

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q, including this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), and Section 27A of the U.S. Securities Act of 1933, as amended (the Securities Act), and is subject to the safe harbors created by those sections. All statements other than statements of historical facts are statements that could be deemed forward-looking statements.

When used in this report, the words "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "may", "could", "would", "might", "will" and other similar language, as they relate to Open Text Corporation (OpenText or the Company), are intended to identify forward-looking statements under applicable securities laws. Specific forward-looking statements in this report include, but are not limited to, statements regarding: (i) our focus in the fiscal year beginning July 1, 2020 and ending June 30, 2021 (Fiscal 2021) on growth in earnings and cash flows; (ii) creating value through investments in broader Information Management capabilities; (iii) our future business plans and business planning process; (iv) business trends; (v) distribution; (vi) the Company's presence in the cloud and in growth markets; (vii) product and solution developments, enhancements and releases and the timing thereof; (viii) the Company's financial conditions, results of operations and earnings; (ix) the basis for any future growth and for our financial performance; (x) declaration of quarterly dividends; (xi) future tax rates; (xii) the changing regulatory environment; (xiii) annual recurring revenues; (xiv) research and development and related expenditures; (xv) our building, development and consolidation of our network infrastructure; (xvi) competition and changes in the competitive landscape; (xvii) our management and protection of intellectual property and other proprietary rights; (xviii) existing and foreign sales and exchange rate fluctuations; (xix) cyclical or seasonal aspects of our business; (xx) capital expenditures; (xxi) potential legal and/or regulatory proceedings; (xxii) acquisitions and their expected impact; (xxiii) tax audits, including expected payments in connection with the IRS Settlement (as defined below); and (xxiv) other matters.

In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking, and based on our current expectations, forecasts and projections about the operating environment, economies and markets in which we operate. Forward-looking statements reflect our current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The forward-looking statements contained in this report are based on certain assumptions including the following: (i) countries continuing to implement and enforce existing and additional customs and security regulations relating to the provision of electronic information for imports and exports; (ii) our continued operation of a secure and reliable business network; (iii) the stability of general economic and market conditions, currency exchange rates, and interest rates; (iv) equity and debt markets continuing to provide us with access to capital; (v) our continued ability to identify, source and finance attractive and executable business combination opportunities; and (vi) our continued ability to avoid infringing third party intellectual property rights. Management's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. We can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. The risks and uncertainties that may affect forward-looking statements include, but are not limited to: (i) actual and potential risks and uncertainties relating to the ultimate geographic spread of COVID-19, the severity of the disease and the duration of the COVID-19 pandemic and issues relating to its resurgence, including potential material adverse effects on our business, operations and financial performance; (ii) actions that may be taken by governmental authorities to contain the COVID-19 pandemic or to treat its impact on our business (or failure to implement additional stimulus programs) and the availability, effectiveness and use of treatments and vaccines; (iii) the actual and potential negative impacts of COVID-19 on the global economy and financial markets; and (iv) the actual and potential risk and uncertainties relating to the implementation of our COVID-19 Restructuring Plan (as defined herein), including the possibility that the actual cash or non-cash cost of restructuring might exceed the estimated amounts; (v) integration of acquisitions and related restructuring efforts, including the quantum of restructuring charges and the timing thereof; (vi) the potential for the incurrence of or assumption of debt in connection with acquisitions and the impact on the ratings or outlooks of rating agencies on our outstanding debt securities; (vii) the possibility that the Company may be unable to meet its future reporting requirements under the Exchange Act, and the rules promulgated thereunder, or applicable Canadian securities regulation; (viii) the risks associated with bringing new products and services to market; (ix) fluctuations in currency exchange rates (including as a result of the impact of Brexit and any policy changes resulting from trade and tariff disputes); (x) delays in the purchasing decisions of the Company's customers; (xi) competition the Company faces in its industry and/or marketplace; (xii) the final determination of litigation, tax audits (including tax examinations in the United States, Canada or elsewhere) and

other legal proceedings; (xii) potential exposure to greater than anticipated tax liabilities or expenses, including with respect to changes in Canadian, U.S. or international tax regimes; (xiv) the possibility of technical, logistical or planning issues in connection with the deployment of the Company's products or services; (xv) the continuous commitment of the Company's customers; (xvi) demand for the Company's products and services; (xvii) increase in exposure to international business risks (including as a result of the impact of Brexit and any policy changes resulting from the transition from the North American Free Trade Agreement to the United States-Mexico-Canada Agreement) as we continue to increase our international operations; (xviii) inability to raise capital at all or on not unfavorable terms in the future; (xix) downward pressure on our share price and dilutive effect of future sales or issuances of equity securities (including in connection with future acquisitions); and (xx) potential changes in ratings or outlooks of rating agencies on our outstanding debt securities. Other factors that may affect forward-looking statements include, but are not limited to: (i) the future performance, financial and otherwise, of the Company; (ii) the ability of the Company to bring new products and services to market and to increase sales; (iii) the strength of the Company's product development pipeline; (iv) failure to secure and protect patents, trademarks and other proprietary rights; (v) infringement of third-party proprietary rights triggering indemnification obligations and resulting in significant expenses or restrictions on our ability to provide our products or services; (vi) failure to comply with privacy laws and regulations that are extensive, open to various interpretations and complex to implement including General Data Protection Regulation (GDPR), California Consumer Privacy Act (CCPA), and Country by Country Reporting (including with respect to transferring personal data outside of the EEA, as a result of the recent ruling of the Court of Justice of the European Union that the EU-US Privacy Shield is an invalid data transfer mechanism and that Standard Contractual Clauses are a valid transfer mechanism unless the country to which personal data is exported restricts the ability to comply with such Clauses); (vii) the Company's growth and other profitability prospects; (viii) the estimated size and growth prospects of the Information Management market; (ix) the Company's competitive position in the Information Management market and its ability to take advantage of future opportunities in this market; (x) the benefits of the Company's products and services to be realized by customers; (xi) the demand for the Company's products and services and the extent of deployment of the Company's products and services in the Information Management marketplace; (xii) the Company's financial condition and capital requirements; (xiii) system or network failures or information security, cybersecurity or other data breaches in connection with the Company's offerings or the information technology systems used by the Company generally, the risk of which may be increased during times of natural disaster or pandemic (including COVID-19) due to remote working arrangements; and (xiv) failure to attract and retain key personnel to develop and effectively manage the Company's business.

Readers should carefully review Part II, Item 1A "Risk Factors" herein and the Company's Annual Report on Form 10-K, including Part I, Item 1A "Risk Factors" therein, Quarterly Reports on Form 10-Q, including Item 1A herein and other documents we file from time to time with the Securities and Exchange Commission (SEC) and other securities regulators. A number of factors may materially affect our business, financial condition, operating results and prospects. These factors include but are not limited to those set forth in Part II, Item 1A "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K. Any one of these factors, and other factors that we are unaware of, or currently deem immaterial, may cause our actual results to differ materially from recent results or from our anticipated future results. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following MD&A is intended to help readers understand our results of operations and financial condition, and is provided as a supplement to, and should be read in conjunction with, our Condensed Consolidated Financial Statements and the accompanying Notes to our Condensed Consolidated Financial Statements under Part I, Item 1 of this Quarterly Report on Form 10-Q.

All dollar and percentage comparisons made herein refer to the three and nine months ended March 31, 2021 compared with the three and nine months ended March 31, 2020, unless otherwise noted.

Where we say "we", "us", "our", "OpenText" or "the Company", we mean Open Text Corporation or Open Text Corporation and its subsidiaries, as applicable.

EXECUTIVE OVERVIEW

OpenText is an Information Management company that provides software and services to maximize the strategic benefits of data and content for increased productivity, growth and competitive advantage. With a focus on Information Management technologies and services, we continue to innovate and provide customers with the capabilities they need to build resilient businesses and become tomorrow's disruptors.

We provide our customers with choice and flexibility in their path to digital transformation with solutions that can be run on-premise, cloud, hybrid, or as a managed service. We also accelerate and simplify our customers' path to information modernization with intelligent tools and services for moving off paper, automating classification, and building clean data lakes for artificial intelligence (AI), analytics and automation.

We are fundamentally integrated into the parts of our customers' businesses that matter so they can securely manage the complexity of information flow end to end. Furthermore, with automation and AI, we connect, synthesize and deliver information where it is needed to drive new efficiencies, experiences and insights. We make information more valuable by connecting it to digital business processes, enriching it with capture and analytics, protecting and securing it throughout its entire lifecycle, and leveraging it to captivate customers. Our solutions also connect large digital supply chains in manufacturing, retail and financial services.

Our solutions enable organizations and consumers to secure their information so that they can collaborate with confidence, stay ahead of the regulatory technology curve, identify threats on any endpoint or across their networks, leverage eDiscovery and digital forensics to defensibly investigate and collect evidence, and ensure business continuity in the event of a security incident.

Our initial public offering was on the NASDAQ in 1996 and we were subsequently listed on the Toronto Stock Exchange (TSX) in 1998. We are a multinational company and as of March 31, 2021, employed approximately 14,300 people worldwide.

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

Quarterly Summary:

During the third quarter of Fiscal 2021 we saw the following activity:

- Total revenue was \$832.9 million, up 2.2% compared to the same period in the prior fiscal year; down 0.8% after factoring in the impact of \$25.0 million of foreign exchange rate changes.
- Total annual recurring revenue, which we define as the sum of cloud services and subscriptions revenue and customer support revenue, was \$691.8 million, up 4.4% compared to the same period in the prior fiscal year; up 1.7% after factoring in the impact of \$17.9 million of foreign exchange rate changes.
- Cloud services and subscriptions revenue was \$355.8 million, up 4.8% compared to the same period in the prior fiscal year; up 3.1% after factoring in the impact of \$5.8 million of foreign exchange rate changes.
- GAAP-based gross margin was 68.6% compared to 65.4% in the same period in the prior fiscal year.
- Non-GAAP-based gross margin was 75.2% compared to 73.3% in the same period in the prior fiscal year.
- GAAP-based net income attributable to OpenText was \$91.5 million compared to \$26.0 million in the same period in the prior fiscal year.
- Non-GAAP-based net income attributable to OpenText was \$204.5 million compared to \$166.3 million in the same period in the prior fiscal year.
- GAAP-based earnings per share (EPS), diluted, was \$0.33 compared to \$0.10 in the same period in the prior fiscal year.
- Non-GAAP-based EPS, diluted, was \$0.75 compared to \$0.61 in the same period in the prior fiscal year.
- Adjusted EBITDA was \$297.1 million compared to \$259.5 million in the same period in the prior fiscal year.
- Operating cash flow was \$579.9 million for the nine months ended March 31, 2021, compared to \$674.3 million in the same period in the prior fiscal year. During the three months ended March 31, 2021, we made payments of \$290.0 million relating to the IRS Settlement (as defined herein).
- Cash and cash equivalents were \$1,475.6 million as of March 31, 2021, compared to \$1,692.9 million as of June 30, 2020. During the nine months ended March 31, 2021, we made payments of \$290.0 million relating to the IRS Settlement (as defined herein) and repaid the \$600 million previously drawn under the Revolver (as defined herein) using cash on hand.

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

Acquisitions

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

We believe our acquisitions support our long-term strategic direction, strengthen our competitive position, expand our customer base, provide greater scale to accelerate innovation, grow our earnings and provide superior shareholder value. We expect to continue to strategically acquire companies, products, services and technologies to augment our existing business. Our acquisitions, particularly significant ones, can affect the period-to-period comparability of our results. See note 19 "Acquisitions" to our Condensed Consolidated Financial Statements for more details.

Outlook for Remainder of Fiscal 2021

As an organization, we are committed to "Total Growth", meaning we strive towards delivering value through organic initiatives, innovations and acquisitions, as well as financial performance. With an emphasis on increasing recurring revenues and expanding our margins, we believe our Total Growth strategy will ultimately drive overall cash flow generation, thus helping to fuel our disciplined capital allocation approach and further our ability to deepen our account coverage and identify and execute strategic acquisitions. With strategic acquisitions, we are better positioned to expand our product portfolio and improve our ability to innovate and grow organically, which helps us to meet our long-term growth targets. We believe this "Total Growth" strategy is a durable model that will create shareholder value over both the near and long-term.

We are committed to continuous innovation. Our investments in research and development (R&D) push product innovation, increasing the value of our offerings to our installed customer base, which includes Global 10,000 companies (G10K), small and medium-sized businesses (SMB) and consumers. The G10K are the world's largest companies, typically those with greater than two billion in revenues, as well as the world's largest governments and organizations. More valuable products, coupled with our established global partner program, lead to greater distribution and cross-selling opportunities which further help us to achieve organic growth. On a fiscal year to date basis, we have invested \$304.2 million or 12.2% of revenue in R&D, in line with our target to spend approximately 12% to 14% of revenues for R&D this fiscal year.

The cloud is a business imperative. What used to be discussed as a potential option for managing budgets, is now a strategic direction that drives competitive positioning, product innovation, business agility, and cost management. We are committed to continue our investment in the OpenText Cloud, which is a purpose-built cloud environment for solutions spanning Information Management, Compliance, Cyber Resilience and business-to-business (B2B) Integration. Supported by a global, scalable, and secure infrastructure, the OpenText Cloud includes a foundational platform of technology services, and packaged business applications for industry and business processes. The OpenText Cloud enables organizations to protect and manage information in public, private or hybrid deployments.

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 and has adversely impacted and is expected to further adversely impact our operational and financial performance. The extent of the adverse impact of the pandemic on the global economy and markets will continue to depend, in part, on the length and severity of the measures taken to limit the spread of the virus, the availability, effectiveness and use of treatments and vaccines and, in part, on the size and effectiveness of the compensating measures taken by governments and on actual and potential resurgences. We are closely monitoring the potential effects and impact on our operations, businesses and financial performance, including liquidity and capital usage, though the extent is difficult to fully predict at this time due to the rapid evolution of this uncertain situation.

We continue to conduct business with substantial modifications to employee travel and work locations and also virtualization or cancellations of all sales and marketing events, which we expect to remain in place throughout Fiscal 2021, along with substantially modified interactions with customers and suppliers, among other modifications. We will continue to actively monitor the impact of the COVID-19 pandemic on all aspects of our business and geographies, including customer purchasing decisions, and may take further actions that alter our business operations as may be required by governments, or that we determine are in the best interest of our employees, customers, partners, suppliers, and shareholders. It is uncertain and difficult to predict what the potential effects any such alterations or modifications may have on our business including the effects on our customers and prospects, or our financial results and our ability to successfully execute our business strategies and initiatives.

As previously disclosed, in order to further mitigate the operational impacts of COVID-19, our Compensation Committee and Board approved certain compensation adjustments, effective for the period May 15, 2020 through June 30, 2021, subject to review and modification as the situation warrants. As a precaution, we also temporarily and significantly reduced all hiring and discretionary spending, while taking note of some savings to be achieved through travel restrictions and the cancellation of certain events. These cost reduction measures are in addition to other previously disclosed facilities and workforce related

actions as part of our COVID-19 Restructuring Plan. Please see note 18 "Special Charges (Recoveries)" to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for more information.

After careful consideration and review, the Compensation Committee and Board approved the restoration of all previously announced compensation adjustments for all employees and directors, including the CEO, which became effective during the second quarter of Fiscal 2021. While we continue to closely monitor discretionary spending, we have also restored appropriate hiring across our organization.

The ongoing and ultimate impact of the COVID-19 pandemic on our operations and financial performance depends on many factors that are not within our control. For more information, please see Part II, Item 1A "Risk Factors" included elsewhere within this Quarterly Report on Form 10-Q and Part I, Item 1A "Risk Factors" within our Annual Report on Form 10-K for Fiscal 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the Condensed 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. Actual results may differ materially from those estimates. The policies listed below are areas that may contain key components of our results of operations and are based on complex rules requiring us to make judgments and estimates and consequently, we consider these to be our critical accounting policies. Some of these accounting policies involve complex situations and require a higher degree of judgment, either in the application and interpretation of existing accounting literature or in the development of estimates that affect our financial statements. The critical accounting policies which we believe are the most important to aid in fully understanding and evaluating our reported financial results include the following:

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

For a full discussion of all our accounting policies, please see note 2 "Accounting Policies and Recent Accounting Pronouncements" to our Consolidated Financial Statements included in our Annual Report on Form 10-K for Fiscal 2020.

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 items such as special charges, restructurings, asset impairments and other non-recurring costs. As of March 31, 2021, we have recorded certain estimates in our Condensed Consolidated Financial Statements resulting from the pandemic, particularly with respect to the COVID-19 Restructuring Plan 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. Please also see Part II, Item 1A, "Risk Factors" included in this Quarterly Report on Form 10-Q and Part I, Item 1A "Risk Factors" within our Annual Report on Form 10-K for Fiscal 2020.

RESULTS OF OPERATIONS

The following tables provide a detailed analysis of our results of operations and financial condition. For each of the periods indicated below, we present our revenues by product type, revenues by major geography, cost of revenues by product type, total gross margin, total operating margin, gross margin by product type, and their corresponding percentage of total revenue.

In addition, we provide Non-GAAP measures for the periods discussed in order to provide additional information to investors that we believe will be useful as this presentation is in line with how our management assesses our Company's performance. See "Use of Non-GAAP Financial Measures" below for a reconciliation of GAAP-based measures to Non-GAAP-based measures.

Summary of Results of Operations

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
Total Revenues by Product Type:						
Cloud services and subscriptions	\$ 355,845	\$ 16,382	\$ 339,463	\$ 1,047,285	\$ 222,217	\$ 825,068
Customer support	335,915	13,050	322,865	999,806	49,135	950,671
License	76,299	(4,756)	81,055	252,170	(44,878)	297,048
Professional service and other	64,872	(6,424)	71,296	193,327	(17,010)	210,337
Total revenues	832,931	18,252	814,679	2,492,588	209,464	2,283,124
Total Cost of Revenues	261,266	(20,921)	282,187	762,753	19,673	743,080
Total GAAP-based Gross Profit	571,665	39,173	532,492	1,729,835	189,791	1,540,044
Total GAAP-based Gross Margin %	68.6 %		65.4 %	69.4 %		67.5 %
Total GAAP-based Operating Expenses	419,269	(18,146)	437,415	1,160,613	32,899	1,127,714
Total GAAP-based Income from Operations	\$ 152,396	\$ 57,319	\$ 95,077	\$ 569,222	\$ 156,892	\$ 412,330
% Revenues by Product Type:						
Cloud services and subscriptions	42.7 %		41.7 %	42.0 %		36.1 %
Customer support	40.3 %		39.6 %	40.1 %		41.7 %
License	9.2 %		9.9 %	10.1 %		13.0 %
Professional service and other	7.8 %		8.8 %	7.8 %		9.2 %
Total Cost of Revenues by Product Type:						
Cloud services and subscriptions	\$ 123,729	\$ (3,836)	\$ 127,565	\$ 354,235	\$ 20,864	\$ 333,371
Customer support	30,953	(1,198)	32,151	89,815	(1,511)	91,326
License	2,810	266	2,544	9,601	1,684	7,917
Professional service and other	50,321	(6,205)	56,526	143,521	(20,947)	164,468
Amortization of acquired technology-based intangible assets	53,453	(9,948)	63,401	165,581	19,583	145,998
Total cost of revenues	\$ 261,266	\$ (20,921)	\$ 282,187	\$ 762,753	\$ 19,673	\$ 743,080
% GAAP-based Gross Margin by Product Type:						
Cloud services and subscriptions	65.2 %		62.4 %	66.2 %		59.6 %
Customer support	90.8 %		90.0 %	91.0 %		90.4 %
License	96.3 %		96.9 %	96.2 %		97.3 %
Professional service and other	22.4 %		20.7 %	25.8 %		21.8 %
Total Revenues by Geography:⁽¹⁾						
Americas ⁽²⁾	\$ 507,892	\$ (1,886)	\$ 509,778	\$ 1,533,400	\$ 153,221	\$ 1,380,179
EMEA ⁽³⁾	258,010	17,481	240,529	754,966	52,002	702,964
Asia Pacific ⁽⁴⁾	67,029	2,657	64,372	204,222	4,241	199,981
Total revenues	\$ 832,931	\$ 18,252	\$ 814,679	\$ 2,492,588	\$ 209,464	\$ 2,283,124
% Revenues by Geography:						
Americas ⁽²⁾	61.0 %		62.6 %	61.5 %		60.5 %
EMEA ⁽³⁾	31.0 %		29.5 %	30.3 %		30.8 %
Asia Pacific ⁽⁴⁾	8.0 %		7.9 %	8.2 %		8.7 %
Other Metrics:						
GAAP-based gross margin	68.6 %		65.4 %	69.4 %		67.5 %
GAAP-based EPS, diluted	\$ 0.33		\$ 0.10	\$ 0.47		\$ 0.77
Net income, attributable to OpenText	\$ 91,490		\$ 25,965	\$ 129,389		\$ 207,833
Non-GAAP-based gross margin ⁽⁵⁾	75.2 %		73.3 %	76.3 %		74.0 %
Non-GAAP-based EPS, diluted ⁽⁵⁾	\$ 0.75		\$ 0.61	\$ 2.59		\$ 2.09
Adjusted EBITDA ⁽⁵⁾	\$ 297,131		\$ 259,468	\$ 1,000,225		\$ 830,695

- (1) Total revenues by geography are determined based on the location of our end customer.
- (2) Americas consists of countries in North, Central and South America.
- (3) EMEA primarily consists of countries in Europe, the Middle East and Africa.
- (4) Asia Pacific primarily consists of Japan, Australia, China, Korea, Philippines, Singapore and New Zealand.
- (5) See "Use of Non-GAAP Financial Measures" (discussed later in this MD&A) for definitions and reconciliations of GAAP-based measures to Non-GAAP-based measures.

Revenues, Cost of Revenues and Gross Margin by Product Type

1) Cloud Services and Subscriptions:

Cloud services and subscriptions revenues 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 via an identified line. Our cloud arrangements can be broadly categorized as PaaS, SaaS, cloud subscriptions and managed services. For the quarter ended March 31, 2021 our cloud renewal rate, excluding the impact of Carbonite, was approximately 93%, compared to approximately 96% for the quarter ended March 31, 2020.

Cost of Cloud services and subscriptions revenues is comprised primarily of third party network usage fees, maintenance of in-house data hardware centers, technical support personnel-related costs, and some third party royalty costs.

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
<u>Cloud Services and Subscriptions:</u>						
Americas	\$ 264,277	\$ 10,962	\$ 253,315	\$ 779,979	\$ 189,589	\$ 590,390
EMEA	65,403	273	65,130	190,981	21,354	169,627
Asia Pacific	26,165	5,147	21,018	76,325	11,274	65,051
Total Cloud Services and Subscriptions Revenues	355,845	16,382	339,463	1,047,285	222,217	825,068
Cost of Cloud Services and Subscriptions Revenues	123,729	(3,836)	127,565	354,235	20,864	333,371
GAAP-based Cloud Services and Subscriptions Gross Profit	\$ 232,116	\$ 20,218	\$ 211,898	\$ 693,050	\$ 201,353	\$ 491,697
GAAP-based Cloud Services and Subscriptions Gross Margin %	65.2 %		62.4 %	66.2 %		59.6 %

% Cloud Services and Subscriptions Revenues by Geography:

Americas	74.3 %	74.6 %	74.5 %	71.6 %
EMEA	18.4 %	19.2 %	18.2 %	20.6 %
Asia Pacific	7.3 %	6.2 %	7.3 %	7.8 %

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Cloud services and subscriptions revenues increased by \$16.4 million or 4.8% during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year; up 3.1% after factoring in the impact of \$5.8 million of foreign exchange rates. Geographically, the overall change was attributable to an increase in Americas of \$11.0 million, an increase in Asia Pacific of \$5.1 million and an increase in EMEA of \$0.3 million.

There were 16 cloud services deals greater than \$1.0 million that closed during the third quarter of Fiscal 2021, compared to 5 deals during the third quarter of Fiscal 2020.

Cost of Cloud services and subscriptions revenues decreased by \$3.8 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was primarily due to a decrease in labour-related costs of \$6.3 million, partially offset by an increase of \$1.5 million in third party network fees and an increase in other miscellaneous costs of \$1.0 million. Overall, the gross margin percentage on Cloud services and subscriptions revenues increased to 65% from 62%.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

Cloud services and subscriptions revenues increased by \$222.2 million or 26.9% during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year; up 25.7% after factoring in the impact of \$10.3 million of foreign exchange rates. The increase was primarily driven by incremental Cloud services and subscriptions revenues from acquisitions over the comparative period. Geographically, the overall change was attributable to an increase in Americas of \$189.6 million, an increase in EMEA of \$21.4 million and an increase in Asia Pacific of \$11.3 million.

There were 37 cloud services deals greater than \$1.0 million that closed during the first nine months of Fiscal 2021, compared to 28 deals during the first nine months of Fiscal 2020.

Cost of Cloud services and subscriptions revenues increased by \$20.9 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was primarily due to an increase in labour-related costs of \$14.9 million resulting from increased headcount from recent acquisitions, an increase of \$4.5 million in third party network fees and an increase in other miscellaneous costs of \$1.5 million. Overall, the gross margin percentage on Cloud services and subscriptions revenues increased to 66% from 60%.

2) Customer Support:

Customer support revenues consist of revenues from our customer support and maintenance agreements. These agreements allow our customers to receive technical support, enhancements and upgrades to new versions of our software products when available. Customer support revenues are generated from support and maintenance relating to current year sales of software products and from the renewal of existing maintenance agreements for software licenses sold in prior periods. Therefore, changes in Customer support revenues do not always correlate directly to the changes in license revenues from period to period. The terms of support and maintenance agreements are typically twelve months, and are renewable, generally on an annual basis, at the option of the customer. Our management reviews our Customer support renewal rates on a quarterly basis, and we use these rates as a method of monitoring our customer service performance. For the quarter ended March 31, 2021, our Customer support renewal rate was approximately 94%, compared with the Customer support renewal rate of approximately 94% for the quarter ended March 31, 2020.

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

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
<i>Customer Support Revenues:</i>						
Americas	\$ 185,985	\$ 1,364	\$ 184,621	\$ 560,010	\$ 14,383	\$ 545,627
EMEA	122,464	10,008	112,456	358,479	30,948	327,531
Asia Pacific	27,466	1,678	25,788	81,317	3,804	77,513
Total Customer Support Revenues	335,915	13,050	322,865	999,806	49,135	950,671
Cost of Customer Support Revenues	30,953	(1,198)	32,151	89,815	(1,511)	91,326
GAAP-based Customer Support Gross Profit	\$ 304,962	\$ 14,248	\$ 290,714	\$ 909,991	\$ 50,646	\$ 859,345
GAAP-based Customer Support Gross Margin %	90.8 %		90.0 %	91.0 %		90.4 %

% Customer Support Revenues by Geography:

Americas	55.4 %	57.2 %	56.0 %	57.4 %
EMEA	36.5 %	34.8 %	35.9 %	34.5 %
Asia Pacific	8.1 %	8.0 %	8.1 %	8.1 %

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Customer support revenues increased by \$13.1 million or 4.0% during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year; up 0.3% after factoring in the impact of \$12.1 million of foreign exchange rate changes. Geographically, the overall change was attributable to an increase in EMEA of \$10.0 million, an increase in Asia Pacific of \$1.7 million and an increase in Americas of \$1.4 million.

Cost of Customer support revenues decreased by \$1.2 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was primarily due to a decrease in labour-related costs of \$1.4 million, partially

offset by an increase in other miscellaneous expense of \$0.2 million. Overall, the gross margin percentage on Customer support revenues increased to 91% from 90%.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

Customer support revenues increased by \$49.1 million or 5.2% during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year; up 2.9% after factoring in the impact of \$21.9 million of foreign exchange rate changes. Geographically, the overall change was attributable to an increase in EMEA of \$30.9 million, an increase in Americas of \$14.4 million and an increase in Asia Pacific of \$3.8 million.

Cost of Customer support revenues decreased by \$1.5 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was primarily due to a decrease in labour-related costs of \$1.7 million and a decrease in third party costs of \$0.3 million, partially offset by an increase in other miscellaneous costs of \$0.5 million. Overall, the gross margin percentage on Customer support revenues increased to 91% from 90%.

3) License:

Our License revenue can be broadly categorized as perpetual licenses, term licenses and subscription licenses. Our License revenues are impacted by the strength of general economic and industry conditions, the competitive strength of our software products, and our acquisitions. Cost of License revenues consists primarily of royalties payable to third parties.

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
<i>License Revenues:</i>						
Americas	\$ 29,422	\$ (8,938)	\$ 38,360	\$ 105,488	\$ (38,369)	\$ 143,857
EMEA	39,820	7,604	32,216	119,963	2,954	117,009
Asia Pacific	7,057	(3,422)	10,479	26,719	(9,463)	36,182
Total License Revenues	76,299	(4,756)	81,055	252,170	(44,878)	297,048
Cost of License Revenues	2,810	266	2,544	9,601	1,684	7,917
GAAP-based License Gross Profit	\$ 73,489	\$ (5,022)	\$ 78,511	\$ 242,569	\$ (46,562)	\$ 289,131
GAAP-based License Gross Margin %	96.3 %		96.9 %	96.2 %		97.3 %
<i>% License Revenues by Geography:</i>						
Americas	38.6 %		47.3 %	41.8 %		48.4 %
EMEA	52.2 %		39.8 %	47.6 %		39.4 %
Asia Pacific	9.2 %		12.9 %	10.6 %		12.2 %

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

License revenues decreased by \$4.8 million or 5.9% during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year; down 10.9% after factoring in the impact of \$4.1 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in Americas of \$8.9 million and a decrease in Asia Pacific of \$3.4 million, partially offset by an increase in EMEA of \$7.6 million.

During the third quarter of Fiscal 2021, we closed 21 license deals greater than \$0.5 million, of which 8 deals were greater than \$1.0 million, contributing \$19.4 million of License revenues. This was compared to 23 license deals greater than \$0.5 million closed during the third quarter of Fiscal 2020, of which 8 deals were greater than \$1.0 million, contributing \$25.0 million of License revenues.

Cost of License revenues increased by \$0.3 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year as a result of higher third party technology costs. Overall, the gross margin percentage on License revenues decreased to 96% from 97%.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

License revenues decreased by \$44.9 million or 15.1% during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year; down 18.0% after factoring in the impact of \$8.7 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in Americas of \$38.4 million and a decrease in Asia Pacific of \$9.5 million, partially offset by an increase in EMEA of \$3.0 million.

During the first nine months of Fiscal 2021, we closed 72 license deals greater than \$0.5 million, of which 23 deals were greater than \$1.0 million, contributing \$66.9 million of License revenues. This was compared to 85 license deals greater than \$0.5 million closed during the first nine months of Fiscal 2020, of which 32 deals were greater than \$1.0 million, contributing \$98.6 million of License revenues.

Cost of License revenues increased by \$1.7 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year as a result of higher third party technology costs. Overall, the gross margin percentage on License revenues decreased to 96% from 97%.

4) *Professional Service and Other:*

Professional service and other revenues consist of revenues from consulting contracts and contracts to provide implementation, training and integration services (professional services). Other revenues consist of hardware revenues, which are grouped within the “Professional service and other” category because they are relatively immaterial to our service revenues. Professional services are typically performed after the purchase of new software licenses. Professional service and other revenues can vary from period to period based on the type of engagements as well as those implementations that are assumed by our partner network.

Cost of Professional service and other revenues consists primarily of the costs of providing integration, configuration and training with respect to our various software products. The most significant components of these costs are personnel-related expenses, travel costs and third party subcontracting.

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
<i>Professional Service and Other Revenues:</i>						
Americas	\$ 28,208	\$ (5,274)	\$ 33,482	\$ 87,923	\$ (12,382)	\$ 100,305
EMEA	30,323	(404)	30,727	85,543	(3,254)	88,797
Asia Pacific	6,341	(746)	7,087	19,861	(1,374)	21,235
Total Professional Service and Other Revenues	64,872	(6,424)	71,296	193,327	(17,010)	210,337
Cost of Professional Service and Other Revenues	50,321	(6,205)	56,526	143,521	(20,947)	164,468
GAAP-based Professional Service and Other Gross Profit	\$ 14,551	\$ (219)	\$ 14,770	\$ 49,806	\$ 3,937	\$ 45,869
GAAP-based Professional Service and Other Gross Margin %	22.4 %		20.7 %	25.8 %		21.8 %
<i>% Professional Service and Other Revenues by Geography:</i>						
Americas	43.5 %		47.0 %	45.5 %		47.7 %
EMEA	46.7 %		43.1 %	44.2 %		42.2 %
Asia Pacific	9.8 %		9.9 %	10.3 %		10.1 %

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

Professional service and other revenues decreased by \$6.4 million or 9.0% during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year; down 13.3% after factoring in the impact of \$3.0 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in the Americas of \$5.3 million, a decrease in Asia Pacific of \$0.7 million and a decrease in EMEA of \$0.4 million.

Cost of Professional service and other revenues decreased by \$6.2 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was due to a decrease in labour and travel-related expenses of \$5.9 million resulting from the travel limitations triggered by the COVID-19 pandemic and a decrease of \$0.3 million in other miscellaneous costs.

Overall, the gross margin percentage on Professional service and other revenues increased to 22% from 21%.

Nine Months Ended March 31, 2021 Compared to Nine Months Ended March 31, 2020

Professional service and other revenues decreased by \$17.0 million or 8.1% during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year; down 11.1% after factoring in the impact of \$6.3 million of foreign exchange rate changes. Geographically, the overall change was attributable to a decrease in the Americas of \$12.4 million, a decrease in EMEA of \$3.3 million and a decrease in Asia Pacific of \$1.4 million.

Cost of Professional service and other revenues decreased by \$20.9 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was due to a decrease in labour and travel-related expenses of \$21.5 million resulting from the travel limitations triggered by the COVID-19 pandemic, partially offset by an increase of \$0.6 million in other miscellaneous costs.

Overall, the gross margin percentage on Professional service and other revenues increased to 26% from 22%.

Amortization of Acquired Technology-based Intangible Assets

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
Amortization of acquired technology-based intangible assets	\$ 53,453	\$ (9,948)	\$ 63,401	\$ 165,581	\$ 19,583	\$ 145,998

Amortization of acquired technology-based intangible assets decreased by \$9.9 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was primarily due to a reduction of \$9.9 million relating to intangible assets from certain previous acquisitions becoming fully amortized.

Amortization of acquired technology-based intangible assets increased by \$19.6 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was primarily due to an increase of \$44.1 million relating to amortization of newly acquired technology-based intangible assets from recent acquisitions, partially offset by a reduction of \$24.5 million relating to intangible assets from certain previous acquisitions becoming fully amortized.

Operating Expenses

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
Research and development	\$ 110,071	\$ 1,887	\$ 108,184	\$ 304,212	\$ 34,567	\$ 269,645
Sales and marketing	158,687	(7,547)	166,234	438,984	6,822	432,162
General and administrative	71,548	2,720	68,828	190,502	15,544	174,958
Depreciation	21,961	(2,859)	24,820	64,244	(1,565)	65,809
Amortization of acquired customer-based intangible assets	54,156	(5,787)	59,943	164,075	3,514	160,561
Special charges (recoveries)	2,846	(6,560)	9,406	(1,404)	(25,983)	24,579
Total operating expenses	\$ 419,269	\$ (18,146)	\$ 437,415	\$ 1,160,613	\$ 32,899	\$ 1,127,714

% of Total Revenues:

Research and development	13.2 %	13.3 %	12.2 %	11.8 %
Sales and marketing	19.1 %	20.4 %	17.6 %	18.9 %
General and administrative	8.6 %	8.4 %	7.6 %	7.7 %
Depreciation	2.6 %	3.0 %	2.6 %	2.9 %
Amortization of acquired customer-based intangible assets	6.5 %	7.4 %	6.6 %	7.0 %
Special charges (recoveries)	0.3 %	1.2 %	(0.1)%	1.1 %

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

(In thousands)	Change between Three Months Ended March 31, 2021 and 2020		Change between Nine Months Ended March 31, 2021 and 2020	
	increase (decrease)		increase (decrease)	
Payroll and payroll-related benefits	\$	5,457	\$	27,837
Contract labour and consulting		(2,134)		(2,018)
Share-based compensation		903		3,476
Travel and communication		(724)		(1,339)
Facilities		(2,627)		4,623
Other miscellaneous		1,012		1,988
Total change in research and development expenses	\$	1,887	\$	34,567

Research and development expenses increased by \$1.9 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year. Payroll and payroll-related benefits increased by \$5.5 million and other miscellaneous costs increased by \$1.0 million. These increases were partially offset by reductions in facility related expenses of \$2.6 million due to the COVID-19 spending reduction discussed under "Outlook for Fiscal 2021" above and contract labour and consulting expenses of \$2.1 million. Overall, our research and development expenses, as a percentage of total revenues, remained stable compared to the same period in the prior fiscal year at 13%.

Research and development expenses increased by \$34.6 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year as a result of recent acquisitions, partially offset by the impact of the COVID-19 spending reduction discussed under "Outlook for Fiscal 2021" above. Payroll and payroll-related benefits increased by \$27.8 million and facility related expenses increased by \$4.6 million. Additionally, share-based compensation expense increased by \$3.5 million and other miscellaneous costs increased by \$2.0 million. These increases were partially offset by reductions in contract labour and consulting expenses of \$2.0 million and travel and communication expenses of \$1.3 million. Overall, our research and development expenses, as a percentage of total revenues, remained stable compared to the same period in the prior fiscal year at 12%.

Our research and development labour resources decreased by 18 employees, from 4,196 employees at March 31, 2020 to 4,178 employees at March 31, 2021.

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

(In thousands)	Change between Three Months Ended March 31, 2021 and 2020		Change between Nine Months Ended March 31, 2021 and 2020	
	increase (decrease)		increase (decrease)	
Payroll and payroll-related benefits	\$	3,646	\$	15,476
Commissions		1,593		(541)
Contract labour and consulting		(492)		(315)
Share-based compensation		2,319		6,834
Travel and communication		(5,442)		(14,402)
Marketing expenses		(2,609)		3,030
Facilities		(4,813)		(2,548)
Credit loss expense		(666)		(1,188)
Other miscellaneous		(1,083)		476
Total change in sales and marketing expenses	\$	(7,547)	\$	6,822

Sales and marketing expenses decreased by \$7.5 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year. Travel and communication expenses decreased by \$5.4 million, resulting from travel limitations triggered by the COVID-19 pandemic, facility related expenses decreased by \$4.8 million and marketing expenses decreased by \$2.6 million, resulting from the impact of the COVID-19 spending reduction discussed under "Outlook for Fiscal 2021" above. These reductions were partially offset by increases in payroll and payroll-related benefits of \$3.6 million, share-based compensation expense of \$2.3 million and commissions of \$1.6 million. The remainder of the difference was due to non-material items. Overall, our sales and marketing expenses, as a percentage of total revenues, decreased to 19% from 20% in the same period in the prior fiscal year.

Sales and marketing expenses increased by \$6.8 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year as a result of recent acquisitions, partially offset by the impact of the COVID-19 spending reduction discussed under "Outlook for Fiscal 2021" above. Payroll and payroll-related benefits increased by \$15.5 million, share-based compensation expense increased by \$6.8 million and marketing expenses increased by \$3.0 million. These increases were partially offset by reductions in travel and communications of \$14.4 million resulting from travel limitations triggered by the COVID-19 pandemic and reductions in facility related expenses of \$2.5 million. The remainder of the difference was due to non-material items. Overall, our sales and marketing expenses, as a percentage of total revenues, decreased to 18% from 19% in the same period in the prior fiscal year.

Our sales and marketing labour resources decreased by 117 employees, from 2,565 employees at March 31, 2020 to 2,448 employees at March 31, 2021.

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

(In thousands)	Change between Three Months Ended March 31, 2021 and 2020		Change between Nine Months Ended March 31, 2021 and 2020	
	increase (decrease)		increase (decrease)	
Payroll and payroll-related benefits	\$	2,385	\$	8,567
Contract labour and consulting		(1,247)		(1,228)
Share-based compensation		1,636		3,989
Travel and communication		(1,276)		(3,722)
Facilities		(678)		(2,315)
Other miscellaneous		1,900		10,253
Total change in general and administrative expenses	\$	2,720	\$	15,544

General and administrative expenses increased by \$2.7 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year. Payroll and payroll-related benefits increased by \$2.4 million and share-based compensation expense increased by \$1.6 million. These increases were partially offset by reductions in travel and communication of \$1.3 million and facility related expenses of \$0.7 million, due to the impact of the COVID-19 spending reduction discussed under "Outlook for Fiscal 2021" above. Additionally, other miscellaneous costs, which include professional fees such as legal, audit and tax related expenses increased by \$1.9 million. The remainder of the difference was due to non-material items. Overall, general and administrative expenses, as a percentage of total revenues, increased to 9% from 8% in the same period in the prior fiscal year.

General and administrative expenses increased by \$15.5 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year as a result of recent acquisitions. Payroll and payroll-related benefits increased by \$8.6 million, other miscellaneous costs, which include professional fees such as legal, audit and tax related expenses, increased by \$10.3 million and share-based compensation expense increased by \$4.0 million. These increases were partially offset by reductions in travel and communication of \$3.7 million and facility related expenses of \$2.3 million, due to the impact of the COVID-19 spending reduction discussed under "Outlook for Fiscal 2021" above. The remainder of the difference was due to non-material items. Overall, general and administrative expenses, as a percentage of total revenues, remained stable compared to the same period in the prior fiscal year at 8%.

Our general and administrative labour resources decreased by 146 employees, from 1,997 employees at March 31, 2020 to 1,851 employees at March 31, 2021.

Depreciation expenses:

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
Depreciation	\$ 21,961	\$ (2,859)	\$ 24,820	\$ 64,244	\$ (1,565)	\$ 65,809

Depreciation expenses decreased during the three and nine months ended March 31, 2021 by \$2.9 million and \$1.6 million, respectively, as compared to the same periods in the prior fiscal year. Depreciation expenses, as a percentage of total revenue, remained stable at 3% for the three and nine months ended March 31, 2021, respectively, compared to the same periods in the prior fiscal year.

Amortization of acquired customer-based intangible assets:

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
Amortization of acquired customer-based intangible assets	\$ 54,156	\$ (5,787)	\$ 59,943	\$ 164,075	\$ 3,514	\$ 160,561

Amortization of acquired customer-based intangible assets decreased by \$5.8 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was due to a reduction of \$8.0 million relating to intangible assets from certain previous acquisitions becoming fully amortized, partially offset by an increase of \$2.2 million relating to amortization of newly acquired customer-based intangible assets from recent acquisitions.

Amortization of acquired customer-based intangible assets increased by \$3.5 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was due to an increase of \$56.0 million relating to amortization of newly acquired customer-based intangible assets from recent acquisitions, partially offset by a reduction of \$52.5 million relating to intangible assets from certain previous acquisitions becoming fully amortized.

Special charges (recoveries):

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

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
Special charges (recoveries)	\$ 2,846	\$ (6,560)	\$ 9,406	\$ (1,404)	\$ (25,983)	\$ 24,579

Special charges (recoveries) decreased by \$6.6 million during the three months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was due to a decrease of \$6.5 million primarily related to the COVID-19 and Fiscal 2020 restructuring plans which were initiated during the second half of Fiscal 2020. The recoveries were largely associated with the reversal of lease liabilities from previously abandoned facilities which have since been assigned or early terminated as well as the release of other facility charges accrued for under the plans. Additionally, other miscellaneous charges decreased by \$0.8 million and acquisition related costs increased by \$0.7 million.

Special charges (recoveries) decreased by \$26.0 million during the nine months ended March 31, 2021 as compared to the same period in the prior fiscal year. This was due to a decrease of \$14.5 million primarily related to the COVID-19 and Fiscal 2020 restructuring plans which were initiated during the second half of Fiscal 2020. The recoveries were largely associated with the reversal of lease liabilities from previously abandoned facilities which have since been assigned or early terminated as well as the release of other facility charges accrued for under the plans. Additionally, acquisition related costs decreased by \$8.3 million and other miscellaneous charges decreased by \$3.2 million.

For more details on Special charges (recoveries), see note 18 "Special Charges (Recoveries)" to our Condensed Consolidated Financial Statements.

Other Income (Expense), Net

The components of other income (expense), net were as follows:

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
Foreign exchange gains (losses)	\$ (3,248)	\$ 2,518	\$ (5,766)	\$ (3,258)	\$ 5,815	\$ (9,073)
OpenText share in net income (loss) of equity investees (note 9)	11,765	7,238	4,527	20,020	13,545	6,475
Loss debt extinguishment ⁽¹⁾	—	17,854	(17,854)	—	17,854	(17,854)
Other miscellaneous income (expense)	(234)	(404)	170	(345)	(1,061)	716
Total other income (expense), net	\$ 8,283	\$ 27,206	\$ (18,923)	\$ 16,417	\$ 36,153	\$ (19,736)

⁽¹⁾ 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. For more details see note 22 "Other Income (Expense), Net" to our Condensed Consolidated Financial Statements.

Interest and Other Related Expense, Net

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

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
Interest expense related to total outstanding debt ⁽¹⁾	\$ 35,602	\$ (6,066)	\$ 41,668	\$ 110,054	\$ 442	\$ 109,612
Interest income	(780)	1,963	(2,743)	(3,116)	7,050	(10,166)
Other miscellaneous expense	2,511	173	2,338	7,079	676	6,403
Total interest and other related expense, net	\$ 37,333	\$ (3,930)	\$ 41,263	\$ 114,017	\$ 8,168	\$ 105,849

⁽¹⁾ For more details see note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Provision for (Recovery of) Income Taxes

We operate in several tax jurisdictions and are exposed to various foreign tax rates.

(In thousands)	Three Months Ended March 31,			Nine Months Ended March 31,		
	2021	Change increase (decrease)	2020	2021	Change increase (decrease)	2020
Provision for (recovery of) income taxes	\$ 31,818	\$ 22,927	\$ 8,891	\$ 342,121	\$ 263,321	\$ 78,800

The effective tax rate increased to a provision of 25.8% for the three months ended March 31, 2021, compared to a provision of 25.5% for the three months ended March 31, 2020. Tax expense increased by \$22.9 million from \$8.9 million during the three months ended March 31, 2020 to \$31.8 million during the three months ended March 31, 2021. This was primarily due to (i) an increase of \$23.5 million relating to higher net income including the impact of foreign rates, (ii) an increase of \$9.1 million related to the one-time benefit from the US CARES Act in Fiscal 2020 that did not recur in Fiscal 2021, and (iii) an increase of \$3.4 million related to differences in tax filings being higher than estimates. These were partially offset by (i) a decrease of \$8.9 million related to the US Base Erosion Anti-Abuse Tax (US BEAT), (ii) a decrease of \$3.2 million for net changes in unrecognized tax benefits, (iii) a decrease of \$2.8 million related to permanent differences, and (iv) a decrease of \$1.0 million related to tax benefits of internal reorganizations that occurred in Fiscal 2021. The remainder of the difference was due to normal course movements and non-material items.

The effective tax rate increased to a provision of 72.5% for the nine months ended March 31, 2021, compared to a provision of 27.5% for the nine months ended March 31, 2020. Tax expense increased by \$263.3 million from \$78.8 million during the nine months ended March 31, 2020 to \$342.1 million during the nine months ended March 31, 2021. This was primarily due to (i) an increase of \$300.6 million relating to the IRS Settlement, (ii) an increase of \$47.4 million relating to higher net income including the impact of foreign rates, and (iii) an increase of \$9.1 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

\$70.5 million for net changes in unrecognized tax benefits, primarily from the conclusion of relevant tax audits, (ii) a decrease of \$12.4 million related to tax benefits of internal reorganizations that occurred in Fiscal 2021, (iii) a decrease of \$6.4 million related to US BEAT, and (iv) a decrease of \$4.1 million related to accruals for unrepatriated foreign earnings. The remainder of the difference was due to normal course movements and non-material items.

For information with regards to the IRS Settlement and certain other potential tax contingencies, see note 14 "Guarantees and Contingencies" and note 15 "Income Taxes" to our Condensed Consolidated Financial Statements. Please also see Part I, Item 1A "Risk Factors" within our Annual Report on Form 10-K for Fiscal 2020.

Use of Non-GAAP Financial Measures

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

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

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

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

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

The Company does not acquire businesses on a predictable cycle, and therefore believes that the presentation of Non-GAAP measures, which in certain cases adjust for the impact of amortization of intangible assets and the related tax effects that are primarily related to acquisitions, will provide readers of financial statements with a more consistent basis for comparison across accounting periods and be more useful in helping readers understand the Company's operating results and underlying operational trends. Additionally, the Company has engaged in various restructuring activities over the past several years, primarily due to acquisitions, that have resulted in costs associated with reductions in headcount, consolidation of leased facilities and related costs, all which are recorded under the Company's "Special charges (recoveries)" caption on the Condensed Consolidated Statements of Income. Each restructuring activity is a discrete event based on a unique set of business objectives or circumstances, and each differs in terms of its operational implementation, business impact and scope, and the size of each restructuring plan can vary significantly from period to period. Therefore, the Company believes that the exclusion of these special charges (recoveries) will also better aid readers of financial statements in the understanding and comparability of the Company's operating results and underlying operational trends.

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

The following charts provide unaudited reconciliations of U.S. GAAP-based financial measures to Non-GAAP-based financial measures for the following periods presented.

**Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the three months ended March 31, 2021**
(In thousands, except for per share data)

	Three Months Ended March 31, 2021					
	GAAP-based Measures	GAAP- based Measures % of Total Revenue	Adjustments	Note	Non-GAAP- based Measures	Non-GAAP- based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	\$ 123,729		\$ (505)	(1)	\$ 123,224	
Customer support	30,953		(464)	(1)	30,489	
Professional service and other	50,321		(684)	(1)	49,637	
Amortization of acquired technology-based intangible assets	53,453		(53,453)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	571,665	68.6%	55,106	(3)	626,771	75.2%
Operating expenses						
Research and development	110,071		(2,146)	(1)	107,925	
Sales and marketing	158,687		(4,580)	(1)	154,107	
General and administrative	71,548		(3,978)	(1)	67,570	
Amortization of acquired customer-based intangible assets	54,156		(54,156)	(2)	—	
Special charges (recoveries)	2,846		(2,846)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	152,396		122,812	(5)	275,208	
Other income (expense), net	8,283		(8,283)	(6)	—	
Provision for (recovery of) income taxes	31,818		1,485	(7)	33,303	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	91,490		113,044	(8)	204,534	
GAAP-based earnings per share / Non-GAAP-based earnings per share- diluted, attributable to OpenText	\$ 0.33		\$ 0.42	(8)	\$ 0.75	

- (1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.
- (2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.
- (3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.
- (4) Adjustment relates to the exclusion of special charges (recoveries) from our Non-GAAP-based operating expenses as special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 18 "Special charges (recoveries)" to our Condensed Consolidated Financial Statements for more details.
- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars.
- (6) Adjustment relates to the exclusion of other income (expense) from our Non-GAAP-based operating expenses as other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.
- (7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 26% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

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

	Three Months Ended March 31, 2021	
	Per share diluted	
GAAP-based net income, attributable to OpenText	\$ 91,490	\$ 0.33
Add:		
Amortization	107,609	0.39
Share-based compensation	12,357	0.05
Special charges (recoveries)	2,846	0.01
Other (income) expense, net	(8,283)	(0.03)
GAAP-based provision for (recovery of) income taxes	31,818	0.12
Non-GAAP-based provision for income taxes	(33,303)	(0.12)
Non-GAAP-based net income, attributable to OpenText	<u>\$ 204,534</u>	<u>\$ 0.75</u>

Reconciliation of Adjusted EBITDA

	Three Months Ended March 31, 2021	
GAAP-based net income, attributable to OpenText	\$ 91,490	
Add:		
Provision for (recovery of) income taxes		31,818
Interest and other related expense, net		37,333
Amortization of acquired technology-based intangible assets		53,453
Amortization of acquired customer-based intangible assets		54,156
Depreciation		21,961
Share-based compensation		12,357
Special charges (recoveries)		2,846
Other (income) expense, net		(8,283)
Adjusted EBITDA	<u>\$</u>	<u>297,131</u>

**Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the three months ended March 31, 2020**
(In thousands, except for per share data)

	Three Months Ended March 31, 2020					
	GAAP-based Measures	GAAP- based Measures % of Total Revenue	Adjustments	Note	Non-GAAP- based Measures	Non-GAAP- based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	\$ 127,565		\$ (398)	(1)	\$ 127,167	
Customer support	32,151		(284)	(1)	31,867	
Professional service and other	56,526		(328)	(1)	56,198	
Amortization of acquired technology-based intangible assets	63,401		(63,401)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	532,492	65.4%	64,411	(3)	596,903	73.3%
Operating expenses						
Research and development	108,184		(1,243)	(1)	106,941	
Sales and marketing	166,234		(2,261)	(1)	163,973	
General and administrative	68,828		(2,342)	(1)	66,486	
Amortization of acquired customer-based intangible assets	59,943		(59,943)	(2)	—	
Special charges (recoveries)	9,406		(9,406)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	95,077		139,606	(5)	234,683	
Other income (expense), net	(18,923)		18,923	(6)	—	
Provision for (recovery of) income taxes	8,891		18,188	(7)	27,079	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	25,965		140,341	(8)	166,306	
GAAP-based earnings per share / Non-GAAP-based earnings per share- diluted, attributable to OpenText	\$ 0.10		\$ 0.51	(8)	\$ 0.61	

- (1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.
- (2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.
- (3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.
- (4) Adjustment relates to the exclusion of special charges (recoveries) from our Non-GAAP-based operating expenses as special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 18 "Special charges (recoveries)" to our Condensed Consolidated Financial Statements for more details.
- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars.
- (6) Adjustment relates to the exclusion of other income (expense) from our Non-GAAP-based operating expenses as other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.
- (7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 25% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

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

	Three Months Ended March 31, 2020	
	Per share diluted	
GAAP-based net income, attributable to OpenText	\$ 25,965	\$ 0.10
Add:		
Amortization	123,344	0.45
Share-based compensation	6,856	0.03
Special charges (recoveries)	9,406	0.03
Other (income) expense, net	18,923	0.07
GAAP-based provision for (recovery of) income taxes	8,891	0.03
Non-GAAP-based provision for income taxes	(27,079)	(0.10)
Non-GAAP-based net income, attributable to OpenText	\$ 166,306	\$ 0.61

Reconciliation of Adjusted EBITDA

	Three Months Ended March 31, 2020	
GAAP-based net income, attributable to OpenText	\$ 25,965	
Add:		
Provision for (recovery of) income taxes		8,891
Interest and other related expense, net		41,263
Amortization of acquired technology-based intangible assets		63,401
Amortization of acquired customer-based intangible assets		59,943
Depreciation		24,820
Share-based compensation		6,856
Special charges (recoveries)		9,406
Other (income) expense, net		18,923
Adjusted EBITDA	\$ 259,468	

**Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the nine months ended March 31, 2021**
(In thousands, except for per share data)

	Nine Months Ended March 31, 2021					
	GAAP-based Measures	GAAP- based Measures % of Total Revenue	Adjustments	Note	Non-GAAP- based Measures	Non-GAAP- based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	\$ 354,235		\$ (2,484)	(1)	\$ 351,751	
Customer support	89,815		(1,405)	(1)	88,410	
Professional service and other	143,521		(1,867)	(1)	141,654	
Amortization of acquired technology-based intangible assets	165,581		(165,581)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,729,835	69.4%	171,337	(3)	1,901,172	76.3%
Operating expenses						
Research and development	304,212		(7,195)	(1)	297,017	
Sales and marketing	438,984		(13,594)	(1)	425,390	
General and administrative	190,502		(12,074)	(1)	178,428	
Amortization of acquired customer-based intangible assets	164,075		(164,075)	(2)	—	
Special charges (recoveries)	(1,404)		1,404	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	569,222		366,871	(5)	936,093	
Other income (expense), net	16,417		(16,417)	(6)	—	
Provision for (recovery of) income taxes	342,121		(227,030)	(7)	115,091	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	129,389		577,484	(8)	706,873	
GAAP-based earnings per share / Non-GAAP-based earnings per share- diluted, attributable to OpenText	\$ 0.47		\$ 2.12	(8)	\$ 2.59	

- (1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.
- (2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.
- (3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.
- (4) Adjustment relates to the exclusion of special charges (recoveries) from our Non-GAAP-based operating expenses as special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 18 "Special charges (recoveries)" to our Condensed Consolidated Financial Statements for more details.
- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars.
- (6) Adjustment relates to the exclusion of other income (expense) from our Non-GAAP-based operating expenses as other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.
- (7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 73% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense. The GAAP-based tax provision rate for the nine months ended March 31, 2021 includes the income tax provision charge from the IRS Settlement partially offset by a tax benefit from the release of unrecognized tax benefits due to the conclusion of relevant tax audits that was recognized during the three months ended December 31, 2020.

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

	Nine Months Ended March 31, 2021	
		Per share diluted
GAAP-based net income, attributable to OpenText	\$ 129,389	\$ 0.47
Add:		
Amortization	329,656	1.21
Share-based compensation	38,619	0.14
Special charges (recoveries)	(1,404)	(0.01)
Other (income) expense, net	(16,417)	(0.06)
GAAP-based provision for (recovery of) income taxes	342,121	1.26
Non-GAAP-based provision for income taxes	(115,091)	(0.42)
Non-GAAP-based net income, attributable to OpenText	<u>\$ 706,873</u>	<u>\$ 2.59</u>

Reconciliation of Adjusted EBITDA

	Nine Months Ended March 31, 2021	
GAAP-based net income, attributable to OpenText	\$ 129,389	
Add:		
Provision for (recovery of) income taxes		342,121
Interest and other related expense, net		114,017
Amortization of acquired technology-based intangible assets		165,581
Amortization of acquired customer-based intangible assets		164,075
Depreciation		64,244
Share-based compensation		38,619
Special charges (recoveries)		(1,404)
Other (income) expense, net		(16,417)
Adjusted EBITDA	<u>\$</u>	<u>1,000,225</u>

**Reconciliation of selected GAAP-based measures to Non-GAAP-based measures
for the nine months ended March 31, 2020**
(In thousands, except for per share data)

	Nine Months Ended March 31, 2020					
	GAAP-based Measures	GAAP-based Measures % of Total Revenue	Adjustments	Note	Non-GAAP- based Measures	Non-GAAP- based Measures % of Total Revenue
Cost of revenues						
Cloud services and subscriptions	\$ 333,371		\$ (1,152)	(1)	\$ 332,219	
Customer support	91,326		(897)	(1)	90,429	
Professional service and other	164,468		(917)	(1)	163,551	
Amortization of acquired technology-based intangible assets	145,998		(145,998)	(2)	—	
GAAP-based gross profit and gross margin (%) / Non-GAAP-based gross profit and gross margin (%)	1,540,044	67.5%	148,964	(3)	1,689,008	74.0%
Operating expenses						
Research and development	269,645		(3,719)	(1)	265,926	
Sales and marketing	432,162		(6,760)	(1)	425,402	
General and administrative	174,958		(8,085)	(1)	166,873	
Amortization of acquired customer-based intangible assets	160,561		(160,561)	(2)	—	
Special charges (recoveries)	24,579		(24,579)	(4)	—	
GAAP-based income from operations / Non-GAAP-based income from operations	412,330		352,668	(5)	764,998	
Other income (expense), net	(19,736)		19,736	(6)	—	
Provision for (recovery of) income taxes	78,800		13,481	(7)	92,281	
GAAP-based net income / Non-GAAP-based net income, attributable to OpenText	207,833		358,923	(8)	566,756	
GAAP-based earnings per share / Non-GAAP-based earnings per share- diluted, attributable to OpenText	\$ 0.77		\$ 1.32	(8)	\$ 2.09	

- (1) Adjustment relates to the exclusion of share-based compensation expense from our Non-GAAP-based operating expenses as this expense is excluded from our internal analysis of operating results.
- (2) Adjustment relates to the exclusion of amortization expense from our Non-GAAP-based operating expenses as the timing and frequency of amortization expense is dependent on our acquisitions and is hence excluded from our internal analysis of operating results.
- (3) GAAP-based and Non-GAAP-based gross profit stated in dollars and gross margin stated as a percentage of total revenue.
- (4) Adjustment relates to the exclusion of special charges (recoveries) from our Non-GAAP-based operating expenses as special charges (recoveries) are generally incurred in the periods relevant to an acquisition and include certain charges or recoveries that are not indicative or related to continuing operations, and are therefore excluded from our internal analysis of operating results. See note 18 "Special charges (recoveries)" to our Condensed Consolidated Financial Statements for more details.
- (5) GAAP-based and Non-GAAP-based income from operations stated in dollars.
- (6) Adjustment relates to the exclusion of other income (expense) from our Non-GAAP-based operating expenses as other income (expense) generally relates to the transactional impact of foreign exchange and is generally not indicative or related to continuing operations and is therefore excluded from our internal analysis of operating results. Other income (expense) also includes our share of income (losses) from our holdings in investments as a limited partner. We do not actively trade equity securities in these privately held companies nor do we plan our ongoing operations based around any anticipated fundings or distributions from these investments. We exclude gains and losses on these investments as we do not believe they are reflective of our ongoing business and operating results.
- (7) Adjustment relates to differences between the GAAP-based tax provision rate of approximately 27% and a Non-GAAP-based tax rate of approximately 14%; these rate differences are due to the income tax effects of items that are excluded for the purpose of calculating Non-GAAP-based adjusted net income. Such excluded items include amortization, share-based compensation, special charges (recoveries) and other income (expense), net. Also excluded are tax benefits/expense items unrelated to current period income such as changes in reserves for tax uncertainties and valuation allowance reserves, and "book to return" adjustments for tax return filings and tax assessments. Included is the amount of net tax benefits arising from the internal reorganization that occurred in Fiscal 2017 assumed to be allocable to the current period based on the forecasted utilization period. In arriving at our Non-GAAP-based tax rate of approximately 14%, we analyzed the individual adjusted expenses and took into consideration the impact of statutory tax rates from local jurisdictions incurring the expense.

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

	Nine Months Ended March 31, 2020	
	Per share diluted	
GAAP-based net income, attributable to OpenText	\$ 207,833	\$ 0.77
Add:		
Amortization	306,559	1.13
Share-based compensation	21,530	0.08
Special charges (recoveries)	24,579	0.09
Other (income) expense, net	19,736	0.07
GAAP-based provision for (recovery of) income taxes	78,800	0.29
Non-GAAP-based provision for income taxes	(92,281)	(0.34)
Non-GAAP-based net income, attributable to OpenText	<u>\$ 566,756</u>	<u>\$ 2.09</u>

Reconciliation of Adjusted EBITDA

	Nine Months Ended March 31, 2020	
GAAP-based net income, attributable to OpenText	\$ 207,833	
Add:		
Provision for (recovery of) income taxes		78,800
Interest and other related expense, net		105,849
Amortization of acquired technology-based intangible assets		145,998
Amortization of acquired customer-based intangible assets		160,561
Depreciation		65,809
Share-based compensation		21,530
Special charges (recoveries)		24,579
Other (income) expense, net		19,736
Adjusted EBITDA	<u>\$</u>	<u>830,695</u>

LIQUIDITY AND CAPITAL RESOURCES

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

(In thousands)	As of March 31, 2021	Change increase (decrease)	As of June 30, 2020
Cash and cash equivalents	\$ 1,475,626	\$ (217,224)	\$ 1,692,850
Restricted cash ⁽¹⁾	3,054	(1,359)	4,413
Total cash, cash equivalents and restricted cash	<u>\$ 1,478,680</u>	<u>\$ (218,583)</u>	<u>\$ 1,697,263</u>

⁽¹⁾ Restricted cash is classified under the Prepaid expenses and other current assets and Other assets line items on the Condensed Consolidated Balance Sheets.

(In thousands)	Nine Months Ended March 31,		
	2021	Change	2020
Cash provided by operating activities	\$ 579,931	\$ (94,355)	\$ 674,286
Cash used in investing activities	\$ (38,212)	\$ 1,410,718	\$ (1,448,930)
Cash provided by (used in) financing activities	\$ (782,855)	\$ (2,091,612)	\$ 1,308,757

Cash and cash equivalents

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

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

During the three months ended March 31, 2021, we made payments for U.S. federal taxes and interest of \$288.6 million and state taxes and interest of \$1.4 million as a result of the IRS Settlement. We expect to make remaining certain associated state tax and interest payments of approximately \$10.6 million primarily throughout the remainder of Fiscal 2021.

As of March 31, 2021, we have recognized a provision of \$25.1 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 deferred a total of approximately \$99 million of tax payments under the CARES Act and other COVID-19 related tax relief programs in EMEA. During the nine months ended March 31, 2021, we made repayments of approximately \$53 million related to amounts previously deferred. As of March 31, 2021, we have remaining deferrals of \$46 million which will become payable throughout the remainder of Fiscal 2021 with a portion becoming payable in Fiscal 2022.

Cash flows provided by operating activities

Cash flows from operating activities decreased by \$94.4 million, as compared to the same period in the prior fiscal year, due to a decrease in changes from working capital of \$69.5 million and a decrease in net income before the impact of non-cash items of \$24.9 million. The decrease in operating cash flow from changes in working capital was primarily due to the net impact of the following decreases:

- (i) \$83.0 million relating to income taxes payable, net of receivables;
- (ii) \$22.4 million relating to net operating lease assets and liabilities;
- (iii) \$6.7 million relating to other assets; and
- (iv) \$2.4 million relating to contract assets.

These decreases in operating cash flows were partially offset by the following increases:

- (i) \$24.3 million relating to deferred revenues;
- (ii) \$14.9 million relating to accounts payable and accrued liabilities;
- (iii) \$4.8 million relating to prepaid expenses and other current assets; and

(iv) \$1.0 million relating to accounts receivable.

During the third quarter of Fiscal 2021 our days sales outstanding (DSO) was 44 days, compared to a DSO of 51 days during the third quarter of Fiscal 2020, largely as a result of strong improvement in collections efficiency. The per day impact of our DSO in the third quarter of Fiscal 2021 and Fiscal 2020 on our cash flows was \$9.3 million and \$9.1 million, respectively. In arriving at DSO, we exclude contract assets as these assets do not provide an unconditional right to the related consideration from the customer.

Cash flows used in investing activities

Our cash flows used in investing activities is primarily on account of acquisitions and additions of property and equipment.

Cash flows used in investing activities decreased by \$1.4 billion, primarily due to consideration paid for acquisitions during the first nine months of Fiscal 2020, which included the acquisitions of Carbonite for \$1.3 billion and XMedius for \$73.3 million.

Cash flows provided by (used in) financing activities

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

Cash flows used in financing activities increased by \$2.1 billion, primarily due to the net impact of the following long-term debt financing activities that occurred in Fiscal 2020 and did not recur in Fiscal 2021:

- (i) \$1.8 billion relating to proceeds from the issuance of Senior Notes 2028 and Senior Notes 2030 (both defined below), of which a portion of the proceeds were used to redeem \$800 million of our Senior Notes 2023;
- (ii) \$750 million in proceeds for amounts drawn and subsequently repaid under the Revolver (defined below);
- (iii) \$153.6 million repayment of convertible notes, inherited through our acquisition of Carbonite, which were surrendered and converted for an aggregate repayment; and
- (iv) \$600 million in proceeds for amounts drawn on the Revolver in the third quarter of Fiscal 2020, subsequently repaid during the second quarter of Fiscal 2021.

Additionally, cash used to repurchase Common Shares on the open market for potential reissuance under our stock compensation plans increased by \$52.4 million and cash dividends paid to shareholders increased by \$14.9 million.

Cash Dividends

During the three and nine months ended March 31, 2021, we declared and paid cash dividends of \$0.2008 and \$0.5762 per Common Share, respectively, in the aggregate amount of \$54.5 million and \$156.3 million, respectively (three and nine months ended March 31, 2020—\$0.1746 and \$0.5238 per Common Share, respectively, in the aggregate amount of \$47.3 million and \$141.4 million, respectively).

Future declarations of dividends and the establishment of future record and payment dates are subject to final determination and discretion of the Board. See Item 5 "Dividend Policy" in our Annual Report on Form 10-K for Fiscal 2020 for more information.

Long-term Debt and Credit Facilities

Senior Unsecured Fixed Rate Notes

Senior Notes 2030

On February 18, 2020 Open Text Holdings, Inc. (OTHI), 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.

We may redeem all or a portion of the Senior Notes 2030 at any time prior to February 15, 2025 at a redemption price equal to 100% of the principal amount of the Senior Notes 2030 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. We may also redeem up to 40% of the aggregate principal amount of the Senior Notes 2030, on one or more occasions, prior to February 15, 2025, using the net proceeds from certain qualified equity offerings at a redemption price of 104.125% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. We may, on one or more occasions, redeem the Senior Notes 2030, in whole or in part, at any time on and after February 15, 2025 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2030, dated as of February 18, 2020, among OTHI, the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2030 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of change of control triggering events specified in the 2030 Indenture, we will be required to make an offer to repurchase the Senior Notes 2030 at a price equal to 101% of the principal amount of the Senior Notes 2030, plus accrued and unpaid interest, if any, to the date of purchase.

The 2030 Indenture contains covenants that limit the Company, OTHI and certain of the Company's subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee additional indebtedness of the Company, OTHI or certain of the Company's subsidiaries without such subsidiary becoming a subsidiary guarantor of Senior Notes 2030; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2030 Indenture. The 2030 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding Senior Notes 2030 to be due and payable immediately.

Senior Notes 2030 are guaranteed on a senior unsecured basis by the Company and the Company's existing and future wholly-owned subsidiaries (other than OTHI) that borrow or guarantee the obligations under our existing senior credit facilities. Senior Notes 2030 and the guarantees rank equally in right of payment with all of the Company, OTHI and the guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of the Company, OTHI and the guarantors' future subordinated debt. Senior Notes 2030 and the guarantees will be effectively subordinated to all of the Company, OTHI and the guarantors' existing and future secured debt, including the obligations under the senior credit facilities, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2030 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2030 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on February 18, 2020.

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.

We may redeem all or a portion of the Senior Notes 2028 at any time prior to February 15, 2023 at a redemption price equal to 100% of the principal amount of the Senior Notes 2028 plus an applicable premium, plus accrued and unpaid interest, if any, to the redemption date. We may also redeem up to 40% of the aggregate principal amount of the Senior Notes 2028, on one or more occasions, prior to February 15, 2023, using the net proceeds from certain qualified equity offerings at a redemption price of 103.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, subject to compliance with certain conditions. We may, on one or more occasions, redeem the Senior Notes 2028, in whole or in part, at any time on and after February 15, 2023 at the applicable redemption prices set forth in the indenture governing the Senior Notes 2028, dated as of February 18, 2020, among the Company, the subsidiary guarantors party thereto, The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian trustee (the 2028 Indenture), plus accrued and unpaid interest, if any, to the redemption date.

If we experience one of the kinds of change of control triggering events specified in the 2028 Indenture, we will be required to make an offer to repurchase the Senior Notes 2028 at a price equal to 101% of the principal amount of the Senior Notes 2028, plus accrued and unpaid interest, if any, to the date of purchase.

The 2028 Indenture contains covenants that limit our and certain of our subsidiaries' ability to, among other things: (i) create certain liens and enter into sale and lease-back transactions; (ii) create, assume, incur or guarantee additional indebtedness of the Company or the guarantors without such subsidiary becoming a subsidiary guarantor of Senior Notes 2028; and (iii) consolidate, amalgamate or merge with, or convey, transfer, lease or otherwise dispose of its property and assets

substantially as an entirety to, another person. These covenants are subject to a number of important limitations and exceptions as set forth in the 2028 Indenture. The 2028 Indenture also provides for events of default, which, if any of them occurs, may permit or, in certain circumstances, require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding Senior Notes 2028 to be due and payable immediately.

Senior Notes 2028 are guaranteed on a senior unsecured basis by our existing and future wholly-owned subsidiaries that borrow or guarantee the obligations under our existing senior credit facilities. Senior Notes 2028 and the guarantees rank equally in right of payment with all of our and our guarantors' existing and future senior unsubordinated debt and will rank senior in right of payment to all of our and our guarantors' future subordinated debt. Senior Notes 2028 and the guarantees will be effectively subordinated to all of our and our guarantors' existing and future secured debt, including the obligations under the senior credit facilities, to the extent of the value of the assets securing such secured debt.

The foregoing description of the 2028 Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the 2028 Indenture, which is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on February 18, 2020.

Senior Notes 2026

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

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

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

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

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

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

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

Term Loan B

On May 30, 2018, we entered into a credit facility, which provides for a \$1 billion term loan facility with certain lenders named therein, Barclays Bank PLC (Barclays), as sole administrative agent and collateral agent, and as lead arranger and joint bookrunner (Term Loan B) and borrowed the full amount on May 30, 2018 to, among other things, repay in full the loans under our prior \$800 million term loan credit facility originally entered into on January 16, 2014. Repayments made under Term Loan B are equal to 0.25% of the principal amount in equal quarterly installments for the life of Term Loan B, with the remainder due at maturity.

Borrowings under Term Loan B are secured by a first charge over substantially all of our assets on a pari passu basis with the Revolver. Term Loan B has a seven year term, maturing in May 2025.

Borrowings under Term Loan B bear interest at a rate per annum equal to an applicable margin plus, at the borrower's option, either (1) the Eurodollar rate for the interest period relevant to such borrowing or (2) an ABR rate. The applicable margin for borrowings under Term Loan B is 1.75%, with respect to LIBOR advances and 0.75%, with respect to ABR advances. The interest on the current outstanding balance for Term Loan B is equal to 1.75% plus LIBOR (subject to a 0.00% floor). As of March 31, 2021, the outstanding balance on the Term Loan B bears an interest rate of 1.86%. 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 "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2020.

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

Under Term Loan B, we must maintain a "consolidated net leverage" ratio of no more than 4:1 at the end of each financial quarter. Consolidated net leverage ratio is defined for this purpose as the proportion of our total debt reduced by unrestricted cash, including guarantees and letters of credit, over our trailing twelve months net income before interest, taxes, depreciation, amortization, restructuring, share-based compensation and other miscellaneous charges. As of March 31, 2021, our consolidated net leverage ratio was 1.6:1.

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 "Risk Factors" in our Annual Report on Form 10-K for Fiscal 2020.

Under the Revolver, 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.

During the second quarter of Fiscal 2021, we repaid \$600 million previously drawn on the Revolver using cash on hand. As of March 31, 2021, we had no outstanding balance under the Revolver (June 30, 2020—\$600 million). During the three and nine months ended March 31, 2021, we recorded interest expense of nil and \$3.6 million, respectively, relating to amounts previously drawn.

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 outbreak. As of March 31, 2020, \$600 million remained outstanding. During the three and nine months ended March 31, 2020, we recorded interest expense of \$3.7 million and \$4.3 million, respectively, relating to amounts previously drawn.

For further details relating to our debt, please see note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements.

Shelf Registration Statement

On November 29, 2019, we filed a universal shelf registration statement on Form S-3 with the SEC, which became effective automatically (the Shelf Registration Statement). The Shelf Registration Statement allows for primary and secondary offerings from time to time of equity, debt and other securities, including Common Shares, Preference Shares, debt securities, depositary shares, warrants, purchase contracts, units and subscription receipts. A base shelf short-form prospectus qualifying the distribution of such securities was concurrently filed with Canadian securities regulators on November 29, 2019. The type of securities and the specific terms thereof will be determined at the time of any offering and will be described in the applicable prospectus supplement to be filed separately with the SEC and Canadian securities regulators.

Share Repurchase Plan

On November 5, 2020, the Board authorized a share 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 on the NASDAQ Global Select Market, the Toronto Stock Exchange and/or other exchanges and alternative trading systems in Canada and/or the United States, if eligible, subject to applicable law and stock exchange rules (the "Repurchase Plan"). The price that we will pay for Common Shares in open market transactions will be the market price at the time of purchase or such other price as may be permitted by applicable law or stock exchange rules.

The Repurchase Plan will be effected in accordance with Rule 10b-18 under the U.S. Securities Exchange Act of 1934. Purchases made under the Repurchase Plan will be subject to a limit of 13,618,774 shares (representing 5% of the Company's issued and outstanding Common Shares as of November 4, 2020). All Common Shares purchased by us pursuant to the Repurchase Plan will be cancelled.

During the three and nine months ended March 31, 2021, we did not repurchase any of our Common Shares under the Repurchase Plan.

Pensions

As of March 31, 2021, our total unfunded pension plan obligations were \$83.4 million, of which \$2.8 million is payable within the next twelve months. We expect to be able to make the long-term and short-term payments related to these obligations in the normal course of operations.

Our anticipated payments under our most significant plans, Open Text Document Technologies GmbH (CDT), GXS GmbH (GXS GER), GXS Philippines, Inc. (GXS PHP), for the fiscal years indicated below are as follows:

	Fiscal years ending June 30,		
	CDT	GXS GER	GXS PHP
2021 (three months ended)	\$ 203	\$ 246	\$ 28
2022	877	1,014	254
2023	975	1,014	100
2024	1,083	1,022	140
2025	1,130	1,051	190
2026 to 2030	6,486	5,154	2,456
Total	\$ 10,754	\$ 9,501	\$ 3,168

For a detailed discussion on pensions, see note 12 "Pension Plans and Other Post Retirement Benefits" to our Condensed Consolidated Financial Statements.

Commitments and Contractual Obligations

As of March 31, 2021, we have entered into the following contractual obligations with minimum payments for the indicated fiscal periods as follows:

	Payments due between				
	Total	April 1, 2021 - June 30, 2021	July 1, 2021 - June 30, 2023	July 1, 2023 - June 30, 2025	July 1, 2025 and beyond
Long-term debt obligations ⁽¹⁾	\$ 4,547,824	\$ 32,040	\$ 300,124	\$ 1,225,472	\$ 2,990,188
Operating lease obligations ⁽²⁾	298,632	15,796	114,835	73,991	94,010
Purchase obligations for contracts not accounted for as lease obligations	82,060	20,738	61,322	—	—
	<u>\$ 4,928,516</u>	<u>\$ 68,574</u>	<u>\$ 476,281</u>	<u>\$ 1,299,463</u>	<u>\$ 3,084,198</u>

⁽¹⁾ Includes interest up to maturity and principal payments. Please see note 11 "Long-Term Debt" to our Condensed Consolidated Financial Statements for more details.

⁽²⁾ Represents the undiscounted future minimum lease payments under our operating leases liabilities and excludes sublease income expected to be received under our various sublease agreements with third parties. Please see note 6 "Leases" to our Condensed Consolidated Financial Statements for more details.

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 Condensed 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 Quarterly Report on Form 10-Q, 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 more fully described 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) is examining certain of our tax returns for our fiscal year ended June 30, 2010 (Fiscal 2010) through our fiscal year ended June 30, 2012 (Fiscal 2012), and in connection with those examinations is reviewing our internal reorganization in Fiscal 2010 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 have not recorded any material accruals for any such potential adjustments in our Condensed 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 \$1.3 million and \$300.6 million, respectively, during the three and nine months ended March 31, 2021 to "Provision for (recovery of) income taxes". In connection with the IRS Settlement, during the three months ended March 31, 2021, we made aggregate payments to the IRS of \$288.6 million in U.S. federal taxes and interest and \$1.4 million of certain associated state tax and interest payments. The remaining payments of certain associated state tax and interest of approximately \$10.6 million, which as of March 31, 2021 is recorded within "Income taxes payable" in our Condensed Consolidated Balance Sheets, are expected to occur primarily throughout the remainder of Fiscal 2021. The IRS Settlement also eliminates approximately \$90 million in future withholding taxes that we had expected to incur over the next 10 years. Interest at the applicable statutory rates will continue to accrue until the time of payment.

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 March 31, 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 \$64 million. As of March 31, 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 Condensed Consolidated Balance Sheets as of March 31, 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. The CRA has invited us to make submissions responding to the Proposal Letter, which will be our first opportunity to respond to the CRA's position. CRA's 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 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 Quarterly Report on Form 10-Q, we have not recorded any accruals in respect of these reassessments or proposed reassessment in our Condensed Consolidated Financial Statements.

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 lead plaintiff's brief in support of its appeal was filed on March 2, 2021. The defendants' opposition brief was filed on March 31, 2021. The lead plaintiff's reply brief will be due on May 7, 2021.

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 our Annual Report on Form 10-K for Fiscal 2020.

Off-Balance Sheet Arrangements

We do not enter into off-balance sheet financing as a matter of practice, except for guarantees relating to taxes and letters of credit on behalf of parties with whom we conduct business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest rate risk

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

As of March 31, 2021, we had an outstanding balance of \$970.0 million on Term Loan B. Term Loan B bears a floating interest rate of 1.75% plus LIBOR. As of March 31, 2021, an adverse change of one percent on the interest rate would have the effect of increasing our annual interest payment on Term Loan B by approximately \$9.7 million, assuming that the loan balance as of March 31, 2021 is outstanding for the entire period (June 30, 2020—\$9.8 million).

As of March 31, 2021, we had no outstanding balance under the Revolver. Borrowings under the Revolver bear interest per annum at a floating rate of LIBOR plus a fixed rate that is dependent on our consolidated net leverage ratio ranging from 1.25% to 1.75%. As of March 31, 2021, with no outstanding balance on the Revolver, an adverse change of one percent on the interest rate would have no effect on our annual interest payment (June 30, 2020—\$6.0 million).

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 our Annual Report on Form 10-K for Fiscal 2020.

Foreign currency risk

Foreign currency transaction risk

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

Based on the foreign exchange forward contracts outstanding as of March 31, 2021, a one cent change in the Canadian dollar to U.S. dollar exchange rate would have caused a change of \$0.7 million in the mark to market on our existing foreign exchange forward contracts (June 30, 2020—\$0.6 million).

Foreign currency translation risk

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

The following table shows our cash and cash equivalents denominated in certain major foreign currencies as of March 31, 2021 (equivalent in U.S. dollar):

(In thousands)	U.S. Dollar Equivalent at March 31, 2021	U.S. Dollar Equivalent at June 30, 2020
Euro	\$ 323,746	\$ 229,579
British Pound	83,926	64,865
Canadian Dollar	22,769	20,311
Swiss Franc	39,162	43,365
Other foreign currencies	120,579	93,292
Total cash and cash equivalents denominated in foreign currencies	590,182	451,412
U.S. Dollar	885,444	1,241,438
Total cash and cash equivalents	\$ 1,475,626	\$ 1,692,850

If overall foreign currency exchange rates in comparison to the U.S. dollar uniformly weakened by 10%, the amount of cash and cash equivalents we would report in equivalent U.S. dollars would decrease by \$59.0 million (June 30, 2020—\$45.1 million), assuming we have not entered into any derivatives discussed above under "Foreign Currency Transaction Risk".

Item 4. Controls and Procedures

(A) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, our management, with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that information required to be disclosed by us in the reports we file under the Exchange Act (according to Rule 13(a)-15(e)) is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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

Based on the evaluation completed by our management, in which our Chief Executive Officer and Chief Financial Officer participated, our management has concluded that there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fiscal quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As a result of COVID-19, we continue to operate under a work from home model. Although our pre-existing controls were not specifically designed to operate in this current environment, we continue to believe that our established internal control over financial reporting addresses all identified risk areas. We continue to monitor for any effects that the COVID-19 pandemic may have on the design or operating effectiveness of our internal control over financial reporting.