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PRESENTATION

Operator

Thank you for standing by. This is the conference operator. Welcome to the OpenText Corporation fourth quarter fiscal 2025 financial results conference call.

(Operator Instructions) The conference is being recorded.

I would like to turn the conference over to Greg Secord, Head of Investor Relations. Please go ahead.

Greg Secord - *Open Text Corp - Vice President, Global Head of Investor Relations*

Thank you, Rocco, and good morning, everyone. Welcome to OpenText fourth quarter and fiscal year 2025 earnings call. And with me on the call today are OpenText's Chief Executive Officer and Chief Technology Officer, Mark J. Barrenechea; together with Chadwick Westlake, our Executive Vice President and Chief Financial Officer; we have Todd Cione, our President of Worldwide Sales; we have Paul Duggan, our President and Chief Customer Officer; and also joining, we have Cosmin Balota, who's our Senior Vice President and Chief Accounting Officer.

Today's call is being webcast and recorded with a replay available shortly thereafter. All of this information in all of the presentations today are available on the Investor Relations website at OpenText, and that's investors.opentext.com.

On today's webcast, we'll have our prepared remarks coordinated with slides on the Q4 financial presentation. This presentation is available, of course, on the website. And please note that if you're logged into the live webcast, you're already set up for the slide show.

I'll also point out that there are two presentations on our website: the Q4 fiscal '25 IR results and that we'll be using during the call, and the Investor Presentation that we use for our investor meetings.

Turning to the Safe Harbor statement. During this call, we'll make forward-looking statements relating to future performance of OpenText. These statements are based on current expectations, assumptions, and other material factors that are subject to risks and uncertainties, and actual results could differ materially from the forward-looking statements that are made today.

Additional information about the material factors that could cause actual results to differ materially from such forward-looking statements as well as the risk factors that may impact future performance results of OpenText are contained in our recent forms 10-K and 10-Q as well as the press release that was distributed yesterday afternoon, which may be found, of course, on our website. We undertake no obligation to update these forward-looking statements unless required to do so by law.

In addition, our conference call may include discussions of certain non-GAAP financial measures. Reconciliations of any non-GAAP financial measures to their most directly comparable GAAP measures may be found in our public filings and other materials, which again are available on the Investors section of our website.

With that, I'll turn the call over to Mark.

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Thank you, Greg, and welcome, everyone, to the start of our new fiscal '26, and a big welcome from Waterloo. As you know, every fiscal year has its journey. For OpenText in fiscal '25, that included completing a material divestiture of our mainframe business, a large business optimization program, the acceleration of our margin opportunity, significant new AI cloud, and security innovations and our strongest year of capital return.

As you'll hear today, fiscal '26 is a completely different year, led by growth in a strong product cycle and a strong financial outlook that includes total revenue growth of 1% to 2%, cloud growth of 3% to 4%, adjusted EBITDA expansion of 50 to 100 bps, free cash flow expansion of 17% to 20%, and continued strong capital allocation with a dividend raise of 5% and a new [$300 million] (corrected by company after the call) share repurchase program, as well as a return to M&A. Let's get into the call.

Our priorities for building a stronger and more competitive OpenText remain clear and consistent. To expand our competitive advantage through our business AI, our business cloud and business security, our new My Aviator will bring business AI to every OpenText end user.

Deliver total revenue growth through compelling solutions, great distribution and transformative customer success led by our cloud growth and increasing contributions from business AI and security, as well as upper-quartile operating excellence, which means continued margins and free cash flow expansion and value-creating capital allocation.

Our previously announced business optimization has accelerated our margin opportunity and our medium-term business model is about approaching the Rule of 40.

You are seeing the results of these clear and consistent priorities. Q4 was the first full quarter of Titanium X in the market. And we ended fiscal '25 with a strong performance, as you saw in the numbers we published yesterday. Total revenues of $1.31 billion and we grew organically year-over-year, excluding the impact of AMC, IP rights, and DXC.

Our cloud bookings surged to $238 million or 32% year-over-year growth, all of which flows directly into cloud RPO. Cloud revenue of $475 million or 2% growth, license revenue of $173 million or 7% growth ex AMC, adjusted EBITDA dollars of $444 million or 34%, margin up strongly ex AMC. And we had amazing cloud wins this quarter across banking, automotive, health care, biotechnology and retail, including 43 cloud deals over $1 million. And Todd will speak about these in a little more detail in a moment.

For the full fiscal year '25, total revenues of $5.17 billion, less AMC down 3%, and less IP rights in DXC down approximately 1%. You can see in our Investor Presentation, a three-year trended slide on a reported basis help illustrate the magnitude of the total revenues, cloud revenues and cloud growth rates for our business. The new insights are all singularly focused on our cloud business. Cloud revenues were $1.86 billion for the year, up 2%.

I would also like to add some further color to our cloud business and revenue performance by business area. On an approximate basis year-over-year, Cybersecurity is 30% of our cloud revenues, BN is 30%, Content 25%, OSM and DevOps 10%, and the others make up the remaining 5%. Content, OSM and DevOps each grew faster than 10% year-over-year. BN remained constant. Cybersecurity was negative 4%, which we expect to return to growth this fiscal year. And please note, we have rebranded our ITOM business to Observability and Service Management, or OSM, and we have renamed Application Automation, which is now DevOps.

Cloud bookings were $773 million, up 10% and right in our outlook range. Total RPO was up 9%. Total cloud RPO was up 13%. And the total cloud position in the current cloud portion was up 8%, while the long-term portion was up 17%. And our cloud renewal rate was 96% ending Q4. So just an amazing amount of cloud expansion.

Adjusted EBITDA dollars of $1.8 billion or 34.5%, up strongly ex AMC. Adjusted EPS of $3.82, up strongly ex AMC. And free cash flows of $687 million, above the high end of our range. And ending cash of $1.156 billion.

For the year, we allocated a record amount of our cash, or $683 million, to capital return, where we returned $272 million via dividends and we purchased $411 million of our stock, canceling 14.5 million shares at an average price of $28.29.

Let me close our fiscal -- let me close our fiscal '25 with a few final thoughts. In addition to all the strengths and the confidence, and we had many, fiscal '25 was also one of challenges. There was, of course, the unprecedented and unpredictable trade and tariff turmoil in the markets and the geopolitical forces the industry traversed. But it's also an extraordinary year of a large and global mainframe business divestiture for us and transitioning that business to the buyer, which achieved it flawlessly.

We built a lot of corporate muscle through that process. We are focused on rebuilding our margin post-divestiture, modernizing the Micro Focus platform, executing a large and strategic business optimization, delivering Titanium X and creating an AI foundation for the future.

But make no mistake, we are disappointed that the full fiscal year had negative growth. As you can see on slide 10, it is a clear exception for a very long track record of growth.

We thank you for your feedback throughout this past year. We'll continue to be better communicators. And I will continue to increase the business insights we share so investors can see both the challenges and our opportunities equally like we are doing today.

Time to look forward. So, looking ahead, I am confident in the trajectory of the business. Fiscal 2026 is a different year, a different outlook and an important period of growth that the company is entering into. Our priorities for building a stronger, more competitive OpenText remain clear and as noted earlier. We're excited about the next wave of innovation.

For business AI with My Aviator and Aviator Studio, an agentic user platform for building digital workers. And with My Aviator, a personal digital worker, for every knowledge worker to be used everywhere for anything.

And for our business cloud, with Core Content SaaS, new verticals like insurance, OSM, corporate help desk for employees -- for employee experience. And on the business technology side, our focus on threat detection and response, SaaS Identity, and Access Management and our new go-to-market partnership with Microsoft.

We're a portfolio company, and we expect all our businesses to perform, but we can see immediate path for outperformance this year in Content, Security and Observability and Service Management.

Our M&A pipeline across our core BUs is building again. And to reiterate, we'll consider divestitures as and when they make strategic sense to drive overall higher growth rates, optimize our business or to return investor dollars for better returns. The organization has momentum in its focus.

So let me discuss the key elements of our fiscal '26 outlook in reported dollars in the year-over-year terms. On the macro, customers -- global customers are investing, and they are taking control of their platforms and capabilities via sovereign clouds. Also, they are derisking their businesses from tariffs and trade volatilities. Customers are investing in AI, cloud and security.

Fiscal '25 taught us to expect the unexpected curve ball on tariffs and trade, so it drives you to focus on managing exceptionally well that what you control, and it's prudent to be conservative given the geopolitical and public sector trends. With that macro backdrop for fiscal -- our fiscal '26 outlook with year-over-year comparison is the following.

Total revenue growth of 1% to 2% and growth in constant currency. Total cloud revenue growth of 3% to 4%, supported by our strong current RPO backlog. New cloud bookings growth of 12% to 16%. Adjusted EBITDA margin growth of 50 to 100 bps. Free cash flow growth of 17% to 20%. We plan to grow our annual dividend by 5%. And further, we plan to repurchase and – to purchase and retire $300 million of our stock this fiscal year.

There are a few more comments I'd like to provide on our outlook. First, cloud revenue, ARR and cloud cRPO truly lead the future of our business and our outlook. We expect ARR to return to growth in '26. And within that, cloud growth will outpace the maintenance business.

Second, we'll make strong progress on our customer support business and expect to cut the rate of decline in half, from negative 4% ex AMC in fiscal '25 to negative 2% in fiscal '26 and return the business back to growth in fiscal '27. In a moment, Paul will speak to our Support business and the opportunity.

Third, AI, SaaS and Security are well positioned to contribute more to our revenues, and we see Security being a positive contributor to our growth rate this year. Todd will speak more about this in a moment.

And lastly, our outlook positions the company to exceed expectations based on stronger demand, stronger adoption, stronger execution, and less macro unpredictability.

As for Q1 estimates, please remember, our business is an annual business. We plan, operate, and make key decisions within the context of our annual plan. Our quarterly estimates are meant to provide short-term insights, and our quarterly estimates will vary within our annual plan. For Q1, our estimates include total revenue growth of constant to 1% and adjusted EBITDA of 35% to 35.5%.

I'd also like to introduce today our thoughts on where we are driving our business model over the next three years, which we call our medium-term business model. Our medium-term business model looks like this. Rule of 40 growth, delivering the combination of total revenue growth plus adjusted EBITDA margin percentage to approach 40%. Efficiency. Continuous year-over-year improvements on margin while landing adjusted EBITDA in the mid to high 30s and balancing margin expansion with the growth investment opportunities that we see.

Free cash flow. For every dollar of free cash flow, we look at two key metrics. Grow free cash flow over revenue into the high teens and continue to grow free cash flow over our outstanding shares.

Capital allocation. Continuing to strategically and flexibly deploy our capital across M&A, dividends, buybacks and divestitures, with one lens, creating long-term shareholder value. We'll keep you updated on our progress along the way.

Let me wrap up my prepared comments today. F'26 is an important period of growth for the company. And that confidence starts with our cloud business. We're in a strong product cycle with Titanium X, business AI and business Security. Content OSM and DevOps each grew faster than 10% last year. We have new accelerators for growth with AI, Security, and Business Network.

Our RPO was up to -- our cloud RPO was up 13%, current portion of 8%, long-term portion up 17%. Our cloud renewal rates are strong at 96% and getting stronger. Our outlook is 3% to 4% of organic cloud revenue growth, new bookings growth of 12% to 16%. And we expect continued cloud RPO expansion with strong renewal rates and continued new bookings growth.

I want to thank all OpenTexters for their strong performance in Q4 for the momentum heading into fiscal '26 as well as to thank our customers for their continued trust.

We have an amazingly strong finance organization, and we welcome Cosmin Balota, who is currently -- who is on the call with us today, who will serve as Interim CFO starting August 15. Our CFO search is in full motion, and we're excited about what an open market search will bring to the business. I'd like to thank Chadwick for his service to OpenText and wish him well and all the best on his continued journey. He's going to make a great CEO.

Let me turn the call over to Todd and Paul and then Chadwick. So, Todd, over to you.

Todd Cione - *Open Text Corp - President - OpenText Worldwide Sales*

Thank you, Mark. It is clear that we have momentum coming out of Q4 and entering F '26. We're experiencing market demand. Our worldwide commercial team is executing. Our partner ecosystem is more impactful than ever. And our pipeline is strong and growing.

Mark referenced the very dynamic global economic environment. This environment is driving enterprises to double down on clear and measurable business justification before proceeding with technology investments. And this environment aligns well with the specialized capabilities of our worldwide commercial team, to guide our customers effectively.

We're successfully translating OpenText's Titanium X platform in a quantifiable business case value for existing and new customers. And customers are increasingly depending on us. In Q4, we had some great customer wins, including BMO, Groupe Clarins, HARGASSNER, Rightmove. And I'd like to walk you through several strategic wins in our business cloud to give you a sense of how we're winning against the competition.

First, the OpenText Content Management Cloud. One of Europe's largest health care and life sciences companies chose OpenText as a key part of their SAP cloud migration project, benefiting clearly from our SAP Cloud First partnership. And a large Canadian financial services firm utilized OpenText Content Management Cloud to power its unstructured data vault in support of mission-critical business systems.

One of the largest and nationally ranked US hospital networks chose OpenText's Observability and Service Management Cloud in direct competition with ServiceNow. This is a really tremendous new logo win for us.

A Fortune 100 pharmaceutical and biotechnical company chose OpenText DevOps Cloud, and e-Signature solution over the competition, to reduce regulatory and compliance risk, while also supporting their move to cloud and AI initiatives. This win continues our momentum, helping large, highly regulated enterprises, build, deploy, and manage compliant applications.

One of Europe's leading forensic research institutions selected OpenText Fortify Application Security Platform to strengthen the security of its business-critical software. This very highly competitive new logo win, it underscores our growing leadership in enabling secure development within high-trust, high-compliance public sector environments.

And then lastly, a top global -- top 5 global automotive manufacturer further scaled their dependence on OpenText Business Network Cloud to manage their treasury management and global supply chain.

Now many of these customer wins relied heavily on OpenText partnerships. Our existing and new partnerships are playing an increasingly major role in our growing commercial momentum. The SAP partnership, as an example, remains strategic and continues to accelerate across co-selling, reselling, and joint engineering. The impact is contributing meaningfully to our content management cloud growth. And we're excited in Q1, we've expanded this partnership to our Experience cloud to also be resold by SAP.

Our Microsoft partnership is growing, and we're now live with the launched Cybersecurity Threat Detection and Response offering. We refer to it as TDR. It's being actively sold now with and through Microsoft's ecosystem. And it integrates seamlessly with Microsoft Defender, Microsoft Entra ID, and it's part of the Microsoft Security Copilot ecosystem.

Our GSI partnerships are contributing to growth with larger and more strategic deals. For example, with Capgemini, we've just launched a digital government solution to serve government agencies across our OpenText Content, Experience, and Security clouds. We're also collaborating with HPE to deploy database management and information governance solutions on HPE GreenLake.

For our technology and ISV partnerships, they're enabling us to bring differentiated vertical industry solutions to the market. And as an example, with Guidewire, we've introduced a joint solution actively targeting the worldwide insurance marketplace. We're going to continue to invest to scale further into the financial services sector with ISV ecosystem partnerships.

And as you've heard Mark mention, we're doubling down on sovereign cloud and sovereign AI. We're super excited to have announced our partnership recently with TELUS, offering the Canadian market a secure private cloud for information management with a trusted Canadian infrastructure provider.

And we continue to see growing demand and execution through our overall channel partner ecosystem. It's helping us scale OpenText distribution into the SMB segment in the public sector and into emerging markets globally.

Now lastly, our sales, marketing and partner execution, it has created a solid and growing full year pipeline. In fact, our pipeline for license is up over 10% over prior year, and our pipeline for cloud is up nearly 30% year-over-year. We're seeing pipeline conversion rates improve. And in Q4, we delivered the highest account executive productivity we've seen in the last eight quarters. And we're adding even more sales capacity now to convert our growing pipeline.

Now to summarize, I'm really, really proud and thankful for our worldwide commercial team's Q4 performance. In early July, we launched the New Year with a fast start at our worldwide company and sales kick-off here in Waterloo, and our team has a ton of energy fueling F '26 execution ongoing right now.

Our partnerships are contributing substantially with growing impact, and we built a strong pipeline with a growing conversion rate. And we're adding sales capacity to start fast in F '26.

Paul, over to you.

Paul Duggan - *Open Text Corp - President and Chief Customer Officer*

All right. Thank you, Todd. It's great to be here with you and Mark and the rest of the team here in Waterloo. Today I'll speak briefly about three areas. The highlights of the prior quarter as we closed out F '25, where our team is focused to bring a stronger outcome to F '26, and what to expect for our Maintenance business in the year ahead. So, let's jump right in.

First, Q4 was a solid quarter for the business. The OpenText renewals flywheel continues to be stable and predictable with a net renewal rate of 96% for cloud and 91% for off-cloud, improving 100 bps quarter-over-quarter. Our core operating metrics across our recurring revenue business are positive. Past due is down. On-time renewals is up. And APA or annual price adjustment is up.

In fact, we set all-time records in several of these areas and finished ahead -- the year well ahead of our plan on bookings, including some very large early renewals on the cloud side as customers work to lock in pricing over the next several years. So that all adds energy to the flywheel and creates momentum into F '26.

Growth remains job number one for the team, and that drives a single overriding mission for the business: customer centricity. Now at its core, customer centricity is a business mindset and an operating model where every decision starts from a deep understanding of what creates value for the customer. It's not just about good service; it's about anticipating customer needs. It's not solving problems. It's doing this proactively and shaping our offerings to deliver outcomes.

We're focused on three areas in F '26: number one, the performance of our Maintenance business through lifetime value; number two, expanding post-sales offerings; and number three, customer success through our L.O.V.E model, land, operate, value, expand.

So just a few examples. For lifetime value, we reorganized our PS sales team by practice area and now focused on Titanium X upgrades, targeting off-cloud customers several releases back to bring them current to the latest version of the products. For our L.O.V.E model or land, operate, value, expand, we are in year two of our new cloud customer success offering rollout which added incremental bookings to F '25 and contributes to cloud ARR.

And for post-sale, this quarter we launched Advanced Customer Support, or ACS, which expands our portfolio of support subscription offerings and puts a new and dedicated sales team behind it to build new inflows to Maintenance revenues. So, these are just a few of the new programs that will contribute to growth in fiscal '26. The customer is at the center of all this, and growth is the result for doing that consistently and doing that well.

That brings me to my last point, which is what to expect for Maintenance in F '26. Let me just start by reaffirming our messages from last year. We see strength and stability in the core operating metrics of our Maintenance business. Excluding AMC, we ended F '25 at a decline rate of 4%. Our Q4 decline rate was 3% and a large improvement from Q3. And our outlook for F '26 is a decline of 2%, cutting that decline by half year-on-year. And further, and this is a key point, we expect ARR to return to growth in F '26. And within that, cloud growth will outpace the Maintenance business.

So we can see clearly the momentum we have in returning the Maintenance business back to growth, which we expect by F '27. Our operational metrics are bright-green. We have growth programs adding new revenue channels to maintenance. And as we sell new licenses, that will also add incremental Maintenance revenues.

Looking out further and as cloud continues to grow, it will be an opportunity to expand this business discussion to focus more on ARR, RPO, and cRPO inclusive of Maintenance.

So in summary, our confidence grows stronger with our Q4 results. I see momentum in the business. And there is a lot to be excited about in the year ahead.

So with that, I'll hand the call over to Chadwick.

Chadwick Westlake - *Open Text Corp - Chief Financial Officer, Executive Vice President*

Thank you, Paul, and good morning. I will briefly touch on more context for Q4 results and OpenText's growth momentum into fiscal 2026.

It was a great outcome at $238 million of enterprise cloud bookings in Q4, up 32.3% year-over-year, closing out fiscal 2025 within our annual target range at 10.1% total growth. Our results include full year RPO and cRPO with year-over-year comparisons. This captures the strength of our cloud backlog.

When looking at our cloud business, we think about four core metrics: cloud revenue growth, enterprise cloud bookings expansion, cloud renewal rates as well as new cloud bookings. Cloud cRPO is a subcomponent of RPO, and it provides a visibility into the current portion of cloud RPO that is committed over the next 12 months. This includes all our cloud product groups: enterprise and SMBC, new and renew, and provides greater visibility into our cloud business.

With the bookings progress for Q4 and F '26 expectations, OpenText is positioned for growth. We reported solid annual recurring revenue of approximately 81% in Q4, up approximately 20 basis points year-over-year.

As you see in the table on slide 22 for Q4, cloud revenues were $475 million, up 2.1% year-over-year, representing about 36.2% of total revenue. Q4 marks 18 quarters of cloud organic growth, driven by AI readiness and strong demand for our Content and cloud. Non-GAAP cloud gross margin increased approximately 40 basis points to 63.2% year-over-year.

Customer Support or Maintenance revenue was $581 million, and the full year closed at $2.34 billion, coming in slightly above our expectations. We are making progress here. In Q4, non-GAAP Maintenance gross margin remained strong at 89.2%, up 20 basis points year-over-year. Overall, non-GAAP gross margin for Q4 was 76.2%.

We added some additional disclosures to offer deeper context to where our cloud revenue growth outperformed in F '25, particularly in Content, DevOps and Observability and Service Management.

Moving towards the bottom line. We achieved a strong quarter in an overall F '25 adjusted EBITDA margin of 34.5%, 50 basis points above the top end of our target range of 33% to 34%. This was achieved with the benefit of business optimization progress, as well as higher revenue in the quarter.

Last quarter, we expanded our business optimization plan. When fully implemented, we expect to generate total annualized savings of approximately $490 million to $550 million. We successfully realized approximately 35% of these savings during fiscal 2025.

Our F '26 outlook captures an additional 35% of these benefits. And after reinvestment, we expect continued adjusted EBITDA margin expansion. We've spent approximately $128 million to date, and the plan is expected to be substantially completed by the second quarter of F '27, up to a total spend of approximately $260 million.

In Q4, we generated $687 million of free cash flow, $37 million above our target range. In the quarter, our expense -- interest expense declined year-over-year. And again, you see the benefit of the business optimization savings here. The resilience of the OpenText operating model, revenue growth, ARR durability, expanding margin and free cash flow provide us the flexibility to strategically deploy our capital across M&A, dividends and share buybacks.

The Board of Directors has approved a cash dividend of $0.275 per share for the first quarter of fiscal 2026, with a record date of September 5, 2025, payable on September 19, 2025. We will remain strategic and flexible in our capital allocation.

Adjusted EPS was strong again in Q4 at $0.97 diluted. Reported, that is down 1% year-over-year, but adjusted EPS increased year-over-year after normalizing for the impact of the AMC divestiture. Contributing to this outcome was the benefit of repurchasing and canceling 14.5 million shares in fiscal 2025. This momentum will continue with our announcement of a new $300 million share buyback program in fiscal 2026.

In closing, I'll echo my sentiment from last quarter. As an investor, this is a good time to hold and buy OpenText stock. We are leaders in information management with a large installed base, loyal customers, strong core businesses and earnings profile, plus a clear return of capital strategy. I am confident in OpenText's ability to reinvest strategically in outperforming products while generating meaningful returns for investors.

I'd like to thank Mark and all my OpenText colleagues for the opportunity to work with such an extraordinary group. This is an iconic Canadian company and it's been a privilege to serve our stakeholders.

With that, Rocco, can you please open the line to our equity analysts for Q&A.?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Raimo Lenschow with Barclays.

Raimo Lenschow - *Barclays Bank - Analyst*

Thanks for all the clarity in the presentation. Mark and team, obviously, there's the stuff that you can do, but then there's the stuff that is given to you in terms of the economy. You talked a lot about what you're doing at the moment. What are you seeing though from end demand, customer behavior, et cetera, at the moment given all the uncertainties? And maybe just kind of break it down by region. And then I had one quick follow-up.

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Sure. Raimo, thanks for the question. I'll start with we are seeing a strong and positive trend towards sovereign cloud. And we're in a unique position as a global company, a company that's invested strategically in its operations, in cloud infrastructure and with our cloud partners to be able to provide local control.

So we are engaged in France to deploy Sovereign France. We're engaged from Germany to deploy Sovereign Germany. We're engaged in the UK to deploy Sovereign UK, and keep going around the globe, Canada, Japan, Singapore, Australia. So, we see sovereign cloud as an opportunity in our business and have factored that into looking at strong bookings growth in the -- here in fiscal '26 of 12% to 16%.

We also see customers looking to take more control to deploy on-premise. And we've been in a position always to provide that customer choice. So, we actually see that the volatility creating a demand driver, that can be a bit of a tailwind for us heading into F’26.

Balancing that a bit is some customers on the supply chain side, as you saw in our cloud revenues, [our BN was constant] that are just taking a little longer to make some decisions. But it's actually a net positive for us, Raimo. And we're helping customers take the control back and continue with their strategic projects.

Raimo Lenschow - *Barclays Bank - Analyst*

Okay. Perfect. And then the -- I like the additions to talk about Maintenance a little bit. Bringing that to that 2% decline line, is that -- how much of that is operations? And then is there also an element that you can do to think about pricing?

Paul Duggan - *Open Text Corp - President and Chief Customer Officer*

Raimo, Paul Duggan. Thanks for the great question. There's a short answer and a long answer. This is the short answer, is the rate of decline on Maintenance is improving really due to the focus of the performance and growth progress we've had over the past year or two.

The longer answer really centers on three core areas that I see. It will always come down -- any maintenance business will always come down to the core operating metrics. And that's going to be the single most important indicator of motion and strength of the installed base. And you can see parts of it, right? Q4 NNR is up 100 bps quarter-on-quarter. Our cancels are down. Past due and on-time are improving dramatically. We're setting records and it's common to set records each quarter at this point.

APA, our annual price adjustment, is -- was up in Q4. It's been up multiple quarters in a row now. And one way to think about that is it's a proxy for value that customers see in our road map. And to add to that value, we've launched new advanced customer services, or ACS, this quarter, which will create some new upselling focus areas for us in the premium services that attach on top of the maintenance space.

And finally, I'd say, we talked a little bit about the last couple of quarters last year, is look, we had some challenges in license, in OSM and a few other areas, as well as a couple of onetime setbacks, DXC is one we've talked about. The fact of the matter is the core business here has improved. And as we look to track on some key items and we see the positive impact of things like ACS, I believe pretty strongly that you're going to see a continued impact positively on the Maintenance business.

Operator

Samad Samana, Jefferies.

Billy Fitzsimmons, CFA - *Jefferies LLC - Analyst*

This is actually Billy Fitzsimmons on for Samad. The new disclosures on cloud growth and cloud as a percentage of revenue are very helpful for us. But can we dig into those numbers a little more, what cloud or business units are seeing outsized growth simply because of accelerated on-prem to cloud migrations in the base? What is seeing growth from sell end customer and product demand? And at this point, what are some of the businesses where you believe there's kind of extra work to be done to get growth higher?

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Thanks, Billy. Appreciate the question. So, look, all of our disclosure and new disclosure is centered on providing a singular insight into our cloud business and opportunity. And it's about this strategic alignment and insight into that opportunity, right?

So a year ago, we started with our RPO disclosure. And we decided a year ago to start with RPO even though we didn't have the history to disclose. And we knew we'd loop to track four quarters later, and here we are. And so total cloud RPO was $2.5 billion and grew 13%. Total cloud current RPO was $1.2 billion and grew 8%. And total long-term RPO was $1.1 billion and grew 17%. So that was a new disclosure started a year ago. We looped the track.

We can now see the power of the backlog of our business. Cloud renewal rate, right, which we're talking about 96% ending Q4 and getting stronger. ARR returning to growth in '26, which means that the cloud -- the additive cloud dollars are more than the maintenance decline dollars. And that is exactly where we want the business to be in '26 and forever more.

Bookings, we're going to continue to show you bookings that come in to fill the top of the bucket. So, some companies don't disclose bookings. We disclose bookings. We'll continue to disclose bookings, because it fills the top of the bucket. $773 million in '25 or 10% growth. And our outlook of 12% to 16% growth in '26 on a very large base of $773 million. Obviously, the revenue of 2% in '25, and then our outlook of growing faster in '26 of 3% to 4% cloud growth.

And then the new cloud disclosures that you touched on, all in the context of the alignment, where Cybersecurity is approximately 30% of our cloud revenues, BN 30% of our cloud revenues, Content 25% of our cloud revenues, OSM and DevOps 10%, and the others all making up the remaining of 5%. Content, OSM and DevOps each grew faster than 10% last year. We are not providing an outlook per business cloud, if you will, in '26, just into the total cloud number.

BN remained constant, and we feel we're going to be boosting that growth in '26 via AI and our new control tower technologies. Cyber was negative 4% growth. We've talked that -- we're going to talk about our opportunities and our challenges equally and transparently. So, Cybersecurity was negative 4% growth in the cloud last year, mainly driven by the SMBC business.

And to be clear, we expect this business to return to growth. That's why we expect to outperform in security this year and expect this business to return to growth with our Microsoft partnership, both at the enterprise in the mid-market as well as Threat Detection and Response, Identity and Access management in the cloud and in other new tools.

And on the other bucket, we have a new HPE partnership that Todd talked about with GreenLake in our new vertical as a service to help that other bucket as well.

So I hope that's helpful. I want to kind of maybe just re-summarize the totality of the disclosure, all with a singular purpose and insight onto the cloud.

Operator

Richard Tse, National Bank Financial.

Richard Tse - *National Bank Financial, Inc. - Analyst*

Yes, thanks for all those disclosures. With respect to the fiscal '26 growth numbers, how much of that is already visible in your RPO?

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Yes, Richard, great to hear your voice, and thanks for the question. So, we have an illustrative slide in Chadwick's portion that shows bookings flowing in a constant level, if you will, for cRPO. So, our cloud current RPO in fiscal '26 is roughly 60% of our revenues. And so, we have -- that's sort of like come right off the balance sheet flowing into the revenue stream.

And over time, we hope to raise that 60% guarantee, if you will, higher. But within the year we got, as Todd talked about, our cloud pipeline is up 30%. We will expand the opportunity within the installed base. We will drive expansion capabilities. We'll win new business and deliver new revenues from that. So, we have strong visibility, [cloud pipeline up 30%] (corrected by company after the call), current CRPO guaranteed, which gives us very strong confidence of the 3% to 4% organic cloud revenue growth, Richard.

Richard Tse - *National Bank Financial, Inc. - Analyst*

Okay. And then a second question here. It was sort of interesting to hear your comments on restarting M&A. So, what conditions would sort of have you doing that? Would it be deleveraging the balance sheet more? You noted sort of divestitures. And then subsequent to those conditions, what type of assets would you be sort of looking to focus on? Like you're obviously doing content management, so would you sort of lean into that market more? Or are you kind of looking at sort of new potential sort of opportunities outside of that?

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Yes. Thanks for the question. Well, we think our balance sheet is ready for a -- for the right acquisition. And look, we're mainly interested in cloud, and continuing to support the areas of our business that are outperforming. And so, the team is ramping up, the pipeline is getting stronger. It's got to be both a strategic fit and the right financial platform -- the right financial and strategic platform for us. And we're going to continue to consider divestitures as and when they make sense to drive a higher growth rate.

But you can clearly see from the strength of the balance sheet, our free cash flow, our approach to capital return in '26, that we have the ability to do small to medium-sized acquisition if it's the right company at the right price and right strategic sense.

Operator

Stephanie Price, CIBC.

Stephanie Price - *CIBC Capital Markets - Analyst*

Thanks as well for the additional disclosures this morning. Just curious, as you think about the different business segments, where are you investing the most at this point and where you see the most opportunity going forward?

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Steph, thanks for the question, and thanks for being on the call today. We want all our businesses to perform. But -- and when you manage a portfolio like any large company, you come into a year and see opportunities to outperform in certain categories. So, we're going to look to outperform in Content, Security and OSM coming into the year.

We also see opportunities to bring Business Network from constant back to growth, as we talked about, and just an outsized contribution to Cybersecurity over the long term. So those are the areas we're most focused on here, Steph, coming into '26.

Stephanie Price - *CIBC Capital Markets - Analyst*

Thanks for the color. And then maybe switching over just to the expanded restructuring initiatives. It looks like the timelines changed a bit. It looks like you've had some earlier wins than maybe you were expecting. If you could talk a little bit about what you've accomplished so far with the restructuring and what remains to be done.

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Yes, Steph. I mean we remain on plan and on time. No timelines have changed. We have accelerated some opportunities and we're off to a fast start where we sort of achieved 35% in '25. We expect to have another 35% here in '26, and the balance to complete in the first half of fiscal '27.

So we moved very quickly on the people rebalancing. It freed up our ability to reinvest in the business. You've heard Todd speak about the sales force expansion, product expansion as well as AI and security. So, we moved promptly on the people side. And we're also making strong internal progress on using our own AI tools and other partner AI tools, that's just going to continue to fuel that productivity boost for the company to help us deliver that 35% here in '26.

Operator

Paul Treiber, RBC Capital Markets.

Paul Treiber - *RBC Capital Markets - Analyst*

Just the comments on the pipeline growth both for cloud and license are quite encouraging. Obviously, you've seen the trend for a while in terms of pipeline. What's changed now that that's fundamentally driving the improvement? And then could you comment on like the sustainability or durability of that uplift in pipeline?

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Yes, Paul, thanks for being in the call, and great to hear your voice. I'll start and then hand it over to Todd. Titanium X had its first full quarter in the market. And we've talked -- we've been -- Titanium X was the largest engineering project in the history of the company, over a two-year runway of building out security, AI, trusted cloud, sovereignty.

And Q4 was the first full quarter of having Titanium X in the market, really our first full quarter of being live, being able to demonstrate our robust AI platform. And that drove the surge in bookings as well as the pipeline expansion.

Let me hand it over to Todd.

Todd Cione - *Open Text Corp - President - OpenText Worldwide Sales*

Yes. Thanks, Paul. The pipeline comes from only a few places: marketing demand, sales force demand, partner demand. And across those functions, we're executing very well. Then you have to convert that pipeline. Our sales force, our partners are very adept, as I referenced in my prepared comments, at converting Titanium X into value and quantifying that value through business cases in this macroeconomic climate that we are participating in right now.

So we're excited about the trends that we're seeing both top of the funnel and then converting it into value.

Paul Treiber - *RBC Capital Markets - Analyst*

Just a second question --

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Maybe, Paul, before you get to your second question, we'll make sure you do, I also want to thank Paul and Todd. They've been incredible business partners. We put in place a two-president structure. And I couldn't be more pleased with their leadership, their direction, their execution, both on the new business side and the post-sale side, which is also giving me the opportunity to work more strategically and on our product. So, I'd be remiss to highlight this incredible trifecta of an execution team that we put in place last year as well.

Paul Treiber - *RBC Capital Markets - Analyst*

That's great to hear about the team. Just on my second question, just on free cash flow, the 17% to 20% growth for '26 is great to see. Are there any headwinds per se or onetime items that we should take into account when we think about free cash flow conversion in '26?

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Yes, Paul, thanks for it. Maybe I'll start, and Chadwick, if there's anything you want to add. Look, I can only say this directly that 17% was an outlook of 17% to 20% free cash flow growth. I don't know where I come from, that sounds pretty healthy, if you will, year-over-year.

And look, we had a big onetime item last fiscal year, which was a $250 million tax on the gain of the divestiture. And I think on some analyst models, that may not have been perfectly modeled coming into '26, or maybe we haven't perfectly communicated all the elements around that. Or maybe a combination of both.

So I'm really pleased with our outlook coming into '26. And I'm going to sound like I'm from the Midwest here, but where I come from, 17% to 20% of free cash flow growth year-over-year sounds pretty good. Chadwick?

Chadwick Westlake - *Open Text Corp - Chief Financial Officer, Executive Vice President*

No, no. I echo that. I think, Paul, the only other sentiment we've had is any other things to think about on the tax side and any changes in the US tax side. But we've assumed constant for now in terms of the tax levels coming out of Q4, whether there's any headwinds and tailwinds. But we're pretty comfortable with the assumptions we made. Otherwise, it's a good core model.

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Yes, you look at the adjusted rate in the K, we believe we can maintain that. And look, we don't see any extraordinary items, right, here in '26. It's a really clean execution running room for us. So, our outlook is 17% to 20% expansion year-over-year.

Operator

Kevin Krishnaratne, Scotiabank.

Kevin Krishnaratne - *Scotiabank GBM - Analyst*

I joined a bit late. Apologies if some of these have been asked. But thanks also for the disclosure on the cloud breakdown. I just want to clarify, are you saying that you will grow Cybersecurity this year? Or do you hope to grow that in time? Is it a goal for this year that will be positive? And then also related on the slide, can you remind us on the Business Network, 30%, how much of that is transactional based?

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Thanks for the question. So, it's our -- we're looking to take the negative 4% growth and turn that into positive growth here in '26. Real simple. On the Business Network side, I don't know how to answer the question, what's transactional. Maybe we can take that off the call and to better understand the question.

Kevin Krishnaratne - *Scotiabank GBM - Analyst*

Okay. No worries. And the second question is on your capital allocation. You provided the midterm sort of guide. Can you talk about the divestitures element, sort of what you're thinking about there? I know on your last call; you broke down the business perform and outperform. Just wondering if you can talk us through the thought process there, timing and valuations and things of that nature?

Todd Cione - *Open Text Corp - President - OpenText Worldwide Sales*

Yes. Sure thing. Thanks for the question. We're going to continue to consider divestitures if and when they make strategic sense for us. And look, the rationale is very simple: accelerate our growth rate. And so, there are elements inside the portfolio that we want everything to perform. We think everything should be performing.

And then there are categories, market conditions, timing, product cycles where categories can outperform. When you manage a portfolio business, that's the way to think of it. You want everything to perform; you want certain categories to outperform.

But we'll have opportunities like we did in the mainframe business. The mainframe was EBITDA-rich for sure, but not strategically important going forward for us and growing our cloud. So, everything is singularly focused on accelerating cloud. We had 2% revenue growth in '25, outlook 3% to 4%. How do we keep accelerating our cloud growth rate? So, Kevin, that's how I'd look at the lens of M&A, divestiture, our strategy is to keep accelerating our organic cloud growth rate.

Operator

Seth Gilbert, UBS.

Seth Gilbert - *UBS Investment Bank - Analyst*

Maybe to start, free cash flow in 4Q was a bit stronger than we modeled. And I was wondering if you could talk about some of the drivers here and if there's anything onetime in 4Q, knowing that there's nothing onetime in FY26, but maybe there is early renewal pull forward or something else.

Chadwick Westlake - *Open Text Corp - Chief Financial Officer, Executive Vice President*

I think it was pretty aligned to expectations, a little bit better, really driven by, to be honest, the core revenue coming in even stronger and progress on the business optimization. No real one times. This is core operating progress, Seth. So, I think it's a great catch, but a great outcome that we're really proud of.

Seth Gilbert - *UBS Investment Bank - Analyst*

Got it. And then maybe as a follow-up, I'll echo the positive sentiment around the additional cloud growth disclosures. With those in mind, I was wondering if you could talk through the drivers of what's leading to the cloud acceleration. Is it the 35% of the business which is the Content, OSM and DevOps kind of like continuing to accelerate? Or the Business Network, Cyber and others turning around, which, of course, represents a larger piece of the pie?

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Yes. I mean thanks for the question. So, if we look at Content, DevOps and OSM, it is kind of maintaining that greater than 10% rate, that's a very -- double-digit growth rate is very healthy. Getting Business Network back from in the black into green, if you will. We have a great new AI translation tool. And we're stepping up with some bigger wins. You heard me and Todd talk about very -- many large wins, over $1 million. So, AI and control tower driving BN growth.

And then Cybersecurity going from minus four to green. And that's the run of play here for '26.

Operator

Thank you. This concludes our question-and-answer session. I'd like to turn the conference back over to Mr. Barrenechea for closing remarks.

Mark J. Barrenechea - *Open Text Corp - Chief Executive Officer, Vice Chairman of the Board, Chief Technology Officer*

Thank you, Rocco. And as you can see, fiscal '26 is a year of expansion and growth, and I look forward to spending more time to discuss the year ahead, listening and driving stronger performance.

I will be personally attending the following conferences and events and look forward to spending time together at Oppenheimer Virtual Technology Conference, August 11; the National Bank National Bank Financial Montreal Roadshow and Group Lunch, August 14.

Look forward to being in Montreal. Citibank's Global Tech Conference in New York City, September 4; and BMO's Tech Conference in Toronto on September 9. And I look forward just to a great quarter of listening and engagement.

And thanks for your time today. That ends today's call.

Operator

Thank you. This concludes today's conference call. You may now disconnect your lines. We thank you for participating and have a pleasant day.
