

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Open Text Corporation

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Open Text Corporation (the Company) as of June 30, 2021 and 2020, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated August 4, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Changes in Accounting Principles*

As discussed in Note 1 to the consolidated financial statements, in the year ended June 30, 2021, Open Text Corporation adopted the new accounting standard, "Financial Instruments – Credit Losses" on a modified retrospective basis through a cumulative-effect adjustment to opening retained earnings. In the year ended June 30, 2020, Open Text Corporation adopted the new accounting standard, "Leases" on a modified retrospective basis through a cumulative-effect adjustment to opening retained earnings.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### ***Evaluation of the determination of standalone selling prices of revenue performance obligations for customer contracts with a software license***

As discussed in Note 2 and Note 3 to the consolidated financial statements, the Company generally sells or licenses its software in combination with other products and services such as customer support and professional services. The accounting for customer contracts with a software license requires an allocation of the transaction price to each distinct performance obligation based on the determination of the standalone selling price (SSP). SSP for a performance obligation in a customer contract is an estimate of the price that would be charged for the specific product or service if it was sold separately in similar circumstances and to similar customers. This estimate determines the allocation of the transaction price and affects the amount and timing of revenue recognized for each performance obligation in a customer contract. SSP is estimated based on the impact of geographic or regional specific factors, profit objectives and pricing practices for different performance obligations.

We identified the evaluation of the determination of the SSP of revenue performance obligations for customer contracts with a software license as a critical audit matter. A higher degree of auditor judgment was required to evaluate the methodology used to establish SSP for each performance obligation which could be offered in a customer contract.

The primary procedures we performed to address this critical audit matter included the following. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's revenue process, including controls over the methodology used to determine SSP for identified performance obligations in customer contracts which include a software license. We evaluated the methodology used to determine SSP based on current pricing patterns in relevant customer contracts, historical analysis of renewal contract pricing completed by the Company and pricing practices observed in the industry. We inspected a selection of contracts from the SSP population and compared attributes such as price and employee consultant level to historical information. For a sample of software license contracts with multiple performance obligations, we tested that the determined SSP was correctly applied in the allocation of the transaction price to each performance obligation.

#### ***Assessment of uncertain tax positions***

As discussed in Note 2 and Note 15 to the consolidated financial statements, the Company has recognized uncertain tax positions including associated interest and penalties. The Company's tax positions are subject to audit by local taxing authorities across multiple global subsidiaries and the resolution of such audits may span multiple years. Tax law is complex and often subject to varied interpretations. Accordingly, the ultimate outcome with respect to taxes the Company may owe may differ from the amounts recognized.

We identified the assessment of uncertain tax positions as a critical audit matter. The assessment of tax exposures and the ultimate resolution of uncertain tax positions requires a higher degree of auditor judgment in evaluating the Company's interpretation of, and compliance with, tax law globally across multiple jurisdictions.

The primary procedures we performed to address this critical audit matter included the following. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's process to assess uncertain tax positions, including controls related to the interpretation of tax law and identification of uncertain tax positions, the evaluation of which of the Company's tax positions may not be sustained upon audit and the estimation of exposures associated with uncertain tax positions. We involved domestic and international tax professionals with specialized skills and knowledge who assisted in assessing filed tax positions and transfer pricing studies, and evaluating the Company's interpretation of tax law and its assessment of certain tax uncertainties and expected outcomes, including, if applicable, the measurement thereof, by reading advice obtained from the Company's external specialists and correspondence with taxation authorities.

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

We have served as the Company's auditor since 2001.

Toronto, Canada

August 4, 2021

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Open Text Corporation:

### *Opinion on Internal Control Over Financial Reporting*

We have audited Open Text Corporation's internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, Open Text Corporation (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2021 and 2020, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended June 30, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated August 4, 2021 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in this Annual Report on Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Canada  
August 4, 2021

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

ASSETS	June 30, 2021	June 30, 2020
Cash and cash equivalents	\$ 1,607,306	\$ 1,692,850
Accounts receivable trade, net of allowance for credit losses of \$22,151 as of June 30, 2021 and \$20,906 as of June 30, 2020 (note 1 and note 4)	438,547	466,357
Contract assets (note 3)	25,344	29,570
Income taxes recoverable (note 15)	32,312	61,186
Prepaid expenses and other current assets (note 9)	98,551	136,436
Total current assets	2,202,060	2,386,399
Property and equipment (note 5)	233,595	244,555
Operating lease right of use assets (note 6)	234,532	207,869
Long-term contract assets (note 3)	19,222	15,427
Goodwill (note 7)	4,691,673	4,672,356
Acquired intangible assets (note 8)	1,187,260	1,612,564
Deferred tax assets (note 15)	796,738	911,565
Other assets (note 9)	208,894	154,467
Long-term income taxes recoverable (note 15)	35,362	29,620
<b>Total assets</b>	<b>\$ 9,609,336</b>	<b>\$ 10,234,822</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 423,592	\$ 373,314
Current portion of long-term debt (note 11)	10,000	610,000
Operating lease liabilities (note 6)	58,315	64,071
Deferred revenues (note 3)	852,629	812,218
Income taxes payable (note 15)	17,368	44,630
Total current liabilities	1,361,904	1,904,233
Long-term liabilities:		
Accrued liabilities (note 10)	28,830	34,955
Pension liability (note 12)	74,511	73,129
Long-term debt (note 11)	3,578,859	3,584,311
Long-term operating lease liabilities (note 6)	224,453	217,165
Long-term deferred revenues (note 3)	98,989	94,382
Long-term income taxes payable (note 15)	34,113	171,200
Deferred tax liabilities (note 15)	108,224	148,738
Total long-term liabilities	4,147,979	4,323,880
Shareholders' equity:		
Share capital and additional paid-in capital (note 13)		
271,540,755 and 271,863,354 Common Shares issued and outstanding at June 30, 2021 and June 30, 2020, respectively; authorized Common Shares: unlimited	1,947,764	1,851,777
Accumulated other comprehensive income (note 21)	66,238	17,825
Retained earnings	2,153,326	2,159,396
Treasury stock, at cost (1,567,664 and 622,297 shares at June 30, 2021 and June 30, 2020, respectively)	(69,386)	(23,608)
Total OpenText shareholders' equity	4,097,942	4,005,390
Non-controlling interests	1,511	1,319
Total shareholders' equity	4,099,453	4,006,709
<b>Total liabilities and shareholders' equity</b>	<b>\$ 9,609,336</b>	<b>\$ 10,234,822</b>

Guarantees and contingencies (note 14)

Related party transactions (note 25)

Subsequent event (note 26)

See accompanying Notes to Consolidated Financial Statements

**OPEN TEXT CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands of U.S. dollars, except share and per share data)

	Year Ended June 30,		
	2021	2020	2019
Revenues (note 3):			
Cloud services and subscriptions	\$ 1,407,445	\$ 1,157,686	\$ 907,812
Customer support	1,334,062	1,275,586	1,247,915
License	384,711	402,851	428,092
Professional service and other	259,897	273,613	284,936
Total revenues	<u>3,386,115</u>	<u>3,109,736</u>	<u>2,868,755</u>
Cost of revenues:			
Cloud services and subscriptions	481,818	449,940	383,993
Customer support	122,753	123,894	124,343
License	13,916	11,321	14,347
Professional service and other	197,183	212,903	224,635
Amortization of acquired technology-based intangible assets (note 8)	218,796	205,717	183,385
Total cost of revenues	<u>1,034,466</u>	<u>1,003,775</u>	<u>930,703</u>
Gross profit	<u>2,351,649</u>	<u>2,105,961</u>	<u>1,938,052</u>
Operating expenses:			
Research and development	421,447	370,411	321,836
Sales and marketing	622,221	585,044	518,035
General and administrative	263,521	237,532	207,909
Depreciation	85,265	89,458	97,716
Amortization of acquired customer-based intangible assets (note 8)	216,544	219,559	189,827
Special charges (recoveries) (note 18)	1,748	100,428	35,719
Total operating expenses	<u>1,610,746</u>	<u>1,602,432</u>	<u>1,371,042</u>
Income from operations	<u>740,903</u>	<u>503,529</u>	<u>567,010</u>
Other income (expense), net (note 23)	61,434	(11,946)	10,156
Interest and other related expense, net	<u>(151,567)</u>	<u>(146,378)</u>	<u>(136,592)</u>
Income before income taxes	650,770	345,205	440,574
Provision for (recovery of) income taxes (note 15)	339,906	110,837	154,937
Net income	<u>\$ 310,864</u>	<u>\$ 234,368</u>	<u>\$ 285,637</u>
Net (income) loss attributable to non-controlling interests	<u>(192)</u>	<u>(143)</u>	<u>(136)</u>
Net income attributable to OpenText	<u>\$ 310,672</u>	<u>\$ 234,225</u>	<u>\$ 285,501</u>
Earnings per share—basic attributable to OpenText (note 24)	<u>\$ 1.14</u>	<u>\$ 0.86</u>	<u>\$ 1.06</u>
Earnings per share—diluted attributable to OpenText (note 24)	<u>\$ 1.14</u>	<u>\$ 0.86</u>	<u>\$ 1.06</u>
Weighted average number of Common Shares outstanding—basic (in '000's)	<u>272,533</u>	<u>270,847</u>	<u>268,784</u>
Weighted average number of Common Shares outstanding—diluted (in '000's)	<u>273,479</u>	<u>271,817</u>	<u>269,908</u>

See accompanying Notes to Consolidated Financial Statements

**OPEN TEXT CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In thousands of U.S. dollars)

	Year Ended June 30,		
	2021	2020	2019
Net income	\$ 310,864	\$ 234,368	\$ 285,637
Other comprehensive income (loss)—net of tax:			
Net foreign currency translation adjustments	42,440	(7,784)	(3,882)
Unrealized gain (loss) on cash flow hedges:			
Unrealized gain (loss) - net of tax expense (recovery) effect of \$1,532, (\$599) and \$6 for the year ended June 30, 2021, 2020 and 2019, respectively	4,246	(1,662)	16
(Gain) loss reclassified into net income - net of tax (expense) recovery effect of (\$1,182), \$355 and \$539 for the year ended June 30, 2021, 2020 and 2019, respectively	(3,280)	985	1,494
Actuarial gain (loss) relating to defined benefit pension plans:			
Actuarial gain (loss) - net of tax expense (recovery) effect of \$990, \$1,219 and (\$2,004) for the year ended June 30, 2021, 2020 and 2019, respectively	3,987	1,245	(7,421)
Amortization of actuarial (gain) loss into net income - net of tax (expense) recovery effect of \$379, \$520 and \$292 for the year ended June 30, 2021, 2020 and 2019, respectively	1,020	917	272
Total other comprehensive income (loss) net	48,413	(6,299)	(9,521)
Total comprehensive income	359,277	228,069	276,116
Comprehensive (income) loss attributable to non-controlling interests	(192)	(143)	(136)
Total comprehensive income attributable to OpenText	\$ 359,085	\$ 227,926	\$ 275,980

See accompanying Notes to Consolidated Financial Statements

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

	Common Shares and Additional Paid in Capital		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Non- Controlling Interests	Total
	Shares	Amount	Shares	Amount				
<b>Balance as of June 30, 2018</b>	<b>267,651</b>	<b>\$1,707,073</b>	<b>(691)</b>	<b>\$ (18,732)</b>	<b>\$1,994,235</b>	<b>\$ 33,645</b>	<b>\$ 1,037</b>	<b>\$3,717,258</b>
Issuance of Common Shares								
Under employee stock option plans	1,472	35,626	—	—	—	—	—	35,626
Under employee stock purchase plans	711	21,835	—	—	—	—	—	21,835
Share-based compensation	—	26,770	—	—	—	—	—	26,770
Purchase of treasury stock	—	—	(726)	(26,499)	—	—	—	(26,499)
Issuance of treasury stock	—	(16,465)	614	16,465	—	—	—	—
Dividends declared (\$0.6300 per Common Share)	—	—	—	—	(168,859)	—	—	(168,859)
Cumulative effect of ASU 2016-16	—	—	—	—	(26,780)	—	—	(26,780)
Cumulative effect of Topic 606	—	—	—	—	29,786	—	—	29,786
Other comprehensive income (loss) - net	—	—	—	—	—	(9,521)	—	(9,521)
Non-controlling interest	—	(625)	—	—	—	—	42	(583)
Net income	—	—	—	—	285,501	—	136	285,637
<b>Balance as of June 30, 2019</b>	<b>269,834</b>	<b>\$1,774,214</b>	<b>(803)</b>	<b>\$ (28,766)</b>	<b>\$2,113,883</b>	<b>\$ 24,124</b>	<b>\$ 1,215</b>	<b>\$3,884,670</b>
Issuance of Common Shares								
Under employee stock option plans	1,530	41,282	—	—	—	—	—	41,282
Under employee stock purchase plans	499	17,757	—	—	—	—	—	17,757
Share-based compensation	—	29,532	—	—	—	—	—	29,532
Purchase of treasury stock	—	—	(300)	(12,424)	—	—	—	(12,424)
Issuance of treasury stock	—	(11,008)	481	17,582	—	—	—	6,574
Dividends declared (\$0.6984 per Common Share)	—	—	—	—	(188,712)	—	—	(188,712)
Other comprehensive income (loss) - net	—	—	—	—	—	(6,299)	—	(6,299)
Non-controlling interest	—	—	—	—	—	—	(39)	(39)
Net income	—	—	—	—	234,225	—	143	234,368
<b>Balance as of June 30, 2020</b>	<b>271,863</b>	<b>\$1,851,777</b>	<b>(622)</b>	<b>\$ (23,608)</b>	<b>\$2,159,396</b>	<b>\$ 17,825</b>	<b>\$ 1,319</b>	<b>\$4,006,709</b>
Adoption of ASU 2016-13 - cumulative effect, net (note 1)	—	—	—	—	(2,450)	—	—	(2,450)
Issuance of Common Shares								
Under employee stock option plans	1,605	49,565	—	—	—	—	—	49,565
Under employee stock purchase plans	573	22,307	193	6,690	—	—	—	28,997
Share-based compensation	—	51,969	—	—	—	—	—	51,969
Purchase of treasury stock	—	—	(1,455)	(64,847)	—	—	—	(64,847)
Issuance of treasury stock	—	(12,379)	316	12,379	—	—	—	—
Repurchase of Common Shares	(2,500)	(15,475)	—	—	(103,630)	—	—	(119,105)
Dividends declared (\$0.7770 per Common Share)	—	—	—	—	(210,662)	—	—	(210,662)
Other comprehensive income (loss) - net	—	—	—	—	—	48,413	—	48,413
Net income	—	—	—	—	310,672	—	192	310,864
<b>Balance as of June 30, 2021</b>	<b>271,541</b>	<b>\$1,947,764</b>	<b>(1,568)</b>	<b>\$ (69,386)</b>	<b>\$2,153,326</b>	<b>\$ 66,238</b>	<b>\$ 1,511</b>	<b>\$4,099,453</b>

See accompanying Notes to Consolidated Financial Statements

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

	Year Ended June 30,		
	2021	2020	2019
Cash flows from operating activities:			
Net income	\$ 310,864	\$ 234,368	\$ 285,637
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of intangible assets	520,605	514,734	470,928
Share-based compensation expense	51,969	29,532	26,770
Pension expense	6,616	5,802	4,624
Amortization of debt issuance costs	4,548	4,633	4,330
Accelerated amortization of right of use assets	—	36,864	—
Loss on extinguishment of debt	—	17,854	—
Loss on sale and write down of property and equipment	2,771	9,714	9,438
Deferred taxes	73,039	51,388	47,425
Share in net (income) loss of equity investees	(62,897)	(8,700)	(13,668)
Changes in operating assets and liabilities:			
Accounts receivable	60,954	84,499	75,508
Contract assets	(39,333)	(40,301)	(37,623)
Prepaid expenses and other current assets	37,733	(6,897)	(819)
Income taxes	(140,763)	(35,086)	27,291
Accounts payable and accrued liabilities	26,088	30,613	(21,732)
Deferred revenue	39,295	25,306	(1,827)
Other assets	11,914	1,127	(4)
Operating lease assets and liabilities, net	(27,283)	(914)	—
Net cash provided by operating activities	<u>876,120</u>	<u>954,536</u>	<u>876,278</u>
Cash flows from investing activities:			
Additions of property and equipment	(63,675)	(72,709)	(63,837)
Purchase of XMedius	444	(73,335)	—
Purchase of Carbonite, Inc., net of cash and restricted cash acquired	—	(1,305,097)	—
Purchase of Dynamic Solutions Group Inc.	(971)	(4,149)	—
Purchase of Catalyst Repository Systems Inc.	—	—	(70,800)
Purchase of Liaison Technologies, Inc.	—	—	(310,644)
Purchase of Guidance Software, Inc., net of cash acquired	—	—	(2,279)
Other investing activities	(4,568)	(14,127)	(16,966)
Net cash used in investing activities	<u>(68,770)</u>	<u>(1,469,417)</u>	<u>(464,526)</u>
Cash flows from financing activities:			
Proceeds from issuance of Common Shares from exercise of stock options and ESPP	80,067	66,600	57,889
Proceeds from long-term debt and Revolver	—	3,150,000	—
Repayment of long-term debt and Revolver	(610,000)	(1,713,631)	(10,000)
Debt extinguishment costs (note 23)	—	(11,248)	—
Debt issuance costs	—	(21,806)	(322)
Repurchase of Common Shares	(119,105)	—	—
Purchase of treasury stock	(64,847)	(12,424)	(26,499)
Purchase of non-controlling interests	—	—	(583)
Payments of dividends to shareholders	(210,662)	(188,712)	(168,859)
Net cash provided by (used in) financing activities	<u>(924,547)</u>	<u>1,268,779</u>	<u>(148,374)</u>
Foreign exchange gain (loss) on cash held in foreign currencies	29,734	(178)	(3,826)
Increase (decrease) in cash, cash equivalents and restricted cash during the period	(87,463)	753,720	259,552
Cash, cash equivalents and restricted cash at beginning of the period	1,697,263	943,543	683,991
Cash, cash equivalents and restricted cash at end of the period	<u>\$ 1,609,800</u>	<u>\$ 1,697,263</u>	<u>\$ 943,543</u>



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

Reconciliation of cash, cash equivalents and restricted cash:	June 30, 2021	June 30, 2020	June 30, 2019
Cash and cash equivalents	\$ 1,607,306	\$ 1,692,850	\$ 941,009
Restricted cash <sup>(1)</sup>	2,494	4,413	2,534
Total cash, cash equivalents and restricted cash	<u>\$ 1,609,800</u>	<u>\$ 1,697,263</u>	<u>\$ 943,543</u>

<sup>(1)</sup> Restricted cash is classified under the Prepaid expenses and other current assets and Other assets line items on the Consolidated Balance Sheets (note 9).

Supplemental cash flow disclosures (note 6 and note 22)

See accompanying Notes to Consolidated Financial Statements

**OPEN TEXT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2021**  
**(Tabular amounts in thousands of U.S. dollars, except share and per share data)**

**NOTE 1—BASIS OF PRESENTATION**

The accompanying Consolidated Financial Statements include the accounts of Open Text Corporation and our subsidiaries, collectively referred to as "OpenText" or the "Company". We wholly own all of our subsidiaries with the exception of Open Text South Africa Proprietary Ltd. (OT South Africa) and EC1 Pte. Ltd. (GXS Singapore), which as of June 30, 2021, were 70% and 81% owned, respectively, by OpenText. All intercompany balances and transactions have been eliminated.

Throughout this Annual Report on Form 10-K: (i) the term "Fiscal 2022" means our fiscal year beginning on July 1, 2021 and ending June 30, 2022; (ii) the term "Fiscal 2021" means our fiscal year beginning on July 1, 2020 and ended June 30, 2021; (iii) the term "Fiscal 2020" means our fiscal year beginning on July 1, 2019 and ended June 30, 2020; (iv) the term "Fiscal 2019" means our fiscal year beginning on July 1, 2018 and ended June 30, 2019; (v) the term "Fiscal 2018" means our fiscal year beginning on July 1, 2017 and ended June 30, 2018; (vi) the term "Fiscal 2017" means our fiscal year beginning on July 1, 2016 and ended June 30, 2017; (vii) the term "Fiscal 2016" means our fiscal year beginning on July 1, 2015 and ended June 30, 2016; (viii) the term "Fiscal 2015" means our fiscal year beginning on July 1, 2014 and ended June 30, 2015; (ix) the term "Fiscal 2014" means our fiscal year beginning on July 1, 2013 and ended June 30, 2014; (x) the term "Fiscal 2013" means our fiscal year beginning on July 1, 2012 and ended June 30, 2013; and (xi) the term "Fiscal 2012" means our fiscal year beginning on July 1, 2011 and ended June 30, 2012.

These Consolidated Financial Statements are expressed in U.S. dollars and are prepared in accordance with United States generally accepted accounting principles (U.S. GAAP). The information furnished reflects all adjustments necessary for a fair presentation of the results for the periods presented.

***Use of estimates***

The preparation of financial statements in conformity with U.S. GAAP requires us to make certain estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements. These estimates, judgments and assumptions are evaluated on an ongoing basis. We base our estimates on historical experience and on various other assumptions that we believe are reasonable at that time, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. In particular, key estimates, judgments and assumptions include those related to: (i) revenue recognition, (ii) accounting for income taxes, (iii) testing of goodwill for impairment, (iv) the valuation of acquired intangible assets, (v) the valuation of long-lived assets, (vi) the recognition of contingencies, (vii) restructuring accruals, (viii) acquisition accruals and pre-acquisition contingencies, (ix) the valuation of stock options granted and obligations related to share-based payments, including the valuation of our long-term incentive plans, and (x) the valuation of pension obligations.

In March 2020, COVID-19 was characterized as a pandemic by the World Health Organization. The spread of COVID-19 has significantly impacted the global economy. As the impacts of the pandemic continue to evolve, estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require increased judgment. As of June 30, 2021, we have recorded certain estimates resulting from the pandemic, particularly with respect to the COVID-19 Restructuring Plan (as defined herein) and allowance for credit losses, based on management's estimates and assumptions utilizing the most currently available information. Such estimates may be subject to change particularly given the unprecedented nature of the COVID-19 pandemic. We will continue to monitor the potential impact of COVID-19 on our financial statements and related disclosures, including the need for additional estimates going forward, which could include costs related to potential items such as special charges (recoveries), restructurings, asset impairments and other non-recurring costs. Please see note 18 "Special Charges (Recoveries)" and "Risk Factors" included within Part I, Item 1A of this Annual Report on Form 10-K.

***Impact of Recently Adopted Accounting Pronouncements***

***Financial Instruments***

Effective July 1, 2020, we adopted Accounting Standards Update (ASU) No. 2016-13 "Financial Instruments - Credit Losses (Topic 326)" on a modified retrospective basis through a cumulative-effect adjustment to opening retained earnings.

Topic 326 requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. This replaces the existing incurred loss model with an expected loss model and requires the use of forward-looking information to calculate credit loss estimates. Results for reporting periods effective as of July 1, 2020 are presented under the new standard, while prior period results continue to be reported under the previous standards.

As a result of this adoption, we recorded a decrease to retained earnings of \$2.5 million as of July 1, 2020 with the following corresponding impacts:

- A decrease in accounts receivable trade, net of \$3.0 million;
- A decrease in contract assets of \$0.3 million; and
- An increase to deferred tax assets of \$0.8 million.

The adoption of Topic 326 had no impact on the Consolidated Statements of Income, Consolidated Statements of Comprehensive Income or Consolidated Statements of Cash Flows. Please see note 4 "Allowance for Credit Losses" for additional information.

## **NOTE 2—ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS**

### **Accounting Policies**

#### ***Cash and cash equivalents***

Cash and cash equivalents include balances with banks as well as deposits that have terms to maturity of three months or less. Cash equivalents are recorded at cost and typically consist of term deposits, commercial paper, certificates of deposit and short-term interest bearing investment-grade securities of major banks in the countries in which we operate.

#### ***Accounts Receivable and Allowance for Credit Losses***

From time to time, we may sell certain accounts receivable to a financial institution on a non-recourse basis for cash, less a discount. Proceeds from the sale of receivables approximate their discounted book value and are included in operating cash flows on the Consolidated Statement of Cash Flows.

In accordance with Topic 326, we recognize expected credit losses for accounts receivable and contract assets based on lifetime expected losses. We recognize a loss allowance using a collective assessment for accounts receivable, including contract assets, with similar risk characteristics based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment. We continue to maintain an allowance for 100% of all accounts deemed to be uncollectible.

Customer creditworthiness is evaluated prior to order fulfillment and based on evaluations, we adjust our credit limit to the respective customer. In addition to these evaluations, we conduct on-going credit evaluations of our customers' payment history and current creditworthiness. To date, the actual losses have been within our expectations. No single customer accounted for more than 10% of the accounts receivable balance as of June 30, 2021 and 2020, respectively.

#### ***Property and equipment***

Property and equipment are stated at the lower of cost or net realizable value, and shown net of depreciation which is computed on a straight-line basis over the estimated useful lives of the related assets. Gains and losses on asset disposals are taken into income in the year of disposition. Fully depreciated property and equipment are retired from the Consolidated Balance Sheets when they are no longer in use. Please see the "Impairment of long-lived assets" section below for policy on property and equipment impairments. The following represents the estimated useful lives of property and equipment as of June 30, 2021:

Furniture and fixtures	5 years
Office equipment	5 years
Computer hardware	3 to 5 years
Computer software	3 to 7 years
Capitalized software development costs	3 to 5 years
Leasehold improvements	Lesser of the lease term or 5 years
Building	40 years

## ***Capitalized Software***

We capitalize software development costs in accordance with ASC Topic 350-40 "Accounting for the Costs of Computer Software Developed or Obtained for Internal-Use". We capitalize costs for software to be used internally when we enter the application development stage. This occurs when we complete the preliminary project stage, management authorizes and commits to funding the project, and it is feasible that the project will be completed and the software will perform the intended function. We cease to capitalize costs related to a software project when it enters the post implementation and operation stage. If different determinations are made with respect to the state of development of a software project, then the amount capitalized and the amount charged to expense for that project could differ materially.

Costs capitalized during the application development stage consist of payroll and related costs for employees who are directly associated with, and who devote time directly to, a project to develop software for internal use. We also capitalize the direct costs of materials and services, which generally includes outside contractors, and interest. We do not capitalize any general and administrative or overhead costs or costs incurred during the application development stage related to training or data conversion costs. Costs related to upgrades and enhancements to internal-use software, if those upgrades and enhancements result in additional functionality, are capitalized. If upgrades and enhancements do not result in additional functionality, those costs are expensed as incurred. If different determinations are made with respect to whether upgrades or enhancements to software projects would result in additional functionality, then the amount capitalized and the amount charged to expense for that project could differ materially.

We amortize capitalized costs with respect to development projects for internal-use software when the software is ready for use. The capitalized software development costs are generally amortized using the straight-line method over a 3 to 5 year period. In determining and reassessing the estimated useful life over which the cost incurred for the software should be amortized, we consider the effects of obsolescence, technology, competition and other economic factors. If different determinations are made with respect to the estimated useful life of the software, the amount of amortization charged in a particular period could differ materially.

As of June 30, 2021 and 2020 our capitalized software development costs were \$127.7 million and \$111.2 million, respectively. Our additions, relating to capitalized software development costs, incurred during Fiscal 2021 and Fiscal 2020 were \$15.4 million and \$15.4 million, respectively.

## ***Leases***

We enter into operating leases, both domestically and internationally, for certain facilities, automobiles, data centers and equipment for use in the ordinary course of business. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and we do not have any material finance leases.

In accordance with Topic 842, we account for a contract as a lease when we have the right to direct the use of the asset for a period of time while obtaining substantially all of the asset's economic benefits. We determine the initial classification and measurement of our right of use (ROU) assets and lease liabilities at the lease commencement date and thereafter if modified.

ROU assets represent our right to control the underlying assets under lease, and the lease liability is our obligation to make the lease payments related to the underlying assets under lease, over the contractual term. ROU assets and lease liabilities are recognized on the Consolidated Balance Sheets based on the present value of future minimum lease payments to be made over the lease term. When available, we will use the rate implicit in the lease to discount lease payments to present value. However, real estate leases generally do not provide a readily determinable implicit rate, therefore, we must estimate our incremental borrowing rate to discount the lease payments. We estimate our incremental borrowing rate based on a collateralized basis with similar terms and payments, in an economic environment where the leased asset is located.

The ROU asset equals the lease liability, adjusted for any initial direct costs, prepaid rent and lease incentives on initial recognition. Fixed lease costs are included in the recognition of ROU assets and lease liabilities. Variable lease costs are not included in the measurement of the lease liability. These variable lease payments are recognized in the Consolidated Statements of Income in the period in which the obligation for those payments is incurred. Lease expense for minimum lease payments continues to be recognized in the Consolidated Statements of Income on a straight-line basis over the lease term.

We have not elected the practical expedient to combine lease and non-lease components in the determination of lease costs for our facility leases. For all other asset classes, we have elected the practical expedient to combine the lease and the non-lease components. The lease liability includes lease payments related to options to extend or renew the lease term only if we are reasonably certain we will exercise those options. Our leases typically do not contain any material residual value guarantees or restrictive covenants.

In certain circumstances, we sublease all or a portion of a leased facility to various other companies through a sublease agreement.

### ***Acquired intangibles***

Acquired intangibles consist of acquired technology and customer relationships associated with various acquisitions.

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

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

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

### ***Impairment of long-lived assets***

We account for the impairment and disposition of long-lived assets in accordance with ASC Topic 360, "Property, Plant, and Equipment" (Topic 360). We test long-lived assets or asset groups, such as property and equipment, ROU assets and definite lived intangible assets, for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant adverse changes in the business climate or legal factors; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and a current expectation that the asset will more likely than not be sold or disposed of before the end of its estimated useful life.

Recoverability is assessed based on comparing the carrying amount of the asset to the aggregate pre-tax undiscounted cash flows expected to result from the use and eventual disposal of the asset or asset group. Impairment is recognized when the carrying amount is not recoverable and exceeds the fair value of the asset or asset group. The impairment loss, if any, is measured as the amount by which the carrying amount exceeds fair value, which for this purpose is based upon the discounted projected future cash flows of the asset or asset group.

We have not recorded any significant impairment charges for long-lived assets during Fiscal 2021, Fiscal 2020 and Fiscal 2019, respectively.

### ***Business combinations***

We apply the provisions of ASC Topic 805, "Business Combinations" (Topic 805), in the accounting for our acquisitions. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities, including contingent consideration where applicable, assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement, particularly since these assumptions and estimates are based in part on historical experience and information obtained from the management of the acquired companies. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill in the period identified. Furthermore, when valuing certain intangible assets that we have acquired, critical estimates may be made relating to, but not limited to: (i) future expected cash flows from software license sales, cloud SaaS, "desktop as a service" (DaaS) and PaaS contracts, support agreements, consulting agreements and other customer contracts (ii) the acquired company's technology and competitive position, as well as assumptions about the period of time that the acquired technology will continue to be used in the combined company's product portfolio, and (iii) discount rates. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments would be recorded to our Consolidated Statements of Income.

For a given acquisition, we may identify certain pre-acquisition contingencies as of the acquisition date and may extend our review and evaluation of these pre-acquisition contingencies throughout the measurement period in order to obtain sufficient information to assess whether we include these contingencies as a part of the purchase price allocation and, if so, to determine the estimated amounts.

If we determine that a pre-acquisition contingency (non-income tax related) is probable in nature and estimable as of the acquisition date, we record our best estimate for such a contingency as a part of the preliminary purchase price allocation. We often continue to gather information and evaluate our pre-acquisition contingencies throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies during the measurement

period, such amounts will be included in the purchase price allocation during the measurement period and, subsequently, in our results of operations.

Uncertain tax positions and tax related valuation allowances assumed in connection with a business combination are initially estimated as of the acquisition date. We review these items during the measurement period as we continue to actively seek and collect information relating to facts and circumstances that existed at the acquisition date. Changes to these uncertain tax positions and tax related valuation allowances made subsequent to the measurement period, or if they relate to facts and circumstances that did not exist at the acquisition date, are recorded in the "Provision for (recovery of) income taxes" line of our Consolidated Statements of Income.

### ***Goodwill***

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

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

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

Our annual impairment analysis of goodwill was performed as of April 1, 2021. Our qualitative assessment indicated that there were no indications of impairment and therefore there was no impairment of goodwill required to be recorded for Fiscal 2021 (no impairments were recorded for Fiscal 2020 and Fiscal 2019, respectively).

### ***Derivative financial instruments***

We use derivative financial instruments to manage foreign currency rate risk. We account for these instruments in accordance with ASC Topic 815, "Derivatives and Hedging" (Topic 815), which requires that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value as of the reporting date. Topic 815 also requires that changes in our derivative financial instruments' fair values be recognized in earnings; unless specific hedge accounting and documentation criteria are met (i.e. the instruments are accounted for as hedges). We recorded the effective portions of the gain or loss on derivative financial instruments that were designated as cash flow hedges in "Accumulated other comprehensive income", net of tax, in our accompanying Consolidated Balance Sheets. Any ineffective or excluded portion of a designated cash flow hedge, if applicable, was recognized in our Consolidated Statements of Income.

### ***Asset retirement obligations***

We account for asset retirement obligations in accordance with ASC Topic 410, "Asset Retirement and Environmental Obligations" (Topic 410), which applies to certain obligations associated with "leasehold improvements" within our leased office facilities. Topic 410 requires that a liability be initially recognized for the estimated fair value of the obligation when it is incurred. The associated asset retirement cost is capitalized as part of the carrying amount of the long-lived asset and depreciated over the remaining life of the underlying asset and the associated liability is accreted to the estimated fair value of the obligation at the settlement date through periodic accretion charges which are generally recorded within "General and administrative" expense in our Consolidated Statements of Income. When the obligation is settled, any difference between the final cost and the recorded amount is recognized as income or loss on settlement in our Consolidated Statements of Income.

### ***Revenue recognition***

In accordance with Topic 606, we account for a customer contract when we obtain written approval, the contract is committed, the rights of the parties, including the payment terms, are identified, the contract has commercial substance and consideration is probable of collection. Revenue is recognized when, or as, control of a promised product or service is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for our products and services (at its transaction price). Estimates of variable consideration and the determination of whether to include estimated amounts in the transaction price are based on readily available information, which may include historical, current and forecasted information, taking into consideration the type of customer, the type of transaction and specific facts and circumstances of each

arrangement. We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue producing transactions.

We have four revenue streams: cloud services and subscriptions, customer support, license, and professional service and other.

### ***Cloud services and subscriptions revenue***

Cloud services and subscriptions revenue are from hosting arrangements where in connection with the licensing of software, the end user does not take possession of the software, as well as from end-to-end fully outsourced B2B integration solutions to our customers (collectively referred to as cloud arrangements). The software application resides on our hardware or that of a third party, and the customer accesses and uses the software on an as-needed basis. Our cloud arrangements can be broadly categorized as PaaS, SaaS, cloud subscriptions and managed services.

**PaaS/ SaaS/ Cloud Subscriptions (collectively referred to here as cloud-based solutions):** We offer cloud-based solutions that provide customers the right to access our software through the internet. Our cloud-based solutions represent a series of distinct services that are substantially the same and have the same pattern of transfer to the customer. These services are made available to the customer continuously throughout the contractual period. However, the extent to which the customer uses the services may vary at the customer's discretion. The payment for cloud-based solutions may be received either at inception of the arrangement, or over the term of the arrangement.

These cloud-based solutions are considered to have a single performance obligation where the customer simultaneously receives and consumes the benefit, and as such we recognize revenue for these cloud-based solutions ratably over the term of the contractual agreement. For example, revenue related to cloud-based solutions that are provided on a usage basis, such as the number of users, is recognized based on a customer's utilization of the services in a given period.

Additionally, a software license is present in a cloud-based solutions arrangement if all of the following criteria are met:

- (i) The customer has the contractual right to take possession of the software at any time without significant penalty; and
- (ii) It is feasible for the customer to host the software independent of us.

In these cases where a software license is present in a cloud-based solutions arrangement it is assessed to determine if it is distinct from the cloud-based solutions arrangement. The revenue allocated to the distinct software license would be recognized at the point in time the software license is transferred to the customer, whereas the revenue allocated to the hosting performance obligation would be recognized ratably on a monthly basis over the contractual term unless evidence suggests that revenue is earned, or obligations are fulfilled in a different pattern over the contractual term of the arrangement.

**Managed services:** We provide comprehensive B2B process outsourcing services for all day-to-day operations of a customers' B2B integration program. Customers using these managed services are not permitted to take possession of our software and the contract is for a defined period, where customers pay a monthly or quarterly fee. Our performance obligation is satisfied as we provide services of operating and managing a customer's EDI environment. Revenue relating to these services is recognized using an output method based on the expected level of service we will provide over the term of the contract.

In connection with cloud subscription and managed service contracts, we often agree to perform a variety of services before the customer goes live, such as, converting and migrating customer data, building interfaces and providing training. These services are considered an outsourced suite of professional services which can involve certain project-based activities. These services can be provided at the initiation of a contract, during the implementation or on an ongoing basis as part of the customer life cycle. These services can be charged separately on a fixed fee or time and materials basis, or the costs associated may be recovered as part of the ongoing cloud subscription or managed services fee. These outsourced professional services are considered to be distinct from the ongoing hosting services and represent a separate performance obligation within our cloud subscription or managed services arrangements. The obligation to provide outsourced professional services is satisfied over time, with the customer simultaneously receiving and consuming the benefits as we satisfy our performance obligations. For outsourced professional services, we recognize revenue by measuring progress toward the satisfaction of our performance obligation. Progress for services that are contracted for a fixed price is generally measured based on hours incurred as a portion of total estimated hours. As a practical expedient, when we invoice a customer at an amount that corresponds directly with the value to the customer of our performance to date, we recognize revenue at that amount.

### ***Customer support revenue***

Customer support revenue is associated with perpetual, term license and off-cloud subscription arrangements. As customer support is not critical to the customer's ability to derive benefit from its right to use our software, customer support is considered as a distinct performance obligation when sold together in a bundled arrangement along with the software.

Customer support consists primarily of technical support and the provision of unspecified updates and upgrades on a when-and-if-available basis. Customer support for perpetual licenses is renewable, generally on an annual basis, at the option of the customer. Customer support for term and subscription licenses is renewable concurrently with such licenses for the same duration of time. Payments for customer support are generally made at the inception of the contract term or in installments over the term of the maintenance period. Our customer support team is ready to provide these maintenance services, as needed, to the customer during the contract term. As the elements of customer support are delivered concurrently and have the same pattern of transfer, customer support is accounted for as a single performance obligation. The customer benefits evenly throughout the contract period from the guarantee that the customer support resources and personnel will be available to them, and that any unspecified upgrades or unspecified future products developed by us will be made available. Revenue for customer support is recognized ratably over the contract period based on the start and end dates of the maintenance term, in line with how we believe services are provided.

### ***License revenue***

Our license revenue can be broadly categorized as perpetual licenses, term licenses and subscription licenses, all of which are deployed on the customer's premises (off-cloud).

**Perpetual licenses:** We sell perpetual licenses which provide customers the right to use software for an indefinite period of time in exchange for a one-time license fee, which is generally paid at contract inception. Our perpetual licenses provide a right to use IP that is functional in nature and have significant stand-alone functionality. Accordingly, for perpetual licenses of functional IP, revenue is recognized at the point-in-time when control has been transferred to the customer, which normally occurs once software activation keys have been made available for download.

**Term licenses and Subscription licenses:** We sell both term and subscription licenses which provide customers the right to use software for a specified period in exchange for a fee, which may be paid at contract inception or paid in installments over the period of the contract. Like perpetual licenses, both our term licenses and subscription licenses are functional IP that have significant stand-alone functionality. Accordingly, for both term and subscription licenses, revenue is recognized at the point-in-time when the customer is able to use and benefit from the software, which is normally once software activation keys have been made available for download at the commencement of the term.

### ***Professional service and other revenue***

Our professional services, when offered along with software licenses, consists primarily of technical services and training services. Technical services may include installation, customization, implementation or consulting services. Training services may include access to online modules or delivering a training package customized to the customer's needs. At the customer's discretion, we may offer one, all, or a mix of these services. Payment for professional services is generally a fixed fee or is a fee based on time and materials. Professional services can be arranged in the same contract as the software license or in a separate contract.

As our professional services do not significantly change the functionality of the license and our customers can benefit from our professional services on their own or together with other readily available resources, we consider professional services as distinct within the context of the contract.

Professional service revenue is recognized over time so long as: (i) the customer simultaneously receives and consumes the benefits as we perform them, (ii) our performance creates or enhances an asset the customer controls as we perform, and (iii) our performance does not create an asset with alternative use and we have enforceable right to payment.

If all the above criteria are met, we use an input-based measure of progress for recognizing professional service revenue. For example, we may consider total labor hours incurred compared to total expected labor hours. As a practical expedient, when we invoice a customer at an amount that corresponds directly with the value to the customer of our performance to date, we will recognize revenue at that amount.

### ***Material rights***

To the extent that we grant our customer an option to acquire additional products or services in one of our arrangements, we will account for the option as a distinct performance obligation in the contract only if the option provides a material right to the customer that the customer would not receive without entering into the contract. For example if we give the customer an option to acquire additional goods or services in the future at a price that is significantly lower than the current price, this would be a material right as it allows the customer to, in effect, pay in advance for the option to purchase future products or services. If



a material right exists in one of our contracts, then revenue allocated to the option is deferred and we would recognize revenue only when those future products or services are transferred or when the option expires.

Based on history, our contracts do not typically contain material rights and when they do, the material right is not significant to our Consolidated Financial Statements.

#### ***Arrangements with multiple performance obligations***

Our contracts generally contain more than one of the products and services listed above. Determining whether goods and services are considered distinct performance obligations that should be accounted for separately or as a single performance obligation may require judgment, specifically when assessing whether both of the following two criteria are met:

- the customer can benefit from the product or service either on its own or together with other resources that are readily available to the customer; and
- our promise to transfer the product or service to the customer is separately identifiable from other promises in the contract.

If these criteria are not met, we determine an appropriate measure of progress based on the nature of our overall promise for the single performance obligation.

If these criteria are met, each product or service is separately accounted for as a distinct performance obligation and the total transaction price is allocated to each performance obligation on a relative SSP basis.

#### ***Standalone selling price***

The SSP reflects the price we would charge for a specific product or service if it were sold separately in similar circumstances and to similar customers. In most cases we can establish the SSP based on observable data. We typically establish a narrow SSP range for our products and services and assess this range on a periodic basis or when material changes in facts and circumstances warrant a review.

If the SSP is not directly observable, then we estimate the amount using either the expected cost plus a margin or residual approach. Estimating SSP requires judgment that could impact the amount and timing of revenue recognized. SSP is a formal process whereby management considers multiple factors including, but not limited to, geographic or regional specific factors, competitive positioning, internal costs, profit objectives, and pricing practices.

#### ***Transaction Price Allocation***

In bundled arrangements, where we have more than one distinct performance obligation, we must allocate the transaction price to each performance obligation based on its relative SSP. However, in certain bundled arrangements, the SSP may not always be directly observable. For instance, in bundled arrangements with license and customer support, we allocate the transaction price between the license and customer support performance obligations using the residual approach because we have determined that the SSP for licenses in these arrangements are highly variable. We use the residual approach only for our license arrangements. When the SSP is observable but contractual pricing does not fall within our established SSP range, then an adjustment is required and we will allocate the transaction price between license and customer support at a constant ratio reflecting the mid-point of the established SSP range.

When two or more contracts are entered into at or near the same time with the same customer, we evaluate the facts and circumstances associated with the negotiation of those contracts. Where the contracts are negotiated as a package, we will account for them as a single arrangement and allocate the consideration for the combined contracts among the performance obligations accordingly.

#### ***Sales to resellers***

We execute certain sales contracts through resellers, distributors and channel partners (collectively referred to as resellers). Typically, we conclude that the resellers are Open Text customers in our reseller agreements. The resellers have control over the pricing, service and products prior to being transferred to the end customer. We also assess the creditworthiness of each reseller and if they are newly formed, undercapitalized or in financial difficulty, we defer any revenues expected to emanate from such reseller and recognize revenue only when cash is received, and all other revenue recognition criteria under Topic 606 are met.

#### ***Rights of return and other incentives***

We do not generally offer rights of return or any other incentives such as concessions, product rotation, or price protection and, therefore, do not provide for or make estimates of rights of return and similar incentives. However, we do offer consumers who purchase certain of our products on-line directly from us an unconditional full 70-days money-back guarantee. Distributors

and resellers are also permitted to return the consumer products, subject to certain limitations. Revenue is reduced for such rights based on the estimate of future returns originating from contractual agreements with these customers.

Additionally, in some contracts, however, discounts may be offered to the customer for future software purchases and other additional products or services. Such arrangements grant the customer an option to acquire additional goods or services in the future at a discount and therefore are evaluated under guidance related to “material rights” as discussed above.

### ***Other policies***

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days of the invoice date. In certain arrangements, we will receive payment from a customer either before or after the performance obligation to which the invoice relates has been satisfied. As a practical expedient, we do not account for significant financing components if the period between when we transfer the promised good or service to the customer and when the customer pays for the product or service will be one year or less. On that basis, our contracts for license and maintenance typically do not contain a significant financing component, however, in determining the transaction price we consider whether we need to adjust the promised consideration for the effects of the time value of money if the timing of payments provides either the customer or OpenText with a significant benefit of financing. Our managed services contracts may not include an upfront charge for outsourced professional services performed as part of an implementation and are recovered through an ongoing fee. Therefore, these contracts may be expected to have a financing component associated with revenue being recognized in advance of billings.

We may modify contracts to offer customers additional products or services. The additional products and services will be considered distinct from those products or services transferred to the customer before the modification and will be accounted for as a separate contract. We evaluate whether the price for the additional products and services reflects the SSP adjusted as appropriate for facts and circumstances applicable to that contract. In determining whether an adjustment is appropriate, we evaluate whether the incremental consideration is consistent with the prices previously paid by the customer or similar customers.

Certain of our subscription services and product support arrangements generally contain performance response time guarantees. For subscription services arrangements, we estimate variable consideration using a portfolio approach because performance penalties are tied to standard response time requirements. For product support arrangements, we estimate variable consideration on a contract basis because such arrangements are customer-specific. For both subscription services and product support arrangements, we use an expected value approach to estimate variable consideration based on historical business practices and current and future performance expectations to determine the likelihood of incurring penalties.

### ***Performance Obligations***

A summary of our typical performance obligations and when the obligations are satisfied are as follows:

<b>Performance Obligation</b>	<b>When Performance Obligation is Typically Satisfied</b>
<b>Cloud services and subscriptions revenue:</b>	
Outsourced Professional Services	As the services are provided (over time)
Managed Services / Ongoing Hosting / SaaS	Over the contract term, beginning on the date that service is made available (i.e. "Go live") to the customer (over time)
<b>Customer support revenue:</b>	
When and if available updates and upgrades and technical support	Ratable over the course of the service term (over time)
<b>License revenue:</b>	
Software licenses (Perpetual, Term, Subscription)	When software activation keys have been made available for download (point in time)
<b>Professional service and other revenue:</b>	
Professional services	As the services are provided (over time)

### ***Incremental Costs of Obtaining a Contract with a Customer***

Incremental costs of obtaining a contract include only those costs that we incur to obtain a contract that we would not have incurred if the contract had not been obtained, such as sales commissions. We have determined that certain of our commission programs meet the requirements to be capitalized. Some commission programs are not subject to capitalization as the commission expense is paid and recognized as the related revenue is recognized. In assessing costs to obtain a contract, we apply a practical expedient that allows us to assess our incremental costs on a portfolio of contracts with similar characteristics instead of assessing the incremental costs on each individual contract. We do not expect the financial statement effects of

applying this practical expedient to the portfolio of contracts to be materially different than if we were to apply the new standard to each individual contract.

We pay commissions on the sale of new customer contracts as well as for renewals of existing contracts to the extent the renewals generate incremental revenue. Commissions paid on renewal contracts are limited to the incremental new revenue and therefore these payments are not commensurate with the commission paid on the original sale. We allocate commission costs to the performance obligations in an arrangement consistent with the allocation of the transaction price. Commissions allocated to the license performance obligation are expensed at the time the license revenue is recognized. Commissions allocated to professional service performance obligations are expensed as incurred, as these contracts are generally for one year or less and we apply a practical expedient to expense costs as incurred if the amortization period would have been one year or less. Commissions allocated to maintenance, managed services, on-going hosting arrangements or other recurring services, are capitalized and amortized consistent with the pattern of transfer to the customer of the services over the period expected to benefit from the commission payment. As commissions paid on renewals are not commensurate with the original sale, the period of benefit considers anticipated renewals. The benefit period is estimated to be approximately six years which is based on our customer contracts and the estimated life of our technology.

Expenses for incremental costs associated with obtaining a contract are recorded within "Sales and marketing" expense in the Consolidated Statements of Income.

Our short-term capitalized costs to obtain a contract are included in "Prepaid expenses and other current assets", while our long-term capitalized costs to obtain a contract are included in "Other assets" on our Consolidated Balance Sheets.

### ***Research and development costs***

Research and development costs internally incurred in creating computer software to be sold, licensed or otherwise marketed are expensed as incurred unless they meet the criteria for deferral and amortization, as described in ASC Topic 985-20, "Costs of Software to be Sold, Leased, or Marketed" (Topic 985-20). In accordance with Topic 985-20, costs related to research, design and development of products are charged to expense as incurred and capitalized between the dates that the product is considered to be technologically feasible and is considered to be ready for general release to customers. In our historical experience, the dates relating to the achievement of technological feasibility and general release of the product have substantially coincided. In addition, no significant costs are incurred subsequent to the establishment of technological feasibility. As a result, we do not capitalize any research and development costs relating to internally developed software to be sold, licensed or otherwise marketed.

### ***Advertising Expenses***

Advertising costs, which include digital advertising, marketing programs and other promotional costs, are expensed as incurred. Advertising expenses incurred in Fiscal 2021, Fiscal 2020 and Fiscal 2019 were \$52.9 million, \$32.1 million and \$19.2 million, respectively.

### ***Income taxes***

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

We account for our uncertain tax provisions by using a two-step approach. The first step is to evaluate the tax position for recognition by determining if the weight of the available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit, including the resolution of related appeals or litigation processes, if any. The second step is to measure the appropriate amount of the benefit to recognize. The amount of benefit to recognize is measured as the maximum amount which is more likely than not to be realized. The tax position is derecognized when it is no longer more likely than not that the position will be sustained on audit. On subsequent recognition and measurement the maximum amount which is more likely than not to be recognized at each reporting date will represent the Company's best estimate, given the information available at the reporting date, although the outcome of the tax position is not absolute or final. We recognize both accrued interest and penalties related to liabilities for income taxes within the "Provision for (recovery of) income taxes" line of our Consolidated Statements of Income (see note 15 "Income Taxes" for more details).

### ***Equity investments***

We invest in investment funds in which we are a limited partner. Our interests in each of these investees range from 4% to below 20%. These investments are accounted for using the equity method. Our share of net income or losses based on our interest in these investments, which approximates fair value, is recorded as a component of "Other income (expense), net" in our Consolidated Statements of Income (see note 23 "Other Income (Expense), Net" for more details).

### ***Fair value of financial instruments***

Carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable and accounts payable (trade and accrued liabilities) approximates the fair value due to the relatively short period of time between origination of the instruments and their expected realization.

The fair value of our Senior Notes is determined based on observable market prices and categorized as a Level 2 measurement. The carrying value of our other long-term debt facilities approximates the fair value since the interest rate is at market.

We apply the provisions of ASC 820, "Fair Value Measurements and Disclosures", to our derivative financial instruments that we are required to carry at fair value pursuant to other accounting standards (see note 16 "Fair Value Measurement" for more details).

### ***Foreign currency***

Our Consolidated Financial Statements are presented in U.S. dollars. In general, the functional currency of our subsidiaries is the local currency. For each subsidiary, assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rates in effect at the balance sheet dates and revenues and expenses are translated at the average exchange rates prevailing during the previous month of the transaction. The effect of foreign currency translation adjustments are recorded as a component of "Accumulated other comprehensive income". Transactional foreign currency gains (losses) included in the Consolidated Statements of Income under the line item "Other income (expense), net" for Fiscal 2021, Fiscal 2020 and Fiscal 2019 were (\$1.3) million, (\$4.2) million, and (\$4.3) million, respectively.

### ***Restructuring charges***

We record restructuring charges relating to contractual lease obligations, not accounted for under Topic 842, and other exit costs in accordance with ASC Topic 420, "Exit or Disposal Cost Obligations" (Topic 420). Topic 420 requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at its fair value in the period in which the liability is incurred. In order to incur a liability pursuant to Topic 420, our management must have established and approved a plan of restructuring in sufficient detail. A liability for a cost associated with involuntary termination benefits is recorded when benefits have been communicated and a liability for a cost to terminate an operating lease or other contract is incurred, when the contract has been terminated in accordance with the contract terms or we have ceased using the right conveyed by the contract, such as vacating a leased facility not accounted for under Topic 842.

The recognition of restructuring charges requires us to make certain judgments regarding the nature, timing and amount associated with the planned restructuring activities, including estimating sub-lease income and the net recoverable amount of equipment to be disposed of. At the end of each reporting period, we evaluate the appropriateness of the remaining accrued balances (see note 18 "Special Charges (Recoveries)" for more details).

### ***Loss Contingencies***

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

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

described more fully below, we are unable at this time to estimate a possible loss or range of losses in respect of certain disclosed matters (see note 14 "Guarantees and Contingencies" for more details).

### ***Net income per share***

Basic net income per share is computed using the weighted average number of Common Shares outstanding including contingently issuable shares where the contingency has been resolved. Diluted net income per share is computed using the weighted average number of Common Shares and stock equivalents outstanding using the treasury stock method during the year. For periods in which we incur a net loss, our outstanding Common Share equivalents are not included in the calculation of diluted earnings (loss) per share as their effect is anti-dilutive. Accordingly, basic and diluted net loss per share for those periods are identical. See note 24 "Earnings Per Share" for more details.

### ***Share-based payment***

We measure share-based compensation costs, in accordance with ASC Topic 718, "Compensation - Stock Compensation" (Topic 718) on the grant date, based on the calculated fair value of the award. We have elected to treat awards with graded vesting as a single award when estimating fair value. Compensation cost is recognized on a straight-line basis over the employee requisite service period, which in our circumstances is the stated vesting period of the award, provided that total compensation cost recognized at least equals the pro-rata value of the award that has vested. Compensation cost is initially based on the estimated number of options for which the requisite service is expected to be rendered. This estimate is adjusted in the period once actual forfeitures are known (see note 13 "Share Capital, Option Plans and Share-based Payments" for more details).

### ***Accounting for Pensions, post-retirement and post-employment benefits***

Pension expense is accounted for in accordance with ASC Topic 715, "Compensation-Retirement Benefits" (Topic 715). Pension expense consists of actuarially computed costs of pension benefits in respect of the current year of service, imputed returns on plan assets (for funded plans) and imputed interest on pension obligations. The expected costs of post-retirement benefits, other than pensions, are accrued in the Consolidated Financial Statements based upon actuarial methods and assumptions.

The over-funded or under-funded status of defined benefit pension and other post-retirement plans are recognized as an asset or a liability (with the offset to "Accumulated other comprehensive income", net of tax, within "Shareholders' equity"), respectively, on the Consolidated Balance Sheets. Actuarial gains or losses in excess of 10% of the projected benefit obligation are recognized as a component of "Other Comprehensive Income (Loss), net" and subsequently amortized as a component of net periodic benefit costs over the average remaining service period of the plan's active employees. See note 12 "Pension Plans and Other Post Retirement Benefits" for more details.

### **Accounting Pronouncements Adopted in Fiscal 2021**

During Fiscal 2021, we have adopted the following ASU, in addition to those discussed in note 1 "Basis of Presentation". The ASU listed below did not have a material impact to our reported financial position, results of operations or cash flows:

- ASU No. 2018-14 "Compensation-Retirement Benefits-Defined Benefit Plans - General (Topic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans" (ASU 2018-14).

## NOTE 3—REVENUES

### *Disaggregation of Revenue*

We have four revenue streams: cloud services and subscriptions, customer support, license, and professional service and other. The following tables disaggregate our revenue by significant geographic area, based on the location of our end customer, and by type of performance obligation and timing of revenue recognition for the periods indicated:

	<b>Year Ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b><i>Total Revenues by Geography:</i></b>			
Americas <sup>(1)</sup>	\$ 2,069,083	\$ 1,903,650	\$ 1,683,282
EMEA <sup>(2)</sup>	1,031,607	942,281	920,422
Asia Pacific <sup>(3)</sup>	285,425	263,805	265,051
<b>Total revenues</b>	<b>\$ 3,386,115</b>	<b>\$ 3,109,736</b>	<b>\$ 2,868,755</b>
<b><i>Total Revenues by Type of Performance Obligation:</i></b>			
<b>Recurring revenues <sup>(4)</sup></b>			
Cloud services and subscriptions revenue	\$ 1,407,445	\$ 1,157,686	\$ 907,812
Customer support revenue	1,334,062	1,275,586	1,247,915
<b>Total recurring revenues</b>	<b>\$ 2,741,507</b>	<b>\$ 2,433,272</b>	<b>\$ 2,155,727</b>
License revenue (perpetual, term and subscriptions)	384,711	402,851	428,092
Professional service and other revenue	259,897	273,613	284,936
<b>Total revenues</b>	<b>\$ 3,386,115</b>	<b>\$ 3,109,736</b>	<b>\$ 2,868,755</b>
<b><i>Total Revenues by Timing of Revenue Recognition:</i></b>			
Point in time	\$ 384,711	\$ 402,851	\$ 428,092
Over time (including professional service and other revenue)	3,001,404	2,706,885	2,440,663
<b>Total revenues</b>	<b>\$ 3,386,115</b>	<b>\$ 3,109,736</b>	<b>\$ 2,868,755</b>

<sup>(1)</sup> Americas consists of countries in North, Central and South America.

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

<sup>(3)</sup> Asia Pacific primarily consists of Japan, Australia, China, Korea, Philippines, Singapore, India and New Zealand.

<sup>(4)</sup> Recurring revenue is defined as the sum of Cloud services and subscriptions revenue and Customer support revenue.

### *Contract Balances*

A contract asset, net of allowance for credit losses, will be recorded if we have recognized revenue but do not have an unconditional right to the related consideration from the customer. For example, this will be the case if implementation services offered in a cloud arrangement are identified as a separate performance obligation and are provided to a customer prior to us being able to bill the customer. In addition, a contract asset may arise in relation to subscription licenses if the license revenue that is recognized upfront exceeds the amount that we are able to invoice the customer at that time. Contract assets are reclassified to accounts receivable when the rights become unconditional.

The balance for our contract assets and contract liabilities (i.e. deferred revenues) for the periods indicated below were as follows:

	<b>As of June 30, 2021</b>	<b>As of June 30, 2020</b>
Short-term contract assets	\$ 25,344	\$ 29,570
Long-term contract assets	\$ 19,222	\$ 15,427
Short-term deferred revenues	\$ 852,629	\$ 812,218
Long-term deferred revenues	\$ 98,989	\$ 94,382

The difference in the opening and closing balances of our contract assets and deferred revenues primarily results from the timing difference between our performance and the customer's payments. We fulfill our obligations under a contract with a customer by transferring products and services in exchange for consideration from the customer. During the year ended June 30, 2021, we reclassified \$39.2 million (year ended June 30, 2020—\$33.0 million) of contract assets to receivables as a

result of the right to the transaction consideration becoming unconditional. During the year ended June 30, 2021, 2020 and 2019, respectively, there was no significant impairment loss recognized related to contract assets.

We recognize deferred revenue when we have received consideration or an amount of consideration is due from the customer for future obligations to transfer products or services. Our deferred revenues primarily relate to customer support agreements which have been paid for by customers prior to the performance of those services. The amount of revenue that was recognized during the year ended June 30, 2021 that was included in the deferred revenue balances at June 30, 2020 was \$811 million (year ended June 30, 2020 and 2019—\$631 million and \$617 million, respectively).

#### ***Incremental Costs of Obtaining a Contract with a Customer***

Incremental costs of obtaining a contract include only those costs that we incur to obtain a contract that we would not have incurred if the contract had not been obtained, such as sales commissions. The following table summarizes the changes in total capitalized costs to obtain a contract, since July 1, 2018:

Capitalized costs to obtain a contract as of July 1, 2018	\$	35,151
New capitalized costs incurred		24,347
Amortization of capitalized costs		(11,003)
Adjustments on account of foreign exchange		(211)
Capitalized costs to obtain a contract as of June 30, 2019		48,284
New capitalized costs incurred		29,427
Amortization of capitalized costs		(16,919)
Adjustments on account of foreign exchange		371
Capitalized costs to obtain a contract as of June 30, 2020		61,163
New capitalized costs incurred		32,202
Amortization of capitalized costs		(21,960)
Adjustments on account of foreign exchange		1,495
Capitalized costs to obtain a contract as of June 30, 2021	\$	72,900

During the year ended June 30, 2021, 2020 and 2019, respectively, there was no significant impairment loss recognized related to capitalized costs to obtain a contract. Refer to note 2 "Accounting Policies and Recent Accounting Pronouncements" and note 9 "Prepaid Expenses and Other Assets" for additional information on incremental costs of obtaining a contract.

#### ***Transaction Price Allocated to the Remaining Performance Obligations***

As of June 30, 2021, approximately \$1.4 billion of revenue is expected to be recognized from remaining performance obligations on existing contracts. We expect to recognize approximately 47% of this amount over the next 12 months and the remaining balance substantially over the next three years thereafter. We apply the practical expedient and do not disclose performance obligations that have original expected durations of one year or less.

Refer to note 2 "Accounting Policies and Recent Accounting Pronouncements" for additional information on our revenue policy.

**NOTE 4—ALLOWANCE FOR CREDIT LOSSES**

The following illustrates the activity in our allowance for credit losses on accounts receivable:

Balance as of June 30, 2018	\$	9,741
Bad debt expense		13,461
Write-off /adjustments		(6,191)
Balance as of June 30, 2019		17,011
Bad debt expense		11,461
Write-off /adjustments		(7,566)
Balance as of June 30, 2020		20,906
Adoption of Topic 326 - cumulative effect		3,025
Credit loss expense		7,132
Write-off /adjustments		(8,912)
Balance of June 30, 2021	\$	<u>22,151</u>

Included in accounts receivable are unbilled receivables in the amount of \$51.4 million as of June 30, 2021 (June 30, 2020 —\$55.2 million).

As of June 30, 2021, we have an allowance for credit losses of \$0.4 million for contract assets, as a result of the adoption of Topic 326. For additional information on contract assets please see note 3 "Revenues".

**NOTE 5—PROPERTY AND EQUIPMENT**

	As of June 30, 2021		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$ 38,541	\$ (32,500)	\$ 6,041
Office equipment	2,533	(1,244)	1,289
Computer hardware	313,946	(212,448)	101,498
Computer software	129,690	(104,654)	25,036
Capitalized software development costs	127,697	(86,466)	41,231
Leasehold improvements	106,656	(81,135)	25,521
Land and buildings	48,537	(15,558)	32,979
Total	<u>\$ 767,600</u>	<u>\$ (534,005)</u>	<u>\$ 233,595</u>

  

	As of June 30, 2020		
	Cost	Accumulated Depreciation	Net
Furniture and fixtures	\$ 39,158	\$ (28,473)	\$ 10,685
Office equipment	2,272	(1,329)	943
Computer hardware	294,745	(198,194)	96,551
Computer software	127,299	(103,057)	24,242
Capitalized software development costs	111,202	(70,015)	41,187
Leasehold improvements	111,384	(74,395)	36,989
Land and buildings	49,268	(15,310)	33,958
Total	<u>\$ 735,328</u>	<u>\$ (490,773)</u>	<u>\$ 244,555</u>



## NOTE 6—LEASES

We enter into operating leases, both domestically and internationally, for certain facilities, automobiles, data centers and equipment for use in the ordinary course of business. The duration of the majority of these leases generally ranges from 1 to 10 years, some of which include options to extend for an additional 3 to 5 years after the initial term. Additionally, the land upon which our headquarters in Waterloo, Ontario, Canada is located is leased from the University of Waterloo for a period of 49 years beginning in December 2005, with an option to renew for an additional term of 49 years. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets and we do not have any material finance leases.

### *Lease Costs and Other Information*

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

	Year Ended June 30,	
	2021	2020
Operating lease cost	\$ 63,068	\$ 68,705
Short-term lease cost	881	1,178
Variable lease cost	2,754	3,536
Sublease income	(6,469)	(6,035)
Total lease cost	<u>\$ 60,234</u>	<u>\$ 67,384</u>

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

	As of June 30, 2021	As of June 30, 2020
Weighted-average remaining lease term	6.47 years	6.18 years
Weighted-average discount rate	2.82 %	3.12 %

### *Supplemental Cash Flow Information*

The following table presents supplemental information relating to cash flows arising from lease transactions. Cash payments made for variable lease cost and short-term lease are not included in the measurement of operating lease liabilities, and, as such, are excluded from the amounts below:

	Year Ended June 30,	
	2021	2020
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 72,871	\$ 71,900
Right of use assets obtained in exchange for new operating lease liabilities <sup>(1) (2)</sup>	\$ 82,718	\$ 32,328

<sup>(1)</sup> Excludes the impact of \$60.1 million and \$2.9 million of ROU assets acquired through the acquisitions of Carbonite and XMedius, respectively, during the year ended June 30, 2020.

<sup>(2)</sup> Excludes the release of \$22.6 million of lease liabilities during the year ended June 30, 2021 relating to office space that was abandoned during the fourth quarter of Fiscal 2020 that has since been early terminated or assigned to a third party. These recoveries have been recorded in "Special charges (recoveries)" in the Consolidated Statements of Income. Please see note 18 "Special Charges (Recoveries)".

### ***Maturity of Lease Liabilities***

The following table presents the future minimum lease payments under our operating leases liabilities as of June 30, 2021:

<b>Fiscal years ending June 30,</b>	
2022	\$ 65,260
2023	57,055
2024	46,455
2025	36,987
2026	25,046
Thereafter	77,546
Total Lease payments	<u>\$ 308,349</u>
Less: Imputed interest	<u>(25,581)</u>
Total	<u>\$ 282,768</u>
Reported as:	
Current operating lease liabilities	\$ 58,315
Non-current operating lease liabilities	224,453
Total	<u>\$ 282,768</u>

Operating lease maturity amounts included in the table above do not include sublease income expected to be received under our various sublease agreements with third parties. Under the agreements initiated with third parties, we expect to receive sublease income of \$9.4 million in Fiscal 2022 and \$15.3 million thereafter.

### **NOTE 7—GOODWILL**

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets. The following table summarizes the changes in goodwill since June 30, 2019:

Balance as of June 30, 2019	\$ 3,769,908
Acquisition of XMedius (note 19)	49,633
Acquisition of Carbonite (note 19)	853,162
Acquisition of The Fax Guys (note 19)	1,951
Adjustments relating to acquisitions prior to Fiscal 2020 that had open measurement periods (note 19)	1,476
Adjustments on account of foreign exchange	<u>(3,774)</u>
Balance as of June 30, 2020	4,672,356
Adjustments relating to acquisitions prior to Fiscal 2021 that had open measurement periods (note 19)	<u>(2,002)</u>
Impact of foreign exchange rate changes	21,319
Balance as of June 30, 2021	<u>\$ 4,691,673</u>

**NOTE 8—ACQUIRED INTANGIBLE ASSETS**

	As of June 30, 2021		
	Cost	Accumulated Amortization	Net
Technology assets	\$ 1,003,730	\$ (635,965)	\$ 367,765
Customer assets	1,386,533	(567,038)	819,495
<b>Total</b>	<b>\$ 2,390,263</b>	<b>\$ (1,203,003)</b>	<b>\$ 1,187,260</b>

  

	As of June 30, 2020		
	Cost	Accumulated Amortization	Net
Technology assets	\$ 1,084,144	\$ (502,376)	\$ 581,768
Customer assets	1,434,832	(404,036)	1,030,796
<b>Total</b>	<b>\$ 2,518,976</b>	<b>\$ (906,412)</b>	<b>\$ 1,612,564</b>

Where applicable, the above balances as of June 30, 2021 have been reduced to reflect the impact of intangible assets where the gross cost has become fully amortized during the year ended June 30, 2021. The impact of this resulted in a reduction of \$85.9 million to technology assets and \$54.0 million to customer assets.

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

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

<b>Fiscal years ending June 30,</b>	
2022	\$ 398,979
2023	317,017
2024	236,042
2025	123,425
2026	79,625
2027 and thereafter	32,172
<b>Total</b>	<b>\$ 1,187,260</b>

**NOTE 9—PREPAID EXPENSES AND OTHER ASSETS****Prepaid expenses and other current assets:**

	As of June 30, 2021	As of June 30, 2020
Deposits and restricted cash	\$ 3,027	\$ 7,464
Capitalized costs to obtain a contract	22,601	18,134
Short-term prepaid expenses and other current assets	72,923	110,838
<b>Total</b>	<b>\$ 98,551</b>	<b>\$ 136,436</b>

**Other assets:**

	As of June 30, 2021	As of June 30, 2020
Deposits and restricted cash	\$ 11,577	\$ 11,612
Capitalized costs to obtain a contract	50,299	43,029
Investments	121,777	76,002
Long-term prepaid expenses and other long-term assets	25,241	23,824
<b>Total</b>	<b>\$ 208,894</b>	<b>\$ 154,467</b>

Deposits and restricted cash primarily relate to security deposits provided to landlords in accordance with facility lease agreements and cash restricted per the terms of certain contractual-based agreements.

Capitalized costs to obtain a contract relate to incremental costs of obtaining a contract, such as sales commissions, which are eligible for capitalization on contracts to the extent that such costs are expected to be recovered (see note 3 "Revenues").

Investments relate to certain investment funds in which we are a limited partner. Our interests in each of these investees range from 4% to below 20%. These investments are accounted for using the equity method. Our share of net income or losses based on our interest in these investments, which approximates fair value, is recorded as a component of Other income (expense), net in our Consolidated Statements of Income (see note 23 "Other Income (Expense), Net"). During the year ended June 30, 2021, our share of income (loss) from these investments was \$62.9 million (year ended June 30, 2020 and 2019 — \$8.7 million and \$13.7 million, respectively).

Prepaid expenses and other assets, both short-term and long-term, include advance payments on licenses that are being amortized over the applicable terms of the licenses and other miscellaneous assets.

## NOTE 10—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

### Accounts payable and accrued liabilities:

	As of June 30, 2021	As of June 30, 2020
Accounts payable—trade	\$ 57,500	\$ 41,469
Accrued salaries, incentives and commissions	214,884	155,496
Accrued liabilities	82,204	78,793
Accrued sales and other tax liabilities	31,583	50,255
Accrued interest on Senior Notes	31,161	30,761
Amounts payable in respect of restructuring and other special charges	4,396	12,185
Asset retirement obligations	1,864	4,355
Total	<u>\$ 423,592</u>	<u>\$ 373,314</u>

### Long-term accrued liabilities:

	As of June 30, 2021	As of June 30, 2020
Amounts payable in respect of restructuring and other special charges	\$ 4,359	\$ 13,768
Other accrued liabilities	10,681	8,215
Asset retirement obligations	13,790	12,972
Total	<u>\$ 28,830</u>	<u>\$ 34,955</u>

### Asset retirement obligations

We are required to return certain of our leased facilities to their original state at the conclusion of our lease. As of June 30, 2021, the present value of this obligation was \$15.7 million (June 30, 2020—\$17.3 million), with an undiscounted value of \$16.4 million (June 30, 2020—\$18.7 million).

## NOTE 11—LONG-TERM DEBT

	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>
<b>Total debt</b>		
Senior Notes 2030	\$ 900,000	\$ 900,000
Senior Notes 2028	900,000	900,000
Senior Notes 2026	850,000	850,000
Term Loan B	967,500	977,500
Revolver	—	600,000
Total principal payments due	<u>3,617,500</u>	<u>4,227,500</u>
Premium on Senior Notes 2026	4,070	4,756
Debt issuance costs	<u>(32,711)</u>	<u>(37,945)</u>
<b>Total amount outstanding</b>	<u><u>3,588,859</u></u>	<u><u>4,194,311</u></u>
Less:		
<b>Current portion of long-term debt</b>		
Term Loan B	10,000	10,000
Revolver	—	600,000
<b>Total current portion of long-term debt</b>	<u>10,000</u>	<u>610,000</u>
<b>Non-current portion of long-term debt</b>	<u><u>\$ 3,578,859</u></u>	<u><u>\$ 3,584,311</u></u>

### *Senior Unsecured Fixed Rate Notes*

#### **Senior Notes 2030**

On February 18, 2020, OpenText Holdings, Inc. a wholly-owned indirect subsidiary of the Company, issued \$900 million in aggregate principal amount of 4.125% Senior Notes due 2030 guaranteed by the Company (Senior Notes 2030) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (Securities Act), and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2030 bear interest at a rate of 4.125% per annum, payable semi-annually in arrears on February 15 and August 15, commencing on August 15, 2020. Senior Notes 2030 will mature on February 15, 2030, unless earlier redeemed, in accordance with their terms, or repurchased.

For the year ended June 30, 2021, we recorded interest expense of \$37.0 million relating to Senior Notes 2030 (year ended June 30, 2020—\$13.7 million).

#### **Senior Notes 2028**

On February 18, 2020, we issued \$900 million in aggregate principal amount of 3.875% Senior Notes due 2028 (Senior Notes 2028) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2028 bear interest at a rate of 3.875% per annum, payable semi-annually in arrears on February 15 and August 15, commencing on August 15, 2020. Senior Notes 2028 will mature on February 15, 2028, unless earlier redeemed, in accordance with their terms, or repurchased.

For the year ended June 30, 2021, we recorded interest expense of \$34.8 million relating to Senior Notes 2028 (year ended June 30, 2020—\$12.9 million).

#### **Senior Notes 2026**

On May 31, 2016, we issued \$600 million in aggregate principal amount of 5.875% Senior Notes due 2026 (Senior Notes 2026) in an unregistered offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain persons in offshore transactions pursuant to Regulation S under the Securities Act. Senior Notes 2026 bear interest at a rate of

5.875% per annum, payable semi-annually in arrears on June 1 and December 1, commencing on December 1, 2016. Senior Notes 2026 will mature on June 1, 2026, unless earlier redeemed, in accordance with their terms, or repurchased.

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

For the year ended June 30, 2021, we recorded interest expense of \$49.9 million relating to Senior Notes 2026 (year ended June 30, 2020 and 2019— \$49.9 million, respectively).

### ***Term Loan B***

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

Term Loan B has a seven year term, maturing in May 2025, and repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity. Borrowings under Term Loan B currently bear a floating rate of interest equal to 1.75% plus LIBOR. As of June 30, 2021, the outstanding balance on the Term Loan B bears an interest rate of 1.84%. For more information regarding the impact of LIBOR, see "Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against" included within Part I, Item 1A of this Annual Report on Form 10-K.

Under Term Loan B, we must maintain a "consolidated net leverage" ratio of no more than 4:1 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of June 30, 2021, our consolidated net leverage ratio was 1.5:1.

For the year ended June 30, 2021, we recorded interest expense of \$18.6 million relating to Term Loan B (year ended June 30, 2020 and 2019—\$33.3 million and \$41.1 million, respectively).

### ***Revolver***

On October 31, 2019, we amended our committed revolving credit facility (the Revolver) to increase the total commitments under the Revolver from \$450 million to \$750 million as well as to extend the maturity from May 5, 2022 to October 31, 2024. Borrowings under the Revolver are secured by a first charge over substantially all of our assets, on a pari passu basis with Term Loan B. The Revolver has no fixed repayment date prior to the end of the term. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed margin dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%. For more information regarding the impact of LIBOR, see "Stress in the global financial system may adversely affect our finances and operations in ways that may be hard to predict or to defend against" included within Part I, Item 1A of this Annual Report on Form 10-K.

During the second quarter of Fiscal 2020, we drew down \$750 million from the Revolver to partially fund the acquisition of Carbonite. In February 2020, we repaid \$750 million drawn under the Revolver with a portion of the proceeds from the Senior Notes 2030 and Senior Notes 2028. In March 2020, we drew down \$600 million from the Revolver as a preemptive measure in order to increase our cash position and preserve financial flexibility in light of uncertainty in the global markets resulting from the COVID-19 pandemic. As of June 30, 2020, the proceeds from the \$600 million draw down remained outstanding and were presented within "Cash and cash equivalents" and "Current portion of long-term debt" on the Consolidated Balance Sheets.

During the second quarter of Fiscal 2021, we repaid \$600 million previously drawn on the Revolver using cash on hand. As of June 30, 2021, we had no outstanding balance under the Revolver.

During the year ended June 30, 2021, we recorded interest expense of \$3.6 million relating to amounts previously drawn (year ended June 30, 2020 and 2019— \$7.7 million and nil, respectively).

### ***Debt Issuance Costs and Premium on Senior Notes***

Debt issuance costs relate primarily to costs incurred for the purpose of obtaining our credit facilities and issuing our Senior Notes 2026, Senior Notes 2028 and Senior Notes 2030 (collectively referred to as the Senior Notes) and are being amortized through interest expense over the respective terms of the Senior Notes and Term Loan B and the Revolver using the effective interest method.

The premium on Senior Notes 2026 represents the excess of the proceeds received over the face value of Senior Notes 2026. This premium is amortized as a reduction to interest expense over the term of Senior Notes 2026 using the effective interest method.

## NOTE 12—PENSION PLANS AND OTHER POST RETIREMENT BENEFITS

The following table provides details of our defined benefit pension plans and long-term employee benefit obligations for Open Text Document Technologies GmbH (CDT), GXS GmbH (GXS GER), GXS Philippines, Inc. (GXS PHP) and other plans as of June 30, 2021 and June 30, 2020:

	As of June 30, 2021		
	Total benefit obligation	Current portion of benefit obligation <sup>(1)</sup>	Non-current portion of benefit obligation
CDT defined benefit plan	\$ 32,865	\$ 880	\$ 31,985
GXS GER defined benefit plan	23,861	1,058	22,803
GXS PHP defined benefit plan	10,973	42	10,931
Other plans	9,594	802	8,792
Total	<u>\$ 77,293</u>	<u>\$ 2,782</u>	<u>\$ 74,511</u>

  

	As of June 30, 2020		
	Total benefit obligation	Current portion of benefit obligation <sup>(1)</sup>	Non-current portion of benefit obligation
CDT defined benefit plan	\$ 32,851	\$ 777	\$ 32,074
GXS GER defined benefit plan	24,105	943	23,162
GXS PHP defined benefit plan	10,270	115	10,155
Other plans	8,590	852	7,738
Total	<u>\$ 75,816</u>	<u>\$ 2,687</u>	<u>\$ 73,129</u>

<sup>(1)</sup> The current portion of the benefit obligation has been included within "Accrued salaries and commissions", all within "Accounts payable and accrued liabilities" in the Consolidated Balance Sheets (see note 10 "Accounts Payable and Accrued Liabilities").

### Defined Benefit Plans

#### CDT Plan

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

#### GXS GER Plan

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

#### GXS PHP Plan

As part of our acquisition of GXS in Fiscal 2014, we assumed a primarily unfunded defined benefit pension plan covering substantially all of the GXS Philippines employees which provides for retirement, disability and survivors' benefits. Benefits under the GXS PHP plan are generally based on a participant's remuneration, years of eligible service and age at retirement. The net periodic cost of this pension plan is determined using the projected unit credit method and several actuarial assumptions, the most significant of which are the discount rate and estimated service costs. Aside from an initial contribution which has a fair value of \$0.04 million as of June 30, 2021, no additional contributions have been made since the inception of the plan.

The following are the details of the change in the benefit obligation for each of the above mentioned pension plans for the periods indicated:

	As of June 30, 2021				As of June 30, 2020			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Benefit obligation—beginning of fiscal year	\$ 32,851	\$ 24,105	\$ 10,270	\$ 67,226	\$ 35,836	\$ 26,739	\$ 6,904	\$ 69,479
Service cost	473	206	1,822	2,501	572	319	1,247	2,138
Interest cost	505	364	469	1,338	459	337	368	1,164
Benefits paid	(800)	(1,027)	(19)	(1,846)	(644)	(926)	(792)	(2,362)
Actuarial (gain) loss	(1,976)	(1,118)	(1,853)	(4,947)	(3,073)	(2,083)	2,333	(2,823)
Foreign exchange (gain) loss	1,812	1,331	284	3,427	(299)	(281)	210	(370)
Benefit obligation—end of period	32,865	23,861	10,973	67,699	32,851	24,105	10,270	67,226
Less: Current portion	(880)	(1,058)	(42)	(1,980)	(777)	(943)	(115)	(1,835)
Non-current portion of benefit obligation	<u>\$ 31,985</u>	<u>\$ 22,803</u>	<u>\$ 10,931</u>	<u>\$ 65,719</u>	<u>\$ 32,074</u>	<u>\$ 23,162</u>	<u>\$ 10,155</u>	<u>\$ 65,391</u>

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

Pension expense:	Year Ended June 30,											
	2021				2020				2019			
	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total	CDT	GXS GER	GXS PHP	Total
Service cost	\$ 473	\$ 206	\$ 1,822	\$ 2,501	\$ 572	\$ 319	\$ 1,247	\$ 2,138	\$ 550	\$ 566	\$ 771	\$ 1,887
Interest cost	505	364	469	1,338	459	337	368	1,164	642	489	300	1,431
Amortization of actuarial (gains) and losses	705	113	(1)	817	939	244	(288)	895	696	130	(562)	264
Net pension expense	<u>\$ 1,683</u>	<u>\$ 683</u>	<u>\$ 2,290</u>	<u>\$ 4,656</u>	<u>\$ 1,970</u>	<u>\$ 900</u>	<u>\$ 1,327</u>	<u>\$ 4,197</u>	<u>\$ 1,888</u>	<u>\$ 1,185</u>	<u>\$ 509</u>	<u>\$ 3,582</u>

Service-related net periodic pension costs are recorded within operating expense and all other non-service related net periodic pension costs are classified under "Interest and other related expense, net" on our Consolidated Statements of Income.

In determining the fair value of the pension plan benefit obligations as of June 30, 2021 and June 30, 2020, respectively, we used the following weighted-average key assumptions:

Assumptions:	As of June 30, 2021			As of June 30, 2020		
	CDT	GXS GER	GXS PHP	CDT	GXS GER	GXS PHP
Salary increases	1.50%	1.50%	5.00%	1.75%	2.50%	6.50%
Pension increases	1.50%	1.50%	N/A	1.50%	2.00%	N/A
Discount rate	1.39%	1.39%	5.00%	1.46%	1.46%	3.50%
Normal retirement age	65-67	65-67	60	65-67	65-67	60
<b>Employee fluctuation rate:</b>						
to age 20	—%	—%	13.98%	—%	—%	12.19%
to age 25	—%	—%	7.10%	—%	—%	16.58%
to age 30	1.00%	—%	3.00%	1.00%	—%	13.97%
to age 35	0.50%	—%	2.44%	0.50%	—%	10.77%
to age 40	—%	—%	2.59%	—%	—%	7.39%
to age 45	0.50%	—%	1.15%	0.50%	—%	3.28%
to age 50	0.50%	—%	—%	0.50%	—%	—%
from age 51	1.00%	—%	—%	1.00%	—%	—%



Anticipated pension payments under the pension plans for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,		
	CDT	GXS GER	GXS PHP
2022	880	1,058	42
2023	960	1,046	356
2024	1,039	1,047	140
2025	1,086	1,071	192
2026	1,123	1,059	202
2027 to 2031	6,501	5,142	2,516
Total	\$ 11,589	\$ 10,423	\$ 3,448

### ***Other Plans***

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

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

### ***Cash Dividends***

For the year ended June 30, 2021, pursuant to the Company's dividend policy, we declared total non-cumulative dividends of \$0.7770 per Common Share in the aggregate amount of \$210.7 million, which we paid during the same period (year ended June 30, 2020 and 2019—\$0.6984 and \$0.6300 per Common Share, respectively, in the aggregate amount of \$188.7 million and \$168.9 million, respectively).

### ***Share Capital***

Our authorized share capital includes an unlimited number of Common Shares and an unlimited number of Preference Shares. No Preference Shares have been issued.

### ***Treasury Stock***

From time to time we may provide funds to an independent agent to facilitate repurchases of our Common Shares in connection with the settlement of awards under the Long-Term Incentive Plans (LTIP) or other plans.

During the year ended June 30, 2021, we repurchased 1,455,088 of our Common Shares on the open market, at a cost of \$64.8 million for potential reissuance under our LTIP or other plans, described below (year ended June 30, 2020 and 2019—300,000 and 726,059 Common Shares, respectively, at a cost of \$12.4 million and \$26.5 million, respectively).

During the year ended June 30, 2021, we reissued 509,721 Common Shares from treasury stock in connection with the settlement of awards and other plans (year ended June 30, 2020 and 2019—480,574 and 613,524 Common Shares, respectively).

### ***Share Repurchase Plan***

On November 5, 2020, the Board authorized a share repurchase plan (Repurchase Plan), pursuant to which we may purchase in open market transactions, from time to time over the 12 month period commencing November 12, 2020, up to an aggregate of \$350 million of our Common Shares.

During the year ended June 30, 2021, we repurchased and cancelled 2,500,000 Common Shares for \$119.1 million under the Repurchase Plan.

## Share-Based Payments

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

	Year Ended June 30,		
	2021	2020	2019
Stock options	\$ 15,639	\$ 9,779	\$ 10,232
Performance Share Units (issued under LTIP)	9,898	5,997	3,461
Restricted Share Units (issued under LTIP)	7,358	5,943	5,917
Restricted Share Units (other)	10,561	174	175
Deferred Share Units (directors)	3,396	3,345	3,133
Employee Stock Purchase Plan	5,117	4,294	3,852
Total share-based compensation expense	<u>\$ 51,969</u>	<u>\$ 29,532</u>	<u>\$ 26,770</u>

## Option Plans

A summary of stock options outstanding under our 2004 Stock Option Plan is set forth below. All numbers shown in the chart below have been adjusted, where applicable, to account for the two-for-one stock splits that occurred on October 22, 2003, February 18, 2014 and January 24, 2017.

2004 Stock Option Plan	
Date of inception	Oct-04
Eligibility	Eligible employees, as determined by the Board of Directors
Options granted to date	38,348,857
Options exercised to date	(20,798,129)
Options cancelled to date	(9,437,154)
Options outstanding	8,113,574
Termination grace periods	Immediately “for cause”; 90 days for any other reason; 180 days due to death
Vesting schedule	25% per year, unless otherwise specified
Exercise price range	\$22.68 - \$48.74
Expiration dates	8/1/2021 - 5/10/2028

## Summary of Outstanding Stock Options

The following table summarizes information regarding stock options outstanding at June 30, 2021:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of options Outstanding as of June 30, 2021	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of options Exercisable as of June 30, 2021	Weighted Average Exercise Price
\$ 22.68 – \$ 33.06	1,102,966	2.38	\$ 30.61	943,933	\$ 30.27
33.07 – 34.60	712,037	3.14	34.16	507,976	34.09
34.61 – 38.30	874,882	4.90	36.72	358,255	36.10
38.31 – 39.02	634,760	5.10	38.76	144,703	38.76
39.03 – 39.98	704,352	4.21	39.34	312,972	39.34
39.99 – 43.22	821,355	5.35	40.74	176,519	40.46
43.23 – 45.40	538,625	5.60	44.99	123,125	44.99
45.41 – 46.88	2,382,097	6.11	45.81	—	—
46.89 – 48.34	200,000	6.86	47.94	—	—
48.35 – 48.74	142,500	6.61	48.74	—	—
<u>\$ 22.68 – \$ 48.74</u>	<u>8,113,574</u>	<u>4.88</u>	<u>\$ 40.16</u>	<u>2,567,483</u>	<u>\$ 34.83</u>

As of June 30, 2021, an aggregate of 8,113,574 options to purchase Common Shares were outstanding and an additional 11,251,577 options to purchase Common Shares were available for issuance under our stock option plans. Our stock options

generally vest over four years and expire between seven and ten years from the date of the grant. Currently we also have options outstanding that vest over five years, as well as options outstanding that vest based on meeting certain market conditions. The exercise price of all our options is set at an amount that is not less than the closing price of our Common Shares on the NASDAQ on the trading day immediately preceding the applicable grant date.

A summary of activity under our stock option plans for the year ended June 30, 2021 and 2020 are as follows:

	Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (\$'000's)
Outstanding at June 30, 2020	7,429,537	\$ 36.18	4.78	\$ 49,574
Granted	3,208,209	45.77		
Exercised	(1,605,134)	30.88		
Forfeited or expired	(919,038)	43.75		
Outstanding at June 30, 2021	<u>8,113,574</u>	<u>\$ 40.16</u>	<u>4.88</u>	<u>\$ 86,297</u>
Exercisable at June 30, 2021	<u>2,567,483</u>	<u>\$ 34.83</u>	<u>3.47</u>	<u>\$ 41,005</u>

We estimate the fair value of stock options using the Black-Scholes option-pricing model or, where appropriate, the Monte Carlo pricing model, consistent with the provisions of ASC Topic 718, "Compensation—Stock Compensation" (Topic 718) and SEC Staff Accounting Bulletin No. 107. The option-pricing models require input of subjective assumptions, including the estimated life of the option and the expected volatility of the underlying stock over the estimated life of the option. We use historical volatility as a basis for projecting the expected volatility of the underlying stock and estimate the expected life of our stock options based upon historical data.

We believe that the valuation techniques and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair value of our stock option grants. Estimates of fair value are not intended, however, to predict actual future events or the value ultimately realized by employees who receive equity awards.

For the periods indicated, the weighted-average fair value of options and weighted-average assumptions estimated under the Black-Scholes option-pricing model were as follows:

	Year Ended June 30,		
	2021	2020	2019
Weighted-average fair value of options granted	\$ 8.45	\$ 6.88	\$ 8.39
<b>Weighted-average assumptions used:</b>			
Expected volatility	26.26 %	22.63 %	25.72 %
Risk-free interest rate	0.24 %	1.30 %	2.57 %
Expected dividend yield	1.55 %	1.64 %	1.54 %
Expected life (in years)	4.59	4.12	4.44
Forfeiture rate (based on historical rates)	7 %	7 %	6 %
Average exercise share price	\$ 45.76	\$ 41.81	\$ 38.81

For the periods in which performance options were granted, as indicated, the weighted-average fair value of performance options and weighted-average assumptions estimated under the Monte Carlo pricing model were as follows:

	<u>Year Ended June 30,</u>	
	<u>2021</u>	
Weighted-average fair value of options granted	\$	10.18
Derived service period (in years)		1.80
<b>Weighted-average assumptions used:</b>		
Expected volatility		28.00 %
Risk-free interest rate		0.42 %
Expected dividend yield		1.70 %
Average exercise share price	\$	45.81

During the year ended June 30, 2021, we granted 750,000 performance options, which are included in the summary of stock option plan activity above. There were no performance options granted during the year ended June 30, 2020 and 2019, respectively.

As of June 30, 2021, the total compensation cost related to the unvested stock option awards not yet recognized was \$38.7 million, which will be recognized over a weighted-average period of 2.8 years.

No cash was used by us to settle equity instruments granted under share-based compensation arrangements in any of the periods presented.

We have not capitalized any share-based compensation costs as part of the cost of an asset in any of the periods presented.

The aggregate intrinsic value of options exercised during the year ended June 30, 2021 was \$25.0 million (year ended June 30, 2020 and 2019—\$26.6 million and \$21.0 million, respectively).

For the year ended June 30, 2021, cash in the amount of \$49.6 million was received as the result of the exercise of options granted under share-based payment arrangements (year ended June 30, 2020 and 2019—\$41.3 million and \$35.6 million, respectively).

The tax benefit realized by us during the year ended June 30, 2021 from the exercise of options eligible for a tax deduction was \$2.3 million (year ended June 30, 2020 and 2019—\$1.9 million and \$2.9 million, respectively).

### ***Long-Term Incentive Plans***

We incentivize certain eligible employees, in part, with long-term compensation pursuant to our LTIP. The LTIP is a rolling three year program that grants eligible employees a certain number of target Performance Share Units (PSUs) and/or Restricted Share Units (RSUs). Target PSUs become vested upon the achievement of certain financial and/or operational performance criteria (the Performance Conditions) that are determined at the time of the grant. Target RSUs become vested when an eligible employee remains employed throughout the vesting period.

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

As of June 30, 2021, the total expected compensation cost related to the unvested LTIP awards not yet recognized was \$28.8 million, which is expected to be recognized over a weighted average period of 1.8 years.

LTIP grants that have recently vested, or have yet to vest, are described below. LTIP grants are referred to in this Annual Report on Form 10-K based upon the year in which the grants are expected to vest.

#### *LTIP 2020*

Grants made in Fiscal 2018 under the LTIP (collectively referred to as LTIP 2020), consisting of PSUs and RSUs, took effect in Fiscal 2018 starting on August 7, 2017. We settled the LTIP 2020 awards by issuing 292,401 Common Shares from treasury stock during the second quarter of Fiscal 2021, with a cost of \$11.2 million.

### *LTIP 2021*

Grants made in Fiscal 2019 under the LTIP (collectively referred to as LTIP 2021), consisting of PSUs and RSUs, took effect in Fiscal 2019 starting on August 6, 2018. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the LTIP 2021. We expect to settle the LTIP 2021 awards in stock.

### *LTIP 2022*

Grants made in Fiscal 2020 under the LTIP (collectively referred to as LTIP 2022), consisting of PSUs and RSUs, took effect in Fiscal 2020 starting on August 5, 2019. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the LTIP 2022. We expect to settle the LTIP 2022 awards in stock.

### *LTIP 2023*

Grants made in Fiscal 2021 under the LTIP (collectively referred to as LTIP 2023), consisting of PSUs and RSUs, took effect in Fiscal 2021 starting on August 10, 2020. The Performance Conditions for vesting of the PSUs are based solely upon market conditions. The RSUs are employee service-based awards and vest over the life of the LTIP 2023. We expect to settle the LTIP 2023 awards in stock.

### ***Restricted Share Units (RSUs)***

During the year ended June 30, 2021, we granted 484,956 RSUs to employees in accordance with employment and other non-LTIP related agreements (year ended June 30, 2020 and 2019—15,000 RSUs and nil, respectively). RSUs vest over a specified contract date, typically three years from the respective date of grants.

As of June 30, 2021, the total expected compensation cost related to the unvested RSU awards not yet recognized was \$9.0 million, which is expected to be recognized over a weighted average period of 2.1 years. We expect to settle RSU awards in stock.

During the year ended June 30, 2021, we did not issue any Common Shares from treasury stock in connection with the settlement of vested RSUs (year ended June 30, 2020 and 2019—3,334 and 22,627 Common Shares, respectively, with a cost of \$0.1 million and \$0.7 million, respectively).

### ***Deferred Share Units (DSUs)***

During the year ended June 30, 2021, we granted 85,428 DSUs, respectively, to certain non-employee directors (year ended June 30, 2020 and 2019—82,733 and 100,271 DSUs, respectively). The DSUs were issued under our Deferred Share Unit Plan. DSUs granted as compensation for director fees vest immediately, whereas all other DSUs granted vest at our next annual general meeting following the granting of the DSUs. No DSUs are payable by us until the director ceases to be a member of the Board.

During the year ended June 30, 2021, we issued 23,640 Common Shares from treasury stock, at a cost of \$1.1 million, in connection with the settlement of vested DSUs (year ended June 30, 2020 and 2019—nil and 51,794 Common Shares, respectively, with a cost of nil and \$2.0 million respectively).

### ***Employee Stock Purchase Plan (ESPP)***

Our ESPP offers employees a purchase price discount of 15%.

During the year ended June 30, 2021, 769,031 Common Shares were eligible for issuance to employees enrolled in the ESPP (year ended June 30, 2020 and 2019—742,961 and 696,091 Common Shares, respectively).

During the year ended June 30, 2021, cash in the amount of \$30.5 million was received from employees relating to the ESPP (year ended June 30, 2020 and 2019 —\$25.3 million and \$22.2 million, respectively).

## NOTE 14—GUARANTEES AND CONTINGENCIES

We have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

	Payments due between				
	Total	July 1, 2021 - June 30, 2022	July 1, 2022 - June 30, 2024	July 1, 2024 - June 30, 2026	July 1, 2026 and beyond
Long-term debt obligations <sup>(1)</sup>	\$ 4,514,954	\$ 149,942	\$ 299,371	\$ 2,047,391	\$ 2,018,250
Purchase obligations for contracts not accounted for as lease obligations <sup>(2)</sup>	70,646	42,887	27,759	—	—
	<u>\$ 4,585,600</u>	<u>\$ 192,829</u>	<u>\$ 327,130</u>	<u>\$ 2,047,391</u>	<u>\$ 2,018,250</u>

<sup>(1)</sup> Includes interest up to maturity and principal payments. Please see note 11 "Long-Term Debt" for more details.

<sup>(2)</sup> For contractual obligations relating to leases and purchase obligations accounted for under Topic 842, please see note 6 "Leases".

### Guarantees and Indemnifications

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

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

### Litigation

We are currently involved in various claims and legal proceedings.

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

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

### Contingencies

#### *IRS Matter*

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

We previously disclosed that, as part of these examinations, on July 17, 2015 we received from the IRS an initial Notice of Proposed Adjustment (NOPA) in draft form, for Fiscal 2010 (the 2010 NOPA), and on July 11, 2018, we also received, consistent with previously disclosed expectations, a draft NOPA for Fiscal 2012 (the 2012 NOPA).

On January 7, 2019, we received from the IRS official notification of proposed adjustments to our taxable income for Fiscal 2010 and Fiscal 2012, together with the 2010 NOPA and 2012 NOPA in final form.

As of December 31, 2020, our estimated potential aggregate liability, as originally proposed by the IRS under the 2010 NOPA and the 2012 NOPA, including additional state income taxes plus penalties and continually accruing interest that may be due, would have been approximately \$830 million, comprised of approximately \$430 million in U.S. federal and state taxes, approximately \$130 million of penalties, and approximately \$270 million of interest.

As previously disclosed, we disagree with the IRS' positions and have been vigorously contesting the proposed adjustments to our taxable income, along with the proposed penalties and interest.

On December 21, 2020, we entered into a closing agreement with the IRS resolving all of the proposed adjustments to our taxable income for Fiscal 2010 and Fiscal 2012 (the IRS Settlement).

The IRS Settlement resulted in charges of \$300.5 million during the year ended June 30, 2021 to "Provision for (recovery of) income taxes". In connection with the IRS Settlement, during the year ended June 30, 2021, we made aggregate payments to the IRS of \$288.6 million in U.S. federal taxes and interest and \$11.0 million of certain associated state tax and interest payments. As of June 30, 2021, the outstanding settlement amount of approximately \$0.9 million is recorded within "Income taxes payable" in our Consolidated Balance Sheets. Interest at the applicable statutory rates will continue to accrue until the time of payment. The IRS Settlement also eliminates approximately \$90 million in future withholding taxes that we had expected to incur over the next 10 years.

We believe the IRS Settlement to be in the best interest of all stakeholders, as it closes all past, present and future items related to this matter. The IRS Settlement provides finality to this longstanding matter.

For additional information regarding the history of this IRS matter, please see note 14 "Guarantees and Contingencies" in our Annual Report on Form 10-K for Fiscal 2020.

#### *CRA Matter*

As part of its ongoing audit of our Canadian tax returns, the Canada Revenue Agency (CRA) has disputed our transfer pricing methodology used for certain intercompany transactions with our international subsidiaries and has issued notices of reassessment for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016. Assuming the utilization of available tax attributes (further described below), we estimate our potential aggregate liability, as of June 30, 2021, in connection with the CRA's reassessments for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016, to be limited to penalties, interest and provincial taxes that may be due of approximately \$74 million. As of June 30, 2021, we have provisionally paid approximately \$28 million in order to fully preserve our rights to object to the CRA's audit positions, being the minimum payment required under Canadian legislation while the matter is in dispute. This amount is recorded within "Long-term income taxes recoverable" on the Consolidated Balance Sheets as of June 30, 2021.

The notices of reassessment for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016 would, as drafted, increase our taxable income by approximately \$90 million to \$100 million for each of those years, as well as impose a 10% penalty on the proposed adjustment to income. Audits by the CRA of our tax returns for fiscal years prior to Fiscal 2012 have been completed with no reassessment of our income tax liability.

We strongly disagree with the CRA's positions and believe the reassessments of Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016 (including any penalties) are without merit. We have filed notices of objection for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016. We are currently seeking competent authority consideration under applicable international treaties in respect of these reassessments.

Even if we are unsuccessful in challenging the CRA's reassessments to increase our taxable income for Fiscal 2012, Fiscal 2013, Fiscal 2014, Fiscal 2015 and Fiscal 2016, we have elective deductions available for those years (including carry-backs from later years) that would offset such increased amounts so that no additional cash tax would be payable, exclusive of any assessed penalties and interest, as described above.

The CRA is also currently auditing Fiscal 2017 on a basis that we strongly disagree with and will vigorously contest. The focus of the CRA audit has been the valuation of certain intellectual property and goodwill when one of our subsidiaries continued into Canada from Luxembourg in July 2016. In accordance with applicable rules, these assets were recognized for tax purposes at fair market value as of that time, which value was supported by an expert valuation prepared by an independent leading accounting and advisory firm. In conjunction with the Fiscal 2017 audit, the CRA issued a proposal letter dated April 7, 2021 (Proposal Letter) indicating to us that it proposes to reassess our Fiscal 2017 tax year to reduce the depreciable basis of these assets. We are currently engaged in dialogue with the CRA regarding the 2017 audit and expect to be making extensive submissions in support of our position shortly. CRA's currently-proposed position for Fiscal 2017 relies in significant part on the application of its positions regarding our transfer pricing methodology that are the basis for its reassessment of our fiscal years 2012 to 2016 described above, and that we believe are without merit. Other aspects of CRA's currently-proposed position

for Fiscal 2017 conflict with the expert valuation prepared by the independent leading accounting and advisory firm that was used to support our original filing position. If the CRA determines to issue a notice of reassessment in respect of Fiscal 2017 on the basis of its position set forth in the Proposal Letter and we are ultimately unsuccessful in defending our position, the estimated impact of the proposed adjustment could result in us recording an income tax expense, with no immediate cash payment, to reduce the stated value of our deferred tax assets of up to approximately \$470 million. Any such income tax expense could also have a corresponding cash tax impact that would primarily occur over a period of several future years based upon annual income realization in Canada. We strongly disagree with the CRA's position for Fiscal 2017 and intend to vigorously defend our original filing position.

We will continue to vigorously contest the proposed adjustments to our taxable income and any penalty and interest assessments, as well as any proposed reduction to the basis of our depreciable property. We are confident that our original tax filing positions were appropriate. Accordingly, as of the date of this Annual Report on Form 10-K, we have not recorded any accruals in respect of these reassessments or proposed reassessment in our Consolidated Financial Statements. The CRA has also advised us that they are currently in preliminary stages of auditing Fiscal 2018 and Fiscal 2019.

### *Carbonite Class Action Complaint*

On August 1, 2019, prior to our acquisition of Carbonite, a purported stockholder of Carbonite filed a putative class action complaint against Carbonite, its former Chief Executive Officer, Mohamad S. Ali, and its former Chief Financial Officer, Anthony Folger, in the United States District Court for the District of Massachusetts captioned *Ruben A. Luna, Individually and on Behalf of All Others Similarly Situated v. Carbonite, Inc., Mohamad S. Ali, and Anthony Folger* (No. 1:19-cv-11662-LTS). The complaint alleges violations of the federal securities laws under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated thereunder. The complaint generally alleges that the defendants made materially false and misleading statements in connection with Carbonite's Server Backup VM Edition, and seeks, among other things, the designation of the action as a class action, an award of unspecified compensatory damages, costs and expenses, including counsel fees and expert fees, and other relief as the court deems appropriate. On August 23, 2019, a nearly identical complaint was filed in the same court captioned *William Feng, Individually and on Behalf of All Others Similarly Situated v. Carbonite, Inc., Mohamad S. Ali, and Anthony Folger* (No. 1:19-cv-11808-LTS) (together with the Luna Complaint, the "Securities Actions"). On November 21, 2019, the court consolidated the Securities Actions, appointed a lead plaintiff, and designated a lead counsel. On January 15, 2020, the lead plaintiff filed a consolidated amended complaint generally making the same allegations and seeking the same relief as the complaint filed on August 1, 2019. The defendants moved to dismiss the Securities Actions on March 10, 2020. The motion was fully briefed in June 2020 and a hearing on the motion to dismiss the Securities Actions was held on October 15, 2020. Following the hearing, on October 22, 2020, the court granted with prejudice the defendants' motion to dismiss the Securities Actions. On November 20, 2020, the lead plaintiff filed a notice of appeal to the Court of Appeals for the First Circuit. The appeal has been fully briefed and oral arguments before the Court of Appeals for the First Circuit were held on July 29, 2021. The court's decision on the appeal is expected in the coming months and the defendants remain confident in the District Court's dismissal with prejudice of the Securities Actions.

### *Carbonite vs Realtime Data*

On February 27, 2017, prior to our acquisition of Carbonite, a non-practicing entity named Realtime Data LLC (Realtime Data) filed a lawsuit against Carbonite in the U.S. District Court for the Eastern District of Texas "*Realtime Data LLC v. Carbonite, Inc. et al* (No 6:17-cv-00121-RWS-JDL)", alleging that certain of Carbonite's cloud storage services infringe upon certain patents held by Realtime Data. Realtime Data's complaint against Carbonite sought damages in an unspecified amount and injunctive relief. On December 19, 2017, the U.S. District Court for the Eastern District of Texas transferred the case to the U.S District Court for the District of Massachusetts (No. 1:17-cv-12499). Realtime Data has also filed numerous other patent suits on the asserted patents against other companies around the country. In one of those suits, filed in the U.S. District Court for the District of Delaware, the Delaware Court on July 29, 2019 dismissed the lawsuit after declaring invalid three of the four patents asserted by Realtime Data against Carbonite; that decision was appealed to the U.S. Court of Appeals for the Federal Circuit. By way of Order dated August 19, 2019, the U.S. District Court for the District of Massachusetts stayed the action against Carbonite pending the aforementioned appeal of the dismissal in the Delaware lawsuit. On October 23, 2020, the Appeals Court vacated and remanded the Delaware Court's decision. Following the Appeals Court's decision, the Massachusetts District Court lifted the stay on the action against Carbonite. On January 21, 2021, the Court held a hearing to construe the claims of the asserted patents. As to the fourth patent asserted against Carbonite, the U.S. Patent & Trademark Office Patent Trial and Appeal Board on September 24, 2019 invalidated certain claims of that patent, including certain claims that had been asserted against Carbonite, and the parties jointly stipulated to dismiss the patent from the action. No trial date has been set in the action against Carbonite. We are vigorously defending the matter. We have not accrued a loss contingency related to this matter because litigation related to a non-practicing entity is inherently unpredictable. Although a loss is reasonably possible, an unfavorable outcome is not considered by management to be probable at this time and we remain unable to reasonably estimate a possible loss or range of loss associated with this litigation.



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

## NOTE 15—INCOME TAXES

Our effective tax rate represents the net effect of the mix of income earned in various tax jurisdictions that are subject to a wide range of income tax rates.

The effective tax rate increased to a provision of 52.2% for the year ended June 30, 2021, compared to a provision of 32.1% for the year ended June 30, 2020. Tax expense increased by \$229.1 million from \$110.8 million during the year ended June 30, 2020 to \$339.9 million during the year ended June 30, 2021. This was primarily due to (i) an increase of \$300.5 million relating to the IRS Settlement, (ii) an increase of \$76.4 million relating to higher net income including the impact of foreign rates and (iii) an increase of \$7.0 million related to the one-time benefit from the US CARES Act in Fiscal 2020 that did not recur in Fiscal 2021. These were partially offset by (i) a decrease of \$66.9 million for changes in unrecognized tax benefits, (ii) a decrease of \$34.1 million related to tax benefits of internal reorganizations that occurred in Fiscal 2021 (iii) a decrease of \$33.2 million related to the US Base Erosion Anti-Abuse Tax (US BEAT), (iv) a decrease of \$5.7 million for net changes in valuation allowance, (v) a decrease of \$3.1 million related to permanent differences and (vi) a decrease of \$3.1 million related to differences in tax filings being higher than estimates. The remainder of the difference was due to normal course movements and non-material items.

A reconciliation of the combined Canadian federal and provincial income tax rate with our effective income tax rate is as follows:

	Year Ended June 30,		
	2021	2020	2019
Expected statutory rate	26.50 %	26.50 %	26.50 %
Expected provision for income taxes	\$ 172,454	\$ 91,479	\$ 116,752
Effect of foreign tax rate differences	(4,309)	218	(1,344)
Change in valuation allowance	(5,900)	(222)	(5,045)
Effect of permanent differences	(1,885)	1,215	(577)
Effect of changes in unrecognized tax benefits	(86,170)	(19,284)	31,992
Effect of withholding taxes	8,500	8,036	2,097
Difference in tax filings from provision	(2,162)	933	(250)
Effect of tax credits for research and development	(16,086)	(14,947)	(13,550)
Effect of accrual for undistributed earnings	3,209	4,233	(13,112)
Effect of US BEAT	7,967	41,207	16,030
Effect of CARES Act	—	(7,009)	—
Effect of IRS Settlement	300,460	—	—
Impact of internal reorganization of subsidiaries	(33,676)	451	16,471
Other Items	(2,496)	4,527	5,473
	<u>\$ 339,906</u>	<u>\$ 110,837</u>	<u>\$ 154,937</u>

The following is a geographical breakdown of income before the provision for income taxes:

	Year Ended June 30,		
	2021	2020	2019
Domestic income (loss)	\$ 462,315	\$ 241,862	\$ 269,331
Foreign income	188,455	103,343	171,243
Income before income taxes	<u>\$ 650,770</u>	<u>\$ 345,205</u>	<u>\$ 440,574</u>

The provision for (recovery of) income taxes consisted of the following:

	Year Ended June 30,		
	2021	2020	2019
<b>Current income taxes (recoveries):</b>			
Domestic	\$ 310,615	\$ 12,547	\$ 7,862
Foreign	(43,748)	46,902	99,650
	<u>266,867</u>	<u>59,449</u>	<u>107,512</u>
<b>Deferred income taxes (recoveries):</b>			
Domestic	111,232	68,580	52,889
Foreign	(38,193)	(17,192)	(5,464)
	<u>73,039</u>	<u>51,388</u>	<u>47,425</u>
<b>Provision for (recovery of) income taxes</b>	<b><u>\$ 339,906</u></b>	<b><u>\$ 110,837</u></b>	<b><u>\$ 154,937</u></b>

As of June 30, 2021, we have \$305.7 million of domestic non-capital loss carryforwards. In addition, we have \$413.0 million of foreign non-capital loss carryforwards of which \$73.1 million have no expiry date. The remainder of the domestic and foreign losses expire between 2022 and 2039. In addition, investment tax credits of \$59.3 million will expire between 2022 and 2041.

The primary components of the deferred tax assets and liabilities are as follows, for the periods indicated below:

	As of June 30,	
	2021	2020
<b>Deferred tax assets</b>		
Non-capital loss carryforwards	\$ 174,486	\$ 208,248
Capital loss carryforwards	5,570	152
Undeducted scientific research and development expenses	197,791	160,354
Depreciation and amortization	391,974	415,516
Restructuring costs and other reserves	24,919	21,999
Deferred revenue	11,388	60,026
Other	73,236	76,031
Total deferred tax asset	<u>\$ 879,364</u>	<u>\$ 942,326</u>
Valuation allowance	\$ (72,888)	\$ (81,810)
<b>Deferred tax liabilities</b>		
Scientific research and development tax credits	\$ (15,080)	\$ (14,361)
Other	(102,882)	(83,328)
Deferred tax liabilities	<u>\$ (117,962)</u>	<u>\$ (97,689)</u>
Net deferred tax asset	<u>\$ 688,514</u>	<u>\$ 762,827</u>
<b>Comprised of:</b>		
Long-term assets	796,738	911,565
Long-term liabilities	(108,224)	(148,738)
	<u>\$ 688,514</u>	<u>\$ 762,827</u>

We believe that sufficient uncertainty exists regarding the realization of certain deferred tax assets that a valuation allowance is required. We continue to evaluate our taxable position quarterly and consider factors by taxing jurisdiction, including but not limited to factors such as estimated taxable income, any historical experience of losses for tax purposes and the future growth of OpenText.

The aggregate changes in the balance of our gross unrecognized tax benefits (including interest and penalties) were as follows:

Unrecognized tax benefits as of June 30, 2019	\$	209,242
Increases on account of current year positions		7,296
Increases on account of prior year positions		17,853
Decreases due to settlements with tax authorities		(20,457)
Decreases due to lapses of statutes of limitations		(18,853)
Unrecognized tax benefits as of June 30, 2020	\$	195,081
Increases on account of current year positions		1,279
Increases on account of prior year positions		773
Decreases due to settlements with tax authorities		(158,070)
Decreases due to lapses of statutes of limitations		(2,314)
Unrecognized tax benefits as of June 30, 2021	\$	36,749

Included in the above tabular reconciliation are unrecognized tax benefits of \$6.7 million relating to deferred tax assets in jurisdictions in which these deferred tax assets are offset with valuation allowances. The net unrecognized tax benefit excluding these deferred tax assets is \$29.9 million as of June 30, 2021 (June 30, 2020—\$180.0 million).

We recognize interest expense and penalties related to income tax matters in income tax expense. For the year ended June 30, 2021, 2020 and 2019, respectively, we recognized the following amounts as income tax-related interest expense and penalties:

	Year Ended June 30,		
	2021	2020	2019
Interest expense (recoveries)	\$ 44,657	\$ 5,764	\$ 10,512
Penalties expense (recoveries)	1,125	327	945
Total	\$ 45,782	\$ 6,091	\$ 11,457

The following amounts have been accrued on account of income tax-related interest expense and penalties:

	As of June 30, 2021	As of June 30, 2020
Interest expense accrued <sup>(1)</sup>	\$ 5,166	\$ 70,364
Penalties accrued <sup>(1)</sup>	\$ 2,605	\$ 2,620

<sup>(1)</sup> These balances are primarily included within "Long-term income taxes payable" within the Consolidated Balance Sheets.

We believe that it is reasonably possible that the gross unrecognized tax benefits, as of June 30, 2021, could decrease tax expense in the next 12 months by \$3.8 million, relating primarily to the expiration of competent authority relief and tax years becoming statute barred for purposes of future tax examinations by local taxing jurisdictions.

Our four most significant tax jurisdictions are Canada, the United States, Luxembourg and Germany. Our tax filings remain subject to audits by applicable tax authorities for a certain length of time following the tax year to which those filings relate. The earliest fiscal years open for examination are 2012 for Germany, 2010 for the United States, 2015 for Luxembourg, and 2012 for Canada.

We are subject to tax audits in all major taxing jurisdictions in which we operate and currently have tax audits open in Canada, the United States, Germany, India, Austria, Italy, France, and the Philippines. On a quarterly basis we assess the status of these examinations and the potential for adverse outcomes to determine the adequacy of the provision for income and other taxes. Statements regarding the United States and Canada audits are included in note 14 "Guarantees and Contingencies".

The timing of the resolution of income tax audits is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ from the amounts accrued. It is reasonably possible that within the next 12 months we will receive additional assessments by various tax authorities or possibly reach resolution of income tax audits in one or more jurisdictions. These assessments or settlements may or may not result in changes to our contingencies related to positions on tax filings. The actual amount of any change could vary significantly depending on the ultimate timing and nature of any settlements. We cannot currently provide an estimate of the range of possible outcomes. For more information relating to certain tax audits, please refer to note 14 "Guarantees and Contingencies".

On December 21, 2020, we entered into a closing agreement with the IRS resolving all of the proposed adjustments to our taxable income for Fiscal 2010 and Fiscal 2012. As a result, we recorded charges of \$300.5 million during the year ended June 30, 2021 to "Provision for (recovery of) income taxes". The IRS Settlement also eliminates approximately \$90 million in future withholding taxes that we had expected to incur over the next 10 years. We believe the IRS Settlement to be in the best interest of all stakeholders, as it closes all past, present and future items related to this matter. The IRS Settlement provides finality to this longstanding matter. During the year ended June 30, 2021, we made payments of \$299.6 million associated with the IRS Settlement. As of June 30, 2021, the outstanding settlement amount of approximately \$0.9 million is recorded within "Income taxes payable" in our Consolidated Balance Sheets. Please refer to note 14 "Guarantees and Contingencies" for additional details.

As of June 30, 2021, we have recognized a provision of \$27.5 million (June 30, 2020—\$24.8 million) in respect of both additional foreign taxes or deferred income tax liabilities for temporary differences related to the undistributed earnings of certain non-United States subsidiaries and planned periodic repatriations from certain German subsidiaries, that will be subject to withholding taxes upon distribution. We have not provided for additional foreign withholding taxes or deferred income tax liabilities related to undistributed earnings of all other non-Canadian subsidiaries, since such earnings are considered permanently invested in those subsidiaries or are not subject to withholding taxes. It is not practicable to reasonably estimate the amount of additional deferred income tax liabilities or foreign withholding taxes that may be payable should these earnings be distributed in the future.

#### **NOTE 16—FAIR VALUE MEASUREMENT**

ASC Topic 820 "Fair Value Measurement" (Topic 820) defines fair value, establishes a framework for measuring fair value, and addresses disclosure requirements for fair value measurements. Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value, in this context, should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk, including our own credit risk.

In addition to defining fair value and addressing disclosure requirements, Topic 820 establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which are determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

*Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis:*

Our financial assets and liabilities measured at fair value on a recurring basis consisted of the following types of instruments as of June 30, 2021 and June 30, 2020:

	June 30, 2021				June 30, 2020			
	June 30, 2021	Fair Market Measurements using:			June 30, 2020	Fair Market Measurements using:		
Quoted prices in active markets for identical assets/ (liabilities) (Level 1)		Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Quoted prices in active markets for identical assets/ (liabilities) (Level 1)		Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Financial Assets:</b>								
Foreign currency forward contracts designated as cash flow hedges (note 17)	\$ 1,131	\$ —	\$ 1,131	\$ —	\$ —	\$ —	\$ —	\$ —
Total	\$ 1,131	\$ —	\$ 1,131	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Financial Liabilities:</b>								
Foreign currency forward contracts designated as cash flow hedges (note 17)	\$ —	\$ —	\$ —	\$ —	\$ (185)	\$ —	\$ (185)	\$ —
Total	\$ —	\$ —	\$ —	\$ —	\$ (185)	\$ —	\$ (185)	\$ —

Our valuation techniques used to measure the fair values of the derivative instruments, the counterparty to which has high credit ratings, were derived from pricing models including discounted cash flow techniques, with all significant inputs derived from or corroborated by observable market data, as no quoted market prices exist for these instruments. Our discounted cash flow techniques use observable market inputs, such as, where applicable, foreign currency spot and forward rates.

Our cash and cash equivalents, along with our accounts receivable and accounts payable and accrued liabilities balances, are measured and recognized in our Consolidated Financial Statements at an amount that approximates the fair value (a Level 2 measurement) due to their short maturities.

The fair value of our Senior Notes is determined based on observable market prices and categorized as a Level 2 measurement. As of June 30, 2021, the fair value was \$2.7 billion (June 30, 2020—\$2.6 billion). The carrying value of our other long-term debt facilities approximates the fair value since the interest rate is at market. Please see note 11 "Long-Term Debt" for further details.

If applicable, we will recognize transfers between levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. During the year ended June 30, 2021 and 2020, respectively, we did not have any transfers between Level 1, Level 2 or Level 3.

*Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

We measure certain assets and liabilities at fair value on a nonrecurring basis. These assets and liabilities are recognized at fair value when they are deemed to be other-than-temporarily impaired. During the year ended June 30, 2021, 2020, and 2019, respectively, no indications of impairments were identified and therefore no fair value measurements were required.

## NOTE 17—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

### *Foreign Currency Forward Contracts*

We are engaged in hedging programs with various banks to limit the potential foreign exchange fluctuations incurred on future cash flows relating to a portion of our Canadian dollar payroll expenses. We operate internationally and are therefore exposed to foreign currency exchange rate fluctuations in the normal course of our business, in particular to changes in the Canadian dollar on account of large costs that are incurred from our centralized Canadian operations, which are denominated in Canadian dollars. As part of our risk management strategy, we use foreign currency forward contracts to hedge portions of our payroll exposure with typical maturities of between one and twelve months. We do not use foreign currency forward contracts for speculative purposes.

We have designated these transactions as cash flow hedges of forecasted transactions under ASC Topic 815 “Derivatives and Hedging” (Topic 815). As the critical terms of the hedging instrument and of the entire hedged forecasted transaction are the same, in accordance with Topic 815, we have been able to conclude that changes in fair value or cash flows attributable to the risk being hedged are expected to completely offset at inception and on an ongoing basis. Accordingly, quarterly unrealized gains or losses on the effective portion of these forward contracts have been included within "Other Comprehensive Income (Loss), net". The fair value of the contracts, as of June 30, 2021, is recorded within "Prepaid expenses and other current assets" and represents the net gain before tax effect that is expected to be reclassified from accumulated other comprehensive income into earnings with the next twelve months.

As of June 30, 2021, the notional amount of forward contracts we held to sell U.S. dollars in exchange for Canadian dollars was \$66.9 million (June 30, 2020—\$62.3 million).

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

The effect of these derivative instruments on our Consolidated Financial Statements for the periods indicated below were as follows (amounts presented do not include any income tax effects).

*Fair Value of Derivative Instruments in the Consolidated Balance Sheets (see note 16 "Fair Value Measurement")*

Derivatives	Balance Sheet Location	As of June 30, 2021		As of June 30, 2020	
		Fair Value Asset (Liability)		Fair Value Asset (Liability)	
Foreign currency forward contracts designated as cash flow hedges	Prepaid expenses and other current assets (Accounts payable and accrued liabilities)	\$	1,131	\$	(185)

Effects of Derivative Instruments on Income and Other Comprehensive Income (OCI)

Year Ended June 30, 2021			
Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Foreign currency forward contracts	\$ 5,778	Operating expenses	\$ 4,462

  

Year Ended June 30, 2020			
Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Foreign currency forward contracts	\$ (2,261)	Operating expenses	\$ (1,340)

  

Year Ended June 30, 2019			
Derivatives in Cash Flow Hedging Relationship	Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)
Foreign currency forward contracts	\$ 22	Operating expenses	\$ (2,033)

**NOTE 18—SPECIAL CHARGES (RECOVERIES)**

Special charges (recoveries) include costs and recoveries that relate to certain restructuring initiatives that we have undertaken from time to time under our various restructuring plans, as well as acquisition-related costs and other charges.

	Year Ended June 30,		
	2021	2020	2019
COVID-19 Restructuring Plan	\$ (8,929)	\$ 53,616	\$ —
Fiscal 2020 Restructuring Plan	3,669	26,680	—
Restructuring Plans prior to Fiscal 2020 Restructuring Plan	(53)	1,371	29,111
Acquisition-related costs	5,906	13,750	5,625
Other charges (recoveries)	1,155	5,011	983
Total	\$ 1,748	\$ 100,428	\$ 35,719

During Fiscal 2020, we entered into the COVID-19 and Fiscal 2020 Restructuring Plans (as defined below), which included the abandonment of certain leased facilities. As a result of the COVID-19 pandemic, at the time of the initial abandonment of leased facilities during the fourth quarter of Fiscal 2020, we anticipated that we would not be able to early terminate any of our lease obligations. During the year ended June 30, 2021, we recorded net recoveries of \$29.5 million within "Special charges (recoveries)" relating to early lease terminations and assignments of previously abandoned office space. These recoveries were recorded under the COVID-19 and Fiscal 2020 Restructuring Plans, consistent with the initial abandonment.

**COVID-19 Restructuring Plan**

During the fourth quarter of Fiscal 2020, in response to the COVID-19 pandemic, we made a strategic decision to move towards a significant work from home model. We began to implement restructuring activities to streamline our operations and significantly reduce our real estate footprint around the world (COVID-19 Restructuring Plan). The COVID-19 Restructuring Plan charges relate to workforce reductions and facility costs, including the accelerated amortization associated with the abandonment of ROU assets, the write-off of fixed assets and other related variable lease and exit costs. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate. With respect to the COVID-19 Restructuring Plan, at the time of initial abandonment we assumed there would be no additional sublease income, lease assignments or early terminations from vacated facilities.

Since the inception of the plan, \$44.7 million has been recorded within "Special charges (recoveries)" to date. We do not expect to incur any further significant charges relating to this plan.

A reconciliation of the beginning and ending restructuring liability, which is included within "Accounts payable and accrued liabilities" in our Consolidated Balance Sheets, for the year ended June 30, 2021 and 2020 is shown below.

<b>COVID-19 Restructuring Plan</b>	<b>Workforce reduction</b>	<b>Facility charges</b>	<b>Total</b>
Balance payable as of June 30, 2019	\$ —	\$ —	\$ —
Accruals and adjustments	8,702	12,319	21,021
Cash payments	(3,609)	(321)	(3,930)
Foreign exchange and other non-cash adjustments	79	278	357
Balance payable as of June 30, 2020	5,172	12,276	17,448
Accruals and adjustments	1,983	(2,224)	(241)
Cash payments	(7,172)	(6,142)	(13,314)
Foreign exchange and other non-cash adjustments	272	100	372
Balance payable as of June 30, 2021	\$ 255	\$ 4,010	\$ 4,265

During the year ended June 30, 2021, we recognized net recoveries of \$16.0 million relating to previously abandoned office space that has since been early terminated or assigned to a third party, as discussed above. Included in these recoveries is \$12.5 million relating to the reversal of lease liabilities (see note 6 "Leases"), with the remainder relating to other facility charges and recoveries. Additionally, during the year ended June 30, 2021, we incurred \$7.1 million in charges related to abandoned facilities, workforce reductions and the write-off of fixed assets.

During the year ended June 30, 2020, we incurred \$27.2 million in charges related to accelerated amortization associated with the abandonment of ROU assets and \$5.4 million in charges associated with the write-off of fixed assets. Additionally, during the year ended June 30, 2020, we incurred \$21.0 million in charges related to abandoned facilities and workforce reductions.

### **Fiscal 2020 Restructuring Plan**

During Fiscal 2020, we began to implement restructuring activities to streamline our operations (Fiscal 2020 Restructuring Plan), including in connection with our acquisitions of Carbonite and XMedius, to take further steps to improve our operational efficiency. The Fiscal 2020 Restructuring Plan charges relate to workforce reductions and facility costs, including the accelerated amortization associated with the abandonment of ROU assets, the write-off of fixed assets and other related variable lease and exit costs. These charges require management to make certain judgments and estimates regarding the amount and timing of restructuring charges or recoveries. Our estimated liability could change subsequent to its recognition, requiring adjustments to the expense and the liability recorded. On a quarterly basis, we conduct an evaluation of the related liabilities and expenses and revise our assumptions and estimates as appropriate. With respect to the Fiscal 2020 Restructuring Plan, at the time of the initial abandonment we assumed there would be no additional sublease income, lease assignments or early terminations from vacated facilities.

Since the inception of the plan, \$30.3 million has been recorded within "Special charges (recoveries)" to date. We do not expect to incur any further significant charges relating to this plan.

A reconciliation of the beginning and ending restructuring liability, which is included within "Accounts payable and accrued liabilities" in our Consolidated Balance Sheets, for the year ended June 30, 2021 and 2020 is shown below.

<b>Fiscal 2020 Restructuring Plan</b>	<b>Workforce reduction</b>	<b>Facility charges</b>	<b>Total</b>
Balance payable as of June 30, 2019	\$ —	\$ —	\$ —
Accruals and adjustments	5,993	6,734	12,727
Cash payments	(4,412)	(261)	(4,673)
Foreign exchange and other non-cash adjustments	(5)	(31)	(36)
Balance payable as of June 30, 2020	1,576	6,442	8,018
Accruals and adjustments	11,444	(869)	10,575
Cash payments	(10,828)	(3,369)	(14,197)
Foreign exchange and other non-cash adjustments	25	(338)	(313)
Balance payable as of June 30, 2021	\$ 2,217	\$ 1,866	\$ 4,083



During the year ended June 30, 2021, we recognized net recoveries of \$13.5 million relating to previously abandoned office space that has since been early terminated or assigned to a third party, as discussed above. Included in these recoveries is \$10.1 million relating to the reversal of lease liabilities (see note 6 "Leases"), with the remainder relating to other facility charges and recoveries. Additionally, during the year ended June 30, 2021, we incurred \$17.2 million in charges related to abandoned facilities, workforce reductions and the write-off of fixed assets.

During the year ended June 30, 2020, we incurred \$9.7 million in charges related to accelerated amortization associated with the abandonment of ROU assets and \$4.3 million in charges associated with the write-off of fixed assets. Additionally, during the year ended June 30, 2020, we incurred \$12.7 million in charges related to abandoned facilities and workforce reductions.

#### Acquisition-related costs

Acquisition-related costs, recorded within "Special charges (recoveries)" include direct costs of potential and completed acquisitions. Acquisition-related costs for the year ended June 30, 2021 were \$5.9 million (year ended June 30, 2020 and 2019 —\$13.8 million and \$5.6 million, respectively).

#### Other charges (recoveries)

For the year ended June 30, 2021, "Other charges" includes \$1.2 million relating to other miscellaneous charges.

For the year ended June 30, 2020, "Other charges" includes \$0.7 million relating to accelerated amortization associated with the abandonment of ROU assets and \$4.3 million relating to other miscellaneous charges.

For the year ended June 30, 2019, "Other charges" includes (i) \$1.2 million relating to one-time system implementation costs and (ii) \$1.4 million relating to other miscellaneous charges. These charges were partially offset by a recovery of \$1.5 million relating to certain pre-acquisition sales and use tax liabilities becoming statute barred.

### NOTE 19—ACQUISITIONS

#### Fiscal 2020 Acquisitions

##### Acquisition of XMedius

On March 9, 2020, we acquired all of the equity interest in XMedius, a provider of secure information exchange and unified communication solutions, for \$73.5 million, of which \$0.7 million is currently unpaid in accordance with the terms of the purchase agreement. In accordance with Topic 805, this acquisition is accounted for as a business combination. We believe the acquisition complements our Customer Experience Management (CEM) and Business Network (BN) platforms.

The results of operations of this acquisition have been consolidated with those of OpenText beginning March 9, 2020.

##### Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of March 9, 2020, are set forth below:

Current assets	\$	8,479
Non-current tangible assets		3,792
Intangible customer assets		35,910
Intangible technology assets		11,143
Liabilities assumed		(34,602)
Total identifiable net assets		24,722
Goodwill		48,823
Net assets acquired	\$	73,545

The goodwill of \$48.8 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, \$0.1 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$18.5 million, which represents our estimate of the fair value of the contractual obligations assumed based on a valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by \$2.7 million.

The fair value of current assets acquired includes accounts receivable with a fair value of \$6.3 million. The gross amount receivable was \$6.6 million, of which \$0.3 million is expected to be uncollectible.

The finalization of the above purchase price allocation during the year ended June 30, 2021 did not result in any significant changes to the preliminary amounts previously disclosed.

### Acquisition of Carbonite

On December 24, 2019, we acquired all of the equity interest in Carbonite, a leading provider of cloud-based subscription backup, disaster recovery and endpoint security to SMB, consumers, and a wide variety of partners. Total consideration for Carbonite was \$1.4 billion paid in cash (inclusive of cash acquired). In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe the acquisition increases our position in the data protection and endpoint security space, further strengthens our cloud capabilities and opens a new route to connect with customers through Carbonite's marquee SMB and consumer channels and products.

The results of operations of Carbonite have been consolidated with those of OpenText beginning December 24, 2019.

### Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of December 24, 2019, are set forth below:

Current assets (inclusive of cash acquired of \$62.9 million)	\$	127,532
Non-current tangible assets (inclusive of restricted cash acquired of \$2.4 million)		105,742
Intangible customer assets		549,500
Intangible technology assets		290,000
Liabilities assumed		(554,320)
Total identifiable net assets		518,454
Goodwill		851,970
Net assets acquired	\$	<u>1,370,424</u>

The goodwill of \$852.0 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, \$6.9 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$171.0 million, which represents our estimate of the fair value of the contractual obligations assumed. In arriving at this fair value, we reduced the acquired company's original carrying value by \$74.7 million.

The fair value of current assets acquired includes accounts receivable with a fair value of \$45.7 million. The gross amount receivable was \$47.1 million of which \$1.4 million of this receivable was expected to be uncollectible.

The finalization of the purchase price allocation completed during the year ended June 30, 2021 did not result in any significant changes to the preliminary amounts previously disclosed.

### Acquisition of Dynamic Solutions Group Inc. (The Fax Guys)

On December 2, 2019, we acquired certain assets and assumed certain liabilities of The Fax Guys, for \$5.1 million. During the year ended June 30, 2021, we paid consideration of \$1.0 million which was previously accrued. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements our Information Management portfolio.

The results of operations of The Fax Guys have been consolidated with those of OpenText beginning December 2, 2019.

### Fiscal 2019 Acquisitions

#### Acquisition of Catalyst Repository Systems Inc.

On January 31, 2019, we acquired all of the equity interest in Catalyst, a leading provider of eDiscovery that designs, develops and supports market-leading cloud eDiscovery software. Total consideration for Catalyst was \$71.4 million, of which \$70.8 million was paid in cash and \$0.6 million is currently held back and unpaid in accordance with the purchase agreement. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our Information Management portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning January 31, 2019.

## Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of January 31, 2019, are set forth below:

Current assets	\$	9,699
Non-current tangible assets		5,754
Intangible customer assets		30,607
Intangible technology assets		11,658
Liabilities assumed		(17,891)
Total identifiable net assets		39,827
Goodwill		31,607
Net assets acquired	\$	71,434

The goodwill of \$31.6 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, \$3.1 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$0.8 million, which represents our estimate of the fair value of the contractual obligations assumed based on a valuation. In arriving at this fair value, we reduced the acquired company's original carrying value by an insignificant amount.

The fair value of current assets acquired includes accounts receivable with a fair value of \$10.8 million. The gross amount receivable was \$11.8 million, of which \$1.0 million was expected to be uncollectible.

The finalization of the purchase price allocation during the year ended June 30, 2020 resulted in an adjustment to amounts previously disclosed of \$0.6 million.

## Acquisition of Liaison Technologies, Inc.

On December 17, 2018, we acquired all of the equity interest in Liaison, a leading provider of cloud-based business to business integration, for \$310.6 million in an all cash transaction. In accordance with Topic 805, this acquisition was accounted for as a business combination. We believe this acquisition complements and extends our Information Management portfolio.

The results of operations of this acquisition have been consolidated with those of OpenText beginning December 17, 2018.

## Purchase Price Allocation

The recognized amounts of identifiable assets acquired and liabilities assumed, based upon their fair values as of December 17, 2018, are set forth below:

Current assets	\$	23,006
Non-current tangible assets		5,168
Intangible customer assets		68,300
Intangible technology assets		107,000
Liabilities assumed		(57,265)
Total identifiable net assets		146,209
Goodwill		164,434
Net assets acquired	\$	310,643

The goodwill of \$164.4 million is primarily attributable to the synergies expected to arise after the acquisition. Of this goodwill, \$2.2 million is expected to be deductible for tax purposes.

Included in total identifiable net assets is acquired deferred revenue with a fair value of \$7.6 million, which represents our estimate of the fair value of the contractual obligations assumed. In arriving at this fair value, we reduced the acquired company's original carrying value by an insignificant amount.

The fair value of current assets acquired includes accounts receivable with a fair value of \$20.5 million. The gross amount receivable was \$22.2 million, of which \$1.7 million was expected to be uncollectible.

The finalization of the purchase price allocation during the year ended June 30, 2020 did not result in any significant changes to the preliminary amounts previously disclosed.

## NOTE 20—SEGMENT INFORMATION

ASC Topic 280, “Segment Reporting” (Topic 280), establishes standards for reporting, by public business enterprises, information about operating segments, products and services, geographic areas, and major customers. The method of determining what information, under Topic 280, to report is based on the way that an entity organizes operating segments for making operational decisions and how the entity’s management and CODM assess an entity’s financial performance. Our operations are analyzed by management and our CODM as being part of a single industry segment: the design, development, marketing and sale of Information Management software and solutions.

The following table sets forth the distribution of revenues, by significant geographic area, for the periods indicated:

	Year Ended June 30,		
	2021	2020	2019
Revenues <sup>(1)</sup> :			
Canada	\$ 166,430	\$ 149,457	\$ 153,890
United States	1,870,620	1,719,877	1,490,863
United Kingdom	195,721	186,756	182,815
Germany	212,014	195,286	203,403
Rest of EMEA <sup>(2)</sup>	623,872	560,239	534,204
All other countries	317,458	298,121	303,580
Total revenues	<u>\$ 3,386,115</u>	<u>\$ 3,109,736</u>	<u>\$ 2,868,755</u>

<sup>(1)</sup> Total revenues by geographic area are determined based on the location of our end customer.

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

The following table sets forth the distribution of long-lived assets, representing property and equipment, ROU assets and intangible assets, by significant geographic area, as of the periods indicated below.

	As of June 30, 2021	As of June 30, 2020
Long-lived assets:		
Canada	\$ 530,830	\$ 651,214
United States	868,376	1,150,638
United Kingdom	14,629	13,388
Germany	60,470	117,891
Rest of EMEA <sup>(1)</sup>	116,429	75,183
All other countries	64,653	56,674
Total	<u>\$ 1,655,387</u>	<u>\$ 2,064,988</u>

<sup>(1)</sup> EMEA primarily consists of countries in Europe, the Middle East and Africa.

**NOTE 21—ACCUMULATED OTHER COMPREHENSIVE INCOME**

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income
Balance as of June 30, 2018	\$ 44,634	\$ (969)	\$ (10,020)	\$ 33,645
Other comprehensive income (loss) before reclassifications, net of tax	(3,882)	16	(7,421)	(11,287)
Amounts reclassified into net income, net of tax	—	1,494	272	1,766
Total other comprehensive income (loss) net, for the period	(3,882)	1,510	(7,149)	(9,521)
Balance as of June 30, 2019	40,752	541	(17,169)	24,124
Other comprehensive income (loss) before reclassifications, net of tax	(7,784)	(1,662)	1,245	(8,201)
Amounts reclassified into net income, net of tax	—	985	917	1,902
Total other comprehensive income (loss) net, for the period	(7,784)	(677)	2,162	(6,299)
Balance as of June 30, 2020	32,968	(136)	(15,007)	17,825
Other comprehensive income (loss) before reclassifications, net of tax	42,440	4,246	3,987	50,673
Amounts reclassified into net income, net of tax	—	(3,280)	1,020	(2,260)
Total other comprehensive income (loss) net, for the period	42,440	966	5,007	48,413
Balance as of June 30, 2021	\$ 75,408	\$ 830	\$ (10,000)	\$ 66,238

**NOTE 22—SUPPLEMENTAL CASH FLOW DISCLOSURES**

	Year Ended June 30,		
	2021	2020	2019
Cash paid during the period for interest	\$ 147,996	\$ 146,698	\$ 138,631
Cash received during the period for interest	\$ 3,856	\$ 11,768	\$ 8,014
Cash paid during the period for income taxes <sup>(1)</sup>	\$ 400,137	\$ 94,733	\$ 80,583

<sup>(1)</sup> Included for the year ended June 30, 2021 is cash paid of \$299.6 million relating to the IRS Settlement. Please see note 15 "Income Taxes" for additional details.

**NOTE 23—OTHER INCOME (EXPENSE), NET**

	Year Ended June 30,		
	2021	2020	2019
Foreign exchange gains (losses)	\$ (1,273)	\$ (4,184)	\$ (4,330)
OpenText share in net income of equity investees <sup>(1)</sup>	62,897	8,700	13,668
Loss on debt extinguishment <sup>(2)</sup>	—	(17,854)	—
Other miscellaneous income (expense)	(190)	1,392	818
Total other income (expense), net	\$ 61,434	\$ (11,946)	\$ 10,156

<sup>(1)</sup> OpenText's share in net income of equity investees relates to our share of net income, which approximates fair value, based on our interest in certain investment funds in which we are a limited partner. Our interests in each of these investees range from 4% to below 20% and these investments are accounted for using the equity method (see note 9 "Prepaid Expenses and Other Assets" for more details).

<sup>(2)</sup> On March 5, 2020, we redeemed in full \$800 million aggregate principal amount of our 5.625% Senior Notes due 2023 (Senior Notes 2023), which resulted in a loss on debt extinguishment of \$17.9 million. Of this, \$6.7 million related to unamortized debt issuance costs and the remaining \$11.2 million related to the early termination call premium.

## NOTE 24—EARNINGS PER SHARE

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

	Year Ended June 30,		
	2021	2020	2019
<b>Basic earnings per share</b>			
Net income attributable to OpenText	\$ 310,672	\$ 234,225	\$ 285,501
Basic earnings per share attributable to OpenText	\$ 1.14	\$ 0.86	\$ 1.06
<b>Diluted earnings per share</b>			
Net income attributable to OpenText	\$ 310,672	\$ 234,225	\$ 285,501
Diluted earnings per share attributable to OpenText	\$ 1.14	\$ 0.86	\$ 1.06
<b>Weighted-average number of shares outstanding (in '000's)</b>			
Basic	272,533	270,847	268,784
Effect of dilutive securities	946	970	1,124
Diluted	273,479	271,817	269,908
Excluded as anti-dilutive <sup>(1)</sup>	4,147	3,001	2,759

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

## NOTE 25—RELATED PARTY TRANSACTIONS

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

During the year ended June 30, 2021, Mr. Stephen Sadler, a member of the Board of Directors, earned \$37 thousand (year ended June 30, 2020 and 2019—\$0.7 million and \$0.6 million, respectively) in consulting fees from OpenText for assistance with acquisition-related business activities. Mr. Sadler abstained from voting on all transactions from which he would potentially derive consulting fees.

## NOTE 26—SUBSEQUENT EVENT

### Cash Dividends

As part of our quarterly, non-cumulative cash dividend program, we declared, on August 4, 2021, a dividend of \$0.2209 per Common Share. The record date for this dividend is September 3, 2021 and the payment date is September 24, 2021. Future declarations of dividends and the establishment of future record and payment dates are subject to the final determination and discretion of our Board.

### Item 16. Form 10-K Summary

None.