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Q2 Fiscal 2020 Financial & Business Results

NASDAQ: OTEX | TSX: OTEX

January 30, 2020

Safe Harbor Statement

Certain statements in this presentation, including statements about the focus of Open Text Corporation (“OpenText” or “the Company”) in our fiscal year ending June 30, 2020 (Fiscal 2020) on growth, anticipated benefits of our partnerships and next generation product lines, the strength of our operating framework and balance sheet flexibility, continued investments in product innovation, go-to-market and strategic acquisitions, M&A continuing to be our leading growth contributor, our capital allocation strategy, creating value through investments in broader Information Management (IM) capabilities, the Company's presence in the cloud and in growth markets, expected growth in our revenue lines, total growth from acquisitions, innovation and organic initiatives, the focus on recurring revenues, improving operational efficiency, expanding cash flow and strengthening the business, adjusted operating income and cash flow, its financial condition, the adjusted operating margin target range, impact from currency exchange rates, results of operations and earnings, announced acquisitions, ongoing tax matters, the integration of the acquired businesses, declaration of quarterly dividends, future tax rates, new platform and product offerings, scaling OpenText to new levels in Fiscal 2020 and beyond, and other matters, may contain words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "could", "would", "might", "will" and variations of these words or similar expressions are considered forward-looking statements or information under applicable securities laws. In addition, any information or statements that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking, and based on our current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. 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, such as certain assumptions about the economy, as well as market, financial and operational assumptions. 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. Such forward-looking statements involve known and unknown risks, uncertainties and other factors and assumptions that may cause the actual results, performance or achievements to differ materially. Such factors include, but are not limited to: (i) the future performance, financial and otherwise, of OpenText; (ii) the ability of OpenText to bring new products and services to market and to increase sales; (iii) the strength of the Company's product development pipeline; (iv) the Company's growth and profitability prospects; (v) the estimated size and growth prospects of the IM market including expected growth in the Artificial Intelligence market; (vi) the Company's competitive position in the IM market and its ability to take advantage of future opportunities in this market; (vii) the benefits of the Company's products and services to be realized by customers; (viii) the demand for the Company's products and services and the extent of deployment of the Company's products and services in the IM marketplace; (ix) downward pressure on our share price and dilutive effect of future sales or issuances of equity securities (including in connection with future acquisitions); (x) the Company's financial condition and capital requirements; and (xi) statements about the impact of product releases. 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 the Company's outstanding debt securities; (iii) the possibility that the Company may be unable to meet its future reporting requirements under the U.S. Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder, or applicable Canadian securities regulation; (iv) the risks associated with bringing new products and services to market; (v) 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 (CBCR); (vi) fluctuations in currency exchange rates; (vii) delays in the purchasing decisions of the Company's customers; (viii) the competition the Company faces in its industry and/or marketplace; (ix) the final determination of litigation, tax audits (including tax examinations in the United States and elsewhere) and other legal proceedings; (x) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, U.S. or international tax regimes including tax reform legislation enacted through the Tax Cuts and Jobs Act in the United States; (xi) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (xii) the continuous commitment of the Company's customers; and (xiii) demand for the Company's products and services. For additional information with respect to risks and other factors which could occur, see the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other securities filings with the Securities and Exchange Commission (SEC) and other securities regulators. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

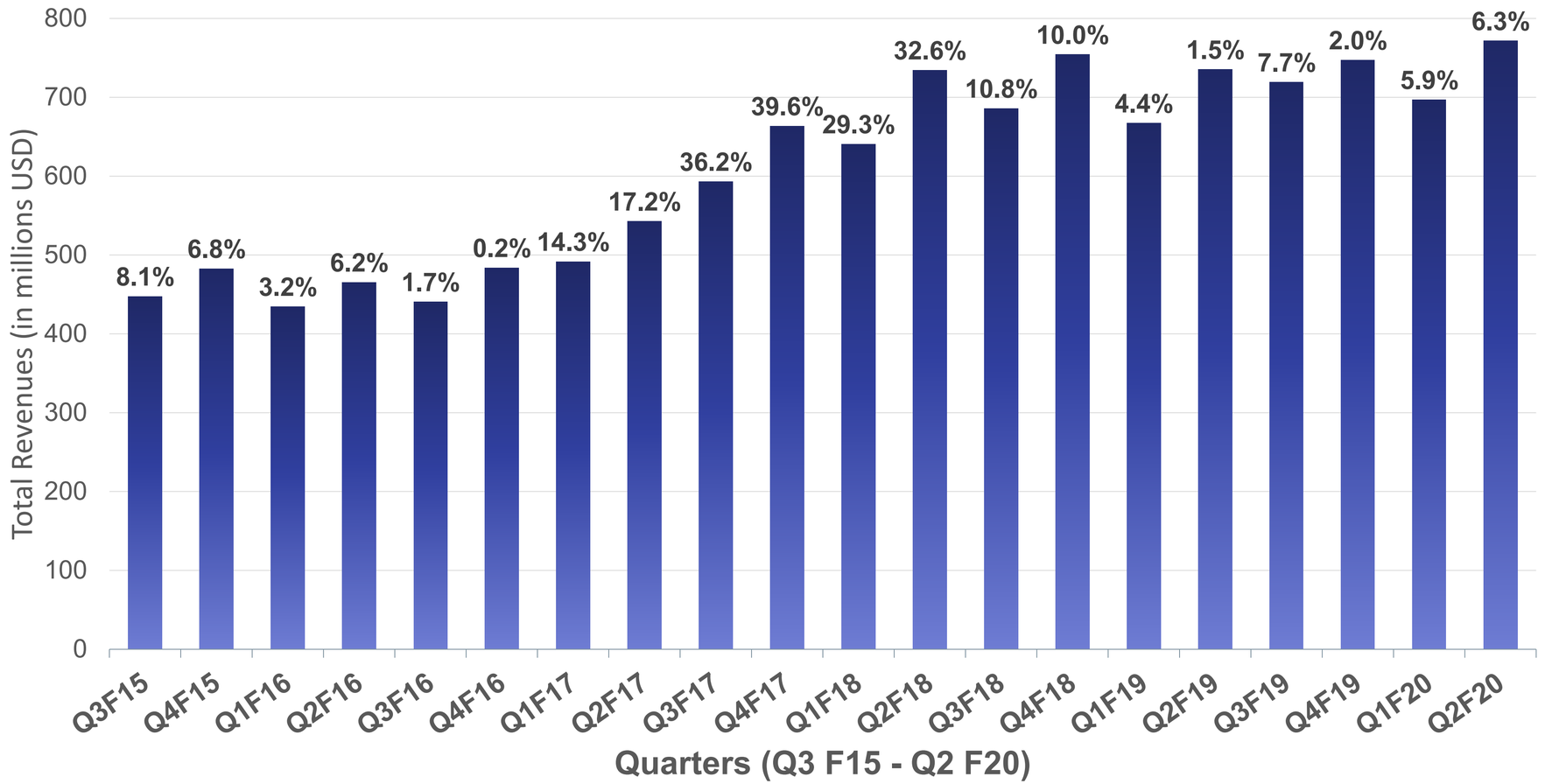
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Twenty Consecutive Quarters of Total Growth

20

Consecutive Quarters of Y/Y Growth(1)

Total Revenue Growth in CC(1) (Y/Y)



1. Represents Total Revenue growth in constant currency (Y/Y)

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Q2 FY'20 Financial Highlights

With Y/Y Comparisons

	Q2 FY'20		Trailing Twelve Months (TTM) Ending Q2 FY'20	
Total Revenues	**$771.6M**	▲ 4.9% ▲ 6.3% in CC	**Total Revenues**	**$2.93B**	▲ 3.2% ▲ 7.0% in CC
ARR[1]	**$563.8M, 73.1%** of Total Revenue	▲ 6.5% ▲ 7.8% in CC	**ARR[1]**	**$2.22B, 75.6%** of Total Revenue	▲ 5.5% ▲ 9.0% in CC
Cloud Revenues	**$248.3M**	▲ 13.3% ▲ 14.1% in CC	**Cloud Revenues**	**$966.1M**	▲ 13.1% ▲ 15.7% in CC
A-EBITDA[2]	**$317.0M, 41.1%** (margin)	▲ 2.8% ▲ 4.9% in CC	**A-EBITDA[2], [3]**	**$1.12B, 38.1%** (margin)	▲ 5.0% ▲ 9.7% in CC
Non-GAAP Earnings Per Share[2]	**$0.84**	▲ 5.0% ▲ 7.5% in CC	**Non-GAAP Earnings Per Share[2]**	**$2.84**	▲ 6.8% ▲ 12.8% in CC
Operating Cash Flows	**$207.2M**	▲ 9.6%	**Operating Cash Flows[3]**	**$860.5M**	▲ 3.0%

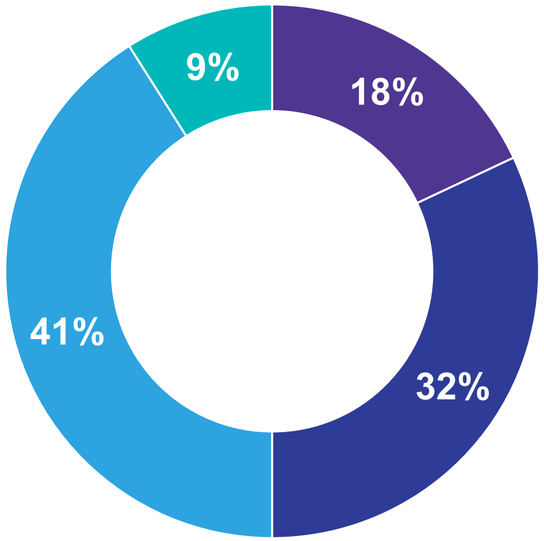
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1. Annual recurring revenue is defined as the sum of cloud services and subscriptions revenue and customer support revenue.
2. Please see reconciliation of GAAP to Non-GAAP measures at the end of this presentation.
3. Refer to note 1 of our Fiscal 2019 10-K for details on the impact of recently adopted accounting standards on prior period results.

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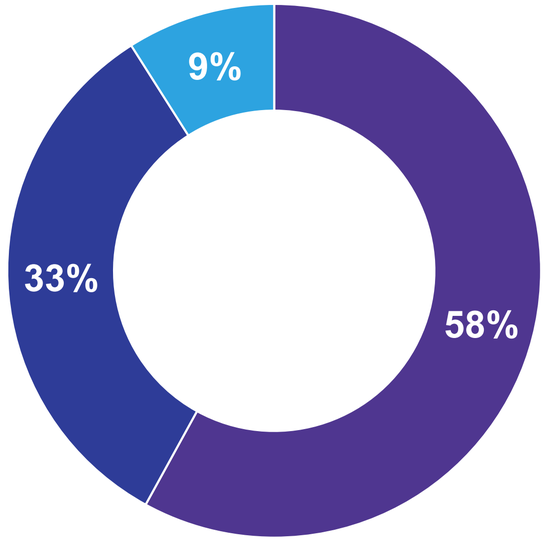
Q2 FY’20 Revenue Breakdown

Total Revenue Mix



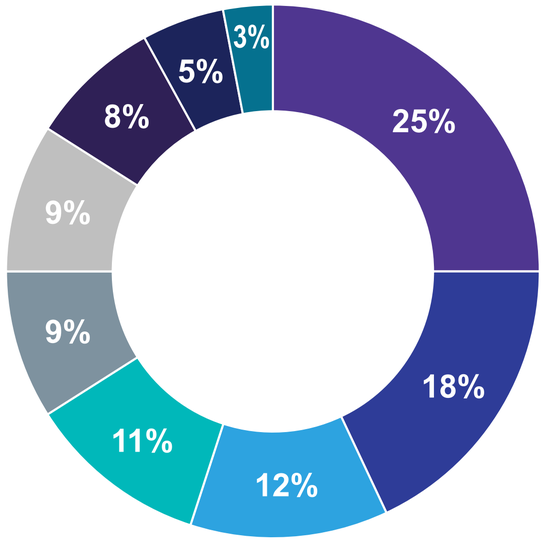
- License
- Cloud Services & Subscriptions
- Customer Support
- Professional Service & Other

Total Revenue by Geography



- Americas
- EMEA
- APJ

ARR by Industry(1)



- Financial
- Services
- Consumer goods
- Technology
- Public Sector
- Healthcare
- Basic materials and conglomerates
- Industrial goods
- Utilities

1. Does not include revenue contribution from Carbonite.

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Q2 FY'20 Key Customer Wins

- The Ministry of Justice in Germany, together with three other state judicial administrations, selected OpenText Intelligent Capture
- Enables the digitization of 100 million pages of incoming paper documents in 1,000 workplaces as part of the introduction of electronic court files

- thyssenkrupp AG, a technology group headquartered in Essen, Germany, selected OpenText Core Archive for SAP Solutions
- Streamlines internal processes, leading to collaboration between departments, consolidating different archive solutions

- Kodak Alaris is a privately held global technology company
- Selected OpenText to create drivers for its scanners, software and services in order to capture information that integrates with customer business applications

- Lewis Rice, a leading regional law firm in the US Midwest, chose the OpenText Axcelerate Multi-matter solution
- Enables Lewis Rice to substantially lower their eDiscovery spend with a single vendor ensuring a more consistent work product across all matters in a single platform.

- Morneau Shepell, provider of technology-enabled HR services, headquartered in Toronto, Canada, acquired additional licenses of OpenText AppWorks
- Expands use of the application, after completing the acquisition of Mercer in August 2019

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Carbonite Update and Revenue Impact

- Expect revenue for the 2H of FY'20 to be $195m to $200m, after purchase price accounting (PPA) and disruption of up to 10% for typical integration activities
- OpenText will recognize $171.5M of deferred revenue over the life of the contracts after PPA adjustments totaling $74.9M(1)
- For FY'20, expect Carbonite to be slightly accretive to A-EBITDA dollars and A-EPS

Estimated PPA Amortization (Millions)

FY'20			FY'21				FY'22+	Total
Q2	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**		
$3.1	$22.7	$16.7	$11.5	$6.4	$3.5	$2.7	$8.3	$74.9

1. Unaudited and subject to measurement period adjustments.

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Q3 FY'20 Quarterly Factors:(1)

Externalities

- Economy:
  - Global recession concerns
  - Trade and tariff wars
  - Europe, US, manufacturing slowdown
  - Corona virus
- Geo-political:
  - Gulf Nations
  - Brexit
- Currency:
  - FX headwinds continue

Company Specific
(including Carbonite)

- Our business is annual, and quarters will vary
- FY'20 FX headwind unchanged at ~$35 million
- Expect low double-digit revenue growth in Q3 FY'20 on a y/y basis, including Carbonite and FX
- Expect Non-GAAP Total Operating Expenses to be ~30% higher in Q3 FY'20 compared to Q2 FY'20 of $286.1M
  - Seasonal increase at OTEX (annual performance cycle)
  - Full quarter of Carbonite operations
- Q3 FY'20 A-EBITDA dollars to be flat to slightly up y/y, compared to Q3 FY'19

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1. The Q3 Quarterly Factors are anticipated quarterly variances that do not reflect OpenText's annual business.

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FY’20 Target Model

	Fiscal 2019 Results	Previous FY’20 Model	Revised FY’20 Model[3]
Revenue Type:			
Annual Recurring Revenue (ARR)	75.1%	74% - 76%	75% - 77%
License	14.9%	13% - 17%	13% - 17%
Cloud Services and Subscriptions	31.6%	31% - 35%	34% - 38%
Customer Support	43.5%	40% - 44%	38% - 42%
Professional Services and Other	9.9%	8% - 12%	7% - 11%
Non-GAAP Gross Margin			
License	96.6%	96% - 98%	96% - 98%
Cloud Services and Subscriptions	57.8%	57% - 59%	58% - 60%
Customer Support	90.1%	89% - 91%	89% - 91%
Professional Services and Other	21.8%	18% - 20%	18% - 20%
Non-GAAP Gross Margin	**74.1%**	**73% - 75%**	**73% - 75%**
Non-GAAP Operating Expenses:			
Research & Development	11.0%	11% - 13%	11% - 13%
Sales & Marketing	17.8%	17% - 19%	18% - 20%
General & Admin	6.9%	6% - 8%	6% - 8%
Depreciation	3.4%	2% - 4%	2% - 4%
A-EBITDA Margin[1]	**38.4%**	**38% – 39%**	**36% - 37%**
Interest and Other Related Expense USD million	$136.6	$140 - $145	$147 - $152
Adjusted Tax Rate[2]	14%	14%	14%
Capital Expenditures	**$64**	**$88 - $98**	**$88 - $98**

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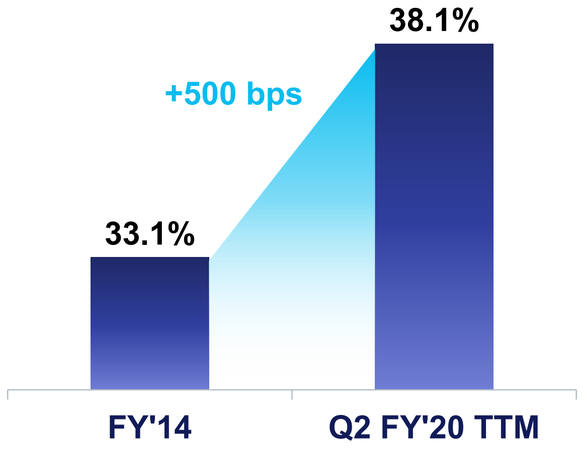
1. Please see reconciliation of GAAP to Non-GAAP measures in our historical filings on Form 10K.
2. Please refer to historical filings, including our Forms 10-K and 10-Q, regarding the company’s adjusted tax rate.
3. This model is not guidance. Revised to reflect the acquisition of Carbonite.

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FY’22 Long-Term Aspirations

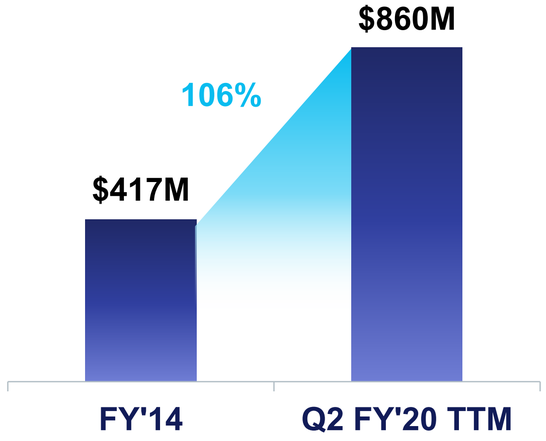
A-EBITDA Margin[1][2]

38%-40%



Operating Cash Flows[2]

$1.0B-$1.1B



1. Please see reconciliation of GAAP to Non-GAAP measures in our historical filings.
2. Refer to note 1 of our Fiscal 2019 10-K for details on the impact of recently adopted accounting standards on prior period results.

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Strong Liquidity & Balance Sheet

Cash Generated for M&A

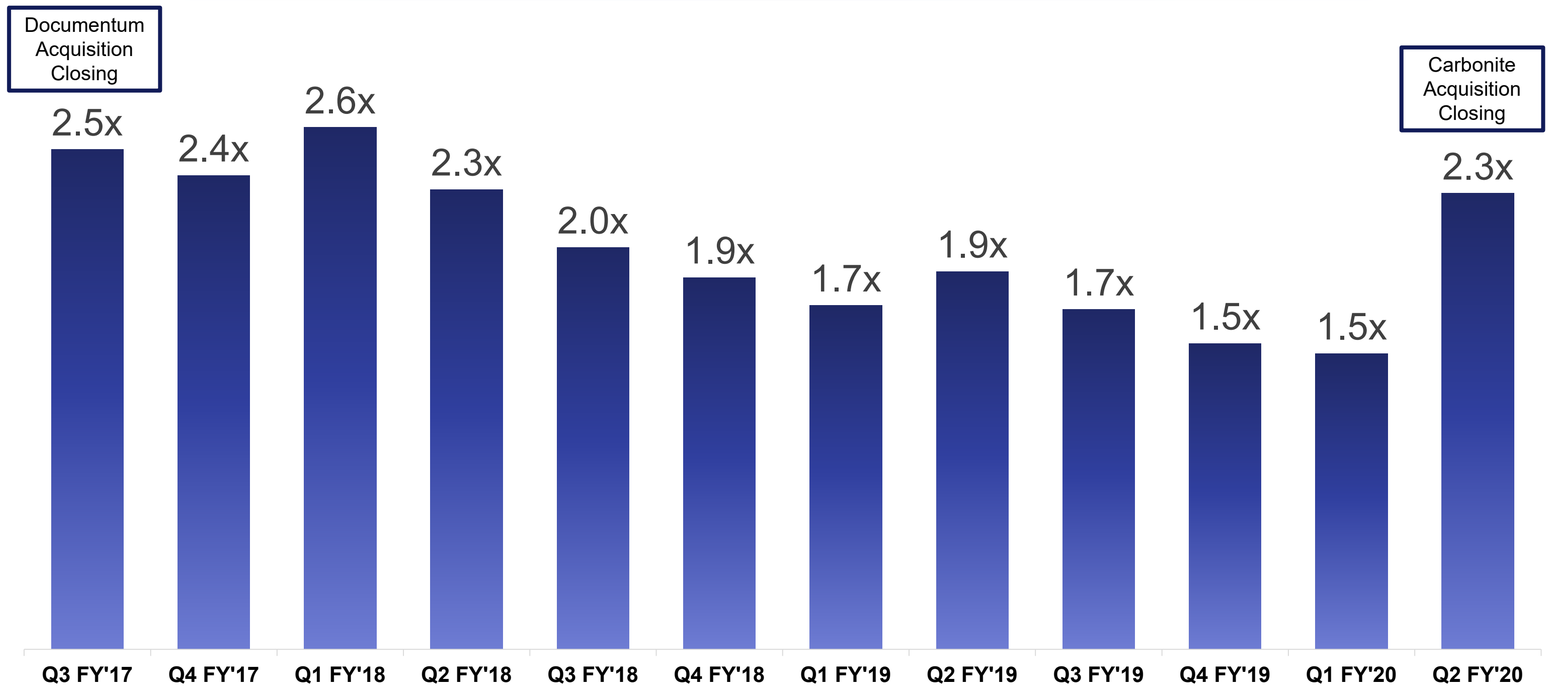
TTM Q2 FY'20 (US$ M)

OCF	$860
Less: Principal	$10
Less: CapEx	$69
Less: Dividends	$182
TTM Cash Generated for M&A	$599

Trended Net Leverage

2.3x leverage post $1.4B acquisition of Carbonite

Consolidated Net Leverage Ratio(1)



1. Consolidated Net Leverage Ratio is calculated using bank covenant methodology.

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Appendix A

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

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

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

The Company does not acquire businesses on a predictable cycle, and therefore believes that the presentation of non-GAAP measures, which in certain cases adjust for the impact of amortization of intangible assets and the related tax effects that are primarily related to acquisitions, will provide readers of financial statements with a more consistent basis for comparison across accounting periods and be more useful in helping readers understand the Company’s operating results and underlying operational trends. Additionally, the Company has engaged in various restructuring activities over the past several years, primarily due to acquisitions, 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.

See historical filings, including the Company’s Annual Reports on Form 10-K, for reconciliations of certain Non-GAAP measures to GAAP measures. The following charts provide (unaudited) reconciliations of U.S. GAAP-based financial measures to Non-U.S. GAAP-based financial measures for the following periods presented.

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Summary of Quarterly Results with Constant Currency

(in millions except per share data)	Q2 FY'20	Q2 FY'19	$ Change	% Change	Q2 FY'20 in CC*	% Change in CC*
Revenues:						
Cloud services and subscriptions	$248.3	$219.2	$29.1	13.3 %	$250.2	14.1 %
Customer support	315.5	310.4	5.2	1.7 %	320.6	3.3 %
Total annual recurring revenues**	**$563.8**	**$529.6**	**$34.3**	**6.5 %**	**$570.8**	**7.8 %**
License	138.1	132.8	5.3	4.0 %	140.2	5.6 %
Professional service and other	69.6	72.9	(3.3)	(4.5) %	70.8	(2.9) %
Total revenues	**$771.6**	**$735.2**	**$36.3**	**4.9 %**	**$781.8**	**6.3 %**
GAAP-based operating income	$184.7	$173.9	$10.8	6.2 %	N/A	N/A
Non-GAAP-based operating income (1)	$296.4	$284.5	$11.9	4.2 %	$303.0	6.5 %
GAAP-based EPS, diluted	$0.40	$0.39	$0.01	2.6 %	N/A	N/A
Non-GAAP-based EPS, diluted(1)(2)	$0.84	$0.80	$0.04	5.0 %	$0.86	7.5 %
GAAP-based net income, attributable to OpenText	$107.5	$104.4	$3.0	2.9 %	N/A	N/A
Adjusted EBITDA(1)	$317.0	$308.3	$8.7	2.8 %	$323.4	4.9 %
Operating cash flows	$207.2	$189.1	$18.1	9.6 %	N/A	N/A

(1) See reconciliation of GAAP-based measures to Non-GAAP-based measures at the end of this presentation
(2) Please also see note 14 to the Company's Fiscal 2018 Consolidated Financial Statements on Form 10-K. Reflective of the amount of net tax benefit arising from the internal reorganization assumed to be allocable to the current period based on the forecasted utilization period.
Note: Individual line items in table may be adjusted by non-material amounts to enable totals to align to published financial statements.
*CC: Constant currency for this purpose is defined as the current period reported revenues/expenses/earnings represented at the prior comparative period's foreign exchange rate.
** Annual recurring revenue is defined as the sum of Cloud services and subscriptions revenue and Customer support revenue.

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Summary of Year to Date Results with Constant Currency

(in millions except per share data)	FY'20 YTD	FY'19 YTD	$ Change	% Change	FY'20 YTD in CC*	% Change in CC*
Revenues:						
Cloud services and subscriptions	$485.6	$427.3	$58.3	13.6 %	$489.5	14.5 %
Customer support	627.8	621.9	5.9	0.9 %	637.9	2.6 %
Total annual recurring revenues**	**$1,113.4**	**$1,049.2**	**$64.2**	**6.1 %**	**$1,127.4**	**7.4 %**
License	216.0	209.6	6.4	3.0 %	219.4	4.6 %
Professional service and other	139.0	143.5	(4.5)	(3.1) %	141.6	(1.4) %
Total revenues	**$1,468.4**	**$1,402.4**	**$66.1**	**4.7 %**	**$1,488.3**	**6.1 %**
GAAP-based operating income	$317.3	$273.2	$44.1	16.1 %	N/A	N/A
Non-GAAP-based operating income (1)	$530.3	$506.9	$23.4	4.6 %	$541.4	6.8 %
GAAP-based EPS, diluted	$0.67	$0.52	$0.15	28.8 %	N/A	N/A
Non-GAAP-based EPS, diluted(1)(2)	$1.48	$1.40	$0.08	5.7 %	$1.51	7.9 %
GAAP-based net income, attributable to OpenText	$181.9	$140.8	$41.1	29.2 %	N/A	N/A
Adjusted EBITDA(1)	$571.2	$554.5	$16.7	3.0 %	$ 582.1	4.9 %
Operating cash flows	$344.7	$360.5	($15.8)	(4.4) %	N/A	N/A

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** Annual recurring revenue is defined as the sum of Cloud services and subscriptions revenue and Customer support revenue.

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Reconciliation of Selected Non-GAAP Measures | Q2 FY'20

(in '000s USD)	Three Months Ended December 31, 2019				
	GAAP	GAAP % of Total Revenue	Adjustments	FN	Non- GAAP	Non-GAAP % of Total Revenue
COST OF REVENUES						
Cloud services and subscriptions	$ 103,644		$ (371)	(1)	$ 103,273	
Customer support	29,788		(297)	(1)	29,491	
Professional service and other	53,604		(346)	(1)	53,258	
Amortization of acquired technology-based intangible assets	42,299		(42,299)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	539,172	69.9%	43,313	(3)	582,485	75.5%
Operating expenses						
Research and development	80,283		(1,255)	(1)	79,028	
Sales and marketing	137,310		(2,383)	(1)	134,927	
General and administrative	54,595		(3,131)	(1)	51,464	
Amortization of acquired customer-based intangible assets	51,460		(51,460)	(2)	—	
Special charges (recoveries)	10,072		(10,072)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	184,740		111,614	(5)	296,354	
Other income (expense), net	1,972		(1,972)	(6)	—	
Provision for (recovery of) income taxes	46,818		(9,861)	(7)	36,957	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	107,467		119,503	(8)	226,970	
GAAP-based earnings per share / Non GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.40		$ 0.44	(8)	$ 0.84	

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Reconciliation of Selected Non-GAAP Measures | Q2 FY'20

FOOTNOTES	
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.
5	GAAP-based and Non-GAAP-based income from operations stated in dollars.
6	Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in 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 30% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.
8	Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Three Months Ended December 31, 2019	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 107,467	$ 0.40
Add:		
Amortization	93,759	0.35
Share-based compensation	7,783	0.03
Special charges (recoveries)	10,072	0.04
Other (income) expense, net	(1,972)	(0.01)
GAAP-based provision for (recovery of) income taxes	46,818	0.17
Non-GAAP based provision for income taxes	(36,957)	(0.14)
Non-GAAP-based net income, attributable to OpenText	$ 226,970	$ 0.84

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Reconciliation of Selected Non-GAAP Measures | FY'20 YTD

(in '000s USD)	Six Months Ended December 31, 2019					
	GAAP	GAAP % of Total Revenue	Adjustments	FN	Non- GAAP	Non-GAAP % of Total Revenue
COST OF REVENUES						
Cloud services and subscriptions	$ 205,806		$ (754)	(1)	$ 205,052	
Customer support	59,175		(613)	(1)	58,562	
Professional service and other	107,942		(589)	(1)	107,353	
Amortization of acquired technology-based intangible assets	82,597		(82,597)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,007,552	68.6%	84,553	(3)	1,092,105	74.4%
Operating expenses						
Research and development	161,461		(2,476)	(1)	158,985	
Sales and marketing	265,928		(4,499)	(1)	261,429	
General and administrative	106,130		(5,743)	(1)	100,387	
Amortization of acquired customer-based intangible assets	100,618		(100,618)	(2)	—	
Special charges (recoveries)	15,173		(15,173)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	317,253		213,062	(5)	530,315	
Other income (expense), net	(813)		813	(6)	—	
Provision for (recovery of) income taxes	69,909		(4,707)	(7)	65,202	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	181,868		218,582	(8)	400,450	
GAAP-based earnings per share / Non GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.67		$ 0.81	(8)	$ 1.48	

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Reconciliation of Selected Non-GAAP Measures | FY'20 YTD

FOOTNOTES	
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.
5	GAAP-based and Non-GAAP-based income from operations stated in dollars.
6	Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in 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 28% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.
8	Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Six Months Ended December 31, 2019	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 181,868	$ 0.67
Add:		
Amortization	183,215	0.68
Share-based compensation	14,674	0.05
Special charges (recoveries)	15,173	0.06
Other (income) expense, net	813	—
GAAP-based provision for (recovery of) income taxes	69,909	0.26
Non-GAAP based provision for income taxes	(65,202)	(0.24)
Non-GAAP-based net income, attributable to OpenText	$ 400,450	$ 1.48

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Reconciliation of Selected Non-GAAP Measures | Q2 FY'19

(in '000s USD)	Three Months Ended December 31, 2018					
	GAAP	GAAP % of Total Revenue	Adjustments	FN	Non- GAAP	Non-GAAP % of Total Revenue
COST OF REVENUES						
Cloud services and subscriptions	$ 88,698		$ (265)	(1)	$ 88,433	
Customer support	31,273		(271)	(1)	31,002	
Professional service and other	56,030		(358)	(1)	55,672	
Amortization of acquired technology-based intangible assets	48,366		(48,366)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	507,209	69.0%	49,260	(3)	556,469	75.7%
Operating expenses						
Research and development	75,753		(994)	(1)	74,759	
Sales and marketing	126,193		(1,615)	(1)	124,578	
General and administrative	52,198		(3,382)	(1)	48,816	
Amortization of acquired customer-based intangible assets	45,919		(45,919)	(2)	—	
Special charges (recoveries)	9,380		(9,380)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	173,932		110,550	(5)	284,482	
Other income (expense), net	378		(378)	(6)	—	
Provision for (recovery of) income taxes	36,236		(1,114)	(7)	35,122	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	104,432		111,286	(8)	215,718	
GAAP-based earnings per share / Non GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.39		$ 0.41	(8)	$ 0.80	

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Reconciliation of Selected Non-GAAP Measures | Q2 FY'19

FOOTNOTES	
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.
5	GAAP-based and Non-GAAP-based income from operations stated in dollars.
6	Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in 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 26% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.
8	Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Three Months Ended December 31, 2018	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 104,432	$ 0.39
Add:		
Amortization	94,285	0.35
Share-based compensation	6,885	0.03
Special charges (recoveries)	9,380	0.03
Other (income) expense, net	(378)	—
GAAP-based provision for (recovery of) income taxes	36,236	0.13
Non-GAAP based provision for income taxes	(35,122)	(0.13)
Non-GAAP-based net income, attributable to OpenText	$ 215,718	$ 0.80

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Reconciliation of Selected Non-GAAP Measures | FY'19 YTD

(in '000s USD)	Six Months Ended December 31, 2018					
	GAAP	GAAP % of Total Revenue	Adjustments	FN	Non- GAAP	Non-GAAP % of Total Revenue
COST OF REVENUES						
Cloud services and subscriptions	$ 176,401		$ (582)	(1)	$ 175,819	
Customer support	61,738		(571)	(1)	61,167	
Professional service and other	112,826		(882)	(1)	111,944	
Amortization of acquired technology-based intangible assets	95,843		(95,843)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	948,053	67.6%	97,878	(3)	1,045,931	74.6%
Operating expenses						
Research and development	153,223		(2,353)	(1)	150,870	
Sales and marketing	246,375		(3,416)	(1)	242,959	
General and administrative	103,122		(5,636)	(1)	97,486	
Amortization of acquired customer-based intangible assets	91,795		(91,795)	(2)	—	
Special charges (recoveries)	32,691		(32,691)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	273,159		233,769	(5)	506,928	
Other income (expense), net	1,900		(1,900)	(6)	—	
Provision for (recovery of) income taxes	66,086		(4,656)	(7)	61,430	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	140,756		236,525	(8)	377,281	
GAAP-based earnings per share / Non GAAP-based earnings per share-diluted, attributable to OpenText	$ 0.52		$ 0.88	(8)	$ 1.40	

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Reconciliation of Selected Non-GAAP Measures | FY'19 YTD

FOOTNOTES	
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.
5	GAAP-based and Non-GAAP-based income from operations stated in dollars.
6	Adjustment relates to the exclusion of Other income (expense) from our Non-GAAP-based operating expenses as Other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in 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 32% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, Special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.
8	Reconciliation of GAAP-based net income to Non-GAAP-based net income:

	Six Months Ended December 31, 2018	
		Per share diluted
GAAP-based net income, attributable to OpenText	$ 140,756	$ 0.52
Add:		
Amortization	187,638	0.70
Share-based compensation	13,440	0.05
Special charges (recoveries)	32,691	0.12
Other (income) expense, net	(1,900)	(0.01)
GAAP-based provision for (recovery of) income taxes	66,086	0.25
Non-GAAP based provision for income taxes	(61,430)	(0.23)
Non-GAAP-based net income, attributable to OpenText	$ 377,281	$ 1.40

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Reconciliation of Adjusted EBITDA

(in '000s USD)	FY'20 YTD	Q2 FY'20	FY'19 YTD	Q2 FY'19
GAAP-based Net income attributable to OpenText	$ 181,868	$ 107,467	$ 140,756	$ 104,432
Add:				
Provision for (recovery of) income taxes	69,909	46,818	66,086	36,236
Interest and other related expense, net	64,586	32,376	68,144	33,613
Amortization of acquired technology-based intangible assets	82,597	42,299	95,843	48,366
Amortization of acquired customer-based intangible assets	100,618	51,460	91,795	45,919
Depreciation	40,989	20,712	47,688	23,834
Share-based compensation	14,674	7,783	13,440	6,885
Special charges (recoveries)	15,173	10,072	32,691	9,380
Other (income) expense, net	813	(1,972)	(1,900)	(378)
Adjusted EBITDA	$ 571,227	$ 317,015	$ 554,543	$ 308,287

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