

# OPENTEXT

February 1, 2012

## OpenText Reports Second Quarter Fiscal 2012 Financial Results

Waterloo, Ontario - 2012-02-01 - Open Text™ Corporation (NASDAQ:OTEX) (TSX: OTC), today announced unaudited financial results for its second fiscal quarter ended December 31, 2011. (1)

### Financial Highlights for Q2 FY12

- Total revenue for the period was \$321.5 million, up 20.2% Y/Y
- License revenue was \$89.7 million, up 13.3% Y/Y
- GAAP based EPS was \$0.81 compared to \$0.64 Y/Y; Non-GAAP- based EPS was \$1.39 compared to \$1.22 Y/Y (2)
- GAAP-based income from operations was \$55.2 million and 17.2% of revenues; Non-GAAP-based operating income was \$98.5 million and 30.7% of revenues(2)

"I am delighted to join OpenText and to be based out of Waterloo, Ontario," said Mark J. Barrenechea, OpenText President and Chief Executive Officer. "With proven success as a market leader in ECM, OpenText has unparalleled talent, innovative products and an impressive group of world-class customers and partners. I see tremendous market opportunity and an exciting future for the Company. I look forward to working with the Company's employees, customers and investors to lead OpenText to the next level of success."

### Business Highlights

- Mark J. Barrenechea appointed President and CEO of OpenText effective January 2, 2012; John Shackleton retires
- Americas contributed 53% of total revenue, while EMEA contributed 40% and Asia Pacific 7%
- License was approximately 27.9% of revenue, customer support contributed 51.4% and services and other was approximately 20.7% of revenue
- Partners contributed 44% of license revenue
- Services, technology and financial services verticals saw the most demand
- Customer successes in the second quarter include Peabody Energy, Salzgitter AG, Taco Bell and Volkswagen Finance
- Completion of financing; 5-year term loan of \$600 million replaces previous loan; repaid previous credit facility of approximately \$332.9 million
- Now shipping: OpenText Tempo, fast, easy, secure document sharing solution that allows enterprise users to share and manage content in secure folders on smartphones, tablets, PCs or laptops.

### Summary of Results

	<u>Q2 FY12</u>	<u>Q1 FY12</u>	<u>Q2 FY11</u>	<u>% Change (Q/Q)</u>	<u>% Change (Y/Y)</u>
Revenue (million).....	\$321.5	\$288.0	\$267.5	11.6%	20.2%
GAAP-based gross margin.....	67.1%	64.8%	68.4%	230 bps	(130) bps
GAAP-based operating income margin..	17.2%	9.4%	19.7%	780 bps	(250) bps
GAAP-based EPS.....	\$0.81	\$0.60	\$0.64	35.0%	26.6%
Non-GAAP-based gross margin (2) .....	73.8%	72.1%	74.6%	170 bps	(80) bps
Non-GAAP-based operating margin (2)	30.7%	25.3%	31.6%	540 bps	(90) bps
Non-GAAP-based EPS (2) .....	\$1.39	\$1.03	\$1.22	35.0%	13.9%

### Teleconference Call

The public is invited to listen to the earnings conference call at 5:00 p.m. ET (2:00 p.m. PT) by dialing 800-814-4859 (toll-free) or 416-644-3414 (international). Please dial-in 15 minutes ahead of time to ensure proper connection. Alternatively, a live webcast of the earnings conference call will be available on the Investor Relations section of the Company's website at [http://www.opentext.com/2/global/ex\\_event.html?evtype=events&id=701D0000000V7EWIA0](http://www.opentext.com/2/global/ex_event.html?evtype=events&id=701D0000000V7EWIA0)

An audio replay of the conference call will also be made available approximately two hours after the conclusion of the call. The

audio replay will remain available until 11:59 p.m. on February 15, 2012 and can be accessed by dialing 877-289-8525 (toll-free) or 416-640-1917 (international) and entering the confirmation code: 4502362, followed by the number sign.

Please see below note (2) for a reconciliation of non-US GAAP based financial measures used in this press release, to US GAAP based financial measures.

## **About OpenText**

OpenText™ is the world's largest independent provider of Enterprise Content Management software. The company's solutions manage information for all types of business, compliance and industry requirements in large companies, government agencies and professional service firms. OpenText supports approximately 46,000 customers in 114 countries and 12 languages. For more information about OpenText, visit [www.opentext.com](http://www.opentext.com).

## **Cautionary Statement Regarding Forward Looking Statements**

Certain statements in this press release, including statements about the financial conditions, and results of operations and earnings for Open Text Corporation ("OpenText" or "the Company"), may contain words such as "could", "expects", "may", "should", "will", "anticipates", "believes", "intends", "estimates", "targets", "plans", "envisions", "seeks" and other similar language and are considered forward-looking statements or information under applicable securities laws. These statements are based on the Company's current expectations, estimates, forecasts and projections about the operating environment, economies and markets in which the Company operates. These statements are subject to important assumptions, risks and uncertainties that are difficult to predict, and the actual outcome may be materially different. The Company's assumptions, although considered reasonable by the Company at the date of this press release, may prove to be inaccurate and consequently the Company's actual results could differ materially from the expectations set out herein.

Actual results or events could differ materially from those contemplated in forward-looking statements as a result of the following: (i) the future performance, financial and otherwise, of OpenText; (ii) the ability of OpenText to bring new products 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 ECM market; (vi) the Company's competitive position in the ECM market and its ability to take advantage of future opportunities in this market; (vii) the benefits of the Company's products to be realized by customers; and (viii) the demand for the Company's product and the extent of deployment of the company's products in the ECM marketplace. Forward-looking statements may also include, without limitation, any statement relating to future events, conditions or circumstances. 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 possibility that the Company may be unable to meet its future reporting requirements under the Securities Exchange Act of 1934, as amended, and the rules promulgated there under; (iii) the risks associated with bringing new products to market; (iv) fluctuations in currency exchange rates; (v) delays in the purchasing decisions of the Company's customers; (vi) the competition the Company faces in its industry and/or marketplace; (vii) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (viii) the continuous commitment of the Company's customers; and (ix) demand for the Company's products.

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 SEC and other securities regulators. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligations to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **Use of Non-GAAP Financial Measures**

In addition to reporting financial results in accordance with US GAAP, the Company provides certain non-US GAAP financial measures that are not in accordance with US GAAP. These non-US 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-US 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 non-US GAAP net income and non-US GAAP EPS both in its reconciliation to the US GAAP financial measures of net income and EPS and its consolidated financial statements, all of which should be considered when evaluating the Company's results. The Company uses the financial measures non-US GAAP EPS and non-US GAAP net income to supplement the information provided in its consolidated financial statements, which are presented in accordance with US GAAP. The presentation of non-US GAAP net income and non-US GAAP EPS is not meant to be a substitute for net income or net income per share presented in accordance with US GAAP, but rather should be evaluated in conjunction with and as a supplement to such US 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 US GAAP measures with certain non-US GAAP measures for the reasons set forth below. Non-US GAAP net income and non-US GAAP EPS are calculated as net income or net income per share on a diluted basis, excluding, where applicable, the amortization of acquired intangible assets, other income (expense), share-based compensation, and restructuring, all net of tax. The Company's management believes that the presentation of non-US GAAP net income and non-US GAAP EPS provides useful information to investors because it excludes non-operational charges. The use of the term non-operational charge is defined by the Company as those that do not impact operating decisions taken by the Company's management and is based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal reports. In the course of such evaluation and for the purpose of making operating decisions, the Company's management excludes certain items from its analysis, such as amortization of acquired intangible assets, restructuring costs, share-based compensation, other income (expense) and the taxation impact of these items. These items are excluded based upon the manner in which management evaluates the business of the Company and are not excluded in the sense that they may be used under US GAAP. The Company believes the provision of supplemental non-US GAAP measures allows 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 Open Text's performance or expected performance of recurring operations and facilitates period-to-period comparison of operating performance. As a result, the Company considers it appropriate and reasonable to provide, in addition to US GAAP measures, supplementary non-US GAAP financial measures that exclude certain items from the presentation of its financial results in this press release.

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**Notes**

(1) Based on comparison of historical revenue figures publicly disseminated by companies in the Enterprise Content Management ("ECM") sector. All dollar amounts in this press release are in US Dollars unless otherwise indicated.

(2) The following charts provide (unaudited) reconciliations of US GAAP based financial measures to non-US GAAP based financial measures for the three months ended December 31, 2011, and the three months ended December 31, 2010, respectively, as referred to in this press release:

**Reconciliation of selected GAAP-based measures to Non-GAAP based measures for the three months ended December 31, 2011.**

*(\$ in thousands except for per share amounts)*

	Three months ended December 31, 2011		
	GAAP-based Measures	Adjustments	Non- GAAP-based Measures
<b>Cost of Revenues :</b>			
Customer Support	28,468	(34) (1)	28,434
Service and Other	50,604	(106) (1)	50,498
Amortization of acquired technology-based intangible assets	21,253	(21,253) (2)	-
<b>GAAP-based gross profit/ Non-GAAP-based gross profit</b>	<b>215,761</b>	<b>21,393</b>	<b>237,154</b>
<b>Operating Expenses</b>			
Research and development	42,652	(768) (1)	41,884
Sales and marketing	68,451	(1,676) (1)	66,775
General and administrative	25,126	(813) (1)	24,313
Amortization of acquired customer-based intangible assets	13,445	(13,445) (2)	-
Special charges	5,221	(5,221) (3)	-
<b>GAAP-based income from operations/ Non-GAAP-based operating income</b>	<b>55,232</b>	<b>43,316</b>	<b>98,548</b>
Other income, net	2,637	(2,637) (4)	-
Provision for income taxes	6,819	6,472 (5)	13,291
<b>GAAP-based net income for the period/ Non- GAAP-based net income</b>	<b>47,443</b>	<b>34,207 (6)</b>	<b>81,650</b>
<b>GAAP-based earnings per share/ Non GAAP-based earnings per share - diluted</b>	<b>\$ 0.81</b>	<b>\$ 0.58 (6)</b>	<b>\$ 1.39</b>

- (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) Adjustment relates to the exclusion of Special charges from our non-GAAP-based operating expenses as Special charges are generally incurred in the aftermath of acquisitions and are not indicative or related to continuing operations and are hence excluded from our internal analysis of operating results.
- (4) Adjustment relates to the exclusion of Other income (expense) from our non-GAAP-based operating expenses as Other income (expense) relates primarily to the transactional impact of foreign exchange and are generally not indicative or related to continuing operations and are hence excluded from our internal analysis of operating results.
- (5) Adjustment relates to differences between the GAAP-based tax rate of approximately 13% and a non-GAAP-based tax rate of 14%; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating non-GAAP-based adjusted net income.
- (6) Reconciliation of non-GAAP-based net income to GAAP-based net income:

	Three months ended December 31, 2011	
		Per share
Non- GAAP- based net income	81,650	1.39
Less:		
Amortization	34,698	0.59
Share-based compensation	3,397	0.06
Special charges	5,221	0.09
Other (income) expense	(2,637)	(0.04)
GAAP- based provision for income tax	6,819	0.12
Tax on non-GAAP-based provision	(13,291)	(0.24)
<b>GAAP-based net income</b>	<b>47,443</b>	<b>0.81</b>

**Reconciliation of selected GAAP-based measures to Non GAAP-based measures for the three months ended December 31, 2010.**

*(\$ in thousands except for per share amounts)*

	Three months ended December 31, 2010		
	GAAP-based measures	Adjustments	Non- GAAP-based measures
<b>Cost of Revenues :</b>			
Customer Support	21,542	(9) (1)	21,533
Service and Other	41,158	(172) (1)	40,986
Amortization of acquired technology-based intangible assets	16,420	(16,420) (2)	-
<b>GAAP-based gross profit/ Non-GAAP-based gross profit</b>	<b>182,905</b>	<b>16,601</b>	<b>199,506</b>
<b>Operating Expenses</b>			
Research and development	34,268	(832) (1)	33,436
Sales and marketing	58,603	(2,299) (1)	56,304
General and administrative	19,478	575 (1)	20,053
Amortization of acquired customer-based intangible assets	9,256	(9,256) (2)	-
Special charges	3,461	(3,461) (3)	-
<b>GAAP-based income from operations/ Non-GAAP-based operating income</b>	<b>52,581</b>	<b>31,874</b>	<b>84,455</b>
Other expense, net	(6,321)	6,321 (4)	-
Provision for income taxes	7,014	4,511 (5)	11,525
<b>GAAP-based net income for the period/ Non- GAAP-based net income</b>	<b>37,110</b>	<b>33,684 (6)</b>	<b>70,794</b>
<b>GAAP-based earnings per share/ Non GAAP-based earnings per share - diluted</b>	<b>\$ 0.64</b>	<b>\$ 0.58 (6)</b>	<b>\$ 1.22</b>

- (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) Adjustment relates to the exclusion of Special charges from our non-GAAP-based operating expenses as Special charges are generally incurred in the aftermath of acquisitions and are not indicative or related to continuing operations and are hence excluded from our internal analysis of operating results.
- (4) Adjustment relates to the exclusion of Other income (expense) from our non-GAAP-based operating expenses as Other income (expense) relates primarily to the transactional impact of foreign exchange and are generally not indicative or related to continuing operations and are hence excluded from our internal analysis of operating results.
- (5) Adjustment relates to differences between the GAAP-based tax rate of approximately 16% and a non-GAAP-based tax rate of 14%; these rate differences are due to the income tax effects of expenses that are excluded for the purpose of calculating non-GAAP-based adjusted net income.
- (6) Reconciliation of non-GAAP-based net income to GAAP-based net income:

	Three months ended December 31, 2010	
		<u>Per share</u>
Non- GAAP-based net income	70,794	1.22
Less:		
Amortization	25,676	0.44
Share-based compensation	2,737	0.05
Special charges	3,461	0.06
Other (income) expense	6,321	0.11
GAAP-based provision for income tax	7,014	0.12
Tax on non-GAAP- based provision	(11,525)	(0.20)
<b>GAAP-based net income</b>	<b>37,110</b>	<b>0.64</b>

- (3) The following table provides a composition of our major currencies for revenue and expenses, expressed as a percentage, for the three and six months ended December 31, 2011:

Currencies	Three months ended December 31, 2011	
	% of Revenue	% of Expenses*
EURO .....	29%	19%
GBP.....	8%	9%
CHF.....	2%	2%
CAD.....	6%	18%
USD .....	46%	41%
Other.....	9%	11%
<b>Total.....</b>	<b>100%</b>	<b>100%</b>

Currencies	Six months ended December 31, 2011	
	% of Revenue	% of Expenses*
EURO .....	29%	19%
GBP.....	8%	9%
CHF.....	2%	2%
CAD.....	6%	19%
USD .....	46%	40%
Other.....	9%	11%
<b>Total.....</b>	<b>100%</b>	<b>100%</b>

\* Expenses include all cost of revenues and operating expenses included within the Consolidated Statements of Income, except for amortization of intangible assets, share-based compensation and special charges.

- (4) The following table provides details of our adjustment related to deferred maintenance revenue, on account of purchase price accounting, for the three months ended December 31, 2011 and for future quarters:

In '000s USD	Total
Q2 Fiscal Year 2012 .....	1,705
Q3 Fiscal Year 2012 .....	618
Q4 Fiscal Year 2012 .....	322
Fiscal year 2013.....	276
<b>Total Fiscal Year 2012.....</b>	<b>\$ 2,921</b>
<b>Total Fiscal Year 2013 and beyond.....</b>	<b>\$ 276</b>