist of fees for services other than the services reported in audit fees, audit-related fees, and tax fees.

OpenText's Audit Committee has established a policy of reviewing, in advance, and either approving or not approving, all audit, audit-related, tax and other non-audit services that our independent registered public accounting firm provides to us. This policy requires that all services received from our independent registered public accounting firm be approved in advance by the Audit Committee or a delegate of the Audit Committee. The Audit Committee has delegated the pre-approval responsibility to the Chair of the Audit Committee. All services that KPMG LLP provided to us in Fiscal 2018 and Fiscal 2017 have been pre-approved by the Audit Committee.

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

PART IV
Item 15. Exhibits and Financial Statements Schedules

(a) Financial Statements and Schedules

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

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

4.2	Amended and Restated Shareholder Rights Plan Agreement between Open Text Corporation and Computershare Investor Services, Inc. dated September 23, 2016. (19)
4.3	Registration Rights Agreement, dated as of November 4, 2013, by and among Open Text Corporation and the principal stockholders named therein, and for the benefit of the holders (as defined therein). (20)
4.4	Indenture, dated as of January 15, 2015, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon (as successor to Citibank, N.A.), as U.S. trustee, and BNY Trust Company of Canada (as successor to Citi Trust Company Canada), as Canadian trustee (including form of 5.625% Senior Notes due 2023). (27)
4.5	Indenture, dated as of May 31, 2016, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (including form of 5.875% Senior Notes due 2026). (30)
4.6	Supplemental Indenture, dated as of December 9, 2016, to the Indenture governing 5.625% Senior Notes due 2023, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee. (31)
4.7	Supplemental Indenture, dated as of December 9, 2016, to the Indenture governing 5.875% Senior Notes due 2026, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee. (31)
10.1*	1998 Stock Option Plan. (8)
10.2*	Form of Indemnity Agreement between the Company and certain of its officers dated September 7, 2006. (9)
10.3*	Consulting Agreement between Steven Sadler and SJS Advisors Inc. and the Company, dated May 3, 2005. (10)
10.4*	Open Text Corporation Directors' Deferred Share Unit Plan effective February 2, 2010. (11)
10.5	Amended and Restated Credit Agreement among Open Text Corporation and certain of its subsidiaries, the Lenders, Barclays Bank PLC, Royal Bank of Canada, Barclays Capital and RBC Capital Markets, dated as of November 9, 2011. (12)
10.6*	OpenText Corporation 2004 Stock Option Plan, as amended and restated September 26, 2016. (15)
10.7*	OpenText Corporation Long-Term Incentive Plan 2015 for eligible employees, effective October 3, 2012. (16)
10.8*	Employment Agreement, dated October 30, 2012 between Mark Barrenechea and the Company. (16)
10.9*	Amendment No. 1 to the Employment Agreement between Mark J. Barrenechea and the Company dated January 24, 2013 (amending the Employment Agreement between Mark J. Barrenechea and the Company dated October 30, 2012). (17)
10.10*	Employment Agreement, as of December 19, 2012, between Gordon A. Davies and the Company. (18)
10.11	Commitment Letter, dated as of November 4, 2013, by and among Barclays Bank PLC, Royal Bank of Canada and Open Text Corporation. (20)
10.12	First Amendment to Amended and Restated Credit Agreement and Amended and Restated Security and Pledge Agreement, dated as of December 16, 2013, between Open Text ULC, as term borrower, Open Text ULC, Open Text Inc. and Open Text Corporation, as revolving credit borrowers, the domestic guarantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as sole administrative agent and collateral agent, and Royal Bank of Canada, as documentary credit lender. (21)
10.13	Credit Agreement, dated as of January 16, 2014, among Open Text Corporation, as guarantor, Ocelot Merger Sub, Inc., which on January 16, 2014 merged with and into GXS Group, Inc. which survived such merger, as borrower, the other domestic guarantors party thereto, the lenders named therein, as lenders, Barclays Bank PLC, as sole administrative agent and collateral agent, and with Barclays and RBC Capital Markets, as lead arrangers and joint bookrunners. (22)
10.14	Second Amendment to Amended and Restated Credit Agreement, dated as of December 22, 2014, between Open Text ULC, as term borrower, Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as revolving credit borrowers, the domestic guarantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as sole administrative agent and collateral agent, and Royal Bank of Canada, as documentary credit lender. (25)
10.15	

	Tender and Voting Agreement, dated as of December 5, 2014, by and among Open Text Corporation, Asteroid Acquisition Corporation and certain stockholders of Actuate. (24)
10.16*	Employment Agreement, dated November 30, 2012, between Muhi Majzoub and the Company. (23)
10.17*	Employment Agreement, dated July 30, 2014, between John M. Doolittle and the Company. (23)
10.18*	Amendment No. 2 to the Employment Agreement between Mark J. Barrenechea and the Company dated July 30, 2014 (amending the Employment Agreement between Mark J. Barrenechea and the Company dated October 30, 2012). (23)
10.20*	Employment Agreement, dated October 13, 2014, between David Jamieson and the Company. (28)
10.22*	Amended and Restated Employee Stock Purchase Plan (29)

10.23	Repricing Amendment and Amendment No. 2 dated as of February 22, 2017 to Credit Agreement, by and among Open Text Corporation, as guarantor, Open Text GXS ULC, as borrower, the other guarantors party thereto, each of the lenders party thereto and Barclays Bank PLC, as administrative agent. (32)
10.24	Amendment No. 3 to Second Amended and Restated Credit Agreement, dated as of May 5, 2017, among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, and Barclays Bank PLC, as sole administrative agent and collateral agent. (33)
10.25*	Amendment No. 3 to the Employment Agreement between Mark J. Barrenechea and the Company dated June 1, 2017 (amending the Employment Agreement between Mark J. Barrenechea and the Company dated October 30, 2012). (34)
10.26*	Employment Agreement, dated January 2, 2014, between George Schulze and the Company (35)
10.27	Amendment No. 4 to Second Amended and Restated Credit Agreement, dated as of September 6, 2017, among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, and Barclays Bank PLC, as sole administrative agent and collateral agent. (36)
10.28*	Employment Agreement, dated January 30, 2018, among the Company, Open Text Inc. and Madhu Ranganathan (37)
10.29	Amended and Restated Credit Agreement dated as of May 30, 2018, by and among Open Text Corporation, as borrower, the guarantors party thereto, each of the lenders party thereto and Barclays Bank PLC, as administrative agent and collateral agent (38)
10.30	Third Amended and Restated Credit Agreement dated as of May 30, 2018, by and among Open Text ULC, Open Text Holdings, Inc. and Open Text Corporation, as borrowers, the guarantors party thereto, each of the lenders party thereto, Barclays Bank PLC, as administrative agent, collateral agent and swing line lender and Royal Bank of Canada as documentary credit lender. (38)
10.31*	Employment Agreement, dated October 1, 2017, between Simon (Ted) Harrison and the Company
12.1	Statement of Computation of Ratios of Earnings to Combined Fixed Charges and Preferences
18.1	Preferability letter dated February 2, 2012 from the Company's auditors, KPMG LLP, regarding a change in the Company's accounting policy relating to the income statement classification of tax related interest and penalties. (13)
21.1	List of the Company's Subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL instance document.
101.SCH	XBRL taxonomy extension schema.
101.CAL	XBRL taxonomy extension calculation linkbase.
101.DEF	XBRL taxonomy extension definition linkbase.
101.LAB	XBRL taxonomy extension label linkbase.
101.PRE	XBRL taxonomy extension presentation.

* Indicates management contract relating to compensatory plans or arrangements

(1) Filed as an Exhibit to the Company's Registration Statement on Form F-1 (Registration Number 33-98858) as filed with the Securities and Exchange Commission (the “SEC”) on November 1, 1995 or Amendments 1, 2 or 3 thereto (filed on December 28, 1995, January 22, 1996 and January 23, 1996 respectively), and incorporated herein by

reference.

(2) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 28, 2001 and incorporated herein by reference.

(3) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 28, 2002 and incorporated herein by reference.

(4) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 29, 2003 and incorporated herein by reference.

(5) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 13, 2004 and incorporated herein by reference.
(6) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 27, 2005 and incorporated herein by reference.
(7) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on February 3, 2006 and incorporated herein by reference.
(8) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 20, 1999 and incorporated herein by reference.
(9) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on September 12, 2006 and incorporated herein by reference.
(10) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 26, 2008 and incorporated herein by reference.
(11) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on April 30, 2010 and incorporated herein by reference.
(12) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on November 9, 2011 and incorporated herein by reference.
(13) Filed as an Exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on February 2, 2012 and incorporated herein by reference.
(14) Filed as an Exhibit to the Company’s Current Report on Form 8-K, as filed with the SEC on July 3, 2012 and incorporated herein by reference.
(15) Filed as an exhibit to the Company's Registration Statement on Form S-8, as filed with the SEC on November 4, 2016, and incorporated herein by reference.
(16) Filed as an Exhibit to the Company’s Quarterly Report on Form 10-Q, as filed with the SEC on November 1, 2012 and incorporated herein by reference.
(17) Filed as an Exhibit to the Company’s Quarterly Report on Form 10-Q, as filed with the SEC on January 25, 2013 and incorporated herein by reference.
(18) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on August 1, 2013 and incorporated herein by reference.
(19) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on September 23, 2016 and incorporated herein by reference.
(20) Filed as an Exhibit to the Company's Current Report on Form 8-K/A, as filed with the SEC on November 6, 2013 and incorporated herein by reference.
(21) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on December 20, 2013 and incorporated herein by reference.
(22) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on January 16, 2014 and incorporated herein by reference.
(23)Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on July 31, 2014 and incorporated herein by reference.
(24) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on December 5, 2014 and incorporated herein by reference.
(25) Filed as an exhibit to the Company's Current Report on Form 8-K, as fined with the SEC on December 23, 2014 and incorporated herein by reference.
(26) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on September 13, 2016 and incorporated herein by reference.
(27) Filed as an Exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on January 15, 2015 and incorporated herein by reference.
(28) Filed as an Exhibit to the Company's Annual Report on Form 10-K, as filed with the SEC on July 29, 2015 and incorporated herein by reference.
(29) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on October 2, 2015 and incorporated herein by reference.

(30) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on May 31, 2016 and incorporated herein by reference.
(31) Filed as an Exhibit to the Post-Effective Amendment No. 2 to the Company’s Registration Statement on Form S-3, as filed with the SEC on December 12, 2016 and incorporated herein by reference.
(32) Filed as an exhibit to the Company's Current Report on Form 8-K, as filed with the SEC on February 22, 2017 and incorporated herein by reference.
(33) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q, as filed with the SEC on May 8, 2017 and incorporated herein by reference.

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

Report of Independent Registered Public Accounting Firm
To the Shareholders and Board of Directors
Open Text Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Open Text Corporation (the Company) as of June 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three year period ended June 30, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended June 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 1, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

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

/s/ KPMG LLP
Chartered Professional Accountants, Licensed Public Accountants
We have served as the Company's auditor since 2001.
Toronto, Canada
August 1, 2018

Report of Independent Registered Public Accounting Firm
To the Shareholders and Board of Directors
Open Text Corporation:

Opinion on Internal Control Over Financial Reporting
We have audited Open Text Corporation's (the Company) internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated August 1, 2018 expressed an unqualified opinion on those consolidated financial statements.
Basis for Opinion
The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual Report on Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
Definition and Limitations of Internal Control Over Financial Reporting
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
/s/ KPMG LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
August 1, 2018

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

	June 30, 2018	June 30, 2017
ASSETS		
Cash and cash equivalents	$682,942	$443,357
Accounts receivable trade, net of allowance for doubtful accounts of $9,741 as of June 30, 2018 and $6,319 as of June 30, 2017 (note 3)	487,956	445,812
Income taxes recoverable (note 14)	55,623	32,683
Prepaid expenses and other current assets	101,059	81,625
Total current assets	1,327,580	1,003,477
Property and equipment (note 4)	264,205	227,418
Goodwill (note 5)	3,580,129	3,416,749
Acquired intangible assets (note 6)	1,296,637	1,472,542
Deferred tax assets (note 14)	1,122,729	1,215,712
Other assets (note 7)	111,267	93,763
Deferred charges (note 8)	38,000	42,344
Long-term income taxes recoverable (note 14)	24,482	8,557
Total assets	$7,765,029	$7,480,562
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$302,154	$342,120
Current portion of long-term debt (note 10)	10,000	182,760
Deferred revenues	644,211	570,328
Income taxes payable (note 14)	38,234	31,835
Total current liabilities	994,599	1,127,043
Long-term liabilities:		
Accrued liabilities (note 9)	52,827	50,338
Deferred credits (note 8)	2,727	5,283
Pension liability (note 11)	65,719	58,627
Long-term debt (note 10)	2,610,523	2,387,057
Deferred revenues	69,197	61,678
Long-term income taxes payable (note 14)	172,241	162,493
Deferred tax liabilities (note 14)	79,938	94,724
Total long-term liabilities	3,053,172	2,820,200
Shareholders' equity:		
Share capital and additional paid-in capital (note 12)		
267,651,084 and 264,059,567 Common Shares issued and outstanding at June 30, 2018 and June 30, 2017, respectively; authorized Common Shares: unlimited	1,707,073	1,613,454
Accumulated other comprehensive income	33,645	48,800
Retained earnings	1,994,235	1,897,624
Treasury stock, at cost (690,336 shares at June 30, 2018 and 1,101,612 at June 30, 2017, respectively)	(18,732)	(27,520)
Total OpenText shareholders' equity	3,716,221	3,532,358
Non-controlling interests	1,037	961
Total shareholders' equity	3,717,258	3,533,319
Total liabilities and shareholders' equity	$7,765,029	$7,480,562
Guarantees and contingencies (note 13)		
Related party transactions (note 22)		

Subsequent events (note 23)

See accompanying Notes to Consolidated Financial Statements

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

	Year Ended June 30,		
	2018	2017	2016
Revenues:			
License	$437,512	$369,144	$283,710
Cloud services and subscriptions	828,968	705,495	601,018
Customer support	1,232,504	981,102	746,409
Professional service and other	316,257	235,316	193,091
Total revenues	2,815,241	2,291,057	1,824,228
Cost of revenues:			
License	13,693	13,632	10,296
Cloud services and subscriptions	364,091	300,255	244,021
Customer support	134,089	122,753	89,861
Professional service and other	253,670	195,195	155,584
Amortization of acquired technology-based intangible assets (note 6)	185,868	130,556	74,238
Total cost of revenues	951,411	762,391	574,000
Gross profit	1,863,830	1,528,666	1,250,228
Operating expenses:			
Research and development	323,461	281,680	194,057
Sales and marketing	529,381	444,838	344,235
General and administrative	205,313	170,438	140,397
Depreciation	86,943	64,318	54,929
Amortization of acquired customer-based intangible assets (note 6)	184,118	150,842	113,201
Special charges (recoveries) (note 17)	29,211	63,618	34,846
Total operating expenses	1,358,427	1,175,734	881,665
Income from operations	505,403	352,932	368,563
Other income (expense), net	17,973	15,743	(1,423)
Interest and other related expense, net	(137,250)	(119,124)	(76,363)
Income before income taxes	386,126	249,551	290,777
Provision for (recovery of) income taxes (note 14)	143,826	(776,364)	6,282
Net income for the period	$242,300	$1,025,915	$284,495
Net (income) loss attributable to non-controlling interests	(76)	(256)	(18)
Net income attributable to OpenText	$242,224	$1,025,659	$284,477
Earnings per share—basic attributable to OpenText (note 21)	$0.91	$4.04	$1.17
Earnings per share—diluted attributable to OpenText (note 21)	$0.91	$4.01	$1.17
Weighted average number of Common Shares outstanding—basic (in '000's)	266,085	253,879	242,926
Weighted average number of Common Shares outstanding—diluted (in '000's)	267,492	255,805	244,076
Dividends declared per Common Share	$0.5478	$0.4770	$0.4150

See accompanying Notes to Consolidated Financial Statements

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

	Year Ended June 30,		
	2018	2017	2016
Net income for the period	$242,300	$1,025,915	$284,495
Other comprehensive income (loss)—net of tax:			
Net foreign currency translation adjustments	(9,582)	(4,756)	(3,318)
Unrealized gain (loss) on cash flow hedges:			
Unrealized gain (loss) - net of tax expense (recovery) effect of ($171), $34 and ($928) for the year ended June 30, 2018, 2017 and 2016, respectively	(476)	95	(2,574)
(Gain) loss reclassified into net income - net of tax (expense) recovery effect of ($489), $67 and $1,065 for the year ended June 30, 2018, 2017 and 2016, respectively	(1,357)	186	2,956
Actuarial gain (loss) relating to defined benefit pension plans:			
Actuarial gain (loss) - net of tax expense (recovery) effect of ($1,846), $840 and ($1,612) for the year ended June 30, 2018, 2017 and 2016, respectively	(3,383)	6,216	(3,374)
Amortization of actuarial (gain) loss into net income - net of tax (expense) recovery effect of $183, $241 and $132 for the year ended June 30, 2018, 2017 and 2016, respectively	260	565	347
Unrealized net gain (loss) on marketable securities - net of tax effect of nil for the year ended June 30, 2018, 2017 and 2016, respectively	—	184	445
Release of unrealized gain on marketable securities - net of tax effect of nil for the year ended June 30, 2018, 2017 and 2016, respectively	(617)	—	—
Total other comprehensive income (loss) net, for the period	(15,155)	2,490	(5,518)
Total comprehensive income	227,145	1,028,405	278,977
Comprehensive (income) loss attributable to non-controlling interests	(76)	(256)	(18)
Total comprehensive income attributable to OpenText	$227,069	$1,028,149	$278,959

See accompanying Notes to Consolidated Financial Statements

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

	Common Shares and Additional Paid in Capital		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2015	244,586	$934,427	(1,252)	$(19,986)	$863,015	$ 51,828	$ 523	$1,829,807
Issuance of Common Shares								
Under employee stock option plans	936	14,576	—	—	—	—	—	14,576
Under employee stock purchase plans	240	5,027	—	—	—	—	—	5,027
Share-based compensation	—	25,978	—	—	—	—	—	25,978
Income tax effect related to share-based compensation	—	230	—	—	—	—	—	230
Purchase of treasury stock	—	—	(450)	(10,627)	—	—	—	(10,627)
Issuance of treasury stock	—	(5,345)	434	5,345	—	—	—	—
Common Shares repurchased	(2,952)	(9,825)	—	—	(55,684)	—	—	(65,509)
Dividends	—	—	—	—	(99,262)	—	—	(99,262)
Other comprehensive income (loss) - net	—	—	—	—	—	(5,518)	—	(5,518)
Non-controlling interest	—	—	—	—	—	—	—	—
Net income for the year	—	—	—	—	284,477	—	18	284,495
Balance as of June 30, 2016	242,810	$965,068	(1,268)	$(25,268)	$992,546	$ 46,310	$ 541	$1,979,197
Issuance of Common Shares								
Under employee stock option plans	1,012	20,732	—	—	—	—	—	20,732
Under employee stock purchase plans	427	11,604	—	—	—	—	—	11,604
Under the public Equity Offering	19,811	604,223	—	—	—	—	—	604,223
Income tax effect related to public Equity Offering	—	5,077	—	—	—	—	—	5,077
Equity issuance costs	—	(19,574)	—	—	—	—	—	(19,574)
Share-based compensation	—	30,507	—	—	—	—	—	30,507
	—	1,534	—	—	—	—	—	1,534

Income tax effect related to share-based compensation								
Purchase of treasury stock	—	—	(244)	(8,198)	—	—	—	(8,198)
Issuance of treasury stock	—	(5,946)	410	5,946	—	—	—	—
Dividends	—	—	—	—	(120,581)	—	—	(120,581)
Other comprehensive income (loss) - net	—	—	—	—	—	2,490	—	2,490
Non-controlling interest	—	229	—	—	—	—	164	393
Net income for the year	—	—	—	—	1,025,659	—	256	1,025,915
Balance as of June 30, 2017	264,060	$1,613,454	(1,102)	$(27,520)	$1,897,624	$ 48,800	$ 961	$3,533,319
Issuance of Common Shares								
Under employee stock option plans	2,870	54,355	—	—	—	—	—	54,355
Under employee stock purchase plans	721	20,458	—	—	—	—	—	20,458
Share-based compensation	—	27,594	—	—	—	—	—	27,594
Issuance of treasury stock	—	(8,788)	411	8,788	—	—	—	—
Dividends	—	—	—	—	(145,613)	—	—	(145,613)
Other comprehensive income (loss) - net	—	—	—	—	—	(15,155)	—	(15,155)
Net income for the year	—	—	—	—	242,224	—	76	242,300
Balance as of June 30, 2018	267,651	$1,707,073	(691)	$(18,732)	$1,994,235	$ 33,645	$ 1,037	$3,717,258

See accompanying Notes to Consolidated Financial Statements

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

	Year Ended June 30,		
	2018	2017	2016
Cash flows from operating activities:			
Net income for the period	$242,300	$1,025,915	$284,495
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangible assets	456,929	345,715	242,368
Share-based compensation expense	27,594	30,507	25,978
Excess tax (benefits) expense on share-based compensation expense	—	(1,534)	(230)
Pension expense	3,738	3,893	4,577
Amortization of debt issuance costs	4,646	5,014	4,678
Amortization of deferred charges and credits	4,242	6,298	9,903
Loss on sale and write down of property and equipment	2,234	784	1,108
Release of unrealized gain on marketable securities to income	(841)	—	—
Write off of unamortized debt issuance costs	155	833	—
Deferred taxes	89,736	(871,195)	(54,461)
Share in net (income) loss of equity investees	(5,965)	(5,952)	—
Other non-cash charges	—	1,033	—
Changes in operating assets and liabilities:			
Accounts receivable	(22,566)	(126,784)	8,985
Prepaid expenses and other current assets	(7,274)	(7,766)	316
Income taxes and deferred charges and credits	(31,323)	(1,683)	6,294
Accounts payable and accrued liabilities	(91,650)	53,490	(5,671)
Deferred revenue	35,629	3,484	(4,781)
Other assets	2,301	(22,799)	2,163
Net cash provided by operating activities	709,885	439,253	525,722
Cash flows from investing activities:			
Additions of property and equipment	(105,318)	(79,592)	(70,009)
Proceeds from maturity of short-term investments	—	9,212	11,297
Purchase of Hightail, Inc.	(20,535)	—	—
Purchase of Guidance Software, Inc., net of cash acquired	(229,275)	—	—
Purchase of Covisint Corporation, net of cash acquired	(71,279)	—	—
Purchase of ECD Business	—	(1,622,394)	—
Purchase of HP Inc. CCM Business	—	(315,000)	—
Purchase of Recommind, Inc.	—	(170,107)	—
Purchase consideration for acquisitions completed prior to Fiscal 2017	—	(7,146)	(293,071)
Other investing activities	(18,034)	(5,937)	(9,393)
Net cash used in investing activities	(444,441)	(2,190,964)	(361,176)
Cash flows from financing activities:			
Excess tax benefits (expense) on share-based compensation expense	—	1,534	230
Proceeds from long-term debt and Revolver	1,200,000	481,875	600,000
Proceeds from issuance of Common Shares from exercise of stock options and ESPP	75,935	35,593	20,097
Proceeds from issuance of Common Shares under the public Equity Offering	—	604,223	—
Repayment of long-term debt and Revolver	(1,149,620)	(57,880)	(8,000)
Debt issuance costs	(4,375)	(7,240)	(6,765)
Equity issuance costs	—	(19,574)	—

Common Shares repurchased	—	—	(65,509)
Purchase of Treasury Stock	—	(8,198)	(10,627)
Purchase of non-controlling interest	—	(208)	—
Payments of dividends to shareholders	(145,613)	(120,581)	(99,262)
Net cash provided by (used in) financing activities	(23,673)	909,544	430,164
Foreign exchange gain (loss) on cash held in foreign currencies	(2,186)	1,767	(10,952)
Increase (decrease) in cash and cash equivalents during the period	239,585	(840,400)	583,758
Cash and cash equivalents at beginning of the period	443,357	1,283,757	699,999
Cash and cash equivalents at end of the period	$682,942	$443,357	$1,283,757

Supplemental cash flow disclosures (note 20)

See accompanying Notes to Consolidated Financial Statements

OPEN TEXT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2018
(Tabular amounts in thousands of U.S. dollars, except share and per share data)

NOTE 1—BASIS OF PRESENTATION

The accompanying Consolidated Financial Statements include the accounts of Open Text Corporation and our subsidiaries, collectively referred to as "OpenText" or the "Company". We wholly own all of our subsidiaries with the exception of Open Text South Africa Proprietary Ltd. (OT South Africa), GXS, Inc. (GXS Korea) and EC1 Pte. Ltd. (GXS Singapore), which as of June 30, 2018, were 70%, 85% and 81% owned, respectively, by OpenText. All inter-company balances and transactions have been eliminated.

These Consolidated Financial Statements are expressed in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). The information furnished reflects all adjustments necessary for a fair presentation of the results for the periods presented and includes the financial results of Covisint Corporation (Covisint), with effect from July 26, 2017, Guidance Software, Inc. (Guidance), with effect from September 14, 2017, and Hightail, Inc. (Hightail), with effect from February 14, 2018 (see note 18 "Acquisitions").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. In particular, significant estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) testing of goodwill for impairment, (iii) the valuation of acquired intangible assets, (iv) the valuation of long-lived assets, (v) the recognition of contingencies, (vi) restructuring accruals, (vii) acquisition accruals and pre-acquisition contingencies, (viii) the realization of investment tax credits, (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 assets and obligations, and (xi) accounting for income taxes.

Beginning in the second quarter of Fiscal 2018, our income tax estimates were impacted by legislation informally known as the Tax Cuts and Jobs Act, which was enacted in the United States on December 22, 2017. The Company has recorded a provisional charge and continues to assess the effect of the new law on its consolidated financial statements in accordance with Staff Accounting Bulletin 118 “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (SAB 118). For more details related to this matter, please refer to note 14 "Income Taxes".

NOTE 2— ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include balances with banks as well as deposits that have terms to maturity of three months or less. Cash equivalents are recorded at cost and typically consist of term deposits, commercial paper, certificates of deposit and short-term interest bearing investment-grade securities of major banks in the countries in which we operate.

Short-Term Investments

In accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) Topic 320 "Investments - Debt and Equity Securities" (Topic 320) related to accounting for certain investments in debt and equity securities, and based on our intentions regarding these instruments, we classify our marketable securities as available for sale and account for these investments at fair value. Marketable securities consist primarily of high quality debt securities with original maturities over 90 days, and may include corporate notes, United States government agency notes and municipal notes.

Allowance for doubtful accounts

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make payments. We evaluate the creditworthiness of our customers prior to order fulfillment and based on these evaluations, we

adjust our credit limit to the respective customer. In addition to these evaluations, we conduct on-going credit evaluations of our customers' payment history and current creditworthiness. The allowance is maintained for 100% of all accounts deemed to be uncollectible and, for those receivables not specifically identified as uncollectible, an allowance is maintained for a specific percentage of those receivables based upon the aging of accounts, our historical collection experience and current economic expectations. To date, the actual losses have been within our expectations. No single customer accounted for more than 10% of the accounts receivable balance as of June 30, 2018 and 2017.

Property and equipment

Property and equipment are stated at the lower of cost or net realizable value, and shown net of depreciation which is computed on a straight-line basis over the estimated useful lives of the related assets. Gains and losses on asset disposals are taken into income in the year of disposition. Fully depreciated property and equipment are retired from the consolidated balance sheet when they are no longer in use. We did not recognize any significant property and equipment impairment charges in Fiscal 2018, Fiscal 2017, or Fiscal 2016. The following represents the estimated useful lives of property and equipment:

Furniture and fixtures	5 years
Office equipment	5 years
Computer hardware	3 years
Computer software	3 to 7 years
Capitalized software	3 to 5 years
Leasehold improvements	Lesser of the lease term or 5 years
Building	40 years

Capitalized Software

We capitalize software development costs in accordance with ASC Topic 350-40 "Accounting for the Costs of Computer Software Developed or Obtained for Internal-Use". We capitalize costs for software to be used internally when we enter the application development stage. This occurs when we complete the preliminary project stage, management authorizes and commits to funding the project, and it is feasible that the project will be completed and the software will perform the intended function. We cease to capitalize costs related to a software project when it enters the post implementation and operation stage. If different determinations are made with respect to the state of development of a software project, then the amount capitalized and the amount charged to expense for that project could differ materially.

Costs capitalized during the application development stage consist of payroll and related costs for employees who are directly associated with, and who devote time directly to, a project to develop software for internal use. We also capitalize the direct costs of materials and services, which generally includes outside contractors, and interest. We do not capitalize any general and administrative or overhead costs or costs incurred during the application development stage related to training or data conversion costs. Costs related to upgrades and enhancements to internal-use software, if those upgrades and enhancements result in additional functionality, are capitalized. If upgrades and enhancements do not result in additional functionality, those costs are expensed as incurred. If different determinations are made with respect to whether upgrades or enhancements to software projects would result in additional functionality, then the amount capitalized and the amount charged to expense for that project could differ materially.

We amortize capitalized costs with respect to development projects for internal-use software when the software is ready for use. The capitalized software development costs are generally amortized using the straight-line method over a 3 to 5 year period. In determining and reassessing the estimated useful life over which the cost incurred for the software should be amortized, we consider the effects of obsolescence, technology, competition and other economic factors. If different determinations are made with respect to the estimated useful life of the software, the amount of amortization charged in a particular period could differ materially.

As of June 30, 2018 and 2017 our capitalized software development costs were $81.1 million and $67.1 million, respectively. Our additions, relating to capitalized software development costs, incurred during Fiscal 2018 and Fiscal 2017 were $14.6 million and $12.8 million, respectively.

Acquired intangibles

Acquired intangibles consist of acquired technology and customer relationships associated with various acquisitions.

Acquired technology is initially recorded at fair value based on the present value of the estimated net future income-producing capabilities of software products acquired on acquisitions. We amortize acquired technology over its estimated useful life on a straight-line basis.

Customer relationships represent relationships that we have with customers of the acquired companies and are either based upon contractual or legal rights or are considered separable; that is, capable of being separated from the acquired entity and being sold, transferred, licensed, rented or exchanged. These customer relationships are initially recorded at their fair value based on the present value of expected future cash flows. We amortize customer relationships on a straight-line basis over their estimated useful lives.

We continually evaluate the remaining estimated useful life of our intangible assets being amortized to determine whether events and circumstances warrant a revision to the remaining period of amortization.

Impairment of long-lived assets

We account for the impairment and disposition of long-lived assets in accordance with ASC Topic 360, “Property, Plant, and Equipment” (Topic 360). We test long-lived assets or asset groups, such as property and equipment and definite lived intangible assets, for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of before the end of its estimated useful life.

Recoverability is assessed based on comparing the carrying amount of the asset to the aggregate pre-tax undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group. Impairment is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset or asset group. The impairment loss, if any, is measured as the amount by which the carrying amount exceeds fair value, which for this purpose is based upon the discounted projected future cash flows of the asset or asset group.

We have not recorded any significant impairment charges for long-lived assets during Fiscal 2018, Fiscal 2017 and Fiscal 2016.

Business combinations

We apply the provisions of ASC Topic 805, “Business Combinations” (Topic 805), in the accounting for our acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities, including contingent consideration where applicable, assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement, particularly since these assumptions and estimates are based in part on historical experience and information obtained from the management of the acquired companies. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill in the period identified. Furthermore, when valuing certain intangible assets that we have acquired, critical estimates may be made relating to, but not limited to: (i) future expected cash flows from software license sales, cloud SaaS, DaaS and PaaS contracts, support agreements, consulting agreements and other customer contracts (ii) the acquired company's technology and competitive position, as well as assumptions about the period of time that the acquired technology will continue to be used in the combined company's product portfolio, and (iii) discount rates. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded to our Consolidated Statements of Income.

For a given acquisition, we may identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the purchase price allocation and, if so, to determine the estimated amounts.

If we determine that a pre-acquisition contingency (non-income tax related) is probable in nature and estimable as of the acquisition date, we record our best estimate for such a contingency as a part of the preliminary purchase price allocation. We often continue to gather information and evaluate our pre-acquisition contingencies throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies during the measurement period, such amounts will be included in the purchase price allocation during the measurement period and, subsequently, in our results of operations.

Uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We review these items during the measurement period as we continue to actively seek and collect information relating to facts and circumstances that existed at the acquisition date. Changes to these uncertain tax positions and tax related valuation allowances made subsequent to the measurement period, or if they relate to facts and circumstances that did not exist at the acquisition date, are recorded in the "Provision for (recovery of) income taxes" line of our Consolidated Statements of Income.

Goodwill

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

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

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

Our annual impairment analysis of goodwill was performed as of April 1, 2018. Our qualitative assessment indicated that there were no indications of impairment and therefore there was no impairment of goodwill required to be recorded for Fiscal 2018 (no impairments were recorded for Fiscal 2017 and Fiscal 2016).

Derivative financial instruments

We use derivative financial instruments to manage foreign currency rate risk. We account for these instruments in accordance with ASC Topic 815, “Derivatives and Hedging” (Topic 815), which requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value as of the reporting date. Topic 815 also requires that changes in our derivative financial instruments' fair values be recognized in earnings; unless specific hedge accounting and documentation criteria are met (i.e. the instruments are accounted for as hedges). We recorded the effective portions of the gain or loss on derivative financial instruments that were designated as cash flow hedges in "Accumulated other comprehensive income", net of tax, in our accompanying Consolidated Balance Sheets. Any ineffective or excluded portion of a designated cash flow hedge, if applicable, was recognized in our Consolidated Statements of Income.

Asset retirement obligations

We account for asset retirement obligations in accordance with ASC Topic 410, “Asset Retirement and Environmental Obligations” (Topic 410), which applies to certain obligations associated with “leasehold improvements” within our leased office facilities. Topic 410 requires that a liability be initially recognized for the estimated fair value of the obligation when it is incurred. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset and depreciated over the remaining life of the underlying asset and the associated liability is accreted to the estimated fair value of the obligation at the settlement date through periodic accretion charges recorded within general and administrative expenses. When the obligation is settled, any difference between the final cost and the recorded amount is recognized as income or loss on settlement in our Consolidated Statements of Income.

Revenue recognition

License revenues

We recognize revenues in accordance with ASC Topic 985-605, “Software Revenue Recognition” (Topic 985-605). We record product revenues from software licenses and products when persuasive evidence of an arrangement exists, the software product has been shipped, there are no significant uncertainties surrounding product acceptance by the customer, the fees are fixed and determinable, and collection is considered probable. We use the residual method to recognize revenues on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenues related to the undelivered element is deferred based on vendor-specific objective evidence (VSOE) of the fair value of the undelivered element.

Our multiple-element sales arrangements include arrangements where software licenses and the associated post contract customer support (PCS) are sold together. We have established VSOE of the fair value of the undelivered PCS element based on the contracted price for renewal PCS included in the original multiple element sales arrangement, as substantiated by contractual terms and our significant PCS renewal experience, from our existing worldwide base. Our multiple element sales arrangements generally include irrevocable rights for the customer to renew PCS after the bundled term ends. The customer is not subject to any economic or other penalty for failure to renew. Further, the renewal PCS options are for services comparable to the bundled PCS and cover similar terms.

It is our experience that customers generally exercise their renewal PCS option. In the renewal transaction, PCS is sold on a stand-alone basis to the licensees one year or more after the original multiple element sales arrangement. The exercised renewal PCS price is consistent with the renewal price in the original multiple element sales arrangement, although an adjustment to reflect consumer price changes is common.

If VSOE of fair value does not exist for all undelivered elements, all revenues are deferred until sufficient evidence exists or revenue is recognized over the term of the last undelivered element.

We assess whether payment terms are customary or extended in accordance with normal practice relative to the market in which the sale is occurring. Our sales arrangements generally include standard payment terms. These terms effectively relate to all customers, products, and arrangements regardless of customer type, product mix or arrangement size. Exceptions are only made to these standard terms for certain sales in parts of the world where local practice differs. In these jurisdictions, our customary payment terms are in line with local practice.

Cloud services and subscriptions revenues

Cloud services and subscription revenues consist of (i) SaaS offerings (ii) managed service arrangements and (iii) subscription revenues relating to on premise offerings. The customer contracts for each of these three offerings are long term contracts (greater than twelve months) and are based on the customer’s usage over the contract period. The revenue associated with such contracts is recognized once usage has been measured, the fee is fixed and determinable and collection is probable.

In certain managed services arrangements, we sell transaction processing along with implementation and start-up services. Start-up services performed as part of the core implementation may include: infrastructure assessment and capacity planning, provisioning of infrastructure, customer connectivity and other initial setup activities. These sets of services do not have stand-alone value and, therefore, they do not qualify as separate units of accounting and are not separated. We believe these services do not have stand-alone value as the customer only receives value from these services in conjunction with the use of the related transaction processing service, we do not sell such services separately, and the output of such services cannot be re-sold by the customer. Revenues related to start-up services are recognized over the longer of the contract term or the estimated customer life. In some arrangements, we also sell distinct implementation and professional services that do have stand-alone value and can be separated from other elements in the arrangement. To the extent that they can be separately identified, the revenue related to these services is recognized as the service is performed, otherwise they are recognized in the same pattern as discussed above. In some arrangements, we also sell professional services as a separate single element arrangement. The revenue related to these services is recognized as the service is performed.

We defer all direct and relevant costs associated with non-distinct start-up and core implementation activities of long-term customer contracts to the extent such costs can be recovered through guaranteed contract revenues. All other costs related to distinct implementation and professional services arrangements are recognized as the services is performed and expensed as incurred.

Service revenues

Service revenues consist of revenues from consulting, implementation, training and integration services. These services are set forth separately in the contractual arrangements such that the total price of the customer arrangement is expected to vary as a result of the inclusion or exclusion of these services. For those contracts where the services are not essential to the functionality of any other element of the transaction, we determine VSOE of fair value for these services based upon normal pricing and discounting practices for these services when sold separately. These consulting and implementation services contracts are primarily time and materials based contracts that are, on average, less than six months in length. Revenues from these services are recognized at the time such services are performed. We also enter into contracts that are primarily fixed fee arrangements wherein the services are not essential to the functionality of a software element. In such cases, the proportional performance method is applied to recognize revenues.

Revenues from training and integration services are recognized in the period in which these services are performed.

Customer support revenues

Customer support revenues consist of revenues derived from contracts to provide PCS to license holders. These revenues are recognized ratably over the term of the contract. Advance billings of PCS are not recorded to the extent that the term of the PCS has not commenced and payment has not been received.

Deferred revenues

Deferred revenues primarily relate to cloud and customer support agreements which have been paid for by customers prior to the performance of those services. Generally, the services related to customer support agreements will be provided in the twelve months after the signing of the agreement. For cloud-related service agreements, deferred revenues are primarily recognized ratably over the performance or service period, which can vary from contract to contract. Deferred implementation revenue, specifically, is recognized over the longer of the estimated customer life or initial contract term, whichever is longer.

Long-term sales contracts

We may enter into certain long-term sales contracts involving the sale of integrated solutions that include the modification and customization of software and the provision of services that are essential to the functionality of the other elements in this arrangement. As prescribed by ASC Topic 985-605, we recognize revenues from such arrangements in accordance with the contract accounting guidelines in ASC Topic 605-35, “Construction-Type and Production-Type Contracts” (Topic 605-35), after evaluating for separation of any non-Topic 605-35 elements in accordance with the provisions of ASC Topic 605-25, “Multiple-Element Arrangements” (Topic 605-25).

When circumstances exist that allow us to make reasonably dependable estimates of contract revenues, contract costs and the progress of the contract to completion, we account for sales under such long-term contracts using the percentage-of-completion (POC) method of accounting. Under the POC method, progress towards completion of the contract is measured based upon either input measures or output measures. We measure progress towards completion based upon an input measure and calculate this as the proportion of the actual hours incurred compared to the total estimated hours. For training and integration services rendered under such contracts, revenues are recognized as the services are rendered. We will review, on a quarterly basis, the total estimated remaining costs to completion for each of these contracts and apply the impact of any changes on the POC prospectively. If at any time we anticipate that the estimated remaining costs to completion will exceed the value of the contract, the resulting loss will be recognized immediately.

When circumstances exist that prevent us from making reasonably dependable estimates of contract revenues, we account for sales under such long-term contracts using the completed contract method.

Sales to resellers and channel partners

We execute certain sales contracts through resellers and distributors (collectively, resellers) and also large, well-capitalized partners such as SAP SE and Accenture Inc. (collectively, channel partners).

We recognize revenues relating to sales through resellers and channel partners when all the recognition criteria have been met, in other words, persuasive evidence of an arrangement exists, delivery has occurred in the reporting period, the fee is fixed and determinable, and collectability is probable. In addition, we assess the creditworthiness of each reseller and if the reseller is newly formed, undercapitalized or in financial difficulty any revenues expected to emanate from such resellers are deferred and recognized only when cash is received and all other revenue recognition criteria are met.

Rights of return and other incentives

We do not generally offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, do not provide for or make estimates of rights of return and similar incentives.

Research and development costs

Research and development costs internally incurred in creating computer software to be sold, licensed or otherwise marketed are expensed as incurred unless they meet the criteria for deferral and amortization, as described in ASC Topic 985-20, “Costs of Software to be Sold, Leased, or Marketed” (Topic 985-20). In accordance with Topic 985-20, costs related to research, design and development of products are charged to expense as incurred and capitalized between the dates that the product is considered to be technologically feasible and is considered to be ready for general release to customers. In our historical experience, the dates relating to the achievement of technological feasibility and general release of the product have substantially coincided. In addition, no significant costs are incurred subsequent to the establishment of technological feasibility. As a result, we do not capitalize any research and development costs relating to internally developed software to be sold, licensed or otherwise marketed.

Income taxes

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

We account for our uncertain tax provisions by using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not that the position will be sustained on audit. On subsequent recognition and measurement the maximum amount which is more likely than not to be recognized at each reporting date will represent the Company's best estimate, given the information available at the reporting date, although the outcome of the tax position is not absolute or final. We recognize both accrued interest and penalties related to liabilities for income taxes within the "Provision for (recovery of) income taxes" line of our Consolidated Statements of Income (see note 14 "Income Taxes" for more details).

Fair value of financial instruments

Carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable and accounts payable (trade and accrued liabilities) approximate their fair value due to the relatively short period of time between origination of the instruments and their expected realization.

The fair value of our total long-term debt approximates its carrying value since the interest rate is at market.

We apply the provisions of ASC 820, “Fair Value Measurements and Disclosures”, to our derivative financial instruments that we are required to carry at fair value pursuant to other accounting standards (see note 15 "Fair Value Measurement" for more details).

Foreign currency

Our Consolidated Financial Statements are presented in U.S. dollars. In general, the functional currency of our subsidiaries is the local currency. For each subsidiary, assets and liabilities denominated in foreign currencies are translated into U.S dollars at the exchange rates in effect at the balance sheet dates and revenues and expenses are translated at the average exchange rates prevailing during the previous month of the transaction. The effect of foreign currency translation adjustments not affecting net income are included in Shareholders' equity under the “Cumulative translation adjustment” account as a component of “Accumulated other comprehensive income”. Transactional foreign currency gains (losses) included in the Consolidated Statements of Income under the line item “Other income (expense), net” for Fiscal 2018, Fiscal 2017 and Fiscal 2016 were $4.8 million, $3.1 million and $(1.9) million, respectively.

Restructuring charges

We record restructuring charges relating to contractual lease obligations and other exit costs in accordance with ASC Topic 420, “Exit or Disposal Cost Obligations” (Topic 420). Topic 420 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at its fair value in the period in which the liability is incurred. In order to incur a liability pursuant to Topic 420, our management must have established and approved a plan of restructuring in sufficient detail. A liability for a cost associated with involuntary termination benefits is recorded when benefits have been communicated and a liability for a cost to terminate an operating lease or other contract is incurred, when the contract has been terminated in accordance with the contract terms or we have ceased using the right conveyed by the contract, such as vacating a leased facility.

The recognition of restructuring charges requires us to make certain judgments regarding the nature, timing and amount associated with the planned restructuring activities, including estimating sub-lease income and the net recoverable amount of equipment to be disposed of. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances (see note 17 "Special Charges (Recoveries)" for more details).

Loss Contingencies

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

If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this filing on Form 10-K for the year ended June 30, 2018, we do not believe that the outcomes of any of these matters, individually or in the aggregate, will result in losses that are materially in excess of amounts already recognized (see note 13 "Guarantees and Contingencies" for more details).

Net income per share

Basic net income per share is computed using the weighted average number of Common Shares outstanding including contingently issuable shares where the contingency has been resolved. Diluted net income per share is computed using the weighted average number of Common Shares and stock equivalents outstanding using the treasury stock method during the year (see note 21 "Earnings Per Share" for more details).

Share-based payment

We measure share-based compensation costs, in accordance with ASC Topic 718, “Compensation - Stock Compensation” (Topic 718) on the grant date, based on the calculated fair value of the award. We have elected to treat awards with graded vesting as a single award when estimating fair value. Compensation cost is recognized on a straight-line basis over the employee requisite service period, which in our circumstances is the stated vesting period of the award, provided that total compensation cost recognized at least equals the pro-rata value of the award that has vested. Compensation cost is initially based on the estimated number of options for which the requisite service is expected to be rendered. This estimate is adjusted in the period once actual forfeitures are known (see note 12 "Share Capital, Option Plans and Share-based Payments" for more details).

Accounting for Pensions, post-retirement and post-employment benefits

Pension expense is accounted for in accordance with ASC Topic 715, “Compensation-Retirement Benefits” (Topic 715). Pension expense consists of: actuarially computed costs of pension benefits in respect of the current year of service, imputed returns on plan assets (for funded plans) and imputed interest on pension obligations. The expected costs of post retirement benefits, other than pensions, are accrued in the Consolidated Financial Statements based upon actuarial methods and assumptions. The over-funded or under-funded status of defined benefit pension and other post retirement plans are recognized as an asset or a liability (with the offset to “Accumulated other comprehensive income”, net of tax, within “Shareholders' equity”), respectively, on the Consolidated Balance Sheets (see note 11 "Pension Plans and Other Post Retirement Benefits" for more details).

Recent Accounting Pronouncements

Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16). ASU 2016-16 primarily changes the timing of when certain intercompany transactions are recognized within the provision for income taxes among other things. ASU 2016-16 is effective for us during the first quarter of our fiscal year ending June 30, 2019, on a modified retrospective basis. We currently anticipate that the adoption of ASU 2016-16 will result in a decrease to total assets on our Consolidated Balance Sheets of approximately $30 million and a decrease in total liabilities of approximately $3 million with a corresponding total net decrease to opening retained earnings of approximately $27 million.

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 “Leases (Topic 842)” (ASU 2016-02), which supersedes the guidance in former ASC Topic 840 “Leases”. The most significant change will result in the recognition of lease assets for the right to use the underlying asset and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows related to leases. This standard is effective for us for our fiscal year ending June 30, 2020, with early adoption permitted. Upon adoption of ASU 2016-02, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We have formed a sub-committee consisting of internal members from various departments to assess the effect that the pending adoption of ASU 2016-02 will have on our Consolidated Balance Sheets. Although the sub-committee has not completed their assessment, we expect the majority of the impact to come from our facility leases, and that most of our operating lease commitments will be recognized as right of use assets and operating lease liabilities, which will increase our total assets and total liabilities, as reported on our Consolidated Balance Sheets, relative to such amounts prior to adoption. The sub-committee continues to evaluate the impact of the new standard on our Consolidated Financial Statements.

Revenue Recognition

In May 2014, the FASB issued ASC Topic 606 "Revenue from Contracts with Customers" (Topic 606). Topic 606 supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition" (Topic 605) and nearly all other existing revenue recognition guidance under U.S. GAAP. The core principle of Topic 606 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services and permits the use of the retrospective or cumulative effect transition method. Topic 606 identifies five steps to be followed to achieve its core principle, which include (i) identifying contract(s) with customers, (ii) identifying performance obligations in the contract(s), (iii) determining the transaction price, (iv) allocating the transaction price to the performance obligations in the contract(s) and (v) recognizing revenue when (or as) the entity satisfies a performance obligation.

We will be adopting Topic 606 using the cumulative effect approach when this guidance becomes effective for us, starting in the first quarter of our fiscal year ending June 30, 2019.

We believe the key differences between Topic 606 and Topic 605 relate to our accounting for implementation services on cloud arrangements, accounting for on premise subscription offerings and costs to obtain a contract.

Implementation Services on Cloud Arrangements

Under Topic 605, fees charged for professional services to implement hosted software within a cloud arrangement are deferred and recognized ratably over the longer of the non-cancellable contract term or the estimated customer life because the activities are not deemed to be a separate element for which stand-alone value exists. Under Topic 606, we expect such implementation services revenues to be more variable from period to period, as we will recognize revenues allocated to the distinct implementation services on the basis of relative stand alone selling price, as services are provided to the customer. Costs relating to distinct implementation services will be expensed as they are incurred. Any implementation service revenue and costs that do not meet the criteria of being distinct will be deferred and amortized over the contract term.

On Premise Subscription Arrangements

Under Topic 605, revenue attributable to on premise subscription arrangements is recognized under “Cloud Services and Subscriptions revenue” and is recognized ratably over the term of the arrangement because vendor specific objective evidence (VSOE) does not exist for the undelivered maintenance and support element of the arrangement, as it is not sold separately. Under Topic 606, the requirement to have VSOE for undelivered elements to enable the separation of the delivered software licenses from the on-going customer support and maintenance services is eliminated. Accordingly, we expect the adoption of Topic 606 will result in a change in our recording of on premise subscription revenues from “Cloud Services and Subscriptions revenues” to “License” and “Customer Support” revenues in our Consolidated Statements of Income. Further, we expect to accelerate the recognition of a portion of the transaction price at the outset of the arrangement (upon delivery) as “License revenue”, using the residual approach for estimating stand-alone selling price. Over the course of the service period, “Customer Support revenues” will be recognized based on the stand-alone selling price for those services.

Costs to obtain a contract
Topic 606 will require the Company to capitalize certain sales commissions which are currently expensed as incurred. The Company currently anticipates it will amortize these capitalized contract costs over an expected period of benefit that includes anticipated renewals.

Transition

We evaluated revenue contracts that will be in effect on the adoption date as if they had been accounted for under Topic 606 from contract inception. As a result, certain revenue that would have been recognized in future periods under Topic 605 will now be accounted for and disclosed under Topic 606 as though the revenue had already been recognized in prior periods, resulting in us having to make a cumulative effect adjustment to our retained earnings in the period of adoption.

As a result, upon adoption of Topic 606 we expect retained earnings, net of tax, to increase by approximately $35 million and we expect to see the following corresponding impacts to the Consolidated Balance Sheet on July 1, 2018:

- A decrease to deferred revenues of approximately $34 million;
- A decrease to other assets of approximately $23 million in connection with lower deferred implementation costs;
- An increase to other assets of approximately $14 million in connection with an increase of capitalized sales commission costs;
- An increase in accounts receivables of approximately $21 million in connection with increased contract assets representing future billings in excess of revenues; and
- An increase in net deferred tax liabilities of approximately $11 million

These expected impacts discussed above are the result of adopting the new standard and pertain solely to the adjustment to retained earnings as of July 1, 2018 on our Consolidated Balance Sheet, and are not indicative of the impact that the new ASU is expected to have on our Consolidated Statement of Operations in future periods.

As part of the disclosure requirements in the year of adoption, under the modified retrospective method, we will disclose in detail the impact of the adoption of the new revenue standard on each of our financial statements.

The application of this new guidance has no effect on the cash we expect to receive nor on the economics of the business, but rather affects the timing of revenue and expense recognition.

ASUs adopted in Fiscal 2018

During Fiscal 2018 we adopted the following ASU, which did not have a material impact to our reported financial position, results of operations or cash flows:

- ASU 2016-09 "Compensation-Stock Compensation (Topic 718)"

NOTE 3—ALLOWANCE FOR DOUBTFUL ACCOUNTS

Balance as of June 30, 2015	$5,987
Bad debt expense	5,908
Write-off /adjustments	(5,155)
Balance as of June 30, 2016	6,740
Bad debt expense	5,929
Write-off /adjustments	(6,350)
Balance as of June 30, 2017	6,319
Bad debt expense	9,942
Write-off /adjustments	(6,520)
Balance as of June 30, 2018	$9,741

Included in accounts receivable are unbilled receivables in the amount of $55.5 million as of June 30, 2018 (June 30, 2017—$46.2 million).

NOTE 4—PROPERTY AND EQUIPMENT

	As of June 30, 2018		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$34,647	$(21,488)	$13,159
Office equipment	1,467	(687)	780
Computer hardware	207,381	(134,906)	72,475
Computer software	97,653	(59,485)	38,168
Capitalized software development costs	81,073	(41,556)	39,517
Leasehold improvements	118,200	(55,172)	63,028
Land and buildings	47,880	(10,802)	37,078
Total	$588,301	$(324,096)	$264,205

	As of June 30, 2017		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	$23,026	$(14,879)	$8,147
Office equipment	1,245	(597)	648
Computer hardware	164,268	(104,572)	59,696
Computer software	72,835	(33,862)	38,973
Capitalized software development costs	67,092	(28,430)	38,662
Leasehold improvements	81,564	(38,642)	42,922
Land and buildings	48,431	(10,061)	38,370
Total	$458,461	$(231,043)	$227,418

NOTE 5—GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets. The following table summarizes the changes in goodwill since June 30, 2016:

Balance as of June 30, 2016	$2,325,586
Acquisition of Recommind, Inc. (note 18)	91,405
Acquisition of CCM Business (note 18)	173,198
Acquisition of ECD Business (note 18)	825,142
Adjustments relating to acquisitions prior to Fiscal 2017 that had open measurement periods (note 18)	(3,334)
Adjustments on account of foreign exchange	4,752
Balance as of June 30, 2017	3,416,749
Acquisition of Hightail (note 18)	7,293
Acquisition of Guidance (note 18)	129,800
Acquisition of Covisint (note 18)	26,905
Adjustments relating to acquisitions prior to Fiscal 2018 that had open measurement periods (note 18)	(1,458)
Adjustments on account of foreign exchange	840
Balance as of June 30, 2018	3,580,129

NOTE 6—ACQUIRED INTANGIBLE ASSETS

	As of June 30, 2018		
	Cost	Accumulated Amortization	Net
Technology assets	$985,226	$(439,774)	$545,452
Customer assets	1,348,510	(597,325)	751,185
Total	$2,333,736	$(1,037,099)	$1,296,637

	As of June 30, 2017		
	Cost	Accumulated Amortization	Net
Technology assets	$930,841	$(272,872)	$657,969
Customer assets	1,230,806	(416,233)	814,573
Total	$2,161,647	$(689,105)	$1,472,542

The above balances as of June 30, 2018 have been reduced to reflect the impact of intangible assets relating to acquisitions where the gross cost has become fully amortized during the year ended June 30, 2018. The impact of this resulted in a reduction of $19.0 million related to Technology assets and $3.0 million related 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,
2019	$ 352,401
2020	280,888
2021	190,763
2022	177,208
2023	115,015
2024 and beyond	180,362
Total	$ 1,296,637

NOTE 7—OTHER ASSETS

	As of June 30, 2018	As of June 30, 2017
Deposits and restricted cash	$9,479	$15,821
Deferred implementation costs	26,767	28,833
Investments	49,635	27,886
Marketable securities	—	3,023
Long-term prepaid expenses and other long-term assets	25,386	18,200
Total	$111,267	$93,763

Deposits and restricted cash primarily relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of certain contractual-based agreements.
Deferred implementation costs relate to deferred direct and relevant costs on implementation of long-term contracts, to the extent such costs can be recovered through guaranteed contract revenues.
Investments relate to certain non-marketable equity securities in which we are a limited partner. Our interest, individually, in each of these investees range from 4% to below 20%. These investments are accounted for using the equity method. Our share of net income or losses based on our interest in these investments is recorded as a component of other income (expense), net in our Consolidated Statements of Income. During the year ended June 30, 2018, our share of income (loss) from these investments was $6.0 million (year ended June 30, 2017 and 2016—$6.0

million and nil, respectively).

Marketable securities are classified as available for sale securities and are recorded on our Consolidated Balance Sheets at fair value with unrealized gains and losses reported as a separate component of Accumulated other comprehensive income. We did not hold any marketable securities as of June 30, 2018.

Long-term prepaid expenses and other long-term assets includes advance payments on long-term licenses that are being amortized over the applicable terms of the licenses and other miscellaneous assets.

NOTE 8—DEFERRED CHARGES AND CREDITS

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

NOTE 9—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Current liabilities

Accounts payable and accrued liabilities are comprised of the following:

	As of June 30, 2018	As of June 30, 2017
Accounts payable—trade	$41,722	$43,699
Accrued salaries and commissions	118,024	121,958
Accrued liabilities	108,903	135,512
Accrued interest on Senior Notes	24,786	24,787
Amounts payable in respect of restructuring and other Special charges	5,622	13,728
Asset retirement obligations	3,097	2,436
Total	$302,154	$342,120

Long-term accrued liabilities

	As of June 30, 2018	As of June 30, 2017
Amounts payable in respect of restructuring and other Special charges	$4,362	$2,686
Other accrued liabilities*	35,874	36,702
Asset retirement obligations	12,591	10,950
Total	$52,827	$50,338

* Other accrued liabilities consist primarily of tenant allowances, deferred rent and lease fair value adjustments relating to certain facilities acquired through business acquisitions.

Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. As of June 30, 2018, the present value of this obligation was $15.7 million (June 30, 2017—$13.4 million), with an undiscounted value of $17.7 million (June 30, 2017—$15.0 million).

NOTE 10—LONG-TERM DEBT

Long-term debt

Long-term debt is comprised of the following:

	As of June 30, 2018	As of June 30, 2017
Total debt		
Senior Notes 2026	$850,000	$850,000
Senior Notes 2023	800,000	800,000
Term Loan B	997,500	772,120
Revolver	—	175,000
Total principal payments due	2,647,500	2,597,120
Premium on Senior Notes 2026	6,018	6,597
Debt issuance costs	(32,995)	(33,900)
Total amount outstanding	2,620,523	2,569,817
Less:		
Current portion of long-term debt		
Term Loan B	10,000	7,760
Revolver	—	175,000
Total current portion of long-term debt	10,000	182,760
Non-current portion of long-term debt	$2,610,523	$2,387,057

Senior Unsecured Fixed Rate Notes

Senior Notes 2026

On May 31, 2016, we issued $600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act), and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 bear interest at a rate of 5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 will mature on June 1, 2026, unless earlier redeemed, in accordance with their terms, or repurchased.

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

For the year ended June 30, 2018, we recorded interest expense of $49.9 million, relating to Senior Notes 2026 (year ended June 30, 2017 and 2016—$43.1 million and $2.9 million, respectively).

Senior Notes 2023

On January 15, 2015, we issued $800 million in aggregate principal amount of 5.625% Senior Notes due 2023 (Senior Notes 2023 and together with Senior Notes 2026, Senior Notes) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act, and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2023 bear interest at a rate of 5.625% per annum, payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2015. Senior Notes 2023 will mature on January 15, 2023, unless earlier redeemed, in accordance with their terms, or repurchased.

For the year ended June 30, 2018, we recorded interest expense of $45.0 million, relating to Senior Notes 2023 (year ended June 30, 2017 and 2016—$45.0 million, respectively).

Term Loan B

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

Term Loan B has a seven year term and repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. Borrowings under Term Loan B currently bear a floating rate of interest equal to 1.75% plus LIBOR. As of June 30, 2018, the outstanding balance on the Term Loan B bears an interest rate of approximately 3.73%.

For the year ended June 30, 2018, we recorded interest expense of $27.9 million, relating to Term Loan B (year ended June 30, 2017 and 2016—$24.8 million and $25.9 million, respectively).

Revolver

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

During the year ended June 30, 2018, we drew down $200 million, from the Revolver partially to finance acquisitions (year ended June 30, 2017 and 2016—$225 million and nil, respectively).

During the year ended June 30, 2018, we repaid $375 million (year ended June 30, 2017 and 2016—$50 million and nil, respectively). As of June 30, 2018 we have no outstanding balance on the Revolver.

For the year ended June 30, 2018, we recorded interest expense of $9.0 million, relating to amounts drawn on the Revolver (year ended June 30, 2017 and 2016—$2.6 million and nil, respectively).

Debt Issuance Costs and Premium on Senior Notes

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

In connection with the recent refinancing and amendment of Term Loan B, we incurred new debt issuance costs of approximately $4.7 million, of which approximately $4.4 million has been paid as of June 30, 2018. Furthermore, during the year ended June 30, 2018, we wrote off $0.2 million of unamortized debt issuance costs relating to the portion of Term Loan B that was not recommitted by certain lenders under the new terms and were therefore considered extinguished. This amount has been written off to "Interest and other related expense, net" on the Consolidated Statements of Income.

The premium on Senior Notes 2026 represents the excess of the proceeds received over the face value of Senior Notes 2026. This premium is amortized as a reduction to interest expense over the term of Senior Notes 2026 using the effective interest method.

NOTE 11—PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The following table provides details of our defined benefit pension plans and long-term employee benefit obligations for Open Text Document Technologies GmbH (CDT), GXS GmbH (GXS GER), GXS Philippines, Inc. (GXS PHP) and other plans as of June 30, 2018 and June 30, 2017:

	As of June 30, 2018		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	$32,651	$ 655	$ 31,996
GXS GER defined benefit plan	25,382	1,027	24,355
GXS PHP defined benefit plan	3,853	138	3,715
Other plans	6,095	442	5,653
Total	$67,981	$ 2,262	$ 65,719

	As of June 30, 2017		
	Total benefit obligation	Current portion of benefit obligation*	Non-current portion of benefit obligation
CDT defined benefit plan	$28,881	$ 583	$ 28,298
GXS GER defined benefit plan	23,730	926	22,804
GXS PHP defined benefit plan	4,495	81	4,414
Other plans	3,256	145	3,111
Total	$60,362	$ 1,735	$ 58,627

* The current portion of the benefit obligation has been included within "Accrued salaries and commissions", all within "Accounts payable and accrued liabilities" in the Consolidated Balance Sheets (see note 9 "Accounts Payable and Accrued Liabilities").

Defined Benefit Plans

CDT Plan

CDT sponsors an unfunded defined benefit pension plan covering substantially all CDT employees (CDT pension plan) which provides for old age, disability and survivors' benefits. Benefits under the CDT pension plan are generally based on age at retirement, years of service and the employee's annual earnings. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of June 30, 2018, there is approximately $0.7 million in accumulated other comprehensive income related to the CDT pension plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

GXS GER Plan

As part of our acquisition of GXS Group, Inc. (GXS) in Fiscal 2014, we assumed an unfunded defined benefit pension plan covering certain German employees which provides for old age, disability and survivors' benefits. The GXS GER plan has been closed to new participants since 2006. Benefits under the GXS GER plan are generally based on a participant's remuneration, date of hire, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. No contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of June 30, 2018, there is approximately $0.1 million in accumulated other comprehensive income related to the GXS GER plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

GXS PHP Plan

As part of our acquisition of GXS in Fiscal 2014, we assumed a primarily unfunded defined benefit pension plan covering substantially all of the GXS Philippines employees which provides for retirement, disability and survivors' benefits. Benefits under the GXS PHP plan are generally based on a participant's remuneration, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. Aside from an initial contribution which has a fair value of approximately $32 thousand as of June 30, 2018, no additional contributions have been made since the inception of the plan. Actuarial gains or losses in excess of 10% of the projected benefit obligation are being amortized and recognized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. As of June 30, 2018, there is approximately $0.6 million in accumulated other comprehensive income related to the GXS PHP plan that is expected to be recognized as a component of net periodic benefit costs over the next fiscal year.

The following are the details of the change in the benefit obligation for each of the above mentioned pension plans for the periods indicated:

	As of June 30, 2018				As of June 30, 2017			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Benefit obligation—beginning of period	$28,881	$23,730	$4,495	$57,106	$29,450	$24,729	$7,341	$61,520
Service cost	501	472	832	1,805	467	395	1,051	1,913
Interest cost	607	489	241	1,337	456	377	226	1,059
Benefits paid	(580)	(974)	(141)	(1,695)	(469)	(807)	(53)	(1,329)
Actuarial (gain) loss	2,442	997	(1,313)	2,126	(1,708)	(1,548)	(3,728)	(6,984)
Foreign exchange (gain) loss	800	668	(261)	1,207	685	584	(342)	927
Benefit obligation—end of period	32,651	25,382	3,853	61,886	28,881	23,730	4,495	57,106
Less: Current portion	(655)	(1,027)	(138)	(1,820)	(583)	(926)	(81)	(1,590)
Non-current portion of benefit obligation	$31,996	$24,355	$3,715	$60,066	$28,298	$22,804	$4,414	$55,516

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

	Year Ended June 30,											
	2018				2017				2016			
Pension expense:	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Service cost	$501	$472	$832	$1,805	$467	$395	$1,051	$1,913	$422	$359	$1,628	$2,409
Interest cost	607	489	241	1,337	456	377	226	1,059	610	543	314	1,467
Amortization of actuarial (gains) and losses	541	72	(241)	372	627	168	(48)	747	425	23	—	448
Net pension expense	$1,649	$1,033	$832	$3,514	$1,550	$940	$1,229	$3,719	$1,457	$925	$1,942	$4,324

In determining the fair value of the pension plan benefit obligations as of June 30, 2018 and June 30, 2017, respectively, we used the following weighted-average key assumptions:

	As of June 30, 2018			As of June 30, 2017		
	CDT	GXS GER	GXS PHP	CDT	GXS GER	GXS PHP
Assumptions:						
Salary increases	3.50%	3.50%	6.50%	2.00%	2.00%	6.20%
Pension increases	2.00%	2.00%	N/A	1.75%	2.00%	N/A
Discount rate	2.00%	2.00%	7.25%	2.00%	2.00%	5.00%
Normal retirement age	65	65-67	60	65	65-67	60
Employee fluctuation rate:						
to age 20	—%	—%	12.19%	—%	—%	12.19%
to age 25	—%	—%	16.58%	—%	—%	16.58%
to age 30	1.00%	—%	13.97%	1.00%	—%	13.97%
to age 35	0.50%	—%	10.77%	0.50%	—%	10.77%
to age 40	—%	—%	7.39%	—%	—%	7.39%
to age 45	0.50%	—%	3.28%	0.50%	—%	3.28%
to age 50	0.50%	—%	—%	0.50%	—%	—%
from age 51	1.00%	—%	—%	1.00%	—%	—%

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

	Fiscal years ending June 30,		
	CDT	GXS GER	GXS PHP
2019	$655	$1,027	$138
2020	700	1,032	104
2021	800	1,061	144
2022	890	1,068	330
2023	999	1,071	198
2024 to 2028	6,008	5,506	1,913
Total	$10,052	$10,765	$2,827

Other Plans

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

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

Cash Dividends

For the year ended June 30, 2018, pursuant to the Company’s dividend policy, we declared total non-cumulative dividends of $0.5478, per Common Share in the aggregate amount of $145.6 million, which we paid during the same period.

For the year ended June 30, 2017, pursuant to the Company’s dividend policy, we paid total non-cumulative dividends of $0.4770, per Common Share in the aggregate amount of $120.6 million.

For the year ended June 30, 2016, pursuant to the Company’s dividend policy, we paid total non-cumulative dividends of $0.4150, per Common Share in the aggregate amount of $99.3 million.

Share Capital

Our authorized share capital includes an unlimited number of Common Shares and an unlimited number of Preference Shares. No Preference Shares have been issued.

Treasury Stock

Repurchase

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

During the year ended June 30, 2018, we did not repurchase any of our Common Shares for potential reissuance under our Long-Term Incentive Plans (LTIP) or other plans (year ended June 30, 2017 and 2016—244,240 and 450,000 Common Shares, respectively, in the amount of $8.2 million and $10.6 million, respectively). See below for more details on our various plans.

Reissuance

During the year ended June 30, 2018, we reissued 411,276 Common Shares from treasury stock (year ended June 30, 2017 and 2016—409,922 and 434,156 Common Shares, respectively), in connection with the settlement of awards.

Option Plans

A summary of stock options outstanding under our 2004 stock option plan is set forth below. All numbers shown in the chart below have been adjusted, where applicable, to account for the two-for-one stock splits that occurred on October 22, 2003, February 18, 2014 and January 24, 2017.

	2004 Stock Option Plan
Date of inception	Oct-04
Eligibility	Eligible employees and directors, as determined by the Board of Directors
Options granted to date	30,528,078
Options exercised to date	(16,191,017)
Options cancelled to date	(7,258,626)
Options outstanding	7,078,435
Termination grace periods	Immediately “for cause”; 90 days for any other reason; 180 days due to death
Vesting schedule	25% per year, unless otherwise specified
Exercise price range	$11.68 - $36.50
Expiration dates	8/12/2018 to 5/11/2025

The following table summarizes information regarding stock options outstanding at June 30, 2018:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of options Outstanding as of June 30, 2018	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of options Exercisable as of June 30, 2018	Weighted Average Exercise Price
$11.68 - $22.87	952,382	2.86	$ 19.10	607,706	$ 16.97
23.51 - 24.52	72,000	3.25	24.28	55,000	24.52
25.04 - 25.05	885,500	2.58	25.04	885,500	25.04
25.58 - 27.56	1,392,520	3.60	26.99	297,500	26.80
27.83 - 28.65	606,484	3.47	28.01	310,710	27.90
29.75 - 30.37	686,414	4.92	29.84	153,622	29.84
32.63 - 33.48	1,279,625	5.78	33.03	172,250	33.39
34.48 - 34.49	705,000	5.88	34.49	—	—
34.71 - 34.72	473,510	6.86	34.71	—	—
36.49 - 36.50	25,000	6.60	36.50	—	—
$11.68 - $36.50	7,078,435	4.43	$ 28.41	2,482,288	$ 24.50

Share-Based Payments

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

	Year Ended June 30,		
	2018	2017	2016
Stock options	$9,828	$12,196	$13,202
Performance Share Units (issued under LTIP)	3,553	3,624	2,688
Restricted Share Units (issued under LTIP)	6,602	6,452	5,086
Restricted Share Units (other)	936	2,804	1,573
Deferred Share Units (directors)	2,921	2,849	2,764
Employee Share Purchase Plan	3,754	2,582	665
Total share-based compensation expense	$27,594	$30,507	$25,978

Summary of Outstanding Stock Options

As of June 30, 2018, an aggregate of 7,078,435 options to purchase Common Shares were outstanding and an additional 10,893,828 options to purchase Common Shares were available for issuance under our stock option plans. Our stock options generally vest over four years and expire between seven and ten years from the date of the grant. Currently we also have options outstanding that vest over five years, as well as options outstanding that vest based on meeting certain market conditions. The exercise price of all our options is set at an amount that is not less than the closing price of our Common Shares on the NASDAQ on the trading day immediately preceding the applicable grant date.

A summary of activity under our stock option plans for the years ended June 30, 2018 and 2017 are as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000s)
Outstanding at June 30, 2017	8,977,830	$ 24.57		
Granted	1,322,340	34.60		
Exercised	(2,869,569)	18.94		
Forfeited or expired	(352,166)	30.81		
Outstanding at June 30, 2018	7,078,435	$ 28.41	4.43	$ 48,405
Exercisable at June 30, 2018	2,482,288	$ 24.50	3.13	$ 26,539

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($'000s)
Outstanding at June 30, 2016	8,354,816	$ 21.94		
Granted	2,278,974	31.75		
Exercised	(1,012,644)	20.47		
Forfeited or expired	(643,316)	22.30		
Outstanding at June 30, 2017	8,977,830	$ 24.57	4.27	$ 64,707
Exercisable at June 30, 2017	3,736,180	$ 19.27	2.74	$ 45,830

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

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

For the periods indicated, the weighted-average fair value of options and weighted-average assumptions were as follows:

	Year Ended June 30,		
	2018	2017	2016
Weighted–average fair value of options granted	$7.58	$7.06	$5.69
Weighted-average assumptions used:			
Expected volatility	26.95 %	28.32 %	31.76 %
Risk–free interest rate	2.18 %	1.46 %	1.31 %
Expected dividend yield	1.50 %	1.43 %	1.62 %
Expected life (in years)	4.38	4.51	4.33
Forfeiture rate (based on historical rates)	6 %	5 %	5 %
Average exercise share price	$34.60	$31.75	$24.09
Derived service period (in years)*	N/A	1.79	N/A

*Options valued using Monte Carlo Valuation Method

As of June 30, 2018, the total compensation cost related to the unvested stock option awards not yet recognized was approximately $19.0 million, which will be recognized over a weighted-average period of approximately 2.5 years.

No cash was used by us to settle equity instruments granted under share-based compensation arrangements in any of the periods presented.

We have not capitalized any share-based compensation costs as part of the cost of an asset in any of the periods presented.

For the year ended June 30, 2018, cash in the amount of $54.4 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the year ended June 30, 2018 from the exercise of options eligible for a tax deduction was $1.5 million.

For the year ended June 30, 2017, cash in the amount of $20.8 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the year ended June 30, 2017 from the exercise of options eligible for a tax deduction was $2.2 million.

For the year ended June 30, 2016, cash in the amount of $14.6 million was received as the result of the exercise of options granted under share-based payment arrangements. The tax benefit realized by us during the year ended June 30, 2016 from the exercise of options eligible for a tax deduction was $0.8 million.

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Long-Term Incentive Plans

We incentivize our executive officers, in part, with long-term compensation pursuant to our LTIP. The LTIP is a rolling three year program that grants eligible employees a certain number of target Performance Share Units (PSUs) and/or Restricted Share Units (RSUs). Target PSUs become vested upon the achievement of certain financial and/or operational performance criteria (the Performance Conditions) that are determined at the time of the grant. Target RSUs become vested when an eligible employee remains employed throughout the vesting period. LTIP grants that have recently vested, or have yet to vest, are described below. LTIP grants are referred to in this Annual Report on Form 10-K based upon the year in which the grants are expected to vest.

Fiscal 2017 LTIP

Grants made in Fiscal 2015 under the LTIP (collectively referred to as Fiscal 2017 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2015 starting on September 4, 2014. We settled the Fiscal 2017 LTIP by issuing 312,651 Common Shares from treasury stock during the three months ended December 31, 2017, with a cost of $6.7 million.

Fiscal 2018 LTIP

Grants made in Fiscal 2016 under the LTIP (collectively referred to as Fiscal 2018 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2016 starting on August 23, 2015. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2018 LTIP. We expect to settle the Fiscal 2018 LTIP awards in stock.

Fiscal 2019 LTIP

Grants made in Fiscal 2017 under the LTIP (collectively referred to as Fiscal 2019 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2017 starting on August 14, 2016. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2019 LTIP. We expect to settle the Fiscal 2019 LTIP awards in stock.

Fiscal 2020 LTIP

Grants made in Fiscal 2018 under the LTIP (collectively referred to as Fiscal 2020 LTIP), consisting of PSUs and RSUs, took effect in Fiscal 2018 starting on August 7, 2017. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the Fiscal 2020 LTIP. We expect to settle the Fiscal 2020 LTIP awards in stock.

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

As of June 30, 2018, the total expected compensation cost related to the unvested LTIP awards not yet recognized was $12.9 million, which is expected to be recognized over a weighted average period of 1.8 years.

Restricted Share Units (RSUs)

During the year ended June 30, 2018, we granted 4,464 RSUs to employees in accordance with employment and other agreements (year ended June 30, 2017 and 2016—19,300 and 122,072 RSUs, respectively). The RSUs vest over a specified contract date, typically three years from the respective date of grants. We expect to settle the awards in stock.

During the year ended June 30, 2018, we issued 98,625 Common Shares from treasury stock, with a cost of $2.1 million, in connection with the settlement of these vested RSUs (year ended June 30, 2017 and 2016—70,000 and 30,000 Common Shares, respectively, with a cost of $1.5 million and $0.3 million, respectively).

Deferred Stock Units (DSUs)

During the year ended June 30, 2018, we granted 87,501 DSUs to certain non-employee directors (year ended June 30, 2017 and 2016—91,680 and 111,716 DSUs, respectively). The DSUs were issued under our Deferred Share Unit Plan. DSUs granted as compensation for director fees vest immediately, whereas all other DSUs granted vest at our next annual general meeting following the granting of the DSUs. No DSUs are payable by us until the director ceases to be a member of the Board.

Employee Share Purchase Plan (ESPP)
Our ESPP offers employees a purchase price discount of 15%.
During the year ended June 30, 2018, 729,521 Common Shares were eligible for issuance to employees enrolled in the ESPP (year ended June 30, 2017 and 2016—530,170 and 160,546 Common Shares, respectively).
During the year ended June 30, 2018, cash in the amount of approximately $21.5 million was received from employees relating to the ESPP (year ended June 30, 2017 and 2016—$14.8 million and $5.5 million, respectively).
NOTE 13—GUARANTEES AND CONTINGENCIES
We have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

	Payments due between				
	Total	July 1, 2018—June 30, 2019	July 1, 2019—June 30, 2021	July 1, 2021—June 30, 2023	July 1, 2023 and beyond
Long-term debt obligations [1]	$3,524,567	$ 142,626	$ 284,013	$ 282,398	$2,815,530
Operating lease obligations [2]	394,907	72,224	127,878	85,943	108,862
Purchase obligations	16,108	9,577	6,354	177	—
	$3,935,582	$ 224,427	$ 418,245	$ 368,518	$2,924,392

[1] Includes interest up to maturity and principal payments. Please see note 10 "Long-Term Debt" for more details.
[2] Net of $7.6 million of sublease income to be received from properties which we have subleased to third parties.
Guarantees and Indemnifications
We have entered into customer agreements which may include provisions to indemnify our customers against third party claims that our software products or services infringe certain third party intellectual property rights and for liabilities related to a breach of our confidentiality obligations. We have not made any material payments in relation to such indemnification provisions and have not accrued any liabilities related to these indemnification provisions in our Consolidated Financial Statements.
Occasionally, we enter into financial guarantees with third parties in the ordinary course of our business, including, among others, guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business. Such agreements have not had a material effect on our results of operations, financial position or cash flows.
Litigation
We are currently involved in various claims and legal proceedings.
Quarterly, we review the status of each significant legal matter and evaluate such matters to determine how they should be treated for accounting and disclosure purposes in accordance with the requirements of ASC Topic 450-20 "Loss Contingencies" (Topic 450-20). Specifically, this evaluation process includes the centralized tracking and itemization of the status of all our disputes and litigation items, discussing the nature of any litigation and claim, including any dispute or claim that is reasonably likely to result in litigation, with relevant internal and external counsel, and assessing the progress of each matter in light of its merits and our experience with similar proceedings under similar circumstances.
If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a liability for the estimated loss in accordance with Topic 450-20. As of the date of this Annual Report on Form 10-K, the aggregate of such estimated losses was not material to our consolidated financial position or result of operations and we do not believe as of the date of this filing that it is reasonably possible that a loss exceeding the amounts already recognized will be incurred that would be material to our consolidated financial position or results of operations.
Contingencies
IRS Matter
As we have previously disclosed, the United States Internal Revenue Service (IRS) is examining certain of our tax returns for our fiscal year ended June 30, 2010 (Fiscal 2010) through our fiscal year ended June 30, 2012 (Fiscal 2012), and in connection with those examinations is reviewing our internal reorganization in Fiscal 2010 to consolidate certain intellectual property ownership in Luxembourg and Canada and our integration of certain acquisitions into the resulting structure. We also

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previously disclosed that the examinations may lead to proposed adjustments to our taxes that may be material, individually or in the aggregate, and that we have not recorded any material accruals for any such potential adjustments in our Consolidated Financial Statements.

We previously disclosed that, as part of these examinations, on July 17, 2015 we received from the IRS an initial Notice of Proposed Adjustment (NOPA) in draft form proposing a one-time approximately $280 million increase to our U.S. federal taxes arising from the reorganization in Fiscal 2010, plus penalties and interest, and that we expected to receive an additional NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 arising from the integration of Global 360 Holding Corp. into the structure that resulted from the reorganization, accompanied by proposed penalties and interest. We also previously disclosed that the draft NOPA could be changed before the final NOPA is issued, including because the IRS reserved the right in the draft NOPA to increase the adjustment by assigning a higher value to our intellectual property.

On July 11, 2018, we received from the IRS a revised draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2010 (the 2010 NOPA) and a draft NOPA proposing an increase to our U.S. federal taxes for Fiscal 2012 (the 2012 NOPA), respectively. A NOPA is an IRS position and does not impose an obligation to pay tax. After evaluation of these NOPAs, we continue to strongly disagree with the IRS' positions and intend to vigorously contest the proposed adjustments to our taxable income.

We currently estimate our potential aggregate liability, as of June 30, 2018, in connection with these ongoing matters with the IRS, including additional state income taxes plus penalties and interest that may be due, to be approximately $725 million, comprised of approximately $455 million in U.S. federal and state taxes, approximately $105 million of penalties, and approximately $165 million of interest, further described below. Our previously disclosed estimated potential aggregate liability, as of March 31, 2018, was approximately $605 million.

The 2010 NOPA received from the IRS on July 11, 2018 increases the one-time proposed adjustment to our U.S. federal income taxes for Fiscal 2010 by approximately $55 million, from, as previously disclosed, approximately $280 million to approximately $335 million. Such increase is based on the IRS' assertion that certain of our intangible property involved in our internal reorganization had a greater value than was assigned to it in the original draft NOPA. As contemplated by the original draft NOPA, the 2010 NOPA asserts penalties equal to 20% of the additional proposed taxes for Fiscal 2010, plus interest at the applicable statutory rate (which will continue to accrue until the matter is resolved and may be substantial).

On July 11, 2018, we also received, consistent with previously disclosed expectations, the 2012 NOPA proposing an approximately $80 million adjustment to our U.S. federal taxes for Fiscal 2012, which was previously included in our estimated potential aggregate liability of approximately $605 million. The 2012 NOPA also asserts, however, that the penalty rate should be 40% of the additional proposed taxes for Fiscal 2012.

The $120 million increase from the previously estimated potential aggregate liability of approximately $605 million, as of March 31, 2018, is attributable to (i) approximately $95 million of increased proposed U.S. federal and state taxes and associated penalties and interest related to the IRS asserting a higher valuation of our intangible property in the 2010 NOPA, (ii) approximately $20 million related to the additional 20% penalties and associated interest asserted by the IRS in the 2012 NOPA, and (iii) approximately $5 million related to an estimate of additional interest that has continued to accrue since March 31, 2018.

Based on our discussions with the IRS and the fact that the adjustments proposed in these NOPAs reflect the IRS' own asserted valuations of our intangible property, we do not expect the IRS to further revise the NOPAs to increase any of their proposed adjustments to our U.S. federal income taxes (subject to the continued accrual of interest, as noted above).

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

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 and Fiscal 2013. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of June 30, 2018, in connection with the CRA's reassessments for Fiscal 2012 and Fiscal 2013 to be limited to penalties and interest that may be due of approximately $23 million.

The notices of reassessment for Fiscal 2012 and Fiscal 2013 would, as drafted, increase our taxable income by approximately $90 million for each of those years, as well as, in the case of Fiscal 2012, impose a 10% penalty on the proposed adjustment to income, with a similar penalty expected to be imposed for Fiscal 2013.

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

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

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

GXS Brazil Matter

As part of our acquisition of GXS, we inherited a tax dispute in Brazil between the Company’s subsidiary, GXS Tecnologia da Informação (Brasil) Ltda. (GXS Brazil), and the municipality of São Paulo, in connection with GXS Brazil’s judicial appeal of a tax claim. During the first quarter of Fiscal 2018 the courts ruled in favour of the municipality of São Paulo. The Company decided not to pursue further appeal. On October 1, 2017, the Company reached a settlement with the municipality and paid $1.4 million.

Historically, prior to our acquisition of GXS, GXS would charge certain costs to its subsidiaries, including GXS Brazil, primarily based on historical transfer pricing studies that were intended to reflect the costs incurred by subsidiaries in relation to services provided by the parent company to the subject subsidiary. GXS recorded taxes on amounts billed, that were considered to be due based on the intercompany charges. GXS subsequently re-evaluated its intercompany charges to GXS Brazil and related taxes and, upon taking into consideration the current environment and judicial proceedings in Brazil, concluded that it was probable that certain indirect taxes would be assessable and payable based upon the accrual of such intercompany charges and has approximately $1.6 million accrued for the probable amount of a settlement related to the indirect taxes, interest and penalties.

GXS India Matter

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

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

NOTE 14—INCOME TAXES

Our effective tax rate represents the net effect of the mix of income earned in various tax jurisdictions that are subject to a wide range of income tax rates.

The following is a geographical breakdown of income before the provision for income taxes:

	Year Ended June 30,		
	2018	2017	2016
Domestic income (loss)	$238,405	$110,562	$(80,066)
Foreign income	147,721	138,989	370,843
Income before income taxes	$386,126	$249,551	$290,777

The provision for (recovery of) income taxes consisted of the following:

	Year Ended June 30,		
	2018	2017	2016
Current income taxes (recoveries):			
Domestic	$5,313	$12,238	$(3,119)
Foreign	48,777	82,593	63,862
	54,090	94,831	60,743
Deferred income taxes (recoveries):			
Domestic	61,678	(851,683)	(44,569)
Foreign	28,058	(19,512)	(9,892)
	89,736	(871,195)	(54,461)
Provision for (recovery of) income taxes	$143,826	$(776,364)	$6,282

A reconciliation of the combined Canadian federal and provincial income tax rate with our effective income tax rate is as follows:

	Year Ended June 30,		
	2018	2017	2016
Expected statutory rate	26.5 %	26.5 %	26.5 %
Expected provision for income taxes	$102,323	$66,131	$77,056
Effect of foreign tax rate differences	2,352	8,647	(71,478)
Change in valuation allowance	1,779	520	(34,999)
Amortization of deferred charges	4,242	6,298	11,316
Effect of permanent differences	4,332	3,673	10,711
Effect of changes in unrecognized tax benefits	5,543	14,427	(264)
Effect of withholding taxes	7,927	3,845	3,457
Difference in tax filings from provision	1,321	(7,836)	8,959
Effect of U.S. tax reform	19,037	—	—
Other Items	(5,030)	4,045	1,524
Impact of internal reorganization of subsidiaries	—	(876,114)	—
	$143,826	$(776,364)	$6,282

In Fiscal 2018 and 2017, respectively, substantially all the tax rate differential for international jurisdictions was driven by earnings in the United States. In Fiscal 2016, this differential was driven by earnings in Luxembourg.

The effective tax rate increased to a provision of 37.2% for the year ended June 30, 2018, compared to a recovery of 311.1% for the year ended June 30, 2017. The increase in tax expense of $920.2 million was primarily due to (i) a significant tax benefit of $876.1 million resulting from the Fiscal 2017 internal reorganization as described below which did not reoccur in Fiscal 2018, (ii) the impact of changes in US tax legislation in Fiscal 2018 resulting in a provisional charge of $19.0 million (see below), (iii) an increase of $29.9 million on account of the Company having higher income before taxes, including the impact of foreign tax rates and (iv) an increase of $9.2 million relating to differences in tax filings from provisions, offset by (i) a decrease of $8.9 million resulting from the net impact of reversals and accruals of reserves, and (ii) a decrease of $2.1 million relating to a decrease in amortization of deferred charges. The remainder of the difference was due to normal course movements and non-material items.

In July 2016, we implemented a reorganization of our subsidiaries worldwide with the view to continuing to enhance operational and administrative efficiencies through further consolidated ownership, management, and development of our intellectual property (IP) in Canada, continuing to reduce the number of entities in our group and working towards our objective of having a single operating legal entity in each jurisdiction. A significant tax benefit of $876.1 million, associated primarily with the recognition of a net deferred tax asset arising from the entry of the IP into Canada, was recognized in the first quarter of Fiscal 2017. For more information relating to this, please refer to our Annual Report on Form 10-K for the year ended June 30, 2017.

As of June 30, 2018, we have approximately $60.8 million of domestic non-capital loss carryforwards. In addition, we have $471.5 million of foreign non-capital loss carryforwards of which $65.3 million have no expiry date. The remainder of the

domestic and foreign losses expires between 2019 and 2037. In addition, investment tax credits of $55.2 million will expire between 2019 and 2038.

The primary components of the deferred tax assets and liabilities are as follows, for the periods indicated below:

	June 30, 2018	2017
Deferred tax assets		
Non-capital loss carryforwards	$129,436	$109,060
Capital loss carryforwards	417	246
Undeducted scientific research and development expenses	123,114	101,998
Depreciation and amortization	829,369	887,735
Restructuring costs and other reserves	17,202	22,956
Deferred revenue	62,726	75,248
Other	57,461	74,668
Total deferred tax asset	$1,219,725	$1,271,911
Valuation Allowance	$(80,924)	$(58,925)
Deferred tax liabilities		
Scientific research and development tax credits	$(13,342)	$(12,070)
Acquired intangibles	—	—
Other	(82,668)	(79,928)
Deferred tax liabilities	$(96,010)	$(91,998)
Net deferred tax asset	$1,042,791	$1,120,988
Comprised of:		
Long-term assets	1,122,729	1,215,712
Long-term liabilities	(79,938)	(94,724)
	$1,042,791	$1,120,988

We believe that sufficient uncertainty exists regarding the realization of certain deferred tax assets that a valuation allowance is required. We continue to evaluate our taxable position quarterly and consider factors by taxing jurisdiction, including but not limited to factors such as estimated taxable income, any historical experience of losses for tax purposes and the future growth of OpenText.

The aggregate changes in the balance of our gross unrecognized tax benefits (including interest and penalties) were as follows:

Unrecognized tax benefits as of July 1, 2016	$174,485
Increases on account of current year positions	5,675
Increases on account of prior year positions	18,938
Decreases due to settlements with tax authorities	(16,332)
Decreases due to lapses of statutes of limitations	(8,236)
Unrecognized tax benefits as of June 30, 2017	$174,530
Increases on account of current year positions	6,483
Increases on account of prior year positions	17,794
Decreases due to settlements with tax authorities	—
Decreases due to lapses of statutes of limitations	(20,995)
Unrecognized tax benefits as of June 30, 2018	$177,812

Included in the above tabular reconciliation are unrecognized tax benefits of $10.5 million relating to deferred tax assets in jurisdictions in which these deferred tax assets are offset with valuation allowances. The net unrecognized tax benefit excluding these deferred tax assets is approximately $167.2 million as of June 30, 2018 (June 30, 2017—$163.0 million). Increases on account of prior year positions includes nothing that is subject to recovery as an indemnified asset (June 30, 2017—$9.4 million).

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

For the year ended June 30, 2018, 2017 and 2016, we recognized the following amounts as income tax-related interest expense and penalties:

	Year Ended June 30,		
	2018	2017	2016
Interest expense	$6,233	$13,028	$6,534
Penalties expense (recoveries)	(191)	438	(2,761)
Total	$6,042	$13,466	$3,773

The following amounts have been accrued on account of income tax-related interest expense and penalties:

	As of June 30, 2018	As of June 30, 2017
Interest expense accrued *	$54,058	$47,402
Penalties accrued *	$2,438	$2,160

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

We believe that it is reasonably possible that the gross unrecognized tax benefits, as of June 30, 2018, could decrease tax expense in the next 12 months by $9.1 million, relating primarily to the expiration of competent authority relief and tax years becoming statute barred for purposes of future tax examinations by local taxing jurisdictions.

Our four most significant tax jurisdictions are Canada, the United States, Luxembourg and Germany. Our tax filings remain subject to audits by applicable tax authorities for a certain length of time following the tax year to which those filings relate. The earliest fiscal years open for examination are 2012 for Germany, 2010 for the United States, 2012 for Luxembourg, and 2012 for Canada.

We are subject to tax audits in all major taxing jurisdictions in which we operate and currently have tax audits open in Canada, the United States, France, Germany, India, Malaysia, and the United Kingdom. On a quarterly basis we assess the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. Statements regarding the United States and Canada audits are included in note 13 "Guarantees and Contingencies".

The timing of the resolution of income tax audits is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next 12 months we will receive additional assessments by various tax authorities or possibly reach resolution of income tax audits in one or more jurisdictions. These assessments or settlements may or may not result in changes to our contingencies related to positions on tax filings. The actual amount of any change could vary significantly depending on the ultimate timing and nature of any settlements. We cannot currently provide an estimate of the range of possible outcomes. For more information relating to certain tax audits, please refer to note 13 "Guarantees and Contingencies".

As at June 30, 2018, we have provided $28.5 million (June 30, 2017—$22.1 million) in respect of both additional foreign taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries, and planned periodic repatriations from certain United States and German subsidiaries, that will be subject to withholding taxes upon distribution. We have not provided for additional foreign withholding taxes or deferred income tax liabilities related to undistributed earnings of all other non-Canadian subsidiaries, since such earnings are considered permanently invested in those subsidiaries, or are not subject to withholding taxes. It is not practicable to reasonably estimate the amount of additional deferred income tax liabilities or foreign withholding taxes that may be payable should these earnings be distributed in the future.

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act, which significantly changed the existing US tax laws, including a reduction in the federal corporate tax rate from 35% to 21%, and the transition of US international taxation from a worldwide tax system to a partially territorial tax system.

As a result of the enactment of the legislation, the Company incurred a provisional one-time tax expense of $19.0 million for the year ended June 30, 2018, primarily related to the transition tax on accumulated foreign earnings and the re-measurement of certain deferred tax assets and liabilities. The portion of this anticipated increase to tax expense attributable to the transition tax is payable over a period of up to eight years. The impact of the $19.0 million adjustment resulting from the US legislation on the effective tax rate is an increase of 4.9% for the year ended June 30, 2018.

The $19.0 million is a provisional amount in respect of Alternative Minimum Tax (AMT), and transition tax on accumulated foreign earnings in accordance with Staff Accounting Bulletin 118 “Income Tax Accounting Implications of the Tax Cuts and Jobs Act” (SAB 118). The finalization of the provisional one-time amount is pending finalization of considerations related to undistributed foreign earnings and evaluating whether any portion of our existing AMT credit carryforwards are not expected to be refundable as a result of the repeal of corporate AMT, which may result in changes to the provisional amount during the SAB 118 measurement period.

The Company continues to assess the impact of the new law on its consolidated financial statements and anticipates finalizing the determination on or before December 22, 2018 in accordance with SAB 118.

NOTE 15—FAIR VALUE MEASUREMENT

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

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

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

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis:

Our financial assets and liabilities measured at fair value on a recurring basis consisted of the following types of instruments as of June 30, 2018 and June 30, 2017:

	June 30, 2018				June 30, 2017			
		Fair Market Measurements using:				Fair Market Measurements using:		
	June 30, 2018	Quoted prices in active markets for identical assets/ (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	June 30, 2017	Quoted prices in active markets for identical assets/ (liabilities) (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Assets:								
Marketable securities	N/A	N/A	N/A	N/A	$3,023	N/A	$ 3,023	N/A
Derivative financial instrument asset (note 16)	—	N/A	—	N/A	1,174	N/A	1,174	N/A
	$—	N/A	$—	N/A	$4,197	N/A	$ 4,197	N/A
Financial Liabilities:								
Derivative financial instrument liability (note 16)	$(1,319)	N/A	$(1,319)	N/A	$—	N/A	$ —	N/A
	$(1,319)	N/A	$(1,319)	N/A	$—	N/A	$ —	N/A

Our valuation techniques used to measure the fair values of the derivative instruments, the counterparty to which has high credit ratings, were derived from pricing models including discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data, as no quoted market prices exist for these instruments. Our discounted cash flow techniques use observable market inputs, such as, where applicable, foreign currency spot and forward rates.

Our cash and cash equivalents, along with our accounts receivable and accounts payable and accrued liabilities balances, are measured and recognized in our Consolidated Financial Statements at an amount that approximates their fair value (a Level 2 measurement) due to their short maturities.

If applicable, we will recognize transfers between levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. During the year ended June 30, 2018 and 2017, we did not have any transfers between Level 1, Level 2 or Level 3.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We measure certain assets and liabilities at fair value on a nonrecurring basis. These assets and liabilities are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the year ended June 30, 2018 and 2017, no indications of impairment were identified and therefore no fair value measurements were required.

Marketable Securities

Marketable securities are classified as available for sale securities and are recorded within "Other assets" on our Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of Accumulated other comprehensive income. We did not hold any marketable securities as of June 30, 2018.

A summary of our marketable securities outstanding as of June 30, 2018 and June 30, 2017 is as follows:

	As of June 30, 2018				As of June 30, 2017			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value

Marketable securities	N/A	N/A	N/A	N/A	$2,406	$ 617	$ —	$ 3,023

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NOTE 16—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Foreign Currency Forward Contracts

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

We have designated these transactions as cash flow hedges of forecasted transactions under ASC Topic 815 “Derivatives and Hedging” (Topic 815). As the critical terms of the hedging instrument and of the entire hedged forecasted transaction are the same, in accordance with Topic 815, we have been able to conclude that changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. Accordingly, quarterly unrealized gains or losses on the effective portion of these forward contracts have been included within other comprehensive income. The fair value of the contracts, as of June 30, 2018, is recorded within "Accounts payable and accrued liabilities”.

As of June 30, 2018, the notional amount of forward contracts we held to sell U.S. dollars in exchange for Canadian dollars was $47.1 million (June 30, 2017—$39.0 million).

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

The effect of these derivative instruments on our Consolidated Financial Statements for the periods indicated below were as follows (amounts presented do not include any income tax effects).

Fair Value of Derivative Instruments in the Consolidated Balance Sheets (see note 15 "Fair Value Measurement")

Derivatives	Balance Sheet Location	As of June 30, 2018 Fair Value Asset (Liability)	As of June 30, 2017 Fair Value Asset (Liability)
Foreign currency forward contracts designated as cash flow hedges	Prepaid expenses and other current assets (Accounts payable and accrued liabilities)	$ (1,319)	$ 1,174

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

Year Ended June 30, 2018

Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency forward contracts	$ (647)	Operating expenses	$ 1,846	N/A	$ —

Year Ended June 30, 2017

Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency forward contracts	$ 129	Operating expenses	$ (253)	N/A	$ —

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NOTE 17—SPECIAL CHARGES (RECOVERIES)

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

	Year Ended June 30,		
	2018	2017	2016
Fiscal 2018 Restructuring Plan	$10,154	$—	$—
Fiscal 2017 Restructuring Plan	7,207	33,827	—
Restructuring Plans prior to Fiscal 2017 Restructuring Plan	279	(340)	18,644
Acquisition-related costs	4,805	15,938	7,710
Other charges (recoveries)	6,766	14,193	8,492
Total	$29,211	$63,618	$34,846

Fiscal 2018 Restructuring Plan

During Fiscal 2018 and in the context of our acquisitions of Covisint, Guidance and subsequently Hightail (each defined below), we began to implement restructuring activities to streamline our operations (collectively referred to as the Fiscal 2018 Restructuring Plan). The Fiscal 2018 Restructuring Plan charges relate to workforce reductions and facility consolidations. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

As of June 30, 2018, we expect total costs to be incurred in conjunction with the Fiscal 2018 Restructuring Plan to be approximately $12.0 million, of which $10.2 million has already been recorded within "Special charges (recoveries)" to date.

A reconciliation of the beginning and ending liability for the year ended June 30, 2018 is shown below.

Fiscal 2018 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance payable as at June 30, 2017	$ —	$ —	$—
Accruals and adjustments	8,511	1,643	10,154
Cash payments	(8,845)	(489)	(9,334)
Foreign exchange and other non-cash adjustments	892	11	903
Balance payable as at June 30, 2018	$ 558	$ 1,165	$1,723

Fiscal 2017 Restructuring Plan

During Fiscal 2017 and in the context of our acquisitions of Recommind, CCM Business and ECD Business (each as defined below), we began to implement restructuring activities to streamline our operations (collectively referred to as the Fiscal 2017 Restructuring Plan). The Fiscal 2017 Restructuring Plan charges relate to workforce reductions and facility consolidations. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate.

As of June 30, 2018, we expect total costs to be incurred in conjunction with the Fiscal 2017 Restructuring Plan to be approximately $45.0 million, of which $41.0 million has already been recorded within "Special charges (recoveries)" to date.

A reconciliation of the beginning and ending liability for the year ended June 30, 2018 is shown below.

Fiscal 2017 Restructuring Plan	Workforce reduction	Facility costs	Total
Balance payable as at June 30, 2016	$ —	$ —	$ —
Accruals and adjustments	31,595	2,232	33,827
Cash payments	(16,156)	(456)	(16,612)
Foreign exchange	(5,394)	(407)	(5,801)
Balance payable as at June 30, 2017	$ 10,045	$ 1,369	$ 11,414
Accruals and adjustments	3,432	3,775	7,207
Cash payments	(12,342)	(1,627)	(13,969)
Foreign exchange and other non-cash adjustments	455	(86)	369
Balance payable as at June 30, 2018	$ 1,590	$ 3,431	$ 5,021

Acquisition-related costs

Included within "Special charges (recoveries)" for the year ended June 30, 2018 are costs incurred directly in relation to acquisitions in the amount of $4.8 million (year ended June 30, 2017 and 2016—$15.9 million and $7.7 million, respectively).

Other charges (recoveries)

ERP Implementation Costs

During Fiscal 2018, we implemented a broad enterprise resource planning (ERP) system.

For the year ended June 30, 2018, we recorded charges of $3.5 million relating to the implementation of this project (year ended June 30, 2017 and 2016—$11.0 million and $8.5 million, respectively).

Other charges (recoveries)

For the year ended June 30, 2018, "Other charges" include $2.9 million relating to system implementation costs and $4.9 million relating to other miscellaneous charges. These charges were partially offset by (i) $2.3 million relating to certain pre-acquisition sales and use tax liabilities that were recovered outside of the acquisition's one year measurement period and (ii) $2.2 million relating to certain pre-acquisition sales and use tax liabilities becoming statute barred.

For the year ended June 30, 2017, "Other charges" primarily include (i) a net charge of $6.5 million relating to commitment fees, (ii) $1.4 million relating to post-acquisition integration costs necessary to streamline an acquired company into our operations and (iii) $0.8 million relating to assets disposed in connection with a restructured facility. These charges were partially offset by (i) a recovery of $4.5 million relating to certain pre-acquisition sales and use tax liabilities being released upon becoming statute barred and (ii) $1.3 million relating to a recovery on certain interest on pre-acquisition liabilities becoming statute barred. The remaining amounts relate to miscellaneous other charges.

For the year ended June 30, 2016, "Other charges" primarily include (i) a charge of $4.8 million relating to post-acquisition integration costs necessary to streamline an acquired company into our operations and costs incurred to reorganize certain legal entities including consolidation of intellectual property, (ii) $1.1 million relating to assets disposed in connection with a restructured facility and (iii) $0.3 million of other miscellaneous charges. These charges were offset by (i) a recovery of $5.7 million relating to certain pre-acquisition sales and use tax liabilities being released upon settlement or becoming statute barred, and (ii) a recovery of $0.5 million relating to interest and pre-acquisition liabilities being released on becoming statute barred.

NOTE 18—ACQUISITIONS

Fiscal 2018 Acquisitions

Acquisition of Hightail, Inc.

On February 14, 2018, we acquired all of the equity interest in Hightail, a leading cloud service provider for file sharing and creative collaboration, for approximately $20.5 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our Enterprise Information Management (EIM) portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning February 14, 2018.

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of February 14, 2018, are set forth below:

Current assets	$1,290
Non-current tangible assets	1,270
Intangible customer assets	12,900
Intangible technology assets	4,200
Liabilities assumed	(6,418)
Total identifiable net assets	13,242
Goodwill	7,293
Net assets acquired	$20,535

The goodwill of $7.3 million is primarily attributable to the synergies expected to arise after the acquisition. No portion of this goodwill is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of $5.2 million, which represents our estimate of the fair value of the contractual obligations assumed based on a preliminary valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by $2.0 million.

The fair value of current assets acquired includes accounts receivable with a fair value of $0.7 million. The gross amount receivable was $0.8 million of which $0.1 million of this receivable is expected to be uncollectible.

Acquisition-related costs for Hightail included in "Special charges (recoveries)" in the Consolidated Financial Statements for the year ended June 30, 2018 was $0.5 million.

The acquisition had no significant impact on revenues and net earnings for the year ended June 30, 2018 since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for assets acquired and liabilities assumed, including tax balances. We expect to finalize this determination on or before December 31, 2018.

Acquisition of Guidance Software, Inc.

On September 14, 2017, we acquired all of the equity interest in Guidance, a leading provider of forensic security solutions, for approximately $240.5 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning September 14, 2017.

The following tables summarize the preliminary consideration paid for Guidance and the amount of the assets acquired and liabilities assumed, as well as the goodwill recorded as of the acquisition date:

Cash consideration*	$237,291
Guidance shares already owned by OpenText through open market purchases (at fair value)	3,247
Preliminary purchase consideration	$240,538

* Inclusive of $2.3 million accrued for but unpaid as of June 30, 2018. See "Appraisal Proceedings" below for more information.

Preliminary Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their preliminary fair values as of September 14, 2017, are set forth below:

Current assets (inclusive of cash acquired of $5.7 million)	$24,744
Non-current tangible assets	11,583
Intangible customer assets	71,230
Intangible technology assets	51,851
Liabilities assumed	(48,670)
Total identifiable net assets	110,738
Goodwill	129,800
Net assets acquired	$240,538

The goodwill of $129.8 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately $1.9 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of $26.6 million, which represents our estimate of the fair value of the contractual obligations assumed based on a preliminary valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by $7.6 million.

The fair value of current assets acquired includes accounts receivable with a fair value of $10.3 million. The gross amount receivable was $11.8 million of which $1.5 million of this receivable is expected to be uncollectible.

An amount of $0.8 million, representing the mark to market gain on the shares we held in Guidance prior to the acquisition, was recorded to "Other income" in our Consolidated Statements of Income for the year ended June 30, 2018.

Acquisition-related costs for Guidance included in "Special charges (recoveries)" in the Consolidated Financial Statements for the year ended June 30, 2018 were $2.6 million.

The acquisition had no significant impact on revenues and net earnings for the year ended June 30, 2018 since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

The finalization of the purchase price allocation is pending the finalization of the valuation of fair value for assets acquired and liabilities assumed, including tax balances. We expect to finalize this determination before September 30, 2018.

Appraisal Proceedings

Under Section 262 of the Delaware General Corporation Law, shareholders who did not tender their shares in connection with our tender offer were entitled to have their shares appraised by the Delaware Court of Chancery and receive payment of the “fair value” of such shares. On August 31, 2017 we received notice from the record holder of approximately 1,519,569 shares or 5% of the issued and outstanding Guidance shares as of the date of acquisition, demanding an appraisal of the fair value of Guidance shares as they believed the price we paid for Guidance shares was less than its fair value. We accrued $10.8 million in connection with these claims, which is equivalent to paying $7.10 per Guidance share, the amount these Guidance shareholders otherwise would have received had they tendered their shares in our offer. During the second quarter of Fiscal 2018, we paid $8.5 million to the trust account of dissenting shareholders' attorney, leaving $2.3 million accrued and unpaid for this matter. The amount accrued has been included within "Accounts payable and accrued liabilities" in the Consolidated Balance Sheets, with no impact to our Consolidated Statements of Income provided the courts rule within the open measurement period of 12 months from acquisition date.

Acquisition of Covisint Corporation

On July 26, 2017, we acquired all of the equity interest in Covisint, a leading cloud platform for building Identity, Automotive, and Internet of Things applications, for approximately $102.8 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning July 26, 2017.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 26, 2017, are set forth below:

Current assets (inclusive of cash acquired of $31.5 million)	$41,586
Non-current tangible assets	3,426
Intangible customer assets	36,600
Intangible technology assets	17,300
Liabilities assumed	(23,033)
Total identifiable net assets	75,879
Goodwill	26,905
Net assets acquired	$102,784

The goodwill of $26.9 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately $26.8 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of $12.2 million, which represents our estimate of the fair value of the contractual obligations assumed based on a preliminary valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by $4.6 million.

The fair value of current assets acquired includes accounts receivable with a fair value of $7.8 million. The gross amount receivable was $7.9 million of which $0.1 million of this receivable was expected to be uncollectible.

Acquisition-related costs for Covisint included in "Special charges (recoveries)" in the Consolidated Financial Statements for the year ended June 30, 2018 were $0.9 million.

The acquisition had no significant impact on revenues and net earnings for the year ended June 30, 2018 since the date of acquisition.

Pro forma results of operations for this acquisition have not been presented because they are not material to the consolidated results of operations.

Fiscal 2017 Acquisitions

Purchase of an Asset Group Constituting a Business - ECD Business

On January 23, 2017, we acquired certain assets and assumed certain liabilities of the enterprise content division of EMC Corporation, a Massachusetts corporation, and certain of its subsidiaries, collectively referred to as Dell-EMC (ECD Business) for approximately $1.62 billion. In accordance with Topic 805, this acquisition was accounted for as a business combination. ECD Business offers OpenText a suite of leading Enterprise Content Management solutions with deep industry focus, including the Documentum™, InfoArchive™, and LEAP™ product families. We believe this acquisition complements and extends our EIM portfolio.

The results of operations of this acquisition were consolidated with those of OpenText beginning January 23, 2017.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of January 23, 2017, are set forth below:

Current assets	$11,339
Non-current tangible assets	103,672
Intangible customer assets	407,000
Intangible technology assets	459,000
Liabilities assumed	(182,301)
Total identifiable net assets	798,710
Goodwill	823,684
Net assets acquired	$1,622,394

The goodwill of $823.7 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately $378.5 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of $163.8 million, which represents our estimate of the fair value of the contractual obligations assumed. In arriving at this fair value, we reduced the acquired company's original carrying value by $52.0 million.

Further, included within total identifiable net assets are also certain contract assets which represent revenue earned by the ECD Business on long-term projects for which billings had not yet occurred as of January 23, 2017. As these long-term projects have now been inherited by OpenText, we are responsible for billing and collecting cash on these projects at the appropriate time, yet we do not and will not recognize revenue for these billings. The fair value assigned to these contract assets as of January 23, 2017 was $8.4 million.

Purchase of an Asset Group Constituting a Business - CCM Business

On July 31, 2016, we acquired certain customer communications management software and services assets and liabilities from HP Inc. (CCM Business) for approximately $315.0 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our current software portfolio, and allows us to better serve our customers by offering a wider set of CCM capabilities.

The results of operations of this acquisition were consolidated with those of OpenText beginning July 31, 2016.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 31, 2016, are set forth below:

Current assets	$683
Non-current deferred tax asset	11,861
Non-current tangible assets	2,348
Intangible customer assets	64,000
Intangible technology assets	101,000
Liabilities assumed	(38,090)
Total identifiable net assets	141,802
Goodwill	173,198
Net assets acquired	$315,000

The goodwill of $173.2 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately $105.1 million is expected to be deductible for tax purposes.

Acquisition of Recommind, Inc.

On July 20, 2016, we acquired all of the equity interest in Recommind, Inc. (Recommind), a leading provider of eDiscovery and information analytics, for approximately $170.1 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our EIM solutions, and through eDiscovery and analytics, provides increased visibility into structured and unstructured data.

The results of operations of Recommind, were consolidated with those of OpenText beginning July 20, 2016.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of July 20, 2016, are set forth below:

Current assets	$30,034
Non-current tangible assets	1,245
Intangible customer assets	51,900
Intangible technology assets	24,800
Long-term deferred tax liabilities	(1,780)
Other liabilities assumed	(27,497)
Total identifiable net assets	78,702
Goodwill	91,405
Net assets acquired	$170,107

The goodwill of $91.4 million is primarily attributable to the synergies expected to arise after the acquisition. No portion of this goodwill is expected to be deductible for tax purposes.

The fair value of current assets acquired includes accounts receivable with a fair value of $28.7 million. The gross amount receivable was $29.6 million of which $0.9 million of this receivable was expected to be uncollectible.

Fiscal 2016 Acquisitions

Acquisition of ANXe Business Corporation

On May 1, 2016, we acquired all of the equity interest in ANXe Business Corporation (ANX), a leading provider of cloud-based information exchange services to the automotive and healthcare industries, for approximately $104.4 million. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition strengthens our industry presence and reach in the automotive and healthcare industries through strong customer relationships and targeted business partner collaboration solutions.

The results of operations of ANX were consolidated with those of OpenText beginning May 1, 2016.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of May 1, 2016, are set forth below:

Current assets	$9,712
Non-current tangible assets	511
Intangible customer assets	49,700
Intangible technology assets	5,600
Liabilities assumed	(26,204)
Total identifiable net assets	39,319
Goodwill	65,108
Net assets acquired	$104,427

The goodwill of $65.1 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately $7.0 million is expected to be deductible for tax purposes.

The fair value of current assets acquired includes accounts receivable with a fair value of $5.7 million. The gross amount receivable was $5.8 million of which $0.1 million of this receivable was expected to be uncollectible.

Purchase of an Asset Group Constituting a Business - CEM Business

On April 30, 2016, we acquired certain customer experience software and services assets and liabilities from HP Inc. (CEM Business) for approximately $160.0 million. Previously, $7.3 million was held back and unpaid in accordance with the terms of the purchase agreement. This amount was released and paid during the quarter ended September 30, 2016. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our current software portfolio, particularly our Customer Experience Management and Cloud offerings.

The results of operations of this acquisition were consolidated with those of OpenText beginning April 30, 2016.

Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of April 30, 2016, are set forth below:

Current assets	$3,078
Non-current tangible assets	14,302
Intangible customer assets	33,000
Intangible technology assets	47,000
Liabilities assumed	(24,887)
Total identifiable net assets	72,493
Goodwill	87,507
Net assets acquired	$160,000

The goodwill of $87.5 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, approximately $31.8 million is expected to be deductible for tax purposes.

Acquisition of Daegis Inc.

On November 23, 2015, we acquired all of the equity interest in Daegis Inc. (Daegis), a global information governance, data migration solutions and development company, based in Texas, United States. Total consideration for Daegis was $23.3 million ($22.1 million - net of cash acquired). In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition enables OpenText to strengthen our current information governance capabilities.

We recognized $8.0 million of goodwill associated with this acquisition, which is primarily attributable to the synergies that are expected to arise after the acquisition. This goodwill is expected to be deductible for tax purposes.

Acquisition-related costs for Daegis included in "Special charges (recoveries)" in the Consolidated Statements of Income for the year ended June 30, 2016 was $1.1 million.

The results of operations of Daegis were consolidated with those of OpenText beginning November 23, 2015.

NOTE 19—SEGMENT INFORMATION

ASC Topic 280, “Segment Reporting” (Topic 280), establishes standards for reporting, by public business enterprises, information about operating segments, products and services, geographic areas, and major customers. The method of determining what information, under Topic 280, to report is based on the way that an entity organizes operating segments for making operational decisions and how the entity’s management and chief operating decision maker (CODM) assess an entity’s financial performance. Our operations are analyzed by management and our CODM as being part of a single industry segment: the design, development, marketing and sales of Enterprise Information Management software and solutions.

The following table sets forth the distribution of revenues, by significant geographic area, for the periods indicated:

	Year Ended June 30,		
	2018	2017	2016
Revenues:			
Canada	$149,812	$227,115	$107,217
United States	1,425,244	1,090,049	915,615
United Kingdom	201,821	159,817	185,631
Germany	198,253	166,611	155,201
Rest of Europe	517,693	394,132	270,114
All other countries	322,418	253,333	190,450
Total revenues	$2,815,241	$2,291,057	$1,824,228

The following table sets forth the distribution of long-lived assets, representing property and equipment and intangible assets, by significant geographic area, as of the periods indicated below.

	As of June 30, 2018	As of June 30, 2017
Long-lived assets:		
Canada	$ 1,027,858	$ 1,283,589
United States	441,940	339,246
United Kingdom	13,253	11,583
Germany	8,282	6,694
Rest of Europe	17,104	21,360
All other countries	52,405	37,488
Total	$ 1,560,842	$ 1,699,960

NOTE 20—SUPPLEMENTAL CASH FLOW DISCLOSURES

	Year Ended June 30,		
	2018	2017	2016
Cash paid during the period for interest	$132,799	$115,117	$72,058
Cash received during the period for interest	$1,672	$3,115	$3,659
Cash paid during the period for income taxes	$73,437	$83,086	$40,431

NOTE 21—EARNINGS PER SHARE

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

	Year Ended June 30,		
	2018	2017	2016
Basic earnings per share			
Net income attributable to OpenText	$242,224	$1,025,659(1)	$284,477
Basic earnings per share attributable to OpenText	$0.91	$4.04	$1.17
Diluted earnings per share			
Net income attributable to OpenText	$242,224	$1,025,659(1)	$284,477
Diluted earnings per share attributable to OpenText	$0.91	$4.01	$1.17
Weighted-average number of shares outstanding			
Basic	266,085	253,879	242,926
Effect of dilutive securities	1,407	1,926	1,150
Diluted	267,492	255,805	244,076
Excluded as anti-dilutive(2)	2,770	1,371	5,458

(1) Please also see note 14 "Income Taxes" for details relating to a one-time tax benefit of $876.1 million recorded during the three months ended September 30, 2016 in connection with an internal reorganization of our subsidiaries.

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

NOTE 22—RELATED PARTY TRANSACTIONS

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

During the year ended June 30, 2018, Mr. Stephen Sadler, a director, earned $0.8 million (June 30, 2017 and June 30, 2016—$0.8 million, respectively) in consulting fees from OpenText for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

NOTE 23—SUBSEQUENT EVENTS

Cash Dividends

As part of our quarterly, non-cumulative cash dividend program, we declared, on August 1, 2018, a dividend of $0.1518 per Common Share. The record date for this dividend is August 31, 2018 and the payment date is September 21, 2018. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of our Board.

Restructuring Plan

On August 1, 2018, we committed to, and our Board approved, a restructuring plan that will impact our global workforce and consolidate certain real estate facilities in an effort to further streamline our operations. The total size of the plan is expected to be approximately $29 million and is proposed to be undertaken primarily during the remainder of the year ending June 30, 2019. We expect to incur charges related to this plan in the following amounts:

- Workforce reductions: approximately $15 million; and
- Facility consolidations: approximately $14 million.

Item 16. Form 10-K Summary

None.

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: August 2, 2018

By: /s/ MARK J. BARRENECHEA

Mark J. Barrenechea

Vice Chairman, 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/ ADITYA MAHESHWARI

Aditya Maheshwari

Senior Vice President and Chief Accounting Officer

(Principal Accounting Officer)

DIRECTORS

Signature	Title	Date
/s/ MARK J. BARRENECHEA Mark J. Barrenechea	Vice Chairman, Chief Executive Officer and Chief Technology Officer (Principal Executive Officer)	August 2, 2018
/S/ P. THOMAS JENKINS P. Thomas Jenkins	Chairman of the Board	August 2, 2018
/S/ RANDY FOWLIE Randy Fowlie	Director	August 2, 2018
/S/ GAIL E. HAMILTON Gail E. Hamilton	Director	August 2, 2018
/S/ BRIAN J. JACKMAN Brian J. Jackman	Director	August 2, 2018
/S/ DEBORAH WEINSTEIN Deborah Weinstein	Director	August 2, 2018
/S/ STEPHEN J. SADLER Stephen J. Sadler	Director	August 2, 2018
/S/ MICHAEL SLAUNWHITE Michael Slaunwhite	Director	August 2, 2018
/S/ KATHARINE B. STEVENSON Katharine B. Stevenson	Director	August 2, 2018
/S/ CARL JÜRGEN TINGGREN Carl Jürgen Tinggren	Director	August 2, 2018